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Assessing Technical and Functional Features of Office Buildings and Their Effects on Satisfaction and Loyalty

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## ABSTRACT

This study assesses the service performance of commercial office buildings in the Golden Triangle Kuala Lumpur (GTKL) and understands how they influence tenant satisfaction and loyalty. Literature suggests that the commercial office building leasing context provides more service components compared to goods, hence, the service performance (SERVPERF) framework was used in this study. Data was collected from 250 tenants of 48 buildings using questionnaires. The Structural Equation Model (SEM) technique was used to test the hypothesis and three significant relationships were found. The result indicated that Building Features, Services and Management performance (BFSM), agglomeration performance and Responsive Customer Orientation (RCO) significantly influenced tenant satisfaction, and subsequently resulted in loyalty. The implications for managers and the theories in this regard are then discussed.

**Keywords:** SERVQUAL, SERVPERF, satisfaction, loyalty & commercial office building

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Any remaining errors or omissions rest solely with the author(s) of this paper.

#### INTRODUCTION

As an industry matures, the competitive advantage through providing high quality services becomes more important for business survival. The commercial office industry in the Kuala Lumpur city centre area is maturing and facing over-supply issues due to the accelerated supply and slow demand. It is a scenario of a "tenants' market", where tenants have more bargaining power in negotiating better leasing term (Foo, 2014). Hence, office tenants are likely to sail on the opportunity and move to an office building with a better deal (Muhlebach, 1998). In this scenario, a way to differentiate an office building from others, is riding on service excellence.

Subsequently, identifying service performance factors that affect tenant satisfaction and loyalty becomes relevant and crucial. According to Bell (2001), the top criteria for improving retention comes from service improvements and service relationships. However, a study on the property management practices in Malaysia indicates that only 30% of property managers use service performance as their management tool (Zarita and Zainal, 2004). Apparently, property managers focus more on performance variables that are conveniently available, for example, investment based office performances like "Return on Investment (ROI)" and the occupancy cost performance (Zarita and Zainal, 2004). Managers measure the end results as opposed to the incremental processes (i.e. tenant satisfaction) that make up the end result. These performances tend to explain 'what' but provide little insight into the 'why'. As a result, managers can only hypothesize or guess the actual cause (Schwenker, 1999). In order to answer the 'why', property managers need to focus on customer based performance assessments (Muhlebach, 1998). Service performance is a customer based assessment and hence it is the focus of this study.

In the context of office building management, PROPERTYQUAL (Baharum, Nawawi and Saat, 2009) has been used in measuring service quality, examining customers satisfaction in the management of public office buildings (Zailan and Maziah, 2004) and measuring the performance of office building maintenance management in Malaysia (Myeda, Kamaruzzaman and Pitt, 2011). However, these studies emphasized general factors like responsiveness, reliability, empathy, tangibility and assurance, but exclude the technical factors of the office buildings. A research by Yasmin, Mohd Nasir and Muhammad Najib (2012) identified technical office building factors like building features, services and management (BFSM), monetary factor, lease factor and location factor (agglomeration & accessibility) as important criteria perceived by tenants. These factors form a good basis for service performance assessments, but have not been used in leasing decisions so far. This study intends to empirically test the applicability of the Yasmin et al. (2012) factors in explaining satisfaction. On top of that, customer orientation factors (Proactive

and Responsiveness) which could be classified as functional dimensions that were proposed to impact satisfaction (Flint, Blocker, and Boutin, 2011), will be included in the study. Specifically, this research is an effort to gain insight into different tenant-based performance assessments for property managers to quantify their service performances and understand how these influence tenant satisfaction and loyalty. Therefore, the research has three main questions:

- (i) Which technical dimensions of commercial office building are influential on tenant satisfaction?
- (ii) Which functional dimensions of customer orientation are salient to tenant satisfaction?
- (iii) What is the relationship between tenant satisfaction and tenant loyalty?

## LITERATURE REVIEW

## **Customer Relationship Management (CRM)**

The term customer relationship management (CRM) has been defined from various distinct perspectives. CRM has been defined as a comprehensive approach for creating, maintaining and expanding customer relationships (Kristin and Kern, 2002). Similarly, Berry (1995) defined CRM as an establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and organizations. According to Blattberg, Getz, and Thomas (2001), CRM is a business strategy that intends to lower costs, increase business profitability by retaining loyal customers and emphasize a customer's lifetime value (CLV). Also, Berry and Linoff (2004) remarked that CRM is a business philosophy in generating profits by focusing on customers' share of wealth, instead of focusing on the market share. Clearly, CRM brings many benefits to organizations.

Besides generating sales, facilitating marketing and helping with customer support through the sharing of flexibility, mobility and information (Kalakota and Robinson, 2001), CRM also helps to prevent the costs of attracting new customers which are much higher than keeping present customers (Li, 2003). According to Jamal and Naser (2002), CRM can bring openness, honesty, information exchange, flexibility and responsiveness to customers' complaints, which results in more loyal customers. Other than that, CRM can also improve profitability by having a deeper understanding and prediction of customers' behaviours, habits, needs and trends through information sharing (Chen and Popovich, 2003; Kalakota and Robinson, 2000).

Many business managers and scholars have based their study on the CRM concept and used the three key variables in their study. The variables are service quality (Parasuraman, Zeithaml and Berry, 1988; Rootman, Tait and Bosch, 2008), customer satisfaction (Eshghi, Haughton and Topi, 2007; Lo, Stalcup and Lee, 2010) and customer loyalty (Bandyopadhyay and Martell, 2007; Taleghani and Taban, 2011). Kuo, Wu and Deng (2009) also stated that service quality, customer orientation, customer satisfaction and customer loyalty are important antecedents for CRM as an establishment and maintenance of long-term relationships with customers.

However, there is still a lack of service performance assessments for property managers to use the concept of CRM. According to Leishman and Watkins (2004), most studies look at office tenants' choices which emphasise location preferences and do not include the office building offerings. Such a research does not address how the relationship between landlord and tenant is enhanced, which neglects the concept of loyalty in the long run. Given that CRM is a useful marketing tool to understand tenant expectations and perceptions, which reflect the service quality of office buildings, the following reviews the notion of service quality.

#### Service Quality and Service Performance

All this while, many researchers concur that service quality is an elusive concept, and there is considerable debate on how best to conceptualize this phenomenon (Bolton and Drew, 1991; Carman, 1990; Parasuraman, Zeithaml and Berry, 1994). Service quality was first defined by Lewis and Booms (1983) as a measure of how well the service level delivered matches customer expectation. In other words, customers have expectations and service quality acts as standards of reference points to evaluate the performance of an organization. However, throughout the years, there seem to be a consensus that sees service quality as an attitude aspect that captures the overall judgment about service superiority.

Subsequently, Parasuraman et al. (1988) developed service quality (SERVQUAL) measure and defined service quality as a global judgment, or attitude, relating to the superiority of the service, including evaluations of the outcome (i.e. what the customer actually receives from the service) and the process of the service act (i.e. the manner in which the service is delivered). This definition was similar to a few others that defined service quality as the difference between the consumers' expectations of what they want and their perceptions of what they get (Grönroos, 1984; Smith and Houston, 1983). In other words, a consumer evaluates service quality by comparing service expectations with experiences of the service received or actual service performance. This is in line with the notion of Lewis

and Booms (1983), where service quality is a measure of how well the service level delivered matches customer expectations (perception minus expectations). Using the disconfirmation paradigm as a theoretical basis, Parasuraman et al. (1988) proposed five main service quality dimensions that constitute of reliability, assurance, tangibility, responsiveness and empathy. The purpose of these instruments was to uncover broad areas of good or bad service quality, prior to service delivery. Thereafter, Parasuraman, Zeithaml and Berry (1994) had improved the SERVQUAL dimensions, resulting in 10 main factors which are reliability, responsiveness, competence, accessibility, courtesy, communication, reliability, security, understanding and tangibility.

This SERVQUAL dimension was then becoming a significant landmark in service quality studies and had also been extensively applied in different service settings in Malaysia. Empirical evidences on the applicability of SERVQUAL have covered wide range of industries including banking (Ting, 2004), public services like road transport as well as telecommunications (Ilhaamie, 2010; Zainuddin, 1997), telemarketing (Kassim and Bojei, 2002), hospitals (Sohail, 2003), higher education (Shekarchizadeh, Rasli and Hon-Tat, 2011; Vaz and Mansori, 2013), tourism and hospitality (Mey, Akbar and Fie, 2006; Poon and Low, 2005) as well as property (Baharum et al., 2009; Zailan and Maziah, 2004). SERVQUAL was modified and renamed to PROPERTYQUAL in the context of property service performance, to measure the perceived service quality in property management services (Baharum et al., 2009).

However, SERVQUAL is said to suffer from a few weaknesses. Among those who criticized SERVRQUAL are Cronin and Taylor (1992), who argued that service quality that includes both expectation and delivery is an attitudebased conceptualization. To truly reflect performance assessments, Cronin and Taylor (1992) suggested that the expectation scale be discarded in favour of a performance measure, which they named service performance (SERVPERF). Other arguments against the perception-expectation gap theory come from the notion that expectations are based on experienced norms, which is very individualized and may not be relevant in certain contexts, given the price variant (Woodruff, Cadotte and Jenkins, 1983). Similarly, Oliver (1980) also suggested that consumers form expectations on the basis of prior experiences before a service encounter, and that these experiences affect their expectations. Hence, it is suggested that theoretically, performance-based measures or performance paradigms better reflect or explain long-term service quality performance compared to the disconfirmation-based SERVQUAL.

In addition to the theoretical argument, Cronin and Taylor (1992) reported that using a performance based approach for the assessment of service performance often

outperforms the disconfirmation-based SERVQUAL assessment. Empirically, there are several studies undertaken to compare the two instruments and discuss which one measures service quality in the true sense, or which instrument is more applicable in a certain context. For instance, Kang and James (2004) argued that SERVQUAL focuses more on the service delivery process than on other attributes of service, such as service-encounter outcomes (i.e. technical dimensions). In other words, the SERVQUAL measurement does not adequately explain the technical attributes of service. Cronin and Taylor (1994) reiterated that the SERVPERF measurement produces better results compared to SERVQUAL, especially in terms of more reliable estimations, greater convergence and discriminating validity, greater explained variance, and consequently less biasness than the SERVQUAL (i.e. study across four types of service industries, i.e. banks, pest control, dry cleaning and fast food). Similarly, Llusar and Zornoza (2000) found SERVPERF to be a better measure in the scope of service activities than SERVQUAL. Subsequently, SERVPERF was also popularly replicated in a diverse range of industries, such as higher education (Firdaus, 2006; Sultan and Wong, 2010), retail sector (Mehta, Lalwani and Han, 2000), ceramic industries (Llusar and Zornoza, 2000), libraries (Nejati and Nejati, 2008), automotive repair industry (Andronikidis, 2009) and fast food restaurants (Qin, Prybutok and Zhao, 2010).

Similarly, Quester and Romaniuk (1997) through their empirical study found that when used in the advertising industry, the performance-based SERVPERF outperformed the SERVQUAL measurement. In contrast, Mehta et al. (2000) found that for a "more goods and less service" environment (e.g. a supermarket), SERVQUAL was a better measurement. Conversely, SERVPERF was a better performance assessment in the retailing context where the service elements are more important (e.g. an electronic goods retailer). Given the fact that commercial office buildings leasing contexts provide more service components (e.g. cleaning service, café service, security service or life service) compared to goods, SERVPERF is a more appropriate measurement scale compared to SERVQUAL.

There is limited research looking at service performance in the office building context. A search in the "Google Scholar" database using the keywords of "service quality" and "real estate" generated eight articles; they are summarized in appendix 1. Six out of the eight articles use real estate agents or brokerage firms as target population. Only two focused on office building tenants, suggesting that more research in the office building context is needed. Hence, it is interesting to extend further the service performance concept in the office building context.

## HYPOTHESIS DEVELOPMENT

## **Technical Dimension**

Technical dimension refers to the outcome aspect of quality that is linked to the product features which are used to deliver what a customer actually receives from a service or a service encounter (Kang, 2006). A total of five technical dimensions were identified from Yasmin et al. (2012); building features, services and management (BFSM), monetary factor, lease factor, agglomeration and accessibility of the location. They reported these five as highly important criteria in tenants' decision-making towards commercial office building selection.

# **Building features, Services and Management (BFSM) and Tenant Satisfaction**

Building features, services and management are important criteria in the evaluation of the service performance level from the tenant perspective. This is due to the fact that tenants stay in a building for long hours, thus, features like floor-ceiling height, comfortable working environment, design and building finishes, directly affect their well-being in the office (Baharum et al., 2009). On top of that, when the building management's responsibilities like providing cleaning services, security and access control, modern IT and telecommunication system are performed well, it would enhance their working environment quality, thus making up part of the service performance dimension in evaluating the performance of the office building. According to Appel-Meulenbroek (2008), building factors like net usable area, extension possibilities, facilities services, flexibility, maintenance, appearance and comfort of the building are very influential factors that determine tenant satisfaction and loyalty. Similarly, Muhlebach (1998) suggested that improvement in the interior appearance of a building results in tenant retention. Kusbit and Sutton (1991) also agree that the image of the interior appearance is an important factor that influences tenant satisfaction because an office building is not just a place to work in, but also a place to meet guests and clients (Kusbit and Sutton, 1991).

Consistently, Kingsley's study (2004) revealed that tenant satisfaction is highly correlated to the property management's service performance. This is supported by Boma (1988) whereby factors that drive tenant satisfaction depend on; (i) the quality of the building management, (ii) property management knows the tenants' needs, (iii) property management is proactive, (iv) tenant space helps the tenants to be profitable, (v) space meets business needs, (vi) space has up to date technology infrastructure, (vii) property management is trustworthy and (viii) the floor plan

layout works for the tenants. Thus, empirical evidences provide support that building features, services and management's service quality are related to tenant satisfaction. Therefore, H1 is proposed:

> *H1* : There is a positive relationship between building features, services and management performance and tenant satisfaction

## **Location and Tenant Satisfaction**

Location factors play a key role in the spatial distribution of economic activities and companies' choice of location. According to Leishman, Dunse, Warren and Watkins (2003), the office space decision by any tenant organization emerges from the urban and real estate economics aspects. The economic location theory suggests that a good location provides two benefits to tenants; agglomeration benefit and accessibility benefits. Agglomeration refers to proximity to employees, suppliers and customers which help to reduce considerable cost of doing business (Bollinger, Ihlanfeldt and Bowes, 1998; Clapp, 1993). Accessibility refers to distances from the most prestigious addresses, proximity to the inner city train station or link with public transportation or closeness to the main shopping centre (Alexander, 1979). Using the location theory, Leishman and Watkins (2004) explained that office demand in the Central Business District (CBD) is high because of the cost benefits in terms of agglomeration and accessibility (i.e. better access to services, better access to labour, improved communications technology and infrastructure, and better client and market information).

Subsequently, Appel-Meulenbroek (2008) showed that location factors like parking facilities, proximity to the inner-city and facilities, and reachability bring a positive impact towards tenant satisfaction. This was consistent with the findings of Kurzrock, Rottke and Schiereck (2009) which indicated that higher performance of an office property can be achieved when the office location is being used as a competitive advantage. Based on empirical evidences in the literature, the office location is an important criterion for assessing an office building's performance. If the location provides agglomeration and accessibility benefits, the tenants are more satisfied. Thus, the following hypotheses are:

- H2 : There is a positive relationship between the location's agglomeration performance and tenant satisfaction
- H3 : There is a positive relationship between the location's accessibility performance and tenant satisfaction

#### **Lease Factors and Tenant Satisfaction**

Potential occupiers will be interested in a property for many reasons and one of the main technical reasons is leasing factors. Factors affecting whether the lease contract gets signed are likely to include the element of flexibility. Tenants always want to have flexibility in their office lease contract to meet uncertain changes in their business (Seiler and Reisenwitz, 2010; Seiler, Webb and Whipple, 2000). Tenants are happy to find flexibility like short lease periods (Hartz and Reber, 1992; Wadsworth, 1996). Thus, office buildings that provide flexible lease factors are likely to satisfy tenants.

Similarly, Dixon, Freeman and Toman (2010) reported strong customer satisfaction when lease terms were kept as simple as possible. Hence, if lease factors are well explained and meet the expectations of the tenants, there are high chances of satisfying the tenants. In the office context, if termination clauses, alteration clauses and repair clauses are flexible and simplified, they are more likely to meet the expectations of the tenants. When expectations on lease factors are met, the tenant may perceive that the lease factor performs well, and results in higher satisfaction. Thus, H4 is proposed:

*H4* : There is a positive relationship between the lease factor performance and tenant satisfaction

## **Monetary Factor and Tenant Satisfaction**

Another factor that is of major concern to tenants is the overall cost of renting the property, which is also known as pricing. Pricing is also known as the amount of money that a person is willing to depart in exchange of a product or service (Strauss, Frost and Ansary, 2009). According to Gibson (2000), the total costs of leasing are of particular importance in the office context. Gibson (2000) found that the total overall costs of leasing encompass far more than the headline rent, because fit-out cost, running costs and business support services can account for more than half the total occupation cost of offices. Thus, office building managers can enhance the landlord and tenant relationship by ensuring that tenants receive value for money and that they understand the cost structure so that they can appreciate the value.

Evidently, the main determinant of tenant satisfaction is that they understand the value-in-use of a product or service for which they are charged (Lemke, Clark and Wilson, 2011) and it is therefore crucial that occupiers are aware of the value they get. Furthermore, another empirical finding showed that for services that are included in the rent and service charge, occupiers require a well-drafted service level agreement with a provider they can trust (Gibson, 2000) and want to feel

confident that service charges are fair, transparent and well-managed (Noor, Pitt, Hunter and Tucker, 2010). Monetary cost structure that is perceived as favourably by tenants will lead to higher tenant satisfaction. Therefore, the following hypothesis is developed:

# H5 : There is a positive relationship between the monetary factor performance and tenant satisfaction

## **Functional Dimension**

The functional (process) dimension concerns the way a service is delivered to a consumer, that is, the customer's perception of the interaction that takes place during service delivery (Kang, 2006). It captures the process aspects of a service performance (Cronin and Taylor, 1992). A total of two functional dimensions were identified by Flint et al. (2011); Proactive Customer Orientation (PCO) and Responsive Customer Orientation (RCO). They reported these two factors as important aspects for increasing customers' business capability which could be a competitive advantage in the long run.

## **Responsiveness and Proactive Customer Orientation and Tenants Satisfaction**

Sustaining the functional performance of the office building to meet the expectations of the tenant is indeed a difficult task as it relates to understanding and predicting customer needs. Market-oriented firms generate and share intelligence about customer needs and take coordinated action to satisfy those needs (Day, 2000; Kohli and Jaworski, 1990; Narver and Slater, 1990). In other words, companies can create superior customer value by providing ongoing solutions to the customers' articulated needs, as well as their latent and future needs. According to Blocker, Flint, Myers and Slater (2011), a responsive customer orientation refers to a provider's capability to respond effectively to satisfy the customers' expressed needs. In contrast, a proactive customer orientation refers to a provider's capability probe the customers' latent needs and uncover future needs, possibly offering ideas even before the customers realize they had such a need. Both proactive customer orientation and responsive customer orientation can be viewed as creating superior value for customers that lead to loyalty (Beverland, Farrelly and Woodhatch, 2004).

Along the same vein, Eggert, Ulaga and Schultz (2006), Day (2000) and Parasuraman (1997) have mentioned that perceptions are moving targets due to customers invariably changing their expectations. Failure to meet dynamic

expectation changes may lead to customers becoming dissatisfied and terminating the relationship. Blocker et al. (2011) claimed that the cornerstone for the long-term survival of a firm is recognizing the value of proactive customer orientation and responsive customer orientation. In the case of office buildings, proactive customer orientation and responsive customer orientation are also likely to enhance the level of tenant satisfaction. Disconnectivity between the office building and tenants can be reduced if building managers are able to respond effectively on the expressed needs that change according to the dynamic market. In other words, an office building management that practices both customer orientations has a clearer picture of what to anticipate from tenants and is able to react faster on the tenant's change request. This will foster renewal and innovation within their business relationship.

In the tenants' context, the office building management that proactively and responsively meet their current and future needs has better capabilities to create value for them. According to Kusbit and Sutton (1991), responsiveness is often expected by tenants. Tenants will only be satisfy if they receive prompt, courteous and efficient responses from the management (Norwell and Stevens, 1992). Responding to the tenants' complaints and needs in a timely manner is a way to show that the management is concerned about the tenants (Birkeland and Bettini, 1995). Responsiveness is extremely important during the time of renovation, since many unexpected problems may arise from time to time, and tenants will require quick solutions (Hartz and Reber, 1992).On the other hand, proactive responses to potential complaints are important in tenant retention (Birkeland and Bettini, 1995). Due to the fact that only a few percent of dissatisfied tenants will voice out their complaints and resentments, management without noticing these dissatisfied tenants could have nothing done for improvements, and at the end hardly retain them when the time comes for lease renewals.

Subsequently, if both orientations are taken into consideration and managed properly in the context of commercial office buildings, it can be a competitive advantage tool for the office building, where it cannot be readily imitated by competitors in a short period of time. In other words, office buildings with high performance on both customer orientations (proactive and responsiveness) are likely to result in tenant satisfaction. Therefore, the following hypotheses are developed:

- *H6* : There is a positive relationship between proactive customer orientation and tenant satisfaction
- *H7* : There is a positive relationship between responsiveness customer orientation and tenant satisfaction

#### **Tenants Satisfaction and Tenants Loyalty**

Generally, satisfaction can be defined as the level of the buyers' enjoyment with their purchase (Zamzuri, Mohamed and Hussein, 2008). Song and Yan (2006) pointed that satisfaction is a comprehensive evaluation of experiences relating to a product or service. Mohit, Ibrahim and Rashid (2010) defined satisfaction as the feeling of contentment that buyers experience when the purchased house achieve their needs or desire. Luo and Homburg (2007) explained the mechanism of customer satisfaction with a number of distinct theories, such as the expectancydisconfirmation theory, contrast theory, assimilation or cognitive dissonance theory, equity theory, and value-perceptual theory. Among them, the most widely used theory is the expectancy disconfirmation theory. It is generally accepted in the marketing literature that satisfied customers can generate long-term benefits for companies, including customer loyalty and sustained profitability. Customer satisfaction is indeed a significant determinant of repeat purchases, cross-selling opportunities, positive word-of-mouth, price elasticity and customer loyalty in business-to-business markets as in the case of business tenants and office buildings (Bearden and Teel, 1983; Dick and Basu, 1994; Fornell, Johnson, Anderson, Cha and Bryant, 1996).

The relationship between customer satisfaction and customer loyalty has been explained in a number of ways. Oliver (1999) describes the two as inextricably linked, but in a lopsided fashion. That is, loyal customers are usually satisfied, but the reverse is not always true (Reichheld, 1992). However, many studies report a strong connection between customer satisfaction and customer loyalty (Anderson and Sullivan, 1993; Heskett, Sasser and Schlesinger, 1997; Mittal and Kamakura, 2001; Oliver, 1980; Rust and Zahorik, 1993). Several find that satisfaction with a supplier relationship contributes to long term commitment (Ganesan, 1994; Geyskens, Steenkamp and Kumar, 1999).

A common assumption is that customers who experience repeated satisfaction with suppliers are motivated to continue this relationship and are less likely to look elsewhere. This process has also been described to occur in phases, where loyalty builds over time from initial satisfaction to a fully bonded commitment (Oliver, Rust and Varki, 1997). Similarly, other researches show that customers experiencing increasing levels of satisfaction to the point that they are "tremendously satisfied" or "delighted" are more likely to remain in the fold than one who is just "satisfied" (Oliver et al., 1997). In the office building context, it is likely that tenants who are satisfied will remain within the same building as the switching costs of moving to another office building, such as renovations and moving costs are high (Barker, 2003). Thus, the following hypothesis is developed:

## *H8* : There is a positive relationship between tenant satisfaction and tenant loyalty.

From the review above, the conceptual framework shown in Figure 1 was developed to examine the aspects of service performance that influence tenant satisfaction and then tenant loyalty. SERVPERF proposes that both technical dimensions (e.g. building features, services and management, agglomeration, accessibility, monetary and lease factors) and functional dimensions (e.g. proactive and responsive customer orientation) are important components of the service performance and are used as theoretical basis of this study. This framework also extends the CRM concept, where the CRM key variables (service performance, satisfaction and loyalty) are included, to understand the elements of CRM that require improvements.



Figure 1 Conceptual framework

## METHODOLOGY

In this research, a quantitative approach is used. The GTKL was chosen as the study area because it is known as the premier commercial district in the city or international business hub with high concentration of major corporate organizations and prestigious international hotels, well served by financial institutions, highly accessible to the CBD and other city areas (Ting, 2002). The GTKL covers five main roads which are Jalan Raja Chulan, Bukit Bintang, Jalan Sultan Ismail, Jalan Ampang, Jalan P. Ramlee (Ting, 2002).

#### **Samples and Procedure**

The list of 144 office buildings in the GTKL was compiled from multiple website sources, including Zerin Properties, KL Office Space and Carey Real Estate. It is estimated that about 120 buildings are leasing office space to tenants, while the rest are occupied by the owners, such as Menara Public Mutual, Wisma RHB, and Tabung Haji Perdana. A structured questionnaire comprised of existing measures was pilot-tested using 15 participants to assess the relevance of the measures. Then, the revised questionnaire was distributed to the tenants.

A judgemental sampling strategy was used, where the respondents who fulfilled two criteria were invited to participate in the questionnaire survey. The criteria were: (1) participants hold top level management position (CEO, HR managers or Operation managers) who deal with the firm's office leasing matters; (2) the tenants have leased office space in the GTKL for more than a year. Data collection methods included the self-administered method through delivery and collection as well as researcher-administered method through face-to-face interviews. According to Dillman, Phelps, Tortora, Swift, Kohrell, Berck and Messer (2009), multiple survey modes are often used not only to reduce survey costs and coverage error, but also to improve timeliness and the response rates.

During the three months data collection period (August 2013 to October 2013), a total of 73 office buildings were contacted; 48 office buildings gave permission to conduct the survey, and the remaining 25 office buildings refused to grant access. The main reason for denying access was safety and security. From the 48 office buildings which granted access, 250 tenants completed the questionnaire. The sample size met the criteria suggested by Hair, Anderson, Black and Babin (2010), where any sample size greater than 200 is large enough for analysis that attempts to estimate unknown parameters.

## Measurement

As for the measurement, a 7-point Likert-type scale was used to measure the tenants' perception of the building performance in various aspects, the tenants' satisfaction level and their loyalty towards the office buildings. First, office building performances included agglomeration (*3 items*) and accessibility (*3 items*), lease features (*8 items*), monetary consideration (*3 items*), building features, services and management (*38 items*), which were adapted from Yasmin et al. (2012). The Yasmin et al. (2012) measurement scale was used to assess technical performance of office buildings because the scale was developed based on Malaysian data and multiple stakeholders' opinions (tenants, property owners and managers of purpose-

built offices in Kuala Lumpur) were sought in the development of the scale. The measurement scale ranged from 1 (Poor Performance) to 7 (Good Performance).

Second, proactive customer orientation (6 items) and responsive customer orientation (6 items) were adapted from Flint et al. (2011). The reason these variables were selected was because proactive and responsive customer orientations captured the functionality performance of service quality. These two measurements represent the dynamic capabilities of the property managers in fostering renewal and innovation in their relationships with their tenants. On top of that, both scales reported a high composite reliability score of 0.93 in a previous study (Flint et al., 2011).

Lastly, the tenant satisfaction measurement scale (5 *items*) was adapted from Lam, Shankar, Erramilli and Murthy (2004) and tenant loyalty (4 *items*) was adapted from Doney and Cannon (1997). These measures capture the respondents' level of agreement or disagreement (1-Strongly Disagree and 7-Strongly Agree) with the customer service behaviour of the office buildings. Two items on tenant loyalty used a scale that reflects very unlikely (1) to very likely (7). In addition, the composite reliability score for tenant satisfaction was reported 0.94 and the score for tenant loyalty was 0.88 from previous studies (Lam et al., 2004; Doney and Cannon, 1997). Finally, some demographic information like job title, industry sector, home country and office size were also included in the questionnaire.

## ANALYSIS AND RESULTS

The application of the Structural Equation Modelling (SEM) can not only estimate the known coefficients of the causal relationship among the latent variables, but can also specify how the hypothetical constructs are indicated by the observed variables (Jöreskog and Sörbom, 1988). We followed the two-stage procedures proposed by Anderson and Gerbing (1988) to conduct the SEM data analysis and to examine whether the collected data fit well with the proposed theoretical model by using AMOS 22 and SPSS 22 software packages. Firstly, the process of data cleaning, describing the respondents' profiles as well as describing the central tendencies of the variables was performed using SPSS. Then, a Confirmatory Factor Analysis (CFA) was conducted to test for the quality and adequacy of the measurement model using AMOS 22 (Anderson and Gerbing, 1988) in an attempt to assess the reliability, convergent validity, and discriminate validity of the constructs. Subsequently, descriptive analysis was conducted to test the mean values and standard deviations. Finally, in order to assess the relationships among the latent variables, a structural model was constructed to test the hypotheses developed for the study.

#### **Respondent Profile**

This section illustrates the profile of the respondents who had participated in the study. A total of four demographic profiles are presented here. These are job titles, building information, company background, and expansion potential of the tenants.

### Job Title

Table 1 shows the division of respondents according to their job titles. The majority of the respondents were Admin and Procurement managers (42%). This was followed by HR managers (25.2%). Other respondents held positions like CEO/CFO/COO, Operation Managers, Finance Managers and Others (Lawyer & Company Secretary) (with 10% frequency or less).

Job Title	Frequency	Percentage
CEO/CFO/OO	23	9
HR Manager	63	25
Admin & Procurement Manager	104	42
Operation Managers	24	10
Finance Managers	23	9
Others (Lawyer and Company Secretary)	13	5
Total	250	100

 Table 1
 Respondent profile under job titles

## **Building Information**

Table 2 shows the building information: office building grade, office size, occupancy rate, tenancy tenure and rent (psft) occupied by tenant respondents. In this study, there is an almost equal number of tenant respondents from both Grade A (52%) and Non-Grade A (48%) buildings, indicating sufficient representation from both categories in the sample. The term of Grade A and Non-Grade A are implicitly used by the property market in the GTKL (*e.g. www.corporateoffice.my; www.gokloffices. com; www.kloffices.net*); especially as no formal definition has been given by the authority body towards a suitable grading system of each office building. A Grade A office building is defined as possessing remarkable quality infrastructure, prestige, unique architecture, excellent location, have good accessibility, and is well professionally managed. As a result of this, they attract the highest quality tenants and also command the highest rents. As for Non-Grade A, it possesses an average

performance on quality management, location, architecture and infrastructure. All these are due to certain functional obsolescence and deterioration in the current office building condition. Hence, they command average market rent

As for office size, the majority of the respondents (68%) who participated in this study leased offices of 10,000 square feet and below. About 66% of respondent companies occupied the office space between 2.1 to 10 years. Lastly, an almost equal number of respondents paid a leasing price of RM4 per square feet and below (29%) and RM 4.1 to RM6 per square feet (33%).

		Frequency	Percentage (%)
(a)	Grade		
	Grade A Building	144	52
	Non-Grade A Building	106	48
(b)	Office size (sq. ft.)		
	2500 and below	57	23
	2501 to 5000	50	20
	5001 to 10000	62	25
	10,001 to 15,000	33	13
	15,001 to 25,000	20	8
	25,000 and above	28	11
(c)	Occupancy rate		
	50% and below	31	12
	51% to 75%	60	24
	76% and above	159	64
(d)	Tenancy tenure		
	2 years and below	65	26
	2.1 years to 5 years	73	29
	5.1 years to 10 years	91	37
	10.1 years and above	21	8
(e)	Rent per square feet		
	RM4 and below	71	29
	RM 4.1 to RM6	82	33
	RM6.1 to RM8	56	22
	Rm8 and above	41	16
	Total	250	100

 Table 2
 Building information

Table 3 shows the company background based on sectors and employee size. In terms of sectors, there was an equal number of respondents from the oil, gas and energy sector (30%) and business services sectors (e.g. legal, constructions, trading for import and export, insurance, travel agency, construction/property developers, education and telemarketing) (30%). There was also approximately 12% each from financial services and IT, respectively. All other sectors (Healthcare and Pharmaceuticals, Agriculture, Manufacturing, Public Sector, Utilities and Media Communications) had 5% of the participants or less in the survey. As for employee size, almost 62% of the companies were small-sized with 50 employees and less. Only about 5% were large companies with 300 employees and more. The balance 33% was medium-sized companies with employee size between 51 to 300 employees.

		Frequency	Percentage (%)
(a)	Sector		
	Oil, Gas and Energy	74	30
	Healthcare & Pharmaceuticals	2	1
	Agriculture	2	1
	Financial Services	32	12
	Business Services	74	30
	Manufacturing	12	5
	Public Sector	11	4
	Utilities	2	1
	IT	30	12
	Media & Communications	11	4
(b)	Employee Size		
	15 and below	73	29
	16 and 50	83	33
	51 to 100	48	19
	101 to 300	34	14
	301 and above	12	5
	Total	250	100

 Table 3
 Company background

#### ASSESSING THE CFA & MEASUREMENT MODEL

Before assessing the relationships between the constructs in the proposed framework, a CFA was performed to assess the reliability and validity of the constructs. The analytical technique of Structural Equation Modelling (SEM) allows a stepwise strategy to progressively improve the goodness-of-fit indices of the model (Chau, 1997). Based on the modification indices and the expected parameter change statistics, the fit of the analytical model can be slightly improved by allowing some pairs of errors to correlate step by step until all goodness-of-fit measures of the focal model achieve the recommended values (Schaufeli, Salanova, González-Romá and Bakker, 2002). Goodness-of-fit indices of the measurement model was chi-square 1221.58 with a 688 degree of freedom, thus, the relative chi-square of 1.964 met the Marsh and Hocevar (1985) standard that the ratio of chi-square to the degree of freedom should be <5.0. RMSEA=0.062, CFI=0.939, IFI=0.940, TLI=0.931 met Hair, Anderson, Black and Babin's (2010) criteria where three or four indices should provide adequate evidences of the model fit.

To assess the internal consistency of the indicators within a construct, the most common method is to compute the coefficient alpha of a given construct. According to Nunnally (1978), a Cronbach's  $\alpha$  value of greater than 0.7 implies that the internal consistency of the measurement scales was acceptable. The Cronbach's  $\alpha$  value of the constructs is shown in Table 4, where all were greater than 0.7. Hence, there was internal consistency for the thirteen constructs under study. Composite Reliability (C.R.) measures reliability and internal consistency for a latent construct (Zainudin, 2012). The measurement values for all nine constructs, as shown in Table 4, were all achieved the minimum estimation of composite reliability (CR $\geq$ 0.6).

Construct validity refers to the quality of a measurement scale, whether it truthfully represents a unique concept and not a replication of an existing concept. It requires two statistical procedures; convergent validity and discriminant validity. Convergent validity represents the strength of relationships between items that are predicted to represent a single latent construct (Kline, 2011). The average variance extracted (AVE) of the constructs is commonly used to assess convergent validity. When the AVE is greater or equal to 0.5, the convergent validity of the construct is achieved (Fornell and Larcker, 1981). Table 4 shows that all AVEs are greater than 0.5 after the process of item deletion, where items with factor loadings of less than 0.5 were deleted (Byrne, 2013; Hair et al., 2010).

Constructs and items	Standardised loadings	Cronbach Alpha (α)
BFSM (AVE=0.72; C.R.=0.93)		
Space Provision (7 items)	0.89	0.90
Building Management (6 items)	0.85	0.94
Building Design (6 items)	0.88	0.91
Building Services (6 items)	0.88	0.90
Accessibility & Convenience (4 items)	0.73	0.91
<b>Agglomeration Performance</b> (AVE=0.51; C.R.=0.75)		
Access to Market	0.87	
Branding/Image of the Location	0.63	0.74
Proximity to Clients/ Market	0.62	
Access to Amenities	Item deleted due to	low factor loading
Proximity to other Support Services	Item deleted due to	low factor loading
Access to Skilled Labour	Item deleted due to	low factor loading
Accessibility Performance (AVE=0.75; C.R.=0.90)		
Accessibility to Public Transport & Terminal	1.00	
Proximity to Major Trunk Roads/ Highways	0.53	0.86
Accessibility to Private Vehicles	0.99	
<b>Monetary Performance</b> (AVE=0.65; C.R.=0.84)		
Rental Rate	0.79	
Cost of Fit Out	0.61	0.83
Total Occupancy Cost	0.97	
Lease Performance (AVE=0.73; C.R.=0.87)		
Compliance with law & House Rules	0.64	
Alteration & Renovation	0.67	
Payment of Monies	0.88	0.87
Termination of Clause	0.90	0.87
Review/ Renewal Terms	0.69	
Repair & Insurance	0.59	
Length of Lease	Item deleted due to	low factor loading
Incentives	Item deleted due to	low factor loading

Table 4 Average variance extracted and construct reliability of constructs

## Table 4 (Cont'd)

<b>Proactive Customer Orientation (PCO)</b> (AVE=0.87; C.R.=0.96)	
Seem to spend time studying changes in our business environment so they can exercise better foresight about our company future needs.	0.89 r
Successfully anticipate changes in our company needs.	0.96
Present new solutions to us that our company actually needs but did not think to ask about.	0.93
Always looking for clues that might reveal changes in what our company values beyond what our company currently asks of them.	0.94
Excel at anticipating changes in what our company needs from the office building before our company even asks.	Item deleted due to low factor loading
Present new ideas to us that help our company keep pace with our changing environment.	Item deleted due to low factor loading
<b>Responsiveness Customer Orientation (RCO)</b> (AVE=0.80; C.R.=0.96)	)
Always respond effectively when our company asks them to make changes.	0.83
Take immediate action when our company tells them we've changed what we want from the relationship.	0.85
React quickly to our company requests for changes.	0.83
Always flexible to adapt to the changes our company asks for.	0.92
Never stop short to fully accommodate our company requests for changes.	0.98
Always willing to accommodate our company's requests for changes.	0.93

#### Table 4 (Cont'd)

Tenant Satisfaction (TS) (AVE=0.92; C.R.=0.96)	
In general, our company is very pleased with the office space and services offered by this office building.	0.88
Overall, our company feels delighted when thinking of this office building relationship.	0.90
Overall, our company believes this office building is a good partner to do business with.	0.89 0.96
Our company is completely happy with this property owner.	0.87
If our company had to do it all over again, our company would still choose to use this office building.	0.77
Tenant Loyalty (TL) (AVE=0.88; C.R.=0.90)	
Given that there is a need, our company intends to expand our office space with this office building for the foreseeable future.	0.59
Given that there is a need, how likely is it that your firm will continue to rent with this office building during the next year?	0.85 0.91
Given that there is a need, how likely is it that your firm will continue to rent with this office building during the next 3 to 5 years?	0.92
Our company would recommend this office building as the best service building in the area.	Item deleted due to low factor loading

Discriminant validity assesses if the construct is truly distinct from other constructs. According to Brown (2012), discriminant validity involves the relationship between a particular latent construct and other constructs of a similar nature. In order to examine discriminant validity, the AVE for two constructs is compared with square correlations. Table 5 shows the discriminant validity on the AVE for the two factors are greater than their r<sup>2</sup>, in all cases. Thus, the result indicates that all constructs exhibited sufficient discriminant validity (Byrne, 2013; Fornell and Larcker, 1981).

Construct	BFSM	L1	L2	М	LF	РСО	RCO	TS	TL
BFSM	0.72								
Agglomeration	0.31	0.51							
Accessibility	-0.0001	0.0049	0.75						
Monetary	0.00	0.0064	-0.0064	0.65					
Lease	-0.0016	-0.0121	0.02	-0.0016	0.73				
Proactive	0.34	0.03	0.0064	-0.0064	0.0001	0.87			
Responsive	0.41	0.18	0.0036	-0.0064	-0.0025	0.41	0.80		
Satisfaction	0.56	0.36	0.0016	-0.0064	-0.0121	0.28	0.45	0.92	
Loyalty	0.40	0.20	0.0016	0.00	-0.0009	0.17	0.26	0.58	0.88

 Table 5 Discriminant validity (AVE at diagonal; square correlations coefficients at off diagonal)

## **DESCRIPTIVE ANALYSIS**

Table 6 shows the descriptive statistics of the constructs postulated for this study. The technical performance of the building in general is perceived as approaching good performance, having a mean score of above 4 on a 7 point Likert-scale (1= Poor Performance to 7= Good Performance). Of the two functional performances, RCO in general did not perform well (M=3.68), while PCO performed averagely (M=4.70). Tenant respondents were generally satisfied with the building they occupy in (M=4.90) and expressed an average level of loyalty (M=4.84) on a 7 point Likert-scale (1= Strongly Disagree to 7= Strongly Agree).

Service performance	Constructs	Sub-dimensions	No. of items	Mean	Standard deviation
Technical	Building Features,	Space provision	7	4.67	0.81
	Services & Management	Building management	6	5.04	1.11
	(BFSM)	Building design	6	4.48	1.10
		Building services	6	4.74	1.01
		Accessibility and convenience	4	4.65	0.87
	Agglomeration		3	5.41	0.73
	Accessibility		3	4.73	0.95
	Monetary Factor		3	4.62	0.52
	Lease Factor		6	4.82	0.75
Functional	Proactive Customer Orientation (PCO)		4	3.68	1.21
	Responsive Customer Orientation (RCO)		6	4.70	1.05
	Tenant Satisfaction		5	4.90	1.03
	Tenant Loyalty		3	4.84	1.15

 Table 6 Descriptive analysis (Mean and standard deviation)

### STRUCTURAL MODEL

A structural model was used to assess path coefficients or relationships among the constructs. The overall goodness-of-fit indices of the structural model were as follows:  $\chi 2$  (629) = 1227.80, chi-square/degree of freedom (=1227.80/629) = 1.95, GFI = 0.799, AGFI = 0.763, CIF = 0.93, NFI = 0.88 IFI = 0.94, TLI = 0.93 and RMSEA = 0.06. The data shows a good fit with the hypothesized structural model. Figure 2 shows the path diagram with standardized coefficients.

Path coefficients in the structural model were used to test the hypothesis. As shown in Table 7, there were three significant relationships. First, building features, services and management performance have a positive coefficient of 0.40 and a significance level of 0.00 ( $p\leq0.05$ ), suggesting a positive relationship between building features, services and management performance and tenant satisfaction, supporting H1. Second, agglomeration performance has a positive coefficient of 0.27 and a significance level of 0.00 ( $p\leq0.05$ ). Thus, H2 was also supported, suggesting a positive relationship between agglomeration performance and tenant satisfaction. Thirdly, responsive customer orientation also showed a positive coefficient of 0.22

and a significance level of  $0.00 \text{ (p} \le 0.05$ ). Hence, H7 was also supported, where there is a positive relationship between responsive customer orientation and tenant satisfaction.



Figure 2 The overall goodness-of-fit indices of the structural model

However, accessibility performance, monetary performance, lease performance and proactive customer orientation did not significantly relate to satisfaction, where the p-value was more than 0.05. Thus, H3, H4, H5 and H6 were not supported. Overall, the R square yielded a result of 0.68, meaning a 68% variance in tenant satisfaction was explained by the combination of technical and functional service performance. In addition, the multiple correlation coefficient result (R) of 0.82 indicated a high relationship between the service performance dimensions and tenant satisfaction (Guildford, 1973).

Service performance	Construct	B	Standard error	Beta	CR	Sig.	Result
Technical	BFSM	0.59	0.11	0.40	5.30	0.00	Significant
	Agglomeration	0.43	0.11	0.27	4.03	0.00	Significant
	Accessibility	0.00	0.04	0.00	-0.01	0.99	Not significant
	Monetary	-0.18	0.10	-0.07	-1.77	0.08	Not significant
	Lease	-0.07	0.06	-0.05	-1.17	0.24	Not significant
Functional	Proactive	0.08	0.05	0.10	1.69	0.09	Not significant
	Responsive	0.23	0.06	0.22	3.52	0.00	Significant

 Table 7 Results of SEM on effect of predictors on tenant satisfaction

R = 0.82

 $R^2 = 0.688$ 

Table 8 shows the result of tenant satisfaction and tenant loyalty, which yielded positive coefficient of 0.76 and a significance level of 0.00 ( $p \le 0.05$ ). Therefore, tenant satisfaction does contribute positively towards tenant loyalty, supporting H8. In addition, the R square yielded a result of 0.58, meaning a 58% variance in tenant loyalty was explained by tenant satisfaction. The multiple correlation coefficient result (R) of 0.76 indicated a high relationship between tenant satisfaction and tenant loyalty (Guildford, 1973).

Table 8 Results of SEM on effect of tenant satisfaction on tenant loyalty

Construct	В	Standard error	Beta	CR	Sig.	Result
BFSM	0.82	0.07	0.76	11.62	0.00	Significant
R = 0.76						

 $R^{2} = 0.58$ 

#### DISCUSSIONS

This study extended the concept of service performance (Cronin and Taylor, 1992) to investigate the performances of the technical and functional dimensions of the commercial office buildings in the GTKL. The empirical results show that the technical dimensions of the building features, services and management performance indeed exert positive influence on tenant satisfaction. This result is consistent with those reported by Appel-Meulenbroek (2008) and Kurzrock et al. (2009). Performance level of building features, services and management can be improved by having a versatile space provision, good building accessibility and surroundings, efficient building management, excellent building design, and efficient building services. Thus, office managers are advised to focus on improving or sustaining the performance of these elements, to maintain tenant satisfaction.

On the other hand, the technical dimension of location's agglomeration performance shows a positive impact on tenant satisfaction, but the location's accessibility performance was not significantly related to tenant satisfaction. The location theory seems to explain these relationships, where it suggests that when a Central Business District (CBD) or the prime area grows and reaches a critical size, location benefits start to diminish from time to time as a result of the growing costs of traffic congestion and the increased office density (Sing, Ooi and Lum, 2004). Thus, in the GTKL context, the technical dimension of the location accessibility benefit is diminishing to the extent that it no longer a criteria for satisfaction. Despite the accessibility setback, many tenants continue to have their offices located in the prime area because of the agglomeration benefits in terms of better access to services, better access to labour, improved communications technology and infrastructure, and better client and market information (Leishman and Watkins, 2004).

Besides that, the technical dimension of lease performance was not significantly related to tenant satisfaction. One of the reasons could be the poor performance of the leasing agent and the property management office in explaining leasing terms and conditions. According to Seiler and Reisenwitz (2010), the professionalism of the letting agent is an important factor as it gives the first impression of the service that a prospective tenant might expect to receive. Thus, property managers who are entrusting the task of acquiring tenants to agents must also ensure that appropriate incentives and key performance indicators for the agents are in place (Ronco, 1999; Williamson, 2002). During this process, clarity of documentation is crucial to the tenants, who need to be able to understand the terms of their lease for reassurance that they will not encounter unexpected problems (Gibson, 2000).

Furthermore, the technical dimension of monetary performance also did not exert any influence on tenant satisfaction in the context of the GTKL. Since the selected office buildings in the study are high-rise office buildings located within the city centre or the prime area of Kuala Lumpur, rental rate is transparently and readily available from property websites. Hence, monetary performance in terms of total rental cost is expected to not vary much from one building to another within the same grading. Thus, this could be the reason why it was not a significant factor in determining satisfaction.

As for the functional dimension, the empirical results showed that only responsive customer orientation (RCO) indeed exerts positive influence on tenant satisfaction. The result is in agreement with Mohd Isa (2004) and Norwell and Stevens (1992). The commercial office market predominantly focuses on responding effectively to tenants' needs by showing prompt, courteous and efficient responses from the property management. In the context of the GTKL, this aspect of responsiveness could improve tenants' satisfaction significantly. However, proactive customer orientation (PCO), did not support earlier findings by Flint et al. (2011) and Atuahene-Gima, Slater and Olson (2005). PCO depends on the provider's capability to continuously probe customers' latent needs and uncover future needs, possibly offering ideas even before customers realize they had such a need; from the customer's perspective, it reflects their perception that the providers have proactive processes and skills to successfully anticipate their latent and future needs (Flint et al., 2011). In the GTKL office building context, the tenants did not find PCO necessary; the tenants are probably complacent with current needs and do not intend to spend additional expenditure on future needs.

Tenant satisfaction is found to have a positive influence on tenant loyalty. This result is consistent with many previous findings that a satisfied tenant is more loyal to the building (Appel-Meulenbroek, 2008; Mohd Isa, 2004; Norwell and Stevens, 1992). In this case, success in creating tenant loyalty from tenant satisfaction will help to reduce company cost for recruiting new office tenants to take up the vacant spaces. Hence, property managers should put their efforts in retaining their tenants by meeting their satisfaction levels through the three service performances (BFSM, agglomeration and responsiveness customer orientation).

## **Theoretical Implications**

In summary, the findings of this research make two theoretical contributions towards the extension of the customer relationship management (CRM) theory within the marketing concept. Firstly, the study helps to address the usage of a performance paradigm in the service quality context rather than a disconfirmation paradigm. This research extended the service performance model using more comprehensive performance attributes identified by Yasmin et al. (2012) such as Building Features, Services and Management, Agglomeration, Accessibility, Monetary and Lease Factor as well as customer orientations which was identified by Flint et al. (2011). The findings of this study validate the claim that, if both technical (BFSM & Agglomeration) and functional (Responsive Customer Orientation) dimensions are performing well, it will lead to tenant satisfaction, and result in loyalty towards the currently occupied office building. This provides some evidences on the applicability of using the service performance model proposed by Cronin and Taylor (1992) in the commercial office context.

Secondly, the study also helps to validate the CRM theory, where good customer service will result in satisfied tenants, who in turn are more likely to remain loyal in the commercial office building context. Thus, this result is consistent with the findings of Cronin and Taylor (1992), Oliver et al. (1997), Spreng and MacKoy (1996), and Lee, Lee and Yoo (2000) which address the service performance concept as an antecedent of customer satisfaction that exerts a strong influence on customer loyalty.

## **Practical Implications**

Office tenant retention is potentially an issue in the GTKL with increased supplies of offices from newly completed buildings. In order to keep tenants in their buildings, office managers are suggested to satisfy their tenants in three aspects. The first aspect relates to the technical aspect of the building features, services and management (BFSM). The building features like the interior and exterior designs should be reassessed for excellent building image. Services like air-conditioning system, IT system and sanitary system need to be maintained.

The second aspect relates to the agglomeration benefits of the location that capture the proximity to supplier and customer. This aspect can be improved if the building makes it easier for suppliers and customers of tenants to access the building. This could be done by allocating specific parking spaces or free parking for customers or suppliers. Proximity can also improve if the building provides shutter buses to the customers' or suppliers' office within the city area.

The last aspect relates to the responsiveness of property managers. Some tenants expressed their dissatisfaction over the slow response of the management office when complaints are lodged over faulty lights, water leaking, toilet clogs and air-conditioning dysfunctions. Responsive office managers increase tenant satisfaction and eventually lead to retention. Thus, office managers are advised to invest in hiring sufficient manpower (i.e. technicians, electrical engineers and cleaners) for faster response to complaints.

#### **Limitation and Future Studies**

In future studies, a larger sample size that involves more participants, from prime areas such as the Central Business District-Kuala Lumpur (CBD-KL), Petaling Jaya (PJ), and Damansara should be considered. The current study is limited to the tenants of the GTKL and cannot generalize the findings to cover other prime areas in the office market context. In addition, many tenants are diversifying their business operations to these prime areas and hence, it is interesting to assess each of these prime areas on the service performance. Moreover, future studies are recommended to include the roles of agents as part of the moderating factors between SERVPERF and tenant satisfaction as these may compound and bring a different effect on satisfaction. Despite that, it is also interesting to study how office buildings can best position themselves from one another to counter competition. All this while, office buildings have been competing in an intense market due to oversupply, and if positioning strategies can be applied in the office market, it will be a useful tool in attracting new tenants and retaining current tenants. Lastly, it is also important to study the tenant characteristics (e.g. nature of industry/ sector) because different office tenants might have different leasing criteria.

## CONCLUSION

To sum up, this study highlights the importance of assessing service performance using both technical and functional aspects as they influence satisfaction and loyalty of tenants. The study also extended the work of the service performance model (Cronin and Taylor, 1992), office building criteria (Yasmin et al., 2012) and customer-orientation concepts (Flint et al., 2011) to the office building context. Using SEM, three factors (BFSM performance, agglomeration performance and responsive customer orientation) were found to affect satisfaction. In short, the three research questions are answered. First, technical dimension that influence tenant satisfaction were BFSM and agglomeration performance. Second, functional dimension that salient to satisfaction was responsiveness customer orientation (RCO). Third, tenant satisfaction indeed positively influence tenant loyalty. Under tight budget constraints, where office building features cannot be refurnished and agglomeration benefits cannot be improved, the only way to keep tenants satisfied and stay in the building, is through "responsiveness", where tenants' complaints are attended to promptly.

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6	2004	Mohd. Isa	Customer Satisfaction in the Management of Public Office Buildings: Evidence From Malaysia. <i>Dissertation PhD</i>
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