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MANAGING SERVICE QUALITY  
BY MANAGING THE SERVICE  
ENCOUNTER:  
A CASE STUDY OF  
COMMERCIAL BANKS IN  
SOUTH AFRICA

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**MANAGING SERVICE QUALITY BY MANAGING THE SERVICE ENCOUNTER: A  
CASE STUDY OF COMMERCIAL BANKS IN SOUTH AFRICA**

by  
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by

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## **ABSTRACT**

This research examined the influence of two socialization strategies, namely Formal and Informal, on the participants in the service encounter; more specifically on service quality. A mail survey by means of self administered questionnaires was conducted among a matched sample of 210 front-line employees and 1050 customers in three major commercial banks with national branch networks in South Africa.

The data from 106 employee and 200 customer respondents was analyzed in three stages: the customer data, the employee data and the combined customer-employee data. After assessing the reliability of the instruments by determining the Cronbach (1951) alpha coefficients using the computer programme SAS PROC.CORR (SAS Institute, 1990), and validity by factor analysis, using BMDP4M (Frane, Jennrich & Sampson 1993) to perform a maximum likelihood with a direct quartimin rotation (Jennrich & Sampson, 1966) of the unrotated factor matrix, the data was fitted to hypothesized models using path analysis (Browne and Mels 1990).

The empirical evidence suggests that Formal and Informal organizational socialization of the service customers is positively associated with their perception of the overall service quality and the employee service quality. However, Informal socialization of the service employees, is not associated with the customers' perception of either the overall service quality or the employee service quality.

This study also showed that there is a strong positive relationship between the customers' perception of the employee service quality and the overall service quality. The employees' perception of the Organizational Climate is also positively related to the customers' perception of the overall service quality. Furthermore, there is a positive relationship between the customers' perception of the organizational climate and their perception of the employee service quality.

The other intervening variables in the organizational socialization-service quality linkage, namely, role perception (role clarity and role conflict) are not directly associated with either the employee service quality or the overall service quality. However, with reference to the service customers, both Formal and Informal socialization were positively correlated with role ambiguity, role conflict and the organizational climate as perceived by the customers.

The implications of the aforementioned for service firm managers as well as an agenda for future research are presented.

## CHAPTER 1

### RATIONALE, HYPOTHESIS AND OPERATIONAL DEFINITIONS

#### 1.1 Introduction

The banking environment is becoming increasingly competitive and in the context of deregulated financial markets, customers of banks are increasingly able and willing to shop around for financial services which best meet their expectations. Nel, Boshoff and Mels (1992: 5) assert that the retail banking industry in South Africa does not satisfy the consumers' expectations in terms of service quality delivery.

Furthermore, various researchers (Zemke and Schaaf, 1990: 8; Stemper, 1991: 14; Gerson, 1992: 13) postulate that financial service companies lose customers more often because of poor service than because of poor products. Research (Dwayne and Bitner, 1992: 111; Bitner, Booms and Mohr, 1994: 95) has shown that from the service customer's point of view, the most immediate evidence of service occurs in the service encounter or the "moment of truth" when the customer interacts with the firm.

Although the issue of service quality has become vital in the eyes of the producers and consumers, limited academic research has been devoted to the definition and modelling of quality in the service encounter in South Africa (Bisschoff, 1996: 1; Bhowan, 1997: 20). This case study will attempt to address, *albeit*, to a limited extent this very issue.

This introductory chapter will highlight the role of the "human element" in the service encounter and present the research objectives, research questions and hypothesis. In the latter section of this chapter, operational definitions of relevant concepts will be provided.

## 1.2 The "Human Element" in the Service Encounter

The importance of quality has prompted researchers and marketers of services to study new concepts and approaches to services marketing. The emphasis has been on the social psychology perspective, and the focus was on the nature of the interaction between the customer and service personnel during the service delivery; namely, the service encounter<sup>1</sup> (Bowen, Chase and Cummings, 1990: 16).

The importance of people or the "human element" in the service offering cannot be over emphasized. Keltner and Finegold (1996: 57-58) assert that the human element can embed itself in the service offer in three principal ways:

1. Most service-production processes require the service organization's own personnel to provide significant inputs to the service-production process, both at the front-line point of delivery and in those parts of the production process that are relatively removed from the customer.
2. Many service processes require the active involvement of the consumer of the service and the consumer therefore becomes involved as a co-producer of the service.
3. Other people who simultaneously consume a mass-produced service can influence the benefits that an individual receives from the service.

In financial services marketing, especially among banks, there are a limited number of chances to impress the customer, since the services are becoming more automated. Moreover, since personal interactions with customers are becoming less numerous, customers are expecting higher quality contacts and more individual treatment. In the light of the aforementioned, researchers (Schneider and Bowen, 1995: 68) assert that contact points should be treated as opportunities, even though the contact point might be attending to something mundane as changing the address; the opportunity to create a favourable impression must be cherished.

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<sup>1</sup>See Section 1.6.3 for definition.

Researchers (Gerson, 1992: 14; Rust and Zahorik, 1993: 193; Keaveney, 1995: 76-77) have postulated several reasons for poor service and customer switching. Among them are: uncaring employees, poor employee training, negative attitude of employees towards customers, no customer service philosophy within the business, employees not empowered to provide good service, poor treatment of employees as customers, and differences in perception between what service businesses think they provide and what customers think they receive. Keaveney (1995: 77) ascertained that service encounter failures, attributed to some aspect of the service employee's behaviour, were the 2nd (to price) most important reason for switching services.

Several researchers (Lovelock and Young, 1979: 167-178; Mills and Morris, 1986: 726-735; Schneider and Bowen, 1995: 85; Wikstrom, 1996: 1-8) have pointed out that service customers could be considered as 'partial employees' of the service organization in order to increase service productivity.

The crucial importance of the human interaction between personnel and the customer during the service encounter has been almost universally acknowledged, and the encounter has been studied from a number of perspectives, namely the "Role Theory", "Script Theory", and "Critical Incident Theory," (Solomon, Suprenant, Czepiel and Gutman, 1985: 99-111; Smith & Houston, 1983: 59-62). Although these theories differ to some extent in approach, one common theme prevails, namely, the influence of the expectations of the participants in the service encounter.

Customer and service personnel, who both participate in the service delivery, depend on each other for a successful service encounter. Each not only brings needs and expectations, but also competencies (Schneider and Bowen, 1995: 3) which have to be harnessed to ensure that they fulfil their roles effectively. Since service customers often take on the role of 'partial' employees during the service encounter, it is important for the service organization to ascertain what management practices could be used to ensure that the customers have the competencies to perform their role as co-producers of the service.

In view of the aforementioned, it seems that the service firm managers should devise strategies to manage not only their full-time employees but also their 'partial' employees (customers).

Some researchers (Gerson, 1992: 8; Senge, 1990: 146) assert that customer service programmes cannot succeed within a company unless top management is committed to the concept. These researchers maintain that top management should develop a clear service vision for the organization and communicate this service mission statement to all employees so that they could make it a reality. Senge (1990: 146) emphasizes that if people do not share a common vision, and they do not share common "mental models" about the business reality within which they operate, empowering people will only increase organizational stress and the burden of management to maintain coherence and direction. Furthermore, Senge (1990: 20) posits that "it is through organizational socialization that employees become aware of the philosophy and corporate culture of their organization."

Previous research (Dubinsky, Howell, Ingram and Bellenger, 1986: 192-207; Feldman, 1976: 64-80; Hartline and Ferrel, 1993) has examined the process of organizational socialization as it pertains to employees of service organizations. Due to the participatory nature of the role played by the service customers, that of a partial employee, it had been suggested that the process of socialization might also be considered as it pertains to the service customer (Mills and Morris, 1986: 735; Kelley, 1992: 2; Schneider and Bowen, 1995: 85-87).

If a service organization can effectively socialize its customers into the organization it may be possible to manage the service expectations of these customers and indirectly manage their perceptions of service quality. Furthermore, the process of organizational socialization may provide a means for the service organization to help customers develop more accurate role expectations, and this would result in customers performing their roles better which could contribute to the delivery of higher levels of service quality.

Research (Hartline and Ferrel, 1993: 32) has shown that different socialization practices do have an impact on service employee behaviour and on service quality. However researchers have not considered the impact of organizational socialization tactics on the service customer or on the customer's perception of the employee service quality.

In view of the aforementioned, this study will examine the effects of socialization of both bank employees and bank customers upon service quality.

### **1.3 Research Objectives**

The primary objective of this research is to determine whether the type of organizational socialization of both bank employees and bank customers influences the bank customers' perception of the employee service quality [EQUAL] and the overall service quality [SQUAL].

Secondary objectives include determining the influence of intervening or mediating variables (as suggested by the literature) on the employee service quality and overall service quality.

### **1.4 Research Hypotheses and Research Questions**

The following hypotheses will form the basis of this study. Formal and or Informal organizational socialization of the bank employees is/are related to the bank customers' perception of the employee service quality and the overall service quality.

Formal and or Informal organizational socialization of bank customers is/are related to bank customers' perception of the employee service quality and the overall service quality.

Since the literature (chapters 2, 3 and 4) suggests that a number of variables have a mediating influence between organizational socialization and service quality, this research also addressed *inter alia*, the following questions:

What is the relationship between the type of socialization of the service employees and their perception of their role, and the organizational climate for service?

What is the relationship between the type of socialization of the service customers and their perception of their role and the organizational climate for service?

What is the relationship between the employees' perception of the organizational climate for service and the customers perception of the employee service quality and overall service quality?

What is the relationship between the customers' perception of the organizational climate for service and customers perception of the employee service quality and overall service quality?

What is the relationship between the employees' role perception and the employee service quality and the overall service quality?

What is the relationship between the customers' role perception and the employee service quality and overall service quality?

By considering these research questions, a number of secondary hypotheses were also formulated and tested.

## **1.5 Literature Review**

From an examination of the KWIC Index of Research Bulletins, the Union Catalogue of Theses and Dissertations of South African Universities, the HSRC Research Bulletin, the National Register of Research Projects, Dissertations Abstract International, University Microfilm International and ABI/Inform, there is no evidence to suggest that research has been conducted on this topic.

## **1.6 Operational Definitions**

To avoid any misconceptions and misinterpretations that may arise, operational definitions are provided.

### **1.6.1 Services**

Kotler (1994: 466) defines a service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. However, Stanton, Etzel and Walker (1991: 510) define a service more explicitly as intangible activities that are the main object of a transaction designed to provide want satisfaction. By this definition, they exclude supplementary services that support the sale of tangible goods.

Although services incorporate a variety of activities, in this study the focus is on services offered by commercial banks in South Africa. The role of the service employee performing the service is also focused upon.

### **1.6.2 Service Quality**

Quality of service is largely a subjective matter. Certain researchers (Kotler, 1994: 37-39; Grasing & Hessick, 1988: 70) maintain that to the consumer, value equals the sum of quality products, quality service, a quality environment, quality employee relations, and quality community involvement. Since the nature of services, particularly its intangibility, has restricted attempts to conceptualize service quality, the concept "perceived quality" has been suggested as a means of conceptualizing service quality (Parasuraman, Zeithaml and Berry, 1985: 41-50). Since perceived quality is based on what consumers regard as quality rather than tangible cues of quality, service quality is generally thought to be the result of a comparison between expected service and an evaluation of the service actually received during service delivery or encounter.

For the purpose of this research, quality to commercial banks is defined as "the degree to which the customer's expectations are met or exceeded." Since consumers perceive quality in terms of the whole experience, a company must offer quality in the totality of its dealings with the public. Overall service quality [SQUAL] refers to the banks total offering.

Employee service quality [EQUAL] refers to the consumers' perception of the service in terms of "how" the outcome was delivered. The emphasis is on the consumers perception of service quality which involves the human element or the service employee.

While dividing service quality into five determinants (Parasuraman, Zeithaml and Berry, 1990: 16) offers valuable insights, recent research suggests that the use of global measurements of quality and value are worthwhile as well, at least on methodological grounds (Bolton and Drew, 1991: 1-9; Boulding, Staelin, Kalra and Zeithaml, 1992: 7-27). Furthermore, research (Cronin & Taylor, 1992: 55-68; Parasuraman et al. 1994: 111-124) suggests that global measurements have better predictive properties. In view of the aforementioned and for the relationships hypothesized in this study, the effects on employee quality and overall service quality are determined.

### **1.6.3 Service Encounter**

Lewis and Mitchell (1990: 11) define a service encounter as "... the interaction between a service organization and its customers/clients, and may take varying forms: face to face, over the telephone, by letter, or by automated means, for example automatic teller machines (henceforth ATM's).

Bitner (1991: 69) on the other hand defines the service encounter as the face-to-face contact between two individuals, both with their own set of needs, expectations and resultant interaction. These individuals are the customer (demand side of the service encounter) and the staff member (supply side) who delivers a service or sells a product which, from his point of view, will satisfy the need(s) of the customer.

On the demand side (the customer who requires the products or services), it is the satisfaction of the needs through specific performance or delivery that constitutes the service encounter process. Shostack (1977:16) definition "...dyadic interaction between a customer and service provider..." brings the focus closer in terms of the interpersonal element of the performance of the service firm.

In this study, the encounter for investigation is that between the commercial bank front-line employee and the bank customer.

#### **1.6.4 Organizational Socialization**

Schein (1968: 1) defines organizational socialization as "the process by which a new organizational member learns and adapts to the value system, norms, and the required behaviour patterns of the organization." Simply put, it means the process of "learning the ropes" of an organization. An individual is socialized through a series of events derived from various sources, such as organizational literature, role models within the organization, training, and rewards and discipline (Schein, 1968: 4).

This research considers two types of organizational socialization processes, namely formal and informal. Formal socialization refers to tactics and strategies which the banks adopt to actively and formally train, orientate and indoctrinate its employees and customers. Informal socialization refers to all other incidental methods by which employees and or customers become acquainted with their job and the organization.

#### **1.6.5 Organizational Climate for Service**

Organizational climate has been the subject of research for many decades (Schneider, 1973: 211-217; Tyagi, 1982: 240; McNabb and Sepic, 1995: 369-385; Schneider, 1980: 53-65; Schneider, Gunnarson and Niles-Jolley, 1994: 17-30; Schneider and Bowen, 1995: 237).

Schneider (1973: 248; 1980: 53) viewed organizational climate as a summary evaluation of events based upon the interaction between actual events and the perception of events. In several research articles, this researcher has argued that in service organizations, organizational dynamics have a direct impact on the people the organization serves as well as on the employees.

In this research, the organizational climate refers to an individual's [bank employees' and customers'] perception of what is important to the bank with regard to the service. This research focuses on the relationship between the employees' and customers' perception of the bank's orientation to service, and the customers' perception of the employee service quality and the overall service quality.

## **1.7 Summary**

This introductory chapter served to outline the nature and purpose of this research. Since banks cannot always compete with innovative of products, their only competitive weapon is the quality of service offered to clients. The question that follows is; What may be done to manage service quality? It is apparent that by managing the service encounter, banks could improve service quality. In the chapter that follows, the literature relevant to the research issues will be reviewed.

## CHAPTER 2

### THE MANAGEMENT AND MARKETING OF SERVICES

#### 2.1 Introduction

The marketing of services has been propelled to the centre of the marketing stage by the relative growth of the services sector in many countries. The growth of the services sector has exposed new opportunities for marketing to broaden its traditional sphere of influence. In its turn, marketing has made a contribution towards the efficient functioning of the services sector through its attempts to ensure mutually beneficial exchange relationships between service firms and consumers.

The service sector today occupies a pre-eminent position in the economies of most countries. Not only are we producing more services than ever before, the manner in which services are available to the final consumer is changing. Many of the familiar principles of marketing which were first developed when consumer goods experienced a great growth in competitive activity have been handed down to marketers who are engaged in services marketing. However, services are marketed quite differently to goods (Gronroos, 1994: 4).

This chapter serves to briefly explain the characteristics of services as well as the marketing implications thereof, and to provide an exposition of the services management literature with emphasis on the service employee and service customer.

#### 2.2 Characteristics of Services

Although service marketing and goods marketing are essentially the same, the basic characteristics that differentiate services from goods usually lead to quite a different marketing programme in a service organization.

Most researchers (Stanton et al., 1992: 512-514; Kotler, 1994: 466-468; Palmer, 1994: 3-6; Jobber, 1995: 662-666) agree that services are characterized by four aspects, namely, intangibility, heterogeneity, inseparability of production and consumption, and perishability. Each characteristic as well as the marketing implications thereof will be discussed.

### **2.2.1 Intangibility**

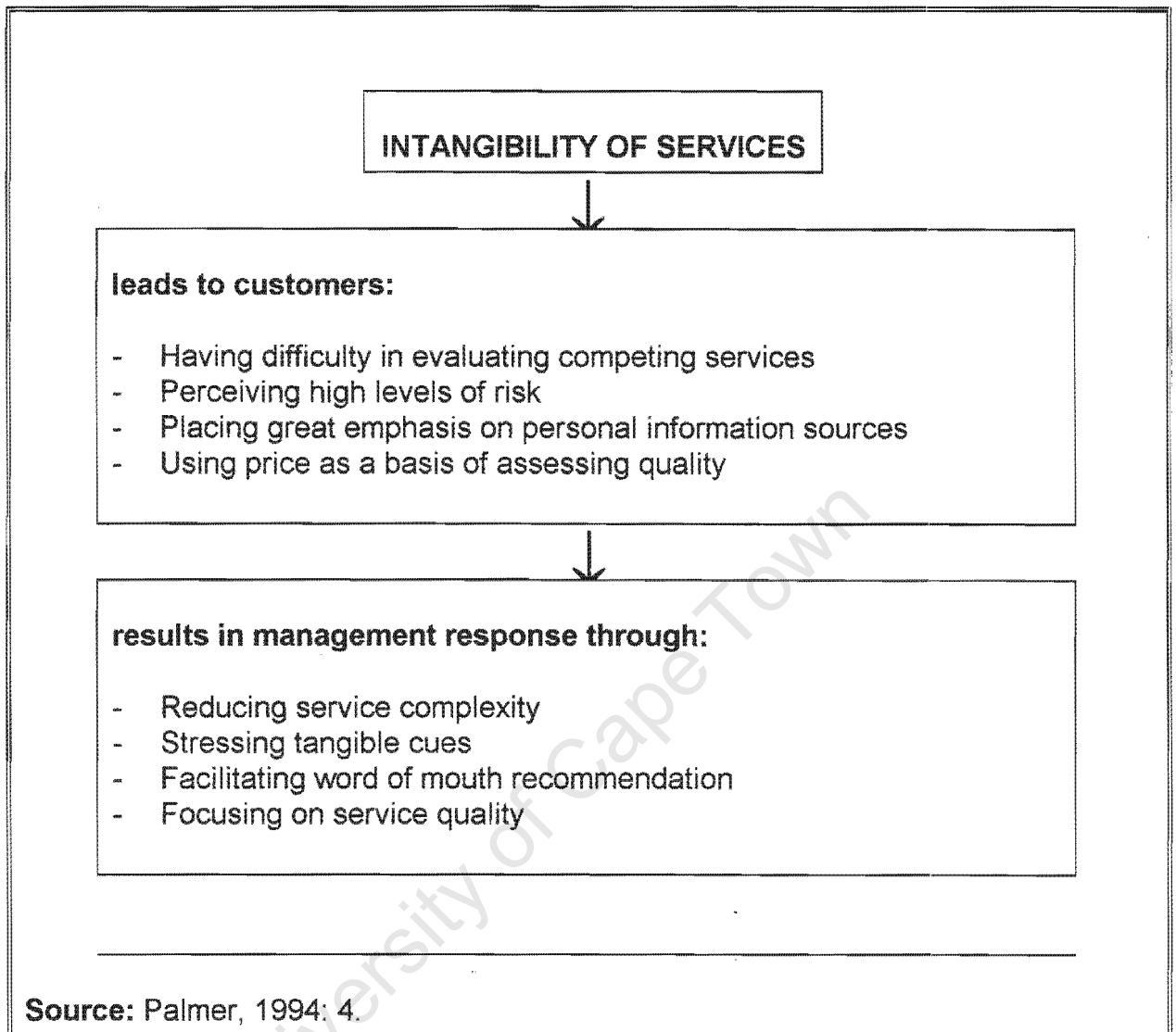
In contrast to goods, services cannot be touched, tasted, smelled or even seen. Because services are performances rather than objects, precise manufacturing specifications concerning uniform quality can rarely be set (Meidan, 1996: 2).

Intangibility, according to Boshoff and Blem (1995: 256), is the characteristic which differentiates services marketing from all other areas of marketing. Furthermore Meidan (1995: 2) believes that services are double intangible in that they are not only untouchable, but also difficult to conceptualize.

Boshoff and Blem (1995: 257) maintain that in some cases, service buyers rely on the tangible aspects of a service known as support goods. This refers to the equipment used by service performers in delivering a service, for example the computer or microfiche reader used by a bank employee to ascertain the clients bank details. These tangible goods must be in place before a service is performed. A service such as bank credit that cannot appeal to a buyer's sense of touch, taste, smell, sight or hearing places a burden on the bank's marketing organization.

Since a bank is often selling an "intangible" and not necessarily a physical product, it must tell the buyer what the service will do. Figure 2.1 highlights some of the implications of the intangibility of services for customers and management. It is evident from Figure 2.1 that service consumers experience difficulty in evaluating services; thus the need for service firm managers to stress tangible cues and focus on service quality.

**FIGURE 2.1: SOME IMPLICATIONS OF SERVICE INTANGIBILITY**



### 2.2.2 Heterogeneity

Service performances often vary from producer to producer, from customer to customer, and from day to day. Services are difficult to standardise because they are usually performed by human beings. Meidan (1996: 3) asserts that "even the most courteous and competent teller can have off days for a number of reasons, and inadvertently pass bad vibes on to the customer."

### 2.2.3 Inseparability of Production and Consumption

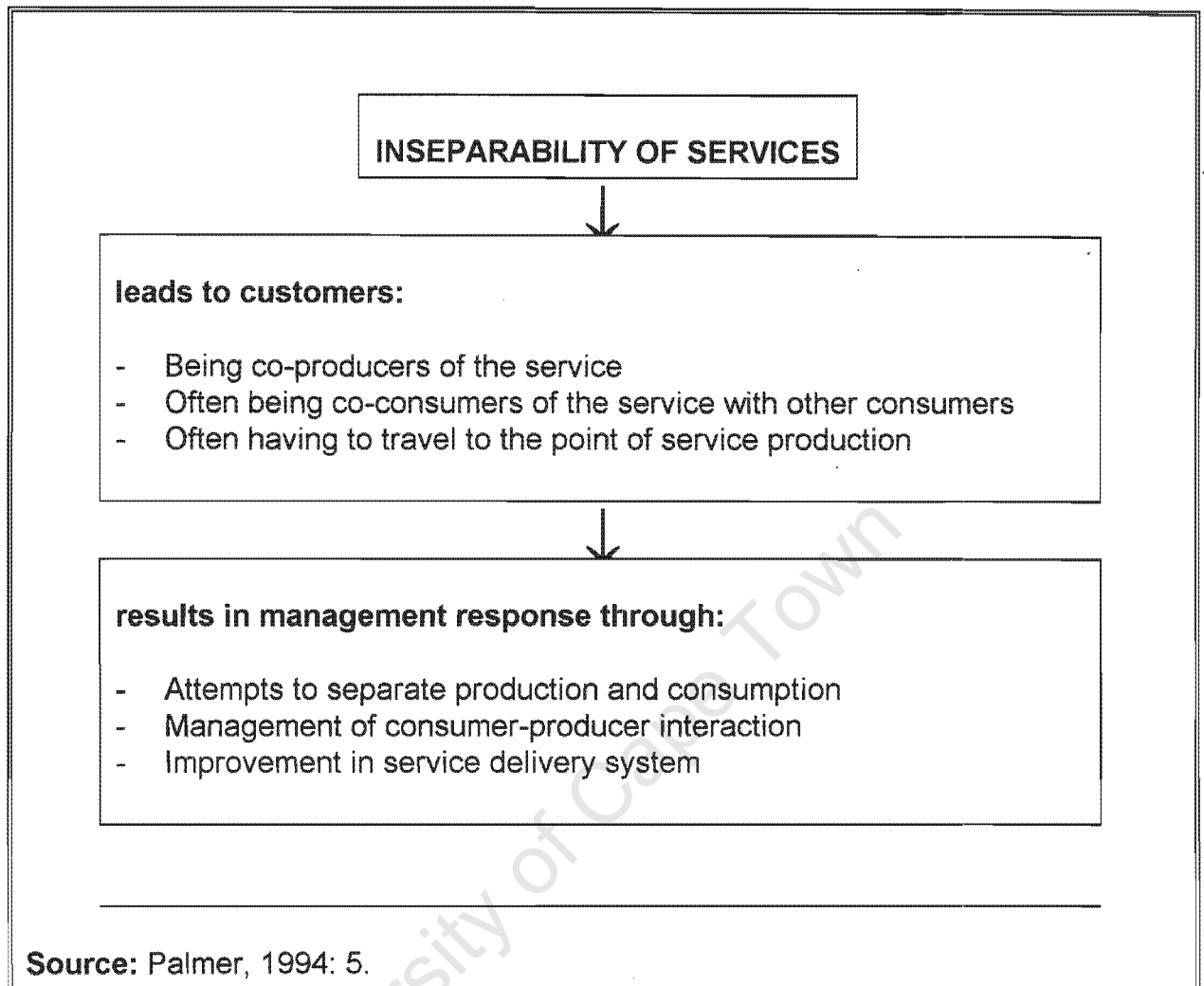
A service is generally consumed while being performed (processed), with the customer often involved in the process. A routine financial transaction can be marred by long waiting lines (Hui and Tse, 1996: 81-90) or unknowledgeable personnel (Baron and Harris, 1995: 7).

Since the customer must be present during the production of many services, inseparability "forces the buyer into intimate contact with the production process," (Avkiran, 1994: 11). Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases and causing marketing and production to be highly interactive (Meidan, 1996: 3).

Inseparability occurs whether the producer is human, as in health-care services, or a machine, as in the case of a bank automatic teller machine (hereinafter referred to as ATM). The services of an ATM machine may only be realized if the producer and consumer interact. Figure 2.2 depicts some of the implications of service inseparability. It is evident from Figure 2.2 that the inseparability of service production and service consumption necessitates "management" of the service encounter by the service provider.

Another implication of the simultaneous production and consumption of a service is that the "production facility and the production tools," both contribute to the delivery experience (Bitner, 1993: 57; Schneider and Bowen, 1995: 30). Thus when a person goes to the bank to cash a cheque, the appearance of the bank and the modernness of the equipment used impact on the customer's perception of service quality.

**FIGURE 2.2: SOME IMPLICATONS OF SERVICE INSEPARABILITY**



#### **2.2.4 Perishability**

Since most services cannot be stored, an unused service results in wasted service capacity. The perishability of services results in greater attention being paid to the management of demand by evening out peaks and troughs, and in scheduling service production to follow this pattern as far as possible (Bergman and Klefsjo, 1994: 266).

In addition to the above general characteristics, Median (1996: 2) asserts that to the public, in most cases, one bank is very much like another. Each bank has to establish an identity by offering a "package" and implant this in the mind of the public. The "package" consists of branch location, staff, services, reputation and new services.

The aforementioned characteristics pose quality challenges unique to services and should be considered when designing, marketing, producing and delivering services (Jobber, 1995: 663). Figure 2.3 summarizes some of the problems associated with services marketing.

**FIGURE 2.3: UNIQUE SERVICE FEATURES AND RESULTING MARKETING PROBLEMS**

Unique Service Features	Resulting Marketing Problems
Intangibility	<ul style="list-style-type: none"> <li>- services cannot be stored</li> <li>- cannot protect services through patents</li> <li>- cannot readily display or communicate services</li> <li>- prices are difficult to set</li> </ul>
Inseparability	<ul style="list-style-type: none"> <li>- consumer involved in production</li> <li>- other consumers involved in production</li> <li>- centralized mass production of services difficult</li> </ul>
Heterogeneity	<ul style="list-style-type: none"> <li>- standardization and quality control difficult to achieve</li> </ul>
Perishability	<ul style="list-style-type: none"> <li>- services cannot be inventoried</li> </ul>
<p><b>Source:</b> Adapted from Zeithaml, Parasuraman and Berry, 1990: 35.</p>	

Since consumers are involved in the production of the services, services cannot be produced beforehand and inventoried. This involvement of the consumers can also contribute to heterogeneity that leads to difficulty in standardizing service quality.

Of particular relevance to this study are the characteristics of inseparability and heterogeneity that present a challenge to managers of service businesses. Figure 2.4 lists some marketing strategies suggested in the literature to overcome the problems mentioned above.

**FIGURE 2.4: SUGGESTED MARKETING STRATEGIES FOR PROBLEMS  
STEMMING FROM UNIQUE SERVICE FEATURES**

Unique Service Features	Suggested Marketing Strategies
Intangibility	<ul style="list-style-type: none"> <li>- stress tangible cues</li> <li>- use personal sources more than non-personal sources</li> <li>- simulate or stimulate word-of-mouth communications</li> <li>- create strong organizational image</li> <li>- use cost accounting to help set prices</li> <li>- engage in post-purchase communications</li> </ul>
Inseparability	<ul style="list-style-type: none"> <li>- emphasize selection and training of public contact personnel</li> <li>- manage consumers</li> <li>- use multi-site locations</li> </ul>
Heterogeneity	<ul style="list-style-type: none"> <li>- industrialize service</li> <li>- customize services</li> </ul>
Perishability	<ul style="list-style-type: none"> <li>- use strategies to cope with fluctuating demand</li> <li>- make simultaneous adjustments in demand and capacity to achieve a closer match between the two</li> </ul>
<b>Source:</b> Adapted from Zeithaml, Parasuraman and Berry, 1990: 35.	

It is evident from Figure 2.4 that with reference to the problems posed by the characteristics of services (Figure 2.3), a suggestion for dealing with the inseparability of services is to manage customers and customer contact personnel. The invisibility of services places a special burden on the tangibles associated with them, for example, service facilities or personnel (Bitner, Booms and Tetreault, 1990: 3).

Quality in services is not engineered at the manufacturing plant, and then delivered intact to the consumer. In high contact services, quality occurs during the service delivery, usually in an interaction between the client and contact person. The nature of the service can also be problematic to both the consumers and the marketers of services. Barron and Harris (1995: 1-3) assert that some of the problems typically experienced by consumers include:

- the absence [for many services] of a retailer who could advise the consumer on issues such as quality and value,
- the difficulty in assessing the quality of the purchase,
- gathering information on prices and quality is time-consuming,
- difficulty in specifying the exact nature of the service required,
- comparing various services and service providers is difficult, and
- fluctuations in the quality of the service delivered, not only among firms and service contact personnel, but also from service delivery to service delivery on the same day, from the same staff member.

Some researchers (Zeithaml and Bitner, 1996: 29) have proposed that, to cope with the marketing problems posed by services, the traditional marketing mix be broadened or extended. In addition to the traditional 4P's, these researchers argue that attention should also be paid to three additional P's; physical evidence: the environment in which the firm and consumers interact, and any intangible cues which could influence satisfaction with the service; participants: the service contact personnel who interact with consumers and who primarily influence customer perceptions; and, process: the procedures, methods and mechanisms which play a role in service delivery.

As all three of the additional P's will communicate the firm's image to the customer, they will thus influence, not only pre-purchase expectations, but also satisfaction levels (Spreng, Mackenzie and Olshavsky, 1996: 15; Danaher and Mattson, 1994: 5).

The fact that the production of services cannot normally be separated from the consumption results in producer-consumer interaction assuming great importance in the service offer. The service process can itself define the benefit received by the customer; the way customers are handled in a bank forms a very large part of the benefit that they receive.

The perishability of the service offer also distinguishes the nature of contact between service producers and consumers. While goods manufacturers can normally hold stocks in order to meet fluctuating customer demand, services cannot be stored. This requires service organizations to carefully manage the contact they have with their customers to avoid bottlenecks and delays in the service-production process in which the customer is actually taking part. At its simplest, interaction can be seen as a series of discrete transactions between producers and consumers. However, in many situations, service producers seek to replace casual transactions with on-going relationships. Strategies for achieving such relationships and managing particular problems posed by the service encounter need to be developed (Ravald and Gronroos, 1996: 19).

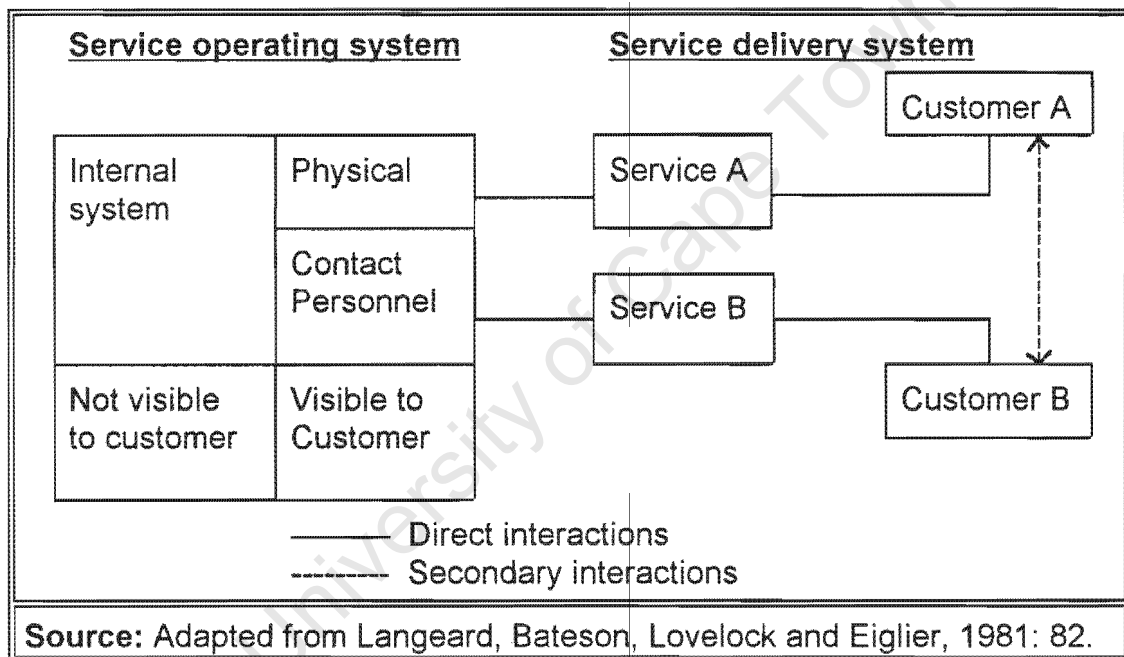
### **2.3 Managing the Service Marketing System**

Langeard, Eiglier, Bateson, and Lovelock (1981: 81) described service businesses as a system consisting of three overlapping components: service operations system, service delivery system, and service marketing system. As illustrated in Figure 2.5, Langeard et al. (1981: 82) conceptualize the service to be delivered, in real time, to a customer through his or her interaction with (a) the firm's personnel, (b) the service environment, and (c) other customers.

It is evident from Figure 2.5, that the service firm is clearly divided into those parts that are visible to the customer, such as the physical environment and contact personnel, and those that are not, sometimes referred to as the back-office operations. The former, consisting of the other customers and the consumer constitute the "servunction system."

Boshoff and Blem (1995: 257) concur with Langeard et al. (1981) who argued that although most authors talk of services being produced, delivered, and retailed, this fails to convey the simultaneity of the process. Thus the use of the term "servunction system."

**FIGURE 2.5: THE SERVICE BUSINESS AS A SYSTEM**



It is also evident from Figure 2.5 that the customer has a role to play in the production of the service they receive. A customer who fails to play his/her role properly [does not follow procedures laid down by the firm] may jeopardize not only the service that he or she receives, but also the quality of service received by other customers (Grove and Fisk, 1997: 80).

Given that the client/customer appears twice in the service management system, as a consumer in the market segment and as part of the service delivery system, the management of the company-client interface becomes an extremely important and delicate task for the service organization.

Empirical support for the "servuction" system concept came from the work of Schneider (1980: 52); Schneider, Parkington and Buxton (1980: 252); Schneider and Bowen (1995: 199), and Wikstrom (1996: 6). These researchers have shown empirically that the behaviour of the customer is crucial to the satisfaction of both the customer and personnel with whom that customer interacts.

In contrast (although somewhat similar in meaning) to Langeard et al.'s (1981) use of the term "servuction," Edvardsson, Thomasson and Ovretveit (1994: 13) use the term "co-service" to describe how both producers and consumers can work together to create rather than produce the service, that customer's needs must always be present in the minds of producers, and that services mostly are produced at the same time as they are consumed.

Edvardsson et al. (1994: 13) contend that the term "co-service" recognizes that giving and receiving service is not like consuming or using a product. Often persons in need of service work with others to meet their needs. They take the fullest part they can in co-producing the service by co-assessing, co-planning and co-providing. Furthermore, Wikstrom (1996: 6) asserts that when the customer is conceived as co-producer, the interaction between the parties should generate more "value" than traditional transactions during which the seller and buyer meet briefly, exchange services and then go their separate ways.

In particular, it is assumed that the deeper relationship will create opportunities for acquiring more knowledge, thus making the company better able to adapt to the customer and provide higher quality.

Gronroos (1984: 64) also ascertained that consumers are influenced not only by the service personnel and the physical/technical resources but by each other during the consumption process. This interaction as it is perceived by customer A is schematically depicted in Figure 2.5. Gronroos (1984) refers to Langeard's (1981) model as "the customer's view of a service firm." The Nordic School of service management, and in particular Gronroos and Gummesson (1982), expanded on the views of Langeard et al. Gronroos (1984: 30-41) initially saw the objective of the interactive marketing as the management of resources involved in the buyer-seller interaction. These resources consist of contact personnel (service providers), the physical environment and consumers. Gronroos (1984) at no stage rejects the principles of the marketing concept or what he terms "traditional marketing". He sees the relationship between traditional marketing and interactive marketing as supplementary. This view is reflected in Figure 2.6.

**FIGURE 2.6: THE THREE-STAGE MODEL OF SERVICES MARKETING**

<b>Stage</b>	<b>Objective of marketing</b>	<b>Marketing function</b>
Internal stage	To get customer-conscious and sales-minded personnel	The internal marketing function
Initial stage	To create interest in the firm and its services	The traditional marketing function
Purchasing process	To turn the general interest into sales	The traditional and interactive marketing function
Consumption process	To create re-sales and enduring customer contacts	The interactive marketing function

**Source:** Gronroos, 1982: 32.

It is evident from Figure 2.6 that in order to satisfy consumers needs, internal marketing<sup>2</sup>, traditional marketing and interactive marketing may have to be employed in combination. Interactive marketing implies that organizational considerations such as the service delivery system and organizational structure are of particular importance.

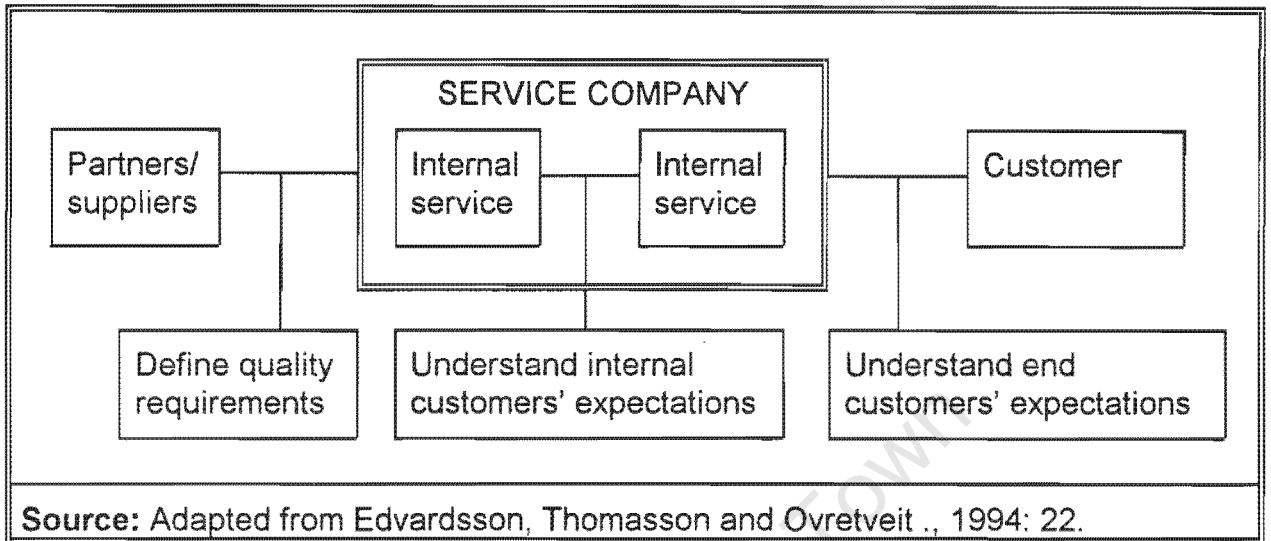
Gronroos (1982: 63) asserts that due to the complex nature of services and the high level of human interaction in the service delivery, responsibility for marketing should be vested in the firm as a whole, since many services marketing activities cannot be isolated from one another. In support of Gronroos's (1982) view, Edvardsson et al. (1994) have taken a Total Quality Management (henceforth TQM) approach to managing service quality and productivity. These researchers argue that TQM for services depends on and creates a culture in an organization that involves everybody in quality improvement. These researchers assert that modern quality thinking emphasizes the importance of having the right quality throughout the service chain, in all parts of the service company. If people are to take responsibility for making quality improvement, they need to understand their part in the organization.

As depicted in Figure 2.7, all those involved in the links in the service chain should know what is expected of them, and what "right quality" means. In co-service the customer interacts with the provider and with other customers. Productivity, quality and profitability in the service are influenced by each persons actions and understanding of his or her role; in other words, what should customers do and what should the supplier do for co-service? A simple example is when the customer has "free time," that is time where he or she is not doing anything and would rather be doing something. The most common example is the "service queue." In these situations, a customer could possibly perform some part of the co-service process, for example filling in a form with background details.

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<sup>2</sup>See Section 2.3.1.1 (a) for a detailed discussion.

**FIGURE: 2.7 THE SERVICE CHAIN**

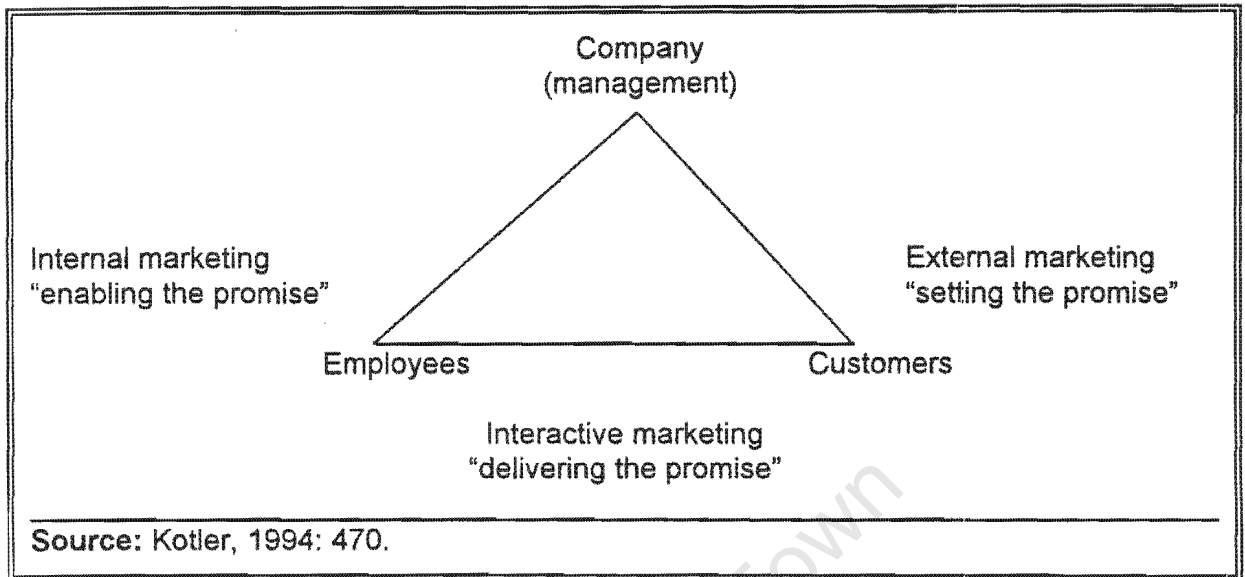


**Source:** Adapted from Edvardsson, Thomasson and Ovretveit ., 1994: 22.

Kotler (1994: 470) asserts that there are three types of marketing that must be successfully carried out for a service organization to succeed, and that all of them revolve around making and keeping promises to customers.

Kotler's view, as depicted in Figure 2.8, implies that all three sides are critical to successful services marketing and management. From Figure 2.8 it is also evident that during interactive marketing, the firm's employees interact directly with customers. Having a positive link between what was promised through external marketing and what is delivered through interactive marketing is critical (Zeithaml and Bitner, 1996: 22). Moreover, without one of the sides in place, the total marketing effort cannot be supported.

**FIGURE 2.8: THE SERVICES MARKETING TRIANGLE**



From the preceding discussion it is obvious that service customers do not passively consume the service, but take an active part in the process, thus influencing the process. Moreover, the service perceived by the consumer is the result of various interactions, as is depicted in Figure 2.5. The visible components of the service operations can be divided into those relating to service personnel (bank staff) and those relating to physical facilities and equipment. Clients may find themselves interacting with either or both of these and also, possibly with other clients in the service delivery system.

There are other components too, that may contribute to the clients overall view of the bank. These include word-of-mouth, telephone conversations with service personnel, newsletters, brochures and other correspondence. Collectively these components plus those in the service delivery system add up to what is called the service marketing system.

The importance of service personnel in the service delivery also became apparent during a discussion of the characteristics of services. The simultaneous production and consumption of services for instance, means that service quality depends almost entirely on the efforts of service contact personnel or the service provider. Considering the aforementioned, the focus now shifts to a discussion of the service employee.

### **2.3.1 The Service Employee**

The decisive role played by service contact personnel (the so-called boundary-role players) during the service encounter, has attracted much attention in recent services marketing research and is a central theme in contemporary marketing thought. Bitner et al. (1990: 71-84) ascertained that 43 per cent of unfavourable [unsatisfactory] encounters were failure situations handled poorly by service employees. These researchers therefore recommend that proper training to make service personnel equally effective in their routine and recovery role is imperative.

In the same vein, Zeithaml and Bitner (1996: 303) emphasize that the failure to deliver services as designed and specified can result from a number of employee and human performance factors. In-effective recruitment of service oriented employees, role ambiguity and role conflict among contact employees, and lack of empowerment are among the key factors (Zeithaml and Bitner, 1996: 304).

In a study investigating customer switching behaviour in service industries, Keaveney (1995: 76) ascertained that service encounter failures were attributed to some aspect of the service employee's behaviour or attitude. For example, if service employees were uncaring, impolite, unresponsive, or unknowledgeable, customers switched providers.

Various researchers (Gremler, Bitner and Evans, 1994: 34-56; Bitner, Booms and Mohr, 1994: 95-106; Julian and Ramaseshan, 1994: 29-34; Jap, 1995: 1995: 4-6) concur that front-line employees and those supporting them from behind the scenes are critical to the success of any service organization.

More specifically, Julian and Ramaseshan (1994: 33), and Larkin and Larkin (1996: 95) assert that bank employees (front-line) play a significant and determining role in marketing retail banks services. Larkin and Larkin (1996: 96) assert that front-line employees are opinion leaders in the organization and therefore any attempt to communicate changes in the organization should be directed at them. Furthermore, Mohr and Bitner (1995: 239-252) maintain that employee effort is viewed positively by service customers in the evaluation of their satisfaction with the service.

Kunst and Lemmink (1992: 120) argue that customer perceptions of service quality are a key factor in the "excellence" of service, and these perceptions are highly influenced by the quality of the interaction between customers and the store personnel. Further-more, these authors assert that the "quality of interaction" is a complex variable, highly affected by subtle factors of verbal and non-verbal communications between personnel and customers.

Berry et al. (1991: 47) emphasize that even low contact services that typically involve little human interaction between service customers and company personnel [for example, ATM's] become high contact services when problems arise. Behind-the-scene employees are essential for setting things right when automated services fail or errors occur, and also when they have to use their judgement to determine the best course of action for service recovery.

However, Berry et al. (1990: 160) argue that there is more variability among service outcomes in labour intensive services than when machines dominate the service delivery; for example, bank customers who use human tellers will experience far more service variability than those using ATM's. It needs to be stressed that the main reason why banks are offering automated services is not to avoid physical contact with the customer. This is for the convenience of the customer and contributes to the overall service quality. ATM's were introduced to decrease both transaction cost and customer complaints about long lines and rude service. What is important though is that at some time or the other [even though for a short period], the consumer gets in contact with the service organization.

It is during these "moments of truth" that the bank has the opportunity to influence the customer's view of the service quality. In effect the satisfaction/dissatisfaction which the customer experiences by using the ATM's contributes to his perception of the bank's overall service quality. However, Zemke and Schaaf (1990: 13) argue that customers are sometimes distressed by their lack of trust in machines and the missing human contact. Customers frequently expect human contact from service providers and they value contact.

Researchers (Julian and Ramaseshan, 1995: 29-34; Zeithaml and Bitner, 1996: 301) assert that to an extent, all service personnel involved in customer contact are marketers. Each individual represents the firm, defines the product, and promotes it directly to the consumer.

Various researchers (Rosenbluth, 1991: 26; Schlesinger and Heskett, 1991: 71) maintain that customer satisfaction is strongly influenced by the nature of customer contact and by the interaction between the firm and its employees. Since service organization employees have face to face contact with customers, their work involves much greater interpersonal interaction than manufacturing work. However, Denton (1989: 5), cautions that although the employee may be the most visible aspect of poor service, the "system in which the employee functions is sometimes the primary culprit."

In trying to explain how customers evaluate service quality, Parasuraman et al. (1985: 41-50) developed a model, commonly referred to as the SERVQUAL or GAPS model.<sup>3</sup>

These researchers identified four gaps which contributed to a difference between customers' expectations and marketers'/management's' perception of customers' expectations of the service. Through subsequent research, these researchers identified certain factors which contributed to the "Gaps."

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<sup>3</sup>See Chapter 4, Section 4.4.

For example, Berry, Parasuraman and Zeithaml (1988: 160-163), ascertained that three organizational factors contributed to the service-performance gap, namely, role conflict, inadequate role support, and inadequate role environment.

The contributing factors depicted in Figure 2.9 which are of relevance to the present study will be discussed in greater detail later.<sup>4</sup> According to Berry et al. (1988: 164), role conflict resulted from a poor fit among the different elements of the service provider's job; loss of personal control over the quality of the service rendered. For example, loans are processed and approved by the head office and branch employees are not able to give customers timely information on the status of their applications. Inadequate role support referred to in Figure 2.9 concerns hiring practices, training programmes, and support services that directly affect the employees ability to perform. In this regard, Berry et al. (1988: 158) comment that their research solicited the following remark; "We draw from the bottom of the barrel because that's the way we compensate."

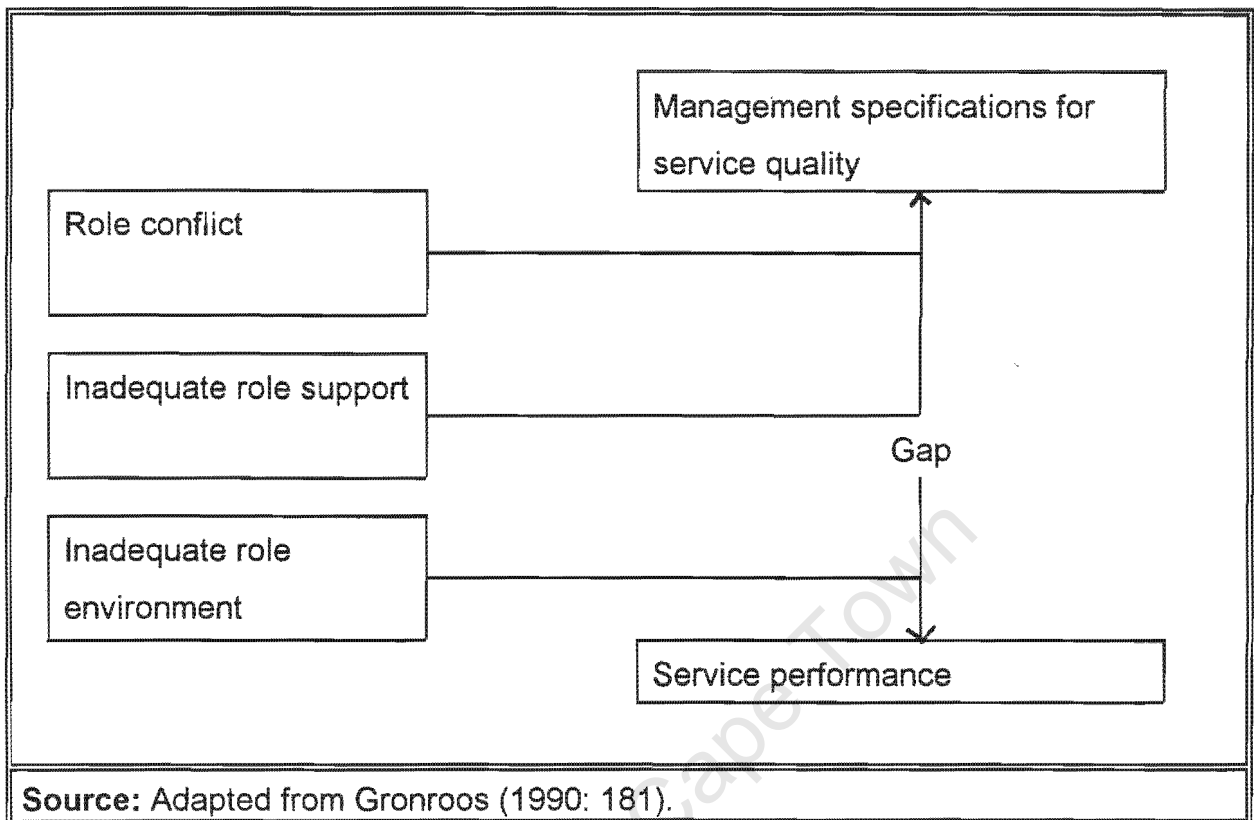
Whereas role conflict concerns the question "do I control my destiny?" with role support the question is, "do others in the organization come through for me when I don't control my own destiny?" The notion implied is the extent to which employees of a particular organization work as a team as well as the availability of support services. Inadequate role environment is commonly referred to as organizational climate.<sup>5</sup>

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<sup>4</sup>See Chapter 3, Section 3.2.2.

<sup>5</sup>See Chapter 3, Section 3.4.

**FIGURE 2.9: CAUSES OF THE SERVICE PERFORMANCE GAP**



Ondrack & Mc Ateer-Early (1992: 120) argue that customer perceptions of service quality are a key factor in the "excellence" of service and these perceptions are highly influenced by the quality of the interaction between customers and store personnel. The "quality of interaction" is a complex variable, highly affected by subtle factors of verbal and nonverbal communications between personnel and customers.

In order to have stores staffed with personnel who offer better quality service, firms generally follow two strategies: develop an appropriate organization culture to elicit "good service" behaviour from staff and develop a series of human resources management (hereinafter referred to as HRM) policies and practices to provide the organization with appropriate staff for "good service" behaviour. According to Ondrack & Mc Ateer-Early (1992: 120),

"Employees are the single greatest asset we have. They are always present at the "moment of truth" with customers in our stores. To achieve our service goals, our employees need to be the best trained, best motivated and most cared for."

Moreover, these researchers maintain that the principal challenge for major HRM functions is to perform the functions in a manner which would create and sustain a corporate culture of service quality.

Research (Shetty, 1991: 43-48) has shown that poorly managed and motivated employees convey messages in their interaction with customers. In addition, Shetty (1991: 44) recommends that the most important means of improving service quality is through an emphasis on the people (motivation and training) rather than on technology.

A service provider (like a bank clerk) plays a marketing role and exerts an important influence on customer satisfaction, service quality and both on the customers initial buying decision and his repeat buying decisions.

Gronroos (1985: 43) affirms that a service firm cannot satisfy the needs of its customers unless it is able to attract the desired employees and motivate them to behave in a desired manner. This he refers to as "internal marketing." Proponents of the aforementioned argument (George, 1990: 63; Berry, 1990: 61) describe employees as "internal customers." Takeuchi and Quelch (1990: 37) assert that the internal marketing programme should incorporate detailed procedures to guide customer-employee interactions.

Previously the focus was on customer needs and satisfying these needs mainly through core business activities. Now the emphasis is more on establishing and maintaining a relationship between the corporations and their customer base through broader offerings.

The relevance of the concepts "relationship marketing" and "internal marketing" to service quality necessitates further discussion.

### **2.3.1.1 Relationship Marketing**

Researchers (Gronroos, 1994: 4; Buttle, 1995: 2; Keaveney, 1995: 79-82; Schell, 1996: 1, Benapudi and Berry, 1997: 15-37) assert that traditional marketing theory has focused attention on encounters as being a series of discrete events, too often viewed in isolation from preceding exchanges, and without analysis of both parties' expectations for future exchanges. Although some services can be supplied quite adequately on the basis of a series of discrete, casual encounters, a relationship-based series of encounters can be useful for both customer and producer in a number of circumstances (Ravald and Gronroos, 1996: 19). Gronroos (1994: 5) defines relationship marketing as "... those marketing efforts directed at attracting, maintaining and enhancing customer relationships."

Various researchers (Zeithaml and Bitner, 1996: 171; Nauman and Giel, 1995: iii) assert that the trend towards consumerism and the changing competitive climate have forced business to re-examine their relationships with customers. Customer service has therefore become a strategic tool which is no more regarded as an expense, but as a positive force for increasing sales and reducing the cost of sales.

According to Gronroos (1994: 5), organizations are increasingly seeking to move their interactions with customers along a "Marketing Strategy Continuum." The aim is to move away from delivering goods and services by a series of discrete transactions towards continuous delivery through an on-going relationship. In other words, instead of relying solely on new customers, the focus should move towards

retention of customers as a cornerstone for future growth. Ravald and Gronroos (1996: 19) argue that this shift in focus from attracting customers to retaining customers necessitates the creation of customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced.

Christopher, Payne and Ballantine (1993: 1) assert that traditionally much of the emphasis of marketing has been directed towards the "getting" of customers rather than the "keeping" of customers. Relationship marketing has as its dual purpose the getting and keeping of customers. The practice of relationship marketing is most applicable to a service firm in which each of the following conditions exist: (1) there is on-going or periodic desire for the service on the part of the service customer, (2) the service customer controls the selection of the service supplier, and, (3) there are alternative service suppliers and customer switching from one to another is common. All these conditions are applicable to financial institutions in general and banks in particular.

According to Christopher et al. (1993: 3) marketing is concerned with exchange relationships between the organization and its customers and quality and customer service are key linkages in this relationship. These researchers view customer service as the building of bonds with customers and other markets or groups to ensure long term relationships of mutual advantage. In addition, these researchers assert that the challenge of relationship marketing is to bring the three "circles" of service, quality and marketing much closer into alignment. Christopher et al. (1993: 168) sum up the common ground between relationship marketing and quality management in the following statement: "The quality of relationships with people outside the company (customers) depends on the quality of relationships between people inside the company (staff)."

Perrien, Filiatrault and Richard (1993: 14) maintain that as more financial institutions employee relationship banking as a way to do more business with existing customers for a longer period of time, their executives will see that service excellence is the surest way to keep their customers coming back.

However, Morgan and Hunt (1994: 20) rightfully point out that financial institutions are not alone in their drive to build customer relationships through service excellence. Many service businesses find it cost effective to increase volume by retaining and doing more business with existing customers than it is to attract new customers. Theodore Levitt (1983) as cited by Buttle (1995: 7), sees service as an on-going relationship between the customer and the business which is undertaken not for public image purposes, but for vital economic ones. In support of this view, Rust and Zahorik (1993: 193) assert that the relationship between quality and financial performance is inescapable.

Although there has been much recent interest in relationship marketing, this has tended to emphasize the producer's perspective of a relationship. It can be argued that with more knowledge and confidence, consumers are increasingly happy to venture outside a long-term relationship with a service provider. This is reflected in the observation that in 1990, 43 per cent of a US sample of bank customers and 27 per cent of a UK sample had changed banks within the last five years (Palmer, 1994: 166). With increased knowledge of financial services, consumers are more willing to venture to another bank which offers the best personal loan for them or the most attractive credit card (Palmer, 1994: 166).

Buttle (1995: 12-13) highlights *inter alia*, two important requirements for the successful implementation of a relationship marketing programme. These are a supportive organizational culture and internal marketing. Furthermore, Buttle (1995: 13) elaborates that the need for a paradigm shift from the old transactional way of doing business necessitates changes to the existing corporate culture<sup>6</sup>.

Boshoff (190: 23) acknowledges that five relationship marketing strategies of core service marketing have been identified, and these include the following: internal marketing, relationship customization, service augmentation and relationship pricing. With the quality determinants in mind, the abovementioned strategies and their relevance in the banking industry will be briefly discussed.

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<sup>6</sup> The concept culture will be discussed in section 3.3.

### **a. Internal Marketing**

According to Gronroos (1990: 220), internal marketing starts from a notion that employees are first internal markets for the organization. Furthermore, Gronroos (1990: 221) asserts that internal marketing is a pre-requisite for relationship marketing.

Various researchers (Langeard et al., 1981; George 1990: 62; Gronroos 1990: 222; Reardon and Enis 1990: 377; Azzolini and Lingle, 1993: 38-40; Hauser, Simester and Wernerfelt, 1996: 268) concur that internal marketing is the best approach for establishing a service orientation as the organizational imperative. According to George (1990: 63), internal marketing focuses on achieving effective internal exchanges between the organization and its employees as a prerequisite for successful exchanges with external markets. Furthermore, Hauser et al. (1996: 269) recommend that one way to push marketing orientation deep into the organization is to focus internal suppliers (back-office staff) on serving their internal customers (front-line staff), who in turn, serve external customers.

Azzolini and Lingle (1993: 40) assert that internal customer service is the key to company success and recommend that steps to improve internal customer service should assess customers, staff and suppliers to pinpoint performance gaps. Gronroos (1990: 225) cites Berry (1981) who asserts that the overall objective of internal marketing is twofold; namely, to ensure that the employees are motivated for customer-oriented and service minded performance and thus successfully fulfil their duties as "part-time marketers" in their interactive marketing tasks, and to attract and retain good employees. Furthermore, Gronroos (1990: 228) maintains that because management does not have the ability to directly control service delivery, it has to develop and maintain indirect control by creating atmospherics, that is, climate and ethics, that make employees feel that service is the predominant norm guiding their behaviour.<sup>7</sup>

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<sup>7</sup>The service climate is discussed in section 3.4.

The need for banks to match expectations held by clients, and to ensure that the staff are adequately trained to respond to unforeseen client needs, has led to the development of the internal marketing concept. Internal marketing involves the creation of an organizational climate in general, and job-products in particular, that lead to the right service personnel performing the service in the right way.

One of the causes of the "service delivery gap" [Gap 3], Gronroos (1990: 61) maintains, is the lack of or insufficient internal marketing<sup>8</sup>. Employees may feel that their role as service providers is ambiguous because a customer contact person realizes that a customer requires different behaviour on the part of the service provider than what is expected according to the existing specifications. This kills any motivation for good quality behaviour among the service personnel.

The cure in these situations Gronroos (1990: 63) maintains, is to remove all reasons for ambiguity on the part of personnel; thus the role of internal marketing is critical. This view was also empirically supported in a study of financial institutions in South Africa (Tait 1996).

Gronroos (1990: 235) cautions that the external focus of an internal marketing strategy and any internal marketing programme should never be forgotten. Improving the work environment and tasks for the employees is, of course, an important objective; it is nevertheless the external impact of every employee that is the ultimate focus of internal marketing. The ultimate objective is to improve the customer consciousness and servicemindedness of employees. Consequently the internal marketing abilities and the external performance go hand in hand (Tait, 1996: 16).

Service innovations targeted at existing and potential customers must be designed with customer needs and concerns in mind. This requires a strong orientation toward the marketplace.

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<sup>8</sup>Refer to section 2.3.1 and 4.4.

Langeard et al (1981: 92) emphasize that there is also an internal marketplace, in the sense that innovations usually affect service employees too. Sometimes innovations involve just minor changes in operating procedures; at other times, they may require major procedural changes, and retraining and displacement of staff. This poses a need for internal marketing, which may be as important for success as externally focused efforts.

For example a major retail bank in South Africa recently launched two new "products," namely, "accolades" and "plus cheque accounts." The researcher, having watched advertisements for these products on television, approached his branch to enquire about these new products. To his dismay, the employee at the enquiry counter was not familiar with these products. This serves to illustrate and highlight the need for effective internal communication and marketing.

#### **b. Relationship Customization**

It is impossible to have exactly the same relationship with all clients. The bank manager and his or her staff have the responsibility to "categorise" each client and to establish a relationship that satisfies the needs of the particular client as well as those of the bank. This is no simple task and requires significant understanding and skills related to human nature and behaviour.

Communication has been identified as a key factor in establishing and building any relationship (Parasuraman, Berry and Zeithaml, 1995: 20). Effective communication skills (both staff and clients) will therefore be essential in establishing a desired relationship with a particular client irrespective of demographic or psychographic considerations (Reardon and Enis, 1990: 377).

Researchers (Hartline and Ferrel, 1993: 18) contend that upward communication [between employees and management] enhances service quality because it provides managers and supervisors with feedback information from front-line.

Furthermore, this line of communication can enable managers to help employees adapt to meet the changing customer needs. Front-line employees can also be a valuable source of information about customer needs and preferences when decisions are being made about what new products to offer and how to deliver them.

### **c. Service Augmentation**

For a marketing programme to be effective, the practice has to have a differential competitive advantage. This refers to the skills, services or facilities that distinguish it from other banks, especially if it is borne in mind that most banks offer similar services. It is what the clients know about the bank that will set it aside from other banks, develop a reputation and generate referrals. The key to attracting and retaining clients in today's highly competitive environment is to include "value-added services."

The essence of service augmentation is the provision of additional, valued services which differentiates a particular bank from another. In certain instances this requires additional training and skills by the bank managers and staff.

### **d. Relationship Pricing**

Parasuraman and Yadav (1996: 47) assert that the objective of relationship pricing is to encourage client loyalty by rewarding it financially. For example clients are not charged for certain transactions, clients are given free investment advice, and wills are drawn free of charge. However, Zeithaml (1988: 4) cautions that although price plays an important role in most relationships, in some it is less important and in others it may not even play a role at all.

From the preceding discussion, it is apparent that service quality suffers when employees are unwilling or unable to perform a service at the level required.

Maintaining service quality, then, depends not only on recognizing customer desires and establishing appropriate standards but also on maintaining a workforce of people both willing and able to perform at specified levels.

The literature on the service employee does highlight the importance of the service employee [provider]. The important role of the service organization [firm] in providing an environment conducive for the service interaction was also evident.

The discussion also highlighted the need for a change in strategic orientation from acquiring new customers to keeping and improving current customers. This shift to a relationship strategy implies a need for a change in mind set, organizational culture, and employee reward system (Senge, 1990: 299; Quick, 1992: 47; Zeithaml and Bitner, 1996: 172).

In view of the reference in the literature to the important role of service customers in the services marketing system, the focus now moves to the next participant in the services marketing system, namely, the service customer.

### **2.3.2 The Service Customer**

The service consumer has been researched by drawing from social and environmental psychological theories (Bateson 1983: 50-55; Schneider and Bowen 1995: 84-106). Consumers do not passively consume the service, but actively take part in the production process, thus influencing the process and the service they are going to get (Chase, 1978: 137-142; Wikstrom, 1996: 6-19).

The customers contribute directly to their satisfaction, and in so doing they essentially are involved in a critical transaction with the service employee. Mills, Chase and Margulies (1983: 302) assert that one possible source of potentially increasing productivity in labour intensive service organizations is the client/customer who can be induced (motivated) to do more in the transaction.

The production role of the consumer has also been recognized by a number of other researchers (Langeard et al., 1981: 81-104; Bateson, 1983: 50-53; Mills et al., 1983: 302). Their work focused on the "self service" consumer and those situations in which the consumer is called upon to perform more work by using such things as ATM's.

Some researchers (Langeard et al., 1981; Gronroos 1990; Wikstrom 1996) frequently use the phrase "the customer as co-producer," and conclude that when the customer is conceived as co-producer, the interaction should generate more value than a traditional transaction process, during which the buyer and seller meet briefly to exchange products and services and then go their separate ways. Furthermore, Wikstrom (1995: 7) asserts that the deeper relationship will create opportunities for acquiring more knowledge, thus making the company better able to adapt to the customer and to provide higher quality.

Since consumer behaviour lies at the heart of marketing, it is clear that effective marketing can have a major impact on improving the productivity of service firms. Participation is clearly a significant issue for service managers, as well as being one of the key elements in how consumers behave in the service situations. Langeard et al. (1981: 97) assert that consumers are likely to vary widely in their willingness to participate actively in the "servunction" system by which services are produced and delivered, according to the nature of the specific service situation encountered. These researchers developed a "systems model" by which the service is produced, delivered to and consumed by the consumer. As was evident from Figure 2.5, in the systems approach the service is delivered in real time, to a customer through his/her interaction with: the firm's personnel, the service environment and other customers. A major feature of the systems model is that customers participate in the production of the service they receive. In view of this, Langeard et al. (1981: 16) caution that a customer who fails to follow the procedures laid down by the firm may jeopardise not only the service that he or she receives, but also the quality of the service received by other customers.

Because of the interactive nature of the "servunction" system, a service organization cannot totally segregate its "production" workers from its customers. Langeard et al. (1981: 16) assert that this profoundly changes the concept of quality control. Having numerous employees in contact with customers raises a very real problem of consistency of behaviour; an individual employee is likely to be torn between actions that will make the job easier and those that will best suit the needs of the customer. Thus the employee experiences stress and this can affect his performance and the outcome or service quality.

Service customers can even be "sole producers" when they use an ATM. It is for this reason that Bowen and Cummings (1990: 4) regard service customers as part of the "human resources" mix of the service organization. These researchers argue that the participation of the customer in the service operation makes it difficult to maximize the efficiency of the operation or to provide a consistent offering over time and across customers. When customers act as producers, service managers must control both employee and customer behaviour to operate effectively.

Furthermore, Bowen and Cummings (1990: 70) assert that service organizations are particularly dependent on functional integration. For example, customer contact personnel not only produce the service, but are also involved in marketing it. In turn, marketing services is very much a human resource activity, because the quality of selection and training of service personnel spills over to affect customers' perception of the quality of service they receive. Moreover, unlike marketing managers in consumer or industrial goods firms, a marketing manager in a service organization cannot take responsibility for the product as it leaves the "factory" gate. Instead, the management of the marketing function is closely interrelated with, and dependent upon, the management of human resources and operations.

The above discussion highlights the important role played by the service customer in the service marketing process. Having reviewed the roles of both the service customer and the service employee, it is necessary to bring the participants together into the organization in an interaction known as the "service encounter."

## 2.4 Summary

It is apparent from the literature that service firm managers face significantly different challenges from their manufacturing counterparts. Two of the key challenges are service design and service quality. Obviously, product design and quality control are critical to any firm, but these aspects are more complex in a service firm because for most service firms, these activities involve planning for, implementing and controlling interactions between customers and service firms. Thus all the ambiguities of human behaviour and interpersonal communication are introduced into the service design and delivery process.

Gronroos (1981) proposed that through internal marketing, firms will be able to obtain and develop motivated and customer-oriented personnel. However, although the employee may be the most visible aspect of poor service, the system in which the employee functions is of primary importance in assessing the service outcome. Though good service is most frequently seen by the customer as a satisfactory outcome of an interaction with a company's front-line personnel, the most powerful influence on that interaction comes through those myriad things we refer to under the umbrella heading "management."

Research has also highlighted the active role of the consumer in the service production process and thus the influence of the consumer on the eventual outcome (Chase, 1978; Mills, et al., 1983; Schneider and Bowen 1995, as cited by Wikstrom, 1996: 7). Of particular relevance to this research is the notion of viewing the customer as a member of the service organization. The service customer is a member of the service organization in the sense that he provides resources to the service organization.

From the literature it is also apparent that service quality does not just happen. It has to be continuously monitored and managed. Furthermore, it is also evident that management of service is as different from management of production as the farm is from the factory.

The literature reviewed made constant reference to the 'moment' when the service customer and employee meet or the service encounter. The relevance of the service encounter to this research entails a detailed explanation. In the chapter which follows, the service encounter will be the focus of debate with emphasis on the service organization, the service employee and the service customer.

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## CHAPTER 3

### THE SERVICE ENCOUNTER

#### 3.1 Introduction

Service delivery is recognized as one of the most important tools in the survival of a business in today's competitive environment. By providing service excellence a firm can achieve a competitive advantage over its competitors (Pitt, Nel & Bromfield, 1995: 253).

However, the concept of achieving a competitive edge through excellence in service is not a new idea, but the popularity of the concept has grown tremendously in recent years (Kunst and Lemmink, 1992: 2). The 1980's and early 1990's saw a dramatic increase [in Europe and America] into service quality and service management, and the growth of knowledge about service quality management as a distinct subject on its own right (Edvardsson et al., 1994: 16). While quality in tangible goods has been described and measured by marketers, quality in services is largely unresearched in South Africa.

Since one of the vital features of service organizations is the personal interface between the producer and consumer of services, this chapter will examine the service encounter in detail by exploring the roles of the service employee and service customer as well as that of the service organization.

#### 3.2 Importance of the Service Encounter

Understanding the service encounter has been identified as a key challenge for service firm managers, having implications for service design, quality control, employee screening and training and relationship marketing (Bitner, Booms and Mohr, 1994: 95; Schneider and Bowen, 1995: 108; Mittal and Lasser, 1996: 95).

The quality of the service encounter has been recognized as a key strategic competitive weapon (Mittal and Lasser, 1996: 95-96). According to Clark (1990: 2), the quality of the service encounter is affected by the following factors:

- the extent to which general guidance is given by management as to what level of service should be delivered,
- whether systems and resources are available to consistently deliver the specified level of service,
- whether management is consistent in policy and action being "role models" for service,
- the difference between what is specified and therefore expected by management as against what service providers see are real requirements of the customers they meet day by day, and
- the extent to which management control systems conflict with service goals; a common example would be major emphasis on cost control, with the organization publicizing personalized service as its main selling point.

Bitner et al. (1994: 95) believe that the customer's perception of service encounters is crucial component in the evaluation of the total quality of a service. This is particularly true of repetitive services, such as with banks, where long-term relations with customers depend on many "moments of truth," and for services with a high professional component.

To improve quality and build lasting relations, it is important then, to understand what happens in these encounters, and what affects the customer's perception of them. Ondrack and McAteer-Early (1992: 120) assert that customer perceptions of service quality are a key factor in the "excellence" of service and these perceptions are highly influenced by the quality of the interaction between customers and store personnel. These researchers assert that the "quality of interaction" is a complex variable, highly affected by subtle factors of verbal and nonverbal communications between personnel and customers.

In most services, quality occurs during the service delivery, usually in an interaction between the customer and contact personnel of the service firm. The face to face interaction or "personalization" between the customer and service personnel is vital to the outcome of the service experience. Inseparability, as one of the defining characteristics of services results in the producer-consumer interaction assuming great importance within the service offer. There are many opportunities for things to go wrong when the service provider and service customer interact; when both parties experience and respond to each others mannerisms attitude, competence, mood, dress, language, and so forth (Price et al., 1995: 85-86).

Incidents occur each time producers and consumers come together in an encounter. Palmer (1994: 152) asserts that while many incidents may be quite trivial in terms of their consequences to the consumer, some will be so important that they become critical to a successful encounter. Bitner et al. (1990:16) define critical incidents as "specific interactions between customers and service firm employees that are especially satisfying or dissatisfying." At each critical incident, customers have an opportunity to form an opinion of service quality.

Gremler, Bitner and Evans (1994: 35) assert that the ways in which customers evaluate encounters are similar whether the customer is internal or external to the organization.

According to Zeithaml and Bitner (1996: 105), from the customer's point of view, the most vivid impression of service occurs in the service encounter, or the "moment of truth". Furthermore, from the organizations' point of view, each encounter presents an opportunity to prove its potential as a quality service provider and to increase customer loyalty.

Zemke and Schaaf (1990: 19) assert that it is important to listen to customers to find out what their "moments of truth" are and how well they are managed. Furthermore, knowing not only the "moments of truth" but their relative impact on customer satisfaction is essential to manage effectively and efficiently.

Various researchers (Zemke and Schaaf, 1990: 20; Zemke and Bell, 1990: 18) agree that mapping "moments of truth" around a cycle of service can be most revealing. Moreover, managing each moment of truth is important to the overall customer satisfaction.

Clients and customers are crucial market environmental elements brought into the service operations through service encounters. Although clients and customers are vital to the operation of services, they are simultaneously problematic because their behaviour cannot be predicted with any degree of regularity. Moreover, all customers entering the service operation have different demands, expectations and come from varying socio-cultural backgrounds. On the other hand, the staff [at most banks] tend to be multi-cultural, but of a higher socio-economic status, with higher educational qualifications than the bottom end of the demand structure they have to serve (Buys, Jooste and Schreuder, 1995: 2).

Furthermore, the existing "micro" environment of the service encounter is a multicultural one, greatly varying in the ability to express needs. The challenge of any service operation therefore is that of bringing together simultaneously a number of facets of the business. Although in reality the content of a service may be largely invisible to the customer, for example, the resources and systems required by a bank to ensure that cheques are processed quickly and accurately, his/her perception of service delivery is influenced disproportionately by the manner of his treatment at the point of contact. However, Senge (1990: 140) cautions that by viewing the service encounter as a "microcosm" or "micro" world, we should not lose sight of the functioning of the whole service delivery system. By adopting a systems view, service providers could realize that problems arise from the businesses own policies and strategies, rather than from outside. Furthermore, Senge (1994: 141) asserts that service providers should be able to see the full pattern or picture of its operations, that is, how the various disciplines interrelate rather than "snapshots" of the system.

Schneider and Bowen (1993: 39-56) caution against falling into a "human resources trap" by emphasizing the personal contact relative to the exclusion of the non-personal. Furthermore, these researchers embrace a broader definition of the "moment of truth" to refer to anytime customers come into contact with any aspect and use that contact as one basis for judging quality. Schneider and Bowen (1995: 176) maintain that managing all the "evidence" should yield a seamless service experience for the customers.

Recently, researchers (Bitner et al., 1995:106; Gremler et al., 1994: 34-56) have examined the service encounter from the employee's point of view. These researchers concur that open communication between contact employees and managers can improve service quality. Gremler et al. (1994: 34) coined the phrase "internal service encounter" and assert that the internal customer's (service employee's) satisfaction with a service firm can be significantly influenced by service encounters experienced with internal service providers. For example, a loan officer's satisfaction with the bank he works for may be influenced by the internal services provided by the data processing group. By using the critical incident methodology on a sample of bank employees to investigate internal services, Gremler et al. (1994: 54) concluded that internal customers are similar to external customers in that, the same type of events and behaviours distinguish satisfactory and dissatisfactory incidents.

Various researchers (Palmer, 1994: 15-151; Price et al., 1995: 84) distinguish between "high contact" and "low contact" encounters. According to Palmer (1994: 150), in some cases, the entire service is produced and consumed during the encounter, whereas in other instances, the encounter is just one element of the total production and consumption process. Since the client/customer appears twice in the service management system, as a consumer in the market segment and as part of the service delivery system; the management of the company-client interface becomes extremely important.

Interface design is a crucial variable which determines much of the strategic positioning of the company, and it has profound operational consequences (Price, et al., 1995: 83). Moreover, Zeithaml and Bitner (1996: 364) assert that since customers are present during service production, they can contribute to or detract from the successful delivery of the service and to their satisfaction.

Bitner et al. (1994: 96) also identified an additional source of customer dissatisfaction with the quality of service received, namely, the customer's own "misbehaviour."

Furthermore, Martin and Pranter (1989: 6) ascertained that the customer's perceptions of service quality are influenced not only by their own actions or inactions, but by the presence of other customers.<sup>9</sup> For example, bank customers waiting in line to receive the service sequentially, can influence whether the service is effectively and efficiently delivered (Hui & Tse, 1996: 81).

Schneider and Bowen (1995: 2) assert that since the customer is the foundation of any service organization, management practice should be based on a deep knowledge of customer characteristics in three areas: expectations, needs, and competencies. Customers not only bring expectations and needs to the organization to be fulfilled; they also bring competencies. Organizations that can capitalize on customer competencies can be big winners (Schneider and Bowen, 1995: 3).

Although some researchers (Chase, 1978: 138; Levitt, 1972: 44) conclude that since customers introduce uncertainty into the production process, less direct contact between the customer and the service production system can contribute to efficiency; others (Mills, Chase and Margulies, 1983: 302), believe that services can be delivered most efficiently if customers are truly viewed as partial employees and their participative roles designed to maximize their contributions.

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<sup>9</sup>Refer also to Figure 2.5.

Furthermore, some researchers (Kelley, Skinner and Donnelly, 1992: 213) ascertained that customers who believe that they have done their part to be effective in service interactions are more satisfied with the service.

Customer disposition to participate in the service production refers to the extent a customer tends to play an active role in supplying labour or information to the service production process. This dimension stresses the degree of active participation as opposed to Chase's (1981: 698) high versus low contact dimension, which depends only on the customer's presence. The disposition to participate is driven primarily by customer motivation, which, in turn, stems from at least two sources, namely, customers find doing it for themselves intrinsically attractive, which means customers prefer to be involved in serving themselves even without a price reduction (Bateson, 1982: 50); and customers may feel that their active involvement is necessary to guarantee quality. This is in line with the agency theory rationale for the customer principal to monitor the service agent's fulfillment of the service contract (Larsson and Bowen, 1990: 101). It also includes the possibility of unique customer competencies, such as information about legal, psychological, or physical situations that the customer may need to supply, firsthand, during the service production.

Larsson & Bowen (1990: 100) contend that the more activities the customers tend to contribute, the higher the input uncertainty because the organization has incomplete information about what the customer actually will do before the service encounter. Furthermore, the customer disposition to participate can be constrained by insufficient ability or role clarity. In other words, customers may lack the competence and role readiness necessary to participate (Mills and Turk, 1986: 92). Thus, this dimension represents how willing the customers are to actively participate, given that they are capable of handling what the role entails and are clear about it (Bowen, 1986: 372).

Bowen (1990: 40) suggests that strategies for managing customer behaviour in service production and delivery can be drawn from models of employee behaviour.

In other words, employees behave the way they do based on three considerations:

- do they understand how they are expected to behave?
- are they able to perform as expected?
- are there valued rewards for performing as expected ?

An initial role expectation is for the customer to "go to the right spot or person." In other words the customer must have the proper "orientation" to the setting.

Bowen (1990: 40) assert that orientation is a compelling behavioural need of individuals upon entering a setting. Any customer who has stood in the wrong line at the bank can appreciate how disorientation, together with time constraints, is annoying and stressful. Disorientation can also result in employees spending more time answering directional questions for customers than actually providing the service. Repeat customers and customers of comparable services require less orientation than first time users of any unknown service.

Service organizations face the challenge, then, of providing orientation for not only their employees, but their on-site customers as well. When customers participate in service creation they acquire benefits such as increased control over the terms of the service delivery, time savings, and monetary savings. Service managers need to clarify the performance-contingent rewards for their customers, as they do for their employees. Deciding on the rewards customers will value should take into account that customers, like employees, satisfy diverse needs via their organizational presence (Bowen, 1990: 43). Customers are not motivated exclusively by economic needs; for example, they may value interacting with service employees or even sheer enjoyment of the service experience. Moreover, Bowen (1990: 46) argues that service managers need to adopt a more Theory Y view of customers; see them as trustworthy collaborators in the service creation process, who can creatively fashion their own service roles and be internally motivated to perform well.

It is therefore apparent that in service organizations, the customer is no less a part of the firm's human resources than its employees. Having the "best" customers can be a source of competitive advantage. Moreover, since customer interaction with other customers during the process of service delivery and consumption can influence the customer's perception of service quality, this requires management to manage the customer mix. The analysis of the service encounter from different perspectives should therefore be viewed against the background of the influence of personal interaction on service quality.

The centrality of the service encounter as a service component warrants a substantial theoretical focus. Furthermore, the complex nature of the service encounter may, preclude total reliance on a single approach or methodology. However, with relevance to the present study, the service encounter will be discussed from only two viewpoints, namely, its dyadic nature and the role theory perspective.

### **3.2.1 The Dyadic Nature of the Service Encounter**

A personal selling situation implies a situation described by sociologists as a dyad (Solomon et al., 1985: 100). Both the buyer and seller influence each other and a poor match between the sales person's approach and the customer's needs in this interaction situation is bound to have a detrimental effect on satisfaction and thus sales (Weitz, Sujan and Sujan 1986: 85-100).

The eventual result of the interaction should thus be evaluated in terms of the contribution of each part of the dyad (Solomon et al., 1985: 101). Boshoff (1990: 120) cites Solomon et al. (1981) who contend that the potential advantage of this approach is that it could contribute to: the design of need satisfying services; the design of service environments; the selection, training, and motivation of service providers; and customer behaviour guidance.

Solomon et al. (1985: 95-111) have concentrated their research on the human interaction aspects of the service encounter. They believe that successful, satisfying, and thus quality service encounters are only possible if both service providers and customers behave according to pre-determined, established, and thus expected, patterns. If prior expectations of the customer are not met during the service encounter, dissatisfaction will result. Although the work of Solomon et al. (1985) does not directly recognize the participatory role of the service customer, it does stress the importance of the dyadic interaction between the service provider and service customer during the service provision process.

In many types of dyadic interactions, one cannot predict the quality of outcomes with knowledge of only one actor's behaviour. Since much of social behaviour consists of joint activity; a major task for the interacting person is the mutual co-ordination of appropriate behaviour vis-a-vis the other person (Solomon et al., 1985: 97).

It is evident from the preceding discussion that both participants or "actors" have to contribute to ensure that the end result is satisfactory for both. The section which follows attempts to shed light on the how the participants acquire their roles.

### **3.2.2 The Role Theory Perspective**

Role consists of the activity the incumbent would engage in were he to act solely in terms of the normative demands upon someone in his position (Palmer, 1994: 155). The role theory perspective recognizes that in any interaction between the consumer and service personnel a number of rules must be obeyed (Solomon et al., 1985: 99-111). The analogy for this is the theatre, so that both parties are assumed to have roles that are to be played. The service encounter can be seen as a theatrical drama, with the stage being the location where the encounter takes place. In this regard, Bitner et al. (1990: 98) remark that a scruffy service outlet (the stage) may result in lowered expectations by the customer, and in turn, a lower level of service delivery by service personnel.

Zeithaml and Bitner (1996: 26) assert that physical evidence cues (the theatre) provide excellent opportunities for the firm to send consistent and strong messages regarding the organization's purpose, the intended market segments, and the nature of the service.

The theatrical analogy extends to the costumes which service personnel wear; for example, the bank manager wears a suit to convince customers that he or she is capable of taking the types of decisions made by a competent bank manager. Stempfer (1991: 53) argues that only by defining an organization as "a system of roles", is it possible to understand the inter-relationships that enable a service organization to deliver its products and services seamlessly and efficiently. Moreover, Schneider and Bowen (1995: 4) emphasize that the "make-it-or-break-it" role service employees play is that of linking customers to the organization.

Because service employees are both physically and psychologically close to the customers they serve, they play at least two important roles, namely, impression managers and gatekeepers of information. For many customers, the service employee is the organization. This means that "boundary" employees' behaviour and the experiences their behaviour creates for the customers are service quality in the eyes of the customer. Moreover, boundary employees, being in constant contact with customers, are an endlessly useful source of insights into customer attitudes, information on competitor strategies and ideas about how to enhance service quality (Schneider and Bowen, 1995:4 -5).

In a service encounter, both customers and service personnel are playing roles which can be separated from their underlying personality. Employees are employed to act in a specified role. According to Kendall (1996: 64), role implies a social determinism and a doctrine about socialization. Kendall (1996: 63) also asserts that role is a basic unit of socialization. This implies that roles are assumed as a result of conditioning by society and culture of which a person is a member. The role theoretic perspective of the service encounter emphasizes the social structure which constrains the social behaviour of the service "actors."

For example, bank employees are socialized to play the role of cautious and prudent advisers and to represent the values of the bank in their dealings with customers.

Schneider and Bowen (1995: 16) stress that service characteristics such as intangibility, and customer contact require service employees to display more initiative, to cope more effectively with stress, to be more interpersonally flexible and sensitive, as well as more co-operative than their colleagues who work in manufacturing.

In view of the above, there is need to discuss, albeit briefly, the underlying implications of a role, namely role expectations, role congruency and role conflict.

### **3.2.2.1 Role Expectations, Congruency and Conflict**

Zeithaml and Bitner (1996: 67) cite Solomon et al. (1985) who define role expectations as comprising of "the privileges, duties, and obligations of any occupant of a social position." It is important to remember that a role player's behaviour is inter-dependent with the behaviour of those in complementary positions. The totality of complementary roles is known as a role set (Solomon et al., 1985: 99). To a bank teller, for example, there may be customers, co-workers, head teller, and branch manager.

While consumers and providers have common expectations about appropriate role behaviours, these expectations differ among encounters and are moderated by provider and consumer characteristics and perceptions (Solomon et al., 1985: 100-101). Provider and consumer characteristics and perceptions about the encounter dictate which behaviours comprise satisfactory interaction and can serve to differentiate offerings of the same type of service. Zeithaml and Bitner (1996: 67) assert that satisfaction with a service encounter must be seen as a function of the congruence between perceived behaviour and the behaviour expected by role players.

On the other, Schneider (1980: 52-65) proposed that incongruence between the service orientation of employees and perceived orientation of management engenders role ambiguity and conflict. Furthermore, these researchers assert that role ambiguity and role conflict translates into dissatisfaction, frustration and intentions to quit on the part of employees. If the service customer is also viewed as a member of the service organization, as is the assumption in this study, it would be reasonable to assume that lack of role perception may result in customers switching to other providers.

Solomon et al. (1985: 102) assert that role discrepancy arises when the employee's perception of job duties or qualifications differ from the customer's expectations from those duties, and when the customer's conception of the customer role differs from the employee's notion of that role.

Researchers (Singh, 1993: 11-13; Singh, Verbeke and Rhoads, 1996: 60-71) maintain that role conflict stems from a failure to set service specifications. When conflicting job demands are placed on an employee from two legitimate sources and the complete satisfaction of both is not possible, such employees experience what is known as role conflict. Role conflict thus occurs if an employee, (for example, a bank teller) is subject to two sets of expectations (a manager and a client) and it is impossible to satisfy both.

Various researchers (Walker, Churchill and Ford, 1993: 35; Singh, 1993: 11; Schneider and Bowen, 1995: 111) remark that service employees are susceptible to role conflict because they occupy a position at the boundary between the firm and the customer. Consequently they must try to satisfy the often inconsistent demands of people in two independent organizations.

Schneider (1980: 52-65) believes that if the structure of the service script is better understood, the transaction can be engineered for congruency, and there is a greater probability that a climate for service will prevail.<sup>10</sup> It seems obvious that accurate mutual comprehension of role expectations is a pre-requisite for a satisfying service experience.

Kelley (1992: 28) asserts that according to the role theoretic-symbolic interactionist perspective, when an individual has gained an appropriate understanding of his or her role and the roles of the other members of the role set, it is possible to formulate accurate role expectations. Furthermore, the formulation of role expectations may result in superior quality for the service encounter. Of importance to this research are the roles of the service customer and service employee as it is influenced by the service organization. It is therefore posited that the organization influences the interaction, and this affects the outcome of the encounter which eventually impacts on the overall service quality.

From the preceding discussion it is apparent that the service encounter itself occupies a central place in much of service marketing. It impacts on service quality control, differentiation, delivery systems, and customer satisfaction. Solomon et al. (1985: 99), summarize the importance of the service encounter as follows: "the quality of the subjective product - the service experience - is the true outcome of the service interaction."

An important implication from the discussion is that the management of service organizations should create an environment [climate] in which the service employee does not experience any role conflict because this would impact on the service outcome. In view of the aforementioned, the debate now focuses on the service organization and attempts to illustrate how the organization [through its management] can create an environment conducive to service excellence.

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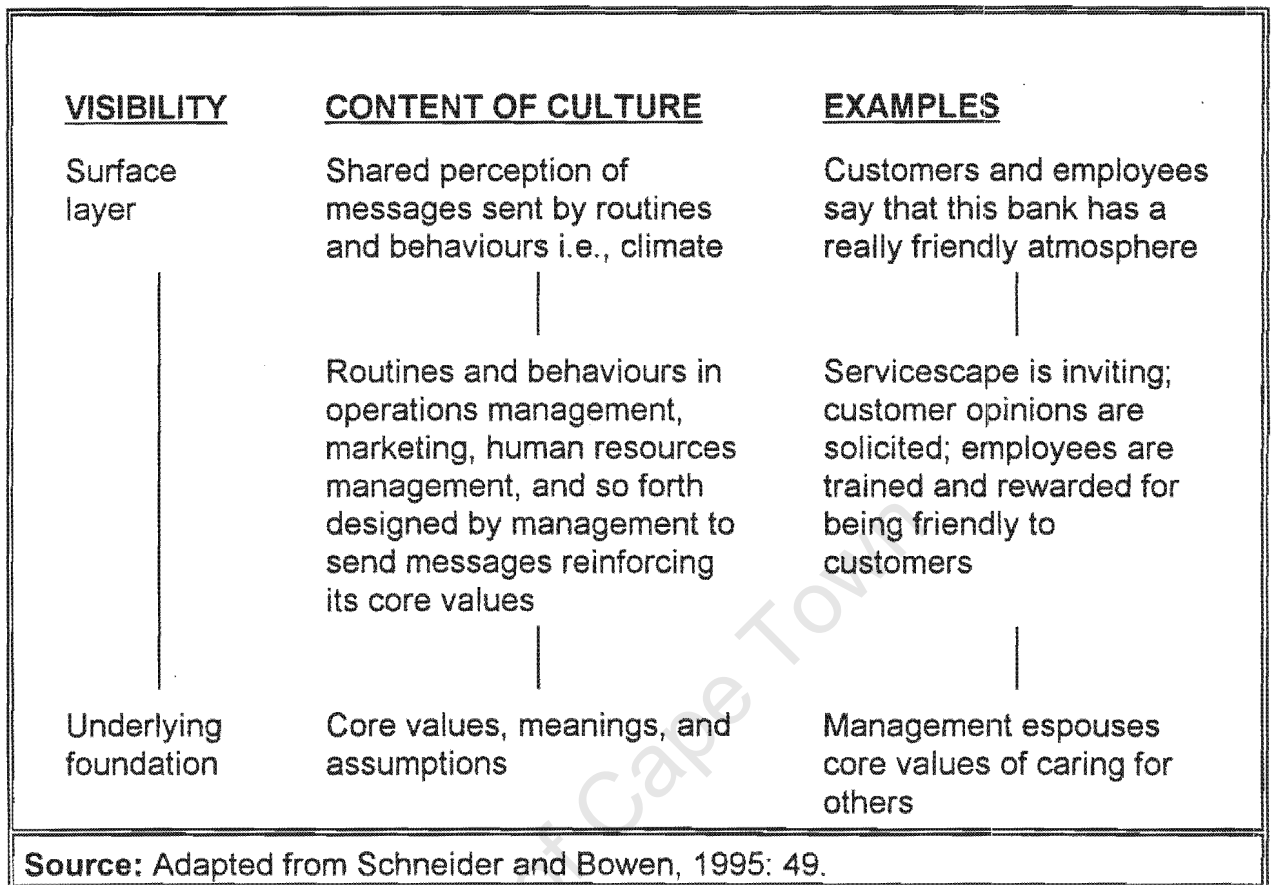
<sup>10</sup>See Section 3.4 for a detailed discussion.

### 3.3. The Service Organization and the Organizational Culture

Schein (1992: 12) has defined culture as the "pattern of basic assumptions that the group has learned as it solved its problems of external adaptation and internal integration, that has worked well to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems." Schneider, Gunnarson and Niles-Jolley (1994: 19) define organizational culture as an individual's perception and interpretation of what is important in the organization in terms of the "assumptions, values, and philosophies that produce the climates they experience." Gronroos (1990: 241) on the other hand used the term corporate culture, which he described as "a set of common norms and values shared by people in an organization." Furthermore, Gronroos (1990: 242) asserts that corporate culture can be felt as the "internal climate" in the organization.

Schneider and Bowen (1995: 48) use the terms "climate" and "culture" interchangeably because they believe that both have to do with how the employees "make sense" of their work environment. Furthermore, Schneider and Bowen (1995: 49) believe that climate is the surface layer of the organization's underlying culture. This view is clearly depicted in Figure 3.1.

**FIGURE 3.1: THE SERVICE CULTURE**



According to Robbins (1993: 602) there are ten primary characteristics that, in aggregate, capture the essence of an organization's culture: member identity with the organization rather than with the job, group emphasis, people focus, unit integration, control, risk tolerance, reward criteria, conflict tolerance, means-ends orientation, focus on outcomes rather than techniques, and open-systems focus.

Furthermore, Robbins (1993: 604) asserts that the picture which emerges from appraising these characteristics, gives a composite picture of the organizational culture prevailing in the organization. The picture becomes the basis of feelings of shared understanding that members have about the organization, how things are done and how members are supposed to behave.

The concepts of service culture and marketing culture developed from the broader concept organizational or corporate culture (Webster, 1992: 54). Stanley and Narver (1995: 63) assert that a market oriented culture can achieve maximum effectiveness only if it is complemented by a spirit of entrepreneurship and an appropriate organizational climate, namely, "structures, processes, and incentives for operationalizing the cultural values."

Gronroos (1990: 242) maintains that the complex corporate culture which can be felt as an internal climate, explains why people do certain things, think in common ways and appreciate common goals, just because they are members of the same organization.

Furthermore, Gronroos (1990: 242) observed that service firms have to manage the internal climate for service so that employees who serve customers develop positive attitudes and behaviours. A strong internal service culture is likely to lead to higher quality in service delivery, which in turn will lead to higher perceived service quality from the customer's point of view (Gronroos, 1990: 243; Bitner, 1991: 23; Schneider and Bowen, 1995: 237).

Some researchers (Spechler, 1993: 11-13; Bright and Cooper, 1993: 21-27) maintain that total quality management (henceforth TQM) is achieved within a well-balanced three-part system. The first, and most important part of this system is the cultural system, which is represented by the sum of beliefs, values and resulting behaviours that take place throughout the organization. The values provide the directional guidance that is a significant factor in motivating entire organizations towards excellent performance. The second part of the TQM system is the technical system which includes such factors as technologies used and physical infrastructure and thirdly, the management system defines those processes by which the organization manages its human and physical assets.

Managing for quality includes how the company's customer focus and quality values are integrated into day to day leadership, management, and supervision of all company units. The leadership of each organization needs to determine what actions they can implement to motivate their people to improve customer satisfaction and operating results.

Spechler (1993: 57) believes that there is no simple prescription for this. He asserts that the appropriate approaches and implementation priorities will be determined by such factors as: the corporate culture, size of company, and competitive forces.

Robbins (1993: 608) argues that from an employee's point of view, culture is valuable in that it reduces ambiguity, enhances organizational commitment and increases the consistency of employee behaviour. However, culture becomes a liability where the shared values are not in agreement with those that will further the organization's effectiveness. This is most likely to occur when the organization's environment is dynamic. When the environment is undergoing rapid change, the organization's entrenched culture may no longer be appropriate.

Zemke and Bell (1990: 301) assert that while researchers may quibble over the best set of words to communicate the meaning of corporate culture, they all agree that corporate culture has a more compelling influence on employee actions than policies, standards and directives. These researchers are of the opinion that a strong service culture is consistently found in organizations known for superior customer service. Of relevance to this research is Zemke and Bell's (1990: 302) assertion that all employees have to be socialized into the organization so that they can adapt to its culture. In support of Zemke and Bell (1990), Rentsch (1990: 116) also maintains that culture is learnt and reproduces itself through socialization of new members entering the group. The socialization process really begins with the recruitment and selection in that the organization is likely to look for new members who already have the "right" set of assumptions, beliefs and values. If the organization can find such persons, it has to do less formal socialization.

Though the goal of socialization is to perpetuate the culture, it is clear that the process does not have uniform effects. Individuals respond differently to the same treatment, and, even more important, different combinations of socialization tactics can be hypothesized to produce different outcomes (Van Maanen & Schein, 1979: 16).

Organizational socialization or enculturation, as referred to by Brown (1995: 54), is the processes by which participants learn the culturally accepted beliefs, values and behaviours (and relinquish others that are not compatible with the culture), so that they are able to act as effective members of the group.

Argyris and Schon (1978) distinguish between "espoused culture" and "culture-in-practice." The espoused culture is the desired state or vision of the organization, that is, what the organization should be. In contrast, the culture-in-practice is its actual culture as experienced by the employees. Brown (1993: 26) points out that the effects of the difference between the espoused culture and the culture-in-practice can be dramatic, and this can be a source of role conflict in service employees.

Brown (1995: 131) asserts that Human Resources Management henceforth [HRM] plays a significant role in managing key elements of culture. Human resource systems, policies and practices have a great leverage on an organization's culture. Top management also plays a significant role because as the leader of an organization, he/she has a crucial role to play in setting the vision (ideal state culture) that the organization is going to move towards.

Customers (as a source of culture) are an important stakeholder group for most organizations, and their power to influence organizational culture has been amply demonstrated by the increasing number of companies that have sought to improve the quality and reliability of their products and services by creating a "quality culture" in response to consumer demand.

Berry et al., (1987: 17) caution that the organization's existing culture is sometimes a "barrier" or "service wall" and limits the organization and its business strategies. For example, if an emphasis on service quality is not part of the existing culture, breaking down the "service wall" can be a formidable undertaking - indeed one that closely has to start at the top of the organization.

An important fact highlighted by Gronroos (1990: 242) is that internal activities or even projects, such as training programs or single service courses, do not lead to expected results if they do not fit the existing culture in the firm. A weak corporate culture creates an insecure feeling concerning how to respond to various clues and how to react in different situations. A strong culture on the other hand enables people to act in a certain manner and to respond to various actions in a uniform way. Especially in service organizations, clear cultural values are particularly important for guiding employee behaviour (Schneider, 1986 as cited by Gronroos, 1990: 242).

Certain researchers (Slater & Narver, 1995: 72; Morris, 1992: 28-29) argue that many quality programmes have failed or are likely to fail because those introducing them have not understood the organizational culture, or have assumed that they can change it quickly to a culture which values customer satisfaction above all. However, Morris (1992: 29) asserts that developed and utilized in an effective manner, an organization's culture may assist the employees in working together to accomplish their assigned tasks and objectives. The challenge for an organization is to identify the specific culture that exists (not what management, employees, customers or shareholders think exists) within the firm.

Robbins (1993: 606) points out that a strong culture should lower employee turnover. Schneider and Bowen (1995: 33) also concur with Robbins (1993) in that they ascertained that when employees identify with the norms and values of an organization, they are less inclined to quit, and moreover, customers seem to be more satisfied with the service.

A strong culture demonstrates high agreement among members about what the organization stands for. Such unanimity of purpose builds cohesiveness, loyalty, and organizational commitment. The stronger an organization's culture, the less management need to be concerned with developing formal rules and regulations to guide employee behaviour. Those guides will be internalized in employees when they accept the organization's culture (Robbins, 1993: 607).

Gronroos (1990: 243) maintains that in a service context a strong and well established culture, which enhances an appreciation for good service and customer orientation, is extremely important, maybe more so than in a manufacturing environment. This argument is based on the fact that normally service production cannot be standardized as completely as an assembly line, because of the human impact in the buyer-seller interactions.

Moreover, according to Schneider (1986) as cited by Gronroos (1990: 245), customers and their behaviour cannot be totally standardized and predetermined. The situations vary and therefore a distinct service-oriented culture is needed which tells employees how to respond to new, unforeseen and even awkward situations.

Gronroos (1990: 62) asserts that one of the causes of the "service delivery gap" [Gap 3] is too complicated or rigid specifications which are not in line with the existing corporate culture.<sup>11</sup> Gronroos (1990: 244-245) therefore concludes that there is a need to develop a strong service culture in order to achieve profitability. Gronroos (1990: 245) also argues that a service orientation enhances the functional quality dimension of customer perceived quality, and it probably also supports the production of good technical quality.

A service orientation that is a characteristic of a service culture improves service quality as perceived by customers. Since customer perceived quality is a key determinant of profitability, and service orientation improves service quality, hence service orientation positively affects profitability.

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<sup>11</sup>Refer to Figure 2.9: The Service Performance Gap.

Bitner (1991: 23) believes that a strong internal service culture is likely to lead to higher quality in service delivery, which in turn will lead to higher perceived service quality from the customer's point of view.

Albrecht and Zemke (1985: vi) highlighted a critical gap which existed in management thinking, namely the lack of a consistent model or framework for managing service. Furthermore, these researchers concur with Normann (1985: 111) and Gronroos (1990: 243) who also contend that high-quality service at the front-line has to start with a concept of service which exists in the mind of top management. Moreover, these researchers maintain that there must be a customer-oriented culture in the organization.

Without simple, concrete and visible demonstrations of desirable behaviour from the top, ideas about quality are unlikely to have any lasting effect on staff. Unless quality improvement is firmly entrenched at the top, ambiguity and near schizophrenia (Schneider and Bowen, 1995: 240) are almost inevitable.

Normann (1985: 128) also asserts that culture arises from two sources; the general environment in which the organization functions and leadership. Culture and philosophy are important management tools, but especially so in service organizations. The nature of service organizations as a social process, the very dispersed character of many service organizations, the high "personality intensity", and the intangibility of the service itself; all these reinforce the need for rules and norms, effectively internalized in individuals, for guiding the day to day operational behaviour.

Various researchers (Quick, 1992: 45-56; Lewis, 1994: 41-55) examined the relationship between organizational culture and performance, but no conclusive relationship was ascertained. Kotter and Heskett (1992) found a positive but weak relationship between culture and long term economic performance. These researchers also ascertained that weak cultures are not necessarily disadvantageous.

Kotter and Heskett (1992) also believe that a strong culture leads to high levels of employee motivation, and high level of motivation translates into high organizational performance.

However, Lim (1995: 16-21) undertook a critical review of the methodologies and findings of recent researchers (Kotter and Heskett 1992; Quick 1992 and Lewis 1994) into the "presumed" link between organizational culture and organizational performance. Lim (1995: 20) highlights various flaws in the research methodologies used by the above researchers and therefore concludes that there is no link between organizational culture and performance. Lim (1995: 21) further asserts that in addition to definitional problems, the difficulty of measurement of culture seems to contribute to the inconclusiveness of the relationship between culture and performance.

Brown (1995: 187) also concurs with Lim (1995) and cautions against accepting the findings of Kotter and Heskett (1992) because they were based on simplistic models of the link between culture and organizational outcomes.

It is therefore apparent that there is little agreement on how the concept organizational culture should be observed and measured, or how it should be used in an effort to help organizations. On the other hand, organizational climate, by virtue of it being a more salient cultural phenomenon, lent itself to direct observation and measurement and thus has a longer research tradition. Furthermore, Schein (1990: 110) is of the opinion that it is difficult to measure culture using a survey instrument, as was done in previous research (Hofstede and Bond, 1988: 4-21).

Brown (1995: 2) maintains that the current fascination with organizational culture developed in part from work on organizational climate conducted during the 1990's. According to Brown (1995: 2), climate is a relatively enduring quality of an organization that is "experienced by employees and influences their behaviour."

Schneider and Bowen (1995: 238) use the terms "culture" and "climate" interchangeably because both have to do with how employees "make sense" of the work environment.

Various researchers (Rentsch, 1990: 660-669; AL-Shammari, 1992: 30-32; Sandelands, 1994: 18) contend that climate deals with organizational characteristics which are perceived by the individuals; anything in the organization which members interpret or attach meaning to in their attempt to make sense of the organizational environment. Moreover, climate is usually assessed with a questionnaire (Payne and Pugh, 1976: 1125-1174). Furthermore, culture study entails a study of meaning in organizations, and meaning of events is not measurable.

In view of the aforementioned problems associated with determining and measuring the culture of an organization, and the effect of culture on performance, this study used survey questionnaires to obtain employee and customer perceptions of the organizational climate. A discussion of the concept organizational climate or service climate thus follows.

### **3.4 The Service Organization and the Organizational Climate**

In service organizations, organizational dynamics have a direct impact on the people the organization serves, as well as on employee performance and attitudes (Schneider, 1980: 53). In fact Schneider and Bowen (1993: 39) and Schneider et al. (1994: 27) have shown that both a climate for service and a climate for employee well-being are highly correlated with overall customer perceptions of service quality.

Marcoulides and Heck (1993: 209) differentiate between organizational climate and leadership by stressing that the former consists of a description of the characteristics of the work environment as perceived by the employees in the organization, and the latter represents views of subordinates regarding the leadership traits of a single individual, instead of their experiences in the organization as a whole.

Mc Nabb and Sepic (1994: 373) assert that the climate of an organization emerges from the interaction of people and its underlying culture. Furthermore, and of particular importance to this study, these researchers assert that in contrast to culture which sets the boundaries of behaviour, climate directly influences behaviour within the organization and with the organizations external customers.

Over the years, several explanations have emerged about the dimensions that constitute the organizational climate construct. Tyagi (1982: 242) identified four general organizational climate variables which are described in Figure 3.2. The four dimensions are: (1) job characteristics: role perceptions, opportunities, and problems associated with the job, (2) leadership characteristics: supervisory styles and supervisor-subordinate relationships, (3) organizational characteristics: organizational philosophies about managing employees, and (4) work group characteristics: formal and informal relationships among members of a workgroup. Tyagi (1982: 240-254) also ascertained that the organizational climate variables reflected in Figure 3.2 were causative factors for attitude and performance. Some of the variables mentioned in Figure 3.2 have been considered in developing the instrument to assess the employees' and customers' perception of the organizational climate. As will become apparent later, the emphasis in this study is on whether the organization was service oriented.

Some organizational climates are static, while others are dynamic. Organizational climates can be supportive or non supportive of quality customer service. Martin (1990: 56) asserts that unlike the earth's atmosphere, the atmosphere within a work environment can be controlled. "It can be made better, or worse by the actions of it leaders as well as employees."

Every organization has its own unique traditions, culture and ways of getting things done, and this includes how customers are treated. Situations may vary from organization to organization; however, there are some common and identifiable features of organizational environments that serve to support quality customer service. Thus quality customer service seems to thrive in certain environments.

**FIGURE 3.2: SOME ORGANIZATIONAL CLIMATE VARIABLES**

<b>Variable</b>	<b>Description</b>
Job challenge and variety	The extent to which a job gives the employee a chance to use his/her skills and abilities, and calls for the individual to engage in a wide range of behaviours.
Job importance	The extent to which the employee feels the job makes a meaningful contribution and is important to the organization.
Task conflict	The presence of pressures for conflicting or mutually exclusive behaviours.
Role overload	The extent to which time, manpower, training, or resources are inadequate to complete assigned task.
Leadership consideration	The extent to which employees feel their ideas and opinions are sought by the supervisor and taken into consideration in designing jobs which affect their performance.
Organizational identification	The degree to which an employee feels the identification provides a vehicle for development and accomplishment of personal skills, goals, and rewards.
Management concern and awareness	The extent to which management attempts to assess and respond to its employees' needs and problems.

**Source:** Adapted from Tyagi, 1982: 242.

Once customers arrive at the service facility, their on-site attitudes and behaviours are added to employee's as ingredients affecting organizational effectiveness. In order for customers to positively experience their organizational surroundings, service firms need to manage the climate for service.

Since the climate for service refers to the summary perceptions that customers (and employees) have of the service-related attributes and practices of the business, the service businesses must be careful to manage all the "evidence" visible to the customer. The way this evidence shapes customer's perceptions was explored in a study of branch banks by Schneider and Bowen (1985: 423-433). These researchers found that the manner in which the service was delivered on climate dimensions was strongly related to customer evaluations of the service they received and their intentions to continue using the service. The results also revealed considerable agreement between employee descriptions of what happens in their branch concerning customer service and what customers say about the service they receive.

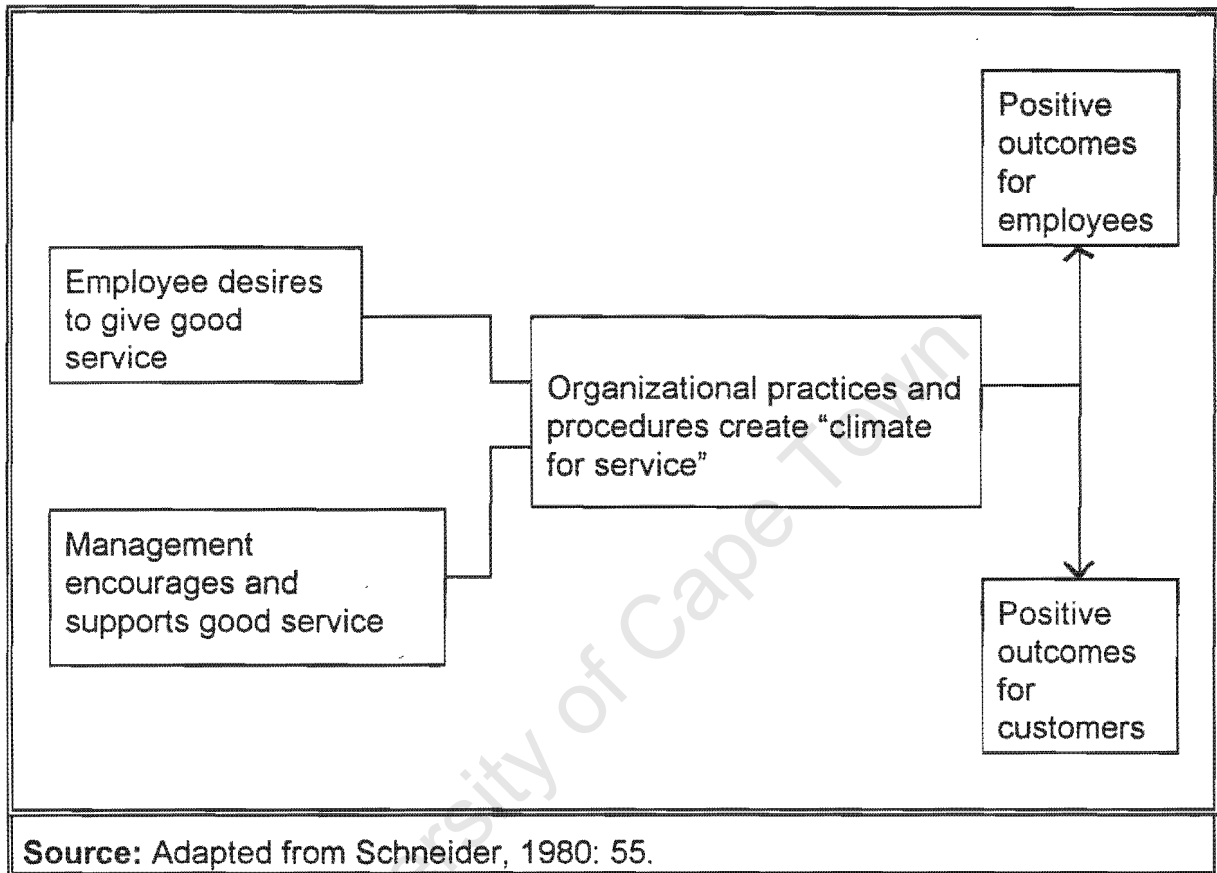
The work performed by service organization front-line employees results in increased stress and strain because employees try to meet conflicting demand from management and customers. The front-line employees or boundary spanners are expected to provide a link between the external customer, the environment and the internal operations of the organization. Besides mental and physical skills, these positions require extraordinary levels of "emotional" labour (Ashforth and Humphrey, 1993: 88). According to Zeithaml and Bitner (1996: 307), the term emotional labour requires the employee to deliver smiles, make eye contact, show sincere interest, and engage in friendly conversation with people who are essentially strangers. This requirement adds to the stress experienced by front-line employees (Ashforth and Humphrey, 1993: 88-115; Singh et al., 1996: 83).

Bowen and Cummings (1990: 4) maintain that the intangibility of services makes it difficult for management, employees and customers to assess the service output and service quality. Consequently, an organization's overall "climate for service", the atmospheric or feel of the setting is very important in shaping both customers' and front-line employees' attitude about the process and outcome of service delivery.

Schneider and Bowen (1993: 51) contend that management can potentially manage employee stress by establishing a climate in which employees' desires to give good services are made easier and encouraged. Schneider (1980: 52-65), has proposed that the climate for service created in an organization, including how the service is delivered, is critical for the service unit effectiveness. Furthermore, Schneider (1980: 54) has shown that customers can sense the climate for service, and this was related to how they viewed service quality. For example, when consumers feel the service is "warm and friendly" their perceptions of service quality are more positive and loyalty to the service unit is enhanced.

Schneider (1980: 54-55) also hypothesized that service customers are responsive to the same kinds of organizational practices and procedures that affect employees. This viewpoint is depicted schematically in Figure 3.3. Figure 3.3 shows that positive outcomes for both customer and employee are a direct function of the same set of organizational dynamics, namely, the extent to which the organization, through its practices and procedures, demonstrates a "climate for service."

**FIGURE 3.3: CONSEQUENCES OF "CLIMATE FOR SERVICE" IN BANKS**



Bowen and Schneider (1985:20) observed that service firms have to manage their internal climate for service so that employees who serve the customers develop positive attitudes and behaviours. This points to the fact that the culture of a firm has a vital impact on how service-oriented its employees are.

Furthermore, Bowen (1986: 32) contends that a strategy for management to pursue in creating a favourable climate for service is to treat its customer contact personnel not only as employees, but as "partial customers", individuals deserving the same courteous treatment that management wants the organization's customers to receive. Specifically, management's human resources practices can favourably influence the on-site experience of both employees and customers. In order for a favourable climate for service to be present, customer contact personnel should possess the interpersonal skills needed to be effective players in the "Game Between Persons" (Bowen: 1990: 37; Turnispeed and Turnispeed, 1992: 7).

Bowen (1990: 39) also maintains that the more intangible the service provided, the more the customer will rely upon contextual cues surrounding service delivery in evaluating the quality of service they receive. When a product is not present to influence customer satisfaction with the service, as in banking as compared to dry cleaning, service firms must rely on managing tangibles such as characteristics of the setting, and contact personnel to create a positive image for their intangible offering.

According to Robbins (1993: 602), an important aspect is that organizational climate is concerned with how employees perceive the characteristics of an organization's culture, not with whether or not they like them. It is this emphasis which differentiates organizational climate from job satisfaction. Robbins (1993: 602) therefore asserts that service providers need to ask the following questions: How do employees see the organization? Does it stifle conflict?

It is apparent from the above discussion that the role of management in a service driven organization is to set expectations of quality and provide a motivating climate. No doubt a company's product or service plays a critical role in its development; but it is the spirit and determination embedded in a company's core culture that ultimately determines its success or failure. This culture, though not quantifiable, is often cited as a key contributing factor to the long term successes of most leading corporations.

The literature also suggests that through organizational socialization service employees could acquaint themselves with the organizational culture which management was responsible for translating by creating the climate for service. In view of the aforementioned, the next section will examine one mechanism used to influence both employee and customer behaviour, namely the socialization process.

### **3.5 Organizational Socialization: Definition and Theoretical Foundation**

Organizational socialization is the process by which employees learn, appreciate, and internalize an organization's goals, values, social knowledge, and expected behaviours (Allen and Meyer, 1990: 847; Jones, 1986: 263; Louis, 1980: 226; Van Maanen and Schein, 1979: 212; Wagner and Hollenbeck, 1996: 284).

Socialization focuses on how individuals learn the beliefs, values, orientations, behaviours, skills, and so forth necessary to fulfill their [new] roles and function effectively within an organization's milieu (Ashforth and Saks, 1996: 149). The process would therefore include formal training programmes that teach employees the technical skills associated with performing their jobs, as well as the informal, day-to-day interactions with other employees and managers.

According to Kendall (1996: 152), the study of organizational socialization evolved from work in the field of socialization focusing upon the socialization of adults. Kendall (1996: 153) cites Brim and Wheeler (1966) who maintain that adult socialization emphasizes the acquisition of habits, beliefs, attitudes and motives, which enable a person to perform satisfactorily the roles expected of him by society.

Researchers (Black, 1992: 171; Fogarty, 1992: 129; Kendall, 1996: 154) argue that although it is apparent that role acquisition cannot be regarded as the entire content of adult socialization, it is considered as the most important aspect of adult socialization and it is this aspect which is of relevance to this research. Furthermore, Kendall (1996: 183) asserts that workplace or occupational socialization is one of the most important types of adult socialization.

In order for service employees and customers to learn their roles and be able to form accurate role expectations for the service encounter, they must be socialized into the organization (Bowen and Schneider, 1985: 122-148; Schneider and Bowen 1995: 237). Researchers (Kelly et al., 1992b: 197; Hartline and Ferrel, 1993: 3-6) have shown that in the service encounter the organizational socialization of the service employee is important.

According to Schein (1979: 3), an individual is socialized into an organization through a series of events which are designed to undo old values and expectations and lead to the learning of new values and building of revised expectations. These events Schein (1979: 4) maintains are derived from multiple sources, including role models within the organization, training instructions, rewards and punishment and official organizational literature. The work of Schein (1979; 1990; 1992) emphasizes the linkage between organizational socialization and role learning, and demonstrates the importance of organizational socialization in understanding and explaining the service encounter.

Furthermore, Van Maanen (1978) and Van Maanen and Schein (1979) as cited by various researchers (Wagner and Hollenbeck, 1996: 287; Hartline and Ferrel, 1993: 3 and Starr and Fondas, 1992: 68) proposed various socialization tactics, practices or strategies that organizations could use to structure the socialization experiences of newcomers. These strategies include collective versus individual socialization, sequential versus random socialization, fixed versus variable socialization, guided versus unguided socialization, formal versus informal socialization, and investive versus divestive socialization.

Various researchers (Starr and Fondas, 1992: 69; Wagner and Hollenbeck, 1996: 287) argue that socialization tactics influence the role orientations that newcomers ultimately adopt. However, Ashforth and Saks (1996: 149-150) argue that despite the cogency of this typology, research on the tactics has been relatively scarce. In view of the aforementioned, this research attempts to investigate the effects of two types of socialization namely, formal and informal, on the bank customers and bank employees and on the customers' perception of service quality.

Formality is the degree to which socialization takes place apart from the ongoing work of the organization. In formal socialization, (new) employees are separated from others while they learn about the organization and their tasks (Wagner and Hollenbeck, 1996: 288).

In informal socialization, (new) employees interact with more experienced employees, become integrated into their work groups, and learn on the job. Thus formal socialization allows the employees to see and learn what the organization wants them to learn; whereas informal socialization allows employees to experience the organization on their terms.

Several researchers (Buchanan, 1974: 533-546; Van Maanen, 1975: 207-228; Feldman, 1981: 309-318, Wanous, 1992: 170; Kendall, 1996: 66) developed models suggesting various stages which an individual passes through during the organizational socialization process. Wanous's (1992: 170) developed an integrated view of post-entry organizational socialization as is depicted in Figure 3.4. It is evident from Figure 3.4 that the socialization process proceeds through several stages. Wanous (1992: 175) asserts that each stage should be defined in terms of the individual's view during socialization, rather than that of the organization. This is consistent with the view that the direction of influence runs from the organization to the individual in the socialization process (Wanous, 1992: 174). It is also evident from Figure 3.4 that the achievement of role clarity, resolution of role conflicts and becoming committed to the job, are all achieved through the process of organizational socialization.

Figure 3.4 also depicts that during stage one the newcomer experiences the organizational climate; during stage two he perceives his role within the organization, and is able to evaluate his performance; during stage three, commitment to work and to the organization results.

**FIGURE 3.4: STAGES IN THE SOCIALIZATION PROCESS**

**Stage 1: Confronting and accepting organizational reality**

- confirmation/disconfirmation of expectations
- conflicts between personal values and needs, and the organizational climates
- discovering which aspects of oneself that are reinforced, not reinforced, and that which are punished by the organization.

**Stage 2: Achieving role clarity**

- being initiated to the tasks in the new job
- defining one's interpersonal roles:
  - with respect to peers
  - with respect to one's peers
- learning to cope with resistance to change
- congruence between one's own evaluation of performance and the organization's evaluation of performance
- learning how to work within the given degree of structure and ambiguity

**Stage 3: Locating oneself within the organizational context**

- learning which modes of one's own behaviour are congruent with those of the organization
- resolution of conflicts at work, and between outside interests and work
- commitment to work and to the organisation stimulated by first-year job challenge
- the establishment of an altered self-image, new interpersonal relationship, and the adoption of new values

**Source:** Adapted from Wanous, 1992: 170.

Kendall (1996: 65) and Starr and Fondas (1992: 68) differ somewhat from Wanous (1992) in that they recognize prior attitudes, beliefs, expectations and information sources (anticipatory socialization). For example, Kendall (1996: 65) divided occupational socialization into four phases/stages, namely, career choice, anticipatory socialization, conditioning and commitment, and continuous commitment.

Ashforth and Saks (1996: 150) assert that although in theory the recruitment and selection process can substitute for socialization, in practice, there is need for organizational adjustment.

In their proposed model for entrepreneurial socialization, Starr and Fondas (1992: 67-76) distinguish between two stages, namely anticipatory socialization and socialization upon entry into the organization. Anticipatory socialization includes the prior experience and learning that prepares the individual for entry into an organization. According to Starr and Fondas (1992: 69), attitudes, beliefs, and abilities do not only influence an individual's choice of a career and the employing organization, but can also affect the person's experience and adjustment to the new setting. These researchers claim that in anticipation, the newcomer develops expectations, knowledge, and planned coping strategies for life on the job and in the organization. Furthermore, Starr and Fondas (1992: 69) assert that the degree to which an individual's prior expectations match the [new] situation may ease the adjustment period and lead to eventual success in adopting the new role.

The outcomes of organizational socialization practices, whether they take the form of employee conformity to norms or employee innovativeness, have been suggested as important determinants of successful service implementation (George, 1990: 63; Howard, 1990: 134; Reardon and Enis, 1990: 396; Hartline and Ferrel, 1993: 36)

Various researchers (Bitner, 1990: 69-82; Bitner, Booms, and Tetreault, 1990: 71-84) have likened the delivery of a service to a "performance" featuring the service provider and the customer. It is during this performance that the actions and behaviours of service providers become crucial determinants of service quality as perceived by consumers (Zeithaml et al., 1985: 31-40). To improve the implementation of service strategies, managers need to understand what employee behaviours most effectively serve and satisfy customers. They must therefore find ways to foster these behaviours in their customer-contact employees.

In view of the preceding, this study thus examines the role of an important aspect of service implementation in enhancing desirable behaviours in customer-contact employees, namely, organizational socialization.

Early socialization research examined the process mainly from the perspective of the individual; that is, what the employee experiences during socialization and the outcomes of the process (Dubinsky, Howell, Ingram, and Bellenger, 1986: 192: 207). However, recent research in implementation (Cespedes 1991, as cited by Hartline and Ferrel, 1993: 120) and internal marketing (George, 1990: 63-70) indicates that employee socialization is a critical element of successful marketing implementation. Through socialization, employees and customers learn and internalize the organization's goals, values, norms, and expected behaviour.

The preceding discussion warrants the examination of the following research issue: What is the effect of the type of organizational socialization of bank employees and bank customers on the overall service quality?

### **3.6 Summary**

Various theories have been proposed to explain the service encounter. Of relevance to this research are the theories explaining how the service customer and service employee behave during the service encounter. Solomon et al. (1985: 99-111) emphasized that the eventual outcome of the interaction should be evaluated in terms of the contribution of each part to the dyad.

Schneider (1980: 52-65) stressed that organizational dynamics have a direct impact on the people the organization serves as well as on the employee performance and attitudes. The importance of the "climate for service," and the active role of the service customer in the service encounter is well documented (Schneider and Bowen, 1995: 33; Chase, 1978: 133-142; Mills et al., 1983: 301-310).

Using the role theoretic approach, some researchers hinted at the importance of organizational socialization in explaining and understanding the service encounter. Thus a discussion of the literature on organizational socialization culminated in a proposition of the main research question. In the chapter which follows, the literature on service quality will be discussed, followed, by a proposed research model [based on the literature in this and the next chapter] to understand and manage service quality.

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## CHAPTER 4

### MANAGING SERVICE QUALITY: PRIOR RESEARCH AND THE PROPOSED MODEL

#### 4.1 Introduction

Although many top managers who are seeking to improve company competitiveness are now producing plans calling for a stronger organizational commitment to high-quality customer service, less attention has been given to the effective implementation of these plans by customer-contact employees (Berry and Parasuraman, 1991: 30). Far removed from the strategic planning table and lacking much practical guidance, customer-contact managers and employees must translate top management service goals into action.

All too often ambitious strategies for better service break down at the point of delivery, jeopardizing the organization's strategic plans and its very survival. To improve the implementation of service strategies, organizations need to understand what employee [and customer] behaviours most effectively serve to satisfy customers and find ways to foster these behaviours in their customer contact employees.

In view of the aforementioned, the purpose of this chapter is twofold. Initially, after reviewing the literature on service quality, its determinants, and the various service quality models, a model for managing service quality is proposed. Thereafter, the research variables in the proposed model and their hypothesized relationship are discussed.

#### 4.2 Service Quality and Service Quality Models

Service quality is the foundation for services marketing. Berry and Parasuraman (1991:175) assert that service quality is not a separate discipline from services marketing; service quality is the central part of services marketing.

Companies with poor service cannot succeed in marketing no matter how enticing their advertising because "advertising and other sales entreaties only persuade more people to experience a poor service and learn first-hand to avoid the firm in the future," (Berry and Parasuraman, 1991: 176).

Quality is regarded by most producers, customers and consumers as more important than ever before in their manufacturing, service and purchasing strategies (Edvardsson et al., 1994: 13). According to Oakland (1993: 4), quality has to be managed, "it does not just happen." Oakland (1993: 6) further asserts that total quality management is far wider in its application than assuring product or service quality; "it is a way of managing the whole business or organization to ensure complete customer satisfaction at every stage, internally and externally."

Various researchers (Cronin and Taylor, 1992: 56; Zeithaml et al., 1993: 1; Danaher and Mattson, 1994: 5; Ostrom and Iacobucci, 1995: 17; Streng, Mackenzie and Olshavsky, 1996: 15-16; Spreng and Mackoy, 1996: 201) make a distinction between customer satisfaction with a service and the quality of the service. Although many of the studies in consumer satisfaction were conducted in service settings, these researchers see customer satisfaction as something that is directly linked with the transaction, based on the customer's comparison between expected service and his or her perception of the service actually received. Ostrom and Iacobucci (1995: 17) cite Parasuraman et al. (1994) who posit satisfaction to be "a function of his or her assessment of the service quality, product quality and price."

In order to emphasize the need to differentiate between customer satisfaction and perceived service quality, Spreng and Mackoy (1996: 201) state that "this distinction (between consumer satisfaction and service quality) is important to managers and researchers alike because service providers need to know whether their objective should be to have customers who are "satisfied" with their performance or to deliver the maximum level of "perceived service quality."

Zeithaml and Bitner (1996: 117) while defining service quality as the "delivery of excellent or superior service relative to customer perceptions", emphasize that ultimately, consumers judge the quality of services on their perceptions of the technical outcome provided and on how the outcome was delivered.

Recent years have witnessed increased emphasis on service quality issues (Carman, 1990: 33-35; Fick and Ritchie, 1991: 1-9; Babakus and Boller 1992: 253-268; Boulding et al. 1993: 7-27; Kwon and Lee, 1994: 1-24; Ostrom and Iacobucci, 1995: 17-28). Many researchers (Stemper 1991: 16; Buttle, 1996: 8; Lewis, 1993: 4-5; Rust and Zahorik, 1993: 193; Anderson, Forwell and Lehman, 1994: 53-66) agree that quality influences variables such as profitability, price, market share, and marketing costs. Garvin (1988: 69) expressed it simply as follows: "quality impacts on the bottom line."

As aptly reviewed in a recent article (Yavas, Arsan and Dilber, 1995: 3), a great deal of attention in the area has focused on the financial services industry, and this focus on the financial services industry is not without reason. In the banking sector, the products offered are essentially same, and the cost structures amongst most banks are also quite equal. The products can also be copied easily and quickly, so competition based on innovation will be difficult. Competition is becoming more difficult in this sector, and will be even more so in the future (Edvardsson et al., 1994: 142; Heydenrych, 1997: 27). Therefore, defining specific quality aspects is a way of competing.

By stressing certain aspects of its service(s), each organization can create a form of uniqueness in the marketplace. Moreover, the customer's perception of a bank's "product" is affected more by the services associated with it than by the physical product itself. Since the products seldom differ, the services associated with them can be significantly different. The important question is: what can be done to bring the organization into a new mode of continuous quality improvement?

Managing service quality is one of the greatest challenges facing virtually every organization whether it is delivering a "pure service" or it is a manufacturing company needing to fully support its customers. Edvardsson et al. (1994: 20) maintain that improving quality in services depends on getting the right balance between techniques and methods for improving processes and systems, and staff attitudes, behaviour and service culture.

Superior service quality on a sustained basis requires that quality become embedded in a company's culture, that quality become valued. Building a culture for quality involves establishing specific quality standards, hiring personnel with the capacity to meet those standards, training them to meet the standards, and rewarding them when they are successful. "There is a quality loop, and the loop must be closed," (Berry et al., 1990: 9). According to Spechler (1993: 53), the actions of corporate leaders and their commitment to quality are the most important elements in achieving high levels of quality and productivity performance. Senior executives lead by personal involvement and visibility in developing and maintaining a customer focus and an environment for quality excellence.

Berry et al. (1990: 3) argue that because of the labour intensity of many services, quality can vary from one firm to another and from one situation to the next within the same firm. These researchers further emphasize that too much emphasis on short-term profitability in a service firm may be reflected in lower service quality assessments from the customer. A short-run view can lead to many cost-reducing moves and their consequences, such as reducing the number of bank tellers and lengthening the lines at the teller windows. High employee turnover, according to Berry et al. (1989: 10), can cause poor service, so can service problems lead to higher employee turnover.

Various aspects of service quality have proved particularly troublesome to both practitioners and researchers. Services, are for instance largely intangible and tangible cues to indicate quality to consumers are often absent.

Objective or quantifiable measuring of service quality is troublesome because it is more difficult for consumers to evaluate service quality than the quality of physical products. Early researchers (*inter alia*, Parasuraman et al. 1985; Gronroos 1983) who have addressed the issue of service quality, seem to agree on at least one critical issue, namely, service quality is a measure of the discrepancy between consumers' pre-service delivery expectations and actual service delivery. However, recently researchers (Cronin and Taylor, 1994: 125-133; Teas, 1993: 18-34; Teas, 1994: 132-139) have questioned "expectations" as a standard of measuring service quality.

Despite the debate on the relevance of "expectations" as a measure of service quality, the question of what factors influence consumers' quality perceptions has become a key consideration in any attempt to successfully introduce, improve, or market quality. Parasuraman et al. (1994: 111-124) have argued that perceived quality is a particularly useful concept in services marketing because of the absence, in many cases, of tangible cues which could signal quality to consumers. Thus a service is often regarded as being of quality only if it is perceived as such by consumers.

In their attempts to better define service quality, many researchers (Schneider et al., 1980: 252-267; Parasuraman et al., 1985: 41-50; Chase and Bowen, 1988: 15-27; Haywood-Farmer, Alleyne, Duffy and Downing, 1990: 62-69) have identified various dimensions or determinants of service quality. Chase and Bowen (1988: 15) used the Attribute Theory to describe service quality in terms of twenty seven determinants or dimensions of service quality. Some of these which are relevant to the present research are the service encounter, provisions for customer privacy during the service encounter, customer orientation and training, employee selection, employee skill training, employee attitudes, supervisor-employee relations, back-office/front-office co-ordination, reliability of service, consistency of service, effective use of technology, facility location, adequacy and atmosphere, logical, consistent business hours, handling of non-routine demands, handling of emergency situations, provision for the privacy of records, managing the queuing process,

adhering to customer schedules, shifting capacity when needed, materials available when and where needed, point of service marketing, collecting and acting on customer feedback, and correct amount of self-service.

Schneider et al. (1980: 258-259) ascertained that with reference to bank customers, service quality was judged along the following dimensions: teller courtesy, officer courtesy, teller competence, adequate staff, branch administration, handling services, convenience, employee turnover, selling, and employee attitudes.

Zeithaml et al. (1990: 55) report from their exploratory study (Parasuraman et al. 1985) that consumers basically used ten criteria to deduce service quality. These determinants were: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer, tangibles. To summarize, many of these dimensions are related to the customers's confidence in those providing the service. During the development of SERVQUAL<sup>12</sup>, a methodology for measuring service quality, Parasuraman et al. (1988: 41) found that some of the aforementioned ten dimensions are strongly correlated and as a result the number of dimensions was reduced in SERVQUAL to five, namely tangibility, reliability, responsiveness, assurance and empathy. Considering the importance of people to the delivery of service quality, it is not surprising that research (Parasuraman et al., 1988) has shown that the five determinants to be the most important. Of the five service quality determinants identified by Parasuraman et al. (1991: 39-48), reliability primarily concerns the service outcome, while the others are more concerned with the service process.

Haywood-Farmer et al. (1990: 62) assert that service quality comprises of three elements: physical facilities, processes and procedures; personal behaviour on the part of serving staff; and professional judgement on the part of serving staff. To get good quality service, the approximate mix of these three elements must be found and carefully balanced.

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<sup>12</sup>Refer to Section 4.4 for a discussion of SERVQUAL.

What constitutes an approximate mix, will in part, be determined by the relative degrees of labour intensity, service process customization, and contact and interaction between the customer and the service process (Haywood-Farmer et al., 1990: 62-67).

Of relevance to this research from the aforementioned determinants of service quality are the emphasis on the service encounter, service delivery and the role of the service employee during the service encounter. However, it is obvious that the above researchers did not recognize the role of the service customer in the service delivery process.

According to Berry and Parasuraman (1991: 58), two levels have to be ascertained when determining customer service expectations, namely a desired level and an adequate level. The desired level is what the customer would like to have, while the adequate level is what the customer is likely to tolerate without becoming dissatisfied with the service. The zone of tolerance, is a range of service performance that a customer perceives to be satisfactory. Performance below the tolerance zone will result in customer frustration and decrease customer loyalty. A performance level above the tolerance zone will pleasantly surprise customers and strengthen their loyalty (Berry & Parasuraman, 1991: 11).

Identifying customer expectations has to do with determining exactly what the customer expects from the company. Morgan and Parsons (1990: 54) stress that assumptions on customer expectations should not be made. Customer expectations should be determined by applying objective methods, ensuring accurate and reliable results.

Once the services marketer is aware of his customers' expectations regarding service quality, he will have to manage service quality to meet (or exceed) his customers' expectations.

Furthermore, influencing customer expectations is essential, as customer expectations must be brought into line with the established service levels of the company. Influencing customer expectations can be done through advertising, promising and proclaiming specific levels of customer service. However, Berry and Parasuraman (1991: 64) caution that companies should make a concerted effort to ensure that their promises to customers reflect the actual service rather than an idealized, glorified version of it, as overpromising undermines customers' tolerance and trust.

Bergman and Klefsjo (1994: 267) conclude that much of service quality is related to moments when the service supplier and the customer meet face to face. This moment, which is often referred to as the "moment of truth", is also a "moment of possibilities", since the supplier can really convince the customer of service excellence. According to Bergman and Klefsjo (1994: 267), the most perfect system for delivering service is worthless if things do not work at the moments of truth.

The service quality literature [briefly] reviewed does suggest that there are three underlying themes prevalent. First, it is more difficult for the customer to evaluate service quality than product quality. Second, the consumer's perceptions of service quality are developed based upon a comparison of consumer service expectations with the actual performance received by the consumer. Third, when evaluating service quality the consumer considers the service delivery process as well as the service outcome. Concerning the delivery process, the importance of the service delivery personnel was also highlighted. Furthermore, it also became apparent that service quality is an iterative process that is never complete. Knowledge of quality in the goods or manufacturing sector is insufficient for an understanding of service quality. Customer satisfaction must be monitored and reviewed continuously to identify any negative deviation from target service levels as well as any change in customer expectations. Considering the aforementioned, the focus shifts to the management of service quality.

### 4.3 Managing Service Performance and Service Quality

Levitt (1972: 41-52) suggested that service industries have traditionally stressed the interpersonal nature of the service encounter. This type of thinking Levitt maintains, has led to a number of failures among service firms. This researcher therefore suggested the production-line or "technocratic" approach to the provision of services and he recommended that people be systematically replaced by equipment to remove discretion from the service employees job.

Somewhat similar to Levitt, Chase (1978: 137-142) proposed that to improve service quality, the marketing manager should strive to minimize the direct contact the customer has with the service system. He further suggested that the goal of service managers should be to transform high contact service systems into low contact service systems.

Lovelock and Young (1979: 168-178) argued that service productivity has traditionally been improved in three different ways: by improving the quality of the labour force, by investing in more efficient capital equipment, and by incorporating technologies which automate service provision functions formerly performed by service personnel. It is therefore apparent that Lovelock and Young's suggestion was oriented towards the technological approach.

However, rather than encouraging a strictly technological approach to improving service quality as Levitt (1972), Chase (1978) and Lovelock and Young (1979) have done, Berry (1986: 6-8) suggested that a "high touch" approach to services be implemented in conjunction with the "high tech" approach; thus implying an important role for service employees.

Information technology has made it possible to provide service that is personal, personalized and convenient. Information transmitted instantaneously throughout an organization can empower either the consumer or the service provider and in some cases both.

For the consumer, technology-enhanced service systems are liberating because information technology has automated the service process, by empowering customers and providing them with personal, personalized and convenient service. Other communication technologies informate the service process, empowering front-line employees, who in turn empower customers.

Technology provides service staff with superior information that can be retrieved instantaneously. This information increases the service providers' overall knowledge of the service process and makes them capable of critical judgements on matters that would previously have been handled by upper-level or mid-level managers. Thus front-line employees are granted real authority that allows them to better help their customers at the point of initial customer contact. When used creatively, new technology is a means for organizations to provide higher-quality, lower cost, more convenient personalized service, while reducing "busy work" for employees and consumers. Technology should be a liberating tool that frees service managers and employees, ultimately allowing them to pay more attention to the customer. Thus, technology is not total quality; there is still a need for the personal touch.

According to Berry and Parasuraman (1991: 185) services marketing in the 1990's will not only be characterized by high-tech and high-touch strategy but also by high touch through high-tech strategy. Computer-based systems that distribute the right information on individual customers (or their possessions) to the right service provider at the right time, provide an opportunity to custom-fit the service cost-effectively.

From the preceding, it is apparent that two methods of improving the performance of services, namely, the technological and humanistic approach have been identified. The technological approach stresses the manufacturing orientation toward service provision, whereas the humanistic approach recognizes the importance of the employee-customer interaction during the service provision process.

While an industrialization approach to services, as suggested by some researchers (Levitt 1972; Lovelock and Young 1979) may seem appealing initially, by relying upon the industrial management techniques the service marketer or manager is in danger of eliminating the customer orientation which is so vital during the interactive employee-customer service encounter.

Some researchers (Lovelock and Young, 1979: 168-178; Silpakit and Fisk, 1985: 117; Schneider and Bowen, 1995: 3) have argued that it is possible to improve service productivity by changing consumer behaviour and expectations. By allowing the customer to participate in the service production process, service managers could improve the productivity of their operations. It is this view which has been incorporated in the present study. Furthermore, Silpakit and Fisk (1985: 117) assert that customer "participation" rather than customer "contact" emphasizes the active role consumers play in the service encounter. For example, employee-customer contact is non-existent when a customer conducts a banking transaction with an automatic teller machine; however, in this transaction there is a great deal of customer participation. The situation could be reversed should the customer experience problems with the ATM.

Several researchers (Bateson, 1983: 50-53, Bateson and Langeard, 1982: 173-176, and Langeard et al., 1981 :81) have empirically assessed the participatory role of consumers in the service provision process. Their findings indicate that there are substantial, identifiable and managerially useful market segments of service consumers that are willing to participate in the service provision process. However, these researchers concur that consumers differ in their degree of willingness to participate in the service encounter.

Spechler (1993: 11-13) maintains that total quality management [TQM] is achieved within a well balanced three-part system. The first, and most important part of this system is the cultural system which is represented by the sum of beliefs, values and resulting behaviours that take place throughout the organization.

The values provide the directional guidance that is a significant factor in motivating entire organizations towards excellent performance. The second part of the TQM system is the technical system which includes such factors as technologies used and physical infrastructure. Thirdly, the management systems define those processes by which the organization manages its human resources and physical assets.

Schneider and Bowen (1995: 7) propose that service organizations should be viewed as comprising of three tiers: the customer tier, the boundary tier, and the coordination tier. This way of thinking about the service organization has some unique features. These researchers stress that management's task is not to "control" or "lead" employees to service excellence but to put together a system that actually makes it possible to deliver quality service.

Furthermore, in support of Spechler (1993), Schneider and Bowen (1995: 7) emphasize co-ordination through the creation of a service climate and culture as the most effective means for dealing with the unique challenges of service system integration. The co-ordination problem reduces to the creation, maintenance, and enhancement of a climate and culture for service excellence. This means that "hundreds of things must be put in place for employees to believe that their own business believes in service quality, and it is this belief by employees that translates into service quality for customers," (Schneider and Bowen, 1995:6).

The literature reviewed implies that the service employee-customer interaction is a very important aspect of the service encounter, and that the service customer could play a participatory role in the service provision process. It would seem that advocates of the "technological" approach to the management of service performance and quality have ignored an important factor, namely, the level of sophistication achieved by the customer or target market. For example, if a bank operates in an area in which the majority of customers are illiterate or have achieved a low level of education, there is need for more personal interaction between bank employees and customers to conclude most transactions.

Furthermore, serving a semi-literate segment is bound to result in many queries emanating from a lack of knowledge about or incorrect use of ATM's. By interacting with customers and responding to queries, bank employees are provided with "opportunities" to impress these customers.

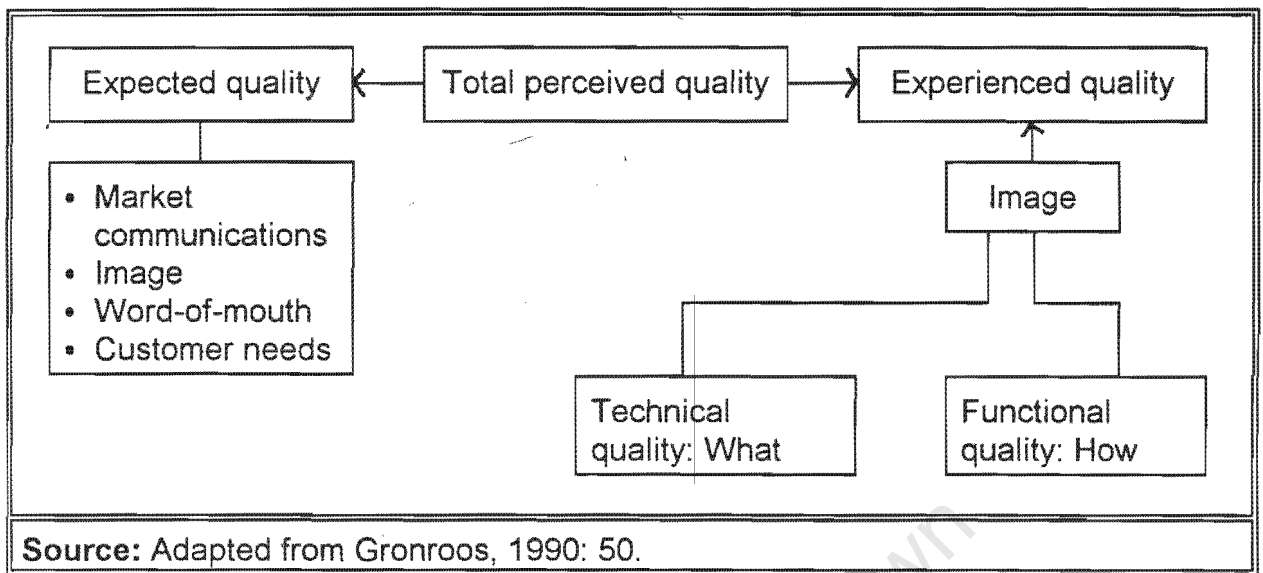
In their attempts to both explain the concept service quality and also manage service quality, researchers, *inter alia*, (Gronroos 1984; Parasuraman et al. 1985; Lehtinen and Lehtinen 1985; Gummesson and Gronroos 1987; Bitner 1988; Le Blanc and Nguyen 1988) have proposed various models. Since the objective of this research is to contribute to an improved management of service quality, a discussion of some of the more important models is imperative.

#### **4.4 A Brief Review of Some Service Quality Models**

Service quality as depicted in Figure 4.1, was first evaluated by Gronroos (1984: 36-44). The basic premise in Gronroos' model is that service quality is dependent upon the service which the customer expects and the perceived service. The experienced quality as reflected in Figure 4.1 consists of two dimensions, namely technical quality and functional quality.

Technical quality refers to the technical ability or know how that a company possesses; it is an objective assessment [the "What"] comprising such issues as technical solutions, machines, computerized systems and know how. Functional quality [the "How"] is a subjective assessment comprising attitudes, internal relations, behaviour, service mindedness, appearance, accessibility and customer contacts of modern technology.

**FIGURE 4.1: MODEL OF CUSTOMER-PERCEIVED QUALITY**



Gronroos (1990: 16) maintained that technical quality could be improved by improving the technical skills of service personnel or by the increased use of modern technology, whereas functional quality could be improved by ensuring satisfying service encounters and maintaining good interpersonal relations. It is also evident from Figure 4.1 that in service businesses, “the consumer is not only interested in “what” he receives as an outcome of the production process, but in the process itself. “How” he gets the technical outcome or technical quality is also important to him and to his view of the service he has received. This view has received empirical support (Ennew, Reed and Binks, 1993: 59; Cronin and Taylor, 1994: 125). Cronin and Taylor (1994: 125-131) coined the term “SERVPERF” to highlight the importance of the service delivery process.

Furthermore, Gronroos (1990: 17) considers the buyer-seller interaction, where the functional quality emerges as the more important part of marketing than traditional marketing activities. This stresses the view that the quality generating process, and especially the buyer-seller interaction, is of utmost importance to service marketing. Obviously, the functional quality dimension cannot be evaluated as objectively as the technical quality.

The model (Figure 4.1) also shows that the customer's perception of quality, both technical and functional, is affected by the company's image. A positive image may lead the customer to overlook certain quality faults, since he or she feels that the shortcomings are temporary. By placing the customer in the centre, Gronroos (Figure 4.1) emphasized that it is the customer's quality assessments and perceptions that are the touchstone for the company's quality efforts. Edvardsson et al. (1994: 90) contend that managers and service staff can find this model [Figure 4.1] helpful to understand how different factors which they can influence, affect the customer's perceptions of the quality of the company's service.

In an attempt to address some of the limitations of his model, Gronroos collaborated with Gummesson in revising his model (Gummesson and Gronroos, 1987: 35-39). Gummesson developed a holistic approach to quality (4Q's model) from extensive empirical material from a large manufacturing company. The 4Q's stand for design quality, production quality, delivery quality and relational quality. As Edvardsson et al. (1994: 91) rightfully point out, relational quality is stressed because it can in many cases counteract minor shortcomings in the other three qualities. Of relevance to the present study is the concept of relational quality, which implies that good relations between management, employees and customers is of particular importance for optimum service quality.

Based on the interactive approach to service delivery, Lehtinen and Lehtinen (1985: 110-119) suggested a two-dimensional and a three-dimensional approach to service quality. The two-dimensional approach views service quality largely from a consumer perspective and the dimensions are process quality and output quality.

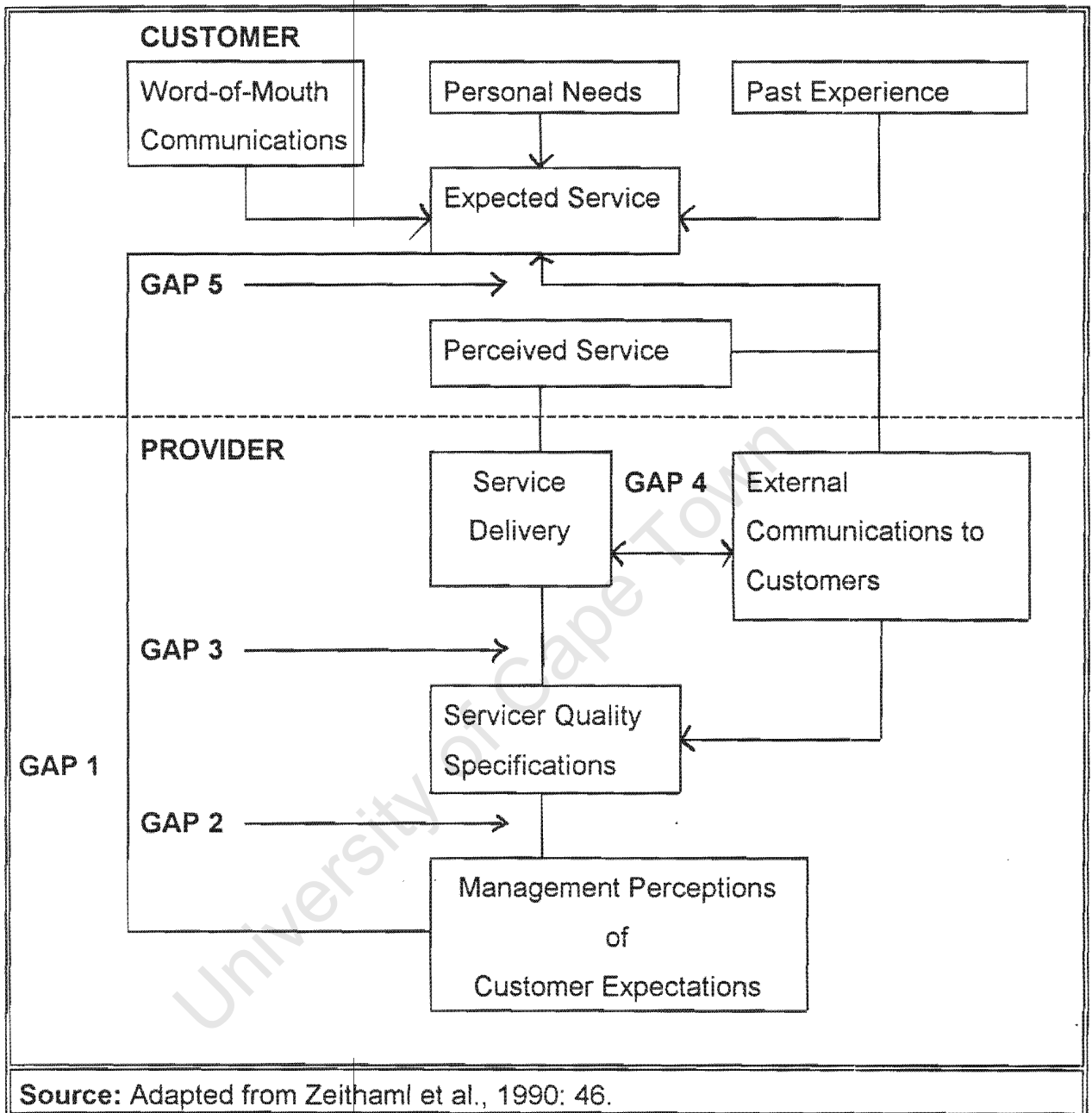
The concept of process quality is based on the contention that service delivery and consumption cannot be separated as the customer takes part in the production process. The level of process quality achieved will depend on the way in which both the service provider and the service customer participate in service delivery; that is, on their participation style. If their participation style is complementary, process quality is likely to be high. On the other hand, the three-dimensional approach describes service quality in terms of physical quality, interactive quality, and corporate quality. Interactive quality is the result of the interaction between the customer and interactive elements.

The model of service quality proposed by Lehtinen and Lehtinen thus stresses the participation of the consumer during the service encounter. Three phases of participation are identified in the model: the joining phase, the intensive phase, and the detaching phase. During the intensive phase, the actual service encounter takes place.

By recognizing the role played by both the service employee and customer in the service delivery process, Bitner (1988: 300) proposed an extension of the traditional marketing mix (4P's). Bitner's (1988: 301) model is based on the hypothesis that there is a positive relationship between satisfaction with the service encounter and perceived quality. Bitner asserts that satisfaction with the service encounter is a pre-requisite for a perception of service quality.

Other researchers (Parasuraman et al., 1985: 41-50) proposed that consumers are influenced in their expectations of services by three important factors, namely: word of mouth communications, personal needs, and past experience. When evaluating service quality, consumers compare these expectations to actual service quality and if actual performance falls short of expectations, a "Gap" will exist ( Figure 4.2). These researchers identified four key internal shortfalls or GAPS that could contribute to poor quality of service as perceived by customers. Their findings were developed into a conceptual model [SERVQUAL] which implies a logical process that companies can employ to measure and improve the quality of service.

FIGURE 4.2: A CONCEPTUAL MODEL OF SERVICE QUALITY [SERVQUAL]



Parasuraman et al. (1985: 41-55) argued that the key to closing Gap 5 (the service performance gap) is to close Gaps 1 through 4 and keep them closed. Furthermore, these researchers assert that management should continuously monitor customer's expectations and perceptions; search for evidence of Gaps 1 through 4 and take corrective action where necessary.

By focusing their research on the providers' side of the conceptual model, Zeithaml et al. (1990: 51-127) were able to identify key factors contributing to the Gaps 1 through 4 and also recommend methods by which these Gaps could be closed. In terms of the scope of this study, only a brief discussion of those factors and suggestions which have a bearing on this research will be referred to.

### **Gap 1: The Management Perception Gap**

The most critical step in delivering quality service is probably determining what customers need, that is, being marketing oriented. In this regard, Bennet (1995: 288) remarked that "services must be designed for customer's needs and their willingness to pay for it."

Inadequate or non-existent upward communication (from employees to managers) has been cited as a possible cause of this gap (Gronroos, 1990: 60). Research (Hartline and Ferrel, 1993: 18; Tait, 1996: 159) reveals that on-going marketing research and upward communication is needed if this gap is to be closed.

### **Gap 2: Setting Poor Standards**

Inadequate commitment or support from top management which is compounded by poor management style and organizational climate has been cited (Zeithaml et al. 1990: 89) as possible causes of this gap. These researchers maintain that top management must provide the leadership and commitment to make service quality work.

Various researchers (Howard, 1990:133-144; Reardon and Enis, 1990: 376-387) concur that when managers are committed to a group of common values, the employees come to adopt management's value system, thus uniting the organization around one common purpose. This purpose will vary from one organization to the next, but "service-mindedness," "customer-consciousness," and "product/service quality" are typical examples (Hartline and Ferrel, 1993: 18). Of pertinence to the present study from the aforementioned, is the implication that top management should create a climate for making service quality work. This contention is supported in the present study and has been incorporated in the proposed research model.

### **Gap 3: The Service Performance Gap**

Of particular significance to this research are the key factors contributing to the service performance gap or Gap 3 as is depicted in Figure 4.3.<sup>13</sup> Customers assess service quality by comparing what they want or expect to what they actually get or perceive they are getting. Customers' expectations for a particular service shape their assessment of the quality of that service. When there is discrepancy between customers' expectations, perceived service quality will suffer. Even when management fully understands customer expectations, service-quality problems may occur. The difference between service specifications and the actual service is the service-performance gap (Figure 4.3). Organizations offering services that are highly interactive, labour intensive, and performed in multiple locations [for example banks] are especially vulnerable to this gap.

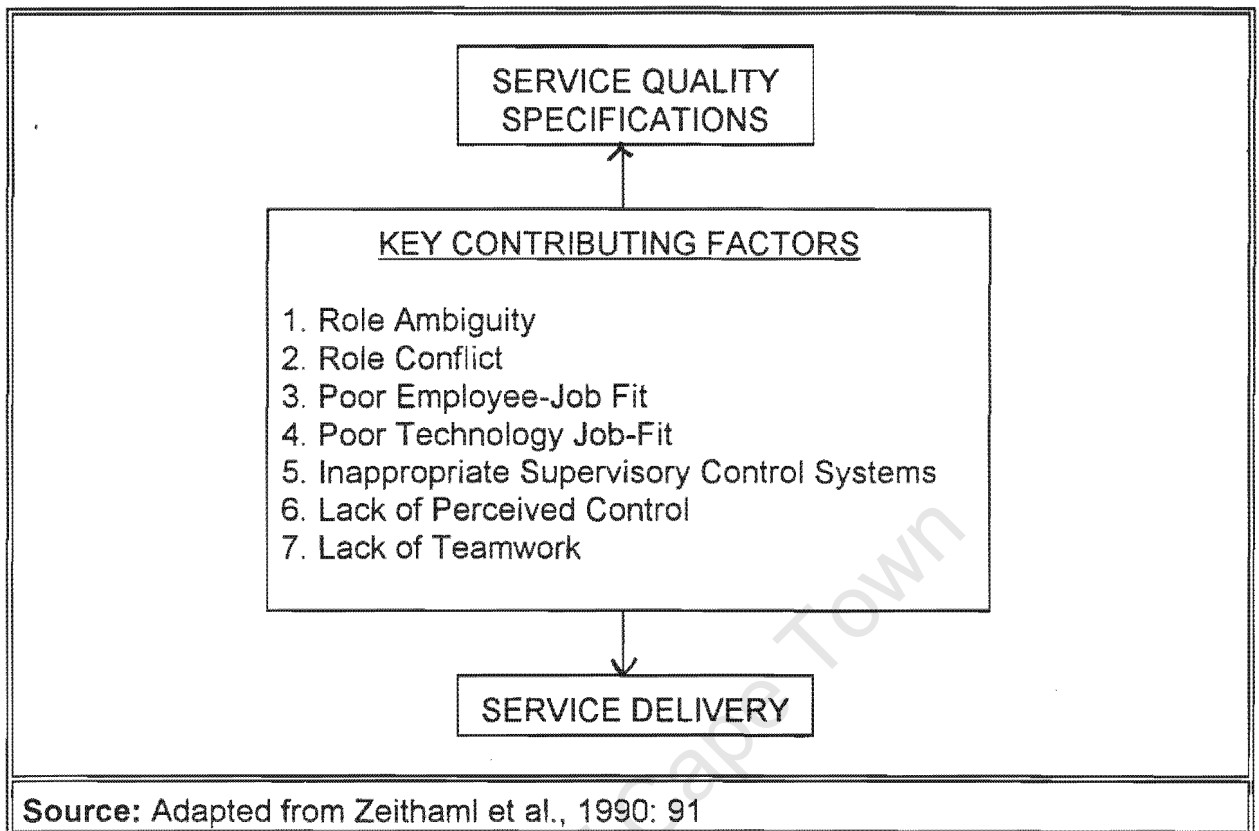
As reflected in Figure 4.3, Zeithaml et al. (1990: 90) identified seven factors contributing to the service-performance discrepancy. The contributing factors as depicted in Figure 4.3 have already been discussed and therefore only warrant a brief discussion here.<sup>14</sup>

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<sup>13</sup> See also Figure 2.9.

<sup>14</sup> See Section 2.3.1.

**FIGURE 4.3: THE SERVICE-PERFORMANCE GAP**



Zeithaml et al. (1990: 89) contend that the service performance gap results when employees are unable and/or unwilling to perform the service at the desired level. These researchers emphasize that opportunities for mistakes and misunderstandings exist when service providers and customers interact. Moreover, these researchers argue that a greater variability is also more likely in labour intensive services than when machines dominate service delivery. For example, bank customers who use human tellers are likely to experience far more service variability than those using ATM's.

Zeithaml et al. (1990: 90) assert that maintaining service quality depends not only on recognizing customer's desires and establishing appropriate standards but also maintaining a workforce of people both willing and able to perform at specified levels. In view of the aforementioned, these researchers suggest a number of ways by which the service performance gap could be closed. Of particular relevance to this research are the following, namely, the provision of role clarity in job descriptions and quality standards and empowering customer contact employees.

Furthermore, these researchers also assert that employees should be properly informed about what is expected of them and what the goals, objectives, strategies and philosophy of the organization are. This assertion which implies the need for organizational socialization of the service employees is of relevance to the present research and has been incorporated in the proposed model.<sup>15</sup>

Zeithaml et al. (1990: 91) also argue that employees who have control over their immediate job environment tend to be more committed and focused. Thus, these researchers recommend that front-line employees should be encouraged to take full responsibility for their tasks and unnecessary restrictions must be abolished.

However, although Bennet (1995: 296) also argues that more freedom in the job environment will lead to improved service, Hartline and Ferrel (1995: 40) caution that empowerment of employees increases role ambiguity. These researchers ascertained that empowering employees without having established goals and guidelines may do more harm than good.

#### **Gap 4: Service Delivery-Communication Gap**

Through advertising and promotional campaigns, organizations sometimes promise more than they can deliver. Inadequate communication between and within departments can result in failure to deliver the advertised services.

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<sup>15</sup>See Figure 4.4.

Consumers should be informed about their roles in service delivery so that they can derive the greatest benefit from the service provider. For example, bank clients who are issued with certain ATM cards should be informed that they need to be literate in order to operate the ATM machines so as to enjoy the convenience of conducting transactions at their leisure.

It is apparent from a (brief) review of the service quality models that "The Gaps Analysis Model" (Parasuraman et al., 1985) does offer guidance to management in finding out where the reason or reasons for the quality problem/s is/are and in discovering ways to close the gap.

It also emerged that what happens during "the moment of truth" impinges greatly on service quality. Furthermore, because of the existence of the important functional quality dimension of total service quality, the buyer-seller interaction becomes a pivotal factor in quality perception (Gronroos, 1990: 68).

It became evident from reports (Formby, 1996: 3, Heydenrych, 1997: 27) that (South African) financial executives who are striving to achieve a distinctive position, and a sustainable advantage in today's increasingly competitive business world had to realize the importance of delivering superior quality service. However, simply believing in the importance of providing excellent service quality is not enough. Zeithaml et al. (1990: 35) maintain that executives who are truly dedicated to service quality must put in motion a continuous process for: monitoring customer's perceptions of service quality, identifying the causes of service-quality shortfalls, and taking appropriate action to improve quality. In an attempt to address the aforementioned, a model for managing service quality is proposed.

#### **4.5 The Proposed Service Quality Management Model**

From the preceding discussion of the various service quality models, it was evident that Gronroos (1983) and Parasuraman et al. (1985) were in agreement regarding the evaluation of service quality among consumers.

Both models proposed that in order for the consumer to develop a perceived level of service quality, it was necessary for expected levels of service to be compared with the levels of service actually received. Furthermore, Gronroos (1983: 13) considers overall service quality as a function of employee technical quality, employee functional quality and customer technical quality.

However, neither the work of Gronroos (1983) nor Parasuraman et al. (1985) considered the participatory role of the customer during the service encounter. The work of Lehtinen and Lehtinen (1985) specifically considered the notion of customer participation during the service encounter.

This research which is partly modeled around the possible causes of Gaps 2 and 3 as described in the SERVQUAL model (Zeithaml et al., 1990: 46), also incorporates the notion put forward by Lehtinen and Lehtinen (1985). On the basis of the above, and more specifically, in line with the views of Kelley et al. (1992b: 164) and Schneider and Bowen (1995: 85), this research is undertaken with the following assumption/premise: *Bank customers are members of the service organization and are thus influenced by the same organizational variables as the full time employees.*

Based upon a review of the organizational socialization literature, more specifically on Van Maanen and Schein's (1979: 213) socialization tactics, it is proposed that through formal and informal organizational socialization processes, bank management could influence service quality by tempering with the behaviour of not only of their service employees, but also their customers. The literature on organizational socialization thus far served as background to a discussion of the organizational socialization of the service employee and the service customer.

#### **4.5.1 Organizational Socialization and the Service Employee**

Although a great deal of conceptual and empirical work (Ashforth and Sacks, 1996: 149) has been done regarding the socialization of employees of work organizations, the process of organizational socialization and its impact upon the employees and

customers involved in the service encounter has only received limited attention (Kelley, 1992b: 164; Hartline and Ferrel, 1993: 1-2). The process of socialization has been identified as an extremely important facet of the orientation for sales personnel (Dubinsky, Howell, Ingram and Bellenger, 1986: 35-62). Although these authors concentrated on the industrial salespeople, the importance of the socialization of the contact personnel of the service organization can be based on the generally accepted characteristics which differentiate services marketing from product marketing. Because services are intangible, in many cases the only tangible evidence (or cue) available to compare quality and performance in a service transaction is the contact person with whom they interact (Boom and Nyquist, 1981: 172-177). Furthermore, in service industries the contact person influences the customers' perception of the organization, as in industrial sales situations; however, in the service sector the contact person also is often the main cue for the customer regarding the service being sold. For example, an insurance agent influences the consumer's perception of the insurance agency, as well as the insurance being sold.

The intangibility of services places increased importance upon the organizational socialization of the contact personnel because service contact personnel may influence the customers' perception of service quality, as well as of the organization. The inseparability of production and consumption in the service sector also places added importance upon organizational socialization. The production, delivery, and consumption of the service often occur in physically and temporally inseparable environments when a consumer is purchasing a service. Because the consumer does not purchase a product *per se* which can be removed from the purchase environment and consumed (and evaluated) later at his/her convenience, employee socialization becomes more important in the service sector.

A third characteristic of services involves high variance, or heterogeneity, in service performance. The organizational socialization of service contact personnel may help to alleviate some of the problems faced by service marketers due to heterogeneity.

A workforce that has been effectively socialized may help to ensure a higher degree of consistency in the behaviour of contact personnel as well as a more consistent and hopefully higher level of service quality. The aforementioned does imply that proper socialization of the service employee is imperative for service organizations and can be beneficial to both the service organization and the service customer. In view of this, the following hypothesis is proposed:

H1: Formal organizational socialization [FS] of bank employees is positively associated with the overall service quality [SQUAL] as perceived by the bank customers.

H2: Informal organizational socialization [IS] of bank employees is negatively associated with the overall service quality [SQUAL] as perceived by bank customers.

Furthermore, the literature emphasized that because of the intangibility of most services, the only tangible cue may be the service employee. In the light of this, it is also hypothesized that:

H3: Customer perception of the overall service quality [SQUAL] is positively associated with their perception of the employee service quality [EQUAL].

In view of hypothesis H3, it may also be hypothesized that:

H4: Formal organizational socialization of bank employees is positively associated with the employee service quality as perceived by the bank customers.

H5: Informal organizational socialization of bank employees is negatively associated with the employee service quality as perceived by the bank customers.

#### **4.5.2 Organizational Socialization and the Service Customer**

The organizational socialization of the services customer had been discussed to a lesser extent by Bowen and Schneider (1985), Mills (1986), and Bowen (1986). More recently, Schneider and Bowen (1995: 88) adopting a HRM perspective have argued that the service customer should be socialized into the organization.

Kelley (1992: 197) on the basis of customer organization membership notion developed by Barnard (1948) and Parsons (1970), maintains that the service customer is a member of the service organization in the sense that he provides resources to the service organization. The resources provided by the customer ranges on a continuum of tangibility, from intangible (information) to tangible (labour). However, Kelley (1992: 198) cautions that the active role of partial employee played by the service customer results in the introduction of uncertainty in the service production process.

Various researchers (Mills and Moberg, 1982: 467- 478, Mills and Morris, 1986: 226-235) contend that the process of organizational socialization is one method available to the service organization for reducing customer introduced uncertainty. Therefore, before performing the role of "part-time" employee in the service organization the service customer must have the necessary abilities, skills, and training, as well as accurate role expectations. Moreover, a customer must be sufficiently motivated to perform the role of partial employees during the service production. Kelley (1992: 198) argues that the process of organizational socialization provides a means by which the partial employee can attain the abilities, skills, training, and motivation necessary to develop accurate role expectations and properly perform the role.

Solomon et al. (1985: 99-11) maintain that the interaction between employees and customers during the service encounter is very important to the level of service quality provided. These researchers contend that the role of the customer in the service encounter is composed of a set of learned behaviour acquired through the process of socialization.

Lovelock and Young (1979: 168-178) pointed out that it was possible to improve productivity in service industries by changing the ways consumers interacted with service producers; in other words socializing the consumers into the organization.

Studies (Schneider and Bowen 1995: 88) have suggested that the socialization of customers into the service organization may have an impact on upon customer retention, motivation, and performance through alteration of the behaviour of the customer. Solomon et al. (1985: 94-111) have proposed that when customers and service employees "read from a common script" (both are appropriately socialized into the organization), the service encounter will be more satisfying to both. The socialized customer should be more satisfied because his or her service expectations more closely approximate the actual service provided (Smith and Houston, 1983: 59-62). In view of the above discussion, it is hypothesized that:

H6: Formal organizational socialization of bank customers is positively associated with the overall service quality as perceived by the bank customers.

H7: Informal organizational socialization of bank customers is negatively associated with the overall service quality as perceived by bank customers.

Furthermore, it can also be hypothesized that:

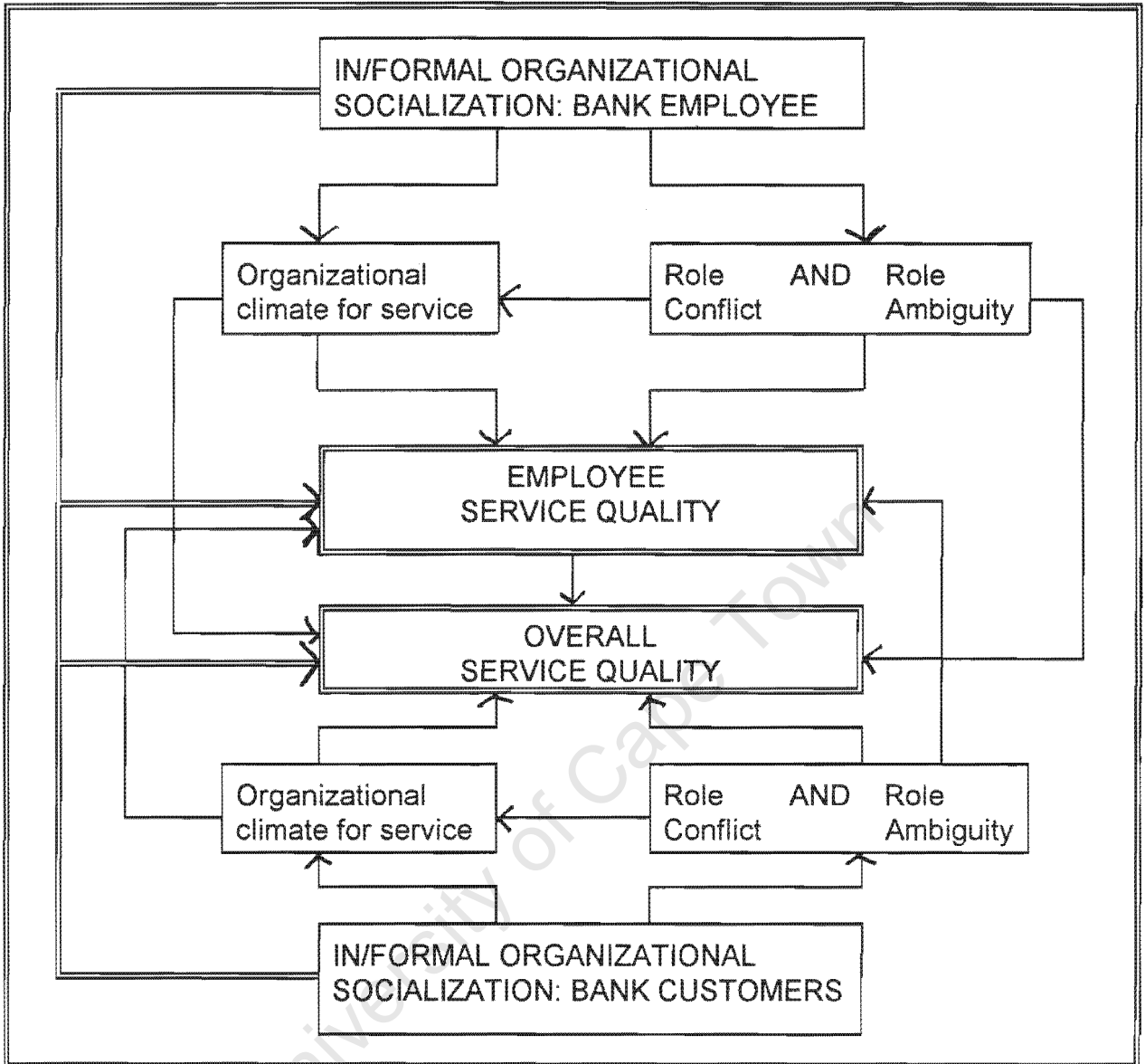
H8: Formal organizational socialization of bank customers is positively associated with the employee service quality as perceived by the bank customers.

H9: Informal organizational socialization of bank customers is negatively associated with the employee service quality as perceived by bank customers.

From the literature [chapters 2 and 3] it was also apparent that a number of variables, *inter alia*, organizational climate and role perceptions are in some way related to organizational socialization.

In terms of the objectives of this research, the above intervening variables in the organizational socialization-service quality linkage will be considered. The proposed linkage is illustrated in Figure 4.4.

FIGURE 4.4: HYPOTHESIZED RESEARCH MODEL



This model (Figure 4.4) suggests that the positive effects of organizational socialization tactics on service quality is both direct and indirect; that is, the type of organizational socialization affects the organizational climate for service and the role perceptions of both service customers and employees, which in turn should translate into enhanced or poor service quality for the customer. In the section which follows, the intervening variables in the proposed model will be discussed and various hypotheses will be proposed.

#### **4.5.3 Organizational Socialization and the Organizational Climate for Service**

Schneider, Gunnarson and Niles-Jolley (1994: 17) maintain that organizational climate is in a sense the "personality" of the organization and includes relatively constant variables in a work environment. Various researchers (Tyagi, 1982: 40; McNabb and Sepic, 1995: 373; Schneider et al., 1994: 18) have argued that critical elements of organizational climate are the individuals' perceptions of the organization, and that it is these perceptions which govern employees' behaviour.

Researchers (Zemke and Bell, 1990: 307; Schneider et al., 1994: 18-20) claim that service organization employees have face-to-face contact with customers and this type of work seems to result in increased stress and strain because employees try to meet conflicting demands from management and customers. Recent studies (Wood, 1994: 4-7; Houston, 1994: 505-520; Schneider et al., 1994: 17-30) also suggest that there is a need to manage the organizational climate in order to make it a pleasant place to work. Schneider and Bowen (1995: 238) claim that management can potentially manage employee stress by establishing a climate in which employees' desires to give good service are made easier and encouraged; "a climate in which service, as proved by management word and deed," is an organizational imperative. Schneider and his colleagues (Schneider and Bowen, 1985: 423-433; Schneider, Gunnarson and Niles-Jolley, 1994: 17-30) have conducted a stream of related research on the nature, antecedents and consequences of an organizational climate. These researchers conclude that the organizational climate does impact on employee performance and job satisfaction.

Furthermore, various researchers (Churchill, Jr., Ford and Walker, 1976: 324; McNabb and Sepic, 1995: 374) have identified various dimensions of climate in an organization, including structure, reward, warmth and support, which may be measured as members' perceptions of the organizational climate. Schneider et al. (1994: 18-19) also contend that the "perceptions" are developed as a result of interaction within the organization.

Researchers (Robbins, 1993: 611; Srinath, 1993: 29; Jones, 1986: 262-279) have argued that perceptions of the organizational climate and culture are a result of organizational socialization. As discussed earlier, the process of organizational socialization results in role learning and gaining an appreciation of the organizational culture and climate (McNabb and Sepic, 1995: 373) on the part of the individual.

In view of the aforementioned, it is hypothesized that:

- H1a: Formal organizational socialization of bank employees is positively associated with the organizational climate [OC] for service as perceived by the bank employees.
- H2a: Informal organizational socialization of bank employees is negatively associated with the organizational climate for service as perceived by the bank employees.

Considering the basic premise of this research, namely that service customers are subject to the same set of organizational variables as the service employees, it is also hypothesized that :

- H6a: Formal organizational socialization of bank customers is positively associated with the organizational climate for service as perceived by the bank customers.
- H7a: Informal organizational socialization of bank customers is negatively associated with the organizational climate for service as perceived by the bank customers.

Schneider et al. (1994: 18) assert that employees [and customers] observe what happens to them [and around them], and draw conclusions about the organization's priorities. These perceptions provide employees with "direction" and "orientation" about where they should focus their energies and competencies. Houston (1994: 520) 'supports a mediated relationship between supervisor behaviour, mission knowledge and customer service orientation.

Although it may be argued that there are similarities between the constructs "organizational climate" and "customer orientation", it is necessary to stress that organizational climate for service is a perceptual process regarding the whole organization, whereas, customer orientation focuses on the individual employee and his behaviour towards the customer.

Since service quality is in the delivery, it is the interaction between the service deliverer and the consumer that determines service quality for the consumer. Organizations can only indirectly control the interaction or "service encounter" because of the simultaneous nature of production and consumption. Thus, in the absence of direct control of the service encounter, it is posited that the climate or organizational practices and procedures that communicate service as top priority will succeed in delivering high quality service.

In view of the aforementioned, the following is hypothesized:

H10: The organizational climate for service as perceived by the bank employees is positively associated with the overall service quality as perceived by the bank customers.

H11: The organizational climate for service as perceived by the bank employees is positively associated with the employee service quality as perceived by the bank customers.

H12: The organizational climate for service as perceived by the bank customers is positively associated with their perception of the overall service quality.

H13: The organizational climate for service as perceived by the bank customers is positively associated with their perception of the employee service quality.

#### 4.5.4 Organizational Socialization and Role Perceptions

Various researchers (Singh, 1993: 12; Michaels and Dixon, 1994: 63; Singh, Vebreke and Rhoads, 1996: 69) agree that when an individual has gained an appropriate understanding of his or her role and the roles of the other members of the role set, it is possible to formulate accurate role expectations. Furthermore, research (Babin and Boles, 1996: 63-69) has shown that organizational practices matter significantly in boundary role stress processes.

Researchers (Mills 1983: 63; Schneider and Bowen, 1995: 77) also concur that in order for service employees and service customers to learn their roles and be able to form accurate role expectations for the service encounter, they must be socialized into the organization. In view of the aforementioned, the following hypotheses are proposed:

- H1b: Formal organizational socialization of bank employees is negatively associated with the role ambiguity [RA] experienced by the employees.
- H2b: Informal organizational socialization of bank employees is positively associated with role ambiguity experienced by the employees.
- H1c: Formal organizational socialization of bank employees is negatively associated with the role conflict [RC] experienced by the employees.
- H2c: Informal organizational socialization of bank employees is positively associated with role conflict experienced by the employees.

Mills (1986: 155) contends that as active participants, consumers of services have important activities to perform in the production of the service output. Consumers therefore have to acquire the knowledge, skills, and disposition that will enable them to perform as effective, though temporary, members of the service organizations. This researcher also strongly believes that customers will have to be socialized into the required role behaviours. Furthermore, Mills (1986) asserts that the active role of the partial employee played by the service customer results in the introduction of uncertainty into the service production process and through organizational socialization, the service organization can reduce customer introduced uncertainty.

However, prior to performing the role of the partial employee in the service organization, the service customer must have the necessary abilities, skills, and training; as well as accurate role expectations. The process of organizational socialization may provide a means by which the partial employee could attain the abilities, skills, training and motivation necessary to develop accurate role expectations.

In view of the aforementioned, it can be stated that service organizations can reduce consumer turnover and realize productivity gains when the boundary between their employees and clients/ customers is reduced. This will enable the organization to establish socialization mechanisms that would prepare both the consumer and the service provider to become better participants within the operations. Thus, it is hypothesized that:

H6b: Formal organizational socialization of bank customers is negatively associated with the role ambiguity experienced by the customers.

H7b: Informal organizational socialization of bank customers is positively associated with the role ambiguity experienced by the customers.

H6c: Formal organizational socialization of bank customers is negatively associated with the role conflict experienced by the customers.

H7c: Informal organizational socialization of bank customers is positively associated with the role conflict experienced by the customers.

Lysonski (1982: 242-246) ascertained that role ambiguity has a negative influence on service quality. On the other hand, Nel, Boshoff and Mels (1994: 8) established that role ambiguity which was modeled as being responsible for Gap 3 (the service delivery gap), did not influence Gap 5 (the service quality gap). However, Boshoff and Mels (1995: 23-42) ascertained that role conflict has a negative influence on organizational commitment and thus indirectly influences service quality. Tait (1996: 266) also found that role ambiguity affects service employee performance which may spill over to the perceptions of service quality by the customers.

To shed more light on the relationship between service quality and role, the following hypotheses are proposed:

- H14: Customers' perception of the overall service quality is negatively associated with the bank employees' level of role conflict
- H15: Customers' perception of the overall service quality is negatively associated with the bank employees' level of role ambiguity .
- H16: Customers' perception of the employee service quality is negatively associated with the bank employees' level of role conflict.
- H17: Customers' perception of the employee service quality is negatively associated with the bank employees' level of role ambiguity.
- H18: Customers' perception of overall service quality is negatively associated with the bank customers' level of role conflict.
- H19: Customers' perception of overall service quality is negatively associated with the bank customers' level of role ambiguity.
- H20: Customers' perception of the employee service quality is negatively associated with the bank customers' level of role ambiguity.
- H21: Customers' perception of the employee service quality is negatively associated with the bank customers' level of role conflict.

Furthermore, Schultz (1982: 445) explains organizational climate in terms of the role theory. He describes role ambiguity as a situation that arises when the employee's work role, that is, the scope and responsibility of the job and what others expect of him or her, is so poorly structured as to be uncertain and ill-defined. This occurs when a person is not sure exactly what to do in executing job related activities. Role ambiguity also may prohibit an individual from experiencing a sense of accomplishment, because the individual is unclear about what ought to be accomplished (Rowland and Ferris, 1982: 402).

Various researchers (Michaels, Cron, Dubinsky, and Joachimsthaler, 1988: 376-383; Dubinsky and Mattson, 1979: 70-86) concur that role ambiguity has a negative impact on job outcomes.

In the light of the aforementioned, it is hypothesized that:

H22: The organizational climate for service as perceived by the bank employees is negatively associated with the role ambiguity experienced by the employees.

H23: The organizational climate for service as perceived by the bank employees is negatively associated with the role conflict experienced by the employees.

H24: The organizational climate for service as perceived by the bank customers is negatively associated with the role ambiguity experienced by the customers.

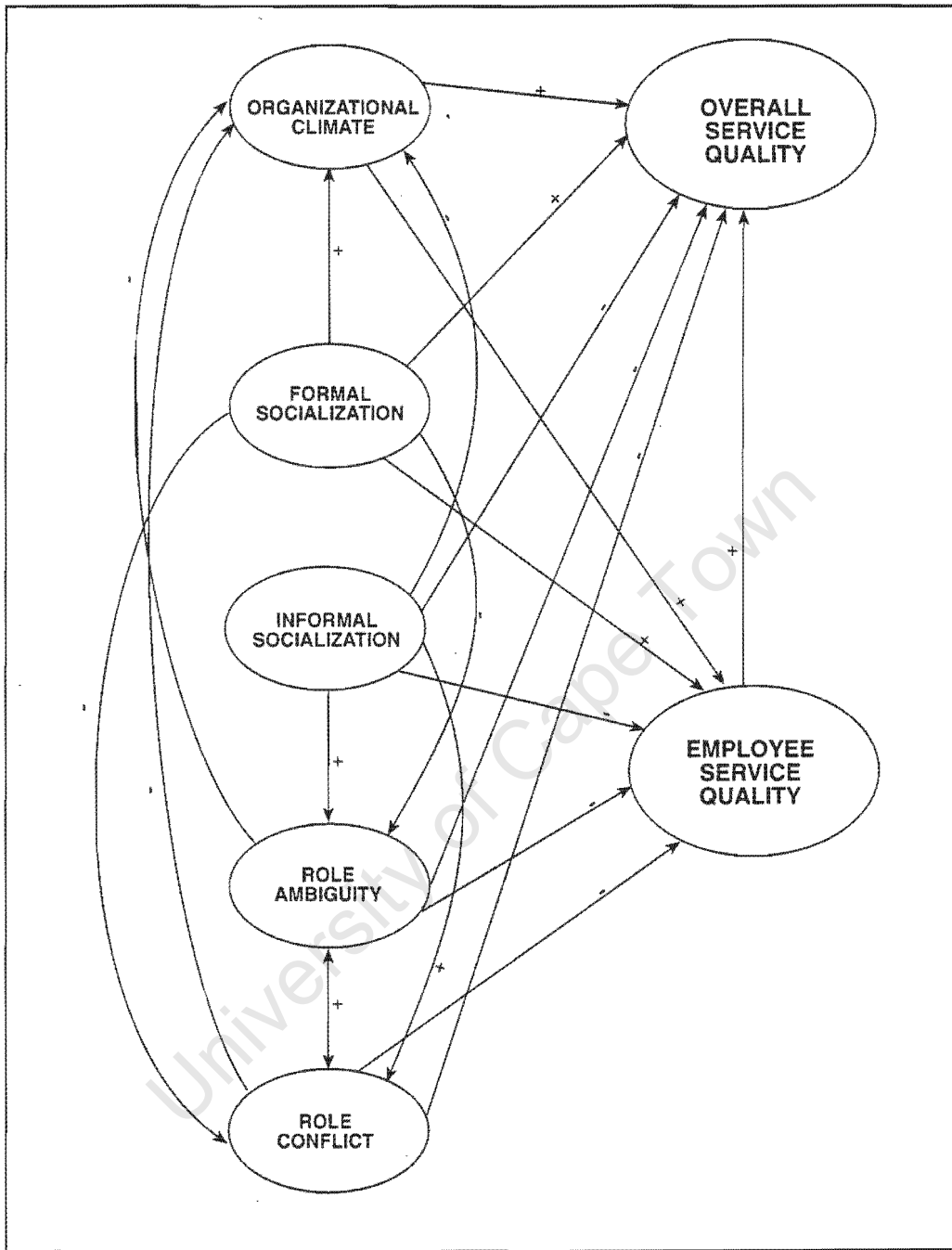
H25: The organizational climate for service as perceived by the bank customers is negatively associated with the role conflict experienced by the customers.

H26: The role ambiguity experienced by the customer is positively associated with the role conflict experienced by the customer.

H27: The role ambiguity experienced by the bank employee is positively associated with the role conflict experienced by the employee.

Figure 4.5 depicts the hypothesized relationship among the variables.

**FIGURE 4.5: HYPOTHESIZED RELATIONSHIP AMONG VARIABLES IN THE PROPOSED MODEL.**



## 4.6 Summary

This chapter which provided a premise for this research evolved from the literature discussed in the previous chapters. A discussion of the concept "service quality" was followed by an overview of the various service quality models. Thereafter, based on the literature, a model for research was proposed. On the basis of the proposed model, a number of hypotheses and sub-hypotheses were postulated. Specifically, the following key concepts were discussed: organizational socialization of service employees and service customers, the organizational climate for service, role ambiguity and role conflict.

In the chapter which follows, the methodology and statistical procedures used to test the hypotheses will be explained.

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## **CHAPTER 5**

### **RESEARCH METHODOLOGY**

#### **5.1 Introduction**

This chapter provides details of the methodology employed to empirically test the research hypotheses proposed in Chapter 4. First, the research design, research instruments, and sampling procedure utilized is discussed. Thereafter, the techniques employed to assess the reliability and validity of the measuring instruments as well as analyzing the data will be discussed.

#### **5.2 Research design**

The survey method was employed to obtain data relevant to the proposed model (see Figure 4.4). Since the social interaction which takes place between service employees and service customers during the service encounter is stressed in this research, data was collected from bank employees and a matched sample of bank customers.

Co-operation was obtained from the head offices of three major commercial banks in South Africa to conduct research in their branches. Since it was not possible to administer the employee questionnaires during regular staff meetings, branch managers were requested to distribute the employee questionnaires after being briefed about the research. A covering letter explaining the purpose of the research and other details accompanied questionnaires. The customer questionnaires were distributed by front-line bank employees (excluding tellers) who had meaningful encounters with bank customers. Bank tellers/cashiers and back-office staff were excluded from this study because their encounters with bank customers would not be long enough to warrant ascertaining data relevant to this study.

The bank employees were requested to hand the questionnaires to every third customer with whom they interacted for at least five minutes. The rationale for choosing every third customer was to introduce a "sense of randomness" into the customer sample, a method which has been used in previous research (Danaher and Mattsson, 1993: 8; Naumann and Giel, 1995: 207-209; Sudman, 1976: 87).

The bank customers were provided with stamped, self addressed envelopes so that all completed questionnaires could be forwarded directly to the researcher. This procedure may have contributed to the bank customers feeling free to respond honestly to all questions. Most questionnaires completed by the bank staff were collected personally. However, after two personal visits to the banks, a responsible person was entrusted with the task of reminding employees to complete and return (by post) the questionnaires to the researcher.

Anonymity was assured as no respondent was required to supply his or her name or staff or bank account number. Codes were inserted on the questionnaires to match the customer and employee questionnaires.

### **5.3 Sample and Sampling Procedure**

The nature of this research necessitated the use of a combination of convenience and judgmental sampling (Parasuraman, 1991: 546-548; Naumann and Giel, 1995: 201; Churchill, 1995: 579; Meidan, 1996: 53). The target population comprised of two groups, namely, bank employees and bank customers of commercial banks in metropolitan areas in South Africa. The names of all the commercial banks were placed in a jar and the first three drawn were approached with a request to conduct the survey in their branches. Since this request was turned down, the researcher then made a written appeal to all the other commercial banks in South Africa.

After numerous letters, faxes, telephone and personal calls, permission was received from three major commercial banks to conduct the survey in their branches.

A total of 210 employee questionnaires were distributed equally among branches of three major commercial banks situated in two metropolitan areas in the Eastern Cape Province of South Africa. Each bank employee was requested to distribute five customer questionnaires, which resulted in 1050 bank customers being surveyed. This sample size recognizes the comments of various researchers (Naumann and Giel, 1995: 181; Chisnall, 1992: 93; Churchill, 1995: 628) regarding sample size, namely, the need to take cognizance of the type of statistics to be used in the analysis of the data, and the cost of data collection. The data was collected over a four month period extending from November 1996 to March 1997.

## **5.4 Research Instruments**

This research required the development of two research instruments, an employee questionnaire (Appendix A) and a customer questionnaire (Appendix B). Both the questionnaires included sections that assessed the individual's perceptions of the type of organizational socialization, the organizational climate, role conflict and role ambiguity. The service customer questionnaire included additional sections to assess employee service quality (EQUAL) and overall service quality (SQUAL).

### **5.4.1 The questionnaire**

Both questionnaires were divided into different sections which addressed the different variables included in this research. The procedure recommended by Bless and Higson-Smith (1995: 115-122) was considered when drawing up the questionnaires. Where possible, research instruments whose validity and reliability had been ascertained during previous research were used in this study (Schneider, 1985: 423-427; Kelley, 1987: 197; Hartline and Ferrel, 1993: 43-49; Ashforth and Saks, 1996: 160-161). Negatively worded items were either rephrased or avoided because the pilot study revealed that respondents were ignoring negatively worded questions. This approach is supported by previous research (Kamfer, Venter and Boshoff, 1994: 3).

With regards to the technical aspects of the questionnaire, namely, the nature of the questions, question sequence, layout and printing and length, cognizance was taken of the recommendations of various marketing researchers (Parasuraman, 1991: 367-396; Chisnall (1992: 109-128; Churchill, 1995: 396-430).

A 5-point scale was used in this research because the pre-test revealed that respondents could not make fine mental distinctions with respect to whatever was being measured. This view is supported by Parasuraman (1991: 427-428) who asserts that for accurate measurements, a large number of scale positions are needed when a single-item scale is used rather than when a multiple-item scale is used.

#### **5.4.1.1 Type of Organizational Socialization**

The type of organizational socialization as perceived by the bank employees and customers was measured with a 5 point Likert scale with anchors of (1) strongly disagree, (2) disagree, (3) neither agree nor disagree (neutral), (4) agree, (5) strongly agree.<sup>16</sup> The questions which attempted to determine the type of organizational socialization were adapted from the questionnaire developed by Jones (1986: 262-279) which was based on the theoretical work of Van Maanen and Schein (1979). This section of the employee questionnaire comprised of 15 questions. High scores on six items [S3, S6, S8, S10, S14 and S15] would indicate "Informal" socialization. The rest of the items [S1, S2, S4, S5, S7, S9, S11-S13] in this section of the employee questionnaire were intended to measure "Formal" socialization.

In an attempt to keep the customer organizational socialization measure as similar to the employee measure as possible, the employee organizational socialization questionnaire was adapted to measure the type of organizational socialization as perceived by the service customers.

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<sup>16</sup>Refer Appendices A and B, Section 1 .

The customer organizational socialization questionnaire comprised of a 9-item instrument, four of which [S2, S5, S8 and S9] were intended to measure "Informal" socialization, and the rest [S1, S3, S4, S6 and S7] attempted to measure "Formal" socialization.

#### **5.4.1.2 Organizational Climate for Service**

A 22-item, five point Likert scale with anchors of (5) strongly agree and (1) strongly disagree was developed based upon an adaptation of Schneider and Bowen's (1985: 423-437; 1995: 182-183) and Kelley's (1987: 126) scale. Kelley's (1987: 121) scale was developed around the exploratory research by Parasuraman et al. (1985: 41-52). The identical questionnaire, consisting of 22 items [OC1-OC22] was administered to the bank customers<sup>17</sup> and bank employees<sup>18</sup> to determine their perceptions of the organizational climate for service. High scores on the items included in the scale would indicate that a conducive climate for providing service exists.

#### **5.4.1.3 Role Conflict and Role Ambiguity**

Despite its popular use (Boshoff and Mels, 1995: 25-32; Tait, 1996: 256-259), the role conflict and ambiguity scales of Rizzo, House and Lirtzman (1970: 150-163) was not used in this study. This was due to research (King and King, 1990: 51-53; Hartline and Ferrel, 1993: 47; Shepherd and Fine, 1994: 57) which cast doubt on the validity of these scales. Instead, the conflict and ambiguity scales developed by Chonko, Howell, and Bellenger (1986: 35-48) were adapted for this research. In order to ascertain information about role conflict, employees were asked to indicate the agreement between themselves and their jobs, supervisors, and customers on a 5 point scale ranging from 1 (no agreement) to 5 (complete agreement).

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<sup>17</sup> See Appendix B, Section 3.

<sup>18</sup> See Appendix A, Section 2.

This section of the employee questionnaire consisted of 7 items [RC1-RC7].<sup>19</sup> After adapting the bank employee questionnaire, the bank customer role conflict questionnaire consisted of 2 items [RC1-RC2] about which the customers had to indicate their dis/agreement with their bank.<sup>20</sup>

For the role ambiguity scale, bank employees were asked to indicate how certain they were about each of 16 items [RA1-RA16] using a scale ranging from 1 (completely uncertain) to 5 (completely certain).<sup>21</sup> By adapting the employee role ambiguity questionnaire, a self developed 6-item [RA1-RA6] questionnaire was used to measure the role ambiguity experienced by the service customers.<sup>22</sup>

#### **5.4.1.4 Overall Service Quality**

In most previous research, service quality has been measured as the difference between customer's expectations of service quality and the actual perceptions they have about service quality using the SERVQUAL scale which was originally designed by Parasuraman et al. (1988: 13-40). The SERVQUAL scale is a generic instrument that has desirable psychometric properties that capture the most important aspects of consumer perceptions of service quality. Its development involved several phases beginning with an exploratory study (Parasuraman et al. 1985: 42-55) to delineate the conceptual domain and then entailing several data-collection phases that refined the instrument. ((Zeithaml et al., 1990: 370).

However, recent research (Babakus and Boller, 1992: 253-268; Carman, 1990: 55-58; Buttle, 1996: 8-32; Nel, Pitt and Berthon, 1997: 113-122) has uncovered a number of deficiencies in the SERVQUAL scale.

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<sup>19</sup> See Appendix A, Section 4.

<sup>20</sup> See Appendix B, Section 7.

<sup>21</sup> See Appendix A, Section 3.

<sup>22</sup> See Appendix B, Section 2.

The deficiencies range from problems associated with difference scores to the use of positively and negatively worded items. In view of this, an alternate scale was used.

The scale used in this study is based on the 22-items of the SERVQUAL instrument; however, it combines expectations and perceptions into one measure by asking customers whether certain aspects of service quality exceed or fall short of expectations.<sup>23</sup> This approach which was adopted by Hartline and Ferrel (1993: 48-49) was recommended by Carman (1990: 55), Cronin and Taylor (1992: 55-68), and Parasuraman et al. (1994: 201-230). Bank customers were asked to rate each of the twenty two items on a scale ranging from 1 (worse than expected) to 5 (better than expected). Higher scores reflected higher perceived quality. The overall service quality measure (SQUAL) was created by summing the averaged scores.

#### **5.4.1.5 Employee Service Quality**

Since the customer perception of the manner in which the service was delivered [how] was also important in terms of the objectives of this research, the customer questionnaire also included a section which attempted to ascertain bank customers' perception of the employee quality [EQUAL]. After adapting the SERVQUAL questionnaire, a 16 item instrument [EQ1-EQ16] was developed. Bank customers were required to indicate their dis/agreement with each of the 16 items, where 1 indicated strongly disagree and 5 indicated strongly agree.<sup>24</sup> Higher scores would indicate higher employee service quality.

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<sup>23</sup> See Appendix B, Section 4.

<sup>24</sup> See Appendix B, Section 5.

## **5.5 Measurement Reliability and Validity**

The importance of the consideration of the reliability and validity of the marketing measures employed in basic and applied research has received increased attention in recent years (Churchill, 1995: 533-543; Parasuraman, 1991: 295). In view of the aforementioned, the validity and reliability of the measuring instruments was ascertained before the data was fitted to the models.

### **5.5.1 Reliability**

Generally, the reliability of a measure is concerned with the extent to which that measure is repeatable or stable over a variety of conditions and circumstances. Bless and Higson-Smith (1995: 129) define reliability as "the extent to which the empirical measures that represent a theoretical concept are accurate and stable when used for the study of the concept in several studies." An instrument which produces different scores every time it is used to measure an unchanging value has low reliability.

A variety of methods are available for the measurement of the reliability of a measure. These are: test-retest reliability, equivalent form reliability, split-half reliability and inter-scorer reliability (Bless and Higson-Smith, 1995: 131). Although several of the methods for assessing the reliability of a measure have problems inherent in their utilization (Parasuraman 1991: 178; Bless and Higson-Smith 1995: 131-134), a common method of assessing reliability via the internal consistency method is Cronbach's (1951) alpha (Steffens, 1995: 10). The value of the coefficient of reliability always falls between 0 and 1. An instrument with no reliability will score 0 and an instrument with very high reliability will score close to 1. Bless and Higson-Smith (1995: 135) assert that an instrument which produces a coefficient of reliability of at least 0,7 is favoured by most social scientists. Cronbach's (1951) coefficient alpha has been recommended as an appropriate method for assessing the reliability of marketing constructs by Churchill (1995: 538).

Churchill (1995: 539) recommends that Cronbach's coefficient alpha should be the first measure of reliability calculated when assessing the quality of a scale. A low coefficient alpha indicates that the measure of interest does not capture the construct which it is intended to measure, while a large alpha indicates that the scale is correlated with the true scores of interest.

In this study, Stepwise Reliability Analysis (Willie 1996) was performed on the various measuring instruments included in the customer and employee questionnaires. In Stepwise Reliability Analysis (SRA), individual items are deleted from the various measuring instruments if this action improves the overall reliability of the particular measuring instrument as measured by its Cronbach's coefficient alpha (Cronbach, 1951: 297-334). The process is repeated until all the measuring instruments possess an acceptable level of reliability.

The computer programme SAS PROC.CORR (SAS Institute, 1990) was used to perform Stepwise Reliability Analysis (Willie 1996) for the various measuring instruments.

### **5.5.2 Validity**

Validity is concerned with just how accurately the empirical measures actually represent the concept in question or whether, in fact, they represent something else. The central aim of a research design is to establish a relationship between the independent and dependent variables on a high degree of certainty. The potential of a research design to achieve this aim is referred to as the validity of the design (Bless and Higson-Smith, 1995: 82; 135).

The reliability of a measure is a necessary, but not sufficient, condition for the validity of a measure (Bless & Kathuria, 1993: 16). In other words, an instrument with a very high reliability is useless if it has poor validity and vice versa. Bless and Higson-Smith (1995: 136) assert that although there are many types of validity, the four most important are: content validity, criterion-related validity, construct validity

and face validity. Content validity concerns the extent to which the measuring instrument measures all the essential components of any variable. To overcome this problem and to ensure content validity of the research instrument used in this research, operational definitions of the different variables is provided.<sup>25</sup>

According to Bless and Kathuria (1995: 138), construct validity is the most important, and often most used of the various forms of validity. Parasuraman (1991: 442) asserts that construct validity relates to the question of "what is the nature of the underlying variables or construct measured by the scale?" Customer service researchers Naumann and Giel (1995: 99) maintain that construct validity indicates whether a question actually measures what it is supposed to measure. This is influenced by the wording of a particular question and in the case of closed-end questions, by the scaling and measurement used.

Naumann and Giel (1995: 99) suggest that pilot testing of the questionnaire would indicate whether respondents decoded the same meaning from the question as intended by the researcher. Furthermore, the pilot study would also indicate whether the response categories are broad enough to actually capture the respondents' true responses.

The measure development paradigms recommended by various researchers (Churchill, 1995: 534-539; Bless and Higson-Smith, 1995: 136-138; Parasuraman, 1991: 442-443) was closely followed during the development of the scales. Thereafter, after having determined the Cronbach's coefficients alpha using Stepwise Reliability Analysis [SRA], Stepwise Exploratory Factor Analysis (Willie 1996) was performed to ascertain the discriminant and construct validity of the measuring instruments. In each step of the analysis, BMDP4M (Frane, Jennrich & Sampson 1993) was used to perform a maximum likelihood factor analysis with a direct quartimin rotation (Jennrich & Sampson, 1966: 313-323) of the unrotated factor matrix.

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<sup>25</sup>See Chapter 1, Section 1.6.

In each step of the Exploratory Factor Analysis (EFA), individual items are deleted from the respective measuring instruments if this action improves the validity of the measuring instruments. This process is repeated until all the (remaining) measuring instruments possess acceptable levels of discriminant and construct validity.

## **5.6 Pre-Testing, Pilot Testing and Refinement of Measuring Instruments**

After the draft questionnaires were developed, they were circulated together with the objectives of the study, among colleagues for inputs and suggestions. After revision by means of changing the wording, scaling, overall appearance and sequence of questions, the questionnaires were referred to two academic researchers for comments. The questionnaires were revised once more before being used to conduct a pilot study in a branch of a major commercial bank.

It was intended to conduct personal interviews with both bank employees and customers in order to pilot-test the questionnaire. However, this was not possible because the bank manager was not supportive. The researcher was only allowed sufficient time to brief the bank staff about the research and also request their assistance in distributing the customer questionnaires. Ten employee questionnaires and 50 customer questionnaires were distributed. After a two week period, only four employee questionnaires and 11 customer questionnaires were returned. Detailed statistical analysis of this data was not possible because only six customers could be matched to four employees. Any attempt to analyze the data, for example chi-square ( $\chi^2$ ) was not possible as Cochran's rules (Cochran, 1954: 417-451) regarding low cell values were being violated.

Although it became apparent from the pilot survey that the questionnaires were too long, no major changes could be made to the final questionnaire because the objectives of the study would not have been achieved. From the pilot study it also became evident that the researcher would have very little control over the customer response. This became apparent since all customers preferred to complete the questionnaires at home and not in the bank.

The aforementioned was expected, since customers who have spent time in queues, would not be willing to "waste" more time in the bank. Therefore, in the final survey, customers were provided with reply paid envelopes so that they could complete the questionnaires at leisure, in the privacy of their home.

It also became apparent from the pilot study that respondents were ignoring negatively worded questions. Although it would have entailed reverse-scoring, the negatively worded items were included to desist respondents from responding "mechanically" or in a set pattern. However, in the final questionnaire, the negatively worded items were rephrased as recommended by Kampfer, Venter and Boshoff (1994:8).

## **5.7 Data Analysis**

In order to achieve the objectives of this study and test the various hypotheses proposed in the theoretical model, the data analysis was undertaken in three stages. Each data set (employee and customer) was analyzed separately and thereafter, the employee data was matched with the consumers so as to determine the effects of the encounter experience on service quality.

Researchers (Boshoff and Mels, 1994: 17; Hartline and Ferrel, 1993: 23) assert that path analysis is the most appropriate statistical tool for evaluating relationships among a set of variables. Once a model has been specified, and the relevant data gathered, it is possible to compare the hypothesized model to the data by means of variances and covariances. To empirically evaluate the hypothesized relationships the computer programme RAMONA (Brown and Mels 1990) was used. RAMONA which is an improvement on LISREL, not only tests for significant deviations from zero for all parameters, but also provides for measures of fit of the data to an hypothesized model. By specifying an analysis based on sample correlation matrix with maximum likelihood estimation, the research models were fitted to the observed data.

## 5.8 Summary

This chapter dealt with the research design, as well as with the techniques used to assess the reliability and validity of the measuring instruments, and analyze the data. In the next chapter the significant findings will be presented.

University of Cape Town

## CHAPTER 6

### EMPIRICAL FINDINGS

#### 6.1 Introduction

This purpose of this chapter is to present and discuss the empirical findings after reporting on the response rate and the validity and reliability of the measuring instruments.

#### 6.2 Response Rate

After four months, 106 employee questionnaires (50,47 per cent) and 200 customer questionnaires (19,05 per cent) were returned. However, since stage three of the analysis entailed matching employee and customer responses, it was only possible to match 50 employees with 166 customers. For the matched sample, the employee response was 23,81 percent and the customer response was 15,81 per cent. Considering that this was a case study and a mail survey, the sample seems satisfactory. Furthermore, in a study using a similar methodology, Hartline and Ferrel (1993: 21) reported an employee response rate of 34,1 per cent and a customer response rate of 3,8 per cent.

The customer response rate could be attributed to the research method (mail) and because customers could not be "forced" to complete and return the questionnaires. Furthermore, employees were unable to trace the customers to whom they had given questionnaires, since this was done randomly. As a follow-up, branch managers were requested to put up notices requesting customers to complete and return the questionnaires to the researcher.

### 6.3 Reliability of Measures

The Cronbach's coefficient alpha resulting from Stepwise Reliability Analysis (Willie 1996) which was performed on the various measuring instruments included in the customer and employee questionnaires is reflected in Tables 6.1- 6.3. Nunnally (1978) asserts that instruments which have a coefficient of reliability of at least 0,70 and higher are acceptable for use.

Because certain latent variables had too many measurements, it was decided to reduce the number of individual measurements by averaging individual measurements to create adapted measurements. With reference to the customer data, this was specifically performed for organizational climate for service, overall service quality and employee service quality measures. For the employee data, adapted measuring instruments were constructed for the following: formal socialization, organizational climate, role ambiguity and role conflict. In respect of the combined data set, adapted measurements were constructed for all the measures. The procedure adopted is illustrated in Figures 6.1, 6.3 and 6.5 respectively.

It is evident from Table 6.1 that the eight latent variables are measured with acceptable levels of reliability (internal consistency) by their respective adapted measuring instruments.

**TABLE 6.1: CRONBACH'S ALPHA COEFFICIENTS FOR THE CUSTOMER MEASUREMENTS**

INSTRUMENT	ORIGINAL ITEMS	COEFFICIENT	FINAL ITEMS	FINAL COEFFICIENT
FS	S1,S3,S4,S6S7	0.807	S1,S3,S4,S6 S7	0.807
IS	S2,S5,S8 S9	0.763	S5, S9	0.847
RA	RA1-RA6	0.852	RA2-RA6	0.861
RC	RC1,RC2	0.886	RC1,RC2	0.886
OC	OC1-OC22	0.950	OC7,OC9- OC13,OC16- OC18	0.949
SQUAL	SQ1-SQ22	0.970	SQ6-SQ9, SQ11- SQ22	0.966
EQUAL	EQ1-EQ16	0.960	EQ5-EQ15	0.933

FS = FORMAL SOCIALIZATION, IS = INFORMAL SOCIALIZATION, RA = ROLE AMBIGUITY, RC = ROLE CONFLICT, SQUAL = OVERALL SERVICE QUALITY, EQUAL = EMPLOYEE SERVICE QUALITY

Table 6.2 reflects the Cronbach's coefficient alpha of the empirical measuring instruments yielded by the employee data. With reference to the latent variables included in the employee questionnaire, "Informal Socialization" was removed during Step 4 of the Stepwise Reliability Analysis process because it yielded a Cronbach's coefficient alpha of 0.64, which does not meet Nunnaly's (1978) standards and could not be improved any further.

**TABLE 6.2: CRONBACH'S ALPHA COEFFICIENTS FOR THE EMPLOYEE MEASUREMENTS**

INSTRUMENT	ORIGINAL ITEMS	COEFFICIENT	ADAPTED INSTRUMENT	FINAL COEFFICIENT
FS	S1,S2,S4,S5 S7,S9,S11-S13	0.811	S2,S4,S5,S7,S9, S11-S13	0.793
RA	RA1-RA16	0.896	RA9-RA16	0.849
RC	RC1-RC7	0.857	RC1-RC7	0.794
OC	OC1-OC22	0.943	OC1,OC3 - OC5,OC7- OC13,OC15- OC22	0.915

FS = FORMAL SOCIALIZATION, IS = INFORMAL SOCIALIZATION, RA = ROLE AMBIGUITY, RC = ROLE CONFLICT, OC = ORGANIZATIONAL CLIMATE

It is evident from Table 6.2 that the four remaining latent variables are measured with acceptable levels of reliability by their respective adapted measuring instruments.

Table 6.3 shows the reliability coefficients yielded by the matched employee-customer data set . It is evident that for the matched sample, the adapted measuring instruments have acceptable levels of reliability.

**TABLE 6.3: CRONBACH'S ALPHA COEFFICIENTS FOR THE MATCHED  
EMPLOYEE- CUSTOMER MEASUREMENTS**

INSTRUMENT	ORIGINAL ITEMS	COEFFICIENT	ADJUSTED INSTRUMENT	FINAL COEFFICIENT
FS	S1,S2,S4, S5,S7,S9, S11-S13	0.802	S2,S4,S5,S9, S11,S13	0.835
IS	S3,S6,S8, S10,S14, S15	0.505	S6, S8,S15	0.704
RA	RA1-RA16	0.907	RA5-RA16	0.889
RC	RC1-RC7	0.850	RC3-RC7	0.840
OC	OC1-OC22	0.930	OC3,OC4,OC5 OC7,OC8- OC12,OC16- OC18,OC21- OC22	0.908
SQUAL	SQ1-SQ22	0.972	SQ3,SQ6- SQ9,SQ11-SQ22	0.961
EQUAL	EQ1-EQ16	0.965	EQ2-EQ16	0.946

FS = FORMAL SOCIALIZATION, IS = INFORMAL SOCIALIZATION, RA = ROLE AMBIGUITY, RC = ROLE CONFLICT, SQUAL = OVERALL SERVICE QUALITY, EQUAL = EMPLOYEE SERVICE QUALITY.

#### 6.4 Validity of Measures

To assess the discriminant and construct validity of the empirical measuring instruments, they were subjected to [EFA] Stepwise Exploratory Factor Analysis (Willie 1996). In Step 2 of EFA, the measuring instruments were subjected to a Principal Factor Analysis with a Direct Quartimin Rotation (Jenrich and Sampson 1966) of the unrotated factor matrix by using BMDP4M (Frane, Jenrich and Sampson 1993). The results of EFA for the customer measuring instruments are reflected in Table 6.4.

**TABLE 6.4: ROTATED FACTOR LOADINGS FOR ADAPTED CUSTOMER MEASURING INSTRUMENTS**

ITEM	FACTOR 1 FS	FACTOR 2 IS	FACTOR 3 RA	FACTOR 4 RC	FACTOR 5 OC	FACTOR 6 SQUAL	FACTOR 7 EQUAL
FS1	0.057	0.009	0.133	0.001	0.212	0.063	<b>0.427*</b>
FS6	0.052	0.019	-0.030	0.014	-0.060	-0.101	<b>0.829*</b>
FS7	-0.012	0.008	0.009	-0.007	0.037	0.151	<b>0.721*</b>
IS5	-0.079	0.049	-0.006	0.031	<b>0.980*</b>	0.017	-0.049
IS9	0.115	-0.051	0.035	-0.030	<b>0.732*</b>	-0.019	0.060
RA2	0.062	0.015	-0.033	<b>0.638*</b>	0.027	0.032	-0.126
RA3	-0.014	-0.014	-0.018	<b>0.992*</b>	-0.036	-0.028	0.056
RA4	-0.054	-0.011	0.122	<b>0.813*</b>	-0.030	0.071	0.074
RA6	0.146	0.013	-0.007	<b>0.430*</b>	0.240	0.029	0.116
RC1	-0.004	0.005	-0.039	0.079	0.064	<b>0.842*</b>	0.070
RC2	0.025	0.025	0.029	-0.017	-0.057	<b>0.899*</b>	-0.040
OC1	0.102	<b>0.902*</b>	-0.043	0.011	0.006	-0.019	0.013
OC2	0.046	<b>0.915*</b>	-0.042	0.005	0.012	0.068	-0.036
OC3	-0.147	<b>0.941*</b>	0.074	0.041	-0.006	-0.029	0.056
OC4	0.050	<b>0.810*</b>	0.071	-0.060	-0.011	0.020	-0.020
SQ1	<b>0.841*</b>	0.053	0.020	0.085	0.046	-0.033	0.019
SQ2	<b>0.924*</b>	-0.036	0.048	0.022	0.009	0.013	-0.041
SQ3	<b>0.847*</b>	0.025	0.090	-0.039	-0.022	0.068	0.065
SQ4	<b>0.944*</b>	0.026	-0.013	-0.020	-0.008	-0.001	0.029
EQ2	0.040	0.092	<b>0.810*</b>	-0.006	0.015	-0.003	-0.046
EQ3	0.006	-0.049	<b>0.972*</b>	0.037	-0.013	0.017	-0.000
EQ4	0.038	0.028	<b>0.842*</b>	-0.005	0.011	-0.019	0.026

FS = FORMAL SOCIALIZATION; IS = INFORMAL SOCIALIZATION; RA= ROLE AMBIGUITY; RC = ROLE CONFLICT; SQUAL = OVERALL SERVICE QUALITY; EQUAL = EMPLOYEE SERVICE QUALITY

\*: HIGHEST FACTOR LOADINGS

It is evident from Table 6.4 that the adapted measuring instruments possess acceptable levels of discriminant and construct validity since they load heavily with loadings above 0.4 (Rummel, 1967: 444-480) on one factor and load significantly only on one factor.

The resulting rotated factor matrix obtained using the adapted employee data (Table 6.2) is reflected in Table 6.5. Table 6.5 shows that the adapted measuring instruments for the employees possess acceptable levels of discriminant and construct validity since they load with loadings above 0.4 (Rummel, 1967: 444-480) significantly only on one factor.

**TABLE 6.5: ROTATED FACTOR LOADINGS FOR ADAPTED EMPLOYEE MEASURING INSTRUMENTS**

ITEMS	FACTOR 1 FORMAL SOCIALIZATION	FACTOR 2 ROLE AMBIGUITY	FACTOR 3 ROLE CONFLICT	FACTOR 4 ORGANIZATIONAL CLIMATE
FS1	0.125	<b>0.708*</b>	0.090	-0.108
FS2	-0.058	<b>0.815*</b>	-0.064	-0.020
FS3	0.036	<b>0.512*</b>	-0.049	0.250
FS4	0.023	<b>0.582*</b>	0.081	0.114
RA3	0.010	0.011	0.002	<b>0.991*</b>
RA4	0.065	0.074	0.129	<b>0.645*</b>
RC1	-0.027	-0.024	<b>0.635*</b>	0.054
RC2	-0.003	0.026	<b>0.792*</b>	-0.093
RC3	0.010	0.017	<b>0.803*</b>	0.136
OC1	<b>0.738*</b>	0.100	-0.099	0.031
OC2	<b>0.836*</b>	0.076	0.037	-0.047
OC3	<b>0.977*</b>	-0.052	0.67	-0.035
OC4	<b>0.876*</b>	-0.070	-0.049	0.080

\*: THE HIGHEST FACTOR LOADINGS

The results of the EFA for the matched sample data are shown in Table 6.6. When assessing the validity of the measuring instruments of the matched employee-customer sample, the latent variables "Role Conflict" and "Formal Socialization" were removed from the research model because Role Conflict yielded a Heywood case (SAS, 1990: 276) and Formal Socialization did not adhere to discriminant validity since FS2 and FS3 loaded on FACTOR 4 and FACTOR 5.

**TABLE 6.6: ROTATED FACTOR LOADINGS FOR ADAPTED MATCHED EMPLOYEE-CUSTOMER MEASURING INSTRUMENTS**

ITEM	FACTOR 1 SQUAL	FACTOR 2 EQUAL	FACTOR 3 RA	FACTOR 4 OC	FACTOR 5 IS
SQ1	<b>0.907*</b>	-0.002	0.013	0.041	0.029
SQ2	<b>0.886*</b>	0.085	-0.009	0.022	0.000
SQ3	<b>0.960*</b>	-0.034	-0.012	-0.060	-0.026
SQ4	<b>0.910*</b>	0.038	0.014	0.019	0.015
EQ1	-0.064	<b>0.950*</b>	-0.007	-0.001	-0.022
EQ2	-0.016	<b>0.976*</b>	-0.031	0.023	0.026
EQ3	0.132	<b>0.783*</b>	0.028	-0.017	-0.031
EQ4	0.138	<b>0.758*</b>	-0.012	-0.002	-0.019
RA2	-0.021	-0.036	0.132	<b>0.701*</b>	0.028
RA3	-0.020	0.076	0.022	<b>0.968*</b>	-0.086
RA4	0.063	-0.045	-0.092	<b>0.834*</b>	0.170
OC1	0.015	0.019	<b>0.866*</b>	-0.085	0.196
OC2	-0.053	0.110	<b>0.740*</b>	0.028	0.124
OC3	0.023	-0.042	<b>0.884*</b>	0.112	-0.207
OC4	0.071	-0.105	<b>0.858*</b>	0.070	-0.054
IS6	-0.035	-0.056	-0.090*	0.067	<b>0.598*</b>
IS8	0.049	0.128	0.143	0.031	<b>0.514*</b>
IS15	0.037	-0.070	0.060*	0.015	<b>0.821*</b>

IS = INFORMAL SOCIALIZATION; RA= ROLE AMBIGUITY; SQUAL = OVERALL SERVICE QUALITY; EQUAL = EMPLOYEE SERVICE QUALITY.

\*: HIGHEST FACTOR LOADINGS

It is evident from Table 6.6 that all the adapted measuring instruments possess acceptable levels of discriminant and construct validity since they load with loadings above 0,4 (Rumel 1967) on one factor and load significantly only on one factor.

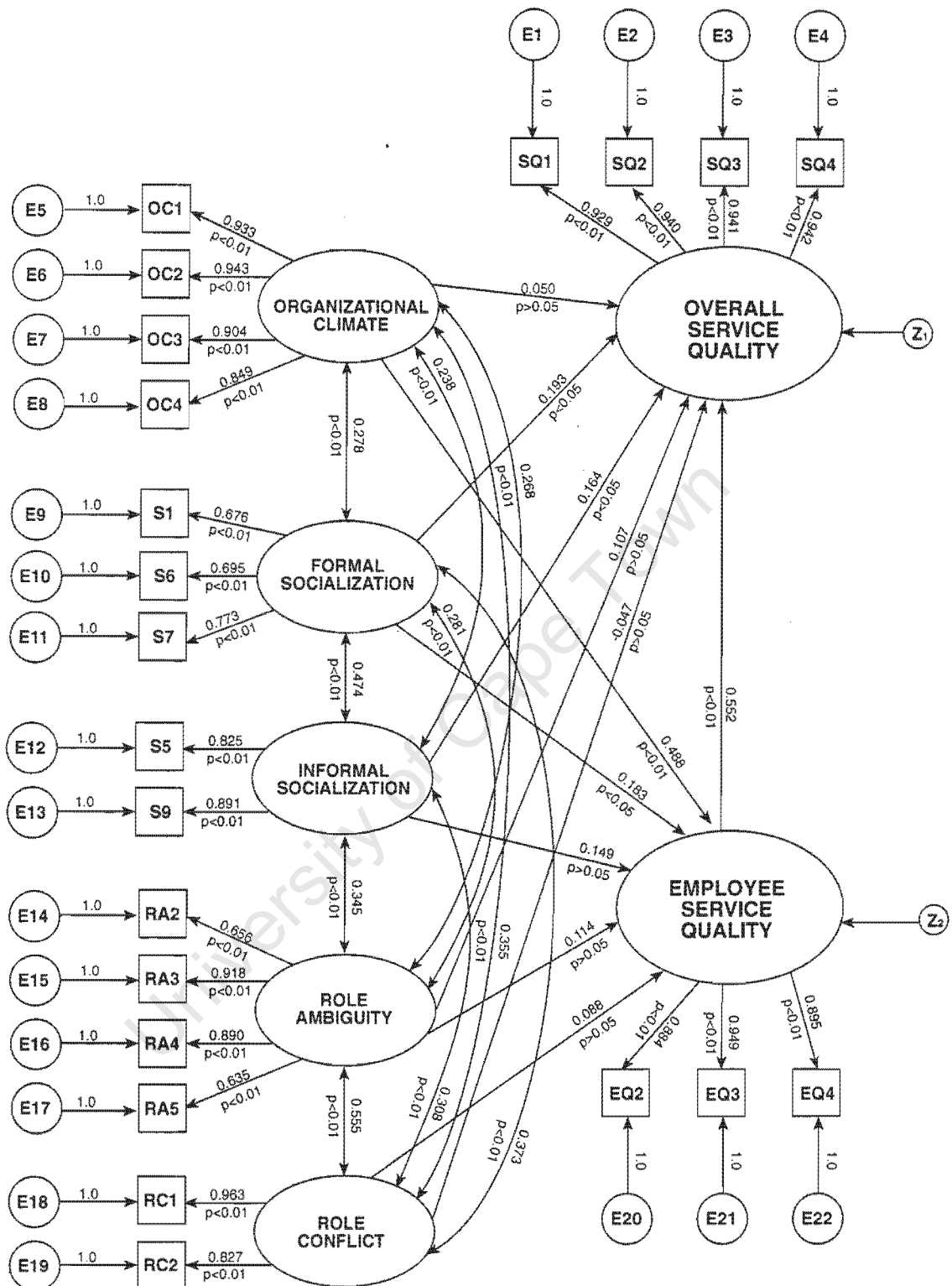
### **6.5 Empirical Findings: The Customer Sample**

After empirically assessing the internal consistency and validity of the various measuring instruments, the (customer) research model as presented in Figure 4.5 was tested using the computer programme RAMONA (Brown and Mels 1990). This model (Figure 4.5) was fitted to the observed data by specifying an analysis based on sample correlation matrix with maximum likelihood estimation. The overall relative kurtosis value of 1,33 implied that the assumption of normality of the data is approximately true.

The resulting maximum likelihood estimates and significance information in terms of p values are shown in Figure 6.1. In addition, T values using maximum likelihood estimates of free parameters in dependence relationships with a 90 per cent confidence interval are also reported. Although this detailed reporting of results may seem a duplication of results presented on the path diagrams, in terms of the numerous hypotheses postulated, this method seems practical to enable the reader to obtain a snapshot understanding of the results and interrelationships.

In Tables 6.8 to 6.11 and 6.13 to 6.14, a T-value greater than 1.96 ( $p < 0.05$ ) or a T-value greater than 2.58 ( $p < 0.01$ ) implies a significant influence. T-values which are equal to or less than 1.96 ( $p > 0.05$ ) imply that there is a non significant influence (Browne and Mels 1990).

**FIGURE 6.1: EMPIRICAL EVALUATION OF THE HYPOTHESIZED MODEL: SERVICE CUSTOMER - SERVICE QUALITY**



$SQ1 = (SQ6 + SQ7 + SQ8 + SQ9) / 4$ ;  $SQ2 = (SQ11 + SQ12 + SQ13 + SQ14) / 4$ ;  
 $SQ3 = (SQ15 + SQ16 + SQ17 + SQ18) / 4$ ;  $SQ4 = (SQ19 + SQ20 + SQ21 + SQ22) / 4$

$OC1 = (OC7 + OC9 + OC10) / 3$ ;  $OC2 = (OC11 + OC12 + OC13) / 3$ ;  $OC3 = (OC16 + OC17 + OC18) / 3$ ;  
 $OC4 = (OC19 + OC20 + OC21 + OC22) / 4$

$EQ2 = (EQ5 + EQ6 + EQ7) / 3$ ;  $EQ3 = (EQ8 + EQ9 + EQ10 + EQ11) / 4$ ;  
 $EQ4 = (EQ12 + EQ13 + EQ14 + EQ15) / 4$

The measures of fit of the model depicted in Figure 6.1 are reflected in Table 6.7. The Root Mean Square Error of Approximation (RMSEA) of 0,068 is less than 0,08 which suggests that the model provides a reasonable fit to the data (Browne and Mels 1990). This contention is further supported by the fact that the expected cross validation index (CVI) for the model of 3,046, is less than 3,345 that for the saturated model.

**TABLE 6.7: MEASURES OF FIT OF THE CUSTOMER MODEL**

SAMPLE DISCREPANCY FUNCTION VALUE	= 2.161
POPULATION DISCREPANCY FUNCTION VALUE	
BIAS ADJUSTED POINT ESTIMATE	= 0.931
90 PER CENT CONFIDENCE INTERVAL	=(0.636; 1.273)
ROOT MEAN SQUARE ERROR OF APPROXIMATION	
POINT ESTIMATE	= 0.068
90 PER CENT CONFIDENCE INTERVAL	= (0.056; 0.079)
EXPECTED CROSS VALIDATION INDEX	
POINT ESTIMATE (MODIFIED AIC)	= 3.046
90 PER CENT CONFIDENCE INTERVAL	= (2.751; 3.389)
CROSS VALIDATION (MODIFIED AIC) FOR SATURATED MODEL	= 3.341
CHI-SQUARE TEST STATISTIC	= 356.60
EXCEEDANCE PROBABILITIES:	
Ho: PERFECT FIT (RMSEA = 0,0)	= 0.000
Ho: CLOSE FIT (RMSEA.LE. 0,050)	= 0.008
DEGREES OF FREEDOM	= 203

Although it emerged that the customer perception of the organizational climate is not associated with their perception of the overall service quality, it also became apparent that the organizational climate is positively associated with the employee service quality (0.488;  $p < 0.01$ ). Since Figure 6.1 shows that the employee service quality (as measured by SPE) is the most important determinant of the overall service quality (0.552;  $p < 0.01$ ), it may be assumed that the organizational climate is indirectly associated with the customers' perception of the overall service quality.

The T values using maximum likelihood estimates of free parameters in dependence relationships with a 90 per cent confidence interval are reported in Table 6.8.

It is evident from Table 6.8 that both the formal socialization and informal socialization experienced by the customers are positively associated with the customers' perception of the overall service quality [d and e] and the employee service quality [g and h]. More specifically, formal and informal socialization of its customers by the bank may lead to high levels of service quality. These findings support hypotheses H6 and H8 but not hypotheses H7 and H9.

**TABLE 6.8: T-VALUES OF THE DEPENDENCE RELATIONSHIP AMONG VARIABLES IN THE CUSTOMER MODEL**

PATH	p-VALUES	T-VALUES
SERVICE QUALITY <-----: ROLE AMBIGUITY	>0.05	1.54 <sup>a</sup>
SERVICE QUALITY <-----: ROLE CONFLICT	>0.05	-0.63 <sup>a</sup>
SERVICE QUALITY <-----: ORGANIZATIONAL CLIMATE	>0.05	0.73 <sup>a</sup>
SERVICE QUALITY <-----: EMPLOYEE SERVICE QUALITY	<0.01	8.20 <sup>c</sup>
SERVICE QUALITY <-----: FORMAL SOCIALIZATION	<0.05	2.54 <sup>d</sup>
SERVICE QUALITY <-----: INFORMAL SOCIALIZATION	<0.05	2.35 <sup>e</sup>
EMPLOYEE QUALITY <-----: ROLE AMBIGUITY	>0.05	1.32 <sup>b</sup>
EMPLOYEE QUALITY <-----: ROLE CONFLICT	>0.05	-0.97 <sup>b</sup>
EMPLOYEE QUALITY <-----: ORGANIZATIONAL CLIMATE	<0.01	7.28 <sup>f</sup>
EMPLOYEE QUALITY <-----: FORMAL SOCIALIZATION	<0.05	2.00 <sup>g</sup>
EMPLOYEE QUALITY <-----:INFORMAL SOCIALIZATION	>0.05	1.75 <sup>h</sup>

As reported from the information in Figure 6.1, it is also evident from Table 6.8 that the organizational climate experienced by the customers is positively associated with the customers' perception of the employee's service quality (f). In view of this, hypothesis H13 is accepted. However, the organizational climate experienced by the customer is not related to the customers' perception of the overall service quality (a). Thus H12 is not supported.

It is also evident from Table 6.8 that the service quality delivered by the bank's employees to its customers is the most important determinant of the customers' perception of the overall service quality delivered by the bank (c). Thus hypothesis H3 is supported.

Table 6.8 shows that the role ambiguity and the role conflict experienced by the customers are not associated with their perception of either the overall service quality (a) or the employee service quality (b). In view of the aforementioned, hypotheses H18, H19, H20 and H21 are rejected.

It is further evident (Table 6.9) that formal socialization and informal socialization are significantly correlated with both the role ambiguity and the role conflict experienced by the customers [a, b, d and e]. This means that the better the formal and informal socialization between the bank and its customers, the lower will be the level of role ambiguity and role conflict experienced by the customers and vice-versa. This finding lends support to hypothesis H6b and H6c. However, hypotheses H7b and H7c are not supported.

It is also evident from Table 6.9 that both formal and informal socialization of the customers are significantly positively correlated with the organizational climate [c and e]. More specifically, the better the formal and informal socialization between the bank and its customers, the "warmer" the organizational climate. These findings provide support for hypothesis H6a but the relationship proposed in hypothesis H7a is not supported.

Table 6.9 shows that both role ambiguity and role conflict are significantly correlated with the organizational climate [h and i]. In view of this, the relationship proposed in hypotheses H24 and H25 are supported. This is also supported by the findings reported by Hartline and Ferrel (1993: 38).

**TABLE 6.9: T-VALUES OF THE VARIANCE/COVARIANCE RELATIONSHIPS AMONG VARIABLES IN THE CUSTOMER MODEL**

PATH	T-VALUES <sup>1</sup>
FORMAL SOCIALIZATION <.....>RA	3.23 <sup>a</sup>
FORMAL SOCIALIZATION <.....>R C	4.54 <sup>b</sup>
FORMAL SOCIALIZATION <.....>OC	3.27 <sup>c</sup>
INFORMAL SOCIALIZATION <.....>RA	4.37 <sup>d</sup>
INFORMAL SOCIALIZATION <.....>RC	3.85 <sup>e</sup>
INFORMAL SOCIALIZATION <.....>OC	2.92 <sup>f</sup>
ROLE AMBIGUITY <.....>RC	8.96 <sup>g</sup>
ROLE AMBIGUITY <.....>OC	3.45 <sup>h</sup>
ROLE CONFLICT <.....>OC	4.86 <sup>i</sup>
FORMAL SOCIALIZATION <.....>IS	5.94 <sup>j</sup>

1.  $p < 0.01$

It is further evident from Table 6.9 that the role ambiguity and role conflict experienced by the customers are significantly positively correlated (g); that is, customers who experience a great deal of role ambiguity will also experience similar role conflict and vice-versa. This finding lends support to hypotheses H26.

From the empirical evidence reflected in Figure 6.1, Table 6.8 and Table 6.9, it may be concluded that, both formal and informal socialization are positively associated with the customers' perception of the overall service quality.

The organizational climate as viewed by customers is strongly associated with the employee service quality but not the overall service quality. Previous research (Kelley, 1987: 156-160) supports the hypothesis of a positive relationship between the "level" or "degree" of organizational socialization achieved by the customers and their perception of the organizational climate and service quality.

It also became evident that the customers' perception of the overall quality is strongly influenced by their perception of the employee service quality. Employee service quality which is akin to "functional" quality (Gronroos, 1990: 16) has been identified (Cronin and Taylor, 1994: 125) as an important component of service quality. Researchers (Bitner, 1995: 239; Zeithaml and Bitner, 1996: 117) concur that the employee effort is viewed positively by the customers in their evaluation of their satisfaction with the service.

Furthermore, both formal and informal socialization are correlated with the organizational climate and the customers' role perception. The organizational climate as perceived by the customers is also positively correlated with their role perceptions as well as with their perception of the employee service quality. Since the customers' perception of the employee service quality is the most important determinant of the overall service quality, the customers' perception of their role may also indirectly influence their perception of the overall service quality.

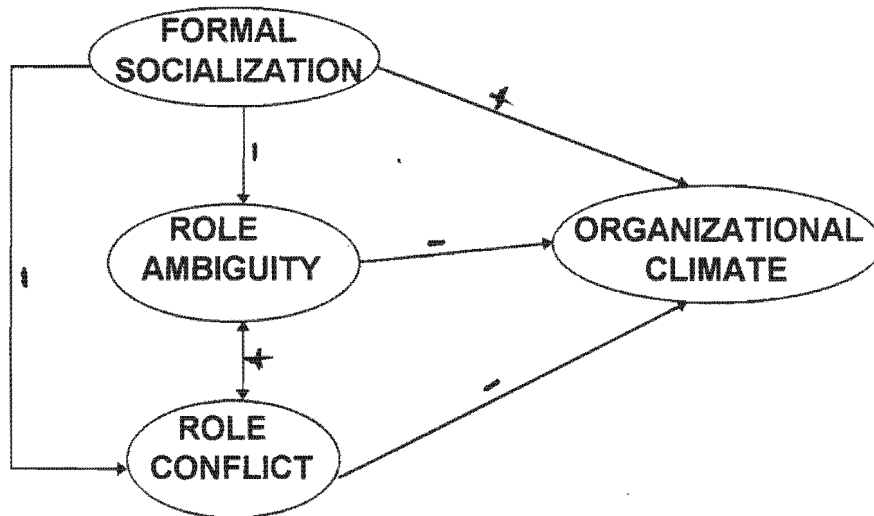
Moreover, it is also apparent from Table 6.9 that customers may be socialized [acquire banking knowledge and skills] from both formal and informal sources, since both sources are significantly correlated (j). Considering that customers interact with other customers (Langeard et al., 1981: 82) during service delivery, it may be assumed that this is a source of "informal" socialization.

Since it may be difficult to control the information which customers receive from "informal" sources, banks should endeavour to provide as much information as possible by way of "formal" sources, for example pamphlets and newsletters.

## **6.6 Empirical Findings: Employee Sample**

In terms of the latent variables and the empirical factor structure, the employee model is presented in Figure 6.2. The latent variable "Informal Socialization" was excluded from the analysis because its measuring instrument lacked reliability.

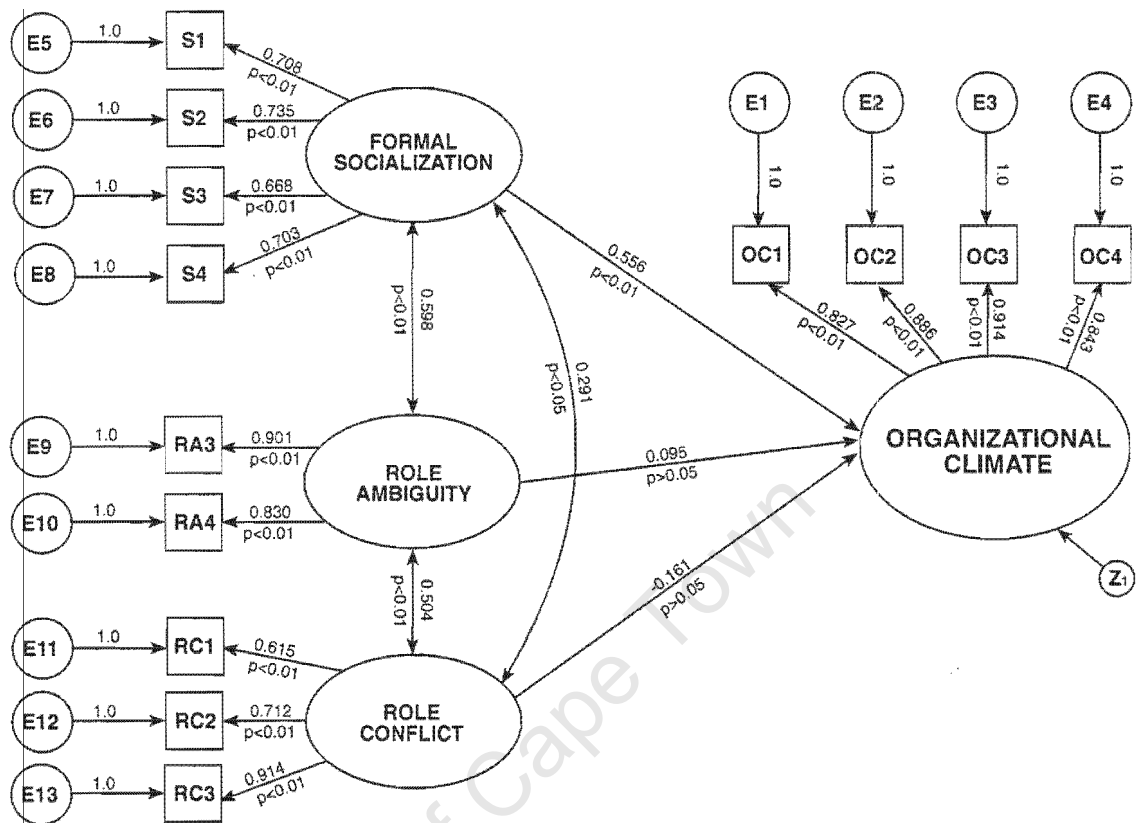
**FIGURE 6.2 : HYPOTHESIZED MODEL FITTED TO THE EMPLOYEE DATA**



The model depicted in Figure 6.2 was fitted to the observed data, using the computer program RAMONA (Browne and Mels 1990), by specifying an analysis based on sample correlation matrix with maximum likelihood estimation. The resulting maximum likelihood estimates and significance information in terms of p values are shown in Figure 6.3. It is evident from Figure 6.3 that the model provides a reasonable fit (approximation) to the data since the expected cross validation index (CVI) of 2,313 is lower than the cross validation index for the saturated model which is given as 2.442.

It is also evident from Figure 6.3 that the organizational climate (as measured by SPE) is significantly influenced by formal socialization (0.556;  $p < 0.01$ ). More specifically, formal socialization by the bank of its employees will lead to perception of a "warmer" organizational climate. This finding supports H1a.

**FIGURE 6.3: EMPIRICAL EVALUATION OF THE HYPOTHESIZED SERVICE EMPLOYEE MODEL**



OC1 = (OC1 + OC3 + OC4 + OC5) / 4 ; OC2 = (OC7 + OC8 + OC9 + OC10 + OC11) / 5 ;  
 OC3 = (OC12 + OC13 + OC15 + OC16 + OC17) / 5 ; OC4 = (OC18 + OC19 + OC20 + OC21 + OC22) / 5

S1 = (S2 + S4) / 2 ; S2 = (S5 + S7) / 2 ; S3 = (S9 + S11) / 2 ; S4 = (S12 + S13) / 2

**MEASURES OF FIT OF THE MODEL**

SAMPLE DISCREPANCY FUNCTION VALUE	= 1.452
POPULATION DISCREPANCY FUNCTION VALUE BIAS ADJUSTED POINT ESTIMATE	= 0.662
90 PER CENT CONFIDENCE INTERVAL	= (0.342; 1.073)
ROOT MEAN SQUARE ERROR OF APPROXIMATION POINT ESTIMATE	= 0.099
90 PER CENT CONFIDENCE INTERVAL	= (0.071; 0.126)
EXPECTED CROSS VALIDATION INDEX POINT ESTIMATE (MODIFIED AIC)	= 2.313 <sup>a</sup>
90 PER CENT CONFIDENCE INTERVAL	= (1.993; 2.724)
CROSS VALIDATION (MODIFIED AIC) FOR SATURATED MODEL	= 2.442 <sup>b</sup>
TEST STATISTIC	= 124.90
EXCEEDANCE PROBABILITIES:-	
Ho: PERFECT FIT (RMSEA = 0.0)	= 0.000
Ho: CLOSE FIT (RMSEA.LE. 0.050)	= 0.004
DEGREES OF FREEDOM	= 68

Table 6.10 reflects the T values of free parameters in the dependence relationships.

**TABLE 6.10: T-VALUES OF THE DEPENDENCE RELATIONSHIP AMONG VARIABLES IN THE EMPLOYEE MODEL**

PATH	p-VALUES	T VALUES
ORGANIZATIONAL CLIMATE <----- FS	<0.01	3.84 <sup>a</sup>
ORGANIZATIONAL CLIMATE <----- RA	>0.05	0.57 <sup>b</sup>
ORGANIZATIONAL CLIMATE <----- RC	>0.05	-1.27 <sup>b</sup>

It is evident from Table 6.10 that the role ambiguity and the role conflict experienced by the bank employees are not associated with their perception of the organizational climate (b). This finding which is contrary to that reported by Hartline and Ferrel (1993: 38) does not support hypotheses H22 and H23.

Table 6.11 shows that formal socialization is correlated with the role ambiguity and the role conflict experienced by the bank employees [a and b]. More specifically, the better the formal socialization between the bank and its employees, the lower the level of role ambiguity and role conflict experienced by the employee and vice-versa. In view of the aforementioned, hypotheses H1b and H1c are supported.

**TABLE 6.11: T-VALUES OF THE VARIANCE/COVARIANCE RELATIONSHIP AMONG VARIABLES IN THE EMPLOYEE MODEL**

PATH	p-VALUE	T VALUE
FORMAL SOCIALIZATION <-----> RA	<0.01	6.42 <sup>a</sup>
FORMAL SOCIALIZATION <-----> RC	<0.05	2.40 <sup>b</sup>
ROLE AMBIGUITY <-----> RC	<0.01	5.07 <sup>c</sup>

It is also evident from Table 6.11 that the role conflict and role ambiguity experienced by the bank customers are also significantly correlated (c). This means that employees who experience high levels of role ambiguity will also experience a great deal of role conflict and vice-versa. This finding lends support to hypotheses H27.

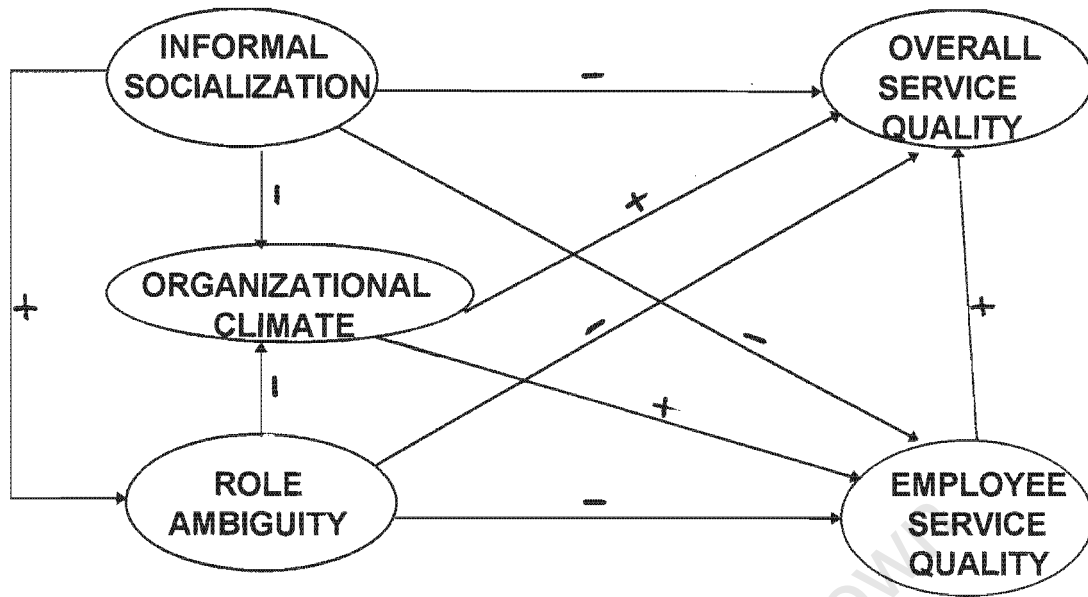
In support of the above findings, Hartline and Ferrel (1993: 32) and Hartenian, Hadaway and Badovick (1994: 40-50) also reported that socialization affects the employee role ambiguity and role conflict. Hartline and Ferrel (1993: 41) concluded that formal socialization is significant for limiting the effects of role ambiguity and role conflict.

In view of the findings, it is apparent that management can play an important part in increasing the role clarity and reducing the role conflict experienced by their employees. Training employees apart from the on-going work may allow employees to focus on task-related knowledge and skills without interference of work activities.

### **6.7 Empirical Findings: The Employee-Customer Sample**

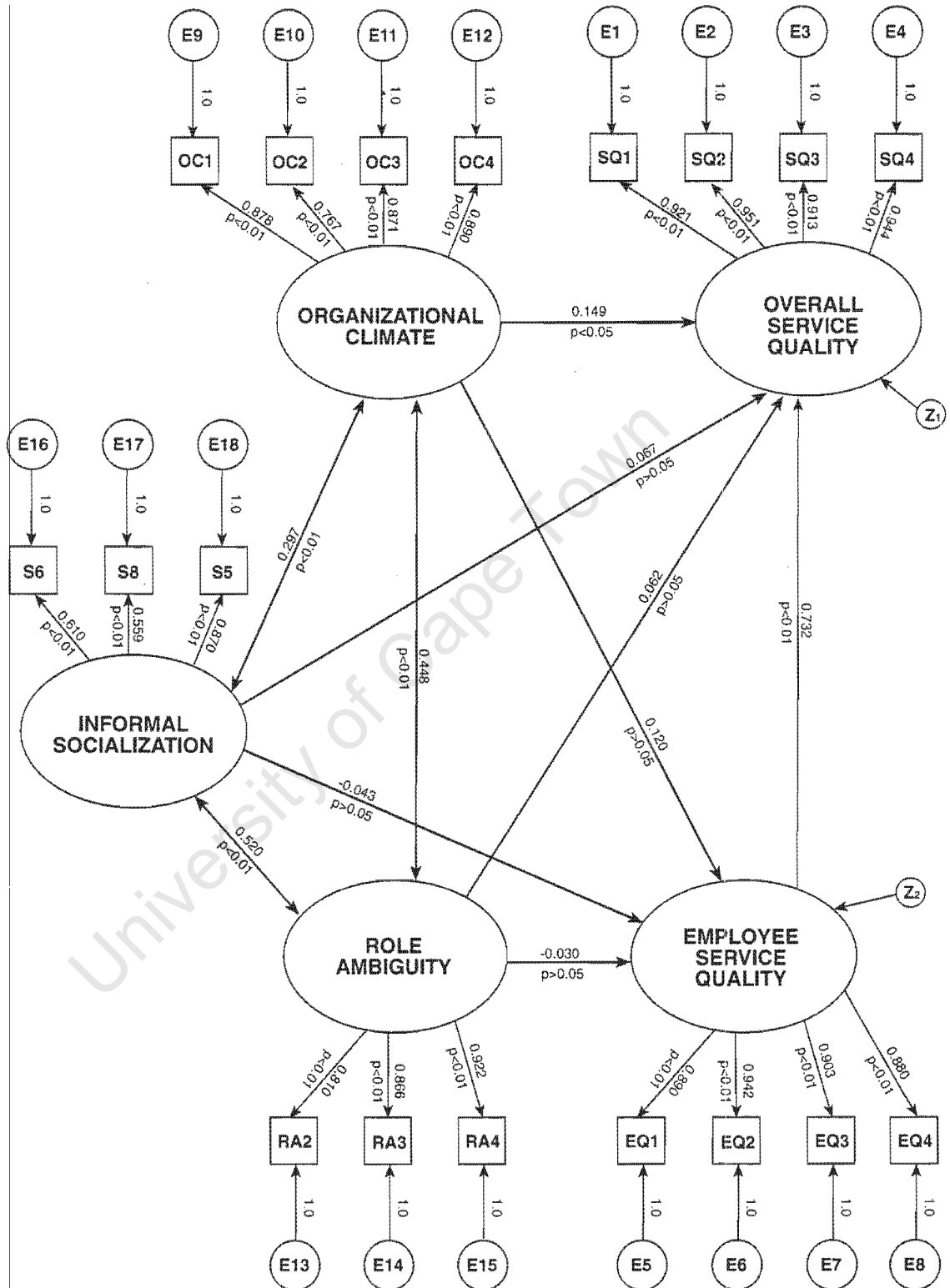
In terms of the latent variables and the empirical factor structure, the combined (employee-customer) model is presented in Figure 6.4. The variables formal socialization and role conflict were excluded from the research model because their measuring instruments lacked validity.

**FIGURE 6.4: HYPOTHESIZED MODEL FITTED TO THE EMPLOYEE-CUSTOMER DATA**



The model depicted in Figure 6.4 was also fitted to the observed data, using the computer program RAMONA (Browne and Mels 1990), by specifying an analysis based on sample correlation matrix with maximum likelihood estimation. The resulting maximum likelihood estimates with their associated significance information in terms of p values are shown in Figure 6.5

**FIGURE 6.5: EMPIRICAL EVALUATION OF THE HYPOTHESIZED MODEL: EMPLOYER - CUSTOMER - SERVICE QUALITY**



$$SQ1 = (SQ3 + SQ6 + SQ7 + SQ8) / 4$$

$$SQ2 = (SQ9 + SQ11 + SQ12 + SQ13) / 4$$

$$SQ3 = (SQ14 + SQ15 + SQ16 + SQ17) / 4$$

$$SQ4 = (SQ18 + SQ19 + SQ20 + SQ21 + SQ22) / 5$$

$$EQ1 = (EQ2 + EQ3 + EQ4) / 3$$

$$EQ2 = (EQ5 + EQ6 + EQ7 + EQ8) / 4$$

$$EQ3 = (EQ9 + EQ10 + EQ11 + EQ12) / 4$$

$$EQ4 = (EQ13 + EQ14 + EQ15 + EQ16) / 4$$

$$OC1 = (OC3 + OC4 + OC7) / 3;$$

$$OC2 = (OC8 + OC9 + OC10) / 3;$$

$$OC3 = (OC11 + OC12 + OC16) / 3;$$

$$OC4 = (OC17 + OC18 + OC21 + OC22) / 4$$

It is evident from Table 6.12 that the combined employee-customer model (Figure 6.5) does not provide a reasonable fit (approximation) to the data. The expected cross validation index of 2.794 is higher than the cross validation index for the saturated model which is given as 1.819. The model also produced a large RMSEA value of 0.115 and small p-values (0.000) for the Chi-square tests for a perfect and close fit.

**TABLE 6.12: MEASURES OF FIT OF THE EMPLOYEE-CUSTOMER MODEL**

SAMPLE DISCREPANCY FUNCTION VALUE	= 2.304
POPULATION DISCREPANCY FUNCTION VALUE	
BIAS ADJUSTED POINT ESTIMATE	= 1,639
90 PER CENT CONFIDENCE INTERVAL	=(1,322; 1,997)
ROOT MEAN SQUARE ERROR OF APPROXIMATION	
POINT ESTIMATE	= 0,115
90 PER CENT CONFIDENCE INTERVAL	= (0,103; 0,126)
EXPECTED CROSS VALIDATION INDEX	
POINT ESTIMATE (MODIFIED AIC)	= 2,794
90 PER CENT CONFIDENCE INTERVAL	= (2,477; 3,151)
CROSS VALIDATION (MODIFIED AIC) FOR SATURATED MODEL	= 1,819
CHI-SQUARE TEST STATISTIC	= 433.20
EXCEEDANCE PROBABILITIES:	
Ho: PERFECT FIT (RMSEA = 0,0)	= 0.000
Ho: CLOSE FIT (RMSEA.LE. 0,050)	= 0.004
DEGREES OF FREEDOM	= 125

Pedhazur (1982: 18) asserts that with the path analysis technique, if the data are consistent with the hypothesized model it is not a proof of the theory, but a support of the theory. However, even if a model is consistent with the data, one cannot conclude that it automatically mirrors the TRUE causal process, since there might be other models not tested (Boshoff, 1992: 236). However, several attempts at arriving at an acceptable model for employee service quality and overall service quality proved fruitless.

Figure 6.5 shows that the organizational climate (as measured by SPE) is significantly influenced by informal socialization (0.297;  $p < 0.01$ ). This finding does not support hypothesis H2a.

Despite the lack of "fit" of the model depicted in Figure 6.4, the results of the structural relationship between the manifest and latent variables in terms of dependence and variance/covariance are reported in Tables 6.13 and 6.14.

It is evident from Table 6.13 that the employees' perception of the organizational climate is positively associated with the overall service quality (b). More specifically, the warmer the employee perceives the organizational climate, the better the overall service quality experienced by the customers. The aforementioned findings support hypothesis H10. This finding is contrary to that reported by Kelley (1987: 158-159), but is supported by various other researchers (Schneider, 1990: 308; Schneider, Gunnarson and Niles-Jolly, 1994: 22; McNabb and Sepic 1995: 383).

**TABLE 6.13: T-VALUES IN THE DEPENDENCE RELATIONSHIP AMONG VARIABLES IN THE EMPLOYEE-CUSTOMER MODEL**

PATH	p-VALUES	T-VALUES
SQUAL <-----RA	>0.05	0.90 <sup>a</sup>
SQUAL <-----OC	<0.05	2.51 <sup>b</sup>
SQUAL <-----EQUAL	<0.01	19.63 <sup>c</sup>
SQUAL <-----IS	>0.05	0.98 <sup>a</sup>
EQUAL <-----RA	>0.05	-0.29 <sup>a</sup>
EQUAL <-----OC	>0.05	1.36 <sup>d</sup>
EQUAL <-----IS	>0.05	-0.42 <sup>a</sup>

Furthermore it is evident from Table 6.13, that contrary to expectations the employees' perception of the organizational climate is not strongly associated with the employees' service quality (d). This finding results in a rejection of hypothesis H11.

As was ascertained with only the customer sample, there is a strong positive relationship between the employee service quality and the overall service quality (d). This finding provides added support for hypothesis H3.

It is also evident from Table 6.13 that the role ambiguity, and the perception of informal socialization by the employees are not associated with the customers' perception of either the overall service quality or the employee service quality (a). This finding which is contrary to that reported by Baker (1995: 170) and Hartline and Ferrel (1993: 33) does not support hypotheses H15, H17, H2 and H5.

Table 6.14 reflects the variance/covariance relationships among the research variables.

**TABLE 6.14: T-VALUES IN THE VARIANCE/COVARIANCE RELATIONSHIP AMONG VARIABLES IN THE EMPLOYEE-CUSTOMER MODEL**

PATH	p-VALUES	T-VALUES
INFORMAL SOCIALIZATION <----->RA	<0.01	7.67 <sup>a</sup>
INFORMAL SOCIALIZATION <----->OC	<0.01	3.77 <sup>b</sup>
ROLE AMBIGUITY <----->OC	<0.01	6.89 <sup>c</sup>

Hypothesis H2b is also rejected because the employees' perception of informal socialization is significantly correlated with the employees' role ambiguity (a). More specifically, the more role ambiguity the employee experiences, the lower will be the level of informal socialization perceived by the employee and vice-versa. Contrary to the above, Hartline and Ferrel (1993: 40) reported that informal socialization maintained a strong negative relationship with the employee role ambiguity and role conflict. This could be attributed to the conflicting messages that employees receive during formal socialization.

The employees' perception of the organizational climate is also significantly correlated with the employees' role ambiguity (c). More specifically, the more role ambiguity the employees experience, the "colder" the employee will perceive the organizational climate and vice-versa. This finding which is also supported from previous studies (Hartenian et al., 1994: 49; Hartline and Ferrel, 1993: 38) results in an acceptance of hypothesis H23.

## 6.8 Summary

This chapter reported on the results of the empirical investigation. After reporting on the reliability and validity of the measuring instruments, the proposed models for the customer data, employee data and the (matched) employee-customer data were tested using structural equation modeling.

In view of the findings, it would seem that the process of organizational socialization may be used to effectively manage customer resource contribution to the service encounter. Formal and informal socialization strategies/tactics may be used to enhance the customers' contribution to the employee-customer-service quality linkage as well as improve the performance [EQUAL] of service employees.

Based on the statistical analysis described earlier, the empirical results are summarized in terms of hypotheses H1-H27 in Table 6.15 and Table 6.16.

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**TABLE 6.15: SUMMARY OF EMPIRICAL FINDINGS: CUSTOMER-SERVICE QUALITY**

HYPOTHESES	DESCRIPTION	HYPOTHESIZED INFLUENCE	ACTUAL INFLUENCE	CONCLUSION
H3	EQUAL->SQUAL	POSITIVE	POSITIVE	ACCEPTED
H6	FS--->SQUAL	POSITIVE	POSITIVE	ACCEPTED
H7	IS--->SQUAL	NEGATIVE	POSITIVE	REJECTED
H8	FS--->EQUAL	POSITIVE	POSITIVE	ACCEPTED
H9	IS--->EQUAL	NEGATIVE	POSITIVE	REJECTED
H6a	FS---->OC	POSITIVE	POSITIVE	ACCEPTED
H7a	IS---->OC	NEGATIVE	POSITIVE	REJECTED
H12	OC--->SQUAL	POSITIVE	POSITIVE	ACCEPTED
H13	OC--->EQUAL	POSITIVE	POSITIVE	ACCEPTED
H6b	FS---->RA	NEGATIVE	NEGATIVE	ACCEPTED
H7b	IS---->RA	POSITIVE	NEGATIVE	REJECTED
H6c	FS---->RC	NEGATIVE	NEGATIVE	ACCEPTED
H7c	IS---->RC	POSITIVE	NEGATIVE	REJECTED
H18	RC--->SQUAL	NEGATIVE	NS	REJECTED
H19	RA--->SQUAL	NEGATIVE	NS	REJECTED
H20	RA--->EQUAL	NEGATIVE	NS	REJECTED
H21	RC--->EQUAL	NEGATIVE	NS	REJECTED
H24	RA---->OC	NEGATIVE	NEGATIVE	ACCEPTED
H25	RC---->OC	NEGATIVE	NEGATIVE	ACCEPTED
H26	RA---->RC	POSITIVE	POSITIVE	ACCEPTED

NS: NOT SIGNIFICANT

**TABLE 6.16: SUMMARY OF EMPIRICAL FINDINGS:EMPLOYEE-CUSTOMER-SERVICE QUALITY**

HYPOTHESES	DESCRIPTION	HYPOTHESIZED INFLUENCE	ACTUAL INFLUENCE	CONCLUSION
H1	FS--->SQUAL	POSITIVE	XX	XX
H2	IS--->SQUAL	NEGATIVE	NS	REJECTED
H4	FS--->EQUAL	POSITIVE	XX	XX
H5	IS--->EQUAL	NEGATIVE	NS	REJECTED
H1a	FS---->OC	POSITIVE	POSITIVE	ACCEPTED
H2a	IS---->OC	NEGATIVE	POSITIVE	REJECTED
H10	OC--->SQUAL	POSITIVE	POSITIVE	ACCEPTED
H11	OC--->EQUAL	POSITIVE	NS	REJECTED
H1b	FS---->RA	NEGATIVE	NEGATIVE	ACCEPTED
H2b	IS---->RA	POSITIVE	NEGATIVE	REJECTED
H1c	FS---->RC	NEGATIVE	NEGATIVE	ACCEPTED
H2c	IS---->RC	POSITIVE	XX	XX
H14	RC--->SQUAL	NEGATIVE	XX	XX
H15	RA--->SQUAL	NEGATIVE	NS	REJECTED
H16	RC--->EQUAL--	NEGATIVE	XX	XX
H17	RA--->EQUAL	NEGATIVE	NS	REJECTED
H22	RC--->OC	NEGATIVE	NS	REJECTED
H23	RA--->OC	NEGATIVE	NS	REJECTED
H27	RA---->RC	POSITIVE	POSITIVE	ACCEPTED

NS: NOT SIGNIFICANT.

XXX: THE RELATIONSHIP BETWEEN THE VARIABLES COULD NOT BE ASCERTAINED BECAUSE FORMAL SOCIALIZATION AND ROLE CONFLICT WERE REMOVED FROM THE COMBINED EMPLOYEE-CUSTOMER MODEL DUE TO A LACK OF VALIDITY.

## CHAPTER 7

### SUMMARY OF EMPIRICAL FINDINGS AND MANAGERIAL IMPLICATIONS

#### 7.1 Introduction

The purpose of this chapter is to summarize the main findings and discuss the implications thereof. Initially, the managerial implications derived from the findings are discussed. Thereafter, the implications for further research and the limitations of this study are outlined.

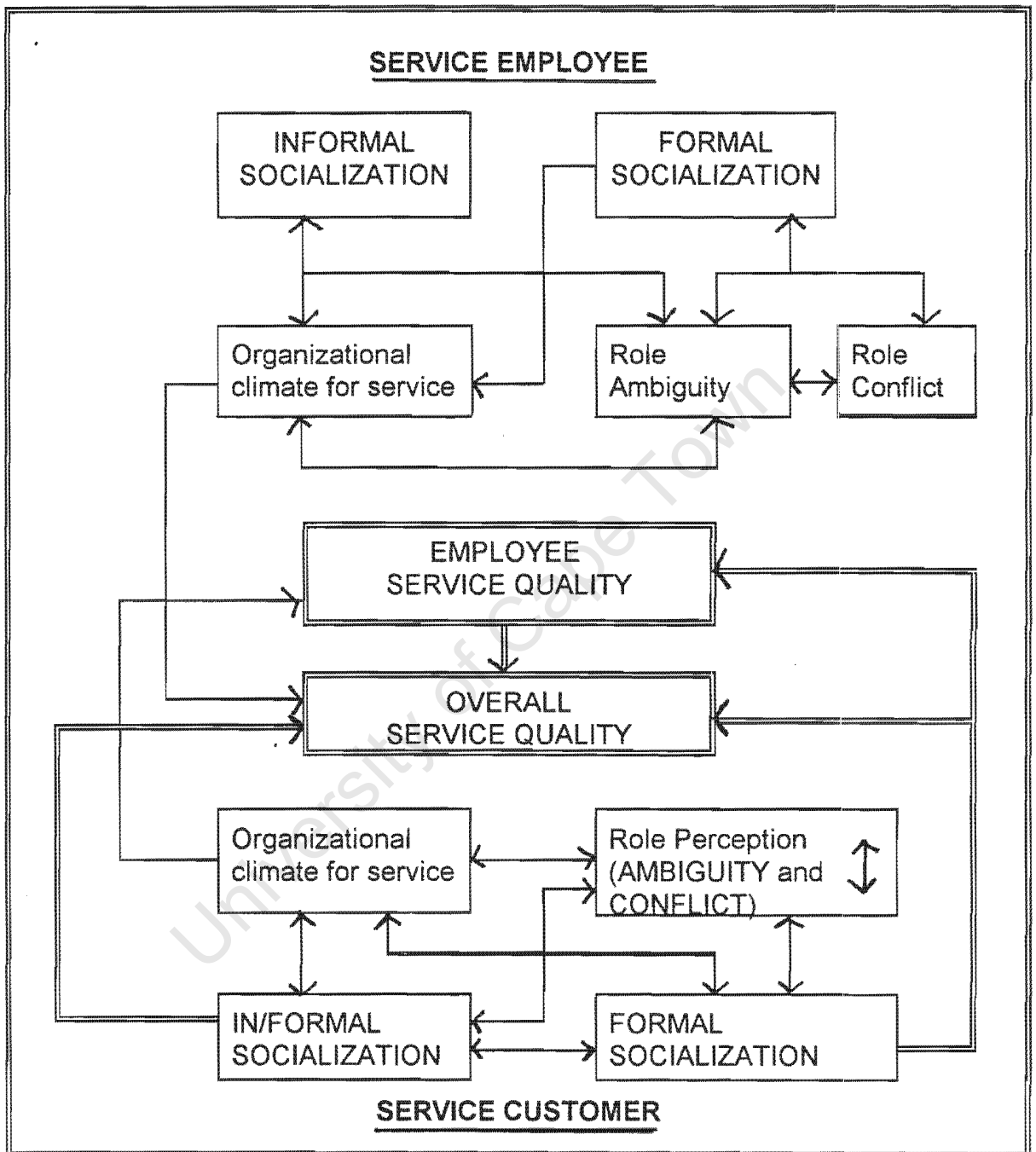
#### 7.2 Significant findings

As stated in introductory chapter, the purpose of this research was to address the following question: Does the type of organizational socialization of service customers and service employees affect the customer perceptions of the overall service quality and the employee service quality? More specifically, the study was conducted in an effort to assess the relationship between the type of organizational socialization and service quality.

Furthermore, since the theory implied that certain variables exert a mediating influence between organizational socialization and service quality, the relationship among some intervening variables, namely, the organizational climate for service as perceived by both customers and employees, and their role perceptions (role clarity and role ambiguity) was also examined.

In terms of the empirical evidence, a revised organizational socialization-service quality model is depicted in Figure 7.1.

FIGURE 7.1: ORGANIZATIONAL SOCIALIZATION-SERVICE QUALITY MODEL



### **7.2.1 Type of organizational socialization and service quality**

It was ascertained that both formal and informal socialization of bank customers is positively related to their perception of the employee service quality and the overall service quality. However, the type of organizational socialization of the bank employee is not directly related to service quality, but formal and informal socialization are related to the organizational climate, and the organizational climate in turn is associated with the overall service quality.

### **7.2.2 Type of organizational socialization, the organizational climate and service quality**

Both informal and formal socialization of the service customers were positively associated with the organizational climate as perceived by the customers. The organizational climate as perceived by the employees is also positively related to the overall service quality but not with the employee service quality. On the other hand, the organizational climate as perceived by the customers is positively associated with the perception of the employee service quality.

Since the customer perception of the employee service quality is the most important determinant of the overall service quality, it may be assumed that customer perception of the organizational climate is indirectly associated with the customers' perception of the overall service quality.

### **7.2.3 Type of organizational socialization, role perceptions and service quality**

There is a positive relationship between both formal and informal socialization and the role ambiguity and role conflict experienced by the bank customers. However, formal socialization is positively associated with both the role conflict and role ambiguity experienced by the employees, whereas informal socialization is only associated with the role ambiguity experienced by the employees.

The role ambiguity and role conflict experienced by both service customers and service employees are highly correlated. However, the role ambiguity and role conflict experienced by both the customers and the employees are not associated with the customers' perception of either the employee service quality or the overall service quality.

#### **7.2.4 The organizational climate, role perception and service quality**

The organizational climate as perceived by the customers is strongly associated with the role conflict and role ambiguity experienced by the customers. Furthermore, the role ambiguity experienced by the employees is also associated with their perception of the organizational climate.

Since the customers' perception of the organizational climate is positively associated with the overall service quality, it may be assumed that the role perception by both the employees and the customers is indirectly associated with the overall service quality perceived by the customers.

### **7.3 Managerial Implications**

Organizational socialization was defined for the purposes of this study as " a process which allows an individual to gain an understanding of the values, abilities, expected behaviours and social knowledge required for participation in an organizational role." Since, this process of socialization can be controlled to a large extent by the organization [management], from a managerial perspective, the importance of the relationships discussed above is magnified.

#### **7.3.1 Managerial Implications Regarding Service Employees**

The regulators of profit in a service business are to a large degree those individuals who directly interface with customers and deliver the service in concert with the customer.

If a financial service company is interested in increasing profit, that company must practice the belief that the customer contact staff is the most important asset it has. An important part of practising this belief is to put in place a system to support the employees on a personal level. Such a system may be put into place by, *inter-alia*, the existence of a periodic employee attitude survey, and providing training as a means to achieve the company's vision.

Furthermore, when hiring employees, management should orientate them as to what the organization is, who the customers are and why the customers are important. Zemke and Bell (1990: 302) assert that the socialization process begins with the recruitment and selection process. If the organization is unable to find a person with the "right" set of beliefs, assumptions and values, then it has to do much formal socialization.

Moreover, Zeithaml and Berry (1996: 303-304) maintain that ineffective recruitment of service oriented employees can result in employees experiencing role conflict and role ambiguity. Although these researchers assert that role conflict and role ambiguity can contribute to the failure of the delivery of the service as designed, in this study no direct association between these variables and service quality was ascertained. However, both role ambiguity and role conflict were associated with the organizational climate; and since the organizational climate is associated with the employee service quality, management should foster a climate which appreciates customer service and which should make it conducive for employees to work as a team.

Researchers (Buttle, 1995: 12-13, Gronroos, 1990: 227; Berry et al., 1988: 160; Schneider and Bowen, 1995: 236) concur that since management does not have the ability to directly control the service delivery and the moment of truth, it has to develop indirect control by creating "atmospherics" that make employees feel that the service is the predominant norm guiding their thinking and behaviour.

The manager's job is to co-ordinate the workplace so that he/she does not have to intervene when employees encounter their customers; the appropriate behaviour will be in line with the "atmosphere" of the firm. Thus managers should strive to ensure that the service climate which the employees experience is the same as what the customers experience. It emerged from this study that, banks could improve their employees' perception of the organizational climate by adopting both "informal" and "informal" socialization strategies.

### **7.3.2 Managerial Implications Regarding Service Customers**

Consumer behaviour research on how customers acquire their perceptions of their consumption and production roles may also benefit service managers trying to develop able partial employees. Although customers are a source of input uncertainty relative to the diversity of their demands and their disposition to participate, the service organization can also influence the customers.

Since both formal and informal socialization are associated with the customers' perception of service quality, if a service organization can effectively socialize its customers into the organization it may be possible to manage the service expectations of these customers and indirectly manage their perceptions of service quality.

Furthermore, since formal and informal socialization are associated with the customers role perception, the process of organizational socialization may provide a means for the service organization to help customers develop more accurate role expectations, and this would result in customers performing their roles better which may contribute to the delivery of higher levels of service quality.

Since service customers often take on the role of 'partial' employees during the service encounter, it is important for the service organization to ascertain what management practices can be used to ensure that the customers have the competencies to perform their role as co-producers of the service.

In view of the aforementioned, it seems that the service firm managers should devise strategies to manage not only their full-time employees but also their 'partial' employees (customers).

#### **7.3.4 Managerial Implications Regarding Service Encounters**

In view of the rapid changing technology, in financial services marketing there are limited opportunities to impress the customer. Contact points should be treated as opportunities, the opportunity to create a favourable impression must be cherished and not let to slip by. Since customers pass judgement on the business at contact points, contact points should be managed. Management should think about the many opportunities there are to score points with customers. Furthermore, since service encounters are primarily "social encounters" services marketers must truly understand the underlying bases of their businesses.

Since the organizational climate for service as perceived by both customers and employees is positively associated with service quality, it is important that when a customer enters the service organization, the perception should be that of an organization which is supportive of customer service. Furthermore, considering that formal and informal socialization are associated with the organizational climate, it seems that management could temper with the employees and customers perception of the organizational climate by using formal and informal socialization tactics.

The unit of analysis in marketing should be the relationship, the mutual recognition of some special status between exchange partners that is the result of a successful series of encounters. Since service firms are often in direct contact with their customers, they could build parallel economic and personal ties with their customers. Such strong ties would enable the firm to better serve its customers and to deter competitive efforts to win those customers away.

#### **7.4 Some Limitations of this Study**

The limited sample, combined with the nature of this research (case study) restricts sweeping generalizations to be made from this study.

The latent variables "Formal" and "Informal" socialization had to be removed from the analysis during different stages of model testing involving the employee, and the matched employee-customer sample because its measuring instruments lacked validity. Therefore, the hypothesized relationships involving these important variables could not be investigated.

The sample size may also have contributed to the fact that the present study was unable to find an acceptable model that fitted the data in respect of the matched employee-customer sample. This can be attributed to the difficulty of aggregating and matching responses across respondent groups.

The customer questionnaires were completed at home and it is possible that the encounter experience may not be as vivid so as to enable the customers to respond as accurately as possible. Given a healthy research budget, a possible suggestion would be to try to interview them immediately after the encounter. This may also result in a more favourable response rate.

#### **7.5 Service Quality Research: Some Future Directions**

To increase the generalizability of the findings of this study, future research might involve the replication of this study among a larger sample, in a variety of service settings, industries and organizations. Furthermore, there is need for research to construct reliable instruments to measure employee perception of "Formal" and "Informal" socialization.

The influence of socialization strategies/tactics other than formal and informal, on service quality should be investigated.

Furthermore, the employees' perception of service quality could be included in a future research model so that a comparison with the customers' perception could be made.

From a methodological point of view, the data in this study was obtained from front-line employees and customers. It would be interesting to include back-office staff as well as tellers.

Since the literature has highlighted the importance of the service encounter, research using matched samples of employees and customers should be on-going.

## **7.6 Concluding Remarks**

It is the researchers view that the consumption and production demands of our economy are partly served through an understanding of certain issues raised in this study. As H R M practices for managing the climate for service are implemented more effectively, more satisfied customers and employees may be acquired.

The lagging productivity of the service sector could be improved by utilizing the information and labour supplied by the customers. These are some of the gains from managing customers as human resources in service organizations.

It is also apparent that since the employee service quality is the most important determinant of overall service quality, banks can improve its overall service quality [SQUAL] by improving its employee service delivery [EQUAL] by creating a healthy formal and informal socialization policy and a "warm" organizational climate.

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University of Cape Town

## APPENDIX A

### BANK EMPLOYEE QUESTIONNAIRE

**CODE:**

Please read the instructions in each section and circle (O) or cross (X) the option chosen by you. THERE ARE NO RIGHT OR WRONG ANSWERS. Please feel free to respond as honestly as possible. YOU CANNOT BE IDENTIFIED BECAUSE YOU ARE NOT REQUIRED TO SUPPLY YOUR NAME OR EMPLOYEE NUMBER. I will call on you to collect the completed questionnaires.

Please indicate your agreement or disagreement with each statement [ 1 = STRONGLY DISAGREE; 2 = DISAGREE; 3 = NEUTRAL; 4 = AGREE; 5 = STRONGLY AGREE]  
**EXAMPLE:** If for S 1, you neither agree nor disagree, CIRCLE [O] OR [X] against option 3.

S1	My manager informed me of the cultural values that are important to this bank	1	2	3	4	5
S2	My manager explained what is expected of me on the job.	1	2	3	4	5
S3	Since joining this bank I have learnt about its history from colleagues	1	2	3	4	5
S4	My responsibilities in this bank were clarified when I joined.	1	2	3	4	5
S5	When I first joined this bank, I was thoroughly familiarized with the organizational procedures	1	2	3	4	5
S6	Much of my job knowledge has been acquired through trial and error	1	2	3	4	5
S7	I have been made aware by management of my future career path in this bank	1	2	3	4	5
S8	I have little idea when to expect a new job assignment in this bank.	1	2	3	4	5
S9	When I first started working for this bank, I was involved with other new employees in common training activities	1	2	3	4	5
S10	When I first started working for this bank, other employees were instrumental in helping me understand my job requirements	1	2	3	4	5
S11	I went through a set of training experiences that was specifically designed to give new employees a knowledge of their job	1	2	3	4	5
S12	When I first started working for this bank, I was very aware that I was learning the ropes	1	2	3	4	5
S13	I was made aware of the time it will take me to go through the various stages of my training process	1	2	3	4	5
S14	I am gaining an understanding of my role in this organization by observing my colleagues	1	2	3	4	5
S15	I have generally been left alone to discover what my role in this organization should be	1	2	3	4	5

2. With reference to the importance that YOUR ORGANISATION places upon various characteristics of the service it provides, please indicate the degree of your agreement or disagreement [1 = STRONGLY DISAGREE; 2 = DISAGREE; 3 = NEUTRAL; 4 = AGREE; 5 = STRONGLY AGREE].

OC1	Staff should ensure that customers understand the service being provided	1	2	3	4	5
OC2	Staff should use language which the customer can understand.	1	2	3	4	5
OC3	Customers should be informed beforehand how much the service will cost.	1	2	3	4	5
OC4	It is important to honour its promises to customers.	1	2	3	4	5
OC5	Customers should be informed about what alternate services are available	1	2	3	4	5
OC6	It is important to have operating hours which are convenient for the customers	1	2	3	4	5
OC7	Employees should be polite and friendly to customers at all times.	1	2	3	4	5
OC8	It is important to have up to date equipment so as to provide good service	1	2	3	4	5
OC9	It is important to keep the customer's best interest at heart.	1	2	3	4	5
OC10	The training and preparation of the employees are important.	1	2	3	4	5
OC11	Dependable service performance is important.	1	2	3	4	5
OC12	Consistent service performance is important.	1	2	3	4	5
OC13	Prompt service from its staff is stressed	1	2	3	4	5
OC14	Convenient service locations are important.	1	2	3	4	5
OC15	The appearance of employees is important.	1	2	3	4	5
OC16	Employee honesty is stressed.	1	2	3	4	5
OC17	A reputation for good service is emphasized.	1	2	3	4	5
OC18	The development of customer confidence in the service is stressed.	1	2	3	4	5
OC19	Individual customer attention is stressed.	1	2	3	4	5
OC20	A nice atmosphere for service is stressed.	1	2	3	4	5
OC21	Customers should feel free to discuss their needs.	1	2	3	4	5
OC22	The confidentiality of the service is stressed.	1	2	3	4	5

3. Please indicate how certain you are about the following:[1 = COMPLETELY UNCERTAIN; 2 = UNCERTAIN; 3 = NEUTRAL; 4 = CERTAIN; 5 = COMPLETELY CERTAIN].

RA1	How to serve customers.	1	2	3	4	5
RA2	How much time you should spend on various aspects of your job.	1	2	3	4	5
RA3	How to resolve customer complaints.	1	2	3	4	5
RA4	How to fill out required paperwork.	1	2	3	4	5
RA5	How to plan and organize your daily activities.	1	2	3	4	5
RA6	How to handle unusual problems or situations.	1	2	3	4	5
RA7	The extent to which you can bend the rules to help customers.	1	2	3	4	5
RA8	The extent to which you can make decisions without your supervisor's approval	1	2	3	4	5
RA9	Where to get assistance in doing your job.	1	2	3	4	5
RA10	Your company's rules and regulations.	1	2	3	4	5
RA11	How your supervisor will evaluate your performance.	1	2	3	4	5
RA12	The aspects of your work - related training.	1	2	3	4	5
RA13	How satisfied your supervisor is with your performance.	1	2	3	4	5
RA14	The factors which determine your promotion.	1	2	3	4	5
RA15	How your supervisor expects you to allocate your time.	1	2	3	4	5
RA16	What your customers expect of you in performing your job.	1	2	3	4	5

4. Please indicate the agreement between yourself and your supervisor on the following continuum: [1 = NO AGREEMENT; 5 = COMPLETE AGREEMENT].

RC1	The amount of work you are expected to do and the amount you actually do	1	2	3	4	5
RC2	The number of customers you are expected to serve and the number you actually serve	1	2	3	4	5
RC3	The amount of non-work tasks you are expected to perform and the number you actually perform	1	2	3	4	5
RC4	The amount of leisure time you expect to have and the amount you actually have	1	2	3	4	5
RC5	How often you should report to your supervisor	1	2	3	4	5
RC6	How far you should bend the rules to satisfy the customer	1	2	3	4	5
RC7	How much authority you have in making decisions	1	2	3	4	5

For questions 5 - 7, place a cross [X] in the relevant column.

5. Do you consider the customer as a member of the bank?

YES	NO
-----	----

6. How long have you been employed at this bank?

Less than 1 year	
One year but less than 2 years	
Two years but less than 5 years	
More than 5 years	

**THANK YOU xx ENKOSI xx DANKIE**

## APPENDIX B

### BANK CUSTOMER QUESTIONNAIRE

CODE

Department of Business Management  
University of Transkei  
Private Bag X 1  
UNITRA  
5117

Dear customer:

I am researching SERVICE QUALITY in banks. Please assist me by completing this questionnaire and returning it to me as soon as possible in the envelope provided. THERE ARE NO RIGHT OR WRONG ANSWERS. Please feel free to respond as honestly as possible. YOU CANNOT BE IDENTIFIED BECAUSE YOU ARE NOT REQUIRED TO SUPPLY YOUR NAME OR BANK ACCOUNT DETAILS.

This questionnaire consists of a number of sections. Please read the instructions in each section and circle [O] or cross [X] the option chosen by you. If you are not clear about any question, please ask the bank staff to help you.

Thank you

K K Govender

1. With reference to **YOUR EXPERIENCE** with this bank, please indicate your agreement or disagreement with each statement [1 = **STRONGLY DISAGREE**; 2 = **DISAGREE**; 3 = **NEUTRAL**; 4 = **AGREE**; 5 = **STRONGLY AGREE**]

**EXAMPLE:** If you neither agree nor disagree with S1, **CIRCLE [O]** or place a cross **[X]** against option 3.

S 1	My bank has informed me of the cultural values that are important to it.	1	2	3	4	5
S 2	Since becoming a customer of this bank, I have learnt about its history from other customers.	1	2	3	4	5
S 3	When I first became a customer of this bank, I was thoroughly familiarized with the banking procedures.	1	2	3	4	5
S 4	My bank has informed me what is expected of me as a customer.	1	2	3	4	5
S 5	Much of my knowledge about this bank has been acquired through trial and error.	1	2	3	4	5
S 6	When I first became a customer of this bank, I was involved with other new customers in common orientation activities.	1	2	3	4	5
S 7	I have been through a set of orientation experiences that was specifically designed to give new customers a thorough knowledge of this bank.	1	2	3	4	5
S 8	I am gaining an understanding of my role in this bank by observing other customers.	1	2	3	4	5
S 9	I have generally been left alone to discover what my role in this bank should be.	1	2	3	4	5

2. Rate the following in terms of how certain you are about each [1 = **COMPLETELY UNCERTAIN**; 2 = **UNCERTAIN**; 3 = **NEUTRAL**; 4 = **CERTAIN**; 5 = **COMPLETELY CERTAIN**].

RA1	Your role as a bank customer	1	2	3	4	5
RA2	How to fill out the required paperwork	1	2	3	4	5
RA3	How to plan and organize your banking activities	1	2	3	4	5
RA4	How to make banking decisions	1	2	3	4	5
RA5	Where to get assistance regarding different banking transactions	1	2	3	4	5
RA6	What your bank expects of you in a transaction	1	2	3	4	5

3. In terms of YOUR perceptions of the importance that THIS BANK places upon various characteristics of the service it provides, please indicate your agreement or disagreement with each statement [1 = STRONGLY DISAGREE; 2 = DISAGREE; 3 = NEUTRAL; 4 = AGREE; 5 = STRONGLY AGREE]

**IN THIS BANK, IT IS IMPORTANT THAT:**

OC1	Customers understand the service being provided	1	2	3	4	5
OC2	Staff use the language which the customers understand	1	2	3	4	5
OC3	Customers should be informed beforehand how much the service will cost	1	2	3	4	5
OC4	Promises to customers are honoured.	1	2	3	4	5
OC5	Customers be informed about what alternate services are available	1	2	3	4	5
OC6	Operating hours are convenient for the customers	1	2	3	4	5
OC7	Employees should be polite and friendly at all times	1	2	3	4	5
OC8	Up to date equipment be used	1	2	3	4	5
OC9	Customer's best interest is at heart	1	2	3	4	5
OC10	Staff are properly trained and prepared	1	2	3	4	5
OC11	Dependable service is provided	1	2	3	4	5
OC12	Consistent service is provided	1	2	3	4	5
OC13	Staff provide prompt service	1	2	3	4	5
OC14	Convenient service locations are provided	1	2	3	4	5
OC15	Staff are properly attired	1	2	3	4	5
OC16	Staff are honest	1	2	3	4	5
OC17	A reputation for good service is emphasized	1	2	3	4	5
OC18	Customer confidence in the service is stressed	1	2	3	4	5
OC19	Individual customer attention is stressed	1	2	3	4	5
OC20	A nice atmosphere for service is provided	1	2	3	4	5
OC21	Customers are free to discuss their needs	1	2	3	4	5
OC22	Customers receive confidential service	1	2	3	4	5

4. With respect to the overall service you receive from THIS BANK, please indicate your rating on the following continuum [1 = WORSE THAN YOU EXPECTED; 5 = BETTER THAN YOU EXPECTED].

SQ1	The modernness of the equipment used	1	2	3	4	5
SQ2	The appearance of the physical facilities	1	2	3	4	5
SQ3	The appearance of the staff	1	2	3	4	5
SQ4	The appearance of pamphlets and statements	1	2	3	4	5
SQ5	The accuracy of records	1	2	3	4	5
SQ6	The staffs' ability to understand your needs	1	2	3	4	5
SQ7	The willingness of staff to help	1	2	3	4	5
SQ8	The courteousness of the staff	1	2	3	4	5
SQ9	The promptness of service offered by staff	1	2	3	4	5
SQ10	The convenience of operating hours	1	2	3	4	5
SQ11	The personal attention given by the staff	1	2	3	4	5
SQ12	The confidentiality with which the staff treat your transactions	1	2	3	4	5
SQ13	The ability of staff to answer queries	1	2	3	4	5
SQ14	Delivering on promises to do something by a certain time	1	2	3	4	5
SQ15	Having your best interest at heart	1	2	3	4	5
SQ16	Sincerity of staff in solving your problems	1	2	3	4	5
SQ17	Performing the service right the first time	1	2	3	4	5
SQ18	The personal attention you receive	1	2	3	4	5
SQ19	Never being too busy to respond to your requests	1	2	3	4	5
SQ20	Telling you exactly when the services will be performed	1	2	3	4	5
SQ21	The safety you feel in transactions with your bank staff	1	2	3	4	5
SQ22	The language used by the staff	1	2	3	4	5

5. With regard to the **BANK EMPLOYEE** who served you, please indicate the degree of your agreement or disagreement with the following: 1 = **STRONGLY DISAGREE**; 2 = **DISAGREE**; 3 = **NEUTRAL**; 4 = **AGREE**; 5 = **STRONGLY AGREE**.

**THE BANK EMPLOYEE:**

EQ1	Was neatly attired	1	2	3	4	5
EQ2	Understood your needs	1	2	3	4	5
EQ3	Was willing to help	1	2	3	4	5
EQ4	Was courteous	1	2	3	4	5
EQ5	Was prompt	1	2	3	4	5
EQ6	Gave you personal attention	1	2	3	4	5
EQ7	Treated your transaction confidentially	1	2	3	4	5
EQ8	Was able to answer queries	1	2	3	4	5
EQ9	Delivered on promises to do something by a certain time	1	2	3	4	5
EQ10	Had your best interest at heart	1	2	3	4	5
EQ11	Was sincere in solving your problem/s	1	2	3	4	5
EQ12	Performed the service right the first time.	1	2	3	4	5
EQ13	Was never too busy to respond to your requests	1	2	3	4	5
EQ14	Told you exactly when the service will be performed.	1	2	3	4	5
EQ15	Made you feel safe in conducting your transaction with him/her	1	2	3	4	5
EQ16	Used language which you could understand	1	2	3	4	5

6. Overall, how satisfied you are: [1 = **VERY DISSATISFIED**; 2 = **DISSATISFIED**; 3 = **NEUTRAL**; 4 = **SATISFIED**; 5 = **VERY SATISFIED**] with the service provided by:

this bank	1	2	3	4	5
the bank staff	1	2	3	4	5

7. Indicate the agreement between yourself and this bank on the following continuum: [1 = NO AGREEMENT; 5 = COMPLETE AGREEMENT] with regard to the following.

RC1	The amount of input (supplying information and completing forms), you are expected to make as a customer	1	2	3	4	5
RC2	The autonomy you should have in making banking decisions	1	2	3	4	5

8. How long have you been using this bank?

Less than 1 year	
One year but less than 2 years	
Two years but less than 5 years	
More than five years	

**THANK YOU xx ENKOSI xx DANKIE**

