

Bank Employees' Perception Towards Management Commitment to Internal Service Quality in India-An Empirical Study

L. Shankari Parivallal

Abstract

In this electronic banking era, the three segments of banks in India namely SBI and its associates, Public sector banks and Private sector banks have to rethink and redesign their marketing policies and strategies so as to meet the formidable competitive challenges posed by foreign banks. Providing quality service to the customers is one of the ways and means in retaining existing customers and attracting prospective customers. Service quality has two dimensions-external service quality and internal service quality. This research study targets the bank employees of Salem district and finds out their perception about management's commitment to internal service quality. The results identify that empowerment, reward, training, recognition and fair treatment of employees are the factors that influence the perception of the employees in management's commitment to internal service quality. On studying the management's commitment to internal service quality factors, the factor empowerment is found to be significantly associated with age, designation and salary of the employees. With regard to the second factor namely reward, it is inferred that there is significant difference between reward and age, service and salary of the employees. As far as the remaining factors such as fair treatment of employees, training and recognition, there are no significant differences between the profile variables and these factors.

Keywords: Service Quality, Banks, Management Commitment

Introduction

In today's cut throat competitive milieu, having a delightful customer base would increase the profits, market share of banks and decrease the costs. No wonder the service quality and service excellence are the twin factors that are going to transform the destiny of the service marketing and management programmes.

Service Quality

Service quality has two dimensions-external service quality and internal service quality. Making external customers happy via offering quality service which is in conformity with the customers' expectations is known as external service quality. The second dimension deals with

employees-internal customers and management must ensure the employees are satisfied with the all facets of work environment which is called internal service quality.

Statement of the Problem

In the competitive era, financial sector reforms have deregulated the markets to a great extent. It has become necessary to design and execute the best customer-oriented practices and to internalize them for providing enhanced satisfaction to the customer through the employees. Customers' service is not merely the compliance with the Government's policies or the mechanical adherence to the time frame of services. It is a philosophy and an attitude of

professional commitment, which believes in the ultimate satisfaction of each customer 'wants'.

Service marketers have really understood that competition can be well managed by differentiating through quality. Significance of service lies in customer service management. In the banking sector, financial sophistication of both customers and business markets has increased by leaps and bounds and the new competitors are releasing innumerable innovative products and services day in and day out. To customers, trying to make a choice among these suppliers would seem to require a trade-off between relationships and economies, trust and products, or service and efficiency. In addition, advanced technologies are affecting in customer service breakthroughs that significantly modify customer expectations. They try to speed up the various processes such as solving customer problems, handling customer complaints, service delivery and handling of application. To the customers, service means customer satisfaction, customer delight, service delivery, customer's relationships, etc.

The fact file indicates a fairly dramatic shift in bank asset shares in the Indian market. The new private sector banks have swindled the share not just that of public sector banks including the State Bank of India, but equally that of foreign banks and old private banks by their consistent and efficient service delivery and introduction of innovative financial products and services. Today, they collectively have 13 per cent of the market. If they continue their 2000-05 growth rates, they would have about 28 per cent share of the market by 2012. The top new private sector banks would have grown at about the same speed as the much-celebrated IT industry in India.

There is a great impact that such a sea change creates on the public sector banks. At this juncture, some key questions that the public sector banks have to ask themselves are: How to gain competitive edge over the private sector banks in terms of internal service quality?

What are the factors that influence the perception of the Bank employees towards management commitment to internal service quality?

Is there any significant difference between the demographic variables and the perception factors?

Are the perception factors highly interrelated?

This research study tries to find out the answers for the above questions.

Review of Literature

Management's commitment to internal service quality

Past research reveals that management commitment to service quality is a crucial determinant of employee behaviors in achieving service excellence (Hartline and Ferrell 1996). Despite this fact, there is not sufficient research study that examines how the employees' perceive management commitment to service quality the findings culled out from various research studies, training and development, empowerment, and reward/recognition have been identified as the best indicators of this construct called management commitment to internal service quality (e.g., Bowen and Lawler 1995; Forrester 2000; Hart, Heskett, and Sasser 1990). However, in the past research, these indicators and their impact on service excellence have been analyzed independently, and further research is required to probe their simultaneous effects on employee attitudes and behavior (Forrester 2000; Rogg et al. 2001). In most of the

empirical studies, management commitment is conceptualized and measured from the managers' perspective (Ahmed and Parasuraman 1994; Hartline and Ferrell 1996; Sureshchandar, Rajendran, and Anantharaman 2002). Forrester (2000) recently debated that the concept should be examined from the perspective of the employees. Top management, leadership and vision are also identified most critical indicators for service quality (Sureshchandar et al. 2002), and as Boshoff and Allen (2000) categorically opined that, top management though is far removed from the frontline employees, its commitment to service excellence is very critical for employees to fulfill such goals efficiently and effectively. Empirical evidence shows that management commitment to service quality results in employee job satisfaction (Hartline and Ferrell 1996). In addition, recent findings indicate that affective organizational commitment is initiated by customer-oriented strategy and behavior based evaluation (Hartline, Maxham, and McKee 2000). Thus, affective organizational commitment and job satisfaction are twin factors that are considered as affective responses to management commitment to service excellence.

Scope

This study covers the bank employees in Salem district and the reasons for choosing Salem are: The outlook survey has identified Salem city as one of the fastest growing cities in India.

Objectives

1. To identify the factors that influences the management's commitment to internal service quality.
2. To analyze the significant difference between the profile variables of the employees and the factors that influence management's

commitment to internal service quality.

3. To analyze the correlation of factors that influence management's commitment to internal service quality

Hypotheses

1. There is no significant difference between empowerment and the profile variables of the employees
2. There is no significant difference between reward and the profile variables of the employees
3. There is no significant difference between fair treatment of employees and the profile variables of the employees
4. There is no significant difference between training and the profile variables of the employees
5. There is no significant difference between recognition and the profile variables of the employees

Research Methodology

The sample respondents are drawn from various banks in Salem district using stratified random sampling method. For the purpose of the study, the banks are classified into 3 strata namely SBI and its associates, public sector banks and private banks. There are 129 branches of public sector banks and 50 branches of private sector banks in Salem district. 50 branches have been chosen as per stratified random sampling method ($N=179$ $n=50$). Proportional allocation has been done to choose the number of branches from each stratum. 48 employees from 8 branches of SBI and its associates, 168 employees from 12 branches of public sector banks and 84 employees from 12 branches of private sector banks are considered as the sample respondents for the study.

Primary data has been used for the study which is collected through a structured questionnaire. Factor analysis, ANOVA and correlation have been used for analysis and interpretation of data.

Operational Definitions of Management Commitment to Service Quality and Construct Development

Ahmed and Parasuraman (1994) defined the construct as "the conscious choice of quality initiatives as operational and strategic options for the firm and engaging in activities such as

providing visible quality leadership and resources". For the purpose of questionnaire construction, Haynes (1994) has been referred who has used 16 variables indicating empowerment, reward and training. The author has used 21 variables for the study. Responses to the scale items were obtained on 5 point scale ranging from strongly agree to strongly disagree. The reliability was checked with the use of the Cronbach Alpha which yielded a result of 0.7493.

Results and Discussion

Table 1: Demographic details

Demographic variables	No.of respondents	No.of respondents	No.of respondents	No.of respondents	Total
Sex	Males =160	Females =140			300
Age	Less than 25 yrs =66	Between 25-40 yrs =80	40-55 yrs =99	Above 55 =55	300
Qualification	+2 =20	UG =150	PG =130		300
Salary	Less than Rs.10,000 =50	Rs.10000-20000 =150	Rs. 20000-30000 =75	Above Rs.30000 =25	300
Designation	Clerk =160	Special assistants =40	Officers =100		300
Service	Less than 5 yrs =20	5-15 yrs =20	15-25yrs =30	Above 25 yrs =30	300

Factor Loading of Employees' Perception of Management's Commitment to Internal Service Quality

To identify the factors, totally 25 statements are given in the questionnaire in 5 point Likert scale and the respondents are asked to rate the statements as highly perceived to least perceived.

These variables are continuous training given to provide good service, empowerment to solve

customer problems, training given how to deal with complaining customers, have control over how to solve customer problems, rewarded for the better service delivered to the customers, my values and those of the banks are similar, financial reward for the work, provision of extensive customer service training, training to deal with customer problems, encouragement to handle the problems by self, rewards based on serving the customers, customers' evaluation of service is essential to get reward, proud of

working in the bank, satisfied with the working conditions, fair payment, it is the best of all possible organization, better training provision, training to deal customers' Complaints, need not get the management approval to handle customers problems, rewarded for effective dealing with customer problems, care of the banks; future, willing to put more effort for the profit of the banks, satisfied with the pay, full of freedom to solve customer problems, and rewarded for satisfying complaining customers. The staff are asked to rate the above said 25

variables at five-point scale namely highly agree, agree, moderate, disagree and highly disagree. The scores assigned on these scales are 5, 4, 3, 2 and 1 respectively.

The data collected was subjected to factor analysis which resulted in five factors namely empowerment, reward, and Management's fair treatment of employees, Training and recognition. The factor loading, reliability statistics and the Eigen values of the factors are shown in Table 2.

Table 2: Factor Loading of Management Commitment to Internal Service Quality Variables

Sl. No.	Factor	Eigen Value	Percentage of Variance explained	Reliability coefficient
1	Empowerment	6.227	29.650	0.967
2	Reward	3.880	18.476	0.947
3	Management's fair treatment	3.163	15.061	0.958
4	Training	2.889	13.806	0.912
5	Recognition	1.625	7.740	0.847
KMO measure of sampling adequacy: 0.75				
Bartlett's test of sphericity: Chi square value 520.6				

The data validity for factor analysis has been conducted with the use of Kaiser Meyer Ohlin measure of sampling adequacy and Bartlett's test of sphericity. The results show a KMO measure of 0.75 and the Chi-square value of 520.6 significant at zero percent satisfy the conditions for the use of factor analysis. The use of factor analysis has led to the identification of five factors namely, empowerment, reward, Management's fair treatment of employees, Training and recognition. The most important factors for the study are empowerment and reward with the Eigen value of 6.227 and 3.880 and with a reliability of 0.967 and 0.947

respectively. The percentage of variance explained with regard to empowerment and reward are 29.650 and 18.476 respectively. The third factor identified is the Management's fair treatment of employees with the Eigen value of 3.163, percentage of variance explained 15.061 and reliability of 0.958. The fourth and fifth factor identified are Training and recognition with Eigen values of 2.899 and 1.625 respectively, reliability coefficient of Training and recognition are 0.912 and 0.847 with the percentage of variance being explained to the extent of 13.806 and 7.740 respectively.

Significant Difference Between Profile Variables and Management's Commitment to Internal Service Quality Factors

With the use of ANOVA the study attempts to

establish significant difference between management's commitment to internal service quality factors and the profile of the respondents. The level of significance are generated and the values are listed in Table 3.

Table 3: Significant difference between profile of employees and their perception of management's commitment to internal service quality factors

Profile Variables	F Statistics				
	Empowerment	Reward	Fair treatment of employees	Training	Recognitions
Sex	0.820	0.820	0.424	0.981	0.424
Age	2.272*	2.636*	0.262	1.681	0.262
Education	0.903	1.555	0.735	1.252	0.559
Designation	2.636*	0.903	0.262	0.796	0.735
Service	1.555	2.265*	0.559	1.478	0.432
Salary	2.265*	2.265*	0.432	1.478	0.432

*Significant at 5% level

On studying the management's commitment to internal service quality factors, the factor empowerment is found to be significantly associated with age, Designation and salary of the employees at 5 percent level. With regard to the second factor namely reward, it is inferred that there is significant association between reward and age, service and salary of the employees at 5% level. As far as the remaining factors such as fair treatment of employees, training and recognition, there are no significant associations between the profile variables and these factors.

Acceptance/Rejection of Hypotheses

There is significant difference between empowerment and profile variables age, designation and salary of the employees. Hence the first hypothesis is rejected.

There is significant difference between reward and the profile variables age, service and salary of the employees. Therefore, the second hypothesis is also rejected.

All the other hypotheses are rejected as there is no significant difference between fair treatment of employees, training and recognition and the profile variables of the employees.

Table 4: Inter Correlation Matrix

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor 1 Pearson Correlation	1	0.356**	0.537**	0.160	0.418**
Sig. (2-tailed)		0.000	0.000	0.111	0.000
N	300	300	300	300	300
Factor 2 Pearson Correlation	0.356**	1	0.230*	0.246*	0.188
Sig. (2-tailed)	0.000		0.021	0.014	0.062
N	300	300	300	300	300
Factor 3 Pearson Correlation	0.537**	0.230*	1	0.025	0.289**
Sig. (2-tailed)	0.000	0.021		0.807	0.004
N	300	300	300	300	300
Factor 4 Pearson Correlation	0.160	0.246*	0.025	1	0.286**
Sig. (2-tailed)	0.111	0.014	0.807		0.004
N	300	300	300	300	300
Factor 5 Pearson Correlation	0.418**	0.188	0.289**	0.286**	1
Sig. (2-tailed)	0.000	0.062	0.004	0.004	
N	300	300	300	300	300

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

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

The correlation Table 4 analyzes the correlation between the five factors and it is inferred that second, third and fifth factors namely reward, fair treatment of employees and recognition are significantly correlated with the first factor empowerment at 5% level. Similarly, empowerment is strongly correlated with the second factor namely rewards at 1% level of significance. Fair treatment of employees and training are significantly correlated with the second factor reward at 5% level. With regard to the third factor, Fair treatment of employees, empowerment and recognition are significantly correlated at 1% level whereas Reward is highly correlated with the third factor at 5% level of significance. Recognition is significantly correlated with the forth factor training at 1% level of significance. Reward is also strongly correlated with the forth factor but at 5% level of significance. Statistically, significant correlation

is found between empowerment, fair treatment of employees and training and the fifth factor recognition at 1% level.

Managerial Implications

The present study provides some guidelines for managerial action. First, Management must realize that managerial actions such as excellent technical support, well designed training programmes, congenial working environment, and utmost concern for the employees' welfare, satisfactory pay structure should transform the ordinary employees into extra ordinary employees of the organization. Second, internal marketing strategies should focus on management's commitment to training, empowerment, and rewards simultaneously. Emphasis on one of these at the expense of others may lead to failure. This is supported by previous observations indicating that, for instance, if not

aligned with appropriate rewards and training, empowerment cannot be effective (Argyris 1998; Bowen and Lawler 1995). Third, top management must be consistently and persistently pursue service quality. Such organizations can achieve more job satisfaction, loyalty to the organization, and finally promote individual and firm performance.

Conclusion

If the banks in India are able to focus on internal service quality they would be able to motivate the employees successfully and the researcher is confident that the bank employees would be able to serve customers more efficiently and effectively resulting in customers' delight.

Limitations of the Study

The present study has the following limitations.

1. The study has focused on internal service quality in commercial banks only.
2. The application on rating scale and methods of index preparation depends upon the variables included and the nature of the magnitude of data.
3. The study has covered banks in Salem district only.

Scope for Future Research Directions

Future research may include other key indicators such as strong leadership, provision of latest technology to further develop the construct. Even factors such as role ambiguity, role conflict, organizational structure, teamwork and trust, perceived control, and empathy can be incorporated into the future research studies. Similar research projects can be done in other sectors such as manufacturing, retail services, insurance, transportation etc and comparative studies can also be done.

References

- Ahmed, Irfan & A. Parasuraman. (1994), Environmental and Positional Antecedents of Management Commitment to Service Quality.
- Bowen, David E. & Robert Johnston. (1999), Internal Service Recovery :Developing a New Construct. *International Journal of Service Industry Management* 10 (2): 118-131.
- Brown, Stephen P. & Robert A. Peterson. (1993), "Antecedents and Consequences of Salesperson Job Satisfaction: Meta Analysis and Assessment of Causal Effects?" *Journal of Marketing Research* 30 (February): 63-77.
- Farrell, Daniel & Caryl E. Rusbult. (1981), Exchange Variables as Predictors of Job Satisfaction, Job Commitment, and Turnover: The Impact of Rewards, Costs, Alternatives, and Investments. *Organizational Behavior and Human Performance* 27/28:78-95.
- Forrester, Russ. (2000), Empowerment: Rejuvenating a Potent Idea?' *Academy of Management Executive* 14 (3): 67-80.
- Harris, Michael M. and John Schaubroeck. (1988), A Meta-Analysis of Self-Supervisor, Self-Peer, and Peer-Supervisor Ratings?' *Personnel Psychology* 41:43-62.
- Hart, Christopher W. L., James L. Heskett, and W. Earl Sasser Jr. (1990), The Profitable Art of Service Recovery. *Harvard Business Review* 68 (July-August): 148-156.
- Hartline, Michael D. and O. C. Ferrell. (1996), The Management of Customer-Contact Service Employees: An Empirical Investigation. *Journal of Marketing* 60 (October): 52-70.
- Haynes, Bob E. (1994), How to Measure Empowerment?' *Quality Progress* 27 (February): 41-46.
- Heskett, James L., Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, and Leonard A. Schlesinger. (1994), Putting the Service-Profit Chain to Work?' *Harvard Business Review* 72 (March-April): 164-174.
- Hochschild, Arlie Russell. (1983), *The Managed Heart: Commercializing Human Feeling*. Los Angeles: University of California Press. 127 (3): 376-407.
- Lawler, Edward E., III. (2000), *Rewarding Excellence*. San Francisco: Jossey-Bass.

Lewis, Barbara R. & Gard O. S. Gabrielsen. (1998), Intra-Organizational Aspects of Service Quality Management: The Employees' Perspective. *The Service Industries Journal* 18 (2): 64-89.

Mayer, Roger C. & E David Schoorman. (1998), Differentiating Antecedents of Organizational Commitment: A Test of March and Simon's Model? *Journal of Organizational Behavior* 19:15-28.

Natalie J. Allen, & Catherine A. Smith. (1993), Commitment to Organizations and Occupations: Extension and Test of a Three-Component Conceptualization? *Journal of Applied Psychology* 78 (4):538-551.

Rogg, Kirk L., David B. Schmidt, Carla Shull, & Neal Schmitt. (2006). Human Resource Practices, Organizational Climate, and Customer Satisfaction. *Journal of Management* 27:431-449.

Smith, Amy K. & Ruth N. Bolton. (2002), The Effect of Customers' Emotional Responses to Service Failures on Their Recovery Effort Evaluations and Satisfaction Judgments. *Journal of the Academy of Marketing Science* 30 (1): 5-23.

Sureshchandar, G. S., Chandrasekharan Rajendran, & R. N. Anantharaman. (2002), The Relationship Between Management's Perception of Total Quality Service and Customer Perceptions of Service Quality. *Total Quality Management* 13 (1): 69-88.

About the Author:

L. Shankari Parivallal is a Professor at Sona College of Technology. The author can be reached at saishanpari@yahoo.co.in