Evaluation of the Impact of Human Factor in a Service Industry: A Case Study of a Commercial Bank

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Abstract

The current research study is aimed at understanding the impact of people factor on a service firm. With a view to this objective, researcher attempted to study the effect of people on the customers' of a commercial bank. The study incorporated both qualitative and quantitative component. For the qualitative part, depth interview was conducted to gain insights to develop the quantitative research design. In the quantitative part, survey technique was administered on 100 employees of the bank with structured questionnaire. Simple random sampling technique was used to draw the sample. The findings of the study emphasized the people factor as a crucial determinant of service quality of the bank. In addition to this, the research also revealed that satisfied employees beget satisfaction among customers.

Introduction

Service sector has hit the limits beyond the sky. Today, service oriented businesses contribute major portion of the GDP and numerous business are diversifying their activities and reengineering into service oriented framework. For intangible products like service, service marketing is the arena where the entire designing of successful customer value creation takes place which is why service marketing has also become one of most significant and demanding field of research and developments. More and more researches and studies are conducted on the service marketing process in order to unveil the insights of consumer expectations in the respective area along with deeper understanding of the needs to be fulfilled accordingly augmenting ranges of attributes with the service. As service is mainly conveyed to the consumers through people, for any business as such, success at times is solely determined by the performances of the employees within the organization, whether or not those employees are dealing directly with customers. In service oriented organization like banking, the impact of employees (the people factor) is much more significant as service is intangible and people are the medium through which the tangibility of the service, quality of the service and effectiveness of the service is delivered. Businesses that clearly understand the impact of their employees' performance are better able to manage employee output and productivity. Properly managing employee performance helps any business to create and to deliver value for customers and for the firm. In a business where employees deal directly with customers, such as banking, there are many ways by which employee performance affects customer satisfaction and profits. The banking industry around the world has been undergoing a rapid transformation. Today, banking is regarded as a consumer-oriented services industry and banks have started realizing that their business increasingly depends on the quality of the consumer service provided and overall

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satisfaction of the customer. When an employee is not performing up to company standards, consumers are not getting their desired service and consequently the sales are negatively affected along with the company's reputation. Another important factor of employee performance that directly impacts business is productivity. Productivity also has a ripple effect in the workplace, meaning that consistent levels of productivity and work habits set the standard for other employees as well. And whether a service business or manufacturing plant, when employees are producing more efficiently the business's profitability and bottom line will be positively affected.
For this reason, this research is planned to identify key success factors for service oriented firms specifically for the banking industry analysing the firm observing employee behaviour and its direct impact on consumer satisfaction. The research is basically to address the problems regarding the service quality and customer satisfactions of a bank caused or influenced by the people factor and derive solutions or scope of improvement for service quality of bank managing the respective human resources. The whole research process would be designed and conducted on an existing private commercial bank of Bangladesh. It is expected that this research would be an excellent aid to bank management not only in improving the overall level of customer satisfaction but also strengthening the bond between the banks and their customers probing to portray the importance of employee behaviour.

Background of the Study

The people factor, that is the employees are vital for any firm in any industry. However, when it comes to service, people act as fuel for the service engine implying that the service industry cannot perform or deliver service without adequate support from the employees. If example of medical services is considered, the technological breakthrough might overwhelm our senses but consequently the services are rendered by the medical representatives or physicians. It is the surgeon who saves life not the micro-surgery. In addition, if we look beyond medical services, we would still find the importance of the people factor. Irrespective of the type of service, employees' contribution is non-substitutable. It should rather be stated that service oriented firms run with the employee and the process of service creation and delivery are all dependent on the people. This is why the significance of the employee's contribution is appreciated and emphasized by many researchers of service industry. Christopher Lovelock and Jochen Wirtz quite proficiently pointed out the importance of the people factor in his book of service marketing. The pillars of service marketing are based on eight things which are known as the 8P's and Lovelock emphasizes the people factor to be very significant among all the 8P's. Despite the advancement in technology, most services require direct interaction with the customers and these interactions strongly affect service quality and for this, successful firms design their service delivery efficiently through people and they manage their employees better (Lovelock 1994). Behind most successful firms, an initiative stands with strong commitment to effective management of human resource including recruitment, selection, training, motivation and retention of employees. These firms are also characterized by a distinctive culture of service leadership and role modelling by top management. As a result an inimitable advantage, the skilled human resource, is produced which develops service personnel as a source of customer loyalty and competitive advantage (Lovelock 1994). However, the impact of people does not end here.

People are the service that are provided and the organization or firm is identifiable in customers' eyes through these people. Not only are they the brands for the firm but they are actually the firm itself in customers perception (Lovelock, 1994). It is generally agreed that service employees are often the first party to represent the whole service firm and therefore are pivotal to shaping customers' perception of service quality (Parasuraman et al., 1996). Because contact employees represent the organization and can directly influence customer satisfaction, they perform the role of marketers. They physically embody the product and are the walking billboards from the promotional point of view. Employees are the marketers for service organization specifically banks where relationships plays a major role in attracting business and increasing customer base. This is because the industry is competitive and there is not much scope of attracting customer through product differentiation or pricing. The point of difference is made through the employees. Customers tend to recognize and take service from an individual, not the bank and they refer to a bank saying the people are good there. However, impact of people factor on service process and quality is diversified and there are quite a few employee dynamics that ultimately result in successful value creation for customers in case of delivering service. Motivation is one of the factors that affect employee's behaviour and thereby customer satisfaction. Employee motivation is one of the most important concepts in the fields of organizational behavior and human resource management. Motivated employees are the cornerstones of any organization. Motivation is induced from various aspects but this motivation is necessary for effective service delivery and generating internal momentum.On the other hand, employees contribute largely with the cycle of success for the firms. Attractive compensation packages and good working environment with adequate job empowerment motivates the employees and simultaneously increases employee retention. This integrates employee behavior and employees become happier to perform and provide higher quality service that pleases customers (Lovelock 1994). Nonetheless, there are employee skills and behavior that also affect customers' experience and service quality.

Several employee dynamics and behaviour along with their respective skills has impact on service quality. Research in consumer psychology has shown that exposing customers to happy employees' results in customers having a positive attitudinal bias towards a product. The direct relationship between employee satisfaction and customer satisfaction is based on the theory of emotional contagion (Sutton and Rafaeli 1988; Hatfield et al., 1992; Hatfield et al., 1994). Emotional contagion is defined as the tendency of a person to *automatically* mimic and synchronize expressions, postures, and vocalizations with those of another person and, consequently, to converge emotionally (Hatfield et al., 1992; Hatfield et al., 1994). This process occurs through the conscious or unconscious induction of emotion states and behavioural attitudes (Schoenewolf 1990). In addition, physical gestures and appearance also affects interaction. Physical gestures and expression play a vital role in giving cues to the customers that the firm cares for their problem and the issue is identified giving adequate emphasis. On the other hand, interpersonal skills and physical appearance also impacts customers' perception at the point of interaction. Customers usually perceive that well dressed smart individuals are educated and have better understanding of their issue and they believe that physical appearance gives cues of what the moral and ethical values are of an employee. While with technical skills, interpersonal skills are also necessary as this similarly stimulates proper communication between the customer

and the employee along with giving cues on whether the customer is given adequate attention or not (Lovelock 1994).Moreover, the day to day problems that customers bring to a service organization like banks cannot be addressed merely with routines if adequate quality needs to be maintained. It requires instantaneous reaction or reflexes from the employees. Employee reflex is vital because it is again derived from the beliefs, values and emotions of an employee and all these need to be consistent with the organizational culture and goals. These entire evidences guide the path to my understanding that people factor is significant enough to be researched in order to uncover possible ways of improving service quality in bank.

Objectives of the Study

Against the above background, the present study focuses on the following objectives:

1. Major objective was to achieve a framework to look into the service quality in banking industry through the prism of human resources and suggest ways to improve service quality through an effective management of employee's performances and behaviours. The study was also aimed to uncover the reasons of dissatisfaction in consumers caused by the differential service quality from the perspective of employees' performance and behaviour.
2. From a macro perspective, the objective of this study was to portray the importance of the people factor in service marketing process of banking in Bangladesh along with a deeper understanding of the consumer behaviour.
3. The relationship of different people factors with customer satisfaction, brand image etc. was analyzed and the expected findings were designed to probe deeper into employee dynamics.

Significance of the study

This research would solely emphasize the customer satisfaction and its direct relationship with the people parameter in banking industry. Primarily, the study would depict the various dimensions of employees in banking arena affecting customer satisfaction and the profitability. Thereby, the underlying factors that cause dissatisfaction for customers in banking service would be unveiled which would help in improving the service quality of any banking organization or financial intermediary in Bangladesh. In addition, this study would also evaluate various aspects that can ensure customers' acceptability and expectations from the people serving them. As a matter of fact, findings based on this research would be on commercial bank which would allow the firm to enhance their existing service quality by identifying their weakness and sufficiently augmenting their services, adequately integrating employee behaviour, ultimately helping in developing themselves as a better brand and increasing customer base.

Hypotheses

Based on the in-depth understanding of the banking industry and the service marketing process of banking through secondary researches and qualitative research framework, the project dealt with the analysis of the following assumptions related to the service quality and customer satisfaction.

H_1: Customer satisfaction is correlated with employee's job satisfaction
H_2: Spontaneous reaction or reflexes of employees affect customer perception of quality service.
H_3: Brand image of the company is communicated through the way employees' serve customers.

Methodology

For the purpose of this study, both qualitative and quantitative research have been conducted. The qualitative research aided the proper designing of the quantitative research along with a deeper understanding of the employee dynamics from a subjective point of view. In addition, the quantitative research was conducted to bring forth different dimensions of customer satisfaction from employees' perception and testify its validity with statistical and empirical models in order to prove the different assumptions of the research.

Data Collection

Total population of the bank employees were collected from the head office. The primary data collection for qualitative research included in-depth interviews. Firstly, an in-depth interview for about 45 minutes was conducted with a branch manager of the bank. The quantitative data was collected from the employees using simple random sampling of about 100 respondents conducting a survey with structured questionnaire. Respondents were selected by collecting their employee IDs and choosing them by generating a random list through computer software.

Secondary data collection included online research works on banking industry and service quality along with a probe of the service marketing process analysis. Moreover, the few books on banking and service marketing were also used to enrich and guide the findings of this research.

Scaling Techniques

Questionnaire included different scaling techniques such as Likert scale, interval and continuous scales, semantic differential scale, rank order scales etc. Mostly the 5 point Likert scale was used with bi-polar objectives and differences in opinions was measured among the respondents.

Data Analysis

The data analysis of the quantitative research included various forms of test depending on the questionnaire designing and the type of data collected. The conducted tests included one-sample t-test, and correlation analysis. The level of significance (α) for all the tests was 0.05 which is considered as the probability of conducting type-I error. Moreover, bar chart is used to showcase the data.

Analyses

Qualitative Research & Data Analyses

For the purpose of this research, a qualitative research is also conducted along with the quantitative research which is divided into two phases. The first phase which is the exploratory research included the literature review on the secondary data in order to get an overview of service quality and marketing process along with the differential perceptions on the dependence of service quality upon employee behaviour and their respective performances. As a result, an appropriate framework for the conclusive research (quantitative research) could be designed and executed effectively. However, there is a second phase of the qualitative research which is conducted to gain a deeper understanding of the people factor within the framework of banking specifically within commercial bank. This is because the statistical tests are conducted to generalize conclusions on the population. However, qualitative techniques emphasize on other intrinsic dimensions rather than looking superficially which can aid in an in-depth understanding of the respective topic. For this, depth interview was used to unearth the insights.

Depth Interview

Depth Interview included interviewing the Service & Sales Manager (SSM) of the principal branch. An interview for about 40 minutes gave an understanding of the employee behaviour in banking and service organization specifically for commercial bank. There were few things that emerged in the discussion. He talked about employee core values. He said that employees need to react spontaneously towards customer queries being adept with the levels of stress and the compliance issues. However, while giving service, many times employee forgets the way customers should be treated. Quite often employees forget to maintain warm or welcoming physical gestures and devaluates the importance of smiling while serving the customers. According to him, *"Customers feel a lot comfortable when you smile."* In addition, due to intense pressure on rush-hours, employees tend to misbehave with customers which in his opinion destroy value for the customer service. He strongly recommends that the employees' own moral values and etiquettes are significant in this area. In his opinion, *"If you are well behaved within your family, you behave well with customers."* He emphasizes further that employees cannot be trained to behave well with customers and provide excellent services. Rather, they need to be well cultured and well mannered so that they spontaneously portray their innate behaviour even at the times of pressure. From this interview it can be inferred that employee behaviour including spontaneous reflexes and employee satisfaction impact customer satisfaction of commercial bank.

Quantitative Data Analysis

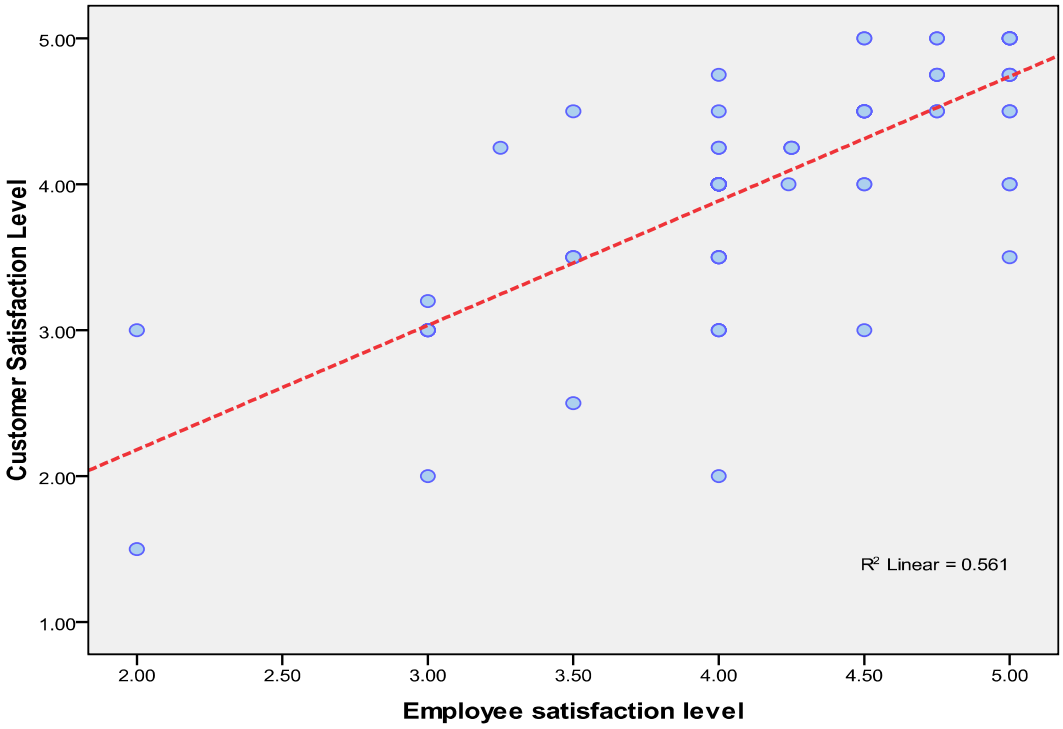
This part of the research deals with the quantitative analysis. The data collected from the respondents were transcribed into SPSS and then various statistical tools were implemented in order to uncover the dynamics of the People Factor in service marketing and accordingly test the pre-set assumptions' authenticity over the population. The results of the study are represented here using test-statistics, tabulations methods and graphical methods. The data analysis includes frequency distribution and descriptive data along with few charts to demonstrate the findings better. Moreover, the hypothesis are tested accordingly and organized chronologically in the report ahead.

Correlation between Customer Satisfaction and Employee Satisfaction

Descriptive Statistics

	Mean	Std. Deviation	N
Employee Satisfaction Level	4.1099	.61781	100
Customer Satisfaction Level	3.9795	.70288	100

The mean satisfaction level of employees both as a customer and an employee is very close. However, nothing can be concluded from this. Thereby, a scatter plot diagram is formulated based on the responses of each employee with their paired satisfaction level both as a customer and an employee.



The above graph shows that there is existence of quite a strong positive correlation between employee satisfaction and customer satisfaction. The strength of the relationship is further testified using correlation tests.

H_0 : There is no correlation between customer satisfaction and employee satisfaction ($\rho=0$)
H_1: There is correlation between customer and employee satisfaction ($\rho\neq0$)

Correlations

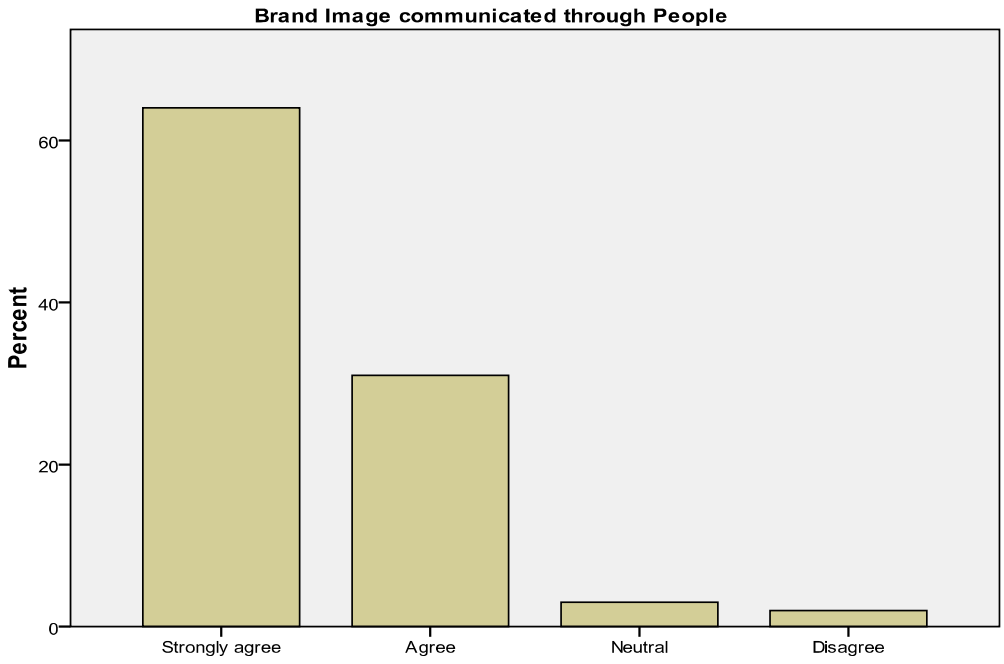
		Employee satisfaction level	Customer Satisfaction Level
Employee satisfaction level	Pearson Correlation	1	.749**
	Sig. (2-tailed)		.000
	N	100	100
Customer Satisfaction Level	Pearson Correlation	.749**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

With a correlation coefficient (ρ) = 0.749, null hypothesis is rejected. Thereby, it can be concluded that there is a strong positive correlation between customer satisfaction and employee satisfaction and that if employees are more satisfied, customers get better service and thus their respective level of satisfaction increases.

Brand Image communicated through people/employees

The respondents were asked whether they think that brand image is portrayed and communicated through the employees. The results are depicted in the following chart.



Majority of the respondents (about 65%) strongly agreed to the fact that brand image is communicated through the employees. In addition, about 30% agreed on the same fact and only about 2-3% disagreed and none of the employees strongly disagreed. This shows that people believe that employees are the brand emitter of a firm. However, T-test is also run to generalize the findings over the population.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Brand Image through people	100	1.43	.655	.066

H_0 : Brand image is not communicated through the employees ($\mu>3$)
H_1: Brand image is communicated through the employees ($\mu\leq3$)

One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Brand Image through people	-23.959	99	.000	-1.570	-1.70	-1.44

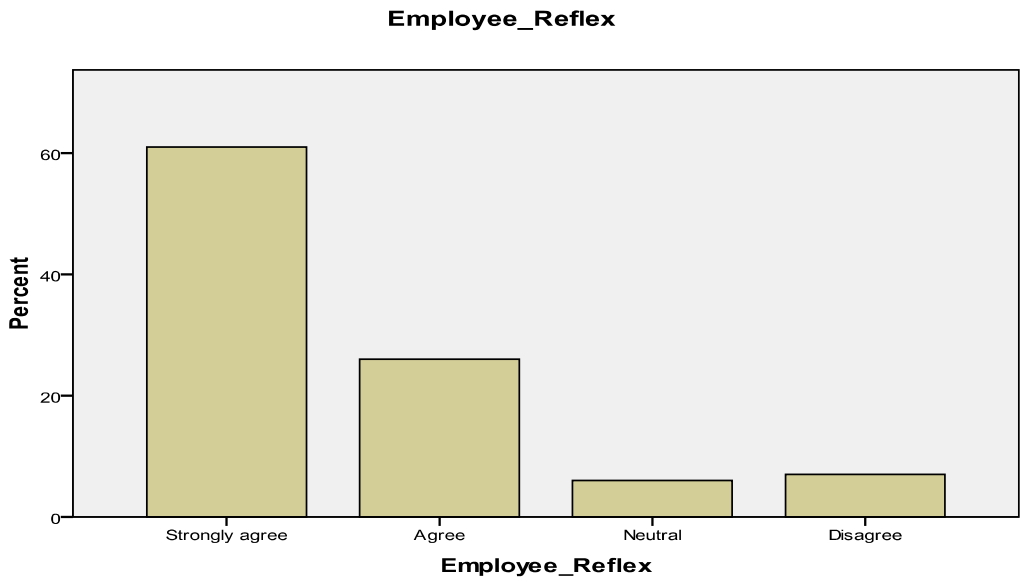
For t = -23.959, Level of significance (α) =0.000, the null hypothesis is rejected. This means that the alternative hypothesis is accepted implying that brand image is communicated through the employees of a firm and that employees are significant entities in control of the brand image of a company.

Perception on Employees' spontaneous reflex affecting customer satisfaction

Employees were asked whether the spontaneous reactions customer representatives portray to the customers contributes to customer satisfaction. The table and chart below shows the frequency statistics.

Employee Reflex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	61	61.0	61.0	61.0
	Agree	26	26.0	26.0	87.0
	Neutral	6	6.0	6.0	93.0
	Disagree	7	7.0	7.0	100.0
	Total	100	100.0	100.0	



Majority of the respondents strongly agreed (about 60%) and about 25% agreed that employee reflex matter in customer interactions.
A t-test was run in order to generalize the findings over the population.

H_0 : Employee reflex do not affect customer satisfaction ($\mu<3$)
H_1: Employee reflex affect customer satisfaction ($\mu\geq3$)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
EmployeeReflex	100	1.59	.889	.089

One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
EmployeeReflex	-15.866	99	.000	-1.410	-1.59	-1.23

For t=-15.866, Level of significance (α) = 0.00, H_0 is rejected, that is the alternative is accepted. This implies that customer satisfaction is affected by the spontaneous responses employees give to the customers and it is prevalent in the population.

Recommendations and Conclusion

Based on the findings of the secondary research and the primary research (both qualitative and quantitative), the following recommendations are made in line with the coherent observation and in-depth analysis of the Sales and Service Centres. Providing adequate training to the employees: Training should be given to the employees in order to make them adept to the product attributes. This would eliminate the inability of addressing customers' query and induce confidence of them to serve with superior service quality. Trainings should also be given to augment employee's competencies in effective interaction with customers emphasizing more on customer relations and service quality. 360 degree Feedback and Team-spirit: Inducing enthusiasm in employees and creating a team-spirit mentality is significant and should be done by the line managers and seniors. A platform for fearless communication should be made where each employee can contribute in improving branch performance. This would not only develop a commendable relationship with their co-workers, but would ultimately build a good organizational culture, resulting in a competitive advantage for the bank.

The overall qualitative research portrayed that employees are the most significant factor for proper value creation and successful service delivery and that employees significantly affect customer satisfaction. The depth analysis supports the literature review and emphasizes on the fact that employee values are important and it determines the reflex or spontaneous response towards customers. Moreover, the secondary data supports the fact that employees represent the brand and various aspect of the people factor strongly affects service quality. There is a strong positive correlation between the satisfaction level of customers and satisfaction level of the employees and that with increase of employee satisfaction, customer satisfaction also increases. The brand image is communicated through the employees of a firm and that they control of the brand image of service organization. Majority of the respondents strongly agreed that employee reflex matters in customer interactions. It is supported by statistical data that customer satisfaction is affected by the spontaneous responses employees give to the customers.

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