CHAPTER 6

DISCUSSION OF ANALYSIS

6.1 Introduction

The most important factor affecting business performance is the quality of goods and services offered by an organization e.g. banks in this study, relative to its competitors. Attention given to service quality (externally) and service climate (internally) so that they complement each other, assist a bank to differentiate itself from others and gain a lasting competitive advantage.

This study showed that service quality measurement history was seldom used in any area for instance in business (Bouman and Der Wiele, 1992; Behara *et al*, 2002; Wong and Sohal, 2003), education (Brown *et al*, 1993; Gi-Du *et al*, 2002), healthcare (Brown and Swartz, 1989; Babakus and Mangold, 1989; 1991a; Hemmasi *et al*, 1994 Bitner *et al*, 1997; Silvestro, 2005), hospitality (Lehtinen and Lehtinen, 1982; Taylor *et al*, 1993; Bitner *et al*, 1990; 1994; John and Lee-Ross, 1995; 1997; Hartline and Ferrell, 1996; John and Tyas, 1996; 1997; Robledo 2001; Kyungro and Chelladurai, 2003) and manufacturing (Keirl and Mitchell, 1990; Stauss and Hentschel, 1992; Kong and Mayo, 1993; Kim *et al*, 2001; Subramony *et al*, 2004). With regard to this study conceptual framework, it focused exclusively on the banking sector with conjunction of service climate. There were exists directly link data about service quality and service climate from

bank customer and bank employee perceptions. The previous chapter dealt with analysis and interpretation of data obtained from two phases of surveys. The findings congregated from this study, clearly and definitively suggest that combination of service quality and service climate provide greater enrichment and a significant opportunity for quality and climate researchers to ascertain and act towards the establishment of financial rules and regulations focusing on bank customer's and employee's necessities.

In light of the literature review and responses from the surveys, research findings will be presented in two categories namely, findings from the surveys: the preliminary study and main survey. This chapter draws conclusions from the answers to the research questions and makes recommendations for future research, including implications for all potential parties. Finally, the significance of the study to the banking sector is discussed.

6.2   The preliminary study

Yamaguchi (1997) proposed that replacement of positively and negatively worded questions on attitude surveys is frequently employed to struggle with response sets among respondents. In fact, Babakus and Boller (1992); Babakus and Mangold (1991) brought up the destructive effect created from the mixture of these words. Therefore the researcher decided to use only positive worded questions which allowed even negative responses from respective bank customers

and employees. The positive and negative responses led to the categorization of dissatisfiers and satisfiers as in the work of Johnston (1995; 1997) for bank customer. From the findings, it was obvious that dissatisfiers were more than satisfiers towards service quality dimensions (products and services; physical features and facilities; online and phone banking; internal organization; interbank and interbranch network; corporate image and ATM). There were less satisfiers than dissatifiers towards service climate dimensions (organization output; organization and customer service).

The implementation of quality and climate initiatives should begin with defining bank customers' and employees' needs and preferences concerning respective dimensions as follow.

The study revealed the dimensions for aspects put forwarded by the bank customers in order to answer research question 1, 'What are the aspects and attributes that contribute to service quality from bank customer's perspective?' as: (1) ATM; (2) corporate image; (3) customer interaction and counter service (4) interbank and interbranch network; (5) internal organization; (6) online and phone banking; (7) physical features and facilities (8) products and services offered; (9) rates and charges; (10) staff and (11) miscellaneous. These dimensions are relevant to the research conducted on the current sample of this study but the researcher has chosen to include only nine dimensions. 'Interbank and interbranch network' has been collapsed under 'physical features and facilities' because they

were only five items apparent in the matter studied. These dimensions are partly consistent with previous academic research conducted (Gronroos, 1983a; Le Blanc and Nguyen, 1988; Lewis, 1991; Kwan and Tan, 1993; 1994; Avkiran, 1994; Galloway and Blanchard, 1996; Hartline and Ferrell, 1996; Joseph *et al*, 1999; Allred, 2000; Lassar, 2000; Newman, 2001; Adlaigan and Buttle, 2002; Jun *et al*, 2002; Gounaris *et al*, 2003; Jamal and Naser, 2003). 'Miscellaneous' was omitted because it did not count as a sound dimension.

Alternatively, the dimensions for attributes from the same respondents were: (1) responsiveness; (2) commitment; (3) functionality; (4) access; (5) attentiveness; (6) friendliness; (7) security; (8) availability; (9) competence; (10) flexibility; (11) comfort; (12) courtesy; (13) integrity; (14) reliability and (15) other. The number of attributes in this study not as much as proposed by Johnston (1995; 1997) due to the difference in sample size between his and the researcher. As the intention of the researcher to grasp customers' expectations and their perceptions towards service quality of their frequent visited banks.

From the responses received in order to answer research question 2, 'What are the aspects and attributes that contribute to service quality from the bank employee's perspective?', the study revealed the aspects proposed by the bank employees as: (1) benefits, bonus, reward and salary; (2) corporate image; (3) customer service; (4) environment; (5) facilities; (6) internal organization; (7) online and phone banking; (8) organization output; (9) products and services

offered; (10) rates and charges; (11) religion; (12) workforce and (13) miscellaneous. The listed dimensions are relevant to the research conducted on the current sample of the study but the researcher has chosen to include only eleven dimensions. 'Environment' has been collapsed under 'facilities' because they were only ten items apparent in the matter studied; 'religion' had been dropped because the items recommended were irrelevant to the nature of the service organizations investigated. These dimensions are partly consistent with previous academic research conducted (Reynierse and Harker, 1992; Andrews and Rogelberg, 2001; Weitzel *et al*, 1989; Hartline and Ferrell, 1996; Howcroft, 1993; Singh, 2000; Schneider, 1980; Schneider *et al*, 1992; Schneider and Bowen, 1985). 'Miscellaneous' was omitted because it did not count as a reliable dimension. Conversely, the attributes proposed from the same respondents were: (1) commitment; (2) care; (3) competence; (4) responsiveness; (5) access; (6) comfort); (7) reliability; (8) security; (9) integrity; (10) courtesy; (11) flexibility and (12) other. The connotations of each dimension are completely dissimilar with the dimensions proposed by Johnston (1995; 1997) due to different type of respondents: employee in opposition to customer.

Aspects was chosen over attributes due to the limited amount of studies focusing on this type of dimensions compared to the extension of Parasuraman and his collegues' findings in service quality and service climate fields. As a beginning of the employment in using PAT in this study particularly in the banking sector, the researcher decided to see the extension of aspects in the next

phase: main survey using close ended questionnaire with anticipation to comprehend more than just unabridged service quality and service climate through its dimensions.

The findings concerning expectations and perceptions constructs supported Johnston *et al* (1990). The constructs influenced each other because it was uneasy to classified between events (Bolton and Drew, 1991), nature of service (Johns and Lee-Ross, 1997; Johns and Howard, 1998), components for example tangibles and intangibles (Carman, 1990; Johns and Howard, 1998; Johnston *et al*, 1990) and the boundary of conceptualization these two construct (Cronin and Taylor, 1992; Babakus and Boller, 1992; Teas, 1993b; Buttle, 1996). Therefore the researcher decided to chose perceptions only assessment in the main survey.

6.3   The main survey

A number of analytical procedures were carried out in order to address the research objectives: demographic, reliability, validity, performance, non-parametric and parametric. In the following sections, all these procedures' results are discussed in order to answer all the research questions mentioned in Chapter 1.

Although there were only two variables (corporate image; department and branch) appearing as not reliable from the reliability analysis, the researcher did

not abandon those two because the main study was a sequential stage from the preliminary study. If the particular variables had been abandoned in this study, it might only have had a very small effect on the total alpha. The eleven variables listed have been strengthened by the findings from the preliminary results. As for a set of dimensions for service quality in this study, all variables were verified as reliable. Later on, the researcher employed a Chi-square test in order to see comparison of obtained and theoretical distributions in this study. Obviously, there were statistically significant differences between the obtained and expected frequencies with regard to service quality for the participating bank customers and employees, which mean the sample, cannot represent all bank customers and all bank employees in Malaysia due to the small number of respondents in the sample. As expected by Alreck and Settle (1985), the researcher needs to collect more data to try to boost the proportion of cases falling into each category for a better chi-square result so as to generalize potential findings in the future.

Additionally, it was proven in the Kolmogorov-Smirnov one sample test that the cumulative distribution of corporate image; customer interaction and customer service; physical features and facilities; products and services scores (service quality) for the participating bank customers in the sample was similar to that of a normal distribution. In the other hand, benefit, bonus, salary and reward; corporate image; department and branch; organization output; workforce scores (service climate) for the participating bank employees in the sample was not similar to that of a normal distribution. Vaus (2002) suggested that if a

distribution is not normal, a researcher should employ nonparametric statistics, for instance the Mann-Whitney U test. But one might decide to ignore the non-normal distribution and still use a parametric test such as t-test because there would not be any rigorous effect in practice and the sample is large enough as it involves at least a hundred respondents.

6.3.1   Interpretation of the proposed framework

In the first place, the researcher did not intend to investigate the effect of bank status, e.g. private bank and public bank, towards service quality though previous research has shown that bank status is also expected to affect it (Spathis *et al*, 2004) because the number of different categories of banks e.g. commercial, Islamic, merchant banks were not equivalent so as to produce significant related results. Nevertheless, those results were expected since differences do exist between the four banks in terms of their characteristics. For example, the fact that the majority of the respondents of three out of four of the banks were customers of private banks influenced the results related to the ranking of the service quality dimension because it might define both the intensity and direction of migration from one sector to other (Kangis and Voukelatos, 1997), such as from public to private sector; additionally, in terms of employees, e.g. attractive benefits, bonus, reward and salary offered, and customers, e.g. physical features and facilities provided.

The findings in relation to the demographic characteristics have shed some light on the participating banks, on the appropriateness of their service quality and service climate strategies (Kangis and Voukelatos, 1997; Paswan *et al*, 2004). Therefore, it is vital to have a feel for the impact of demographic profiles such as gender, age, education, work sector, duration of relationship between a customer and their frequently visited banks with regard to the connection between dimensions and service quality. The thickness of the arrows in Figure 6.3 shows the strength of influence of each profile on the relationship between dimensions and service quality. Before that, Figure 6.1 exhibits the detail of impact for each profile on the relationship between dimensions and service quality.

The proposed framework gave the impression that gender and work sector of the respondents had a strong influence on the relationship. This may suggest that the environment of respondents' social space and their exposures to it during their work hours made them more interested in the listed aspects of the bank they frequently dealt with. As expected, the different levels of education attained and age produced an impact on the connection between online and phone banking only with service quality because the virtual approach employed does not constitute a problem for the younger generation due to their familiarity with and interest in the advancement of technologies. Usually they do not take a long time to learn and utilize these skills compared to older bank customers. However, differences in age did produce an effect on the connection of rates and charges with service quality because with increasing age there comes more responsibility

with handling money matters, particularly when this involves the frequently visited bank. Due to service sector features, e.g. heterogeneity, intangibility, the customer-employee connection and its effectiveness have a major impact on the formation of customer perceptions of the service quality received (Gummeson, 1998), however, duration of the connection between customers and their frequently visited bank did not have an impact on customer interaction and customer service as well as rates and charges.

It is also very important to consider the impact of demographic profiles such as gender, age, education and length of tenure with regard to the connection between dimensions and service climate. The thickness of the arrows in Figure 6.3 shows the strength of influence of each profile on the relationship between dimensions and service climate. Figure 6.2 exhibits the detail of impact for each profile on the relationship between dimensions and service quality. Gender and age had an impact on all dimensions except between 'myself' and service climate. Education had an impact on all dimensions except 'management' and 'myself' as confirmed by Schneider (1980) who showed that employees with a higher qualification attained appeared to be more eager to climb the ladder of success and for responsible higher supervisory positions. Therefore, it is not surprising that these employees were more ambitious than others.
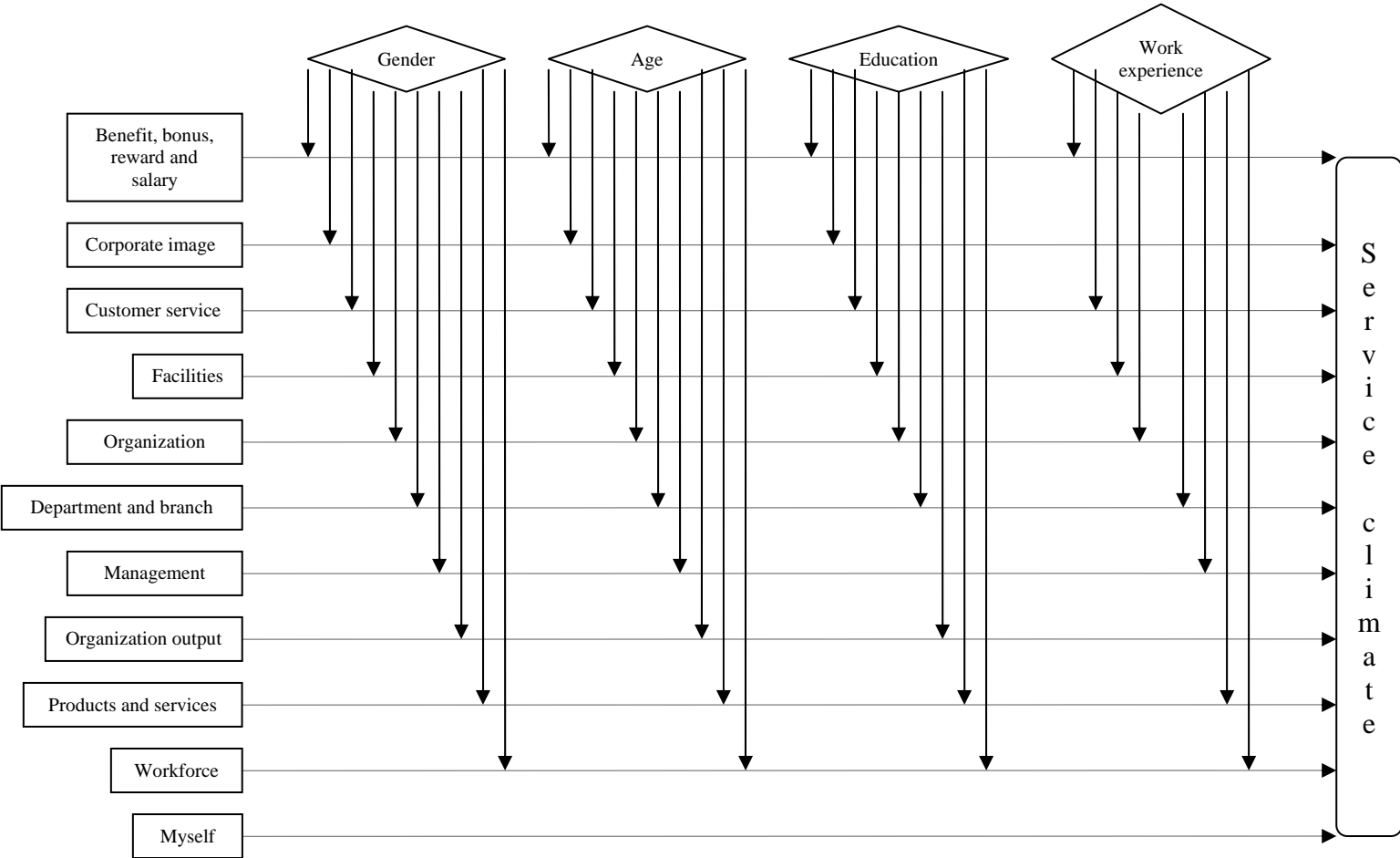
Length of tenure gave an impact to benefits, bonus, reward and salary; facilities; customer service; organization; department and branch; management;

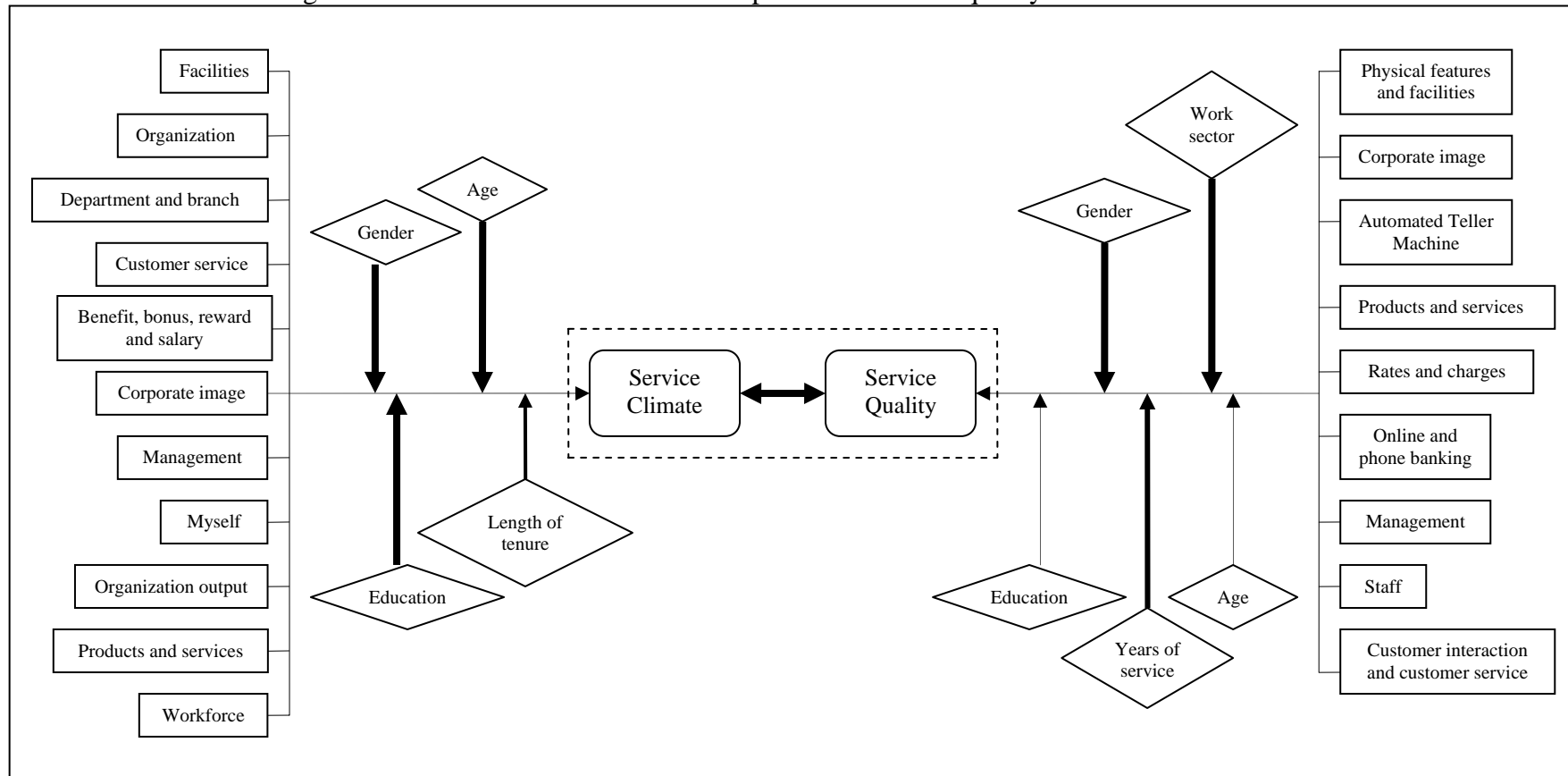Figure 6.1: Service quality conceptual framework
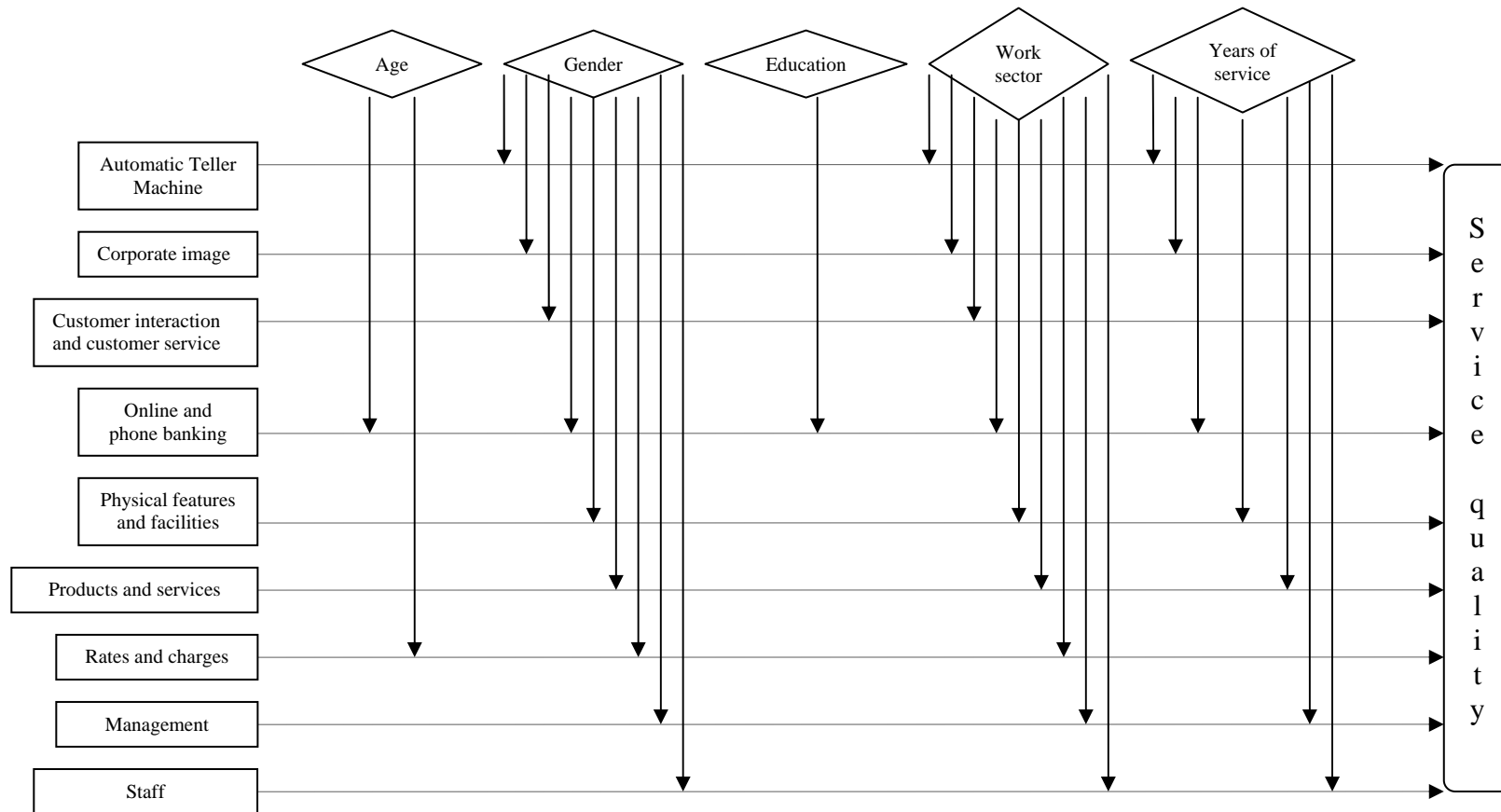
Note: Number of arrows determined the thickness of mediators' lines in Figure 6.3.

Figure 6.2: Service climate conceptual framework

Note: Number of arrows determined the thickness of mediators' lines in Figure 6.3.

Figure 6.3: Framework of the relationship between service quality and service climate

products and services; workforce. The findings here appear to support this general trend, but exactly how length of service impacts on climate perceptions is still not entirely clear. While it could lead to a shared perception of climate (Glick, 1985; Schneider *et al*, 1998a) and could be a factor in the development of a climate shared by all employee (Rousseau, 1988). Schneider (1980) also elaborated the longer employee's period of employment by means more experience and more exposure to that particular employment environment. They may find themselves in a better position to grow in the job and to obtain increasingly responsible positions because have mastered one or more jobs and may be ready for increased levels of responsibility due to satisfaction with the employee's performance by the organization.

Paired-samples t-test revealed that customers are more concerned on average about staff; management; rates and charges; customer interaction and customer service than other dimensions in the representative sample, supported with the findings from the bivariate analysis. The performance analysis' findings also suggested that the areas for concern for each bank (depending on their differences of mean scores in opposition to average all customer means) in are as follow: (i) all nine aspects of service quality for Affin Bank and loaners; (ii) exception for ATM; customer interaction and customer service meant for BSN. (iii) Online and phone banking; products and services offered; management and staff are the aspects that need more interest from Bank Islam; (iv) only management and staff aspect do matter to Maybank in order to enhance the

overall quality of service; (v) corporate image and staff are the aspects that need attention from all banks from savers' standpoint.

With the same paired samples t-test was undertaken, it was expected that employees are more concerned on average about workforce, myself and facilities than other dimensions in the representative sample. Apart of the discovery presented in this section involving the responses from the participating bank employees associating with differences of dimensions mean sores for a particular bank at odds with average all employee means that draw more attention for upgrading are as follow: (i) all aspects except department and branch; management for BSN. (ii) All aspects except management for Bank Islam; (iii) department and branch; management for Maybank.

This research started with the assumption that service quality and service climate concerned are related to each other. Separate regression models were developed for four local banks in Malaysia. Regression analysis was conducted on the model to analyse the relationships between service quality and service climate indicators, as the end results the outcomes hypothesized by the model. Figure 8.1 remain valid for local Malaysian banks at the moment. The dimensions for both service quality and service climate has been arranged from highest dimension contributed to the multiple regression equation to the lowest one. For service quality, the dimension of physical features and facilities; corporate image and ATM have the highest coefficients among all. Management; staff and customer

interaction and customer service are the least contributor. As for service climate case, facilities; organization; department and branch are the dimensions on the highest rank in the framework. Whilst organization output; products and services; workforce are the least ones. The findings also showed that two dimensions were weak in explaining service quality and five dimensions were weak in explaining service climate. Therefore, it may suggest that service quality and service climate are not the only weapon in enhancing competitiveness in the marketplace.

The Pearson coefficient indicated low degree between service quality and service climate and although a relationship was expected but the direction of the relationship was not predicted whether it is a negative or positive relationship. Even though these correlation values seem small, they are not surprising. In behavioral and social sciences, correlations of any kind seldom approach 0.5 (Cohen and Cohen, 1983). Concerning that the application of cross-sectional framework is given in Figure 7.3, causality is not clear and here, given the close interaction between service providers and customers causation might behave the same way to each other (Schneider *et al*, 1998a) as a chain is only as strong as its weaker link.

6.3.2   Interpretation of implementing service quality and service climate in Malaysia

The conceptual framework establishes a shared vision of the researcher in the representative sample in Malaysia. It fully embodies and embraces inquiry norms from the social sciences and banking. Although it encompasses major domains of service quality and service climate inquiry, it reduces the bewildering variety of factors explicated in the current literature to a few key concepts. The framework provides parameters within which the inquiry knowledge-base can be defined, serves as a guide for collective action by practitioners, researchers and academicians. By establishing a conceptual framework, one can visualize a set of coherent concepts organized in a manner that facilitates communication among bank customers and bank employees. Thus, the framework reduces the wildly complex arena of inquiry to a conceptually simple visual that captures the essential components of inquiry while opening opportunities for players of banks to use their innate mental and scholarly capabilities for mapping out more specific inquiry commotions.

While the particular conceptual framework model presented in this chapter may not appeal to, nor be accepted by all, the activities and interaction during the process of developing the paradigm have proven beneficial for communication. This suggests that not only do summative conceptual frameworks in their final form have potential for enhancing the vision for a research component, the process and interaction has the potential to provide profitable experiences for the respective banks, customers and employees. Finally, the conceptual framework remains subject to revision and modification. The present form is an improvement

over the initial model created by the respective scholars and will undoubtedly be expanded, reduced or altered during the next years' tenure of this infant research.

6.4   Conclusion

Service quality has come a long way since its inception in the 1980s, followed by service climate. The existence of a substantial body of literature on these two subjects has proved that they have never failed to attract old and new researchers across the globe to contribute to the body of knowledge. That said, obviously the most significant scholars presently are from America and Europe. Their contributions should not go without recognition through the two schools of thought that exist: The Nordic School consisting of important personalities like Gronroos, Gummeson and others; while the North American school comprises of Parasuraman, Berry, Zeithaml, Brogowicz and others. Their opinions and suggestions on the subject have continued to contribute towards further debates.

In chapter one the general research objective posed was to develop a theoretical framework to explain the importance of service climate and service quality and their impact on participative service oriented organizations' implementation of improved service provision, particularly in the banking context in Malaysia. The research questions considered evolved from both theory and real life situations relevant to many bank customers and employees in that particular sector. Theoretical and practical aspects have been intensively explored to help

answer the questions of the nature of the relationship between service quality and service climate in a snapshot. Generally, service quality and service climate in the banking industry are very much dependent on the sharing of information and collaborative experience between customers and staff. Ultimately, in achieving excellence, employees have to continuously enhance their knowledge and build a personal and interpersonal skills inventory. Furthermore, employees who have been treated as internal customers will feel much respected and appreciated, and will remain loyal to the existing bank.

This thesis is not about arguing all the pieces of evidence of service quality and service climate in previous studies, although such an argument has been applied in the main literature review in Chapter 2. As has been shown in Chapter 2, in the modern competitive environment, the pursuit of service quality is considered to be an essential strategy. Offering superior products is no longer sufficient, as each organization in today's economy competes on a broader platform. Thus, many service organizations have responded to this strategy. In fact, organizations that has goods and services (e.g. banks) that are perceived as being of high quality will have greater market share, higher return on investment and higher asset turnover than organizations that have goods and services that are perceived as being of low quality. Additionally, the most important factor affecting business performance is the quality of goods and services offered by a bank relative to its competitors. Attention given to service quality and simultaneously to service climate can help a bank to differentiate itself from

others and gain a lasting competitive advantage. Therefore, many banks try to deliver service with superior and differentiated service quality. As such, people factors are the key in sustaining quality.

The concentration on the role of the employee in an organization, demonstrates that the employee is the source of information about the goods and services delivered from the customers' perspective in their day-to-day interactions. Regardless of the type of customer e.g. saver and loaner, their interaction with bank employees produces various kinds of information related to different aspects of a bank. Equally, the role of the bank employee cannot be neglected in connection with the role of the bank customer in voicing opinions about any specific feature of a bank's goods and services. Chapter 3 demonstrated the role and models related to customer and employee responses over the past years and the potential model generated for this study.

The researcher used a survey to design and acquire pertinent and appropriate answers for the research in question. The literature review was a manifestation of the integrated themes of service quality, service quality in banking, service climate and service climate in the banking sector. This provided insight and understanding for the following chapters, the research framework, methodology, data analysis and discussion of findings. In order to investigate the external service quality and internal service climate dimensions of bank customers and employees, the following research methodology was employed in

the study: to examine service quality and service climate, PAT, a semi-quantitative technique which allows qualitative data to be collected and yet assessed quantitatively was employed in the first phase of this study. The Profile Accumulation Technique developed by Johns and Lee-Ross (1995) was used to evaluate the emerging dimensions of service quality and service climate in the participating banks in Malaysia. PAT is an extremely resourceful technique, and has been used to assess the quality of various services, including hotels, restaurants, management associations, training organizations and tourist attractions (Othman, 2006). According to this technique, respondents write down the best and the worst aspects of a particular service experienced, on a simple form. Later on, from the results of the preliminary study, second phase close-ended questionnaires were constructed that involved nine dimensions for service quality (ATM; corporate image; customer interaction and customer service; online and phone banking; physical features and facilities; products and services; rates and charges; management; staff) and eleven dimensions for service climate (benefit, bonus, reward and salary; corporate image; customer service; facilities; organization; department and branch; management; organization output; products and services; workforce; myself).

Questionnaires administered among bank customers and employees were the data collection techniques employed in the study. The study's results illustrate unquestionably the importance of bank customers and employees and their practicability or viability as sources of information pertaining to product and

service delivery in the banking sector. The methodology employed, in particular its method of data analysis, met the criteria of survey research which included open ended and close ended questions in questionnaires administered in two sequential phases to design and acquire pertinent and appropriate answers for the research in question. The data analysis revealed that a service quality and service climate relationship of differing strength occurred, influenced by demographic characteristics. It is therefore the contention of this researcher that the study's findings can be regarded as trustworthy.

The analysis, it is hoped, has gone some way towards revealing both the manner and the nature of the construction of service quality and service climate. Whilst carrying out the analysis, the researcher produced an appropriate model for such work, given its affinity with the method of analysis used. This was done in order to reveal, whilst also trying to achieve, all the research objectives (and the aims outlined in Chapter 1). The relationship of service quality and service climate in the four local Malaysian banks was clear. It has not been argued that the influence of other factors in the relationship between service quality and service climate cannot be denied. Equally, the researcher included issues of the influence of demographic characteristics between dimensions and service quality e.g. gender, age, education, work sector and duration of being a customer of the respondents' frequently visited bank; between dimensions and service climate, for instance gender, age, education and length of tenure in a bank. It is now known that demographic characteristics have effects on the relationship; this

would lend an advantage for growth and success if the information were to be incorporated into the competitive strategies of the participating banks.

Many areas of research for the future offer exciting opportunities for new insights into the analysis of service quality and service climate; for example, the question of continuous development of these two disciplines and the linkage with other factors, such as labour engagement and the change of bank status including maturity, might involve a longitudinal study; this is an area of considerable importance but is one that has hardly been addressed. The researcher hopes that future work would examine the specific issue of the representation of this type of methodology. Finally, much more theoretical work, both creatively and academically, needs to be carried out on, and in, all forms of the quality and climate areas. The wider the range of people creating images and writing about them, the greater the scope for a recognition of the diversity within research communities of the values of customers and employees, for their differences as much as their similarities.

6.5   Implications

The assertions stated here are based on this research study and concern the bank customer and employee roles in service delivery, managers, organizations, policy makers and future researchers.

6.5.1   Implications for theory

PAT is a unique and versatile tool. Apart from being qualitative in nature, it can also generate statistical analysis. PAT was introduced as a technique for assessing perceptions of service quality by Johns and Lee-Ross (1995). In the first phase of this study, the researcher use PAT to assess bank customer expectations and positive and negative perceptions of service quality; to assess bank employee expectations and positive and negative perceptions of service climate. Previously PAT had only been used in hospitality and tourism; the researcher decided to test it in the banking sector for the first time.

There were several differences between the researcher's and other scholars' manipulation of the data from PAT questionnaires. The initiator used Excel to analyse the respondent data (Johns and Lee-Ross, 1995; 1997), whilst Othman (2006) used iPasadena and the researcher NVivo 7 in order to produce study results. The three above scholars drew on attributes (e.g. responsive, friendliness and accessibility), but the researcher made up her mind to utilize only aspects in the second phase of the study although the first phase produced aspects (e.g. ATM, corporate image and management) and attributes. Last but not least, there were other findings which could not be taken into account from the close-ended questionnaire: nature of work; workload and work life balance; learning environment; career development; equal opportunity and diversity (of staff); supportive supervision.

6.5.2   Implications for policy and practice in the banking sector

Bank closures, amalgamations and achievements; and low interest on deposits due to intense competition are two current trends in banking sector. Taken together, these factors mean that banks have had to cease from price competition and have been forced to focus on other battle for example quality of service and cost reduction. Through quality of service they expect to increase margins because it is believed that the customer is willing to pay a premium for better service. It is therefore important for bank managers to be sensitive to different demands and needs when developing their operational, human resource and marketing strategies with a view to improving the quality of service they offer to their customer and potential ones.

Analysis of the data collected answered the study's hypotheses with statistical significance, contributing to the collective body of knowledge about service quality and service climate identified by Parasuraman *et al* (1985), Johns and Lee-Ross (1995) and to the banking industry. With the information provided by this research, bank customer, bank employee, consultants, academics and research student will have enhanced knowledge of the service areas they need to focus on to improve quality of services overall; in the banking industry external and internally. Knowing that the dimensions are contributors (either positively or negatively) with overall service quality for the population as a whole can help industry experts avoid unnecessary and expensive programs that may have

focused on the lesser important dimensions. However, employees' perceptions of the way the organization functions are reflected in the quality of service customers say they receive (Schneider, 1990).

The findings suggest that banks should be looking carefully at each one of these dimensions where customers perceive receiving a different service than expected and consider the extent to which the banks should work on influencing expectations or perceptions or both.

6.5.2.1 Physical features and facilities; ATM; Online and phone banking

The continuous improvement efforts made by a bank can create a favourable image on the part of its customers that the bank is always taking care of the customers' changing needs and preferences (Jun and Cai, 2001) such as developing and rearranging alternative banking channels and networks will enhance the quality offered. There are several unique aspects that need more concerns by a bank in order to improve their online and phone banking system proposed by Jun and Cai (2001): (i) the speed of response and easy navigation; (ii) compatibility with current financial software e.g. Microsoft Money to assist customers in managing their financial data; and (iii) compatibility of the Website of a bank with customers' computers and their internet browsers. Improve accessibility includes services at entry point as well as better infrastructure for

communications services, particularly internet services for bank customer and employee.

6.5.2.2 Organization; management; department and branch

Banking research and planning should include a more pragmatic and integrated approach, especially in project planning and implementation. First step in planning enhancement programs, then, is to listen to the customers and employees. Further, to change an organization to be more service-oriented may require an open-systems framework for thinking about change, since so many subsystems (Katz and Kahn, 1978) apparently affect the service quality ultimately experienced by the customer. To change an organization to become one that is perceived to be a service climate requires attention to these multiple dimensions and multiple levels (Schneider, 1990). There is a need to modernize operational management in individual branches, as well as in the branch network.

6.5.2.3 Customer interaction and customer service

For the bank customers studied here, their recognition as regular customers, special treatment by personnel is importance. Dealing with the customer in the manner above, particularly if it is combined with a sense of confidentiality, is likely to be highly valued. Appropriate human resource management policies can play a significant role in improving customers'

perceptions. This can be achieved by: employing people who possess communication skills, selling skill and interpersonal skills; by special training in these particular skills; and by developing a remuneration system that encourages these skills. Educating and motivating customers to use alternative networks for simple exchanges such as transfers, withdrawals and deposits will also increase quality of service. This might prove to be time-consuming and resource consuming, but it will pay off in the long run.

Another factor that can contribute to a bank's success is the form of appropriate organisational structure and its policy of encountering discussions and suggestions. People in the front line are most often aware of quality needs of customers and can offer valuable suggestions. Banks should actively encourage all level of staff to contribute actively towards building a learning bank and its own service climate and culture.

Identifying and addressing individual dimensions, however, might not achieve much in the long run; it could be that more fundamental approaches need to be considered (Parasuraman *et al*, 1994) resulting in restructuring both the products and services offered by the banks and how it is offered.

6.5.2.4 Corporate image

The general trend towards deregulation and liberalization of the financial services sector and the intensification and globalization of competition will gradually erode any differences between what do customer and employee perceived. Facilitate strategic alliance and smart partnership amongst government agencies, banks and the industry players. These partnerships will help to create a better Malaysia and a more friendly society towards customers; internal and external. Lastly, the banks should undertake efforts to ensure that Malaysia continues to be a safe and pleasant country for investor.

Although this study focused on a broad conceptualization of service climate, the researcher agreed that it is important to consider both in future theoretical and empirical research an even broader focus on how various organizational systems (e.g. safety and diversity) might work together to improve the service delivery as other industries.

6.6   Recommendations

As the scope of this thesis was necessarily limited, the outcomes do not suggest that management act exclusively on the basis of this study. There are other techniques and studies that also deserve proper examination before making any service quality and climate decisions. Recommended organization specific actions are explained before industry specific ones.

If similar research was to be repeated considerable emphasis should be given to the sample extraction. This could be done by ensuring at an early stage that the organizations under consideration maintain data in the detail required for the research. An agreement should also be elicited to have access to this information. By its very nature, the research would require delicate handling, since personal details as well as attitudes and opinions were being sought. Therefore, it is perhaps understandable that organizations were not willing to provide the researcher with all of the information requested.

Overall, the measurement results were acceptable in terms of reliability and validity, but there is certainly a need for additional work to perfect service quality and service climate measures. These findings emphasize the importance of the dimensions suggested in measuring service quality and service climate of other organizations in the banking sector. Given that larger subgroup would most likely possess weaker climates and, as a result, weaker relationships with service quality, the boundary conditions for these two areas would need to be explored. This also stresses the importance of customizing measures of service quality and service climate in this particular sector due to the existence of different types of bank e.g. international versus local and conventional as opposed to Islamic. For instance, the results of this study should be considered in future planning and design of integrated facilities, as the conclusions are far reaching and significant for improved access to banking products and services according to population demands and needs. Different categories of customers in the population generally

and in the sample particularly might be looking for slightly different profiles of quality attributes, and thus this would have implications for the choice of marketing and communications strategies (Kangis and Voukelatos, 1997).

This study also provides specific recommendations for improving employee service performance. First, fostering a service-oriented climate helps. Employees do not work in a vacuum; their performance is influenced by the messages management sends and by the perceptions employees share among themselves. Organizations can use this mechanism to guide and educate their employees as to how the organizations value excellent service and to implement policies and procedures. When organizations demonstrate poor management of service, employees may feel this and start not to fulfil their duties. Future studies might wish to gather data on service quality and service climate from sources other than employees and customers, e.g. annual investment return reports, thereby providing a degree of triangulation data to the method.

Cross-sectional data cannot distinguish between these possibilities; longitudinal data is required. The cross-sectional nature of a study is certainly a limitation (De Jong *et al*, 2005). The functioning of organizations involves a dynamic process that changes over time. Future research should elaborate on this connection dynamics by conducting longitudinal studies.

Nonetheless, future research should examine other forms of climate. In particular, aggregate perceptions of interpersonal and informational climate could have a variety of beneficial effects in departments, branches or organizations. Although many other questions remain unresolved, these could be carried over for further studies. The lessons of this thesis will only be effective if management of the particular banks treat the outcomes here as complementary to other types of knowledge, knowledge which they should pursue as part of their ongoing service quality and climate decision making processes.

There remains some concern about the generalizability of these findings outside of a banking context. With only four organizations within one type of service provider studied, there are always concerns about generalizability. As for industry specific recommendations in Malaysia, future research should examine the relationships of service climate and service quality at the industry level of analysis, involving different type of industries that contribute to the national income. Nevertheless, causal inferences should, if possible, be investigated. Additional research projects might be developed on matters such as the impact of certain environmental variables e.g. before and after a national election and their influence in shaping service quality/service climate (Glaveli *et al*, 2006) and how these circumstances develop over time. Potential researchers should also examine other ways of nurturing service quality and service climate in line with what scholars have proposed in their studies. Finally, future replication and extension of this multi purpose investigation are warranted.

6.7   Contribution and Significance of the Study

In recent times, much has been said about the important role that government should play in delivering services to the people. Financial services including banking are an area of government that is under continual scrutiny from time to time depending on the current global economic waves. Control through multitudes of regulations and procedures, administered by a central body removed from service delivery, has created managers with limited power but full responsibility for any problems that occur. And yet, the nature of bureaucracy is to circulate more rules and regulations to address problems and stabilize the environment.

In answering the question, 'What can the researcher contribute by way of new method in obtaining the study findings?', going further than the particular changes for the participating banks and in the banking industry strategies generally. The potential implications of this research for others in relation to the major themes that have developed from the surveys need to be considered. An important contribution of the study is that it has revealed and highlighted the dimensions that are vital to the bank customer and employee and to future initiatives to be undertaken in banks. This research is of significance to scholars as it extends the knowledge base that currently exists in the field. The concept of service quality and service climate is relatively deep-rooted for the majority of researchers. Numerous researchers who have chosen to embrace the concept and

have implemented the concept into their studies have welcomed the educational and administrative benefits it has to offer. Therefore, research which has explored the advantages of service quality and climate would help to raise awareness among those who are unacquainted with its potential applications and benefits within their managerial setting. To illustrate service quality and service climate, the research investigated four institutions (banks) using bank customers and employees as the respondents. The findings have demonstrated the capacity to impact upon the method by which information in these two areas was taken seriously by the respondents.

Another important contribution of the current study is the conceptual model recommended by the researcher. This model could be used by the banks to evaluate their service quality and service climate programmes and evaluate their current circumstances. The proposed model indicates the basic factors of these two areas and their important sustaining conditions. It has the potential to assist researchers in concentrating efforts on a specific research area while simultaneously having an aerial view of the development process. It can also assist organizations in becoming aware of problematic areas in their available customer-and employee-based strategies, as a consequence, motivating them (the managers and employees) to improve it.

The decision to include different banks as a sample for the research proved that the methodology adapted was well-suited for the purpose of the study. The

dimensions have been identified, showing their potential to enhance their contribution to the banking sector particularly, the service sector and the economy in general. The ability of banking industry to generate high multiplier effects across many sectors would definitely increase the inter- and intra-sectional linkages. Banks' efforts to upgrade their infrastructure and facilities as well as to develop more products and services to offer should occur in tandem with improving the service quality and service climate simultaneously (in the organizations) among the industry players. As such, by conducting the study in Malaysia, the culture in a developing country, the results might be compared to other studies and might contribute more fully to the discipline of management.

6.8   Limitations

Section 1.7 outlined some of the major limitations that were a deliberate part of the research, for example industry boundaries to the research problem. This section discusses other limitations that became apparent during the progress of the study.

The factors which limit the ability to generalize findings; e.g., sampling bias, inappropriate sample size and weaknesses of setting. Practical limitations on the sampling frame in survey research need to be clarified and justified. The preferred sampling method could not be used due to restrictions imposed by the organizations involved. Some of the relationships observed could be inflated by

some source bias. Relationships with performance were not from the same source but relationships with climate strength should not be affected by response tendencies. The same source bias is also unlikely to create interaction effects (Schmitt, 1994). Requirements for the organizations to keep such information confidential might have hindered the research. Despite the organizations being given a report on the confidential findings, it seemed that they viewed the study as being of a sensitive nature. They were made aware that the research intended to investigate other organizations, and might have considered that a comparison would be drawn between each organization. Therefore, it is possible to argue that they were not willing to be seen in a 'bad light' when compared with other organizations, despite organizations being identified in the research as numbers and not receiving information on any other organization. This highlights possible conflict of interest between the needs of the academic researcher and the concerns of the organization about the added workload associated with being involved in an academic study, despite any benefits the organization might gain from the study.

Service quality and service climate were measured using only customers' and employees' perceptions in the close ended survey, rather than measuring the difference between expectations and perceptions, as some researchers have suggested. The method of data collection was also a limitation. Data was primarily gathered by a single questionnaire for each bank customer and employee in each phase. Though much care was taken in the translation of scale

items, it cannot be completely guaranteed that there is exact linguistic equivalence between the original scales and the translated ones.

Some insignificant findings of this study were shown to have particular effects. Although they might be the consequence of insufficient statistical power due to the small sample size, they might well suggest necessary modifications in measurement or model specification in future research. Another limitation of the current study concerns potential generalizability. Restricting the sample to a single sample from the same organization ruled out a number of factors associated with different occupations. However, the results were largely consistent with prior theoretical and empirical work. This research was based on the experiences of bank customers and employees of four local banks and this posed as a limitation as it is therefore difficult for the research results to be generalized to other institutions. The reliance on one single institution's customer and employee base, particularly since there might be some differences between customers and employees of a credit union and a commercial bank, should be further explored. This study was conducted in the banking sector in Malaysia. Therefore, as often shown in this kind of research, there may be several possible problems related to cross-national or cultural research.

Another potential weakness is the general absence of data with regard to larger environmental effects on the relationships studied here. For instance, the

researcher had no data on the socioeconomic status of the geographical area in which the organizations were located.

The researcher was a novice to research in general and to the use of tools like NVivo 7. While the use of the tool has been an immense asset to manage the quantity of data and ideas crossing many different phases of a long term research study, much had to be learned from the trail and error process. These are summarized below, categorized into two groups: limitations due to lack of expertise and those that are tool related.

While the tool was used extensively across the different phases of the study, not all sub-phases were supported with NVivo 7. For example, a significant effort was put into identifying literature to support the item derivation process. This could have been better managed with the use of a tool like NVivo 7. There were some functions within the tool that the researcher did not have knowledge of, such as the use of 'sets', some advanced search options and the modelling capability. For example, the model functionality could have been used to identify direct relationships between published studies and sets could have been used to better organise the literature based on different demographic aspects of the research origins. The research management of this study using NVivo 7 might have been further improved if these had been used. Further more, the researcher could have maintained a research journal via the tool to capture not only the process but also the thoughts and the tacit knowledge associated with the process

of analysing the data from the start to the end of the study. This would have been a useful monograph for novice researchers.

Some tasks associated with the process described here could have made easier with minor improvements of the tool. These are documented here with the goal of reaching potential tool vendors. NVivo 7 only worked directly with a limited range of file types and requires the researcher to convert the data files to plain text formats, which takes away the formatting of the documents; makes the context 'messy' to read and interpret. This also makes it difficult to import important information which might be formatted as tables or footnotes. It is impossible to maintain non-text information within the tool. Ironically, in many scenarios of qualitative research, non-text data plays a crucial role in the analysis process, but the tool unfortunately does not support this. It would have been very useful to have a direct interface with Excel, especially where reports and search results from various queries can be exported directly to Excel or Word. The overall graphical user interface of the tool could also be improved to ease navigation and customizability.

In terms of strengths, the researcher did utilize a predictive design and multiple independent sources of data (e.g. customer survey, employee survey and archival data). In terms of limitations, it is possible that the archival outcomes that were used in this study could have been influenced by a reporting bias. Although the study design was predictive in nature, it essentially involved a correlational

design, the data presented being cross-sectional, thereby making it impossible to access causality. The true causal direction can only be ascertained using experimental or longitudinal data collection methods. Therefore, despite the predictive nature of the design, the researcher was still prevented from drawing firm causal conclusions and ruling out other possible explanations for the observed relationships. Some of the relationships tested were based on small sample sizes. In light of this, the researcher tried to focus explicitly on relationships among the variables of interest and attempted to avoid causal language.

There exists some possibility of response bias, such as social desirability, compliance, belief and the leniency effect. Malaysians are more likely to have collectivistic cultural values than individuals from the West, which might produce some systematic biases in responses to measures. However, despite possible problems, the researcher could not find any reason to believe that the theoretical relationships assessed in the Malaysian sample would be dissimilar to findings on these issues in other countries.

6.9   Summary

Banks of the type examined in this study have something of a dual character. They are institutions that train qualified employees and are subject to some sort of official regulation in terms of the quality of the banking experience

they provide their clients. They are also service organizations that operate in a competitive environment and are expected to generate profits for their stakeholders. This may explain why they have been largely overlooked in terms of research into administrative and management aspects of their operations: to educational researchers, they are private firms, but to management researchers they are complete with wealthy sources of information and knowledge relating to behavioural science, management science, social science and knowledge management.

The objectives of this research study have been met as they were outlined. The major contribution of this research lies in the development of a measurement tool of service quality and service climate that includes nine and eleven dimensions respectively after conducting two phases of study. This measurement tool was developed based on the assumptions that the concerns about service quality and service climate might relate to each other (Schneider and White, 2004). The first phase of the study used the PAT, only tested for the first time in the banking industry. Although the statistics clearly demonstrate the extent of each contributor with respect to service quality and service climate, a weak relationship between these two areas was proven. As the focus of this study was on bank customers and bank employees, the researcher specified antecedents at the group level.

Many delimitations and limitations cannot be avoided during the process which was beyond the researcher's influence. As a senior management officer from a bank noted, seemingly small factors can lead to variance in climates across subunits (Dietz *et al*, 2004). Therefore, a final issue that warrants attention is the fact that a great amount of individual variance in service quality and service climate perceptions remains largely unexplained.

The banking industry is dealing with expectations and perceptions of the customer and employee; hence quality issues and their impact on the national economy are very significant to Malaysia. Quality of service is an important factor which will ultimately dictate the success of Malaysian banking industry. Above all, quality and climate issues will be the main driving forces to ensure banks strive for excellence in meeting the challenges of the future.