

Internal service
quality drives internal
customer satisfaction



Introduction

In today's competitive world, organisations are becoming more and more aware of the growing importance of delivering a valued service quality in order to maximise their profitability. The creation of loyal customers is the key to the growth of any business. Loyalty is the direct result of a satisfied customer. Nowadays, customers are value-oriented. The quality of service delivered to them is the determinant of their level of satisfaction. Value delivered externally to the customers is dependent upon the level of satisfaction and loyalty among the employees who are also the internal customers of the organisation. Employee satisfaction is in turn dependent upon the quality of service provided to them internally to empower them as can be observed in the Service Profit Chain.

The Service- Profit Chain : linking employee, customers and profit

In the service sector, the employee's work experience and the organisational performance are two factors which are related. Management theorists named this view of organisational performance as the service profit chain. The model states that satisfied and motivated employees are the key to satisfied external customers. Thus, it is of paramount importance to take the internal service quality into consideration if the organisation wants to create a motivated workforce.

The model lays emphasis upon delivering excellent internal service quality to have a pool of satisfied internal customers who will then be more productive, thus in turn exhibit enthusiasm to deliver valued external service that end up

inflicting countless customers with similar satisfaction, loyalty and dedication which ultimately boost the revenue and profitability of the organisation.

Before we can explore the service profit chain, it is important to get a knowledge about what constitute a service.

Service

A service is a non-material equivalent of a good. As Mike (2008) stated, 'service is known as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything'. For example the Mauritius Commercial Bank provides its customers with services such as secretarial services which include providing advice and assistance on implementation of corporate actions. The characteristics a service has makes it unique in itself.

The key characteristics of a service can be grouped under four categories :

Characteristics

Description

Intangibility

A service is a type of intangible good. Intangibility means that a service can not be touched, smelled, handled or tasted as opposed to a physical goods.

Perishability

Services can not be stored and carried forward to a future time period (Zeithaml et al 1985). They are time dependent and time important which make them very perishable (Onkvisit et al., 1991).

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Inseparability & simultaneity

Production and consumption of services are inseparable (Gronroos, 1978). Services are delivered by the service provider and consumed by the service consumer at the same time.

Heterogeneity

It reflects the potential for high variability in service delivery (Zeithaml et al 1985). The same service provided to one customer at a particular point in time, can never be exactly repeated at another point in time for another one.

Service marketing mix : a new imperative to market services

The marketing mix is the combination of marketing activities that an organisation performs in order to best meet the needs of its targeted customers. Initially, McCarthy (1964) introduced the 4Ps which included the product, place, price and promotion. Later on, in the context of services marketing, Booms and Bitner (1981), suggested another extra 3Ps which consisted of people, process and physical evidence.

People

This aspect includes all the people directly or indirectly involved in the service encounter, among whom include the contact employees who also happen to be the internal customers. The latter are not always standard in their performance since services are produced and consumed on the spot. As a result, this may lead to different service quality. Thus, bank management should invest heavily in their internal customers through providing them with an excellent internal service quality which will empower them to deliver

valued external service to the bank's external customers as shown in the figure 3. 1.

Physical Evidence

From the appearance of the building to the interior furnishing till the staff members, all is referred to as the physical evidence. The latter need to be properly managed since it has a profound impact on the customer's perception about an organisation (Lovelock et al., 1999). Likewise, banking institutions should give importance to the design of their workplace if they want to make their employees satisfied and empowered to better serve their customers. The employees must be well dressed to create a good impression in the customers' mind.

Process

It refers to the procedures, mechanism and flow of activities adopted to deliver the service. Badly designed processes annoy customers because of slow and ineffective service quality also prevent contact employees from accomplishing their job properly (Lovelock et al., 1999). In banking institutions, the employees should be provided with the necessary resources and tools to speed up the flow of activities, with the successful delivery of the service. The next section will give a view about the importance of the service sector nowadays.

Service sector as a major part of the economy

The service sector is the segment of the economy which provide service instead of just end product. It is also known as the tertiary sector. The

service sector includes banking, communication, finance, education, health care, wholesale, transportation and others.

The entries below give the percentage contribution of agriculture, industry, and services to total GDP.

According to the above survey, the importance of the service sector for the economy is obvious both in Mauritius and world wide. The service sector in Mauritius accounts for over 70 per cent of the Gross Domestic Product in 2009, that for the United States and the United Kingdom is 76.9 per cent and 75 per cent respectively for the same year. For the whole world, the service sector accounted for 63.4 per cent of the Gross Domestic Product, in 2009. Hence, it can be said that the contribution of the service sector to the economy of almost every country around the world is greatest.

Similarly in the United Kingdom, in a recent report published by the BBC, on 3rd March 2010, it was stated that the service sector grew at its fastest monthly speed in three years in February. According to a survey, it was shown that the UK economy grew by 0.3% in the final three months of last year and the rise was due to the strong performance of the service sector. Hence, the service is undoubtedly a vital component of the UK economy. Gradually, the service sector is becoming an important part of the economy of almost every country. Thus, it is important to shed some light upon the proper management of services.

Sustaining success through a service orientation

Christian Grönroos (1984) stated that "service management is the

understanding of how to manage a business in competitive situation where
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services, are defined as the key to success in the marketplace, regardless of whether the core of the offering is a service or manufactured product”.

A service orientation enhances both the internal and external climate of an organisation as shown in figure 3. 2. A good internal climate in the banks make the employees committed to their work and thus more productive, providing valued service to their customers. A good external service creates loyal customers, which increases organisation’s profitability in the long run as shown in the Service Profit Chain in figure 3. 1. Hence banks being a service organisation should be more service oriented towards their internal customers who are their assets. They should adopt a service culture internally to be able to gain a competitive position in the market. According to Brown (2003) “ a service culture is one where an appreciation for good service exists, and where giving good service to internal as well as ultimate external customers is considered by everyone a natural way of life and one of the most important values”. Along with adopting a service orientation, banking institutions should aim at improving their service quality if they want to be a market leader in their respective fields.

Pursuit of excellence through Service Quality

Service quality is a measure of an organisation’s performance and continues to attract the attention of practitioners and academics (Yavas et al., 2001).

In the context of banking, quality may be defined as the ability to satisfy the customer’s requirements and needs and to be able to replicate this on an on-going basis. The increasingly competitive market for many services has lead consumers to become more selective in the services they choose. Very

often, service consumers use the term quality to differentiate between the <https://assignbuster.com/internal-service-quality-drives-inernal-customer-satisfaction/>

service offered by one bank to another. The internal as well as the external service quality should be the prime concern of all banking institutions.

Quality has been defined differently by different people, as value (Abbott, 1955), conformance to specifications (Gilmore, 1974), conformance to requirements (Crosby 1979), fitness for use (Juran, 1974), loss avoidance (Tanguchi, 1989) and meeting and/or exceeding customers' expectations (Zeithaml et al., 1985).

Below are the examples of two banks who have recognised for their service quality:

The focus of the HSBC Insurance Singapore Pte Ltd on service quality has placed it ahead of its competitors. It has won the World Finance Insurance Company of the year 2009 out of 36 countries for the financial stability and quality of their service. (News release, HSBC Insurance Singapore Pte Ltd,, 2009).

Barclays was awarded Business Superbrands status for 2008 in recognition of quality, reliability and distinction.

The above examples show that organisations are becoming more and more conscious about providing a good service quality. They are using service quality models to measure their level of service quality as well as to determine where they are lagging in the battle for quality.

Some Service Quality Models

There are numerous service quality models which attempts at capturing and defining service quality. Some of the service quality models are listed below:
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The Gap model (Parasuraman et al., 1985)

The RATER model (Zeithaml et al. 1990) or the SERVQUAL model (Parasuraman et al., 1988)

INTSERVQUAL model (Zeithaml et al., 1990)

GAP MODEL OF SERVICE QUALITY

The GAP model was introduced by Parasuraman et al. (1985). It measures service quality as the gap between a customer's expectations and perceptions. It was built upon the assumption that the smaller the gap, the better the quality of service provided.

Role of HR

Gap 1

Customer expectation & management perception gap

- Lack of internal communications
- Lack of management contact with customers
- Inaccurate information from market research
- The bank should have flatter organisational structure
- Implement a system to register customer response
- Adopt more effective marketing strategies

Gap 2

Management perception & service quality specification gap

- Poor planning
- Insufficient service leadership
- Recruit the appropriate candidate who have the appropriate leadership skills to better guide the employees towards the bank's goal.

Gap 3

Service quality specification & service delivery gap

- Failure to match supply and demand
- Specification not in line with existing corporate culture
- Inadequate internal marketing
- Internal service quality in the bank should be improved through frequent internal marketing. They should also adopt a good forecasting method to avoid disparity between supply and demand.

Gap 4

Service delivery & external communication gap

- Overpromising
- Insufficient horizontal communication

- The bank should ensure that they have the correct resources prior to making any promise to the customer to avoid dissatisfaction and the organisational structure should be lowered to facilitate communication.

Gap 5

Expected service & perceived service gap

- A bad impact on company's image
- Bad quality
- The bank should develop a quality manual based upon which every employee will work. Thus delivering a valued external service quality which will lead to a good corporate image.

Source: Key factors in the GAP model (Zeithaml 1990)

Table 3. 4: Description of the gaps in the Gap model

It must be noted that each of the above gaps are reflected on the Total Service Quality Perception. This perceived quality model was introduced by Christian Gronroos in 1982. It includes the outcome of a service, the service process and the service provider's image (Suzana Salai et al., 2007).

Applying this model internally in a bank, then it can be said that the quality of a service as perceived by the bank's internal customer is the difference between their expected quality and experienced quality. This gap is the total perceived quality. If experienced quality is less than expected quality, then the total perceived quality will be negative. The expected quality is a

function of factors such as internal marketing, image, word of mouth and others whereas the experienced quality is a result of the technical and functional quality which is filtered through the image of the organisation. In the context of a bank, the technical quality refers to ' what' the bank gives the customer and the functional quality refers to ' How' the bank's services are provided to the customer. These two quality factors will be filtered by the corporate image. A bad corporate image will lead a bad experienced quality as shown by Gap 5 in table 3. 5.

After the GAP model, Parasuraman et al. (1985) proposed a measurement model SERVQUAL for measurement of service quality within the GAP framework.

SERVQUAL

The SERVQUAL is an instrument, developed by Parasuraman et al. (1988), for measuring customer's perception of service quality by making a comparison between their expectation with their perception of the services received. The model is based on a 22-item questionnaire designed to cover five broad dimensions of service quality namely tangibles, reliability, responsiveness, assurances, empathy (Parasuraman, 1988). It is used to measure the expectation- perception service gap, which is the fifth gap in the GAP model. This gap is the result of the four internal quality gaps(Zeithaml et al. 1990). The five service quality dimensions are as followed:

Dimensions

Description

People aspect

Tangibles

Tangibles refers to the appearance of physical facilities, bank employees neat dress and professional appearance.

Access to a wide variety of tangibles to perform their job empower the internal customers to better serve their external customers. The workplace is one of the tangibles based upon which the customers form their perception.

Reliability

The ability to perform the promised service dependably and accurately.

The internal service providers should live up to the promises they have made to the internal customers if they want to avoid employee alienation. In turn, the internal customer will better fulfill the promises made to the external customers to create loyalty among them and boost the revenue of the organisation as shown in the Service Profit Chain.

Responsiveness

The willingness to provide quick service and to help consumers.

For the employees to respond quickly to the customers, they should be satisfied with the internal service provided to them. First of all, the

employees should receive a rapid service from the internal service providers. If they are satisfied then only they will respond quickly to the customers.

Assurances

Knowledge and courtesy of employees and their ability to convey trust and confidence.

The external customers form their perception based on the knowledge and courtesy of the internal customers. The latter should be able to attend to their queries efficiently. Hence there should be continuous training and knowledge sharing across the organisation.

Empathy

It refers to the caring attention the employees provide to their individual customers- Good communication.

For the employees to give individual attention to their respective customers, the internal customers themselves should be accorded such attention. Then only the employees will be satisfied and more empowered to deliver better service to the customers as shown in the SPC.

Source: Zeithaml et al. (1990)

Table 3. 5: Description of the RATER

The HSBC bank of Mauritius have in place a 24-Hour Contact Centre to attend to enquiries and a dedicated unit to look into all complaints and

endeavours to resolve them within 2 business days from the day of receipt. This shows that they are very responsive to their clients.

Based on the discrepancies between expectations and experiences over the 22 attributes, an overall quality score is calculated. The more the score shows that experiences are below expectation, the lower the perceived quality. The purpose of SERVQUAL is to serve as a methodology for discovering broad areas of an organisation's service quality shortfalls and strengths. ItL has been used to measure service quality in a variety of service industries, including the healthcare sector, banking , fast food , telecommunications and others, across the USA , China, Australia , Cyprus, Hong Kong, South Africa, Netherlands and the UK (Riadh Ladhari, 2009, pp172-198). Several studies have been conducted in the past using the SERVQUAL model. Among these, Yavas et al. (1997) investigated the relationship between service quality, customer satisfaction , complaint behaviour and commitment in the banking sector of Turkey using the SERVQUAL. Despite the diverse criticisms upon its dimensional structure, the SERVQUAL has been a useful tool for measurement of service quality (Buttle, 1996).

INTSERVQUAL

Service organisations rarely have satisfied external customers without satisfied internal customers, hence internal service quality is crucial for superior external service quality. There is a need to to have a good service quality internally in the organisation, thus the term Internal Service Quality (INTSERVQUAL). The organisation represents a mini society where the

employees are the internal customers and the Human Resource is the
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service provider. In this setting, the Human Resource Department should cater for the needs of his customers . It is his duty to provide his internal customers with good quality service so that they become loyal to the service provider. Enhancing the internal service quality soars employee satisfaction and ultimately profitability as shown in table xx below: To enhance profitability in a bank, the internal service delivered to the employees should be of top quality.

The internal service Quality is an adaptation of the GAP Model and the SERVQUAL model (Frederick A. Frost, 2000).

Expected service of the

bank's internal customers

INTERNAL CUSTOMERS

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Internal Gap 5

Perceived service of

bank's internal customers È...

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SERVICE PROVIDER

Service delivery Internal Gap 1

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Internal Gap 3 ^

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Translation of perception into

service Quality Specifications

Perception of bank's

internal supplier

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Source: Frederick A. et al., 2000. An internal adaptation of the GAP model

Figure 3. 4 : Internal service quality model for a bank

Internal gaps

Description

Internal Gap 1

It is the difference between the internal supplier's perception of the internal customer's expectation

Internal Gap 3

The gap between service quality specification and the service quality which is actually delivered. It is known as the internal service performance gap.

Internal Gap 5

It refers to the customer's expectations of a service compared with their perception of that service,

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Table 3. 6 : Description of the internal gaps

To eradicate the gaps from the root , it is imperative to conduct internal marketing in organisations in order to better identify the problems and design solutions about the needs of the internal customers.

Directing services inwards through Internal Marketing

Nowadays marketing activities are no longer restricted only to the external customers but to the internal ones as well. The employees are referred to as the internal customers of an organization. Parasuraman et al.(1991), define internal marketing as the process of " attracting, developing, motivating and retaining qualified employees through job-products that satisfy their need".

Internal marketing literature suggests that the way to satisfied customers is through satisfied employees (Heskett et al., 1994). If the banks want their employees to deliver exceptional services to their customers then they must be prepared to do a great job with their employees. They should conduct frequent internal marketing to identify the needs, requirements and problems of their employees. As such, the employees will be more satisfied, loyal and productive as shown in the figure 3. 1.

Relationship marketing as part of internal marketing

Marketers are starting to appreciate that the basis for enduring a profitable growth is the creation and reinforcement of building customer relationships. Grönroos (1997) defined relationship marketing as the marketing strategy used " to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met". This can be achieved through adopting a customer relationship

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marketing with the internal customers. This is achieved by a mutual exchange and fulfilment of promises”.

The promise concept

Along with a relationship marketing, the banking institutions should also adopt a promise concept internally. Its aim is to develop long-term relationships with new and existing internal customers, and improving the banks' performance through internal customer loyalty and retention. The banks should make sure that they have the necessary resources, knowledge, skills and motivation prior to making promises to the employees. In case the promises are not kept, this may lead to employee dissatisfaction and alienation (Grönroos, 2006). Honoring the promises made will create loyalty among the employees thus empowering them to perform better as shown in figure 3. 1.

The next section will talk about the internal service quality dimensions that need to be marketed internally to boost profitability as shown in the table below.

This link....

The internal service quality dimensions

The environment in which the employees work have a great impact on their level of satisfaction. The latter is among one of the first links in the Service Profit chain leading to Profitability as shown in table 3. 12, thus the services delivered to them should be of top quality. Below are the dimensions of the

work environment that can be improved upon to increase satisfaction and consequently productivity among the employees.

(a) Job Design: the key to attraction and retention

The main purpose of job design is to increase both employee motivation and productivity (Rush, 1971). Jobs should be arranged in such a way so as to reduce employee alienation arising from repetitive and mechanistic jobs. The Job Characteristic Model of Hackman and Oldham (1976) states that employees will work hard when they are rewarded for the work they do and when the work gives them satisfaction. Therefore, they suggested that motivation, satisfaction and performance should be integrated in the job design.

According to the model, there are five core job dimensions which contribute to three psychological states which in turn influence the work outcomes.

Skill Variety

Task Identity

Task significance

Autonomy

Feedback

Meaningfulness

Responsibility

Knowledge of

outcome

High Motivation

Job

Characteristics

Psychological

States

Outcome

Source: Hackman and Oldham, 1976. Job Characteristics Model.

Figure 3. 5: The Job Characteristics Model

How satisfying a job is can be measured according to these five dimensions:

Job Characteristics

Description

Solutions

Skill variety

This refers to the range of skills or abilities the employee will be required to use to accomplish the job. The employee will be more motivated to work if he is challenged to use a variety of skills to complete a job.

Vary the job to enable use of more skills.

Task Identity

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This refers to the extent the job requires completion of a “whole” and identifiable piece of work. Employees who are entrusted to complete a work from beginning to the end, with a visible outcome, are more satisfied (J. Hackman, 1994).

Assign the work to group to increase the wholeness of the task performed.

Task Significance

This looks at the impacts of the job. Employees are usually more motivated to accomplish a job which they know is adding value to the organisation or is making a difference to the society at large.

Same as for Task Identity.

Autonomy

This describes the amount of freedom and independence the employees are allowed while performing their jobs. More discretion leads to more employee satisfaction.

Allocate works to their lowest possible level to create autonomy as well as responsibility.

Feedback

This dimension looks at the amount of information an employee obtains about his or her performance, and the extent to which he or she can see the impact of the work. The more the employees are given feedback about their jobs, the more they will be motivated to do a better job the next time.

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Connect the employees to the result of their work and the customers that receive them so that they learn from the mistakes they commit.

Table 3. 7: Description and solutions of the job characteristics

Bassey (2002) observed in his study that skills, task identity, task significance, autonomy, feedback, job security and compensation are crucial factors for the motivation of employees. According to J. Hackman (1994), these five core dimensions are derived from three psychological states namely meaningfulness of work, responsibility and knowledge of outcome. Skill variety, Task Identity and Task Significance contributes to a job's meaningfulness. A sense of personal responsibility for work outcome is derived from the degree of autonomy provided. The extent of feedback provided gives an idea about the knowledge of results provided.

(b) Workplace Design

In the rapidly changing business environment, there is an urgent need to use the design of the workplace as a strategy to enhance productivity. The workplace has since decades been subject to multitude of innovations. Investment in the quality of working environment is a way of avoiding loss of performance and thus creating a competitive advantage. A study conducted by the Commission for Architecture & the Built Environment and the British Council for Offices in 2005 has revealed that simple things such as good lighting and having adequate daylight can diminish level of absenteeism by 15 per cent and increase productivity by between 2.8 per cent and 20 per cent (Management Issues, 2005).

Below are some dimensions that must be improved during the design of a workplace:

Dimensions

Description

SERVQUAL dimensions

work patterns

How employees work differently.

It can refer to the office work hour pattern or in-the office work patterns.

As a result of good psychological principles and proper work patterns, the employees will tend to be more reliable, responsive as well as convey assurance and empathy to the customers.

psychological principles

Environment should be stimulating for the employees to work. They should have a sense of belongingness, identity and control.

working spaces

How the spaces are efficiently managed. It vary according to the arrangements of the tools and resources they are provided with.

It refers to the Tangibles of the office that can be improved upon to make the employees more satisfied.

physical design principles

Refer to the light, color, surfaces, shape, distance, sound and others in the office.

physical layout elements

Refer to the layout of the doors, windows, flooring, storage, ceilings and others.

workstation design

Design of the desks, light, storage and utilities where the staff sits and work.

workplaces for teams

Building of space where teams can work together.

Designing experiences

Customers should have a good experience when they visit the office. It should also be motivating for the employee to work.

Source: workplace design, Changing Minds. org

Table 3. 8: Principles in designing workplaces and offices

Booms and Bitner introduces the servicescape model to help organisation better manage the physical setting of the environment for the service process. Booms and Bitner (1981) defined servicescape as ' the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service'. This model emphasize the impact of the

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physical setting (the Tangibles as shown in table 3. 5) in which the service process between the contact employee and the customer takes place.

Parasuraman et al. (1988) states that in service organisations, the same physical setting that communicates with and influence customers may affect employees of the firm. Sundstrom et al. (1989) says that research in organisational behaviour suggests that the physical setting can influence employee's satisfaction, productivity and motivation. Hence the physical setting of an organisation must be well designed to avoid employee disengagement and dissatisfaction.

Tangibles of the service in the banking sector includes the ambient condition such as good ventilation, smell, noise pre