

MANAGING THE BANK SERVICE ENCOUNTER: A CONCEPTUAL MODEL

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ABSTRACT

In financial services marketing, especially among banks, there are a limited number of chances to impress the customer, since the services are becoming more automated. Since personal interactions with customers are becoming less numerous, customers are expecting higher quality contacts and more individual treatment.

This paper proposes a service encounter management model which may impact on the customers service experience. By matching service employees with customers, the effects of certain human resources strategies may be ascertained through the customers perception of the employee service quality and the overall service quality.

OPSOMMING

Daar is 'n beperkte geleentheid om die finansiële dienste kliënt, veral die in banke, te beïndruk, aangesien dienste al meer ge-outomatiseer raak. Seinde persoonlike kontak met kliënte al minder word, verwag kliënte hoër gehalte kontak en meer individuele behandeling.

Hierdie artikel stel 'n bestuursmodel vir diensontmoetings voor wat 'n impak op kliënte se dienservarings mag hê. Deur dienswerknemers met kliënte te verbind kan bepaalde menslike hulpbronstrategie-effekte vasgestel word, deur middel van kliënte se persepsie van werknemer-diensgehalte en algemene diensgehalte.

The South African banking environment is becoming increasingly competitive (Heydenrych, 1997) and in the context of deregulated financial markets, customers of banks are increasingly able and willing to shop around for financial services which best meet their expectations. Since the products offered by most banks are almost identical and can be easily copied (Formby, 1996) it seems that the only competitive weapon is the quality of service offered. Certain researchers such as Stemper (1991) and Gerson (1992) postulate that financial service companies lose customers more often because of poor service than because of poor products.

In view of the aforementioned, this paper attempts to explore the literature and postulate relationships between the type of organizational socialization, the organizational climate, role and service quality.

THEORETICAL REVIEW

Bitner, Booms and Mohr (1994) assert that from the service customer's point of view, the most immediate evidence of service occurs in the service encounter or the 'moment of truth' when the customer interacts with the firm. Service quality researchers such as Bowen, Chase and Cummings (1990) tend to emphasize the social psychology perspective by focusing on the nature of the interaction between the customer and service personnel during the service.

Several researchers (Keltner and Finegold, 1996; Baron, Harris and Davies, 1997) assert that since the importance of people or the 'human element' in the service offering cannot be over-emphasized, the crucial importance of the human interaction between personnel and the customer during the service encounter has been almost universally acknowledged. The encounter has been studied from a number of perspectives, namely the 'Role Theory', 'Script Theory', and 'Critical Incident Theory', (Solomon, Suprenant, Czepiel and Gutman, 1985; Smith & Houston, 1983).

Although these studies differ to some extent in approach, one common theme prevails, namely, the influence of the expectations of the participants in the service encounter. Thus it is assumed that customer and service personnel, who both participate in the service delivery, depend on each other for a successful service encounter. By examining several reasons for poor service and customer switching, Keaveney (1995) ascertained that service encounter failures attributed to some aspect of the service employee's behaviour was the 2nd (to price) most important reason for switching services.

Senge (1990) asserts that customer service programmes cannot succeed within a company unless top management is committed to the concept. Top management should develop a clear service vision for the organization and communicate this service mission statement to all employees so that they could make it a reality. Furthermore, Senge (1990, p. 20) posits that 'it is through organizational socialization that employees become aware of the philosophy and corporate culture of their organization.' According to Wagner and Hollenbeck (1996) organizational socialization is the process by which employees learn, appreciate, and internalize an organization's goals, values, social knowledge, and expected behaviours. As such socialization focuses on how individuals learn the beliefs, values, orientations, behaviours, skills, and so forth necessary to fulfill their [new] roles and function effectively within an organization's milieu. The process would therefore include inter-alia, formal and informal programmes. During formal socialization, (new) employees are separated from others while they learn about the organization and their tasks, whereas during informal socialization, (new) employees interact with more experienced employees, become integrated into their work groups, and learn on the job.

Researchers such as Hartline and Ferrel (1993) who examined the process of organizational socialization as it pertains to employees of service organizations have not focused on socialization tactics per se. Ashforth and Saks (1996) remark that despite the cogency of this typology, research on socialization tactics with reference to service employees has been relatively scarce. In view of the aforementioned, it is proposed that:

P1: Formal organizational socialization [FS] of the bank employees is positively associated with the overall service quality [SQUAL] as perceived by the bank customers.

P2: Informal organizational socialization [IS] of the bank employees is negatively associated with the overall service quality as perceived by the bank customers.

Because of the intangibility of most services, the only tangible cue may be the service employee. In the light of this, it is also proposed that:

P3: Customer perception of the overall service quality is positively associated with their perception of the employee service quality [EQUAL].

In view of P3, it may also be postulated that:

P4: Formal organizational socialization of the bank employees is positively associated with the employee service quality as perceived by the bank customers.

P5: Informal organizational socialization of the bank employees is negatively associated with the employee service quality as perceived by the bank customers.

Organizational Socialization – Organizational Climate

Since service organization employees have face-to-face contact with customers their work may result in increased stress and strain because employees try to meet conflicting demands from management and customers. Schneider and Bowen (1995) assert that management can potentially manage employee stress by establishing a climate in which employees' desires to give good service are made easier and encouraged.

Certain researchers such as Mc Nabb and Sepic (1995) have argued that critical elements of the organizational climate are the individuals' perceptions of the organization, and these perceptions govern the employees' behaviour. These researchers also contend that the 'perceptions' are developed as a result of interaction within the organization.

Having conducted extensive research on organizational climate, Schneider, Gunnarson and Niles-Jolley (1994) conclude that the organizational climate does impact on the performance and job satisfaction of employees. Robbins (1993) argued that perceptions of the organizational climate and culture are a result of organizational socialization. The process of organizational socialization results in role learning and gaining an appreciation of the organizational culture and climate on the part of the individual. Based on socialization theory, Turnspeed and Turnspeed (1992) developed a model for assessing organizational climate which showed that the organizational climate follows the socialization practices followed.

In order to shed more light on the relationship between the type of organizational socialization and the service climate as perceived by the service employee, it is proposed that:

P6: Formal organizational socialization of service employees is positively associated with the organizational climate [OC] for service as perceived by the employees.

P7: Informal organizational socialization of service employees is negatively associated with the organizational climate for service as perceived by the employees.

Organizational Climate – Service Quality

Schneider et al. (1994) assert that employees observe what happens to them [and around them], and draw conclusions

about the organization's priorities. These perceptions provide employees with 'direction' and 'orientation' about where they should focus their energies and competencies. Although it may be argued that there are similarities between the constructs 'organizational climate' and 'customer orientation', it is necessary to stress that organizational climate for service is a perceptual process regarding the whole organization, whereas, customer orientation focuses on the individual employee and his behaviour towards the customer.

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

P8: The organizational climate for service as perceived by the bank employees is positively associated with the overall service quality as perceived by the bank customers.

P9: The organizational climate for service as perceived by the bank employees is positively associated with the employee service quality as perceived by the bank customers.

Organizational Socialization – Role Perceptions

Wagner and Hollenbeck (1996) argued that socialization tactics influence the role orientations that newcomers ultimately adopt. Service employees are susceptible to role conflict because they occupy a position at the boundary between the firm and the customer. Consequently they must try to satisfy the often inconsistent demands of people in two independent organizations. Researchers such as Singh, Vebreke and Rhoads (1996) agree that when an individual has gained an appropriate understanding of his or her role and the roles of the other members of the role set, it is possible to formulate accurate role expectations.

Schneider and Bowen (1995) concur that in order for service employees to learn their roles and be able to form accurate role expectations for the service encounter, they must be socialized into the organization. Black (1992) determined that collective socialization tactics were positively related to role innovation and that serial and fixed socialization tactics were negatively related to role innovation.

In view of the need to better understand the effects of different socialization tactics on the service employees role perception, it is proposed that:

P10: Formal organizational socialization of the service employees is negatively associated with the role ambiguity [RA] experienced by the employees.

P11: Informal organizational socialization of the service employees is positively associated with the role ambiguity experienced by the employees.

P12: Formal organizational socialization of the service employees is negatively associated with the role conflict [RC] experienced by the employees.

P13: Informal organizational socialization of the service employees is positively associated with role conflict experienced by the employees.

Role Perception – Service Quality

Singh et al. (1996) assert that the formulation of accurate role expectations could result in superior quality for the service encounter. Furthermore, Lysonski (1982) ascertained that role ambiguity has a negative influence on service quality. Boshoff and Mels (1995) ascertained that role conflict has a negative influence on organizational commitment and thus indirectly influences service quality. Tait (1996) also found that role ambiguity affects service employee performance which may spill over to the perceptions of service quality on the part of the customers. In order to shed more light on the relationship between service quality and role, it may be proposed that:

P14: Customers' perception of the overall service quality is negatively associated with the bank employees' level of role conflict.

P15: Customers' perception of the overall service quality is negatively associated with the bank employees' level of role ambiguity.

P16: Customers' perception of the employee service quality is negatively associated with the bank employees' level of role conflict.

P17: Customers' perception of the employee service quality is negatively associated with the bank employees' level of role ambiguity.

Organizational Climate and Role Perception

Rowland and Ferris (1982) assert that the organizational climate may be explained in terms of role theory. Schneider (1980) has proposed that incongruence between the service orientation of employees and perceived orientation of management engenders role ambiguity and conflict. Role ambiguity may prohibit an individual from experiencing a sense of accomplishment, because the individual is unclear about what ought to be accomplished. Schneider (1980) asserts that if the structure of the service script is better understood, the transaction can be engineered for congruency, and there is a greater probability that a climate for service will prevail.

In order to further explore the relationship between the organizational climate and role, it is proposed that:

P18: The organizational climate for service as perceived by the service employees is negatively associated with the role ambiguity experienced by the employees.

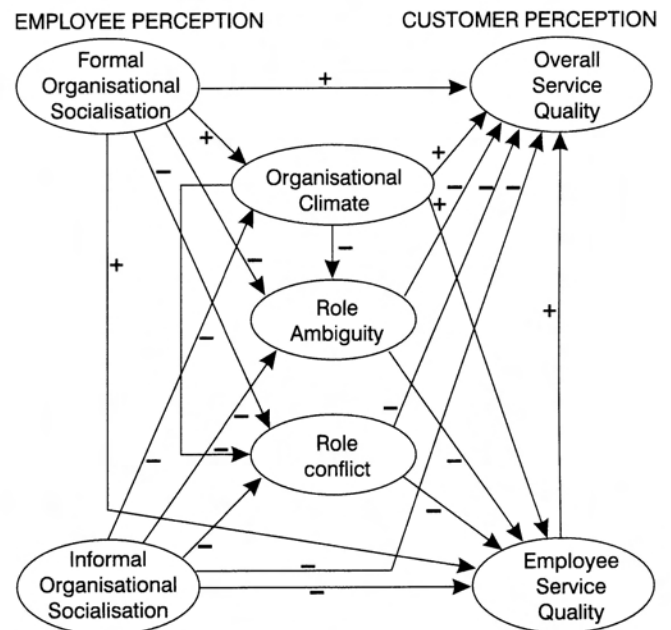
P19: The organizational climate for service as perceived by the service employees is negatively associated with the role conflict experienced by the employees.

The proposed relationships [P1-P19] are summarised in Figure 1.

TESTING THE PROPOSED MODEL

In order to obtain the data necessary to empirically evaluate the proposed model (Figure 1), a survey will be conducted among a sample of front-line employees and customers of major commercial banks in South Africa. Two questionnaires will be developed. After being briefed about the objectives of the research, the bank employees will be requested to complete their questionnaires during their regular staff meetings. Each employee will also be requested to distribute customer questionnaires to every third customer with whom they interact for at least five minutes. The rationale for choosing every third customer is to introduce a 'sense of randomness' into the customer sample, a method which has been used by researchers such as Naumann and Giel (1995). The data

FIGURE 1: A PROPOSED SERVICE ENCOUNTER MANAGEMENT MODEL



collected from bank employees will be matched with that obtained from the bank customers by means of codes inserted on the questionnaires. To empirically evaluate the proposed relationships the computer programme RAMONA (Brown and Mels, 1990) will be used. RAMONA which is an improvement on LISREL, not only tests for significant deviations from zero for all parameters, but also provides for measures of fit of the data to an hypothesized model. By specifying an analysis based on sample correlation matrix with maximum likelihood estimation, the model (Figure 1) will be fitted to the observed data.

CONCLUDING REMARKS

The literature suggests that by effectively socializing employees and creating a favourable organizational climate, service firms managers could contribute towards orientating employees on their role in the organization. Furthermore, it is implied that the effects of socialization would be reflected in the service delivery, and this may influence the service quality perceptions of the service customers. Based on the literature, a theoretical model for managing the service encounter was proposed and the methodology for evaluating the model was briefly outlined.

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