CHAPTER 2

SERVICE QUALITY AND SERVICE CLIMATE

2.1 Introduction

Service excellence has become a key competitive advantage in virtually all industries (Albrecht and Zemke, 2001). In providing the flexibility and individualized care entailed in the service plan, companies must rely to a large extent on their customer contact employees' attitude and behaviour towards providing a quality service. The measurement of service quality would be a big challenge to the researcher as a beginner although appreciation of the potential of service quality as a competitive advantage for service organizations emerged decades ago (Berry and Parasuraman, 1991), as written in Olaisen and Revang (1991:32):

"…Measuring service quality is considered difficult for the soft part of the services (i.e. how the services are offered and the service process) and easier for the technical part of the services (i.e. what is offered and the output)…"

SERVQUAL is a good start to deepen the researcher's knowledge of service quality because Parasuraman and his colleagues were among the first researchers to introduce the importance of quality in services. They are the creators of the SERVQUAL technique that has been widely used in various service environments. Among the general instruments, the most popular is SERVQUAL, a well known scale developed by Parasuraman *et al* (1985; 1988), which has been used by a variety of banks in both original (Dedeke, 2003; A.

Hassan Al-Tamimi and Al-Amiri, 2003; Furrer *et al*, 2000; De Ruyter *et al*, 1999; Cowling and Newman, 1996; Kwan and Tan, 1994) and adapted (Adlaigan and Buttle, 2002; Othman and Owen, 2001, 2002; Bahia and Nantel, 2000; Kangis and Voukelatos, 1997; Teas, 1993a) versions. Kwan and Tan (1993) supported Parasuraman *et al*'s (1985, 1988) technique that service quality measures through expectations and perceptions by addressing its gaps as a logical basis for formulating strategies and tactics to enhance customer satisfaction and a positive quality evaluation. Explanations are given regarding SERVQUAL and criticisms from other scholars who were interested in pursuing the journey in this area.

This chapter also discusses service climate research from different scholars' perspectives namely Schneider and his colleagues, Powell and Butterfield (1978), Baker and Fesenmaier (1997), Dietz *et al* (2004), Little and Dean (2006) and many more. The intended purpose of the section on service climate is as follows: firstly, in providing a summary of available studies, researchers may become better informed as to the options leading from; secondly, by pointing out possible related literature, as well as increasing the awareness of different approaches, it is hoped that the combination of both services, this will stimulate an increase in discussion within service climate and service quality.

2.2 Conception

Research is about creation and development; this is essential to increase the understanding of service quality and service climate. Several concepts have been introduced by prominent scholars in the service quality and service climate areas but it depends on the researcher's interest to select the most appropriate approach suitable for the objectives of this study.

2.2.1 Service quality conception

In this research, the conceptual framework is the heart of the study as the research gained momentum. It increasingly structures, strengthens and keeps this research on track by: providing clear links from the literature to the research goals and questions; informing the research design; providing reference points for discussion of literature, methodology and analysis of data; and contributing to the trustworthiness of the study (Goetz and LeCompte, 1984).

Nevertheless, there are some cautions to be aware of when utilising a conceptual framework. Firstly, the framework is a construction of knowledge bounded by the life-world experiences of the person developing it and should not be attributed a power that it does not have. Secondly, the nature of a conceptual framework means that it consciously, or unconsciously, informs thought and practice by increasing personal sensitivity to notice particular occurrences, hence this must be accounted for (Mason and Waywood, 1996). Thirdly, no researcher can expect that all data will be analysed using the framework without the risk of limiting the results from the investigation. By considering these caveats the researcher hoped to remain open to new or unexpected occurrences in the data and the investigation more generally (Miles and Huberman, 1994).

The extent and currency of the two bodies of literature provides a sound foundation for the conceptual framework because the researcher is able to draw on this extensive and collaborated theorising to devise a common language, guiding principles and reference points from which to structure discussion and analysis. Academic criticisms of the validity and feasibility of SERVQUAL as a measure of service quality have been accompanied by proposals for alternative service quality measures. Bitner (1992) promoted Servicescapes; the Profile Accumulation Technique has been suggested by Johns and Lee-Ross (1997; 1995); the Synthesized Service Quality Model by Brogowitz *et al* (1990); SERVPERF by Cronin and Taylor (1992), Gronroos (1988) suggested Functional and Technical Quality. Each of these concepts has its own strengths as well as weaknesses. Therefore, the researcher will highlight the alternative concepts applicable in the service quality area, as these views are keys to improving the quality of services provided.

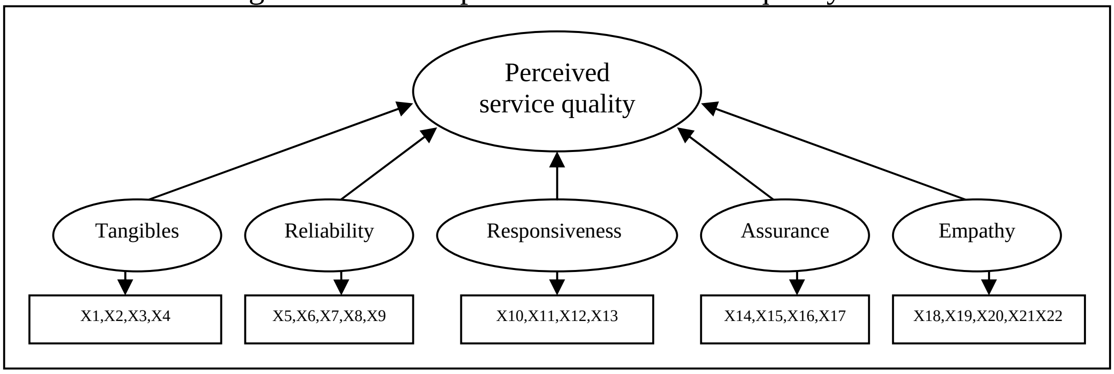
2.2.1.1 SERVQUAL

This section alone is insufficient to be of much value in further classification of service quality as tackled by a number of authors. The most widely reported and replicated is Parasuraman *et al*'s work (1985; 1988), otherwise Gronroos' dimensions. The following sub-sections examine the growing body of evidence praising service quality measurement.

The scale is a principal instrument in the literature for assessing quality (Parasuraman *et al*, 1991b; 1988). Parasuraman *et al* (1985) initiated a research stream just over a decade ago that many consider the most comprehensive investigation into service quality. Parasuraman *et al* (1985) proposed service quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. The researchers found that consumers evaluate the process as well as the outcome of the service received. In other words, the waiting time, the smile, and the attitude of the employees are as important as the approval of the loan. Through focus group interviews and later empirical investigation (Parasuraman *et al*, 1985; 1988), the scholars found that consumers employed ten determinants in their evaluation of the service quality process, to uncover key attributes that significantly influence customers' perceptions of overall service quality. Beginning with the most important determinant, the list includes: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles.

Based on Parasuraman *et al*'s (1988) conceptualization of service quality, they distilled the original instrument into two 22-item sections that intended to measure (i) customers expectations for various aspects of service quality, and (ii) customers perceptions of the service they actually received from the local service organization. The result of the initial published application of the SERVQUAL instrument indicated that five dimensions of service quality emerged across a variety of services.

Figure 2.1: Conceptual model of service quality

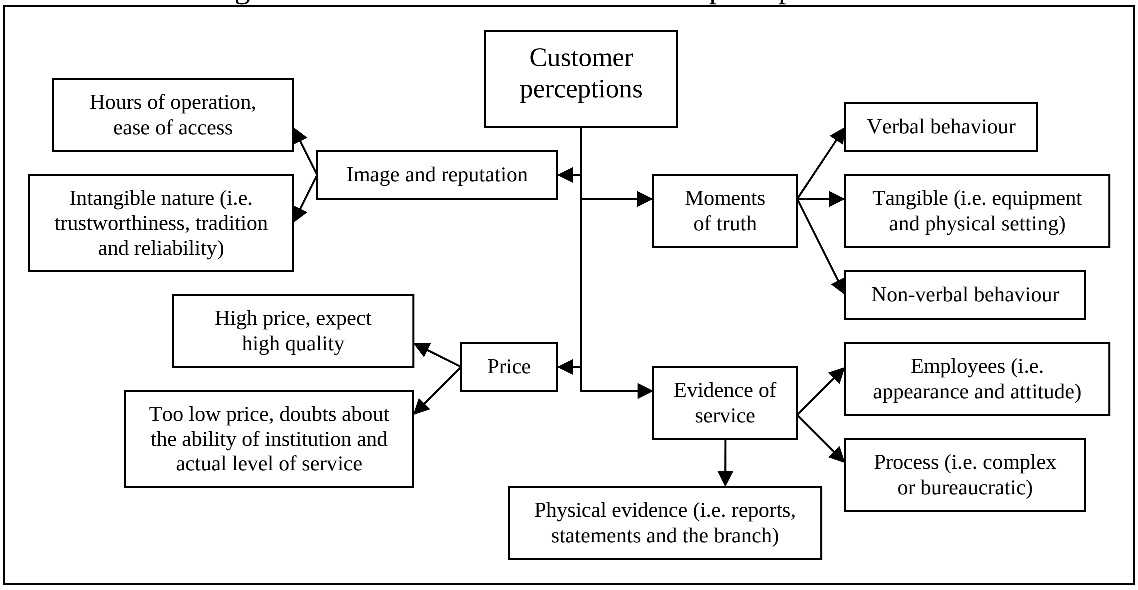


Source: Parasuraman *et al* (1988)

These dimensions include tangibles, reliability, responsiveness, assurance, and empathy (Carman, 1990; Parasuraman *et al*, 1985; 1988; 1991) as in Figure 2.1. Tangibles are the physical evidences of the service (e.g. physical facilities, appearance of personnel, or tools or equipment used to provide the service); reliability involves consistency of performance and dependability (e.g. firm performs the service right the first time and honours its promise); responsiveness concerns the willingness or readiness of employees to provide service (e.g. timeliness of service); assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and, finally, empathy pertains to caring, individualized attention that a firm provides its customers.

The literature has suggested that service quality is determined by the difference between customers' expectations of a service provider's performance and their evaluation of the services they have received (Parasuraman *et al*, 1985; 1988). Customers expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml *et al*, 1993) and what customers think a service provider should offer rather than what might be on offer (Parasuraman *et al*, 1988). Expectations are also formed from a variety of sources such as the customers' personal needs and wishes (Edvardsson *et al*, 1994); the customers' personal philosophy about a particular service; by promises (through staff, advertisements and other communications); by implicit service promises (such as price and tangibles associated with the service); by word-of-mouth communication (with other customers, friends, family and experts), including past experiences of that service (Zeithaml and Bitner, 1996).

Figure 2.2: The influence of customer perceptions



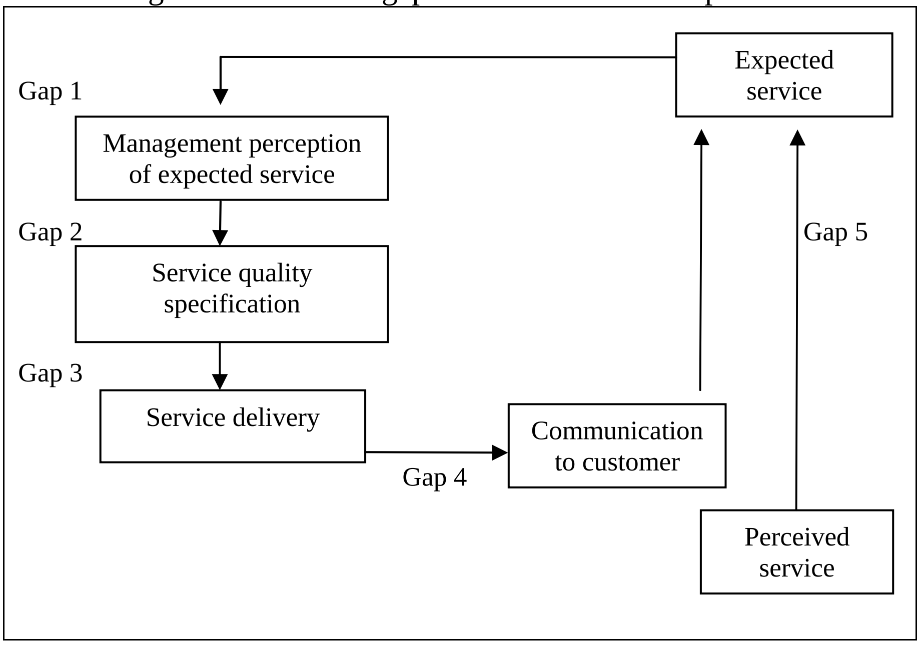
Source: Zeithaml and Bitner (1996)

In Figure 2.2, four primary factors have been identified by Zeithaml and Bitner (1996) as influencing customers perceptions of service: service encounters or “moments of truth”, the evidence of service, image and price; whilst perceived service quality is a consumer judgement; a form of attitude and results from comparisons consumers make between their expectations and their perceptions of the actual service performance (Lewis, 1989). The measurement of perceived quality has attracted considerable research interest and has been subjected to a continued debate.

Equation 1: Service quality = *f* (Perceptions – Expectations)

Based on the above equation, Parasuraman and his colleagues developed and proposed the SERVQUAL instrument as a reliable, valid, and generalizable way to measure the service quality construct. The operationalization of the measurement is related to how service quality is viewed. Service quality has been conceptualized as the difference between a customer’s expectations and the actual performance of the service provider (Parasuraman *et al*, 1985). Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction either of expectations or perceptions or both (Parasuraman *et al*, 1985; Zeithmal *et al*, 1990) as in Figure 2.3. When expected service exceeds perceived service, quality is less than satisfactory. When expected service equals perceived service, perceived quality is satisfactory. When perceived service exceeds expected service then service levels are more than satisfactory, possibly even tending towards customer pleasure. Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customers or a little of both.

Figure 2.3: Service gap model of the service process



Source: Zeithmal *et al* (1990)

Parasuraman *et al* (1985) and Zeithaml *et al* (1990) also determined the gaps arising in the investigated service firms as in Table 2.1. The first gap is between consumer expectations-management perceptions. Basically, management may not always put themselves in their customers' shoes by not knowing their customers' expectations in advance. Secondly, the management perceptions-service quality specifications gap. Customers are still not the main focus in the service firms' processes and maybe management commitment is lacking and the stress is therefore on the wrong service quality standards. Thirdly, the service quality specification-service delivery gap is considered as the service performance gap. Every single service delivered by each employee is unique and service firms usually face difficulties to measure or standardize service delivery. Fourthly, the service delivery-external communications gap arises. When promises do not match delivery, problems will arise. Four gaps stand in the way of delivering a service perceived by customers as being of high quality. The gap model highlights the four organizational gaps which contribute to the fifth gap, namely the discrepancy between the external customers' perceptions and expectations; expected-perceived service. Search properties and experiences of using the particular services will influence expectations before hand.

Table 2.1: Gaps in service quality measurement

Managerial	Contact Personnel
Gap 1	Gap 3
Marketing research orientation	Teamwork
Upward communication	Employee-job fit
Levels of management	Technology-job fit
	Perceived control
Gap 2	Supervisory control systems
Management's commitment to service quality	Role conflict
Goal setting	Role ambiguity
Task standardization	
Perception of feasibility	Gap 4
	Horizontal communication
	Propensity to overpromise

Source: Zeithaml *et al* (1990:190)

In a subsequent publication Zeithaml *et al* (1990) extended the SERVQUAL methodology to include importance measures, two for each gap comparison. That is, the original SERVQUAL item pairs captured difference scores, or gaps, between consumer perceptions of actual performance and consumer expectations of how the performance "should be". The item pairs represented the five dimensions previously identified by Parasuraman *et al* (1988). However, these dimensions were not weighted in terms of the relative importance that the service firm's consumers attach to them. Zeithaml *et al* (1990) thus proposed an additional series of items which captured the importance consumers placed on each of the dimensions of service quality seized by the SERVQUAL scale:

Equation 2: Service Quality = (Perceptions - Expectations)*Importance

Equation 2 represents weighted service quality measurement using the SERVQUAL scale. Measurement can be calculated as either weighted or unweighted indices. An overall service quality score can be attained by summing and averaging the five factor scores. In 1993, Parasuraman *et al* introduced the zone of tolerance; a measurement for desired service expectations (level of what the customers believe can and should be delivered) and adequate service expectations (level of service the customers will accept).

Parasuraman *et al* (1994) contended that the SERVQUAL scale using the performance gaps method is a richer approach to measuring service quality and expanded their earlier statement (Parasuraman *et al*, 1985; 1988; 1993) that service quality is a multidimensional construct. A decade later, Berry *et al* (1994) summarized their collective research with ten lessons learned: listening to customers precede action, reliability is essential, customers want basic service, poor service quality is a system design problem, not an employee problem, good service recovery can overcome poor service delivery, service excellence includes both outcome and process, customers expect fairness, service takes teamwork, employee feedback is vital to service improvement, and leaders should serve employees.

This instrument has been widely utilized by both managers (Parasuraman *et al*, 1991b) and academics (Babakus and Boller, 1992; Carman, 1990; Cronin and Taylor, 1992) to assess customer perceptions of service quality for a variety of services, for example the utility industry (Babakus and Boller, 1992) and international recreational settings (Taylor *et al*, 1993).

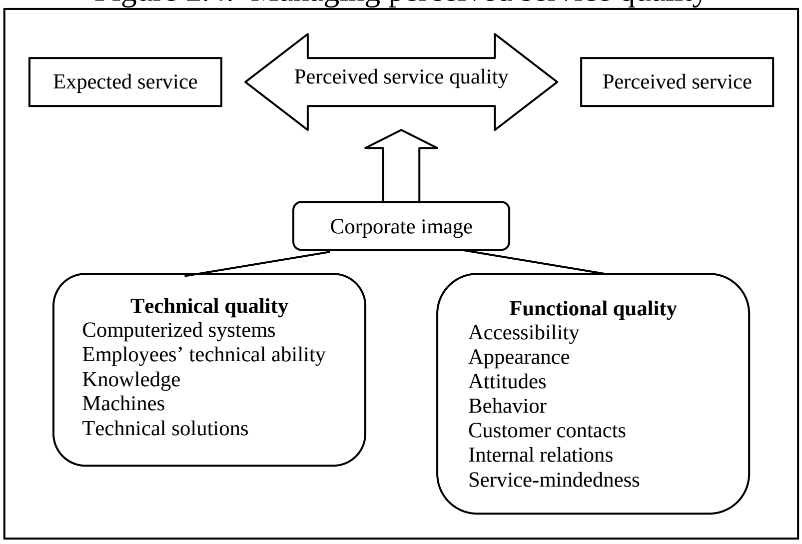
2.2.1.2 Functional and Technical Quality

Over twenty years ago, Gronroos (1978; 1982; 1983a) first proposed that customers' overall evaluations of service quality were a result of their assessment of two dimensions, which he termed functional and technical service quality, and of the impact of an organization's image. He proposed that customers compared their expectations to their experience of service quality in forming their judgements (Gronroos, 1984) and defined service quality as follows:

> *"…the perceived quality of a given service will be the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received, i.e. he puts the perceived service against the expected service. The result of this process will be the perceived quality of the service."* (Gronroos, 1982:37)

Although Gronroos' conceptualisation of service quality was the first to be aired in the academic literature, it has been the work of Parasuraman *et al* (1985; 1988) in developing and propagating a technology for measuring and managing service quality SERVQUAL which has received the most attention. Gronroos, meanwhile, has been publishing a series of papers and books in which his ideas have developed (Gronroos, 1978; 1982; 1983a; 1984; 1987; 1990; 1993; 1993). Gronroos (1983a) as in Figure 2.4 identified the five key determinants of service quality as: professionalism and skills (technical related); reputation and credibility (image related); behaviour and attitudes; accessibility and flexibility; and reliability and trust worthiness.

Figure 2.4: Managing perceived service quality



Source: Gronroos (1983a)

Gronroos' (1988) sample was based on a population of Swedish service finance executives which may produce country bias. His work was not industry-specific, and whether these results could be applied to a specific service industry, such as retail banking, is questioned. His main conclusions suggested that functional performance was more important than technical performance in the determination of service quality. In 1990, he proposed a new perceived service quality dimension recovery.

Gronroos (1978; 1982; 1983a; 1984; 1990; 1993) had been consistent assumed dimensionality of service quality. He (1993) claimed that a customer's perceptions of the service encounter consider three dimensions: process or functional quality; outcome or technical quality and the image of the service provider. Gronroos also described these three distinct but interrelated dimensions as follows. Technical quality is the outcome of the exchange process, e.g. what is received by customer. The functional quality of the exchange process is how the service is provided, including all interactions between the organization and customer (Gronroos, 1982; 1983).

The functional service quality dimension consists of seven attributes that are process-related. These are employees' behaviour, attitude, accessibility, appearance, customer contact, internal relationship and service mindedness. The technical dimension consists of five output-related attributes: these are employees' technical ability, employees' knowledge, technical solutions, computerised systems, and machine quality (Gronroos, 1982; 1983). The third dimension of service quality, image is described by Gronroos (1982) as the customers' general perception of the supplier.

2.2.1.3 SERVPERF

Cronin and Taylor (1994) recognize that the SERVQUAL and SERVPERF scales are tools designed for the long-term performance-based attitude measurement of service quality at a single point in time. They suggested that the SERVPERF scale appears the most suitable candidate currently available for operationalizing service quality in the literature by filling in the gap to overcome in some way those psychometric properties of the measure identified in the SERVQUAL operationalization.

They represent a theoretical development involving a LISREL-based empirical assessment of the service quality construct and its relation to consumer satisfaction and purchase intentions in their study. This work calls into question the traditional conceptualization of the construct by demonstrating the efficacy of performance-only measures and supports the traditional paradigm suggesting that perceived service quality is a causal antecedent to satisfaction. Based on a multi-industry sample of consumer data, they assessed which of four competing models nested within the SERVQUAL instrument most effectively predicted consumers' overall perceptions of service quality: unweighted SERVQUAL, importance-weighted SERVQUAL, the unweighted performance subscale of the SERVQUAL scale (SERVPERF) and importance-weighted SERVPERF. The results of their study indicated that the unweighted performance-only measures (SERVPERF) consistently outperformed any of the other competing models in service environments. That is, the SERVPERF scale explained more of the variation in consumer perceptions of service quality than the other models. Moreover, the addition of importance weights did not appear to contribute to the variance explained in consumers' perceptions within the subscale of performance only, similar to the findings of Carman (1990) for the complete scale.

SERVPERF can provide managers with a summed overall service quality score that can be plotted relative to time and specific consumer subgroup (e.g. demographic categories, individual constituencies). Cronin and Taylor (1994) stand by their original position because disconfirmation and consumer satisfaction judgments are both process constructs that share a similar reliance on the consumer experiencing a service encounter, whereas performance perceptions are not constrained to actual consumer experiences. Brand *et al* (1995) in their research present an empirical study that identifies the importance of the recreational service sector to service marketers and practitioners, and assesses the efficacy of the SERVPERF versus SERVQUAL scales in recreational services for the purposes of service quality measurement. The results suggest that differing recreational services appear to possess unique properties that dictate whether SERVPERF or importance-weighted SERVPERF should be used.

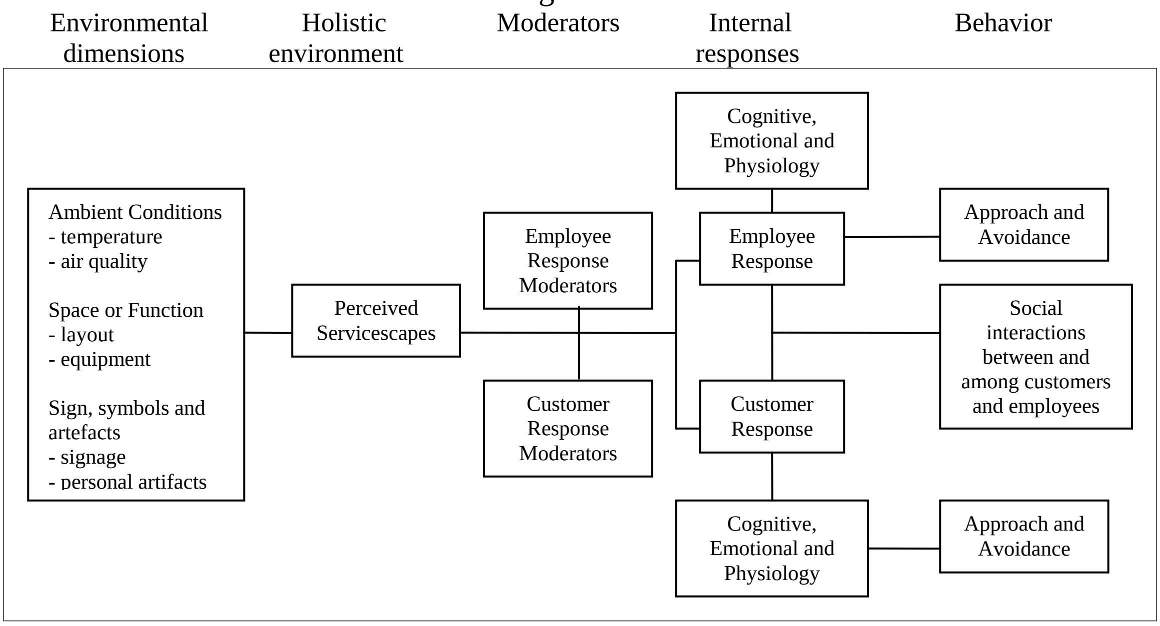
However, the researcher suggests that great care should be exercised by managers of service firms in attempts to derive more specific information from data derived using the scale for strategic decision-making. That is, maps can be developed for specific data sets that plot consumers' perceptions of the importance of individual scale items relative to perceptions of a service firm's performance for each performance attribute.

2.2.1.4 Servicescapes

Service performance should be identified either as customer only, employee only or as customer and employee. Relative level of involvement of customers and employees determines whose needs should be consulted in the design of environment. Employees and customers have different needs and desires for their physical surroundings, but organizations do not differentiate needs and desires specifically to any particular individual. Most organizations have tried to provide the best in the eyes of the customers.

Bitner *et al* (1990) mentioned that close examination of the scale items for each dimension reveals that a majority of all the items relate directly to the human interaction element of service delivery by referring to Parasuraman *et al* (1985; 1988). Bitner (1992) clarified how these servicescapes influence both employees and customers in physiological, sociological, cognitive and emotional ways. She also showed the impact of physical surroundings on the behaviours of both customers and employees and the necessity of the work environment to facilitate the achievement of an organization. A typology in Figure 2.5 categorises a service organization onto dimensions that capture important differences in the management of servicescapes.

Figure 2.5: Framework for understanding environment-user relationships in service organizations



Source: Bitner, 1992.

She stressed the role and importance of work environment (ambient conditions such as temperature, air quality, noise, music and odour; space or function such as layout, equipment, furnishings; signs, symbols and artifacts, for instance signage, personal artifacts, style of décor) to customers and employees in their interactions. The complexity of servicescapes depends on the complexity of services; some are simple, with few spaces and facilities, named "lean environment" for such as ATMs and automated-voice-messaging- based services. Other services might be more complex, "elaborate environment", with more elements, functions and forms, such as golf land, banks and professional services. Special consideration, such as the effects of physical surroundings, the nature and quality of the social interaction between customers and employees, cannot be neglected in order to manage servicescapes.

By referring to the model proposed by Bitner (1992), the reader may see the necessity and the flow of influence of the environment for employees, customers and interactions between them. It is useful to stress this aspect in detail in order to assess the extent of servicescapes' influence on both sides of this study.

2.2.1.5 The Profile Accumulation Technique

Schneider and Bowen (1985) believed that every organization has its own uniqueness. Johns and Lee-Ross (1995), Johns *et al* (1997) and Johns (2001) supported this statement by proposing their own technique to consider the organization's uniqueness in their study. Johns and Lee-Ross (1997; 1995) initiated the disconfirmation approach, which is qualitative in a strongly customer-focused manner and a free response technique, yet is assessed quantitatively. Until now, it has widely been used only in the hospitality and tourism industry (Johns, 2001; Johns and Howard, 1998; Johns and Lee-Ross, 1997). They suggested one way to analyse qualitative textual data, which is to identify key words and to count the frequencies with which they occur. This technique can be done with complete interview transcripts but it is quicker and more efficient if the responses themselves have been provided in a simple format.

Respondents' free responses about a service experience are elicited on single-sheet forms, which ask for positive comments with specific prompts and the reasons underlying them on one side. On the other side of the forms, respondents can write negative comments and the reasons for the cause of unsatisfactory items. In Johns and Lee-Ross' (1995) work, the free response forms were customized with the name of the service establishment and a few lines of introductory text. The data thus obtained were analysed by identifying two categories of key words: 'aspects' which are elements of the service, such as food and image, whilst 'attributes' are depictions about each aspect of the dimension, such as 'delicious' or 'polite'. The assumption underlying the technique is that service customers refer most frequently to the element of their experience that they perceive to be the most important. In the same way, the keywords they use most frequently to describe the elements of their experience are regarded as the most important. Therefore, counting up the keywords and analysing them numerically provides insight into the elements customers perceive within a service 'product', the importance attached to them and the ways in which customers characterize them. Intangibles do appear among positive comments, though not among the negative aspects. It can be claimed that by asking 'what', the profile accumulation technique may influence the responses by focusing respondents' attention onto aspects (Johns and Lee-Ross, 1997).

Johns and Lee-Ross (1997) and Johns and Howard (1997) compared their findings with Johnston's work in the banking industry and with Parasuraman *et al*'s (1985; 1988) work in several industries. They supported Johnston's idea of dimensions and how he identified satisfiers and dissatisfiers specifically in the banking sector.

The measurement of service quality proposed by Johns and Howard (1997) examined the separate measurement of expectations and perceptions of service, using the customers, rather than the providers' terms. It also provides service providers with a way to code and process data from open questions, so that customers' views can be assessed without leading them. It seeks to dimensionalise expectations and perceptions in order to compare them and to reconcile the service assessments of customers to the practical needs of service providers.

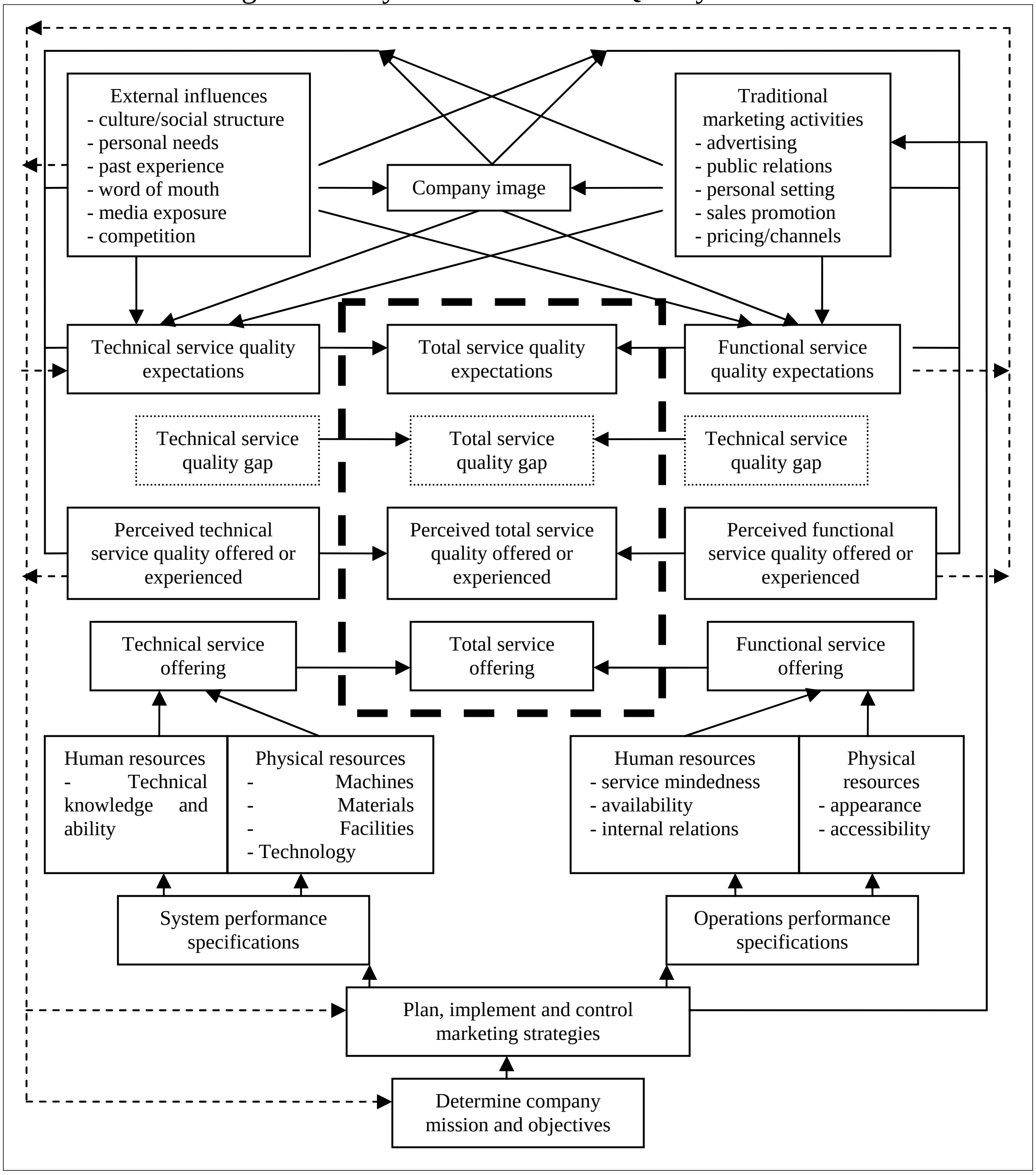
2.2.1.6 Other alternative concepts

Service quality has evolved steadily over the years. Attempts to evaluate or measure quality will always run into problems due to the objectivity of measurements provided by various indicators. Therefore, after discussing disagreements in scholars' articles, and authors cum researchers tried to produce alternatives in order to prove that their models are robust in any situation e.g. across industries and countries. Hence the researcher is presenting other alternative concepts from the service quality literatures that are relevant to this study in a chronological manner.

Brogowicz *et al* (1990) combined the Nordic (e.g. Gronroos) and North

American (e.g. Parasuraman, Zeithaml and Berry) schools of thought in his proposed model (see Figure 2.6).

Figure 2.6: Synthesized Service Quality Model



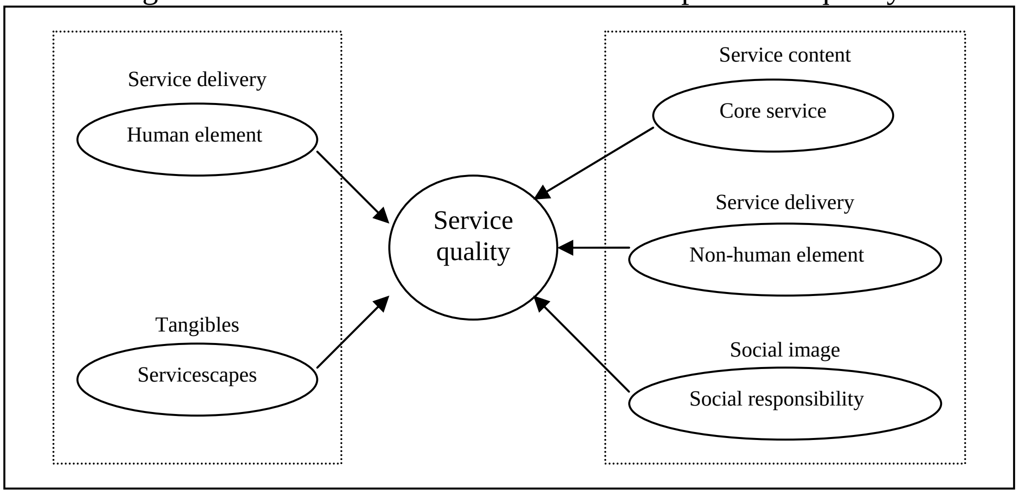
Source: Brogowicz *et a*l (1990)

To meet customer service expectations, therefore, management must determine both what customers expect and how they expect to get it. Then they must plan, implement and control both the technical or outcome-related dimensions and the functional or process-related dimensions. These dimensions are dependent on each other.

In Lewis' (1991) study, both the United Kingdom and the United States' respondents were found to have very high expectations of service from their banks across most of the dimensions which were investigated, in particular with respect to the reliability elements, and the honesty, trustworthiness and discretion of contact staff, whilst Howcroft (1993) stated that service quality was influenced by a technical and a functional (psychological) dimension. Technical performance is instrumental, directly concerned with the material content of the buyer-seller interchange and is determined by the efficiency of business systems. This dimension of service quality divides into accessibility, appearance, long-term customer contacts, relationships with the firm, attitude, behaviour and service mindedness of service personnel. By referring to the gap school by Parasuraman *et al* (1985; 1988), regardless of the service being investigated, reliability has emerged as the single most important dimension of service quality.

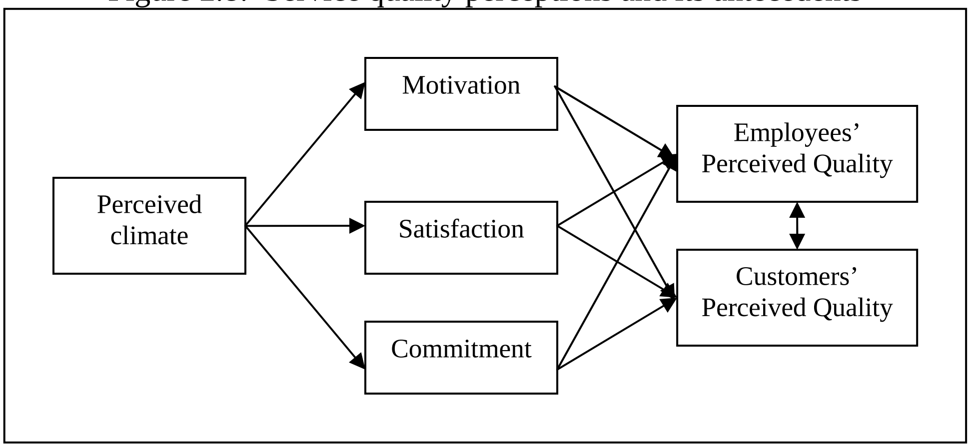
Sureshchandar *et al* (2002) explained the meaning of "servicescapes" as the tangible facets of the service facility such as machinery, equipment and employee appearance which strongly influence both employees and customers in physiological, emotional, sociological and cognitive ways, particularly as the core service becomes more intangible (see Figure 2.7). As proposed by the authors, this model is based on essentially five factors, namely: core service or service content, human element or service delivery, systematization of service delivery or non-human element, tangibles service (servicescapes), and social responsibility as a social image. All these factors contribute to service quality as perceived by customers.

Figure 2.7: The critical factors of customer perceived quality



Source: Sureshchandar *et al* (2001; 2002)

Figure 2.8: Service quality perceptions and its antecedents



Source: Llorens Montes *et al* (2003)

This model (see Figure 2.8) suggests that employee and customer perceptions of service quality are related. It also explains the influence of employees' perceived climate on their motivation, satisfaction and commitment.

This means that, if employees are demotivated, dissatisfied or not very committed due to the bad climate, these circumstances will be perceived by customers and will result in defective service quality.

2.2.2 Service climate conception

There have been many terms used by scholars in order to describe the meaning of climate. Some of them use ‘climate’ only (Powell and Butterfield, 1978; Glick, 1985) and most of them use a more specific term, e.g. diversity climate (McKay *et al*, 2007, Hicks-Clarke and Iles, 2000), innovation climate (Anderson and West, 1998), justice climate (Colquitt *et al*, 2002), organizational climate (Mahn *et al*, 2000; Johnson, 1996), service climate (Schneider *et al*, 1998; Gronroos, 2000; Dietz *et al*, 2004; Baker and Fesenmaier, 1997; Bowen and Schneider, 1989), safety climate (Hoffman and Stetzer, 1996; Hofmann and Mark, 2006; Zohar, 2000), transfer of training climate (Tracey *et al*, 1995) and work climate (Gelade and Ivery, 2003; Mahn *et al*, 2001; Kirkcaldy and Athanasou, 1999). In their writings, these authors have explained significant variance in specific behavioural outcomes. In this case, different usage of terminologies has given different meanings of application.

It needs to be made clear that the researcher is only interested in the climate for service, so that the explanation for demonstrating the applicability of the climate construct is relevant to the tables presented. By following the climate logic and the following explanation with respect to service, readers can have an enhanced, deeper understanding of this thesis.

2.2.2.1 Climate and culture

Climate and culture are the two constructs which have been usefully linked, both conceptually and practically (Schneider, 1986; Reichers and Schneider, 1990; Moran and Volkwien, 1992). Both deal with the soft side of human factors, which are important to an organization (Gronroos, 2000). Schneider (1986) described several issues requiring attention to form the basis of climate and culture in an organization which are: membership, socialization, identity, structural, interpersonal and environmental factors. Employees manifest the meanings of culture to form the basis of action, culture and climate will expand throughout the organization via the socialization process (e.g. inter-departmental interaction) to achieve the same objectives which have been outlined by management. Climate and culture are a product of a network of interacting systems, not any one thing to be easily manipulated (Schneider, 1986). The themes are important to an organization because their strengths and weaknesses compensate each other (Schneider, 2000).

As in Schneider *et al* (1994), culture is described as routines, values and beliefs which contour an organization. On the other hand, there were many interpretations of climate proposed by previous scholars. Basically, it is viewed commonly as a property of organizations and frequently operationalized as a property of individuals (Powell and Butterfield, 1978). Katz and Kahn (1978) description of climate being the result of a distinct pattern of individual team members' collective beliefs developed through members' interaction with their social environments. As for Schneider (1990), it is defined as shared perceptions regarding the events, practices and procedures, as well as the kind of behaviours that get rewarded, supported and expected in a particular organizational setting. Employees gather their organizational experiences and events into meanings, and these form the basis of organizational climate. Climate is therefore heavily dependent on organizational policies and procedures. It also involves the construction of shared meaning through the process of interaction. The process is dynamic and in line with Hackman's (1987) process criterion of effectiveness, which relates to team members' effort, knowledge, skill and performance in achieving team goals. Climate is often related to the specific nature of the work environment, such as climate for service (Schneider, 1990; Schneider and Bowen, 1985; Schneider and Rentsch, 1988; Schneider *et al*, 1998b). This means that the conceptualization of climate is based on the specific content of performance goals.

Reichers and Schneider (1990) shed light on differences in usage of climate and culture in the literature. It comes from two different schools of theoretical and methodological thoughts, which influence researchers via their research and writing. Within the literature the two are often confused and used indiscriminately. Schneider *et al* (1994) noted a difference between climate and culture. They argued that climate is one aspect of culture. Individuals within the organization can understand organizational priorities, which leads to different climates being created. The climate of an organization is heavily influenced by the organization's culture and the perception of organizational practices by the individual within organizations. Other differences between the two concepts are related to the research backgrounds and methods adopted by those studying culture and climate. Culture tends to be studied from an anthropological and sociological perspective, whereas climate tends to be explored from a psychological perspective. Culture data are largely accessed via qualitative research methods, such as participant observation and interviews and climate data by quantitative methods, such as attitude scales. The differences between the two terms are illustrated by culture researchers who view culture as an all embracing concept and climate researchers such as Burke and Mckeen (1992) who often view climate as part of culture and discuss it in terms of climate for something, e.g. climate for safety or climate for diversity. Clarification has been achieved in examining the ultimate differences between climate and culture by mentioning that climate is a lower level context of variables, which is an antecedent of culture (Reichers and Schneider, 1990) and the reverse is also true (Schneider, 2000). Culture has a higher level of meaning for each employee in an organization. Bowen *et al* (2000) also expressed similar meanings of climate and culture. Both depend on the roles of management and the way they disseminate the message to encompass climate and culture to all employees (Schneider and Bowen, 1993). Schneider (2000) mentioned that it seems some culture researchers denied the truth and importance of climate theory and research which might contribute to their own area of interest.

2.2.2.2 Organizational climate

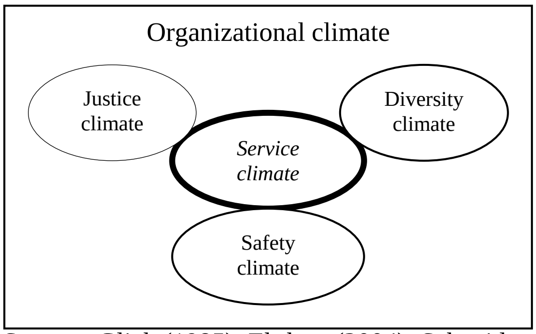
This section advocates defining organizational climate as a generic term for a broad class of organizational context rather than psychological behaviour as unit of analysis in assessing and improving the validity and reliability of organizational climate measures. The term refers to the quality of the organization’s environment as experienced by its members and can be described in terms of values or the meaning of a particular set of characteristics of the environment measured either objectively or subjectively (Payne and Pugh, 1976; Tagiuri, 1968 in Powell and Butterfield, 1978). The set of characteristics that describe an organization, distinguish it from other organizations, are relatively enduring over time and influence the behaviour of people in the organization (Forehand and Gilmer, 1964 in Powell and Butterfield, 1978).

In Dietz *et al* (2004) opinion, work climate and organizational climate are the same items. Schneider (1983) also tried not to create any confusion for the readers regarding the terminology usage of service climate with organizational climate and work climate. Due to Schneider, previous researchers attempted to explore new ideas from new perspectives. The employees will behave due to policies, practices, procedures, and routines to facilitate the excellence of services that has been outlined by the organization to achieve goals or other organizational imperatives (Schneider and Bowen, 1993). They are expected to behave in order to be supported, recofnized and rewarded by the management (Schneider and Bowen, 1993, 1995; Schneider *et al*, 1996; Schneider *et al*, 1998; Bowen *et al*, 2000; Schneider *et al*, 2000). These kinds of behaviour will change the way it pulls teams together to work on projects (Johnson, 1992). In Dimitriades' (2007) judgment; a supportive, service oriented organizational climate seems to be particularly important for socializing employees into the company's values and objectives. In particular, employees rely on indications from their surrounding work environments to interpret events, develop appropriate attitudes and understand expectations concerning their behaviour and its consequences (Salancik and Pfeffer, 1978).

According to James and James (1990); Brown and Leigh (1996), perceptions of the organizational environment take on personal meaning for employees through evaluation, in which a cognitive representation of the features in the environment is interpreted in terms of the individual's values. It is how organizational environments are perceived and interpreted by its employees (James and James, 1989; 1990; James and Jones, 1974 in Mahn *et al*, 2001) and it is difficult for employees to have global perceptions of the entire organization. But some employees may have perceptions based on a more global view than others (Powell and Butterfield, 1978).

Organizational climate is the result of sociological and organizational processes (Glick, 1985). Indeed, Schneider *et al* (1994), Reichers and Schneider (1990), Jong *et al* (2004) pointed out that organizations have many different priorities and therefore will have many different climates as in Figure 2.9 for instance safety climate. When climate for safety exists, this is more likely to comply with safety rules and regulations, and less likely to be involved with accidents (Hoffman and Stetzer, 1996). Accurate informants should report on the organization's climate, not their psychological or work group climate. Thus, it should be conceptualized as an organizational phenomenon not as simple aggregation of psychological climate (Glick, 1985).

Figure 2.9: The relationship between organizational climate and service climate



Source: Glick (1985); Ehrhart (2004); Schneider *et al* (1998a); McKay *et al* (2007); Zohar (2000)

Employees' perceptions of their work climate is strongly related to customers' evaluations of the service and their intentions to continue to use the service. Each person must improve what is around them and look for ways to satisfy the requirements of others in the organization efficiently. Employee perception of work climate not only influences organizational variables such as work effort and job satisfaction, but also affects service evaluation by customers

(Mahn *et al*, 2001). In settings where customers directly encounter organizational climate, a service climate can offer a profitable competitive edge (Gelade and Young, 2005) where a firm's financial performance (e.g. profit) is derived from employee performance. An internal climate focus on cost alone is likely to result in employee dissatisfaction which will hurt quality and customers (Chung, 1993).

2.2.2.3 Service climate

The aim of this section is to endow with a glimpse of the development of service climate research; primarily focused on the work of Schneider and his colleagues in order to promote service climate lingering around in the work environment of employee and customer relationship.

Tagiuri (1968 in Powell and Butterfield, 1978) refers to service climate as the quality of the organization's environment as experienced by its members and can be described in terms of values or the meaning of a particular set of characteristics of the environment and how organizational environments importance are perceived and interpreted by employees (James and James, 1989; 1990; Johnson, 1996). Schneider (1986:63) proposed the meaning of the term to employees as:

"…*the nest of policies, practices, procedures and reward, support and expectations, as a whole, are thought to create a sense of imperative and it is the sense of imperative…*".

The employees will behave due to policies, practices, procedures, and routines to facilitate the excellence of services that has been outlined by the organization to achieve goals or other organizational imperatives (Schneider and Bowen, 1993). They are expected to behave in order to be supported, recognized and rewarded by the management (Schneider and Bowen, 1993; Schneider *et al*, 1996; Schneider *et al*, 1998; Bowen *et al*, 2000; Schneider *et al*, 2000). This includes the extent of the perceptions that management set clear performance standards, provide appropriate training and information, remove obstacles to service, assist in employee job performance and distribute rewards for good service to customers (Hui *et al*, 2007).

"*Many services, then, are judged for quality based on seemingly tangential cues experienced during the delivery process. The service climate is the source of many of these cues*" (Schneider and Bowen, 1993:39).

Powell and Butterfield (1978) viewed service climate as a property of organizations and frequently functioning as a property of individuals' experience, values, knowledge and expertise (Brown and Leigh, 1996). Gronroos (2000) proposed the concept of service climate as the internal climate, the picture of how internal relationships function between people in an organization. Furthermore, Newman (2001) only referred to employee training, staff appraisal and reward when it comes to the conception of service climate. Burke *et al* (1992) thought that service climate could be conceptualised from a social interactionist perspective as evaluations of environmental attributes that have a social or situational construction component. Borucki and Burke (1999) added that service climate in terms of employee cognitive appraisals of the organization's attitude towards employee well-being and the concerns of members of the organization about the customer. It is derived from a consensual understanding, within a company, a department or a group, of how to behave in different settings and with different customer populations (Hui *et al*, 2007).

Table 2.2: The development of service climate research

Author	Type of firm	Country
Parkington and Schneider (1979)	23 bank branches of a bank	
Schneider, Parkington and Buxton (1980)	23 branches of a bank	
Schneider (1980)	23 branches of a bank	America
Schneider and Bowen (1985)	28 branches of Atlantic Coast	America
Moeller and Schneider (1986)	Private sector medical supply	
Reynierse and Harker (1992)	79 branches of a commercial, full service bank	
Schneider, Wheeler and Cox (1992)	3 financial services organizations	America
Schneider and Bowen (1993)	Rear Stores, NCR, Ryder Truck, 30 banks, 200 retail outlets of a large chain of stores	America
Huei and Howard (1994)	2 public mental health and mental retardation	America
Johnson (1996)	57 branches of a large and commercial full service bank	America
Baker and Fesenmaier (1997)	Theme park	America
Schneider, White and Paul (1998a)	134 branches of a large northeastern bank	America
Andrews and Rogelberg (2001)	31 small businesses (rr:61%)	America
Jong et al (2004)	A Dutch bank	NM
Dietz et al (2004)	160 branches of a retail bank	America
Liao and Chuang (2004)	25 restaurants	America
Schneider et al (2005)	Departments in stores of a supermarket chain	America
Jong et al (2005)	A major manufacturer of office equipment	Netherlands
Little and Dean (2006)	A telecommunication call centre	Australia
Dimitriades (2007)	Retailing, banking, entertainment, business services and public services	Greece
Walker (2007)	30 English Language Centres	New Zealand
Hui et al (2007)	A telecommunication company, a retail chain, 2 hotels, an auto-repair company and a government department	China

Note: NM - Not mentioned

The evolution of climate has occurred through a number of different phases (Reichers and Schneider, 1990). The first stage is named as introduction and elaboration; followed by evaluation and augmentation. The final stage of concept is consolidation and accommodation. What is originally known and emphasized by the scholars was only the climate in the eye of the individuals who are involved in the service delivery either by customer, employee or manager. In 1975, Schneider tried to spark the discussion about climate by putting forward the idea of "climate for something". The potential idea of the foundation for service climate was first initiated by Parkington and Schneider (1979). Their idea marked an early significant development with a research study about job stress among employees and customers in twenty three branches of Atlantic Coast, a commercial bank in the United States. The expansion of climate for service continued drastically after the initial research. Researchers in related areas, especially in the psychology field, have continued to distinguish problems and advised solutions for future researchers and practitioners in the field of that specific climate.

As can be seen in Table 2.2, service climate has a long history in the fields of industrial, organizational psychology and organizational behaviour. As such, it has experienced several reconceptualization and empirical breakthroughs. At the time of its major introduction in the late 1970s, service climate researchers began gathering data and assessing the validity of the concept right from the start. There were many options in methods that can be used with the intention of accomplishing the research objectives and disentangling the research problem. If one refers to the preceding scholars, some of them only use surveys as their prime method (Schneider and Bowen, 1985; Huei and Howard, 1994; Johnson, 1996; Baker and Fesenmaier, 1997; Schneider *et al*, 1998a; Andrews and Rogelberg, 2001; Jong *et al*, 2004; Liao and Chuang, 2004; Schneider *et al*, 2005; Little and Dean, 2006; Dimitriades, 2007; Walker, 2007; Hui *et al*, 2007). Schneider *et al* (1992), Schneider and Bowen (1993) chose to use only interviews to gain information from several groups of respondents. Earlier, Schneider (1980) decided to coalesce interview and survey in a research study, whereas, Dietz *et al* (2004) made use of a survey and secondary data and Jong *et al* (2005) did a census in a major manufacturer of office equipment in the Netherlands which involved 226 service engineers and 672 customers.

Schneider (1983) commented in his previous research that not very much attention had been paid to the etiology of climate. Ideas had been expanded by other researchers with other relevant subjects (e.g. culture and innovation) and the continuation of climates extended to a specific climate, for instance climate for service. He worked with Moeller (1986) and attempted to identify the elements of service climate by using a conceptual model introduced by Katz and Kahn. A few years later, he collaborated with Wheeler and Cox (1992) and conducted a study to identify the themes that represent internal service climate and relate the paradigm of organizational climate to service excellence. After this, specific service climate scales followed by Schneider and Bowen (1993); Johnson (1996); Baker and Fesenmaier (1997); Schneider *et al* (1998a); Andrews and Rogelberg (2001); Jong *et al* (2004); Dietz *et al* (2004); Schneider *et al* (2005);

Jong *et al* (2005); Little and Dean (2006); Dimitriades (2007); Walker (2007) and Hui *et al* (2007) which were apposited within their research setting. The perceptions of characteristics in a setting compose climate in organizations. In the above table, half of those listed were research studies involving the banking sector; whether only branches or a bank as subject.

Table 2.2 also gave an idea about research done in different countries. 54.5 percent of the sources were in the United States of America. The roots of some of the most fundamental ideas and techniques used nowadays originated over two decades ago, and some outside America. The methods employed included interviews (Schneider, 1980; Schneider and Bowen, 1993), focus group (Schneider *et al*, 1992), surveys (Schneider and Bowen, 1993; Huei and Howard, 1994; Johnson, 1996; Baker and Fesenmaeir, 1997; Schneider *et al*, 1998a; Andrews and Rogelberg, 2001; Jong *et al*, 2004; Dietz *et al*, 2004; Liao and Chuang, 2004; Schneider *et al*, 2005; Little and Dean, 2006; Dimitriades, 2007; Walker, 2007; Hui *et al*, 2007) and data collection via archival records, for instance employee reports (Dietz *et al*, 2004).

Due to Schneider (1983), previous scholars attempted to explore new ideas from new perspectives, such as relating their research with financial matters, which was only for a short period and was different from others. As Rogg *et al* (2001) found, service climate facilitates the delivery of customer satisfaction, as supported by Johnson (1996), while Schneider *et al* (1998a) demonstrated a positive link between the way employees perceive service climate and customers' perceptions of service quality. Service climate was also incorporated with other subjects in related areas such as human resource management (Schneider and Bowen, 1993; Schneider *et al*, 1998a) and organizational citizenship behavior (Dimitriades, 2007) where the types of variables measures and methods suited the researchers' needs. It has been found to be related to employee commitment (Lux *et al*, 1996) and increasing the empowering leadership behaviours of a service worker's supervisor with flow on effects to the worker (Yagil and Gal, 2002). Service climate and service culture are two different themes, which are hard to separate (Reichers and Schneider, 1990; Schneider *et al*, 1996) because their strengths and weaknesses compensate each other (Schneider, 2000). In addition, Schneider (1983) advised the future researchers to be very specific regarding themes of climate to be explored or examined if they hope to assess the relationship between climate and other constructs of interest, such as organizational behaviour.

Schneider *et al* (1998a) proposed that the presence of foundation issues does seem to provide a basis for a climate for service. This focuses more specifically on service-oriented policies and practices which produce the climate for service. Schneider's (1980) findings have been expanded in Schneider and Bowen (1985; 1993), Schneider *et al* (1998a) and Schneider *et al* (2005). Global service climate was introduced by Schneider *et al* (1998) and the term was used again in Little and Dean (2006). Jong *et al* (2005) proposed self-managing team service climate, the continuity of Jong *et al*'s (2004) work, while Dimitriades (2007) brought in the term of organizational service climate, followed by Hui *et al* (2007) who presented the psychological service climate term. Dietz *et al* (2004) proposed two specific service climates from employees' point of view as those of the branch and the organization as a whole.

Table 2.3: Variables measured from previous service climate research

Author	Service climate variables measured
Schneider (1980)	**Manager and employee interviews:** What happened to and around them on a typical day that made them feel particularly bad about their work. What came to mind when they thought about customer service and the bank. What they thought giving good service involved; what are the components of good service. How they felt when they were not giving good service; what prevented them from providing good customer service. **Survey:** Employee desires to give good service and what happens when the stress of customer versus management demands is encountered. Relationships between the way employees and customers experience service
Schneider and Bowen (1985)	Overall quality, enthusiastic orientation, bureaucrat orientation, branch management, systems support, customer attention retention and logistics support.
Huei and Howard (1994)	**Strategic focus:** awareness of strategic challenge, vision for the future, innovation, quality policy/philosophy, value systems/ethics **Leadership and management:** top management involvement, visible commitment to goals, role in quality improvement process, concern for improvement, system/structure for quality improvement **Workforce:** awareness of productivity/quality issues, attitudes/morale, cooperation, involvement, perceptions of work environment, social interactions, task characteristics, consequential constraints
Johnson (1996)	Service strategy, service support, service systems, information seeking, training, rewards and recognition, management service orientation, employee service orientation, sales and service relationship, estimate of customer satisfaction, overall service climate.
Liao and Chuang (2004)	**S**ervice performance, employee involvement, service training, performance incentives,
Walker (2007)	Management service practices, management communication, management support, staff service practices, client focus, staff service ethos, staff personal attributes, staff concern for clients, employment issues, resourcing, estimate of client evaluation service

Different researchers have generated different dimensions for future analysis. Service climate dimensions scales were replicated from the previous works of other scholars, such as in Andrews and Rogelberg's (2001) research in small businesses, which used the scales from the work of Schneider and Bowen (1985) and Rogelberg *et al* (1999). Another example is the work of Baker and Fesenmaier (1997) which replicated the work of Zeithaml *et al* (1990). Lastly, Schneider *et al*'s (2005) service climate dimensions were assessed with an eight-item measure developed by Schneider *et al* (1998a). Table 2.3 presents the originality of measures of service climate used by scholars investigating the circumstances in the organizations involved in their research. They attempted to classify the environment surrounding employees either in tangible (e.g. systems support and logistics support) or intangible (e.g. bureaucrat orientation and enthusiastic orientation) form.

Although service climate is a specific application of organizational climate (Johnson, 1996) as in Figure 2.9, its theory is still in the early stages of maturity (Dietz *et al*, 2004). Service climate is built on foundations of caring for both customers and employees (Burke *et al*, 1992; Schneider *et al*, 1992). The importance of elements of service climate to customers and employees has been demonstrated in various studies. When there is a climate for service, employees have come to understand that superior customer service is expected, desired and rewarded; other things being equal, they are more likely prove good service (Liao and Chuang, 2004). Some empirical evidence supports a relationship between service climate and employee service performance.

As proposed by Schneider and Bowen (1985), climate-for-service dimensions for employees are: branch management, system support, customer attention/retention and logistics support. As for the customer, the dimensions are: courtesy/competency, utility/security, adequate staff, employees' morale and branch administration. In 1992, Schneider *et al* identified: environment, coordination, interpersonal relationships, service, human resources, equipment and supplies as the themes underlying employees' descriptions of the service climate in the participative organizations. In 1993, Schneider and Bowen distilled seven dimensions to only: managerial behaviour, systems support, customer attention/retention and logistics support.

Zeithaml *et al* (1990) proposed internal service climate for management as: marketing research orientation, upward communication, levels of management, management's commitment to service quality, goal setting, task standardization and perception of feasibility. She and her colleagues defined the employee service climate as involving teamwork, employee job-fit, technology job-fit, perceived control, supervisory control systems, role conflict, role ambiguity, horizontal communication and propensity to overpromise.

As for Johnson (1996), non-personal-contact (e.g. bank statements) dimensions are expected to be less related to personal-contact (teller service) dimensions. Seeking information, service training and support, service rewards and recognition were the service climate themes that were most predictive of specific facets of customer satisfaction and overall satisfaction with service. These three dimensions are probably highly related because they all have an informational component. It was expected that all service climate dimensions would be related to customer service satisfaction. This was generally supported, as all dimensions were significantly related to at least some facets of customer satisfaction except bank statements. It was also expected that the customer dimensions of bank statements and convenience would tend to be less related to service climate dimensions, because these are non-personal-contact facets of customer satisfaction.

A regression analysis by Little and Dean (2006) demonstrated that managerial practices, customer feedback and human resource management contributed to global service climate. Walker (2007) affirmed that managerial practices were cited by respondents as barriers to superior service e.g. resourcing, planning, organising, leadership, communication and staffing. The respondents also viewed positively their own service practices in areas such as skill level, role comprehension and intercollegial communication as the most positive aspects. English Language Centre (ELC) staff perceived that they were receiving good levels of support from their managers, particularly in areas such as encouragement, fostering mutual cooperation, and supporting professional development. However, when it comes to giving reward and recognition for a job well done, they sensed that managers do not do nearly such a good job (Walker, 2007). Liao and Chuang (2004) found that service training and performance incentives were not related to service performance but rewarding and recognizing excellent service contributes to a climate for service (Johnson, 1996).

Schneider's (1980) findings confirmed that the support system might be one facet contributing to the service climate in an organization, as supported by Baker and Fesenmaier (1997) in their article which pointed out that employee- and technology-job fit played a large role in explaining the variation of employees' perceptions of visitors' service quality expectations. Dietz *et al*'s (2004) dimensions were service technology and service-related reward systems.

Dietz *et al* (2004) proposed dimensions of service climate such as service-related reward systems and service technology. Alternatively, Johnson (1996) suggested service climate components were further defined into eight assessment areas for the Service Management Practices Inventory (SMPI) which are: service strategy; seeking information; evaluating service performance; service training and support; service rewards and recognition; service orientation and commitment; sales and service relationship; service systems, policies, and procedures. Seeking information, service training and support, service rewards and recognition were the service climate themes that were most predictive of specific facets of customer satisfaction and overall satisfaction with service. These three dimensions are probably highly related because they all have an informational component. These dimensions were also very highly related to each other, so it is possible that the relationship for one variable would not be as strong in the absence of the others.

In Jong *et al*'s work (2005), there was no significant impact of team goal setting on self-managing team (SMT) service climate if considered as one dimension of service climate. SMT service climate is dependent on the emergence of team norms on services-related issues rather than on the process of how to develop realistic service quality goals. Unexpectedly, regression analysis by Little and Dean (2006) demonstrated that customer orientation did not contribute to global service climate in their research. Lack of variance will attenuate the estimated relationship between service performance and other variables (Liao and Chuang, 2004).

When excellent service is an important theme in an organization, a positive service climate exists (Dietz *et al*, 2004) even though Jong *et al* (2005) confirmed that a great amount of individual variance in service climate perceptions remains largely unexplained.

2.3 Pillars of service quality and service climate

Schneider (1986) outlined several issues requiring attention to form the basis of climate in an organization, which are: membership, socialization, identity, structural, interpersonal and environmental issues. Hartline and Ferrell (1996) stressed three interfaces of the service delivery process: manager-employee, employee-role and employee-customer. Consequently, this section is divided into four parts: organization, management and managers, employees and customers.

2.3.1 Organization

Services usually involve face-to-face contact as they are produced and consumed at the same point in time (Schneider and Bowen, 1993). For service organizations, quality of service has emerged as a key differentiator in the marketplace (Curry and Penman, 2004) over the past decades (Berry and Parasuraman, 1991). Macdonald (1995) stated that customers had increasing difficulty in differentiating the offerings of individual companies, but eventually financial institutions came to realize that the best way to differentiate them from the competition was through customer service.

Though Schneider (1980) mentioned that theories and models have been adapted from the manufacturing sector, services have their own characteristics which are completely different, such as intangibility, heterogeneity, perishability and simultaneous production and consumption (Zeithaml and Bitner, 2003), as supported by Schneider and Bowen (1985). Owing to the high level of unpredictability of human involvement, not all frontline employee behaviours can be specified and pre-determined by management guidelines (Boshoff and Tait, 1996). Therefore, Schneider (1986) pointed out that service organizations need to be concerned with the kinds of members they attract, select and retain. This could go a long way to improving the quality of service consumers receive. It is the people who transmit climate through their behaviour. Since people are the capital assets of service firms, they should invest heavily in the right members on which to build their organization.

After people are hired, trained and informally socialized, organizations can nonetheless still manage identity; they can still help promote a sense of belonging (Boshoff and Tait, 1996). Schneider (1986) also commented on how people come to feel a part of their organization, how they come to identify with the organization's goals and values, whilst Boshoff and Tait (1996) were concerned that if the extent to which frontline employees identify with the firm's goals and values exerts an influence on the service quality delivered, this level of commitment can be enhanced and thus also the level of service quality delivery. Some employees may consider the interests of the organization to be more important than the interests of customers. Internal climate is the picture on how internal relationships function between people in an organization (Gronroos, 2000). It communicates a message to employees about what is valued by the organization. And the attitudes and behaviours that is desired and will be rewarded even though there are gaps between the goals outlined by organization perceive by employees and the goals of employees when dealing with customers (Schneider, 1980). Convincing frontline employees to accept and support the organization's values, goals and objectives (e.g. customer orientation) should be beneficial to both the organization and its customers, as well as to its employees. There are two ways of effects in organization practices; the practices affect the customer perceptions of the services they experience and the perceptions influence the practices (Schneider *et al*, 1998). Schneider (1986) argued further that organizations need to continuously reward and support the attachment of employees to the organization.

Every organization has its own service climate because the basis of the services and interaction within the organization create the uniqueness of the service climate. An organization encounters thousands of events, practices and procedures, demonstrates a climate for service which are perceived in many clusters of related sets (Schneider, 1983; Schneider *et al*, 1992). Different kinds of people may report different types of service climate because of their uniqueness of behaviour, even though they may experience the same service practices and procedures at the same point in time (Schneider, 1983). Therefore, there is no room for quality control between the employees' behaviour and the customer's purchase because Schneider (1980) assumed that service customers are responsive to the same kinds of organizational practices and procedures that affect employees. Even though they view service from a different perspective, employee and customer perceptions of organizational effectiveness are positively related

(Schneider and Bowen, 1993; Schneider *et al*, 1998). If frontline employees had a positive experience with a customer, they would strive to obtain a similar or higher quality interaction the next time. This attitude, in turn, would improve the organization's service climate (Baker and Fesenmaier, 1997). For that reason, the organization should play a pivotal role in creating foundations, providing the development of a service climate that supports and encourages teamwork and eliminating barriers between departments (Chung, 1993) this is because an organization's service climate as perceived by customers is the result of interactions among managers, frontline employees and customers (Schneider, 1990; Bateson, 1985; Schneider, 1980) that focus directly on service quality (Schneider *et al*, 1998) by changing the way it pulls teams together to work on projects (Johnson, 1992).

Bowen and Schneider (1985) argued that the creation of a climate for excellent service was important to ensure that customers received high-quality service. The participating organizations in Schneider *et al*'s (1998a) research paid close attention to their customers' expectations and needs to create conditions generating a climate for service. Dietz *et al*'s (2004) findings also supported the role of employee-customer contact, consistent with current theorizing on the processes that underlie service climate effects. When excellent service is an important theme in an organization, a positive service climate exists. That climate for service in turn yields behaviours that result in customer perceptions of quality. Schneider (1980) suggested that a climate for service created a positive feedback loop and a favourable service climate is associated with excellent interdepartmental service (Schneider *et al*, 1998a). Schneider (2000) also emphasized the strengths of service climate are identical imperatives in an organization and the information of measure and statistical documentation is shared with other organizational members. This will result in organizational initiatives that focus directly on service quality (Schneider *et al*, 1998) such as teams set up to resolve cross-departmental and organizational issues (Bird, 1993). Therefore, service firms need to manage and enhance their internal climate to positively affect the attitudes and behaviours of employees who serve the public (Bowen and Schneider, 1989). Olaisen and Revang (1991) agreed that quality aspects should be measured horizontally for the entire service offered if service organizations are going to be successful, with collaboration from all levels of the organization (Bowen and Cummings, 1990; Jong *et al*, 2005).

The majority of the service quality literature stresses the importance of focusing on customers even Schneider and Bowen (1985) stated that employee and customer perceptions, behaviours, and purchase intentions share a common basis and are related to each other, though they are not sense the situation. Many service firms are subject to failures in service delivery because they must depend on customer-contact employees to deliver service to their customers (Hartline and Ferrell, 1996). High quality service can be provided only if customers' expectations are met or exceeded. Therefore, the key to manage the customer's experience of service quality is to manage employees' experiences within their own organization (Schneider and Bowen, 1989; 1993).

In order to succeed, an organization must distinguish itself from its competitors, not just in the quality of the core product but also in how it manages the "service surround", such as alignment with the expectations of customers (Baker and Fesenmaier, 1997) to improve the efficiency of service delivery (Olian and Rynes, 1991). Each person must improve what is around them and look for ways to satisfy the requirements of others in the organization efficiently. This requires a climate that encourages and supports teamwork in addition to promoting a general ethic of continuous improvement (Chung, 1993). Therefore, the key to manage the customer's experience of service quality is to manage employees' experiences within their own organization (Schneider and Bowen, 1993). This understanding can be achieved through a variety of means, including face-to-face interaction with the customers and upward communication through the use of consumer surveys or research (Baker and Fesenmaier, 1997).

2.3.2 Management and managers

Although Schneider and Bowen (1985) believed that every organization has their own uniqueness but the issue of concern in this research is that individuals are the source of perceptions involved with direct service delivery; the service provider and the recipients of the service. In major previous research studies, most of the respondents were employees and customers but there were some involving managers as information contributors (Schneider, 1980; Schneider *et al*, 1992; Huei and Howard, 1994; Baker and Fesenmaier, 1997; Liao and Chuang, 2004). The service encounters may involve several dyadic relationships (Tansik, 1990) between managers, frontline employees and customers and their perceptions need to be congruent for service quality to be optimized (Bowen and Cummings, 1990). The perceptions that managers and frontline employees have of their organization may impact their understanding of customers' expectations but no study has been reported in the literature that investigates all three possible dyadic relationships in a single context (Baker and Fesenmaier, 1997).

Managers have the ability to influence the level of customer contact employees' knowledge and control (Chase, 1978). Reynierse and Harker (1992) stated that effective customer service starts with managements' commitment to invest in competitive systems that give employees an edge when dealing directly with customers. Kerfoot and Knights (1992) argue that employees from all levels need to be involved in making the changes that are necessary to offer the services their customers expect. Cooperation between frontline employees and management is important to discover root causes which affect customer satisfaction by providing appropriate data to improve processes in service delivery (Maccoby, 1993). Management also have to form a foundation for climate that may support and emphasize service quality and establish a strong climate for service (Schneider *et al*, 1998). If management can motivate the supervisor to support the employee and create and maintain a service climate, then a culture of caring, hard-working, happy employees can be translated into customers who recognize and feel that service-driven attitude (Mahn Hee Yoon *et al*, 2001). Hui *et al* (2007) did not recommend that management foster an unfavourable service climate in order for the frontline employees to provide high external service quality. Maintaining an unfavourable service climate would put businesses at risk.

Schneider and Bowen (1985) contended that the work environment of service employees has strong influence on how customers experience the service. If managers treat employees well, therefore employees will treat customers well. Managers' perceptions have been considered as more accurate than other employees' perceptions; or rather managers' perceptions have been considered representative of all employees' perceptions (Powell and Butterfield, 1978). However, managers may be overemphasizing the importance of some aspects of service quality (Baker and Fesenmaier, 1997). It is not surprising that meeting management expectations would in a sense mean meeting customer expectations (Subramony *et al*, 2003) as in Baker and Fesenmaier (1997); managers should therefore measure perceptions of customers' expectations that are held by frontline employees. The findings of Baker and Fesenmaier's (1997) study indicate that employees who perceive a high degree of teamwork tend to overestimate customers' service quality expectations but are more in line with managers' perceptions.

Management have to form a foundation for climate that may support and emphasize on service quality and establish a strong climate for service (Schneider *et al*, 1998). This is as a result of trying to meet conflicting demand between management and customers (Schneider, 1980) because there was a discrepancy between employee and management emphases in their work routine. Subramony *et al* (2004) suggested that meeting customer expectations as the service employee perceives them, does not result in customer satisfaction, while meeting higher level management's expectations does. Employees seem to understand and meet the expectations of their management, which may actually be in tune with customer expectations (Schneider and Bowen, 1995), but employees probably view customer expectations differently from the way they really are. Meeting upper management's expectations is a better predictor of customer satisfaction than employees' beliefs that they have met customers' expectations. Employees get this message from the experiences they have during their workday (Schneider and Bowen, 1995). Schneider and Bowen (1993) proved that employees could be a source of competitive edge if handled contingently, scientifically and cross-functionally by management.

2.3.3 Employees

Services are often characterised by the existence of human contact between the employee and the customer (Othman and Owen, 2001). Because the service encounter involves at least two people, it is important to understand the encounter from multiple perspectives (Bitner *et al*, 1994). Frontline service employees, placed at the organization-customer interface and representing an organization to its customers, play a crucial role in service encounters, which often involve dyadic interactions between customers and service employees (Solomon *et al*, 1985). Employees are a potentially marvellous source of critical information regarding long-term survival (Schneider, 1986) and for every interaction with a customer provides an opportunity to be unique, to go beyond the call of duty (Zeph *et al*, 1997). Degree of contact varies and the behaviour of employees is vital towards contributions in shaping customers' perception of service quality (Lewis, 1991; Liao and Chuang, 2004). Dietz *et al*'s (2004) findings on the role of employee-customer contact are consistent with current theorizing on the processes that underlie service climate effects. Furthermore, Johnson (1996), Schneider and Bowen (1985), Schneider *et al* (1980; 1998) suggested a direct relationship between employees' perceptions of service climate and customers' evaluation of service at the organizational level of analysis.

Sasser and Arbeit (1976) distinguished between the service that is provided to internal and external customers and argued that both are equally important (Berry *et al*, 1985; Schneider *et al*, 1980; Schneider and Bowen, 1985). Employees are a valuable source of information regarding customers and can identify some of the practices and procedures associated with customer evaluations of effectiveness (Schneider *et al*, 1980; Schneider and Bowen, 1985). They also can assess the quality of internal services and can provide insights into conditions that cause service problems as an early warning system to any sign of dissatisfaction while involve in interpersonal interaction to deliver the services. Customer-oriented behaviours demonstrated by frontline personnel have been conceptualized as employees' willingness to: assist customers to make satisfactory purchase decisions; help customers assess their needs; offer services that will satisfy those needs; describe services accurately; and avoid the use of deceptive, manipulative or high-pressure influence tactics (Hoffman and Ingham, 1992). Bitner *et al*'s (1994) findings suggested that employees often modify their behaviour from time to time on the basis of feedback they receive while serving customers. Because contact personnel have frequent contact with customers, they serve a boundary spanning role in the firm. As a result, they often have a better understanding of customers' needs and problems than others in the firm. It seems reasonable to conclude that accurate employee understanding of customers enables both the employee and the firm to adjust appropriately to customers' needs. In many routine service encounters, particularly for experienced employees and customers, their roles are well defined and both the customers and employees know what to expect from each other. Role and script theory, combined with the routine nature of many service encounters, suggests that customers and employees are likely to share a common perspective on service experiences. Therefore, conclusions from employee-customer comparisons are exploratory, and explanations are somewhat speculative because it is difficult to see direct relationships between those factors. Subramony *et al* (2004) mentioned that directionality of this relationship is not as clear as the fact that customers and employees influence each other’s attitudes and perceptions as the external customer is the image of the employee’s experience with the organization; either they (employees) experience a positive climate of service or negative one; can hardly hide what they feel about it (Schneider *et al*, 1980; Schneider and Bowen, 1985). However, Cui *et al*’s (2004) study showed a mismatch between Chinese employee and customer perceptions.

However, at some stage or another, the majority of customers will make direct contact with frontline staff, the lowest paid people (Macdonald, 1995). This contact should be verified by collecting information from those respective employees. In view of this, one would naturally expect executives and senior operational management to be eager to seek the opinions of lowest-level customer contacts; it is an interesting supposition but far removed from reality. There were, however the “listening” and “caring” banks. They realized that customers were choosing financial institutions on the basis of personal service encounters. The tellers and cashiers were now all smiling and greeting the customers by names. The bank managers were also smiling, even listening, but none of them had really been empowered to change anything substantial. Banks, building societies and insurance companies have invested heavily in customer care and their whole image has substantially improved through their day-to-day service and attitude to the customers.

The work environment of service employees also has a strong influence on how customers experience the service (Schneider and Bowen, 1985; Schneider, 1980). Employees absorb this message from the experiences they have during their working day (Schneider and Bowen, 1995). They have accumulated a sense of what is important in an organization (Carlzon, 1987). Schneider (1980) suggested that a climate for service created a positive feedback loop. If frontline employees have a positive experience with customers, they would strive to obtain a similar or higher quality interaction the next time. Perceptions of employees are shared about what is important in the organization, obtained through their experiences on the job and their perceptions of the kinds of behaviour management expect and support (Schneider and Bowen, 1995). It is difficult for employees to have global perceptions of the entire organization, however, some employees may have perceptions based on a more global view than others (Powell and Butterfield, 1978).

Employees' perceptions of climate not only influence organizational variables, such as work effort and job satisfaction, but also affect service evaluation by customers (Naumann and Giel, 1995; Mahn *et al*, 2001; Schneider *et al*, 2002). Employees' perceptions of their work climate are strongly related to customers' evaluations of the service and their intentions to continue using the service. They found a strong relationship between managers' and employees' descriptions of the organizational "climate for service" and customers' evaluations of that service (Schneider and Bowen, 1995). Employees tend to be less bureaucratic and more enthusiastic about service as the result of trying to meet conflicting demands between management and customers (Schneider, 1980).

Bank employees apparently know when their customers are satisfied or dissatisfied with the level of customer service provided by their bank (Reynierse and Harker, 1992). In an absolute sense, one might hypothesize that a bureaucratic managerial orientation to service should result in negative employees and, hence, customer outcomes (Parkington and Schneider, 1979). Their study suggests that the way the bank's employees describe the kind of service orientation they think the bank should have and the way they describe upper management's service orientation is strongly related to the way employees experience their world of work. Thus, service climate can influence employees' attitudes and some scholars have suggested that business must be concerned with improving employees' perceptions of service climate because those perceptions help to define employees' attitudes (Lux *et al*, 1996) as there have been increasing awareness of the impact of climate on employees' behaviours (Liao and Chuang, 2004). Bowen and Schneider (1985), Weitzel *et al* (1989), Allred and Adam (2000) proposed that if managers treat their employees well, employees will treat their customers well. The reason was that the working environment of service employees has a strong influence on how customers experience the service (Andrews and Rogelberg, 2001; Schneider and Bowen, 1985; Schneider *et al*, 1992; 1996a).

O’Reilly and Chatman (1986) suggested that in normal circumstances, younger employees (less tenure) would be expected to share less in the underlying core values of the organization because of less exposure and experience in the value system. Younger employees with less service experience would display higher levels of compliance and commitment relative to senior staff with longer service records. Such employees have had less opportunity to internalise the organization’s core values. On the other hand, longer serving employees would be expected to display comparatively higher levels of internalised commitment with higher intention to stay, due to a longer socialization process. Subramony *et al* (2004) supported the fact that maturity of teams may have a direct effect on the quality of service received by the customers, confirming the emphasis that some companies have given to teamwork in recent years. Group maturity and service quality is unlikely to be explained by common method variance, because the people in the company who rated the teams’ maturity had no contact with the customers who rated the service quality. The situation is different with employees who fail to adopt the core values because they have left the organization after a period of time claiming they have a better switch pact elsewhere, probably on account of their working conditions and working environment. Conclusively, Subramony *et al* (2004) stressed that group maturity predicts internal service effectiveness, in which internal and external service effectiveness predict service quality.

LeBlanc and Nguyen (1988) mentioned contact personnel as one of the tangible elements of the process in a bank, other than the internal organization and physical environment. A high degree of contact exists between contact personnel and customers, therefore prior attention should be paid to staff's attitude, such as competence, appearance and sense of professionalism. Organization image may vary with variability of contact and back office personnel's performance. Generally, bank staff is perceived as performing up to expectations (Bank of Botswana, 2000). If there are weaknesses among contact personnel, it might be because they are often part-time, low paid employees, and have a high turnover rate in the company (Allred and Adam, 2000).

As for Johnston (1995), there is a need to generate a helpful, caring, friendly and committed approach in staff. Organizations need to attract, select and retain interpersonally oriented people, both formally and informally socialized, besides being interpersonally sensitive and responsive (Powell and Butterfield, 1978). The quality dimension employees' competence influences the customers' perceptions of the bank's marketing strategy, as the latter is reflected through contact personnel. With regard to personal relationships, as might have been expected, they have a direct influence on customers' perceptions regarding the bank's reliability (Gounaris *et al*, 2003).

Bitner *et al* (1990) showed in findings from their study that the ability of an employee to make a proper response is largely a function of the employee's knowledge and control. Bank of Botswana (2000) argued that senior staff and bank managers were inaccessible and branch managers were not given sufficient authority to make decisions. Banks in the United Kingdom are traditionally conservative organizations with hierarchical structures and bureaucratic procedures (Cowling and Newman, 1995). It is easy to imagine the extent of contact employees' control and authority to solve any problem raised at any time with consequent difficulties to give prompt feedback to customers.

Described by most productions and operations management textbooks, one way of classifying service organizations is the degree of customer contact (Gaither, 1992). Dietz *et al* (2004) research led to the importance of frequency of contact. Employees' climate perceptions do have impact on customers' behaviours and may lead to customers' satisfaction, the effects grew stronger as the frequencies increased. Thus, it may be important to assess the internal climate long before the final product reaches the external customers (Gaither, 1992). Little and Dean's (2006) study suggests that if a poor service climate exists, employees will have difficulty delivering high levels of service quality to customers and this is supported by Baker and Fesenmaier (1997). Employees of many firms are now trying to understand the attributes that affect customers' perceptions of service quality (Baker and Fesenmaier, 1997; Gronroos, 2000; Little and Dean, 2006) though Zeithaml *et al* (1990) mentioned teamwork, employee-job fit, technology-job fit, perceived control, supervisory control systems, role conflict, role ambiguity, horizontal communication and a propensity to overpromise as the barriers to deliver quality services. Respondent employees should be close to customers; it is presumed easier to find stronger relationships with customer attitudes than when employees are removed from customers (Dietz *et al*, 2004). Therefore, the key to managing the customers' experience of service quality is to manage employees' experiences within their own organization (Schneider and Bowen, 1993). This attitude, in turn, would improve the organization's service climate (Baker and Fesenmaier, 1997).

2.3.4 Customers

In today's economy, the success of a business largely depends on the quality of service provided to its customers (Berry, 1995; Zeithaml and Bitner, 1996). Today's consumers are better educated, travel extensively and read widely. These attributes influence their buying behaviour in that they are becoming more sophisticated, more discerning and have high expectations. There is difficulty in keeping pace with the rising expectations of customers, which is an economic and social phenomenon, as well as political one. As an example, the Consumer Association of Singapore is taking initiatives to promote awareness of consumer rights and information which is raising expectations even further (Kwan and Tan, 1993; 1994). Baker and Fesenmaier (1997) noted that it is important to understand customers' expectations in order to assess the organization's ability to deliver services; any dissatisfaction is a result of service falling below customers' expectations.

Hoffman and Bateson (1997) defined perceived service quality as a formation of long term attitude towards an organization's overall performance. The opportunity then exists for developing a services arrangement on the basis of how consumers define and understand quality (Babakus and Boller, 1990). There are two-way effects in organizational practices; the practices affect the customer perceptions of the services they experience and the perceptions influence the practices (Schneider *et al*, 1998). Cross-sectional and longitudinal studies on the chain of events between employee and customer perceptions have shown that employees' perceptions of service climate have a positive influence on customers' perceptions of service quality (Johnson, 1996; Schmit and Allscheid, 1995; Schneider and Bowen, 1985; Schneider *et al*, 1996a; 1998b). An organization's service climate as perceived by customers is the result of interactions among managers, employees and customers (Schneider, 1990; Bateson, 1985; Schneider, 1980; Bitner *et al*, 1990; Parasuraman, 1987).

In general, customers expect banks to provide the basic banking services. They also expect different levels of services to maximize the value they can obtain from banks. From Alvin's (2003) point of view, eventually, customers want banks with whom they can get in touch by phone or in person in a timely manner. They want banks to open during hours that are convenient to the markets served. Usually they only have a moderate understanding of credit terms. They also want banks to keep them informed in a way that they understand. Communicating in this sense is to keep the customer informed, initiate communications and use the customers' language. However, at some stage or another majority of customers will make direct contact with the frontline employees, the lowest paid employee of the organization.

Aldlaigan and Buttle (2002) found that customers' evaluation of service quality can be clearly attributed to the service organization as a system rather than individuals within the system, as supported by Galloway and Blanchard's (1996) findings; it is clear that customers of retail banking value the process elements when evaluating quality. On the contrary, research conducted by Van der Wiele and Bouman (1992) proved that a customer cannot penetrate the work methods of a car service firm, therefore cannot judge the delivered service independently.

Service climate models typically do not specify edge conditions; that is, when a service climate is relevant for predicting customer attitudes and when it is not (Dietz *et al*, 2004). Organizational service climate played an important role in customers' evaluation of the service (Bitner *et al*, 1990; Parasuraman, 1987). It was proven in Schneider's (1980) study that customers who report a more positive service climate tend to be loyal with the bank and influence the bank's good financial position in terms of profit. Therefore, customers' roles in this research cannot be denied. Schneider and Bowen (1985) suspected many of the principles that have been derived theoretically from a focus on the external customer as Parasuraman *et al* (1985; 1988) did may also provide insight for researchers who study the internal strategic of organization.

2.3.5 Contribution of other factors

Employees' background, such as years of working experience, significantly influenced their perceptions (Huei and Howard, 1994). This finding is supported by Jong *et al* (2005); Powell and Butterfield (1978) found that team members that have a longer length of tenure relative to their colleagues within the team report lower assessments of service climate. The climate perceptions of the majority of respondents were formed on the basis of experience on the job for a year or less, and were slightly more negative than those of longer-serving staff; how exactly the length of service on climate perceptions is still not entirely clear (Walker, 2007).

Age also has a positive influence on team members' subjective perceptions of the service climate. As the elder ones often feel more responsible for the self-managing team service climate process, they tend to have more positive perceptions (Jong *et al*, 2005). Other background information of the respondents that might contribute to service climate are area of responsibility (Walker, 2007; Powell and Butterfield, 1978) and personality which seemed to play an important role in shaping individual employees' service behaviour, regardless of the level of service climate (Liao and Chuang, 2004).

Another potential moderating variable is the geographic location of branches. Local labour, social and economic influences are likely to moderate the relationship between service climate and customer satisfaction. Location had a large influence on many correlations (Johnson, 1996). Institutional type is a moderate determinant of the service climate (Walker, 2007) and moderates the group-level effect of flexibility (Jong *et al*, 2004). Size appeared to have virtually no effect on staff perceptions of the English Learning Centre service climate (Walker, 2007).

2.4 Disagreements and limitations in previous studies

Service quality is a concept that emerged around the mid-80s. It has evolved steadily over the years. Attempts to evaluate or measure quality will always run into problems due to the objectivity of measurements provided by various indicators and the subjectivity of a process that is based on social surveys. The SERVQUAL instrument has received a number of criticisms from other researchers (Johnston, 1995). These criticisms indicate that there is still a need for fundamental research (Buttle, 1996) in the service quality area. A replication of SERVQUAL provides evidence that both the gap approach and service quality dimensions exhibit conceptual and methodological problems (McDougall and Levesque, 1994). Therefore, the researcher will discuss the flaws of service quality measurement initiated by Parasuraman and his colleagues from several angles. These are serious concerns which are not only significant for users of SERVQUAL but for all those who wish to understand better the concept of service quality measurement.

2.4.1 Item wording

The mixture of negatively and positively worded statements created confusion and frustration on the part of respondents (Babakus and Mangold, 1991). Consequently, there were misunderstandings among respondents regarding the original items and wordings (Johns and Tyas, 1996; Johns *et al*, 1997; Johns and Howard, 1997). For this particular population, it was believed that the confusion and inaccurate responses resulting from the use of negatively worded statements would adversely affect the quantity and quality of the data. Effects of wording can be easily detected if the frequency distributions of the negatively worded item scores are bimodal or highly variable relative to positively worded items (Yamaguchi, 1997). Negatively keyed items loaded heavily on one factor and all positively keyed items loaded on the other factor (Babakus and Boller, 1992). In fact, they caution researchers and practitioners against the use of negatively-worded items in survey instruments attempting to operationalize the service quality construct.

However, Johns and Howard (1997) recommended further work, in particular changes of wording in the questions. Teas (1994) proposed that the wording of SERVQUAL “expectations” questions and the way they are used should be changed. The wording and subject of some individual items need to be customized to each service setting (Carman, 1990).

2.4.2 Dimensionality

A substantial number of other researchers have sought to confirm dimensions described by Parasuraman *et al* (1985; 1988), and, some have managed to find a five-factor pattern; a substantial number have failed. There are doubts about the universality of the five RATER dimensions (Buttle, 1996). Many critics argue that a single instrument like SERVQUAL is not appropriate for measuring service quality across industries (Carman, 1990; Cronin and Taylor, 1992; Babakus and Boller, 1992; Johns and Howard, 1988; Johns and Tyas, 1996). Carman (1990) appears to be one of the first to identify the possibility that the SERVQUAL scale may not exhibit the supposed five-factor structure across all service industries, supported by Babakus and Boller (1992). Cronin and Taylor (1992) in their study on service quality in the banking, pest control, dry cleaning, and fast food industry, also found that the five-dimension structure of the SERVQUAL scale was not confirmed in any of their samples. In fact Parasuraman *et al* (1991) were unable to replicate their work in a study, which produced six factors (two apparently closely related) rather than five as mentioned in their previous papers. For the Dutch car service industry the original five dimensions did not emerge from the questionnaire survey (Van der Wiele and Bouman, 1992). Babakus and Mangold (1991) discarded several items that were not relevant to the hospital environment or that could lead to invalid responses. Some of the items included in the scale were redundant, which led to frustration, low response rates and this may indicate that they are in fact perceived differently by customers (Johns and Howard, 1997).

There are doubts about the utility and appropriateness of the disconfirmation paradigm and dimensionality of service quality. Critics have raised a number of significant and related questions about the dimensionality of the SERVQUAL scale. The most serious are concerned with the number of dimensions. Each factor in the 1988 and 1991b, SERVQUAL scales composed of four or five items. It has become clear that this is often inadequate to capture the variance within, or the context-specific meaning of each dimension (Buttle, 1996). It is recommended that items on seven or eight of the original ten Parasuraman *et al* dimensions (rather than five) be retained until factor analysis shows them not to be unique (Carman, 1990), whilst Blanchard and Galloway (1994) stated that SERVQUAL dimensions are not true dimensions. True data show quite clearly that the SERVQUAL dimensions are not exclusive, at least from the viewpoint of customers' expression of needs but in general the attributes identified as important by customers fit conveniently into the SERVQUAL dimensions without undue strain.

Customer expectations and perceptions are not based on a single factor and will be the result of a combination of several factors that customers determine as appropriate in the creation of satisfaction (Johnston and Lyth, 1991). Each subject's perceived expectations, performance evaluations, disconfirmation and satisfaction were subsequently measured by using multiple measures for each construct (Churchill, 1982). There are many measurement and scaling issues to be addressed with respect to these constructs (Bolton and Drew, 1991). The most effective checklist of service quality dimensions for recoding attributes was found to be that of Johnston (1995). Almost all of the diverse quality factors could be accommodated within it, including those not directly related to the service encounter (Johns and Howard, 1997).

Customers' assessments of service value are positively related to their evaluation of service quality. However, service quality and value are not the identical construct (Bolton and Drew, 1991). Measures which could not easily be classified and therefore raised difficulties with Parasuraman *et al*'s determinant definitions were responsiveness, friendliness, access, availability and tangibles (Johnston *et al*, 1990). A particular problem is presented by the tangibles dimension. Services differ in the proportions of tangibles they contain. It would be reasonable to suppose that the importance of tangible aspects is higher in customer experiences such as hotel services, which contain a high proportion of clearly differentiated tangible components. A tangible grouping seems inappropriate as an element of quality. While service may be reliable or responsive, it cannot be meaningfully described as 'tangible' (Johns and Howard, 1998). One possible difference may be the proportion of tangibles to intangibles in the service bundle and it would be easy for customers to distinguish them from other components of the service and from one another (Johns and Lee-Ross, 1997). In fact, Johnston *et al* (1990) replaced ‘tangibles’ with aesthetics, comfort and cleanliness. Van der Wiele and Bouman’s (1992) results suggested that customers distinguish three dimensions: customer kindness, tangibles and faith of service quality when they evaluate car servicing. These dimensions appear to be dependent on each other. Services differ in the proportions of tangibles they contain (Johns and Lee-Ross, 1997; Johns and Howard, 1998).

The aspects which differentiated most strongly were staff/hosts, location, service/welcome and atmosphere, e.g. intangible aspects were the strong differentiator. This is the expected finding, and supports a widespread view that intangible ‘service’ is the most effective differentiator in the market place (Johns and Lee-Ross, 1997). Carman (1990) cautions that the combination of understanding and access dimensions into empathy which Parasuraman (1988) came up with is not supported by the data. Carman interprets this finding as indicating that when one of the dimensions of service quality is particularly important to customers, they are likely to split the important dimension into subdimensions, whilst Johnston *et al* (1990) found that determinants for which no measures were found were credibility and understanding.

Even though service attributes may contribute to quality in different ways (Johns and Howard, 1998), many researchers have attempted to break down service quality into components or dimensions. However, there often seems to be confusion between the components of the service itself and the components of its quality (Johns and Howard, 1997) such as items gaining insights into or information about the service process, not part of SERVQUAL (Van der Wiele and Bouman, 1992), which was not the only reason the SERVQUAL dimensions were less convincing (Blanchard and Galloway, 1994). Some of the performance measures used in the field could not be classified under any single quality factor and appeared to be overall service quality (internal and external) indicators rather than measures of particular aspects of service (Johnston *et al*, 1990) but Brown *et al* (1993) ultimately conclude that the service quality construct appears best operationalized simply by measures of a service firm's performance. Some of them were surrogate measures such as level of repeat orders. Therefore, the observations indicate the need for further work on the dimensionality and abstraction level of the construct (Babakus and Mangold, 1991). The failure of the SERVQUAL model to provide any particularly useful insights into how service might be improved led to the attempt to develop an alternative model of greater utility (Blanchard and Galloway, 1994).

2.4.3 Expectations and perceptions

The SERVQUAL instrument is based on gap theory (Parasuraman *et al*, 1985) and suggests that a consumer's perception of service quality is a function of the difference between his or her expectations about the performance of a general class of service providers and his or her assessment of the actual performance of a specific firm within that class (Cronin and Taylor, 1992). Zeithaml (1988) indicates that conceptualization and measurement of quality has historically remained understudied. It does not build on extant knowledge in economics, statistics and psychology (Buttle, 1996). SERVQUAL has been inappropriately based on an expectations-disconfirmation model rather than an attitudinal model of service quality (Buttle, 1996). Babakus and Boller (1992) suggest that operationalizing service quality as disconfirmation does not add to the explained variance of the operationalization, in large part due to the redundancy of the expectations component.

The degree of service expected will be based on understanding of the image of the operation; created by previous experiences, the experience of others, and the organization's marketing efforts (Jonston and Lyth, 1991). A review of service quality literature and the results of Teas' (1993b) empirical tests indicate that it is conceptually unclear what the SERVQUAL expectations concepts represent. (i) The conceptualization of expectations as an ideal standard suggests a possible classic attitudinal model ideal point interpretation. (ii) If it is interpreted to represent a feasible ideal point concept, a positive monotonic linkage between the SERVQUAL measure and perceived quality would not be expected when the attributes involved are the finite ideal point. Notwithstanding the more fundamental criticism that expectations play no significant role in the conceptualization of service quality, some critics have raised a number of other concerns about the operationalization of "expectation" in SERVQUAL (Buttle, 1996). Parasuraman *et al* (1985; 1988) asked the same respondents to complete both the expectation and perception statements at one administration. The only requirement was that they had used the services of the subject firm within the past three months. Thus, there was not a before and after administration. Based on what they had experienced in the past, respondents were asked what they expected and then asked what they perceived. All respondent beliefs were entirely former post deal. Carman (1990) pointed out that these expectation responses can be of little value because from a theoretical standpoint, expectations should differ between organizations and from a practical perspective, the procedure is even less desirable and useful (Teas, 1993a). On the other hand, Kwan and Tan (1993) supported Parasuraman *et al*'s (1985; 1988) technique of service quality measures through expectations and perceptions by addressing its gaps as a logical basis for formulating strategies and tactics to enhance customers' satisfaction and a positive quality evaluation.

While not generally recognized, the conceptualization of service quality as a difference score leads to a number of potential problems (Brown *et al*, 1993). Carman (1990) questioned the completion of the expectations instruments when coming in the door and then completing the perceptions statements at the end of the service encounter. Respondents at the time of completing the expectations instruments are supposed to do so without relying on experience. He thought they were unable to find a service setting where this was practical. In settings where it is obvious to customers that multiple service functions are performed, it is recommended that the instrument be administered for each function separately. It might be preferable to collect the data in terms of the expectation-perception difference directly rather than to ask questions about each separately (Taylor *et al*, 1993; Brown *et al*, 1993; Cronin and Taylor, 1992).

Carman (1990) was concerned about how much experience the respondent should have with the service before answering the expectations section. Teas' (1993a) findings also suggest fundamentally important problems associated with the expectations measures. There is considerable confusion among respondents concerning the actual question being asked; expectations, importance, forecast, ideal point concept, equitable level concept and minimum tolerable concept. Clearly, not all respondents interpreted the question in the same way which leads to the variance of data (Teas, 1993b). Additionally, in a few pilot interviews conducted by Van der Wiele and Bouman (1992) there appeared to be some respondents who were not able to distinguish between the part of the questionnaire containing the expectations section and the part containing the perceptions section. Carman (1990) recommends that expectations measures do not need to be obtained every time perceptions measures are obtained. He further recommends that expectations should not be measured when consumers do not have "well formed expectations". There would be a probability that consumers have a mental checklist of expectations against which they tick off item quality (Johns and Howard, 1997). Teas (1994) also raised the timing issue of the "expectation". The service marketer needs to collect information about expectations because of its importance; Carman (1990) implied that respondents may become bored and fatigued by the repetitive questions in the expectations and perceptions sections which as an effect may endanger data quality (Buttle, 1996).

There are doubts about whether customers routinely assess service quality in terms of expectations and perceptions (Buttle, 1996). It is reasonable to expect that perceptions of quality are influenced by expectations (Carman, 1990). Boulding *et al* (1993) interpreted the results of their study as providing strong evidence that a person's prior experience should shape expectations, and the delivered service influence a person's perceptions of quality. Feedback from respondents is ad hoc (Johns and Lee-Ross, 1995). Boulding *et al* (1993) do not measure actual delivered service because any measure obtained from the customer immediately becomes a perception of the service, and because they were unable to match objective organizational measures of actual service to the individuals receiving the service. This is a typical problem in any service setting. The resulting perception-minus-expectation difference scores do not result in the pattern of quality scores (Teas, 1993a).

Actual service performance becomes difficult to assess either because of the time elapsed or the unique nature of the service experience (Babakus and Mangold, 1991). In addition, customers weight their perceptions of the performance levels of component services differently for service than value (Bolton and Drew, 1991). The weight of evidence clearly supports the use of measures of service quality as performance-based (Cronin and Taylor, 1992).

Difference between expectations and perceptions is theoretically plausible; however, operational problems associated with difference scores suggest the need to consider alternative scaling procedures (Babakus and Boller, 1992). It may be useful to consider modifying the perceived service quality framework. One potential modification, particularly in applied research, is to eliminate the expectations measure and to rely on the “perceptions” component alone. One scale measure, that of perceptions or a simple performance measure would be shorter, simpler and easily understandable and ultimately more effective (Newman, 2001). The results of McDougall and Levesque’s (1994) first study suggested that service quality is based primarily on performance measures, not on an expectation minus performance (or gap) measure. The factor pattern and structure is largely determined by the performance measures. Their second study, which used only performance measures, found a similar pattern and structure to the SERVQUAL results in the initial study. Consequently, using only performance measures appears to be an efficient and reliable approach to measuring service quality in the financial services sector. Johns and Howard (1997) proposed a technique using performance perceptions alone which provide a great deal of useful information and their repeated use makes it possible to chart and benchmark progress as the new concept achieves recognition.

Both conceptual arguments and empirical results suggest that gap theory may not be appropriate and that overall service quality is primarily determined by the service provider’s performance (Cronin and Taylor, 1992; Bolton and Drew, 1991). From a practical standpoint, if the performance–based measurement approach proves superior, then the measurement of service quality becomes far more straightforward. Masoud *et al* (1994) also reported an empirical study that demonstrates service quality assessment using performance-importance analysis may be a more useful strategic management tool than the gap measures recommended by the authors of the SERVQUAL scale. The results of McDougall and Levesque's (1994) first study suggested that service quality is based primarily on performance measures, not on an expectation minus performance or gap measure. The factor pattern and structure is largely determined by the performance measures. Their second study, which used only performance measures, found a similar pattern and structure to the SERVQUAL results in the initial study. Consequently, using only performance measures appears to be an efficient and reliable approach to measuring service quality in the financial services sector. The non-difference score measure did not exhibit problems of reliability, discriminant validity and variance restriction. It displayed better discriminant and nomological validity properties (Brown *et al*, 1993). The non-difference score measure also allowed subjects to compare directly their expectations and perceptions and did not restrict them to something random. Supported by Newman (2001), one scale measure, that of perceptions or a simple performance measure, would be shorter, simpler and easily understandable and ultimately more effective.

2.4.4 Psychometric issues

The stability of the SERVQUAL dimensions is impressive, but the evidence reported in Carman (1990), supported by Cronin and Taylor (1992), suggests that the Parasuraman *et al*’s dimensions are not completely generic. The SERVQUAL scale’s generalizability as an operational measure is questioned. Several subsequent studies have verified an unstable factor structure as one of a number of limitations inherent in practical applications of the SERVQUAL scale (Carman, 1990).

Brown *et al* (1993) begin by arguing that calculating the reliability of difference scores, such as those employed in the SERVQUAL scale, requires a special-case formula. The substance of their contention is that the SERVQUAL scale operationalization can be expected to have high correlations between expectations and perceptions, thus leading to reduction of the reliabilities of these components. Poor reliability occurs primarily because any positive correlation between the component scores attenuates the reliability of the resulting difference score. They next demonstrate how a low measure of reliability in the difference scores can lead to the appearance of discriminant validity simply because a low measure of reliability satisfies correlations between constructs. In Carman’s (1990) point of view, items on some dimensions should be expanded if that is necessary for reliability.

Even if the development of the service quality gap framework represents a significant contribution, the validity of the measurement framework for perceived service quality or evaluation is questionable (Teas, 1993a). Convergent validity and discriminant validity are important considerations in the measurement of second-order constructs such as SERVQUAL. One would associate a high level of convergent validity with a high level of intercorrelations between the items selected to measure a single RATER factor (Cronin and Taylor, 1992). The robustness of the Parasuraman *et al* factors are somewhat in doubt for this validity, therefore the factors with high reliability are not consistent across replications (Carman, 1990; Brown *et al*, 1993) and there is no guarantee that expectations and perceptions can be quantitatively compared (Johns and Tyas, 1996). The results of Teas' (1993b) study indicate that the SERVQUAL expectations and revised expectations measures lack discriminant validity with respect to the concepts of attribute importance, classic attribute ideal-points and performance forecasts. This may be due to the respondents' misinterpretations of the question. Unless this measurement validity problem is corrected, it will be difficult to test the SERVQUAL measurement framework. Without this evidence of discriminant validity, as a result, the assumption that the test is independent of educational background would not be justified (Teas, 1993a). Beside the adoption of an inappropriate paradigm, SERVQUAL's dimensionality also had construct validity issues. A high level of intercorrelation between items comprising each RATER dimension would indicate high convergent validity internal to SERVQUAL. A high level of correlation between SERVQUAL scores and a different, reliable and valid measure of service quality would indicate a high level of external convergent validity. If service quality evaluations were composed of five distinct RATER dimensions, one would expect little correlation between the five factors. SERVQUAL's dimensionality would be regarded as more stable if individual items loaded on to the dimensions to which they belong (Buttle, 1996). Taylor *et al* (1993), Brown *et al* (1993), Teas (1993a), Cronin and Taylor (1992) also concluded that the reliability and validity of the SERVQUAL technique and the scales should be refined by factor analysis and reliability tests before commercial application (Carman, 1990) and it is necessary to assess the psychometric properties of expectations and perceptions separately (Babakus and Boller, 1990). Alternatively, Brown *et al* (1993) affirm that SERVPERF has greater construct validity based on their review of the literature and the fact that the SERVPERF measures exhibit convergent and discriminant validity.

SERVQUAL also exhibited variance restriction effects and the distribution of SERVQUAL scores was non-normal (Brown *et al*, 1993). Here the authors argue that, since the expected level of service (e.g. expectations) is almost always higher than the perceived level of actual service (e.g. perceptions), the variance of the difference scores can be expected to be restricted. This creates a problem in many types of statistical analysis that require equality of variances. The addition of importance weights does not appear to contribute in explaining variations in consumers' perceptions (Cronin and Taylor, 1992). In fact, a thorough reading of the literature by Cronin and Taylor (1994) suggested that the inclusion of importance weights does not enhance the predictive ability of attitude models because their reference does not appear inappropriate. Their contention is that the five-factor dimensionality is problematic; therefore, interpretability is enhanced by asking respondents to assign weights to each measure.

2.4.5 Nature of services and countries

Even though proof by Johns and Tyas (1996) pointed out that expectations and perceptions of service performances are influenced strongly by cultural factors (Johns and Tyas, 1996), SERVQUAL does not build upon existing knowledge in economics, statistics and psychology (Buttle, 1996). This statement is supported by Taylor *et al* (1993), with their findings suggesting that the traditional ideal example of service quality investigation in the West e.g. United States may not generalize well to the Eastern settings. The conceptualization of service quality has been developed in the West, without consideration of the possible influence of the variety of cultures found in international markets, especially in the East, which provides a complex influence of culture among its citizens or specifically respondents. By referring to Cui *et al* (2004), supported by Johns and Tyas (1997), one major reason for inconsistency of research findings in service quality research is that determinants vary across different countries. In different countries (e.g. developed, developing and third world), characteristics of respondents might be influenced by culture, custom and religion. These aspects may contribute differently to consumers' behaviour and products and services offered, which may lead to difficulty in assessing the quality of the service organization.

Many critics argue that a single instrument like SERVQUAL is not appropriate for measuring service quality across industries (Carman, 1990; Cronin and Taylor, 1992; Babakus and Boller, 1992; Johns and Howard, 1988; Johns and Tyas, 1996; Cui *et al,* 2004). Results suggest that the dimensionality of the construct may be a function of the type of services under investigation (Babakus and Boller (1992), supported by Carman (1990). Carman's work was one of the first attempts to replicate the SERVQUAL scale development in alternative retail service settings; subsequent studies have however failed to support Parasuraman *et al*'s (1988) work. For that reason, it may not be fruitful to pursue the development of a standard measurement scale applicable to a wide variety of services. The domain of service quality may be factorially complex in some industries and very simple and unidimensional in others. Therefore, measures designed for specific service industries may be a more viable research strategy to pursue (Babakus and Boller, 1992).

Although Schneider and Bowen (1985) believed that every organization has their own uniqueness, however Johnston *et al* (1990) raised the issue of the quality measures used by different service profit organizations in their study. It includes both external measures drawn from customers and internal measures taken from staff, managers or systems within the organization. Both quantitative and qualitative measures of service quality are included but the reasons for these measures should be questioned because their suitability to the organization should be doubted.

The nature of services is different; it is impossible to ask the same series of questions meaningfully even in two different service industries (Johns and Howard, 1998). It is clear that the specification and operationalization of the model must be carefully tailored to the specific service context (Bolton and Drew, 1991). For instance, when Buttle (1996) employed the SERVQUAL instrument in a modified form, up to nine distinct dimensions of service quality were revealed, the number varying according to the service sector under investigation. Thus it appears that most services are evaluated upon a similar range of dimensions but that different dimensions take priority within different service industries (Johns and Lee-Ross, 1997). As a matter of fact, the factor structure of the alternative scale, SERVPERF, is not confirmed across service settings (Taylor and Cronin, 1994), through the use of regression analysis, for example to identify which specific items contribute to the explained variance of service quality perceptions relative only to their own settings.

SERVQUAL's stability from context to context is questioned (Buttle, 1996); Brown *et al* (1993) were concerned whether a scale to measure service quality can be universally applicable across industries. It takes more than the simple adaptation of the SERVQUAL items to effectively address service quality in some settings. The amount of improvement can be measured across a range of services, and those organizations in which the technique is most useful can be identified and generalizations developed (Babakus and Mangold, 1991). This enables researchers to compare the results of studies across industries as desirable to establish generalizability (Bolton and Drew, 1991).

Another aspect rose since early this millennium is culture. Presumably, different countries will have different cultural values; an extreme example is between Eastern and Western cultures. The CARTER Model by Othman and Owen (2001) is based on many issues such as cultural, religious influences, principles and reasons behind the establishment of banks in different cultures, specifically in Islamic countries and Islamic banking. Cui *et al* (2004) also discussed similar issues but the study was conducted in China. Kayis *et al* (2003) found that Korean customers perceive service quality more highly than Australian customers.

2.4.6 Other issues

The possibility exists that consumers may form an overall unidimensional notion of quality for services. A firm may need to do more than simply meet customers if perceived quality plays a more significant role in high involvement situations, such as health or financial services which have different service quality definitions from low involvement services, e.g. consumers of utility services who rarely have close contact with the provider, unless a problem arises (Babakus and Boller, 1992). Until such a scale is developed and validated in a fashion which permits commensurability, services marketing researchers and marketing practitioners are cautioned not to employ the multidimensional operationalization reported in the literature. As a minimum, they should empirically validate the scales reported as specific to their own settings and circumstances (Taylor and Cronin, 1994).

Expectations and perceptions of service performances are also influenced strongly by previous critical incidents (Johns and Tyas, 1996; 1997). Many services are delivered over several moments of truth between service staff and customers; for example hotel and hospital services (Buttle, 1996). Another avenue is to compare different measurement approaches, which may be based on the format of the existing items, such as the Likert-type format (Babakus and Boller, 1990).

Johns and Howard's (1997) observation also suggests that underlying perceptions in which there may be dimensionality of service quality, related to human needs rather than to the circumstances of the service provision but at the same time involves assessing customers' thoughts and feelings. They added logically that such measurements should be made within the customer's own frame of reference, i.e. the customer's terms. In addition, Johns and Tyas (1997) illustrated some of the weaknesses of structured questionnaires and the desirability of investigating the background which respondents bring to their responses. Besides, Bolton and Drew (1991) supported that customers' personal characteristics are unimportant in assessing quality. Lastly, SERVQUAL provides only limited directions about how to improve service quality or how to decide between different possible improvements. For example, it is unclear how much to improve upon waiting time in order to achieve excellence if the difference between expectation and perception has been found to be three points on this item. It is also difficult to detect any "over-performance" in terms of performing better than is optimal from a cost, or "return on quality" perspective (Babakus and Boller, 1992; Rust *et al*, 1995).

Limitations exist in previous studies and it is important to ascertain limiting factors in the current study (Little and Dean, 2006) so as to compare with others where controversy or methodological weaknesses have existed or research `gaps' in possibly service climate areas were identified. Dimitriades' (2007) work on the relationship between service climate and organizational citizenship behaviour is still in a preliminary stage as he abridged the proposed theoretical model. As in Little and Dean (2006), their theoretical foundation had to be primarily derived from another framework (Dimitriades, 2007). But, the most frequent limitation presented by scholars is regarding the sample; either sample size, the selected sample or the sample characteristics. Small group size might have been corrupted by outliers (Hui *et al*, 2007). As mentioned in Johnson (1996), since only about twenty percent of bank employees were selected to participate in the study, the amount of sampling error at the branch level was fairly high. This is similar to what Andrews and Rogelberg (2001) employed for the limited sample size. Small sample size may influence the magnitude of the effects found, limiting the effectiveness of the statistics employed (Huei and Howard, 1994; Andrews and Rogelberg, 2001; Schneider *et al*, 2005; Little and Dean, 2006), and affect the hypothesized paths (Schneider *et al*, 1998a). There were no fewer constraints involve in one single source, as in Liao and Chuang (2004) which concerned a self-reported measure, employee service performance. On the other hand, employees' service quality assessment by supervisors only was the same as in Hui *et al* (2007). Another notorious limitation is the source of data, for instance employee data concerning perceptions of foundation issues and climate for service were collected from the same sample (Schneider *et al*, 1998a). The same person(s) provided measures of the predictor and criterion variables effects of the common method variance (e.g. social desirability and leniency biases) might be present, potentially impacting the observed relationships between predictor and the criterion variables (Dimitriades, 2007). Lastly, findings should be interpreted with caution avoiding generalization claims (Dimitriades, 2007) or generalizability of the findings to larger teams may be restricted (Liao and Chuang, 2004; Hui *et al*, 2007).

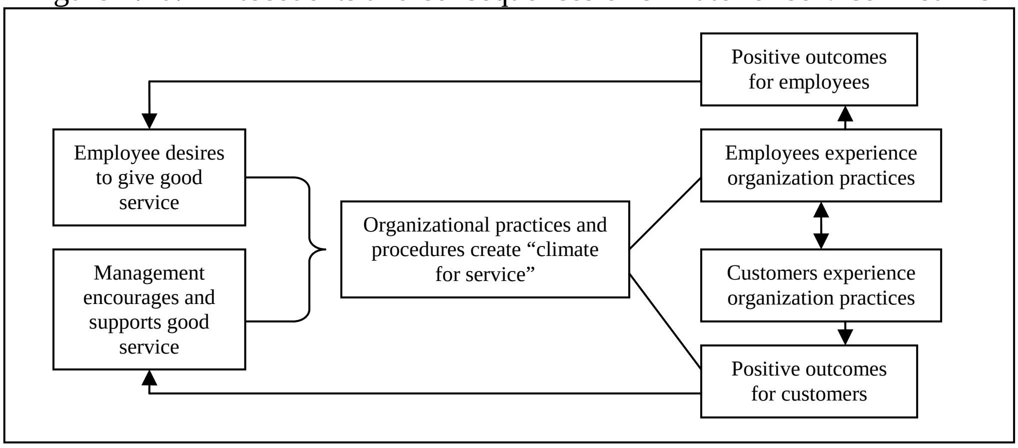
The use of only secondary data might affect comparability; limit the inferences researchers can draw about the impact of service policies and practices on customers' outcomes; limit the global macro and micro service climate measures that were similar to those used by Schneider *et al* (1998a), as advised by Dietz *et al* (2004). In some cases, general absence of data with regard to more powerful data e.g. environmental data, produces larger effects on the relationships studied (Schneider *et al*, 2005). Usually, researchers prefer (e.g. Jong *et al*, 2005) to use one time data collection, cross-sectional data, limiting the ability to make causal statements about the hypothesized relationships (Dimitriades, 2007) and causality of a relationship is not clear (Schneider *et al*, 2005; Little and Dean, 2006).

Jong *et al* (2005) applied a one dimensional construct only; Johnson (1996) mentioned that, if surveys contain single item scales with few response alternatives, this could limit their reliability. Schneider (1983) advised future researchers to be very specific regarding themes of climate to be explored or examined if they hope to assess the relationship between climate and other constructs. The interesting issue would be the way in which service climate is created in various organizations, is “picked up” by the various groups, both important to the long term survival of the organization. The survey items and the additional issues that were suggested are only representative of the total set of practices and procedures that comprise climate for service. Likewise, Katz and Kahn’s subsystem model does not provide specific issues, rather it serves as a guide to collect and organize the diverse information pertaining to the practices and procedures that characterize an organization’s climate for service (Moeller and Schneider, 1986). Huei and Howard (1994) proposed that more variety of tenure measures could be employed. Application of analysis depends on the appropriateness of the research problems. If all analyses were correlational, the direction of causality cannot be demonstrated (Johnson, 1996) and it is not possible to provide evidence regarding how long it takes for organizational climate to affect customers or vice versa (Schneider *et al*, 1998a).

2.5 Service climate and service quality in banking

Though discussion with an external customer needs to be the focus, for total quality, internal customers are also equally important. The principles that apply for external customers apply for internal customers as well. They are sensitive to customers' perceptions of overall service quality. They apparently know when their customers are satisfied or dissatisfied with the level of customer service provided by their bank (Raynierse and Harker, 1992). They also mentioned stability within an organization, which raises questions as to the importance of service climate in a bank.

Figure 2.10: Antecedents and consequences of climate for service in banks



Source: (Schneider, 1980)

Customer service will be further strengthened when there is a corporate service culture in place that values the customers (e.g. handling complaints) and focuses on providing effective service. In one of Schneider (1980) studies in branches of a bank, customers report good perceptions of service delivered as a sign of employees' perceptions towards strong internal climate, influence the bank's good financial position in terms of profit (see Figure 2.10).

Figure 2.11 summarizes the results of the studies describes by Schneider (1990), one on the climate for service and the other on human resource management. The figure shows that an organization's human resource practices are correlated with customer perceptions of a service climate but that these practices are only one of the keys to a service climate. Also important for a service climate are other issues, such as management's emphasis on service, the adequacy of equipment and supplies and operational support. The conclusion is that a service climate is dependent on many facets of the optimal functioning of the organization, not just on the human resource practices.

Figure 2.11: A conceptualization of system effects on service quality

Deeper organizational attributes	Managerial competencies and rewards (e.g. pay)	Human resource routines (e.g. career programs)	Operations routines (e.g. information systems)
Service climate	Managerial competencies and rewards (e.g. setting service goals)	Human resource routines (e.g. service training)	Operations routines (e.g. supplies and equipment necessary to deliver)
Customer experience	Branch is run smoothly	Staff competence and courtesy	Modern and up-to-date equipment

OVERALL SERVICE QUALITY

Source: Schneider (1990)

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

A chain is only as strong as its weakest link. The quality programme can only work if each employee link in the organizational chain is totally committed to developing a quality banking services. In fact, unless standards of service are established and implemented for internal customers, it will be almost impossible for a bank to implement any quality programme. Department and branches will combine to form the whole bank and, unless the system functions smoothly, it cannot deliver. For example, if a loan proposal is to be processed at a bank's branch, but the proposal is not processed quickly at the main office, the branch may not be able to give the customer what has been promised. There must be total commitment from every employee of the bank for the quality programme to succeed.

What is needed here is the need to acknowledge the characteristics that are important in a service climate in the banking sector that will fulfil employees' requirements. The researcher had to bear in mind that in the case of bank employees who are geographically located at a distance, for example in this case Malaysia, the organization or management will have to acknowledge the work environment that these employees are in; the employees' attitude, appearance, motivation, interactions, strengths and weaknesses and specifically their cultural beliefs.

The facilities, the approach used in delivering the services, the employees' appearance, attitude and motivation are all issues that still baffle the service deliverer in the banking institution. They have to be sensitive in the benefits, challenges and the changes that have taken place and are still taking place at the present time. In today's banking institution, interactions among the employees and the customers can also be used as part of gathering information on the services, involving and assisting the organization or management to determine employees' expectations and perceptions of the services they provide.

Current service organizations face a lot of challenges, and one is to ensure that the policies, procedures, facilities and work environment are created within the employees' circumstances and services delivered to the customers in the best form at every time. Rightfully as an employee of a banking institution, one will realize that whatever works with one set of customers at one time does not mean that it will work again as expected at another time. In addition, it may not also work with another group of customers, even at the same or a different time. Only with the aid of the policies, procedures, facilities and work environment and the employees' experience, will employees be able to deal with flaws and make improvements in the service delivery processes. Once the employees have learned and understand what is being delivered, either face to face or on-line, it is feasible to know the cause of the service delivery that has taken place, what facilitated the delivery process, what prevented the process of delivery, what impact technology had on the process itself. This is what makes the process of delivery a beneficial experience for the organization, employees and customers. It is the issue that makes the environment of the organization effective and it important to recognize this.

Banks involve a high proportion of contact services due to services and products being offered in a very competitive environment, competing with financial institutions, insurance companies and building societies, regardless of location around the world. For Johnston and Silvestro’s (1990) study, they chose banks because banks are the largest identifiable source of anecdotes in the area of positive or negative perceptions experienced by customers and employees. Johnston (1995) stated in his study that banks have identifiable customers who will have had not just a single experience with the particular organization, but an ongoing relationship over several years involving many transactions and other services per year.

Othman and Owen (2001) highlighted that service quality is widely regarded as a driver of corporate marketing and financial performance in banking. Changes in the banking environment, which is more globally integrated and highly competitive, mean that it is important for banks to know what, when, where, and how they provide and how their customers perceive products and services. The services and products offered by banks also depend on the economic, political and social conditions of a country. Services and products might be similar from one bank to another; the difference is how they have been providing to customers according to the strategy of the particular bank. While Chase (1978) defined high contact services in terms of size and level of service offered, he also mentioned communication skills as important among contact employees. The classification also may be applicable to other high-contact transaction-based service industries as well. Macdonald (1995) figured out the number of customer contacts. His findings resulting from financial institutions might act as a guide in seeking the different conditions in banking institutions. As in Lassar *et al* (2000), they compared with retail banking customers, tending to be unique in that they have large deposits and high status. Customers require exceptionally high and consistent levels of service quality owing to the fact that their direct contact with service providers is relatively intense.

Research to date on Islamic banking has largely focused on the cultural background, regulation, and differences between Islamic and conventional banks in terms of principles, operations, products and services differentiation. Othman and Owen (2001) also suggested that a consequent increase in competition between conventional and Islamic banks has made service quality a key differentiating factor for Islamic banks to improve their market share and their profit position. Allred (2001) found that banks should update information relating to customers frequently due to changes in their expectations over time.

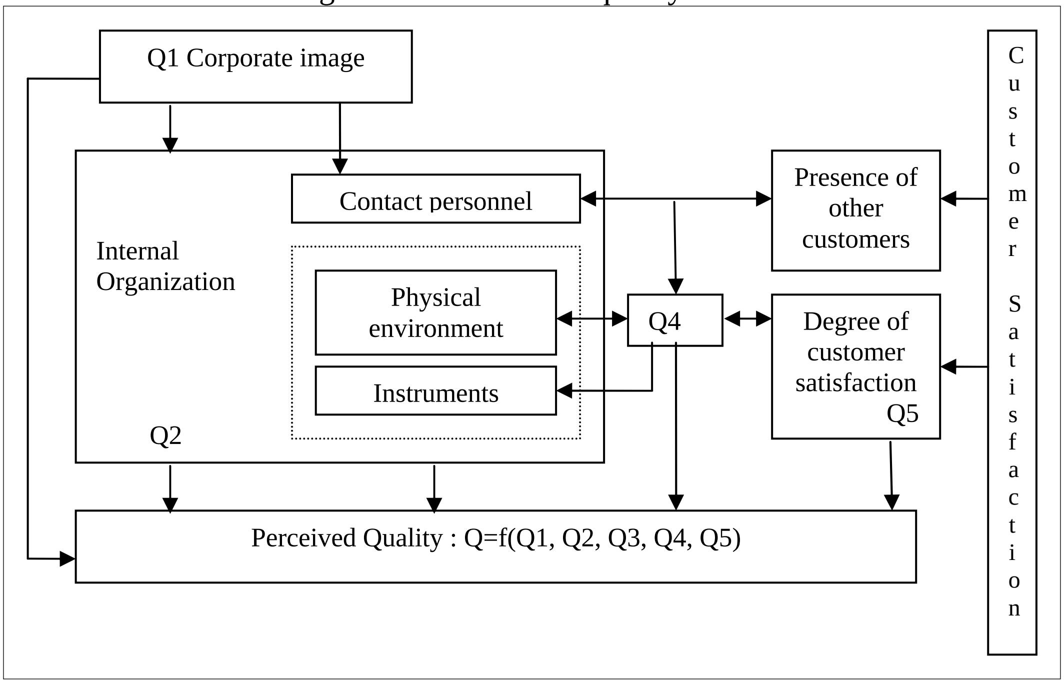
Quality is sought by all organizations, especially in the service sector. This is particularly true in the banking sector. However, banks have no recognized publicly available and standard scale to measure the perceived quality of banking services, in general. Every case is unique due to specific groups of individual, organization or branch, culture, country and religion. Hence, every researcher has tried to propose the best model for service quality specifically in the banking sector. Available instruments include either scales contextually developed by specific banks to cope with occasional problems or instruments not especially designed for banking services but rather to measure perceived service quality across a broad range of services. There have been a number of empirical studies of retail bank service quality. Most of these have measured service quality by replicating or adapting the SERVQUAL model (Teas, 1993a; Kwan and Tan, 1994; Lewis *et al*, 1994; McDougall and Levesque, 1994; Cowling and Newman, 1995; 1996; Newman, 1995; 2001; Levesque and McDougall, 1996; Kangis and Voukelatos, 1997; Yavas *et al*, 1997; Allred and Adams, 2000; Oppewal and Vriens, 2000; Furrer *et al*, 2000; Allred, 2001; Yuk-Lan and Kanji, 2001; Sureshchandar, 2002a; Faye *et al*, 2002; A. Hassan Al-Tamimi, 2003; Cui *et al*, 2003; Kayis *et al*, 2003; Malhotra and Mukherjee, 2003; Jayawardhena, 2004; Yavas *et al*, 2004; Arasli *et al*, 2005a; 2005b; Jabnoun and Khalifa, 2005; De Ruyter *et al*, 1999; Dedeke, 2003; Gounaris, 2005; Reimer and Kuehn, 2005). A smaller number of studies have incorporated Gronroos's ideas on service quality (LeBlanc and Nguyen, 1988; Galloway and Blanchard, 1996; Tyler and Stanley, 1999; Lassar *et al*, 2000a; 2000b).

Table 2.4: Models from various researchers

Author	Years	Model	Dimensions
Cronin and Taylor	1992	SERVPERF	responsiveness; assurance; tangible; empathy; reliability
Mersha and Adlakha	1992	Delphi Method	**Attributes for good quality**: knowledge of the service; thoroughness/accuracy; consistency/reliability; reasonable cost; willingness to correct errors; timely/prompt service **Attributes for poor service quality**: lack of knowledge of the service, employee indifference attitude; reluctance to correct errors; service inconsistency; sloppy service; high cost
Johnston	1995; 1997	Satisfiers and dissatisfiers	commitment; attentiveness/help; friendliness; care; courtesy; responsiveness; flexibility; competence; comfort; communication; availability; access; cleanliness/tidy; security; reliability; functionality; integrity; aesthetics
Bahia and Nantel	2000	Banking service quality	effectiveness and assurance; access; price; tangibles; service portfolio; reliability
Othman and Owen	2001; 2002	CARTER	compliance with Islamic law; assurance; reliability; tangibles; empathy; responsiveness
Adlaigan and Buttle	2002	SYSTRA-SQ	service system quality; behavioural service quality; machine service quality; service transactional accuracy
Gounaris	2005	SERVQUAL INDSERV	potential quality; hard process quality; soft process quality; output quality
Al-Hawari and Ward	2006	Automated service quality	ATM; telephone banking; internet banking; price; core product; customer service; financial performance

Cronin and Taylor (1992); Mersha and Adlakha (1992); Johnston (1995; 1997); Bahia and Nantel (2000); Othman and Owen (2001; 2002); Adlaigan and Buttle (2002); Gounaris (2005) conducted thorough studies in the banking sector in their countries regarding service quality and proposed slightly different models from the work of Parasuraman *et al* (1985; 1988) as in Table 2.4. In order to measure quality of service in banking, Johnston (1995; 1997) proposed eighteen determinants by using the Critical Incident Technique to analyse customers' positive and negative experiences. He gathered those experiences in two categories of users: satisfiers and dissatisfiers. Bahia and Nantel (2000) proposed several dimensions in their Banking Service Quality such as product or service, place, process, participants, physical surroundings, price and promotion by referring to Parasuraman *et al* (1985), Carman (1990), Bitner and Booms (1981), whereas, the CARTER Model has been defined by Othman and Owen (2001; 2002) based on previous research into the internal and external environment of banks, religious and cultural influences that led the researcher to add a new element into service quality measurement of "Compliance with Islamic Law".

Figure 2.12: A service quality model

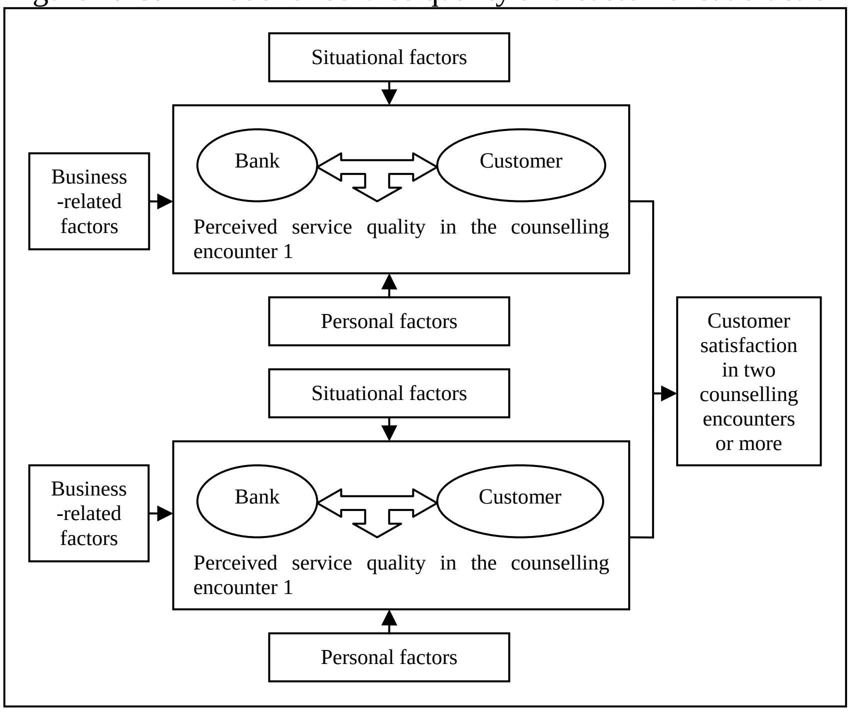


Source: Le Blanc and Nguyen (1988)

Sureshchandar *et al* (2002) explained the meaning of "servicescapes" as the tangible facets of the service facility such as machinery, equipment and employees' appearance which strongly influence both employees and customers in psychological, emotional, sociological and cognitive ways, particularly as the core service becomes more intangible.

The empirical results of Le Blanc and Nguyen (1988) support the model in Figure 2.12 and seem consistent with the literature. Service quality is related to the degree of customer satisfaction derived from the service offering. Customer service is the most important factor in explaining service quality in financial institutions. Service quality depends on the tangible characteristics (contact personnel, the internal organization and physical environment) associated with the service offering or on the performance of the service provider.

Figure 2.13: A model of service quality and customer satisfaction



Source: Bjornsson and Abraha (2005)

Dimensions related to the contact personnel and physical characteristics of the service producing system are also determinants of perceived quality. Management must act upon the tangible and intangible components associated with the service delivery process in order to meet customer expectations and achieve service quality. High degree of contact between personnel and customers entails that special attention must be paid to staff behaviour and characteristics such as their attitude, competence, appearance and sense of professionalism (Dietz *et al*, 2004; see Figure 2.13). Corporate image can vary on a tangible and intangible continuum.

Table 2.5: Relevant research studies using SERVQUAL in banking

Venue	Author and Year of publication
Asia, China and India	Kwan and Tan (1994); Gerrard and Cunningham (1997); Angur, Nataraajan and Jahera (1999); Armstrong and Tan (2000); Sureshchandar, Rjendran, Anantharaman and Kamalanabhan (2002); Ahmad and Haron (2002); Cui, Lewis and Won (2003); Yeo (2003); Yonggui, Hing-P and Yer (2003); Cui (2004); Zhou (2004)
Australia	Avkiran (1994); Joseph, McClure and Joseph (1999); Duncan and Elliot (2002); Al-Hawari and Ward (2005)
UK	Howcroft (1993); Blanchard and Galloway (1994); Lewis, Orledge and Mitchell (1994); Cowling and Newman (1995); Levesque and McDougall (1996); Cowling and Newman (1996); Tyler and Stanley (1999); Moutinho and Smith (2000); Newman (2001); Adlaigan and Buttle (2002); Malhotra and Mukherjee (2003); Curry and Penman (2004)
USA	Le Blanc and Nguyen (1988), Allred and Adams (2000), Baha and Nantel (2000), Lassar, Manolis and Windsor (2000, 2003), Urban and Pratt (2000), Allred (2001), Jun, Cai and Kim (2002)
Middle east	Yavas (1997); A. Metawa and Almossawi (1998); Naser, Jamal and Al-Khatib (1999); Othman and Owen (2001; 2002); A. Hassan Al-Tamimi and Al-Amiri (2003); Jamal and Naser (2003); Jabnoun and A. Hassan Al-Tamimi (2003); Jabnoun and Khalifa (2005)
Rest of the world	Silvestro and Johnston (1990); Lewis (1991); Teas (1993a); Ennew, Reed and Banks (1993); McDougall and Levesque (1994); Stafford (1994); Galloway (1995); Johnston (1995); Newman (1995); Boshoff and Tait (1996); Galloway and Blanchard (1996); Stafford (1996); Johnston (1997); Kangis and Voukelatos (1997); Oppewal and Vriens (2000); ______ (2000); Eldon, Xiande and Tien-Sheng (2001); Yuk-Lan and Kanji (2001); Sureshchandar, Rajendran, and Anantharaman (2002); Faye, Wymer and Chen (2002); Kayis, Kim and Shin (2003); Lloréns Montes, Fuentes Fuentes and Molina Fernández (2003); Gounaris, Stathakopoulos and Athanassopoulos (2003); Foehn (2004); Hansemark and Albinsson (2004); Jayawardhena (2004); Spathis, Petridou and Glaveli (2004); Yavas, Benkenstein and Stuhldreier (2004); Arasli, Mehtap-Smadi and Katircioglu (2005a); Arasli, Katircioglu and Mehtap-Smadi (2005); BjÖrnsson and Abraha (2005); Glaveli, Petridou, Liassides and Spathis (2006)

The countries where studies of service quality have been conducted are as follows: Kwan and Tan (1994) in Singapore (retail banking by part-time student of the SIM), Cui *et al* (2004) in China; Bahia and Nantel (2000) in Canada (retail customers), Lewis (1991) in the UK (Great Manchester) and US (Rhode Island) with customers of UK clearing banks. Othman and Owen's (2001; 2002) study was carried out in Kuwait where Muslims constitute the majority of the population. Previous well known research studies had only been carried out in the West, especially in the United States of America and the United Kingdom, which have different cultural values. Presumably, religion is not the main factor in influencing the decision to choose any particular bank by customers although Cui *et al*'s (2004), findings suggest that service quality determinants are context-specific and may be influenced by cultural and economic circumstances.

Although studies of service quality have been well advanced in the West, little is known about the determinants of service quality in the banking industry in China. The inconsistent results from the various studies of service quality determinants in diverse industries and countries have made it difficult to guide marketing decision-making to improve service quality for a specific industry in a specific country in order to provide valid information for marketing practice. It is argued, therefore, that service quality determinants are better identified in a specific country and industry context. One distinct finding is the mismatch found between consumers' expectations and employees' perceptions of consumer expectations. The service quality determinants found in the studies (see Table 2.5) indicate some differences from those reported in the UK. The retail customers of bank service in the UK pay more attention to the augmented product, while Chinese customers care more about the core product. The measurement of service quality should be modified to be suitable for each industry by suggesting or examining new dimensions, because of the existence of cultural differences between countries, regions, religions or ethnic groups which reinforce the importance of building additional dimensions for service quality (Othman and Owen, 2001).

Further investigation of the dimensionality issue is appropriate. From a strategic viewpoint, there is significant value in an instrument that measures specific quality dimensions (McDougall and Levesque, 1994) because it allows managers to focus on those dimensions that offer the greatest opportunity to enhance the number of loyal customers and attract new target market rates for bank products and services. However, it is vital to ensure that the dimensions are reliable, valid and appropriate for the financial services' situation.

The crux of the service is the customer experience in which staff involvement, their willingness and ability to serve determines customers' perceptions of quality (Newman, 2001). In McDougall and Levesque's (1994) study, an enabling dimension was identified that included a number of items that contributed to the ease or comfort of the customer in the service encounter. Brook (1988) suggested dimensions of service quality are divided into accessibility, appearance, long-term customer contacts, relationship with the firm, attitude, behaviour and service-mindedness of service personnel. Johnston *et al* (1990) revised some of Parasuraman's determinants and their definitions and have therefore proposed some new determinants suitable for any kind of service, for instance cleanliness, access, aesthetics, comfort and availability. The lists of twelve and eighteen dimensions derived from Johnston's (1995; 1997) work were generally more satisfactory in their ability to differentiate between the qualities expressed by respondents. However, some of these dimensions were not mentioned at all by respondents, notably communication and commitment. To show customers that the bank is indeed interested in providing personal service (e.g. one-to-one attention), banks should consider installing cubicles to enable their customers to talk to an employee in a personal setting (Yavas *et al*, 1997).

As for Cui *et al* (2004), bank employees regarded courtesy and timeliness as the dominant factors, while customers regarded access, availability, courtesy and timeliness as the dominants factors. The mismatch found in the relative importance of the determinants points to another area for service quality control. A bank's customers expect and require a reliable, functioning service that is delivered, not too slowly, by competent and honest staff (Johnston, 1995). Johnston's study also clearly identified other factors, such as the functionality of machines, the reliability of transactions, the integrity of staff and the confidentiality of the service as also important in the customer's opinion. Other than that, Islamic banks' products and services are perceived as of high quality by customers because of the concept of doing work in Islam e.g. work is considered in Islam as a type of worship (Othman and Owen, 2001).

Joseph *et al*'s (1999) study was concerned with general perceptions of electronic banking as a new delivery system, irrespective of its specific technological form. But, the sample indicates poor performance of electronic banking facilities compared with an ideal banking service (Joseph *et al*, 1999). Furthermore, Macdonald (1995) argues that there is a limit to the user friendliness that can be built into the Automated Teller Machine (ATM). Another example, the Q-matic system was introduced for customers by looking at TV screens to keep track of their number in the queue and also to be able to get information about services (Yavas *et al*, 1997). Brooks' (1988) survey indicated that customers considered product knowledge e.g. technical performance, more important than functional considerations, such as manner and attitude of the staff.

2.6 Summary

In order to ensure a successful service delivery experience, having access and efficient technology tools are not enough. The service provider: the organization or management need to know the criteria that are compatible to the employees in the environment that they are in. The characteristics and nature of service climate have been clearly established in this chapter and it is important to take serious consideration in integrating the criteria mentioned as well as the successful criteria of service quality in a banking institution.

A vast number of questions have been raised concerning the gap model which underlies the SERVQUAL scale. Parasuraman *et al*'s (1985, 1988) work only focused on outsiders' views, a focus only on external customers, though quality of service is very much dependent on the cooperation between employees and customers in their transactions (Schneider *et al*, 1980; Schneider and Bowen, 1985; Bitner, 1992; Hartline and Ferrell, 1996; Singh, 2000; Subramony *et al*, 2004; Cui *et al*, 2004). There have been different dimensions used to measure service quality rather than those initiated by Parasuman *et al* (1985; 1988). To investigate this important link between customers and employees, the chapter that follows focuses on the researcher's intention to combine in detail the essence of service quality and service climate.