CHAPTER 3

CONCEPTUAL FRAMEWORK

3.1   Introduction

Financial institutions are a service setting that most consumers are likely to use on a relatively frequent basis. Because of their knowledge and experience, consumers should be able to evaluate financial institutions (particularly banks) in terms of both expectations and perceptions of service quality. The key to service climate and service quality research is that managers must share a common understanding with their internal customers of what represents service quality to external customers. Only then, can the managers design programs that meet and exceed external customers' wants. It is essential that these managers have valid and reliable quality dimensions and an effective measurement approach.

This chapter is dedicated to a description of a conceptual framework for the investigative component of service quality and service climate in the banking sector. During the last three decades, the research arena has experienced controversies on topics ranging from the philosophic roots of scientific inquiry to methodologies and implementation of these two fields (Schneider *et al*, 1996; Johnson, 1996; Schmit and Allscheid, 1995; Hartline and Ferrell, 1993; Schneider *et al*, 1980; Schneider and Bowen, 1985). Some of the language used in the areas can be very off-putting to the bank customer, employee, practitioners, policy

makers and academicians attempting to come to grips with the new approaches to these concepts. The states of organizations are complex and changing due to current global economic waves. In order to conceptualize context specificity, a framework is proposed in which is described a two stage process, the strength and extent of which is determined by a set of parameters. This chapter provides definitions of some of the central terms and more importantly frameworks presented and serves as a way of viewing the relationship between service quality and service climate in a structured format.

3.2   Linkage between service quality and service climate

The service encounter is a complex phenomenon that incorporates multiple levels of environmental, customer and service-provider variables. Although external customers are usually seen as the focus for service quality, internal customers are equally important. The principles that apply for external customers apply for internal customers as well. In this study, the focus is on the employees' shared perceptions that the organization places much emphasis on customer well-being, and examines how such a service climate links with service quality in a service setting.

Parasuraman and his colleagues clearly have neither written the final chapter of a quality assurance program nor tried to relate it to employees and to service climate (Carman, 1990). Studies have repeatedly found relationships

between service climate and customer outcomes (Little and Dean, 2006; De Jong *et al*, 2005; Jong *et al*, 2004; Gelade and Young, 2005; Schneider *et al*, 2000; Borucki and Burke, 1999; Heskett *et al*, 1997; Johnson, 1996; Naumann and Giel, 1995; Hartline and Ferrell, 1993; 1996; Schneider and Bowen, 1992; Ulrich *et al*, 1991; Wiley, 1991; Schneider and Bowen, 1985; Schneider *et al*, 1980). These researchers suggested a direct relationship between employees' perceptions of service climate and customers' evaluations of service. 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. Although, it is hardly to deny the importance of internal customer as well as external customer in any research of service quality and service climate, customer perceptions of overall service quality, attitudes and intentions seem to be affected by negative or positive experiences of employees which difficult to hide but their perspective has been relatively ignored (Schneider *et al*, 1980; Schneider and Bowen, 1985). Contact employees perceive their organization's service climate first impacts on their attitudinal and behavioural response, which in turn influences their service quality, as perceived by customers at the organizational level of analysis (Mahn Hee Yoon *et al*, 2001; Johnson, 1996; Schneider and Bowen, 1985; Schneider *et al*, 1980; 1998a). Service practitioners also have long viewed climates for excellent service as useful tools for raising customer satisfaction across an entire organization (Dietz *et al*, 2004). In the other hand, Boshoff and Tait (1996) doubted that the attitude of customer-contact employees had a significant influence on the level of service quality

delivered to external customers but the employee attitudes that will develop commitment will depend on the working environment created by management (Gronroos, 1990). The type of organization, its people, design and culture, is becoming the new competitive gain in the modern marketplace (Scheider and Bowen, 1993).

As a result, there are several gaps in the knowledge of service quality and service climate as discussed in Chapter 2. Consequently, it is practically useful and conceptually interesting to study dimension-by-dimension relationship from customer reports of service quality and employee reports of service climate (Schneider and White, 2004) by extending the Profile Accumulation Technique (PAT) introduced by Johns and Lee-Ross (1995, 1997) to the banking area with the purpose of unabridged these two area of interests.

3.3   Development of the framework

Evolving understanding of the theory underpinning this work using the conceptual framework as a research tool constituted important learning experiences derived from the research process. The acknowledging of the risks associated with limiting the research findings by using a conceptual framework to inform the research task was essential. As with any relational analysis, development of a conceptual framework assists the researcher by providing tools with which to complete two processes suggested by Bliss *et al* (1983): (i) the

process of deriving the framework gives broad scope to thinking about the research and conceptualising the problem; (ii) it provides a means to link ideas and data so that deeper connections can be revealed.

The conceptual framework did inform much of the researcher's thought and practice by increasing sensitivity towards the possible influence of Schneider and his colleagues' knowledge with regard to service climate and the principles of service quality theory enunciated by Parasuraman and his colleagues, in particular. It provided references points back to the literature, assisted the researcher to make sense of the data and provided a structured approach to communicating the findings. However, these bodies of literature were not exclusively considered, even though they largely provided boundaries for the research. Indeed, the reading of complementary literature challenged the emerging framework as it informed the researcher's decision-making and judgements about its development. The conceptual model developed to better understand service quality and service climate includes: (i) a description of both these areas based on two sets of dimensions through evaluations that encompasses bank customers' and employees' experiences, as well as individual and collective perceptions regarding the dimensions and (ii) an analysis of relationships between service quality and service climate including mediating factors.

3.3.1   Preliminary study

In the preliminary study, a thematic network was adapted to form certain conceptual frameworks for service climate and service quality. At this stage, the researcher used an analysis similar to the thematic networks proposed by Attride-Stirling (2001) and widely used by service quality scholars. Although this tool is specifically described for qualitative users and thematic analysis is only suggested for qualitative research (Attride-Stirling, 2001), the technique is suitable to categorize customers' and employees' opinions through open ended questionnaires in this study as presented in Figure 3.1.

The researcher adapted this technique by using only the lowest order themes (e.g. ATM, corporate image and management) from the textual data as the organizing theme. Service climate and service quality are global themes that encompass the principal symbols in the data as a whole. This framework adheres to what Johns and Lee-Ross (1998) mentioned in their writing that need of an adjustment is the presentation of least possible activities in a conceptual model.

Figure 3.1: Steps in analyses employing thematic networks
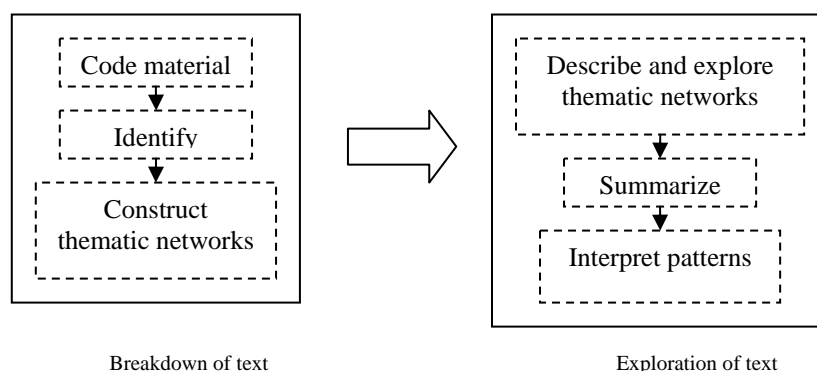
Adapted: Attride-Stirling (2001)

The framework proposed incorporates some significant components of that developed by Johns and Lee-Ross (1995). It differs, however, by focusing on the relationship of service quality and service climate, and adopting a quantitative methodology designed to capture more completely the factors that influence the direction and strength of the relationship.

Figure 3.2: A conceptual framework in determining dimensions for service quality and service climate in the preliminary study
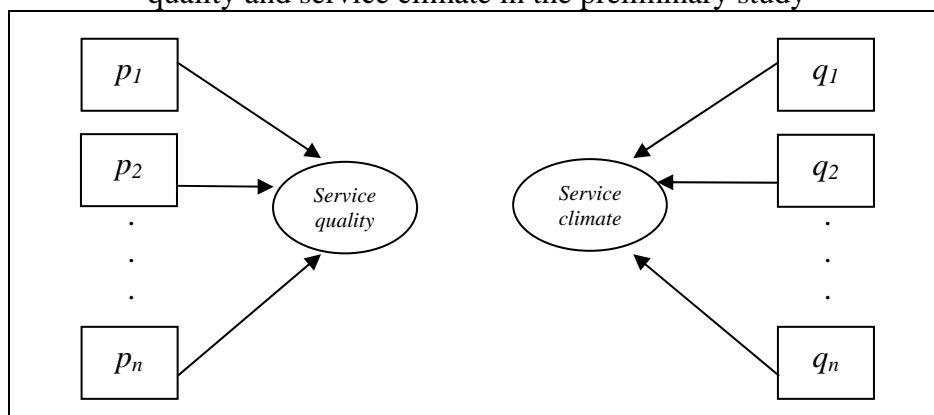

Adapted: Tacq (2007)

The relationship between service quality and service climate can be conceptualised at a fairly general level, as depicted in Figure 3.2, where a set of factors was determined on a series of indicators (e.g. p_1, p_2, …., p_n, for service quality and q_1, q_2, …, q_n for service climate) which in turn uncovered the outcome. It was recognised that the study would be undertaken across a set of banks due to their cooperation in allowing the research to be done in their organisations, within a discrete point in time, resulting in quite different outcomes, according to respondents' responses.

Figure 3.3 shows the procedural stages carried out, commencing with research acknowledgement of the service quality studies from three decades ago and service climate by earlier researchers. There were stumbling blocks throughout the journey with the purpose to find the gap in the body of these two areas of knowledge. After the researcher had incorporated the views from scholars in these two areas from various angles, including methodology and methods to adapt, the pilot study was undertaken in order to seek views on the proposed questionnaire format.

Figure 3.3: Stages in the research process
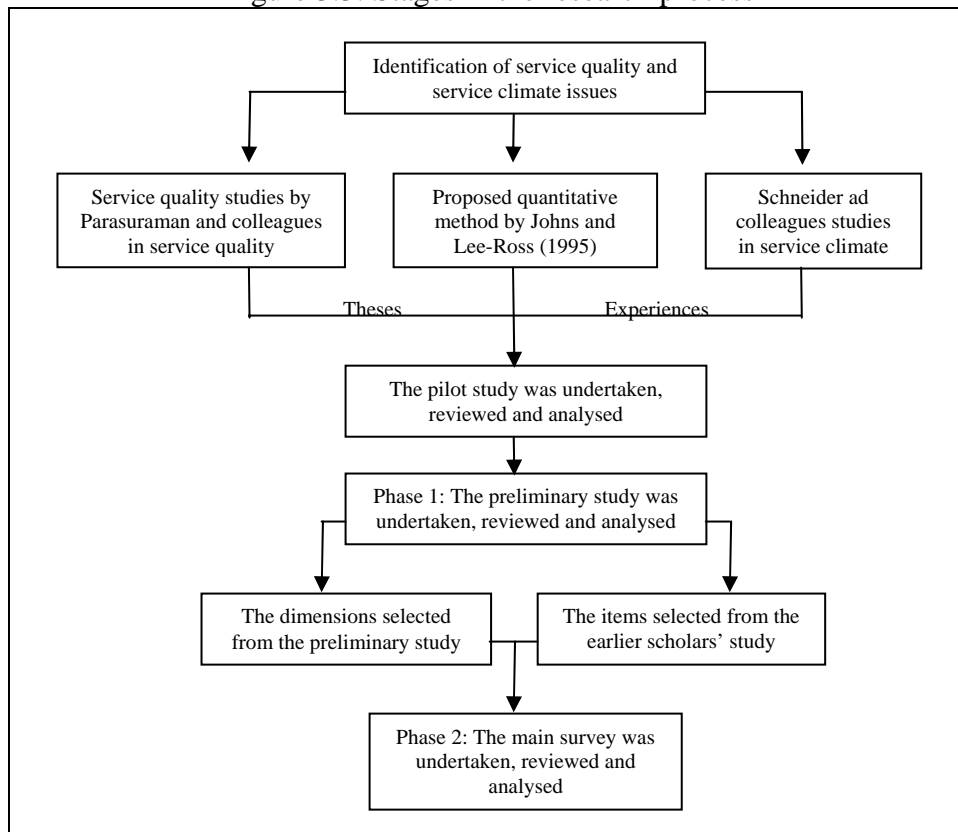
The preliminary study produced a better list of appropriate indicators from bank customers' and employees' points of view. The analysis and results gave insights into the dimensions that should be highlighted in the study for both service quality and service climate.

In the conceptual framework described below in Figure 3.4, greater emphasis is placed on the diversity dimensions, and to both the differences and the diversity of products and services within and between organizations, which in the case are local Malaysian banks. This emphasis enables the identification of the most appropriate dimensions, both in the short run and in the longer term for internal and external customers. A list of the parameters for both that might affect the strength, and indeed the direction, of their linkages in this context. Developing a better appreciation of the importance of these parameters enabled a more informed understanding of the relationship between service quality and service climate. In the remaining sections of this chapter, the components of the framework depicted in Figure 3.4 are first discussed at a conceptual level, before focusing in on the two sets of parameters, where the discussion revolves around the types of questions that researchers might ask in interpreting the strength of the relationship. In the following chapter, methodological guidelines are developed with a view to explaining how the conceptual framework might be operationalized in practice.

3.3.2   Main survey

The various dimensions of service quality have been utilized in a multitude of ways by both theorists and practitioners when developing measurement tools for service quality. An early example in financial services was the experience of the French population in Canada (LeBlanc and Nguyen, 1988) which considered the quality of service delivered by local banks in relation to corporate image, internal organization, customer-staff interaction, the degree of customer satisfaction and also tangible aspects (e.g. contact personnel, the internal organization and the physical environment and instruments). Further, Silvestro and Johnston (1990) assessed the following seventeen criteria: access, aesthetics, attentiveness, availability, care, cleanliness, comfort, commitment, communication, competence, courtesy, friendliness, functionality, integrity, reliability, responsiveness and security.

Service quality and service climate are recent and constantly changing concepts that are growing more and more complex. A number of dimensions have been referred to, some of which go beyond what is required of an assessment. There are possible approaches to studying these two areas and one is to develop an objective picture of the situation using quantitative indicators. The choice of indicators and approach will depend on the purpose of the study. A combination of objective and subjective processes will produce a better picture of service quality and service climate. No process can be implemented without a conceptual framework that reflects the research objectives; in this case, the parameters are divided into three groups of variables: dependent, independent and moderating.

Figure 3.4: A conceptual framework in analyzing the relationship between
service quality and service climate in the main survey
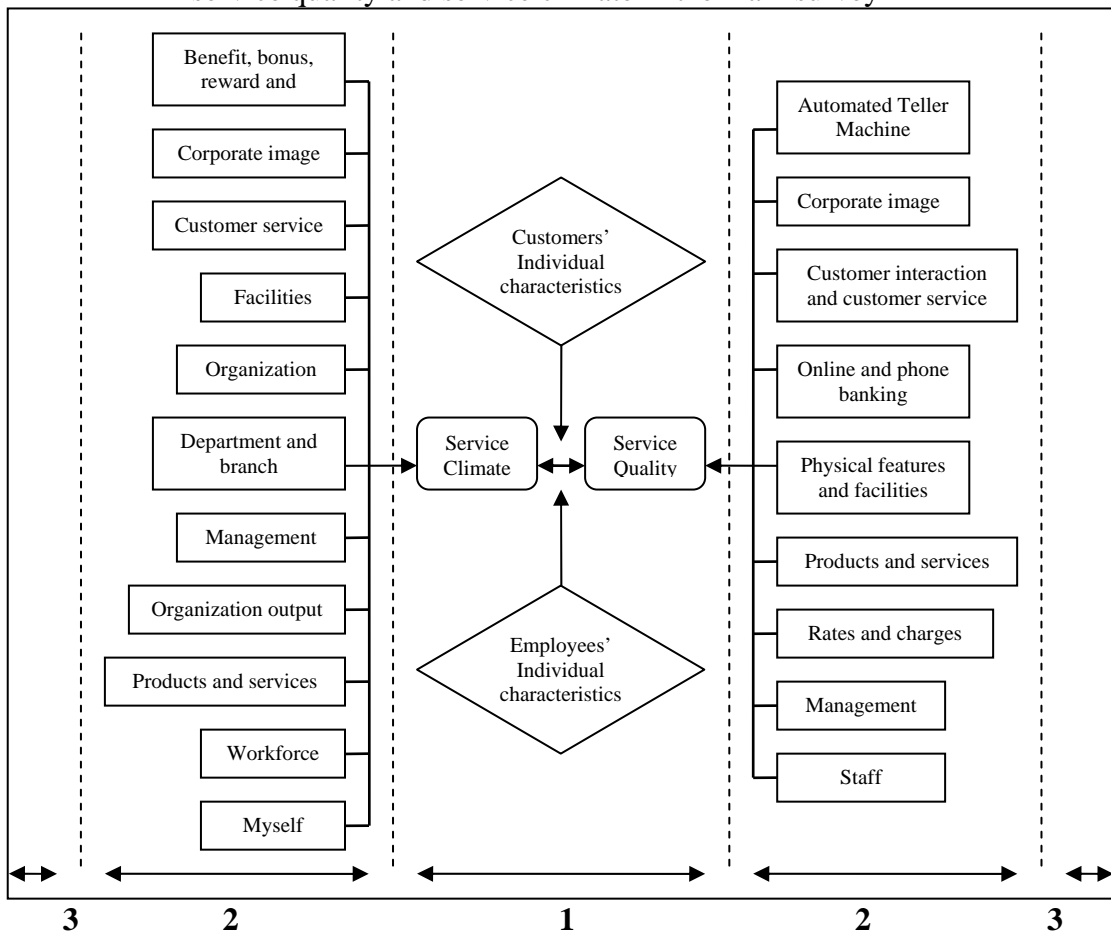
By referring to Figure 3.4, the model splits into three layers: textual
statements (3), dimensions (2) and global themes (1). While they all involve
interpretation, a more abstract level of analysis is needed. Moderating variables
were defined after the data collection had been accomplished. The full process in
the proposed model is presented as constituting several dimensions. The results
from the preliminary study guided the researcher in determining the number of
dimensions for each of the global themes that appeared in the customer and
employee questionnaires.

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3.3.2.1 Dependent, independent and moderating variables

Every field of endeavour tends to develop its own unique language. The fields of both service quality and service climate are particularly prone to jargon because preceding scholars attempted to find a link with other subjects e.g. profit and customer loyalty. Hence some of the terms used in the areas can be very off-putting to the new researcher, beginner or learner, attempting to come to grips with new approaches to these areas. Further confusion arises because, in such developing fields, the meaning of terms changes over time, and new terms are coined due to changes in emphasis, use or meaning.

This section provides definitions and descriptions of some of the key terms relating to service quality and service climate incorporating dimensions proposed by the researcher. Service quality refers to the actual process of interaction, including views and practices between a customer and a bank employee, either at a distance or on premises, whereas service climate involves the provision of dimensions from the perspective of the service provider (bank employee) at the interface with the organization (bank). As a term, it encompasses a range of dimensions in order to deliver services, both remotely and on the premises.

The variables listed in Tables 3.2 and 3.3 were proposed as associated with the construct of perceived service quality and service climate (see Figure 3.4). The operational definitions and the indicators of each dimension were established. The

indicators for service quality which had been recommended by previous scholars, as in Table 3.4, allowed the recognition of the expression in the text to be identified. The indicators for service climate were taken partly from the following studies: Reynierse and Harker (1992); Andrews and Rogelberg (2001); Weitzel *et al* (1989); Hartline and Ferrell (1996); Howcroft (1993); Singh (2000); Schneider (1980); Schneider *et al* (1992); Schneider and Bowen (1985) due to appropriateness of the items with the dimensions proposed.

Table 3.1: The operational definitions of each information background and its indicators

Dimension	Definition	Indicators
Gender[a,b]		Male; Female
Age[a,b]		Below than 20 years old; 20 to 29 years old; 30 to 39 years old; 40 to 49 years old; and 50 years old years old and above
Education[a,b]	Highest qualification of a customer attained when the survey take place.	Postgraduate; Bachelor Degree; Diploma; STPM and equivalent; SPM and Other
Work sector[a]	A place where a customer does work to earn salary.	Government; Corporation; Private; Self-employed; Other
Duration of relationship[a]	The periods during which customers do transactions with their frequent visited bank.	I visited this bank since _____.
Length of tenure[b]	The periods during which employees in full time career positions in the banking sector	1-5 years; 6-10 years; 11-15 years; 16-20 years; 21-25 years 26 years and more

Note: a – service quality; b – service climate
        STPM and equivalent -   comparable to 6th Form
        SPM   -   comparable to A-Level

In Table 3.1, potential moderating variables were gender, age, education, work sector of the respondents, duration of relationship between respondents and their frequently visited banks, but which variables influence the contribution of independent variables (e.g. ATM and corporate image) towards the dependent variable (e.g. service quality) were still questioned. As for the dimensions (e.g. benefits, bonus, reward and salary) being part of the cause of service climate,

Table 3.2: The operational definitions of each dimension and indicators for service quality

Dimension	Definition	Indicators
Automated Teller Machine	Unattended computerized telecommunications device in public spaces, provides the customers of a bank with access to financial information without the need for a human clerk or bank teller to obtain cash withdrawals and other banking services.	Quality; security; security; problems; accessibility
Corporate image	Consumer perception towards the bank's entity behind an identifying mark and credibility of the service provider's claims.	Accuracy; willing to help; contribution to the society; caring; trust; fairness; honesty; privileges; affiliation with other organization; attentiveness; ease
Customer interaction and customer service	Designated series of activities to enhance the level of customer satisfaction during interfaces between a customer and a bank employee either in a distance or direct contact.	Understandable policies; penalty for failure; needs or expectations; trustworthiness; respect; relationship customer-staff; confidentiality; waiting time
Online and phone banking	Service provided by a bank which allows its customers to perform transactions over the telephone and internet to perform all financial routine transactions.	Ease of getting through email or telephone to the bank or branch; waiting time
Physical features and facilities	Property such as a building or structure, established or installed for the performance of specific functions including arrangement under which a bank extends an advantageous service to a customer.	approachability; appearance; availability; comfort; décor and arrangement; opening hours; materials; concern; safety; size; error and problems; consistencies; procedures; documentation; orderliness; ability; service standard
Products and services	Anything that can be offered by a bank to public that might satisfy customer's want or need	Security; agreeable components of service package; products and services offered; needs and wants; facilities provided
Rates and charges	A value expressed in terms of time in order to embrace liability of financial condition of a customer.	Suitability of payments for products and services provided
Management	A group of managers serving a bank in an advisory and administrative capacity who make decisions about how the business is run.	Have the required skills, abilities and knowledge; quality of advice given; appearances; willingness to help and serve; consistency of the right attitudes and behaviours; commitment; honest, trustworthy and respect; politeness; professional; promptness of service; thoroughness in their

		work.
Staff	A group of people serving a bank in an advisory and administrative capacity interact with customer in their routine contact.	Have the required skills, abilities and knowledge; quality of advice given; appearances; willingness to help and serve; consistency of the right attitudes and behaviours; commitment; honest, trustworthy and respect; politeness; professional; promptness of service; thoroughness in their work.

Table 3.3: The operational definitions of each dimension and its indicators for service climate

Dimension	Definition	Indicators
Benefit, bonus, reward and salary	Any period of time for which an employee receives pay for time worked, including overtime, paid leave, administrative leave with pay, holidays, hospital benefits, annual bonus or festive seasons bonus.	Statements that consist opportunity, salary, awards and recognition, performance appraisal. Internal and external equity or fairness of compensation.
Corporate image	Employee perception towards the bank's entity behind an identifying mark and credibility of the service provider's claims.	Priorities of the business: customer satisfaction and high quality services
Customer service	A function of how well a bank is able to constantly and consistently exceed the needs of the customer either in a distance or direct contact.	Time; expectation; standards; customer as a part of the process; know the customer; internal quality; procedures
Facilities	Property such as a building or structure, established or installed for the performance of specific functions including arrangement under which a bank extends an advantageous service to an employee.	Equipment, machinery, office conditions, facilities, automation systems/computers/management information systems and instruction manuals for the systems; features of supplies Availability of tools and resources. Paperwork, information, workload given; environment.
Organization	Social unit of people interconnected in a manner as to constitute a system, arranged and managed to meet a need or to pursue collective goals on a continuing basis	Quality and quantity of hiring procedures, turnover, training progress, opportunities; job security and service delivery; characteristics of an organization; competition; feeling towards the organization; strategies; encouragement and support; consistencies; internal quality

Department and branch	A smaller group of people communicated in a way as to represent a system, arranged and managed to meet a need or to pursue collective goals on a continuing basis.	Encouragement; internal quality; chain of information
Management	A group of managers serving a bank in an advisory and administrative capacity who make decisions about how the business is run.	Trust; communication; commitment; support; quality standards; discussion of performance; responsibility; teamwork; appreciation; consistencies; policies and procedures; chain of information
Organization output	Recorded individual's piece of work in a specific professional role, used to identify contribution to business objectives and personal development needs.	Quotas and targets; overall performance
Products and services	Anything that can be offered by a bank to public that might satisfy customer's want or need.	Marketing strategies; customer's wants and needs; quality of service;
Workforce	Sensitivity towards other people who are serving in the same bank in an advisory and administrative capacity across departments and units.	Fairness; ability; supports; commitment; appreciation
Myself	Self evaluation by an employee.	Diversify ability, skills and knowledge, quality, attitude that an employee needs when they have to perform the service including awareness towards the customer's wants and needs.

prospective moderating variables were gender, age, education and length of tenure. Once a better understanding of the extent of the moderating variables had been achieved, questions related to the relationship of service quality and service climate could be more appropriately answered. In assessing responses, the interest was not only in understanding the response from the sector as a whole, but also how this response differed between banks and groups of respondents.

In addition to issues related to the measurement of responses, a number of questions relating to the preceding discussion were of interest to the analysis. These included whether (why and why not) the moderating variables did have influence on the relationship. Given an improved understanding of both the extent, and sources, of responses, it was important to relate this information to the relationships, and to the degree of functionality. This facilitated better understanding of the links set out in the conceptual framework.

3.3.2.2 Hypotheses

According to Preece (1994:66), "*a good hypothesis is not just any old assertion which can form the basis of a good discussion, though the term is often used in this way.*" He noted that a good hypothesis has four requirements: is contains two concepts; it proposes a relationship between them; the concepts used must be capable of being reduced to a level where they can be measured

objectively, or at least recognised consistently and it should always, or nearly always, relate to an existing wider body of knowledge or theory.

In this study, the researcher adopted a deductive process in developing hypotheses. The model was developed before the hypotheses were formulated. The data was then collected during the field work. Based on the feedback received, hypotheses were tested in order to determine the relationships among factors. There was the probability that this study might undertake an inductive approach by referring to the data and feedback from respondents. New hypotheses might be formulated that might add new knowledge and help theory building in these service climate and service quality areas. The relationships will be discussed and the reason these relationships can be expected. Therefore, the research hypotheses are as listed concerning the type of analysis involving parametric and non-parametric tests with regard to the problem, the importance of the research and the research questions.

H_0 There is no difference between the obtained frequencies for the 306 bank customers (specifically savings account holders and personal financees) in the sample and the expected frequencies obtained from bank customers of local banking institutions in general.

H_1 There is a difference between the obtained frequencies for the 306 bank customers (specifically savings account holders and personal financees) in the sample and the expected frequencies obtained from bank customers of local banking institutions in general.

H_0 There is no difference between the obtained frequencies for the 128 bank employees in the sample and the expected frequencies obtained from bank employees of local banking institutions in general.

H_1	There is a difference between the obtained frequencies for the 128 bank employees in the sample and the expected frequencies obtained from bank employees of local banking institutions in general.
H_0	The cumulative distribution of the service quality dimensions scores for the particular bank e.g. Bank Simpanan Nasional (BSN) customer in the sample is not similar to that of a normal distribution.
H_1	The cumulative distribution of the service quality dimensions scores for the particular bank e.g. Bank Simpanan Nasional (BSN) customer in the sample is similar to that of a normal distribution.
H_0	The cumulative distribution of the service quality dimensions scores for the particular bank e.g. Bank Simpanan Nasional (BSN) employee in the sample is not similar to that of a normal distribution.
H_1	The cumulative distribution of the service quality dimensions scores for the particular bank e.g. Bank Simpanan Nasional (BSN) employee in the sample is similar to that of a normal distribution.
H_0	Customers are less concerned on average about dimensions e.g. ATM, than corporate image in the representative sample.
H_1	Customers are more concerned on average about dimensions e.g. ATM, than corporate image in the representative sample.
H_0	Employees are less concerned on average about dimensions e.g. benefits, bonus, reward and salary than corporate image in the representative sample.
H_1	Employees are more concerned on average about dimensions e.g. benefits, bonus, reward and salary than corporate image in the representative sample.

The researcher only stated the proposed null hypotheses as above without mention of proposed alternative hypotheses because all probabilities reported in Chapter 6 are based on two-tailed tests as each comparison had two possible directions.

3.3.2.3 Potential outcomes

The most important outcome from the research was that the conceptual framework demonstrated its potential as a tool by fulfilling the conditions set for it. From the criteria outlined above, it was judged to be a useful research tool in the context for which it was developed. These are the criteria that any researcher should satisfy regardless of the simplicity or complexity of the framework being evaluated.

Answers to the research questions in Chapter 1, implications concerning theory and practice can assist in improving understanding of the density of the link between service quality and service climate. The types of question set out were common to participating banks. The most appropriate method for addressing them depends upon the importance of the questions, as well as the existing level of knowledge and data availability. In the final chapter of this thesis, recommended strategies are proposed for operationalizing the framework and for addressing the questions posed at country level, the setting for the research

3.4   Summary

This conceptual approach to service quality and service climate has been translated into a methodological process that combines the current, more positivist practice (which divides into aspects and attributes from the preliminary study).

This process will make it possible to evaluate links, identify similarities and differences among the players, debate improvement measures, and incorporate relevant concerns into the follow-up recommendations.

Using this approach does not guarantee acceptability. However, it does allow the involvement of public respondents and bank employees in conducting an assessment to evaluate their viewpoints and provide decision makers with a list of potential issues. It thus contributes to an informed position by all the players.

Service quality and service climate are holistic approaches, enabled by other factors e.g. technology with a broad focus, to start, maintain and optimize relationships to make internal and external customers more loyal. Although many facts and case studies encourage the purpose of service quality and service climate, experience from earlier scholars' studies showed that organizations need to do a detailed assessment of the concept utilization. On the one hand, it facilitates ways of thinking about products and services in general. A detailed methodology chapter produced on the basis of the conceptual framework in this chapter follows.