Service Quality as a powerful tool in the Management of Organization

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ABSTRACT

Services now constitute a major share of the economy. Following the trends observed in the Manufacturing sector, service companies are now preoccupied with quality because of the growing competition from globalization. The paper aims to explore quality status of automated banking service of the five Automated Service Quality components: ATM, internet banking, telephone banking, core service, and customer perception of price in bank industry and improve the conceptualization of Automated Service Quality. In this study to evaluate of Automated Service Quality, the measuring tools suggested by AL-Hawari, Ward, and Hartley, regarding local circumstances and Persian bank specifications, is used. The present research is a descriptive study by using a sample of 266 actual customers from 7 branches in north provinces Saman bank of Iran was used to t-test. The data indicate that there is a significant difference between the important and satisfaction all dimensions of Automated Service Quality.

Key words: ATM, internet banking, telephone banking, core service, and customer perception of price.

Introduction

Service quality has received more attention in the recent years. A deliberate attempt to study services marketing and service quality issues dates back to the mid-1960s. However, interest on the topic has gained considerable momentum with in the past two decades or so. This is not surprising. On one hand, delivery of high service quality to customers offers firms an opportunity to differentiate themselves in competitive markets and on the other hand, high service quality results in customer satisfaction and loyalty, greater willingness to recommend to someone else, reduction in customer complaints, and improved customer retention rates see, for example, Bitnerand Zeithaml [3].

Service managers need to understand how perceptions of their performance on service quality dimensions influence levels of customer satisfaction [8]. Today, service quality is considered a critical measure of organizational performance and continues to compel the attention of practitioners and academics. Unlike goods quality, which can be measured with some objectivity, service quality is an abstract and elusive phenomenon. Zeithaml et al. [32] emphasized four basic characteristics of services: intangibility, perishability, heterogeneity, and simultaneity. More specifically, intangibility suggests that services are performances only experienced by the customer. Perish ability indicates that a service cannot be produced and stored for future use. Heterogeneity reflects that the performance of the producer and customer’s perception are often different from producer to producer, customer to customer, and from day to day. Thus, services are inherently variable and lack consistency. Lastly, simultaneity means the production of the services occur at the same time as consumption. Thus, a customer cannot judge the quality of the product prior to using it.

We conclude the paper with a discussion of the implications of the results from service quality, e-service quality and automated service quality.

2. Theoretical background:

2.1. Quality in the service sector:

A number of researchers have attempted to determine the particularities of the service sector, compared to the product sector, and to develop relevant definitions, theories and techniques. Others have been more interested in showing that the theories, definitions and techniques available for the product sector also apply to the service sector.
2.2. Defining quality:

Quality is a subjective notion and can be variously defined. Quality is not an act; it is a habit. Quality, a buzzword that propels organizations to greater heights, demarcates the good from the bad, whether products or services, based on customers’ expectations, encounters and perceptions [22]. Quality is also a baseline for institutions to seek internationalization by promoting diversity, global participation and accreditation. Sustainability of service quality can be translated into competitive advantage through the ability to adapt, complement and grow in intellectual capital increasing in institutional uniqueness.

All these definitions are relative to the characteristics of a product and compare performance to quality standards. Some researchers have suggested that the tangible elements of a service and the elements that are easily measurable (e.g. time) could be compared to product characteristics. Making this association, service managers could use the same tools and techniques as those employed in the product sector.

2.3. Defining Service quality:

To successfully manage the challenges of globalization and intensive competition, firms need to notify the service quality expectation. Service quality is often conceptualized as the comparison of service expectations with actual performance perceptions. Gronroos[9] was the first person who developed a specific quality definition for the service sector. He defined quality as “the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received” (p.37). This definition was broadly used in the literature [22] and is commonly called the disconfirmation paradigm. One major drawback of this definition is that expectation is a concept that can be interpreted in many ways. It can refer to excellence or to what customers think the service will be or should be”. Clearly, several definitions of this concept exist, which does not facilitate its operationalization. For this reason, some researchers Cronin and Taylor [7], and Paquette et al [22] have proposed to use only performance perceptions to measure quality. Moreover, the disconfirmation paradigm is only based on the customer’s point of view and does not include elements of the definitions existing in the product sector. Parasuraman et al. [21] defined perceived service quality as” a global judgment, or attitude relating to the superiority of a service” and noted that the judgment on service quality is a reflection of the degree and direction of discrepancy between consumers’ perceptions and expectations. Based on the definition, the authors developed SERVQUAL, a five–dimension scale which represent tangibles, reliability, responsiveness, assurance and empathy [21] (see table 1). This framework and scale have been widely used in various industry segments [8].

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>Physical facilities, equipment, and appearance of personnel</td>
</tr>
<tr>
<td>Reliability</td>
<td>Ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness to help customers and prompt service</td>
</tr>
<tr>
<td>Assurance</td>
<td>Knowledge and courtesy of employees and their ability to inspire trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>Caring, individualized attention the firm provides its customers</td>
</tr>
</tbody>
</table>

The SERVQUAL has been productively used as the theoretical basis for many empirical studies for measuring customers’ perceptions of service quality Kettinger et al [17] and lee et al. [19]. An important advantage of the SERVQUAL instrument is that it has been proven to be valid and reliable across a large range of service contexts. However, many scholars have questioned about the conceptual framework and measurement method of this model [18]. For instance, Cronin and Taylor [7] pointed out that using service quality performance (SERVPERF, i.e. the perceived service in SERVQUAL) to measure service quality produces better results of reliability, validity, and predictive power than using SERVQUAL. Bitner and Hubbert [3] defined service quality as the consumer’s overall impression of the relative inferiority or superiority of the organization and its services” (p.77). Berry and Parasuraman[4] noted that, “if the core benefit source is more
a synonym for excellence. From this point of view, quality can not be known in advance, but can only be recognized when it is perceived. Therefore, this definition cannot be given more in detail, nor can quality thus defined be measured. The technical approach considers quality from a more objective, absolute perspective. It judges quality in terms of conformity to specifications and "zero-default-tolerance" policies, and is applied mainly in the context of standardized mass production, or for the tangible or measurable elements of a service. All definitions proposed in the operations management literature are part of this approach. In the customer–based approach, the definition of quality depends on individual perceptions and is therefore rather subjective.

This definition is often used in the service sector because perceptions tend to be intangible and thus sometimes difficult to measure. All consider marketing quality definitions as part of the customer–based approach.

2.4. Definition and nature of e-SQ:

Online service quality has a significant influence on many important aspects of electronic commerce (e-commerce). These include consumer trust in an online retailer [14]; attitude toward e-shopping [10]; site equity and loyalty intention; and user online satisfaction [12].

Define e-SQ as “the extent to which a web site facilitates efficient and effective shopping, purchasing and delivery”. This definition makes it clear that the concept of e-SQ extends from the pre-purchase phase (ease of use, product information, ordering information, and personal information protection) to the post-purchase phase (delivery, customer support, and return policy).

Szmanski and Hise [13] report four dominant factors in consumer assessments of e-satisfaction: (i) convenience (shopping times, ease of browsing); (ii) merchandising (product offering and information available online); (iii) site design (uncluttered screens, easy search paths, fast presentations); and (iv) financial security. Other authors attempt to develop more direct and comprehensive measures of the construct of e-SQ. Some researchers such as Gefen (Gefen, D.2002) modify or replicate the well-known SERVQUAL scale, whereas others develop their own scales to measure the construct.

Similar doubts have been raised regarding the applicability of the five SERVQUAL dimensions in the e-service context. In this regard, Gefen [15] applied an adapted SERVQUAL instrument to the online service context and reported that the five dimensions collapsed into three: (i) tangibles; (ii) a combined dimension of responsiveness, reliability, and assurance; and (iii) empathy. The tangibles dimension is the most critical for inducing customer loyalty whereas the “combination dimension” (responsiveness, reliability, and assurance) is the most important for promoting customer trust. The dimension of empathy is less important in the e-SQ context because the online environment lacks personal human interaction. Parasuraman and Grewal [1] state that studies are needed on whether “the definitions and relative importance of the five service quality dimensions change when customers interact with technology rather than with service personnel”. SERVQUAL was developed in the context of services provided through personal interaction between customers and service providers; as a result, its dimensions might not transpose directly to the e-SQ context [14].

In view of these difficulties, it is apparent that the traditional SERVQUAL model does not constitute a comprehensive instrument for assessing e-SQ.

The online environment differs from the traditional environment context in several ways. These can be summarized as follows:

Convenience and efficiency: consumers using the online environment have the convenience of saving time and effort in comparing the prices (and some technical features) of products more efficiently.

Safety and confidentiality: participation in the online environment involves users in distinctive issues regarding privacy, safety, and confidentiality.

Absence of face-to-face contact: customers in the online environment interact with a technical interface. The absence of person-to-person interaction means that the traditional concepts and ways of measuring service quality, which emphasize the personal interaction of the conventional service encounter, and inadequate when applied to e-SQ.

Co-production of service quality: customers in the online environment play a more prominent role in co-producing the delivered service than is the case in the traditional retail context.

2.5. Definition Automated service quality:

Automated service quality has been recognized as the factor which determines the success or failure of electronic commerce. Research on automated service is still in its infancy stage and there are no generally accepted theoretical conceptualizations of automated services quality [27].

Ruyter et al. [13], defines automated service as "interactive, content–centered and internet-based customer service, driven by the customer and integrated with related organizational customer support process and technologies with the goal of strengthening the customer-service provider relationship. Moreover, Surjadjava et al. [30] identify automated service as web-based service delivered through the internet whereby the customer’s interaction or contact with the organization is limited to the information and communication technology itself. A definition proposed by Santos [25] has been
Adopted as it is recognized as not only providing a more general definition of automated service quality but one that extends beyond internet based dimensions. Automated service quality is defined by Santos [25] as “the consumers’ overall evaluation and judgment of the excellence and quality of e-service offerings in the virtual marketplace”. The internet is not the only automated banking delivery channel. Other electronic channels are widely used by banks in delivering service to consumers such as personal computers, the telephone, and ATM. AL-Hawari et al. [2] identify that customers’ perceived automated service quality for banking services is based essentially on five factors: ATM service, internet banking service, telephone banking service, core service, and customer perception of price (see figure 1).

Two main approaches to developing measurement models of automated service quality have been identified in the literature [25]. The first approach utilizes the existing service quality theory as a basis for developing a generally accepted model to measure automated service quality. Supporters of this approach argue that past conceptualizations of service quality need not be completely discarded but may instead be used as a base to develop a theoretical description of automated service [20]. The second approach focuses on the technological interfaces and the quality of new categories of self-service technology [2]. This approach has generated new categories and measurement models of automated service.

![Service delivery channels](image)

**Fig. 1:** The critical factors of customer-perceived banking Automated Service Quality (ASQ).

3. **Research hypotheses:**

3.1. There is Significant mean difference between satisfaction and importance ATM of Saman Bank in Iran.

3.2. There is Significant mean difference between satisfaction and importance Telephone Banking of Saman Bank in Iran.

3.3. There is Significant mean difference between satisfaction and importance Internet Banking of Saman Bank in Iran.

3.4. There is Significant mean difference between satisfaction and importance Perceived Price of Saman Bank in Iran.

3.5. There is Significant mean difference between satisfaction and importance Core Service of Saman Bank in Iran.

4. **Methodology:**

Setting and sample:

The aforementioned hypotheses were analyzed by using data collected from customers in Saman Bank in north provinces of Iran. There are seven branches of Saman Banks in northern Iran. Banking sector has a vital role in the northern Iran economy. In the study, all customers who have used at least one of the Saman Bank’s automated services in north provinces have been selected as the statistical population. The questionnaires categorized by random method have been distributed by random to 266 customers who have similar condition based on statistical population definition in three provinces; Mazandaran, Gillan and Golestan. Regarding sampling size and method, 162, 30, 74 questionnaires have been distributed in Mazandaran, Golestan and Gilan respectively.

5. **Measurement:**

The study instrument includes questions about the five proposed dimensions; ATM, Telephone Banking, Internet Banking, Perceived Price, Core Service of customer for seven branch in bank industry of Iran as well as questions describing the demographic profiles of respondents.
Respondents were asked to give their perception of the quality level of automated banking services on a five point Likert scale ranging from 1 indicating very poor to 5 indicating very good. Perceived quality component was measured by a performance-based approach that focused only on customer perception rather than considering customer expectation. For the measurement of perceived quality in Saman Bank, Automated service Quality scale with sixteen items developed by AL-Hawari et al. [2], were employed. The reliability coefficients computations resulted in and overall Alpha coefficient score of 0.91 at the aggregate level for each study variable. In these findings each coefficient is shown to exceed the cut-off value of 0/70 as recommended by nominally.

6. Research findings:

6.1. Paired sample T-test:

**Paired sample T-test for various ATM factors:** Considering the table 2, the calculated \( P_v \) is less than 0.05 then there is a significant difference between the importance and satisfaction means and this indicates that the most gap between importance and satisfaction, to Saman Bank’s customers about ATM factors, would be related to the second factor (Sufficient number of ATM at conveniently located), therefore this is the most important factor with the highest difference in terms of opportunities for customers is to improve the management and the least important one is the fourth factor (ATM has a user- friendly system).

<table>
<thead>
<tr>
<th>series</th>
<th>ATM</th>
<th>mean difference</th>
<th>calculated T</th>
<th>calculated ( P_v )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ATM functions</td>
<td>0/504</td>
<td>9/446</td>
<td>0/000</td>
</tr>
<tr>
<td>2</td>
<td>Sufficient number of ATM at Conveniently located</td>
<td>1/32</td>
<td>16/094</td>
<td>0/000</td>
</tr>
<tr>
<td>3</td>
<td>ATM assurance &amp; security</td>
<td>0/53</td>
<td>10/60</td>
<td>0/000</td>
</tr>
<tr>
<td>4</td>
<td>ATM has a user- friendly system</td>
<td>0/35</td>
<td>5/975</td>
<td>0/000</td>
</tr>
</tbody>
</table>

**Paired sample T-test for various telephone banking factors:** Considering the table 3, the calculated \( P_v \) is less than 0.05 then there is a significant difference between the importance and satisfaction means and the mean difference indicates that the most gap between importance and satisfaction, to Saman Bank’s customers about using the internet banking, is related to the fourth factor, with regard to the highest difference as the most important factor for in terms of opportunities for customers is to improve the management and the least important one is the second factor.

<table>
<thead>
<tr>
<th>series</th>
<th>various internet banking factors</th>
<th>mean difference</th>
<th>calculated T</th>
<th>calculated ( P_v )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Clear instruction</td>
<td>0/589</td>
<td>10/218</td>
<td>0/000</td>
</tr>
<tr>
<td>2</td>
<td>Telephone banking options</td>
<td>0/465</td>
<td>8/071</td>
<td>0/000</td>
</tr>
<tr>
<td>3</td>
<td>Reliability</td>
<td>0/438</td>
<td>5/378</td>
<td>0/000</td>
</tr>
</tbody>
</table>

**Paired sample T-test for various Perceived Price factors:** Considering the table 5, the calculated \( P_v \) is less than 0.05 then there is a significant difference between the importance and satisfaction means and this indicates that the Saman Bank’s informational system for service charges, with regard to the highest difference, would be as the most important factor in terms of opportunities for customers is to improve the management the least one is related to the second factor.

<table>
<thead>
<tr>
<th>series</th>
<th>various customer’s idea factors</th>
<th>mean difference</th>
<th>calculated T</th>
<th>calculated ( P_v )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Saman Bank informational level for service charges</td>
<td>0/774</td>
<td>12/838</td>
<td>0/000</td>
</tr>
<tr>
<td>2</td>
<td>Receipt charges appropriation of Saman Bank compared with other banks</td>
<td>0/767</td>
<td>12/502</td>
<td>0/000</td>
</tr>
</tbody>
</table>
Paired sample T-test for various core service:
Considering the table 6, the calculated P, is less than 0.05 then there is a significant difference between the importance and satisfaction means and the mean difference indicates that the most gap between importance and satisfaction, to Saman Bank’s customers about various core service, is related to the second factor, with regard to the highest difference this is considered the most important factor in terms of opportunities for customers is to improve the management and the least one is the third factor.

Table 6: Paired sample T-test for various core service factors.

<table>
<thead>
<tr>
<th>series</th>
<th>various major service factors</th>
<th>mean difference</th>
<th>calculated T</th>
<th>calculated P,</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wide range of services (retirement’s accounts, loans for cars, foreign exchange, purchases of cars, etc.)</td>
<td>0/699</td>
<td>13/400</td>
<td>0/000</td>
</tr>
<tr>
<td>2</td>
<td>Diverse service features (different interest rates, wide choice of lone periods)</td>
<td>0/797</td>
<td>13/982</td>
<td>0/000</td>
</tr>
<tr>
<td>3</td>
<td>Follow the most advanced technology</td>
<td>0/530</td>
<td>3/274</td>
<td>0/001</td>
</tr>
</tbody>
</table>

6.2. Friedman's test:
Since the presented answers are based on five-point Likert scales, to review the effectiveness level and variables rating, the non-parametric analysis of variance has been used.

Table 7: Friedman’s test Variables of automated service quality.

<table>
<thead>
<tr>
<th></th>
<th>importance</th>
<th>satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean rate</td>
<td>rate</td>
</tr>
<tr>
<td>ATM</td>
<td>3.01</td>
<td>3</td>
</tr>
<tr>
<td>Telephone Banking</td>
<td>2.54</td>
<td>5</td>
</tr>
<tr>
<td>Internet Banking</td>
<td>3.46</td>
<td>4</td>
</tr>
<tr>
<td>Perceived Price</td>
<td>2.66</td>
<td>4</td>
</tr>
<tr>
<td>Core service</td>
<td>3.33</td>
<td>2</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 89/476, df = 4, P = 0/000 \]

7. Conclusion & Suggestions:
The data collected from table 2, the mean difference for both customers' importance/satisfaction level, indicate that the number of ATM and their availability with regard to the located would not be appropriate and therefore high-ranking managers of Saman Bank could take steps for their customers' loyalty and image by increasing ATM at large branches where involve more request and use. At some branches, the number of ATM is not adequate leading to huge crowds to use them. This creates either dissatisfaction among the people waiting in line or inappropriate image of the bank condition in customers' mind. It would be important to be convenient adequate number of ATMs considering customers' needs to accomplish some bank affairs such as receipt and fund transfer at unofficial time. It is also too necessary to keep ATM updated and ready – to service, and to try resolving their defects as soon as possible. On the other hand user – friendly ATM should be realized.

The data collected from table 3, the mean difference for both customers' importance/satisfaction level, indicate that telephone banking clear instruction compared with other factors would not be appropriate, therefore high – ranking managers could improve the situation and promote customers' loyalty and image by clearly training for telephone bank use and also by giving information through brochures, journals and staff.

The data collected from table 4, the mean difference for both customers' importance/satisfaction level indicate that the quality of error-free transactions by using the internet bank would not be appropriate, therefore high – ranking managers should check this point as priority. Internet banking efficiency is too impressive to attract customer's assurance. Perhaps the reason of failing to expand customers' attraction to these facilities may be their uncertainty to manage bank affairs in this field. Bank should encourage not only particular clients but most customers to visit gradually these systems in which they do not need bank managers/authorities' credit verification; as a result banks will be able to expand other service fields. Customers should be confident that their monetary / commercial information through using electronic service will be confidential.
The data collected from table 5, the mean difference for both customers’ importance/satisfaction, indicate that informative service about service changes with the highest difference compared with other factors would not be appropriate; therefore high-ranking managers should check this point as priority. Because of directive bank interest rate none of the state/private banking systems could suggest their own service charges to attract more customers. Although they could decrease account-opening charges to be more successful than other banks, the integration of these receipts and bank internet pay will not simply help it.

The data collected from table 6, the mean difference for both customers’ importance/satisfaction level, indicates that the diverse service features compared with other main service factors would be relatively feeble; therefore high-ranking managers should check this point as priority. What survives intense competition of serving customers is variety of service which satisfies vast customers’ needs and on the other hand recognizes customers’ potential needs through innovative approach. In bank service field the variety of loans payback duration, providing comprehensive facilities, issuing credit checks, developing different deposit funds and internet rates, would be accurate strategies to expand bank major service. What is important is to inform and train customers/citizens to optimally use these facilities.

The more modern technology (ATM, telephone banking, internet banking) a bank uses, the better it could appeal customer’s trust, as a result bank managers should try to develop more updated facilities and also by supporting new technology they are able to expand their customers’ loyalty/image.

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References