Employee's Perspective: Reasons of Service Failure in Banking Sector

Ms. Sonal Sharma, Dr. Rachna Gangwar & Dr. Anupam Krishna

Sonal Sharma is pursuing PhD. in "Impact of Service Failure and Recovery on Employees' Performance in Banking Sector" under the guidance of
TAPMI School of Business, Manipal University Jaipur. Her key area of interested is Customer Service and satisfaction, Employees satisfaction and performance.

Abstract: *This paper aims to give insights to service failure instances to find and validate the key factors of their reasons of occurrence in banking sector. This study examines the various parameters to identify why and when it exists. The paper is empirical and involves data from 300 front desk employees of retail bank branches from Jaipur city (Rajasthan, India). Data is collected through structured questionnaire. Four major concerns that influence employee's efforts in customer service include: management issues, infrastructure issues, high customer service expectations from service provider and weak service process. This paper can help management to understand the state of mind of employee's and how they can develop system to mitigate service failure effects on employee's efforts in service delivery.*
Keywords: *Service Delivery, service failures, services recovery, employee performance*

I.   Introduction

The banking system has the largest outreach for delivery of financial services in the country. While the coverage has been expending day-by-day, the quality and content of dispensation of customer service has come under tremendous pressure. Customer service has become a challenging issue as it is an onerous task to keep pace with the rising aspiration of customer. The vast network of bank branches spread all over the country with billions of customers, complex and variety of products offered as also varied institutional framework has added to the complexity of banking operations. This has given rise to service failures in banking services. So, this paper aims to focus on reasons of service failure in employees' perspective which impact on their customer service performance in banking sector.

Service delivery is the platform where customers encounter services, interact with employees and evaluate quality of services (Kumar et al. 2013). Any deficiency in service delivery results in service failure situations. A service failure is defined as service performance that falls below a customer's expectations (Hoffman and Bateson 1997)

Service failure is unwanted, dissatisfying and an unexpected situation for any customer in the service process. There are two types of service failures: operational and behavioral. In case of operational failure, customer may complain to the authority, switch to another organization, may go in for negative publicity, may reduce the business or might not take any action altogether. These types of customers' behavior are affected by many factors like control of service providers on failure situations, stability of service failure, magnitude of failure and past experiences of customers (Krishna et al. 2011).Customer's perception and expectations towards service delivery varies from organization to organization (Swar et al. 2012). Organizations always plan from time to time different strategies to enhance customers purchase intention (Keillor et al. 2007). It increases involvement of customers in service creation process and they act as a partial employee (Keh, Teo, 2001). Customer's level of tolerance and perceptions of the service quality during the process of service delivery impacts customer's satisfaction (Johnston, 1995). In service organisations customer's satisfaction is a major concern area, especially when the cost of keeping a current customer satisfied is much less than the cost of attracting a new customer (Blodgett et al. 1994). To retain the existing customers and for satisfying their needs employees efforts of service recovery is very essential.

Employees know the service processes mechanism very well which includes element of time and procedure and this creates a psychosis, however, the customers become impatient because they feel that services are not being delivered on time or it involves a good deal of technicalities and formalities. This creates a situation of communication gap between employees and the customers which needs to be handled carefully. Some employees are not able to cope up with such situations which effect on their satisfaction as well as performance.

The objectives of this study are:
- To identify the reasons of service failure in banks from employees' perspective
- Focuses on to various parameters which majorly affect the customer service performance.

To identify the employees' views in service failure reasons sample data is collected through structured questionnaire of 300 front desk employees of retail banks branches in Jaipur city (Rajasthan, India).Employees' has been asked to grade in a 5 point Likert scale where 1 is "Strongly Agree" and 5 is "Strongly Disagree"

Hypothesis Formulation:
From the review of literature it is evident that service failure is result of customer service dissatisfaction.To identify the major causes of service failure managementrelated issues, infrastructure related issues, high customer service expectations from service provider and service process complications parameters has been considered. These can be hypothesize as:
H1: Management non-supportive measures lead to service failure.

Table 1: Descriptive analysis of Employee's Responses in Management non-supportive measures

		Frequency	Percent
Valid	Strongly Agree	50	16.7
	Agree	122	40.7
	Neutral	96	32.0
	Disagree	32	10.7
	Total	300	100.0

Majority of employee's were agreed with the statement that management non-supportive measures lead to service failure on their part. Further to analysethis Pearson correlation test has applied. Its result says thatmanagement non- supportive actions impacts on employees efforts in customer service. Employees are facing many issues like:
- Handling multiple task and responsibility
- Lack of empowerment
- Lack of training of new products and services
- Lack of support from colleagues and senior management
- Lack of manpower.

These issues lead to service failure on employee's part and overall impact customer service.

Table 2 Correlation value of Management Non –Supportive measures and Service Failure

		Service Failure	Management Non –Supportive measures
Service Failure	Pearson Correlation	1	.524[**]
	Sig. (1-tailed)		.000
	N	300	300
Management Non – Supportive measures	Pearson Correlation	.524[**]	1
	Sig. (1-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (1-tailed).			

There is a positive relation between two variables: r= 0.524, n=300, p= 0.000
Since the obtained p-value is .000 as shown in table 2, it indicates a correlation between management non-supportive measures and service failure. It is also evident that there is a strong positive correlation as the Pearson correlation numerical value is .524. Thus, hypothesis H1 is validated.
H2: Customers' high expectations of services lead to service failure.

Table 3: Descriptive analysis of employee's responses in customers' high expectations of services

		Frequency	Percent
Valid	Strongly Agree	43	14.3
	Agree	142	47.3
	Neutral	93	31.0
	Disagree	22	7.3
	Total	300	100.0

Majority of employee's were agreed with the statement that customers' high expectations of serviceslead to service failure on their part. Further to analyse this Pearson correlation test has applied which says that customers high expectations of services impacts on employees efforts in customer service. Generally they become annoyed and make untoward situations in front of others. Employees are facing this issue majorly in following situations:

- Long customer hours and heavy rush
- Lack of civic sense in some customers
- High service charges
- Impatient about speedy disposal of work
- Unaware about the rigid procedure and norms

These issues lead to service failure on employee's part and overall impact customer service

Table 4 Correlation value of customers' high expectations of services and service failure

		Service Failure	customers' high expectations of services
Service Failure	Pearson Correlation	1	.391**
	Sig. (1-tailed)		.000
	N	300	300
customers' high expectations of services	Pearson Correlation	.391**	1
	Sig. (1-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (1-tailed).			

There is a positive relation between two variables: r= 0.391, n=300, p= 0.000

     Since the obtained p-value is .000 as shown in table 4, it indicates a correlation between customers' high expectations of services and service failure. It is also evident that there is a strong positive correlation as the Pearson correlation numerical value is .391. Thus, hypothesis H2 is validated.

H3: Lack in Infrastructure support leads to service failure.

Table 5: Descriptive analysis of employee's responses of lack in infrastructure support

		Frequency	Percent
Valid	Strongly Agree	20	6.7
	Agree	93	31.0
	Neutral	101	33.7
	Disagree	75	25.0
	Strongly Disagree	11	3.7
	Total	300	100.0

     Majority of employee's were agreed with the statement that lack in infrastructure support lead to service failure on their part. Further to analyse this, Pearson correlation test has applied which says that lack in infrastructure support impacts on employees efforts in customer service. Generally they become helpless in absence of infrastructure support to serve customers better and try to divert customers to their seniors or in other bank branch. Employees are facing this issue majorly in following situations:

- Slow system and network problems
- Insufficient sitting/ service providing arrangement
- Lack of water and facility arrangement
- Lack of printing photocopy machine/ATM not working
- Parking problems
- Non availability of writing stands/ stationary/ Marketing Collaterals

These issues lead to service failure on employee's part and overall impact customer service

Table 6 Correlation value of lack in infrastructure support and service failure

		Service Failure	lack in infrastructure support
Service Failure	Pearson Correlation	1	.446**
	Sig. (1-tailed)		.000
	N	300	300
lack in infrastructure support	Pearson Correlation	.446**	1
	Sig. (1-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (1-tailed).			

There is a positive relation between two variables: r= 0.446, n=300, p= 0.000

     Since the obtained p-value is .000 as shown in table 6, it indicates a correlation between lack in infrastructure support and service failure. It is also evident that there is a strong positive correlation as the Pearson correlation numerical value is .446. Thus, hypothesis H3 is validated.

H4: Weak service process leads to service failure.

Table 7: Descriptive analysis of employee's responses in weak service process

		Frequency	Percent
Valid	Strongly Agree	37	12.3
	Agree	162	54.0
	Neutral	57	19.0
	Disagree	40	13.3
	Strongly Disagree	4	1.3
	Total	300	100.0

Majority of employee's were agreed with the statement that weak service process lead to service failure on their part. Further to analyse this, Pearson correlation test has applied which says that weak service process impacts on employees efforts in customer service. Employees are facing this issue majorly in following situations:

- Complicated service delivery mechanism
- Time consuming Service delivery process
- Insensitive towards actual needs of the customers
- Lack of empowerment of employee to take a decision in case of any critical situation

These issues lead to service failure on employee's part and overall impact customer service

Table 8 Correlation value of weak service processand service failure

		Service Failure	weak service process
Servic.Failure	Pearson Correlation	1	.534[**]
	Sig. (1-tailed)		.000
	N	300	300
weak service process	Pearson Correlation	.534[**]	1
	Sig. (1-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (1-tailed).			

There is a positive relation between two variables: r= 0.534, n=300, p= 0.000

Since the obtained p-value is .000 as shown in table 8, it indicates a correlation between weak service processand service failure. It is also evident that there is a strong positive correlation as the Pearson correlation numerical value is .534. Thus, hypothesis H4 is validated.

II.   Managerial Implications

For successful attainment and realization of customer's expectations towards service delivery, employees' roles are increasing day by day. Employee's dedication towards excellent service delivery and their way of engagement with customers make them accountable in service failure situations and organization's service recovery efforts. The employees are generally putting in their hardest efforts to avoid service failure situations but sometimes these failure situations are not in their hands. Our finding shows that these banking operations problems results in customer service failure instances. Further there is a need to find the impact of banking operation problems and service failure situations on employee's performance to analyse the overall situation of service recovery efforts in the banking organisation.

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