



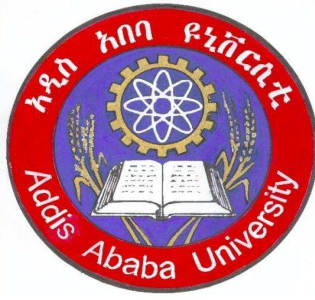
Addis Ababa University School of Graduate Studies

EMPLOYEES' PERCEPTION OF SERVICE QUALITY IN
ADDIS ABABA COMMERCIAL BANKS

By: Kidanemariam Assegid Fisseha

Advisor: Teklay Tesfay (Assistant Professor)

June 2014
Addis Ababa



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ADDIS ABABA COMMERCIAL BANKS**

A thesis submitted to the Addis Ababa University School of Commerce, Department of Marketing Management, in partial fulfillment of the requirements for The Degree of Master of Arts in Marketing Management

Kidanemariam Assegid Fisseha: ID. No. 0805/04

Advisor: Teklay Tesfay (Assistant Professor)

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Approved by board of examiners

Zewdie Shibre (Ph.D)

Signature

Teklegiorgis Assefa (Assistant Professor)

Signature

DECLARATION

I hereby declare that the research project entitled “Employee Perception of Service Quality in Addis Ababa Commercial Banks” is wholly my original work. I have carried out the study independently with the guidance and support of the research advisor, Assistant Professor Teklay Tesfay. Any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution. The study has not been submitted for award of any degree in this or any other institution.

Kianemariam Assegid Fisseha

Confirmed by advisor: Teklay Tesfay (Assistant Professor)

Signature

Date

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LIST OF ABBREVIATIONS AND ACRONYMS

NBE: National Bank of Ethiopia

CBE: Commercial Bank of Ethiopia

SPSS: Software Package for Social Sciences

MServiceStandard: Mean value for standardized behavior perception

MSkill: Mean value for skill perception

MCustomerOrientation: Mean value for customer orientation perception

MServiceFlex: Mean value for service role flexibility perception

EPSQ: Employee perception of service quality

GDP: Gross domestic product

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ABSTRACT

This is an empirical research conducted with the objective of evaluating Addis Ababa commercial banks employees' perception of service quality. Frontline employees are an important component of the service production and delivery process, particularly in the banking sector. Their technical and interactive service performance can be the basis of competitive advantage for commercial banks. Therefore, the banks need to ensure their employees fully understand the dimensions and factors that enable them to consistently deliver service quality. Although the financial sector of Ethiopia is growing with the continuous increase of the number of private banks as well as the opening of additional branches of existing banks, research findings indicate that service quality is not consistently delivered. Deeper investigations of those findings reveal that service quality dimensions associated with the performance of customer contact employees are the source of the gap. This research was initiated to provide further understanding of the problem from the perspective of employees' perception of service quality. Academic literature and research documents have been used to establish the conceptual framework. As a result, workload, competence, service orientation, standard service behavior, and service role flexibility are identified as the main factors that potentially influence employee's perception of service quality. To conduct the test and reach at acceptable deductions, a research model developed by Vella, Goutnas and Walker (2007) has been adopted in the context of Addis Ababa commercial banks service environment. The results of the study have indicated that commercial banks employees feel their individual service performance can be affected by service quality determinant factors. However, they do not associate the influence of those factors with the ultimate delivery of quality service and customer satisfaction. Accordingly, based on those findings, it has been concluded that the Addis Ababa banks employees' perception of service quality is not satisfactory. It is hence recommended that Addis Ababa commercial banks need to revisit their recruitment, employee development and employee motivation strategies and align them with the marketing strategy in order to promote system wide service orientation.

Key words: Service quality, customer contact employees

CHAPTER 1

INTRODUCTION

1.1 Background of the study

As the economy and productivity of a country grow so does increase the importance of its service provision capabilities in every sector. Services, whether in a service giving organization or any other form of organization play a significant role in the modern day business or public transactions. Be it a service selling company, a physical good selling company, a government institution or a non-governmental institution, they all need services as a link between user and provider. In a business context, the successful interaction of customers and organizations is defined by the firms' and its employees' level of service orientation. It is not enough to have the best product offerings. How the product is presented to customers with all its features and benefits determines its acceptability by the customers, and their ultimate satisfaction (Lovelock, Wirtz and Chatterjee, 2006).

Very few products are purely services or purely physical goods; they are segregated depending on the tangibility of the core offering. A car for example, is a physical product to the individual owner, whereas a tour company using cars provides and sells touring services. Accordingly, the businesses are categorized as belonging to the manufacturing sector or service sector, even though these sectors are interdependent and interrelated (Kotler, 2002). Though services are important for both manufacturing and service organizations, they are fundamental for the service sector as they constitute the essence of the business. For those types of companies, failure of service means failure of the product resulting in total dissatisfaction of the customer. Furthermore, service sector is becoming increasingly dominant in the economy due to the evolved customer sophistication and emergence of new service needs. The size of the service sector is increasing in almost all economies around the world. *“As a national economy develops the relative share of employment among agriculture, industry and services changes dramatically. Even in emerging economies, service output is growing rapidly and often represents at least half of the GDP”* (Lovelock, Wirtz, Chatterjee, 2006). Therefore, understanding the dimensions and maintaining consistent service quality, particularly in the service sector, has become the focus of businesses.

Ethiopia is not yet a developed country but in recent years it has recorded a steady economic growth. In fact, it is one of the fastest growing economies of the world averaging 10.6% annual increase for the period 2004-2012 compared to the regional average of 4.9% (The World Bank, 2013). It is also worth noting that the main drivers of this growth are the service sector and the agricultural sector while manufacturing has recorded a modest increase. For the period 2011/2012 service sector covered 44.9% of the General Domestic Product of the country (National Bank of Ethiopia Annual Report 2011/2012). It is mainly composed of hotels, retailers, wholesalers, transport companies and financial institutions. The financial institutions are among the drivers of the sector's continuous growth since 1994 following the coming into effect of the Licensing and Supervising Banking Business proclamation no 88/1994. The number of banks operating in Ethiopia has reached 19 by end of September 2013 of which 16 are privately owned. These banks have opened a total of 1832 branches of which 33.5% are located in Addis Ababa (National Bank Quarterly report, 2013). Although Automated Teller Machines have recently been introduced, commercial banking transactions in Ethiopia are predominantly based on person to person interaction of employees. Therefore, maintaining consistent service quality will be challenging and it should be a strategic concern for the financial institutions. Accordingly, the topic has become the focus of numerous researches.

Individual researchers as well as institutions have recognized the importance and significance of the service sector in Ethiopia. As a result, one can find many studies conducted in the area of service quality and its impact on customer satisfaction. A good number of these researches are case studies of financial institutions, particularly banks and insurance companies. Depending on the objectives of the respective researches, some have attempted to measure service quality from the customers perspective, others from the organization's point of view. A few have also focused on employees' contribution towards the delivery of service quality. Irrespective of their focus and chosen perspective, the results of these researches emphasize and show similarity in identifying front line employees as major contributors for delivery of service quality. For instance the Commercial Bank of Ethiopia implemented Business Process Reengineering during 2008/2009 fiscal year focusing on employee empowerment which resulted in improved efficiency and customer satisfaction (Kebede and Eshetu, 2012).

Mesay (2012), reinforces the importance of employees in delivering quality service in his study of Hawassa banks. The areas where these banks need to work on in order to improve customer perception of service quality are responsiveness and empathy.

Counter staff need to be continuously trained with proper skill of providing caring and prompt service. Abdulmalik and Gurswamy (2007) evaluated banks in Mekelle from a developing country perspective and found that the second common reason for customers to leave commercial banks is due to staff attitude and the poor service associated with it. From a general service sector point of view, Polturi, Mangnale, Dist and Pradesh (2011) found that Ethiopian service employees show irregular behavior toward male and female customers, they tend to be mechanical and straight to the point and in some cases lacked product knowledge and problem solving capability leading to inferior level of customer satisfaction.

The difficulty for service employees to deliver consistent quality emanates from the very characteristics of services. Services are intangible and consequently no physical good ownership results from the transaction. They are variable because each time a service is delivered the consistency depends on the service provider's as well as the customer's attitude and behavior. Services require the customer to be present at production site and they are consumed the same time they are produced, furthermore once produced they cannot be replicated. These features make it very difficult for organizations and employees to maintain consistent service quality to the expected level of customers. Service quality is highly dependent on human attitude and behavior. This can be further explained by the ten service quality dimensions which service experts use to establish service quality: Access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibles and understating the customer (Parasurama, Zeithaml and Berry, 1985). All of these dimensions are directly or indirectly influenced primarily by the employees delivering the service as well as by other supporting back office employees. Particularly, due to the low level of automation in Ethiopia, there is high degree of person-to-person interaction between employees and customers (Polturi and Magnale, 2011). Hence, the employees' level of awareness and appreciation of service quality will have a direct impact on the actual delivery and customer satisfaction.

1.2 Statement of the problem

In a growing economy healthy business organizations, under normal circumstances, pursue a growth strategy as is the case of the banks in the financial sector of Ethiopia. Both government and private banks are increasing their number of branches in the capital Addis Ababa as well as other cities of the country to keep pace with the escalating demand.

In this context, it should be noted that, one of the fundamental requirements of any strategy are planning, organizing as well as managing of internal resources and capabilities. A growth strategy, in particular, necessitates the commitment and engagement of financial and non-financial resources at an increasing and reliable flow. For service organizations, human resources are of special significance, as they are direct constituents of the product offerings. With the proper level of skills, capacity for communication and motivation they can become the source of strategic competitive advantage for their company. This is unfortunately, easier said than done as services cannot be produced in advance and put in inventory. Accordingly, matching demand with the required number and skill of staff, in order to ensure service quality, is a challenging endeavor (Wilson and Gilligan, 2005).

In commercial banking, like most other retail businesses, customer service is a major component of the service package, as customers come into direct contact with employees and engage in active interaction to finalize business dealing.

Customer service is defined as the ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business” (Lucas, 2005).

Therefore, as much as the successful delivery of service quality depends on the planning and execution of management, it is equally if not more dependent on the front line employee adequately delivering the actual service. This in turn implies that the company and the employees need to be on the same page when it comes to the promise made to the customer and associated expectations. *“The company through its integrated marketing communication creates an image in the minds of customers and this should be matched by the willingness and ability of contact employees”* (Brady and Cronin, 2001).

Commercial banks in Addis Ababa through media advertisement and promotion emphasize on reliability, responsiveness, credibility and empathy as their selling propositions. Such communications result in customers' expectation which generally include: personal recognition, courtesy, timely service, professionalism, enthusiastic service, empathy and patience. Only when these expectations are met can the customer be satisfied with the given service. It is therefore vitally important for the service provider to make sure that the contact employees understand these dimensions of service quality and are willing and able to extend them to the customer.

We have hence established, on the one hand, that commercial banks in Addis Ababa are growing at a relatively high speed which will naturally put pressure on their human resources. On the other hand, due to the nature of their business, their success relies on the capabilities and willingness of their employees to deliver service quality.

Nonetheless, researches indicate that, commercial banks are not necessarily meeting customers' expectations in every dimension of service quality. Enchalew (2013), in his evaluation of Wogagen Bank's service quality from corporate customers' perspective found that reliability, assurance and tangibility are below expectations. Yewbdar (2013) found that NIB International bank has a low ranking in empathy dimension. The bank also needs to make some improvements in assurance dimension. With respects to the service quality level of Commercial Bank of Ethiopia, the biggest bank in the country, Yonas (2013) argues that responsiveness and empathy have the lowest ranking implying that customers are not satisfied with the willingness and readiness of employees to provide service as well as the bank's failure in the provision of individualized attention to customers and understanding their needs.

These findings of recent researchers, among others, are indications that customers of commercial banks in Addis Ababa as well as other cities of Ethiopia are not fully satisfied with their service encounter with front line employees. Even if they find the physical facilities and type of services to be satisfactory, results of studies reveal that there exists a gap in the human aspect of the service delivery process. Although the severity of the problem varies from one bank to the other, based on the low scores in assurance, responsiveness and empathy it can be generally argued that customers do not find contact employees friendly, ready to help, knowledgeable and understanding.

Under the circumstances, given the stated fact of rapid growth putting pressure on human resources and taking into consideration that customer service is part of the core product of commercial banking, a deeper understanding of the cause of these shortcomings needs to be investigated.

Hence, this study is an attempt to evaluate whether commercial banks in Addis Ababa are coping with the requirements of skilled service staff to sustain their growth without compromising on quality service delivery. The employees themselves are the subject of the research to answer following research questions.

1.3 Research Questions

- Do front line employees perceive they have enough skills and competence to handle customers?
- Do front line employees feel their work processes are properly designed?
- Do front line employees feel they have enough empowerment to adapt to changing service situations?
- Do front line employees consider customer expectations and needs while providing service?
- Do front line employees understand the impact of their actions and performance on service quality?

1.4 Objectives of the study

1.4.1 General objective

The objective of this study is to evaluate Addis Ababa commercial banks employees' perception of service quality using from the perspective of workload, skill, standardized service behavior, service role flexibility and service orientation.

1.4.2 Specific objectives

The study has the following specific objectives that are used as measurement yardstick of employees' perception of service quality.

- Evaluate front line employees' perceived level of skills and competence.
- Assess and determine the level of workload as perceived by front line employees.

- Assess and determine the level of empowerment expressed in terms of service role flexibility as perceived by front line employees.
- Evaluate front line employees' perspective of appropriateness of scripted service process
- Assess and determine front line employees' level of service orientation.
- Determine the front line employees perspective of service quality and its importance for customer satisfaction

1.5 Hypotheses

In order to arrive at acceptable conclusions the following hypotheses are developed and will tested using inferential statistics.

Hypothesis 1

Ho: Employee competence or skills is not positively related to employee perception of service quality

Ha: Employee competence or skills is positively related to employee perception of service quality

Hypothesis 2

Ho: Heavy employee workload is not negatively related to employee perception of service quality

Ha: Heavy employee workload is negatively related to employee perception of service quality

Hypothesis 3

Ho: Service role flexibility is not positively related to employee perception of service quality

Ha: Service role flexibility is positively related to employee perception of service quality

Hypothesis 4

Ho: Service orientation is not positively related to employee perception of service quality

Ha: Service orientation is positively related to employee perception of service quality

Hypothesis 5

Ho: Standardized behavior is not negatively related to employee perception of service quality

Ha: Standardized behavior is negatively related to employee perception of service quality

1.6 Significance of the study

For commercial banks in Addis Ababa, the output of this research gives a deeper analysis and understanding of their employees' perception of service quality. One of the cornerstones of a successful service delivery, in retail business, is high quality customer service to the expected or exceeding level of customers. To that effect, it is relatively easy to design and implement a service process and associated facilities. However, ensuring that customer contact employees consistently perform at a high quality level is challenging. Observations and customer feedback can only reveal the existence or non-existence of service failure. The evaluation of employee's perspective of service quality and customer satisfaction helps to dig deeper into identifying the possible causes of either service success or failure at service encounter stage. Therefore, banks that particularly have low scores in intangible service quality dimensions can benefit from the results of this study in terms of gaining more focus in their activities of planning, recruitment, training and motivation of front line staff. The Commercial and Human Resources departments can use these results as basis for integrating their respective strategies.

As competition among products and brands increases, coupled with high customers' sophistication, businesses are becoming more and more customer focused. We no more talk about transactional business rather marketing orientation has become the order of the day. To be successful, a business firm, especially a service giving one, needs to be customer driven. The whole organization needs to put the customer at the heart of its strategy. The notion of service orientation of organizations, management and employees evolved as a result of these changes in marketing approaches. At the center of service oriented organization we find service oriented and customer centric employees. In their efforts of developing and implementing marketing strategies, companies need to understand the required number and skill level of employees. Hence, for retail companies in Addis Ababa, which plan to develop and implement service oriented approaches, this study can serve as a guide for identifying, correcting and preventing, at an early stage, possible failures related to front line employees performance (Kotler, 2002; Lovelock, Wirtz and Chatterjee, 2006).

For future researches, the output of this study can serve as a basis for exploring even further possible causes of poor rating of service quality dimensions of commercial banks in Addis Ababa. The current status of employees' perception of service quality can trigger investigation of the possible causes and proposal of solutions.

Larger issues related to the labor market, service education, service design and other can be explored. On the other hand, having covered the employee perspective of the issue, it will give other researchers the opportunity to pursue service delivery gaps from other perspectives. For the subject employees themselves, this is a chance of expressing their perspective of their day to day activities. They will have contributed and indirectly participated in the continuous endeavor of improving customer service in commercial banking.

This study has tested and confirmed that the model developed by Australian researchers can be successfully adopted in the Ethiopian service market. It is a simple and yet reliable way of gaining insight in the level of service employees' perception of service quality and it is recommended to adopt it in future similar studies.

1.7 Scope and delimitations of the study

In the area of service marketing, the topic of customer service in retail business context is the main focus of this study. For this purpose, retail commercial banks operating in Addis Ababa are selected as point of evaluation. The subjects under evaluation are the front line employees of these banks. The intangible nature of service and the associated psychological customers' expectations from the perspective of front line employees is explored from the angle of service orientation. We have therefore focused on the second stage of service purchase process, which is the service encounter stage. This is the actual contact of the customer with the service provider. In our case, the coming into contact of the customer with the commercial bank service employees.

Although Addis Ababa is chosen as the geographical delimitation of the study, due to homogeneity of the branches of commercial banks in major cities, the results give indication of the employee perception in major cities of Ethiopia. Furthermore, the structure and curriculum of universities across the country is similar and hence the composition of labor market, which commercial banks target, is similar. With minor adjustments the methods and models used in this research can be applicable for commercial banks operating in other cities.

Employee related discussions will inevitably have topics connected with Human Resources management such as recruitment, performance appraisal and man power development. However, as this is a marketing research these issues are not covered and the evaluations are done from service marketing dimension only. Some findings may indicate Human Resource management problems and those are not discussed in the scope of this study. This research is only in the position of giving recommendations, to the management of commercial banks or researchers to pursue the investigation from those angles.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The topic and problem under review in this research are influenced by the rapid growth of the Ethiopian economy which in turn has triggered the growth of commercial banking in the country. The associated challenges in terms of maintaining service quality delivery by employees constitute the core of the research questions and arguments. Accordingly, the research analyses and syntheses is based on marketing concepts and theories related to customer expectation, service quality, service encounter, internal- marketing as determinants of service employees' perception of service quality. Facts, researches and academic literature on these topics and theories are discussed in this section. Finally, an adapted conceptual model that is the backbone of the analysis is presented.

2.2 Economic growth and state of banking sector in Ethiopia

The Ethiopian economy continued to grow in 2011/12. Real GDP registered a relatively robust growth of 8.8 percent compared to the 5.5 percent estimate for Sub-Saharan Africa in the same period. The growth was ascribed mainly to higher growth in service sector (10.6 percent), agriculture (4.9 percent) and industry (17.1 percent). However, the real GDP averaged 10 percent during 2010/11-2011/12. Moreover, the economy expanded rapidly mirroring the performance of the economy, the growth of nominal GDP per capita rose to USD 510 from USD 389 in the preceding year, registering a 31.0 percent increase. The resilience of the Ethiopian economy is projected to continue with 11.3 percent growth expected in 2012/13. The Sub-Saharan Africa and world economy growths are anticipated to be 5.7 and 4.1 percent respectively in the same period (NBE Annual Report 2011/2012).

The major financial institutions operating in Ethiopia are banks, insurance companies and micro-finance institutions. The number of banks operating in the country during the fiscal year reached 17, of which 14 were private, and the remaining 3 state-owned. During the fiscal year, 319 new branches were opened raising the total branch network in the country to 1,289 from 970 last year. As a result, bank branch to population ratio declined from 65,415.834 people to 62,063.6 in 2011/12.

The significant branch expansion was undertaken by Commercial Bank of Ethiopia (CBE) (142 branches), followed by Construction & Business Bank (50 branches), United Bank (19 branches), 48 Abay Bank (17 branches), Awash International Bank (16 branches) and Buna International Bank (14 branches). Hence, the share of private banks branch network was 47.6 percent at the end of 2011/12 slightly down from 50.2 percent last year due to aggressive branch expansion by CBE. The number of bank branches in Addis Ababa, reached 430 showing 23.2 percent growth last year, indicating the booming economic activities in the central city. Following significant capital injection by private banks, mainly Nib International Bank (Birr 259 million), Dashen Bank (Birr 229 million), Wegagen Bank (Birr 176 million), Bank of Abyssinia (Birr 159 million) and Awash International Bank (Birr 153 million), the total capital of the banking industry increased by 12.9 percent to Birr 18 billion by the end of June 2012. As a result, the share of private banks in total capital rose to 49.3 percent from 45.3 percent same period last year. On the other hand, the share of public banks in total capital was 50.7 percent with CBE taking up to 34.6 percent. (NBE Annual Report 2011/2012)

2.3 Factors to consider in growth situation

The challenges for growth, especially for a new business, are how to achieve rapid growth and how to finance it. The decision as to whether or not to enter this stage and pursue rapid growth may be influenced by the business leader wanting to make more money, desiring to lead a large business or perhaps for the status. Alternatively it could be driven by the demands of the customers who may want to put more trade with the business and who might take their trade elsewhere if the business cannot respond. The decision to expand involves the acceptance of some risk and the need to face up to a number of issues:

- The availability of resources and good staff
- The delegation of responsibility to a wider team of managers
- The development of more specialist management skills
- The reduced day to day direct influence of the leader
- The possibility of taking on too much work as the business grows (Elkin, 2007)

Many organizations are able to develop suitable growth strategies but fail to execute them properly. A number of significant internal challenges must be overcome for successful execution to materialize including:

- Lack of shared customer-related goals. Different functional areas such as marketing, sales and human resources are driven by their own rather than unified objectives. Separate ownership of key strategic elements is a related issue.
- Setting high enough satisfaction targets. In many cases, the focus leads to bland, transactional-like experiences that may not create engaged customers.
- Insufficient concentration on the emotional aspects of customer experience. Research has shown the influence of elements to be crucial.
- Unclear definition of customer experience. Companies need a clear statement outlining the various physical and emotional elements that might be incorporated. This approach can enable customer experience to be better planned, administered and evaluated.
- Poor response to customer feedback. Even though most organizations conduct satisfaction surveys, a much smaller percentage act on what customers tell them.
- Lack of employee engagement. Companies overlook this vital aspect and fail to realize that staff will only excel when delivering the company strategy if they feel satisfied and valued themselves (Roberts, 2010)

The ultimate goal of a firm whether it is following a growth strategy or not is to achieve optimal use of resources in order to satisfy customers and gain their loyalty to ensure profitability. In a service context, customer satisfaction is dependent on delivery of service quality up to the expected level of customers.

2.4 Important service dimensions in commercial banking

Yavas, Bilgin and Shemwell, (1997), in their study of service quality in the banking sector in an emerging economy have identified tangibles, responsiveness and empathy as the most important quality dimensions to ensure consistent customer satisfaction. With respect to tangibles, as customers spend relatively long period of time in the premises of the banks, they expect the physical evidence as well as the appearance of employees to be comforting and attractive. In connection with responsiveness and empathy, customers expect swift and reliable service for bank employees so that they can go about their other businesses of the day. As the bank is handling their finances on their behalf, customers expect high level of empathy and understating from employees delivering the service. Hence, the bank employees are the center of quality service delivery and customer satisfaction.

According to Molina, Martin and Esteban (2007), customer satisfaction in financial businesses depends on service policy satisfaction, on accessibility and on the frontline employee satisfaction. At the core of customer satisfaction in commercial banking, are overall design of the service, staff training and complaint management (Levesque and McDaugal, 1996)

2.5 Consumer expectations

Consumer expectations are pretrial beliefs a consumer has about the performance of a service that are used as a standard or reference against which service performance is judged. consumer expectations consists of five levels, ideal service, desired level, adequate service level, predicted service level, and zone of tolerance. Consumer expectations are important during all three stages of the purchase process: the pre-purchase, the service encounter and the post-purchase phase. During the pre-purchase phase, consumer expectation will influence which firm is patronized. During the service encounter, customers will compare the service they are receiving to that they expected. In the post-purchase phase, future patronage decisions will be based on how closely the service experience met the expectations of the customers (Clow and Kurtz, 2003).

2.6 The service encounter

The service encounter is the actual interaction point between the customer and the service provider. the service provider may be in the form of a machine if the customer is using a bank's atm. it may be in the form of a telephone if the customer is requesting an electronic transfer of funds, or it may be a person if the person is receiving dental treatment. For most services, the interaction is between a customer and a human service provider. Both are present during the service performance and must interact with each other (Clow and Kurtz, 2003).

The quality of service encounter, regardless of the nature of the interaction is dependent upon five factors. These factors are the role theory, script theory, service environment, service personnel, and support service.

Role theory: Customers expectation or understanding of the role of the service provider may not be accurate or the service provider may not perform the role as outlined by the service organization.

Script theory: Learned sequence of behaviors that is expected from service personnel and customers.

Service personnel: In service encounters where service personnel and customers meet face to face, the most critical element of the experience becomes the conduct of the service personnel (Clow and Kurtz, 2003).

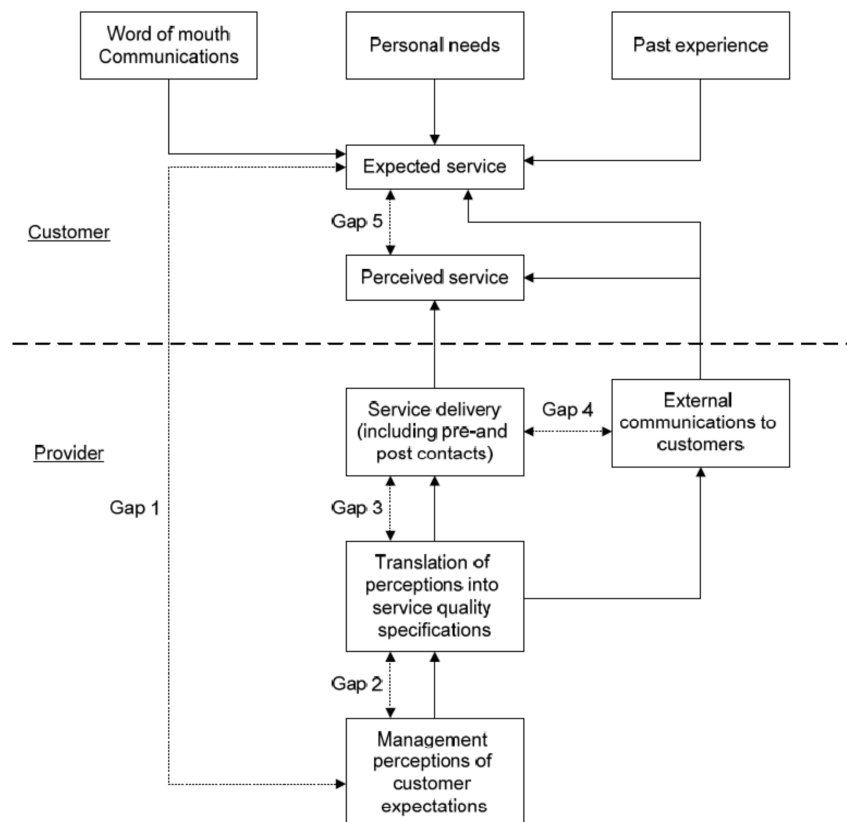
2.7 Customers' evaluation of service quality

According to Parasurama, Zeithaml and Berry (1985) based on existing knowledge on service quality the underlying themes of service quality evaluation are:

- Service quality is more difficult for the consumer to evaluate than goods quality
- Service quality perceptions result from a comparison of consumer expectations with actual service performance
- Quality evaluations are not made solely on the outcome of a service; they also involve evaluations of the process of service delivery.

Based on these themes they conducted an exploratory research and developed the famous service gap model, which identifies five gaps that need to be closed in order to ensure fulfillment of customer expectations.

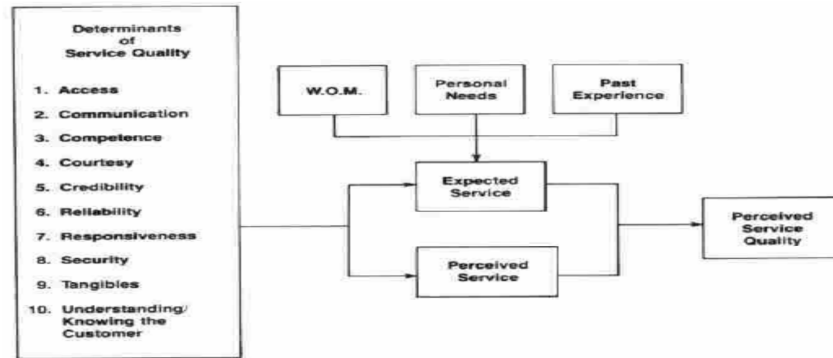
Figure 2-1 Gap model



Source: Parasurama, Zeithaml and Berry (1985)

Basically this model shows that four gaps out of five are influenced and affected by the internal organizations and its marketing activities. These gaps also have an impact on the most important fifth gap which is the ultimate determinant of customer satisfaction. Perceived quality needs to be matched with expected service quality and the following chart depicts the determinants of both.

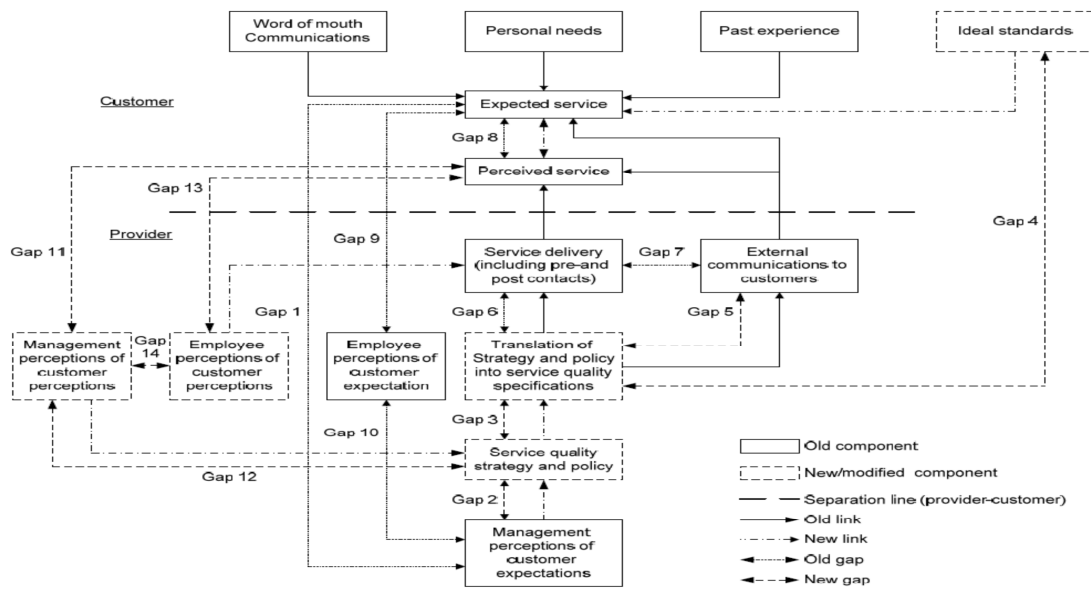
Figure 2-2 Determinants of service quality



Source: Parasurama, Zeithaml and Berry (1985)

To stress more on the internal influence on the determinants of perceived service and clearly show the role of employees in the development by consumer minds of perceived service quality, Shahin and Samea (2010); further elaborated and modified the model as below:

Figure 2-3 Modified gap model



Source: Shahin and Samea (2010)

Employee perceptions of customer perceptions" a component added into the traditional models. Similar to gap 11, gap 13 consists of a discrepancy between the customer perceived service and employee perceptions of customers perceptions. This gap directly affects the service offered, and when it is nil, it implies that employee has a correct imagination of the customers' perceptions. In the traditional model of service quality gaps, gap 6 is defined as the difference between customer expected service and employee perception of customer expectations, but it is important that employees understand customer perceptions of service offered. It can result in paying more attention by them in service process in order to achieving customer satisfaction. Therefore, gap 13 is defined as "the difference between the customer perceptions and employee perceptions of customers' perception (Shahin and Samea, 2010).

2.8 The role of service employees in service encounter

Interactions with employees play a significant role in shaping the overall customer experience. Managers and researchers can take a deeper look at the service encounter to better understand how different types of employee behavior are likely to influence customers' perceptions and emotions (Slatten, 2009). Boundary spanning employees are important assets to service organizations, frequently being seen as the organization by those they serve. These service providers are the buffers between customers and management (Chung and Schneider, 2002). The service encounter is a critical moment of truth that leaves customers with an indelible impression about the firm. It has been argued that customer perceptions of service quality are based almost entirely on employees' behaviors. Employees maybe they are knowledgeable and efficient, but if you are dealing with a customer in person that is not enough. Body language and facial expressions should display qualities such as patience, helpfulness, politeness, passion for the job and cheerfulness. Anticipation of and an understanding of customers' needs are also essential qualities in an effective front-line employee. In short, a customer needs to feel comfortable – at ease (Alison E. Lloyd and Sherriff, 2009).

2.9 Market orientation, Service orientation and Customer orientation

Service employees need to have the right skills, attitude, behavior and orientation in order to satisfy customers. In that effort, the company management should ensure that the right training, tools and environment are provided. Jaworski and Kohli (1993), state that organizational performance of a company is dependent on its level of market orientation. A market oriented organization ensures that its employees are sensitive and responsive to developments of the market. In addition, interdepartmental connectedness needs to improve and conflicts reduced.

Market orientation encourages managers to decentralize power and give more empowerment to employees. As per Camarero (2007), market orientation leads to relationship orientation and service quality orientation which in turn will result market and economic performance.

Organizational service orientation describes staff attitudes and behaviors, which directly affect the quality of service delivery process in a service organization and determine the state of all interactions between an organization and its customers. An organizational service orientation is defined by Lytle et al. (1998, p. 459) as an organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver “service excellence”. The service orientation stays in the strong relationship with intangible aspects of an organization. It exists when the organizational climate for service crafts, nurtures, and rewards service practices and behaviors known to meet customer needs (Lynn et al.,2000:282).

To ensure customer satisfaction, managers should create customer orientation, including clarifying to employees the value of providing customers with high quality service and developing a system of emphasizing the importance of customer feedback. Secondly managers should provide enough support to their employees. Lastly, managers should develop ways of work facilitation for their employees. Good service climate results in employee commitment which in turn produces customer satisfaction (He, Li and Lai, 2010). Service climate contributes to the commitment of employees to the organization, and to the employees’ service quality capability, potentially improving the service that the customer experiences. Improved quality of service contributes to the overall consumer benefit package and should prove beneficial to firms in the long run (Little and Dean, 2006). Therefore customer satisfaction depends on service climate, employee commitment and level of employee customer orientation, which are interrelated and interdependent. “Customer service orientation” or “customer orientation” concept is in many ways similar to the organizational service orientation but it is focused on staff behaviors and more psychological interpretation. Customer service orientation is specified by interpersonal skills, extroversion, and general disposition of operators having positive influence on the operators’ performance (Alge et al., 2002).

2.10 Significance of employee customer orientation

Hennin-Thurau (2004) defines customer orientation as the extent to which the employee's behavior in personal interactions with customers meets those customer needs. At an individual level, customer orientation is defined as the willingness of service providers to adjust their service delivery according to a customer's situation (e.g. needs, problems, special circumstances) (Daniel and Darby, 1997; Saxe and Weitz, 1982). The term customer oriented behavior refers to specific behaviors displayed by personnel during service encounters – such behavior that leads to satisfied customers (Farrell et al., 2001; Winsted, 2000a, b). From the customers' perspective, service providers' prosocial behavior can be viewed as customer-oriented service in service industry. Thus, prosocial behavior can be a critical issue for service marketers and practicing administrators, because prosocial behavior representing contact employees' attitudes and behavior toward customers has a significant effect on customers' evaluations of service quality and subsequent satisfaction (Ki Lee, Nam, Park and Lee, 2006)

2.11 Antecedents of employee customer orientation

For employees to develop customer oriented behavior, they should possess the right technical and social skills, they need to be motivated and they should have positive perception of their decision making authority. In this regards, great attention should be paid to measures that deal with recruitment of new employees for boundary spanning positions and the training of new and existing service employees (Henning-Thurau, 2004). Ki Lee, Nam, Park and Lee (2006) state that job satisfaction and organizational commitment are required for customer oriented behavior. These two are directly or indirectly influenced by employee empowerment, service training and service reward. A more recent perspective of customer orientation antecedents is organizational identification and employee-customer identification. How the employee identified himself or herself in relation to the values and beliefs of the organization and the customers determines his or her level of customer orientation (Anaza and Rutherford, 2012). Incongruence between personality and job climate affects worker productivity and morale. Employees should have a "service minded" personality and should be well equipped and supported by a service-oriented organization to be able to behave in a customer-oriented manner (Lanjanada and Patterson, 2008). According to Donovan (2004), an employee develops customer oriented behavior if he or she has the need to pamper the customer, the need to read the customer's needs, the need for personal relationship and the need to deliver the service required.

2.12 Impact of employee customer orientation

Customer orientation has a strong impact on customer satisfaction. Service providers that perform above average in terms of customer oriented behavior will have a good chance to outperform competitors (Henning-Thurau, 2004). Every individual employee is responsible for high quality service, which in turn influences customers' loyalty behaviors. Retail managers cannot rely upon subgroups of employees performing well and attempting to provide an overall level of service. Rather, managers need to highlight the importance of service and customer orientation to all retail employees, and the role of the individual employee in service provision is clear. Although individual assessments of service might differ across countries, the role of individual retail employees in providing high quality service and driving customer loyalty is more stable. So, retail managers need to ensure that individual employees are both customer and service oriented in order they are able to deliver the best possible service during individual service encounters (Jayawardhena and Farell, 2010). Employee customer orientation will result in job satisfaction and organizational commitment which will bear internal service quality which will result in ultimate customer satisfaction (Gazzoli, Hancer and Kim, 2013).

2.13 Service climate

Service climate may be defined as employees' perceptions of organizational policies, practices and procedures, which promote a climate that expects and rewards customer service. A climate for service depends on the fundamental support provided by organization through resources, training, managerial practices, and assistance required to perform effectively (Schneider et al., 1998). In this light, service climate may be considered as an individual, rather than an organizational attribute, measured in terms of perceptions that are psychologically meaningful to the individual, rather than in terms of concrete organizational features. Therefore, service climate rests on perceptions of individual employees, which influence individuals' behavior (Bagozzi, 1992). The employee perception of work climate not only influences organizational variables such as work effort and job satisfaction, but also affects service evaluation by customers. Therefore, it will be necessary to explicitly design and establish various organizational policies such as employee empowerment, detailed services codes, service performance reward/award, and employee education/training, in order to develop a system that will facilitate service-oriented environment and supportive management (Yoon, Beatty and Suh, 2001).

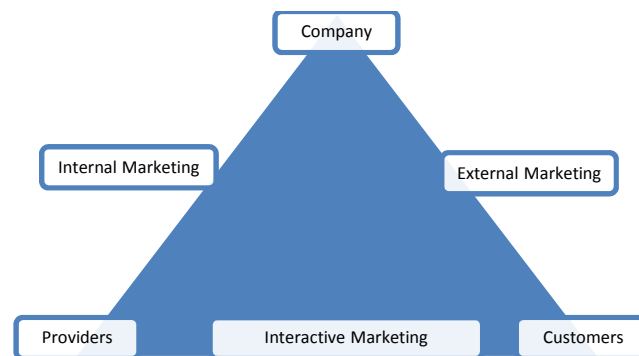
2.14 Other factors affecting service employee behavior and service quality

Role clarity is crucial not only for improving service quality but also for enhancing job satisfaction and organizational commitment of the customer contact employees. The more employees are clear as to what is expected of them in their jobs, the more satisfied they become with their jobs. The more satisfied they are, the better they align with the goals of the organization. The more they feel committed to their organization, the higher would be the quality of service (Slatten, Svensson and Svaeri, 2010). Participation in decision-making by the customer contact employees on issues concerning their jobs and the continuous and constructive feedback from the superiors and co-workers contribute to role clarity. Team support further assists in role clarity by disseminating useful information concerning various job issues that are not explicitly known or instructed (Mukherjee and Malhotra, 2006). Employees feeling of joy or frustration resulting from their perception of managerial practices as well as service quality affect how they behave during service encounter (Slatten, 2009). On the other hand internal service quality and the effort of the organization to communicate with employee through internal marketing also play a role in service employees' behavior (Bellou and Andonikidis, 2008). In general satisfied employees will strive to deliver good service in order to create customer satisfaction (Jeon and Choi, 2012).

2.15 Internal marketing

Internal marketing as a term evolves from the notion that employees constitute an internal market within the organization. This market needs to be informed, educated, trained, rewarded and motivated to meet external customers' needs and expectations (Doukakis and Kitchen, 2004).

Figure 2-4 Internal Marketing



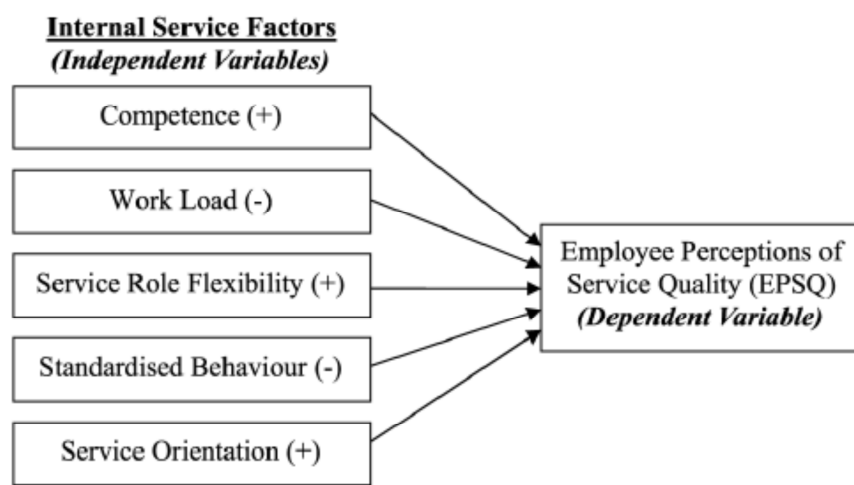
Source: Zeithaml and Bitner (1996)

The overall service organization’s internal and external marketing strategies can be visualized in terms of a service brand identity that is easily identified and remembered by consumers. All aspects of service delivery are connected to the quality of Human resource management and Internal Marketing polices, which invariably have the potential to infect the consumer-employee interaction. Therefore, service organizations need to safeguard and manage negative transference of all internal organizational attributes, such as, employee dissatisfaction from spilling over affecting service quality image and service brand perception (Vella, Goutnas and Walker, 2007).

2.16 Conceptual model

The preceding literature establishes the fact that employee service oriented behavior is mainly affected by their skill and competence, the service climate they operate in, the level of their customer orientation and the management style of the company. The employees’ self-evaluation in these parameters will indicate their perception of service quality. Vella, Goutnas and Walker (2007) developed the following model and used it to empirically test employee perception of customer service. To conduct their study the researchers had chosen to focus on supermarket customer contact employees as in the case of Australia supermarket as widely dispersed in the country and customer service is used as a source of competitive advantage. This situation is similar to the case of commercial banks in Ethiopia and this model is adapted in the context of this research and will be used to evaluate Addis Ababa’s commercial bank employees’ perception of service quality.

Figure 2-5 Research model



Source: Vella, Goutnas and Walker (2007)

In order for employees to deliver service quality and meet customers expectation, they are required to be equipped with competence, they need to cope with the task or workload at hand, when appropriate they should feel empowered to make necessary adjustment in service delivery process and they should be willing and able to assist customers. Hence, their perception of these variables will have a direct reflection and impact on their perception of service quality. In general employee skill and competence, service role flexibility and employee service orientation have positive influence on employee perception of service quality. While work load and standardized behavior have a negative influence on employee perception of service quality.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Research design

This is an observational and cross-sectional research which uses both descriptive and analytical approaches to empirically evaluate commercial bank front line employees' perception of service quality in Addis Ababa. Descriptive statistics is used first to build sample strata and later to show the level of service quality dimensions understanding of Addis Ababa commercial bank employees. Inferential statistics is used to assess the influence of that understanding on the employees' perception of service quality. A structured format is followed in an effort of exploring the problem, identifying suitable empirical and theoretical measurement models and methods of analysis to ultimately induce and deduce set of conclusions. The problem has been identified from the reporting of researchers of poor rating of non-tangible service quality dimensions of commercial banks in Ethiopia. One of the possible factors of such poor rating is employees' service performance which is a reflection of their perception of their job and its impact on service quality. Hence as evaluation parameters, the most significant factors that have influence on service employees' perception of service quality have been selected based on existing literature (Vella, Goutnas and Walker, 2007), (Henning-Thurau, 2004).

3.2 Sampling

The geographical delimitation of the study is Addis Ababa and the subjects of interest are front line employees of commercial banks in Addis Ababa. Hence the population in question is all front line employees of private and government commercial banks in Addis Ababa. There are currently 19 commercial banks registered by the National Bank of Ethiopia and they all have branches in Addis Ababa. However in order to ensure balanced and realistic point of view from front line employees; banks which have more than 10 branches and have been operating in Addis Ababa for more than two years are considered to construct the sample frame. Based on that, front line employees operating in the following banks make up the population of the study.

Table 3-1 Sample frame

		Number of branches operating in Addis Ababa since 2012
1	Commercial Bank of Ethiopia	111
2	Awash International Bank	47
3	United Bank	40
4	Nib International Bank	38
5	Dashen Bank	37
6	Bank of Abyssinia	32
7	Construction and Business Bank	31
8	Wegagen Bank	27
9	Lion International Bank	17
10	Oromia International Bank	12
11	Bunna International Bank	11

Source: National Bank of Ethiopia 2011/2012 Annual Report

Based on feedback received from spot verifications with commercial banks branch managers as well as individual observations, on an average a commercial bank in Addis Ababa has fifteen customer contact employees. Accordingly, the population under study consists of 6045 members.

Sample size: According to Kothari (2003), for finite population, the following standard formula can be applied to determined sample size. Accordingly at 95% confidence, the sample size for this study is 361.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Sampling technique: As the banks differ in size and years of experience, proportionate stratified sampling technique is used as sampling technique. In stage one, the particular commercial banks constituting a strata are identified. In stage two, sample members are selected from each bank based on its proportion of number of branches in Addis Ababa. The proportion is based on the number of branches presented in Table 3-1.

Accordingly if $(P=px_1+px_2+ \dots +px_{11})$ where (P =Total population, p =average number of frontline employee per branch and x_n =number of branches of individual banks), proportion is calculated using the formula $(p.x_n/P)$. The sample selection is therefore distributed as follows.

Table 3-2 Number of front line employees selected from each bank

		Number of branches	Proportion	Selected number of frontline employees
1	Commercial Bank of Ethiopia	111	27.54%	99
2	Awash International Bank	47	11.66%	42
3	United Bank	40	9.93%	36
4	Nib International Bank	38	9.43%	34
5	Dashen Bank	37	9.18%	33
6	Bank of Abyssinia	32	7.94%	29
7	Construction and Business Bank	31	7.69%	28
8	Wegagen Bank	27	6.70%	24
9	Lion International Bank	17	4.22%	15
10	Oromia International Bank	12	2.98%	11
11	Bunna International Bank	11	2.73%	10

Source: National bank of Ethiopia

3.3 The variables

Independent variables: Based on theoretical and existing researches, five variables are believed to have strong and significance influence on the shaping of employees' perception of service quality. As discussed in the literature review section, these variables are mainly derived from employees attitude and behavior, the service climate, the management style and organization approach towards internal marketing. Customer contact staffs' understanding and attitude towards these variables helped to arrive at a reasonable conclusion about their understanding and attitude towards service quality. The independent variables for this study are:

- Service employees skill and competence
- Service employees workload
- Service role flexibility
- Standardized service behavior
- Service employees' level of service orientation

Dependent variable: based on above explanation, the dependent variable of the study is service employees' perception of service quality.

3.4 Data collection techniques

Qualitative data: In order to build up the background of the study and derive a problem worth investigating, the arguments are based on secondary data as well as academic and research literature. The same technique is used to develop the conceptual framework of the study.

Quantitative data: The main objective of the study is to empirically evaluate commercial banks customer contact employees' perception of service quality. For that purpose, a self-administered structured survey questionnaire is conducted. The questionnaire consists of two parts. Part one is used to collect personal data and is designed with ordinal and nominal responses. Part two is the main section and is designed with five scale Likert scale sixteen interval level response questions.

3.5 Reliability

Overall and construct based scale reliability test was conducted using coefficient Alpha and the results have all fallen above 0.7. The coefficient value can range from 0 to 1, and, in most cases, a value of less than 0.6 would typically indicate marginal to low (or unsatisfactory) internal consistency (Hair, Bush and Ortinau, 2002).

Table 3-3 Reliability test

All variables		Workload		Skill		Service Orientation	
Reliability Statistics		Reliability Statistics		Reliability Statistics		Reliability Statistics	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items
0.801	16	.888	4	.762	3	.777	3

Service Standard		Service flexibility		Service quality	
Reliability Statistics		Reliability Statistics		Reliability Statistics	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items	Cronbach's Alpha	N of Items
.796	2	.780	2	.796	2

Source: SPSS data analysis, 2014

3.6 Validity

In order to ensure the existence or non-existence of latent variables factor rotation was conducted using Varimax rotation and all variables correspond to the hypothesized six constructs. The results are summarized in following table.

Table 3-4 Varimax rotated components matrix

	Workload	Skill	Customer Orientation	Service Flexibility	Service Standard	Service Quality
Number of tasks affects level of customer satisfaction	.863					
Number of tasks affects the quality of service I provide	.884					
Number of tasks affects the average time I spend with each customer	.821					
Number of tasks affects the level of service I provide	.835					
I know everything about the service of my bank		.793				
My skills are up to date with latest changes		.792				
I have been properly trained to provide the best service		.823				
I enjoy being with customers			.791			
I am concerned about what customers think of me			.826			
I have the customers best interests in mind			.769			
The service delivery process is effective for service quality					.881	
The service script is effective for service quality					.861	
Service performance is better when flexible to change work situation				.893		
Customers more satisfied when service is more flexible to their needs				.889		
Customers acknowledge and give feedback of my contribution to their overall satisfaction						.872
Customers value and appreciate my contribution to the service they receive						.873

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations

Source: SPSS data analysis, 2014

3.7 Data analysis methods and steps

The data collected from secondary sources has helped develop the conceptual framework of the study. This model is used to make quantitative analysis with two major steps: Bivariate correlation and Stepwise Regression analyses.

Bivariate correlation: Using this technique, the relationship between the dependent variables and the independent variables is evaluated. This step has helped to accept or reject the proposed five hypotheses of the study.

Stepwise Regression: The correlation analysis only gives information on the positive or negative relationships that exist between the dependent and independent variables. Hence the predictors of employee perception of service quality are determined using Stepwise Linear Regression.

CHAPTER 4

RESEARCH RESULTS AND DISCUSSIONS

In accordance with the sample size, 361 questionnaires were distributed to front line employees of Addis Ababa commercial banks. The response rate was 70%, and out of those, 210 were completely and accurately filled out making the actual response rate 60%. Taking into account that survey response rates are in general very low (15-20%), Bhattacharjee (2012), as well as considering that employees of all banks under study have participated, the achieved response rate is acceptable. The following sections will hence discuss the results of the analysis conducted on the collected data.

4.1 General characteristics of respondents

The sample under study consisted of 65% male and 35% female commercial bank customer contact employees. The majority of them, 72% are customer service employees with continuous contact with customers, 8% are supervisors, 7% managers and the remaining 13% have other positions in the banks with in frequent contact with customers. With regards, to work experience, 44% have less than two service years, 26% between 2 and 5 years and 30% more than five years. The objective of the study is to evaluate the service quality perception of commercial banks service employees. The fact that more than 2/3 of the respondents are customer service employees with continuous service encounter, adds to the reliability of the data. The details of these are reflected in the below tables.

Table 4-1 Position and gender cross tabulation

			Gender		Total
			Male	Female	
Position	Customer Service	Count	93	57	150
		% within Position	62.00%	38.00%	100.00%
	Supervisor	Count	11	6	17
		% within Position	64.70%	35.30%	100.00%
	Manager	Count	12	3	15
		% within Position	80.00%	20.00%	100.00%
	Other	Count	20	8	28
		% within Position	71.40%	28.60%	100.00%
Total	Count	136	74	210	
	% within Position	64.80%	35.20%	100.00%	

Source: Survey result, 2014

Table 4-2 Work experience and gender cross tabulation

		Gender		Total	
		Male	Female		
Work experience	Less than two years	Count	64	29	93
		% within Work experience	68.80%	31.20%	100.00%
	Less than five years	Count	39	16	55
		% within Work experience	70.90%	29.10%	100.00%
	More than five years	Count	33	29	62
		% within Work experience	53.20%	46.80%	100.00%
Total		Count	136	74	210
		% within Work experience	64.80%	35.20%	100.00%

Source: Survey data, 2014

4.2 Factors influencing employee perception of service quality

The second part of the questionnaire incorporated questions that help evaluate the perception of commercial banks service employees' perception of service quality. On a five point Likert scale, they were asked to choose the number that best represented their point of view. Accordingly, the following results were collected.

4.2.1 Mean score of Perception of the influence of workload on level of service performance

Majority of respondents feel that workload affects the level of their service performance. The following table shows that on a Likert scale of 1 to 5 the mean value of responses is 4.

Table 4-3 Perception of workload

	Mean	Std. Deviation
Q1: Number of tasks affects level of customer satisfaction	4.08	0.973
Q 2: Number of tasks affects the quality of service I provide	4	0.986
Q3: Number of tasks affects the average time I spend with each customer	4	1.01
Q4: Number of tasks affects the level of service I provide	3.93	1.009
Total: Mean Workload	4	0.853

Source: Survey data, 2014

4.2.2 Mean score of perception of the influence of skill on service performance

The mean value of total responses on a Likert scale of 1 to 5 is 3.85 showing that the majority of commercial bank service employees feel that their skill has influence on the level of their service performance.

Table 4-4 Perception of skill

	Mean	Std. Deviation
Q5: I know everything about the service of my bank	3.85	0.847
Q6: My skills are up to date with latest changes	3.85	0.938
Q7: I have been properly trained to provide the best service	3.86	0.922
Total: Mean Skill	3.85	0.743

Source: Survey data, 2014

4.2.3 Mean score of level of customer orientation

The mean value of 3.91 for the five point Likert scale questions indicates that the majority of commercial bank service employees perceive that they are customer oriented.

Table 4-5 Perception of service orientation

	Mean	Std. Deviation
Q8: I enjoy being with customers	3.93	0.822
Q9: I am concerned about what customers think of me	3.81	0.831
Q10: I have the customers best interests in mind	4.02	0.776
Total: Mean Customer Orientation	3.91	0.687

Source: Survey data, 2014

4.2.4 Mean score of perception of standardized service behavior

The high mean value of 4.31 for the five point Likert scale questions in relation of perception of positive influence of standardized service process on service quality suggests that commercial bank service employees see it as a major contributing factor.

Table 4-6 Perception of standardized behavior

	Mean	Std. Deviation
Q11: The service delivery process is effective for service quality	4.34	0.71
Q12: The service script is effective for service quality	4.28	0.715
Total: Mean Service Standard	4.31	0.652

Source: Survey data, 2014

4.2.5 Mean score of service role flexibility

Based on the mean value of 4.31 for the responses of the five points Likert scale questions in relation to service role flexibility, commercial bank service employee perceive it improves service performance and helps meet customer needs.

Table 4-7 Perception of service role flexibility

	Mean	Std. Deviation
Q13: Service performance is better when flexible to change work situation	4.24	0.776
Q14: Customers more satisfied when service is more flexible to their needs	4.38	0.83
Total: Mean Service Flexibility	4.31	0.725

Source: Survey data, 2014

4.2.6 Mean score of service quality

Commercial bank employees were asked how they perceive their contribution to customer satisfaction and service quality delivery and a 3.95 mean value indicates they get positive feedback from customers.

Table 4-8 Service quality

	Mean	Std. Deviation
Q15: Customers acknowledge and give feedback of my contribution to their overall satisfaction	3.85	0.794
Q16: Customers value and appreciate my contribution to the service they receive	4.05	0.82
Total: Mean Service Quality	3.95	0.737

Source: Survey data, 2014

4.3 Relationship between variables

The preceding mean scores only give indication to the predisposition customer contact employees hold towards the individual determinant factors. In order to further test the degree of relationship within the independent variables as well as their relationship between the dependent variable Pearson bivariate correlation was used. The Pearson correlation coefficient measures the degree of linear association between two variables. It varies between -1.00 and +1.00 with 0 representing absolutely no association between two variables, and -1 or +1 representing a perfect link between two variables. The higher the coefficient of correlation the stronger the level of association (Hair, Bush and Ortinau, 2002). The following matrix summarizes the results.

Table 4-9 Pearson correlation matrix

		Workload	Skill	Customer Orientation	Service Standard	Service Flexibility	Service Quality
Workload	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	210					
Skill	Pearson Correlation	.185**	1				
	Sig. (2-tailed)	0.007					
	N	210	210				
Customer Orientation	Pearson Correlation	0.127	.215**	1			
	Sig. (2-tailed)	0.066	0.002				
	N	210	210	210			
Service Standard	Pearson Correlation	.136*	0.1	.141*	1		
	Sig. (2-tailed)	0.049	0.147	0.041			
	N	210	210	210	210		
Service Flexibility	Pearson Correlation	.141*	.212**	.338**	.243**	1	
	Sig. (2-tailed)	0.042	0.002	0	0		
	N	209	209	209	209	209	
Service Quality	Pearson Correlation	0.118	.173*	.200**	.387**	.205**	1
	Sig. (2-tailed)	0.088	0.012	0.004	0	0.003	
	N	210	210	210	210	209	210

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS data analysis, 2014

4.3.1 Significant relationships

The correlations between the independent variables customer orientation, service process standardization, service role flexibility and the dependent variable employee perception of service quality are significant with respective p-values < 0.01 . As a result they are selected as primary variables for the subsequent evaluation of best predictors of the dependent variable.

The four independent variables with significant correlation have positive association between the dependent variable. However, when compared to one another, the most significant and stronger association is between service process standardization and perception of service quality with a Pearson correlation coefficient of 0.387. It is therefore, most likely that this variable is the most influential factor for commercial banks employees' perception of service quality.

However, in order to arrive at a conclusive result a further linear multivariate regression analysis needs to be conducted.

The correlation matrix above indicates the existence of some association among some independent variables. Skill is positively associated with workload, service role flexibility and customer orientation. Service role flexibility is positively associated with customer orientation. The strongest correlation among independent variables has a Pearson correlation coefficient of 0.338 and hence there is no danger of multicollinearity.

4.4 Stepwise regression to identify most relevant predictors

Following the results of Pearson correlation, the four independent variables with acceptable significance value were further analyzed using stepwise regression in order to identify the best predictor of employees' perception of service quality. The following tables summarize the results.

Table 4-10 Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.387a	0.15	0.146	0.683
2	.415b	0.172	0.164	0.676

a. Predictors: (Constant), MServiceStandard

b. Predictors: (Constant), MServiceStandard, MCustomerOrientation

Source: SPSS data analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.062	.316		6.519	.000
	MServiceStandard	.439	.073	.387	6.046	.000
2	(Constant)	1.539	.385		3.995	.000
	MServiceStandard	.415	.073	.366	5.723	.000
	MCustomerOrientation	.160	.069	.149	2.324	.021

a. Dependent Variable: MServiceQual

Source: SPSS data analysis, 2014

Table 4-11 Excluded Variables

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	MSkill	.136 ^b	2.138	.034	.147	.991
	MCustomerOrientation	.149 ^b	2.324	.021	.160	.980
	MServiceFlex	.117 ^b	1.788	.075	.124	.941
2	MSkill	.111 ^c	1.711	.089	.119	.949
	MServiceFlex	.077 ^c	1.120	.264	.078	.847

a. Dependent Variable: MServiceQual

b. Predictors in the Model: (Constant), MServiceStandard

b. Predictors in the Model: (Constant), MServiceStandard, MCustomerOrientation

Source: SPSS data analysis, 2014

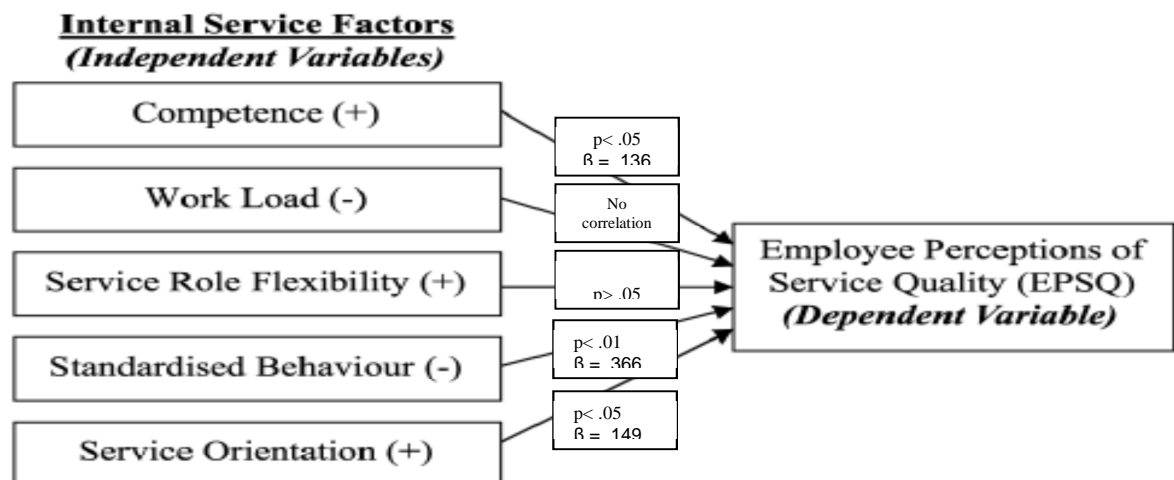
The results of the stepwise regression indicate that the significant predictors of commercial bank employees' perception of service quality are customer orientation and service process standardization.

The stronger predictor is service process standardization, with a β coefficient of 0.366. The remaining independent variables are excluded because of $p\text{-value} > 0.05$. It is also worth noting that although the coefficient of customer orientation is low, the inclusion of this variable has improved the r square value from 15% to 17.2%. As discussed in the scope of the study, employee perception of service quality cannot be fully explained with the marketing dimensions that have been established in this study. Some parts of it will be influenced by the employees' personal and social disposition, other parts by the human resource strategy and procedure of the organization. In addition as service delivery involves interaction with customers, the customers' actions also influence employees' perception. Therefore, the 17.2% value of r -square for the two significant variables is acceptable.

4.5 Summary of findings

The five research hypotheses have been tested using correlation and regression analysis and the results have been discussed in the preceding section. Accordingly the following acceptance and rejection decisions have been made.

Figure 4-1 Decision model



Adapted from: Vella, Goutnas and Walker (2007)

Table 4-12 Hypothesis test and decision

Hypotheses	Decision
Hypothesis 1 Ha: Employee competence or skills will be positively related to employee perception of service quality	Rejected
Hypothesis 2 Ha: Heavy employee workload will be negatively related to employee perception of service quality	Rejected
Hypothesis 3 Ha: Service role flexibility will be positively related to employee perception of service quality	Rejected
Hypothesis 4 Ha: Service orientation will be positively related to employee perception of service quality	Accepted
Hypothesis 5 Ha: Standardized behavior will be negatively related to employee perception of service quality	Rejected

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Employees' perception of service quality is not an easy thing to evaluate as it is not only dependent on the employee's perspective. The management and structure of the organization as well as the attitude and behavior of customers play a role in the development of this perception. The following conclusions are derived from the most immediate service marketing factors that have influence on the daily routine service encounter. Theoretical background of these factors, employee service skill, workload, customer orientation, service process standardization and service role flexibility have been extensively explained in chapter two of this study. Those concepts and theories are used as the standards for evaluating the results of the survey and the following deductions are accordingly made.

The research findings do not support the hypotheses that employees' perception of service quality is positively influenced by employee competence and skill. Even if employees feel that they have enough skills and competence to carry out their duties and responsibilities, they do not associate it as an important factor to deliver service quality and ultimately satisfy customers. This can be seen as a problem as employees have not acquired the knowledge of converting their know how into customer centric actions. The very purpose of training and developing service employees is to achieve business goals and objectives. It is good that employees feel they know their job very well and have enough skills for it. However, if they do not feel they should convert that into service quality the training and development efforts have not fully achieved the intended goal. Zeithaml and Bitner (2004), explain that in order to provide quality service, employees need ongoing training in the necessary technical skills and knowledge and in process or interactive skills.

The hypothesis “heavy employee workload will be negatively associated with employee perception of service quality” is also rejected. Employees do feel that heavy workload affects their service performance. However, they do not associate it with service quality and customer satisfaction.

Workload, if not properly managed, will result in long waiting time for customers which in turn will put increased pressure on service employees. Companies strive to reduce the negative impact of long waiting times by either reducing the actual waiting time or reducing the customer's perceived waiting time (Clow and Kurtz, 2003). Particularly in the effort of reducing the perceived waiting time service employees can play a role by being conscious about the time and engaging the customer into conversations or activities that can divert their attention away from it. Unfortunately, in the case of Addis Ababa commercial banks employees, that association is missing.

Based on the analysis of the survey, service role flexibility is not associated with employee perception of service quality and the hypothesis has been rejected. The commercial banks service employees' do agree that flexibility can improve service performance. They feel that when specifically requested by the customer and accordingly entertained it can result in customer satisfaction. However, they do not accept it as a general procedure for service interaction with customers. The fact that they do not associate this variable with service quality, which indicates that, they are not willing to initiate the flexibility themselves unless it is specifically requested by the customer. Service role flexibility is dependent on management style and it is not of course mandatory for organizations to adopt job autonomy. However in most cases, job satisfaction and employee morale increases (Clow and Kurtz, 2003). The level of autonomy also shows to what extent employees are empowered to make on the spot decisions to meet customer needs. The result of the study indicates that job autonomy has no influence on commercial banks employees' perception of service quality.

The fourth hypothesis, service orientation is positively associated with employees' perception of service quality is accepted. Even though the β coefficient is low, this variable contributes to the increase of the r-square value of the model's ability to explain the variance. Service orientation is of fundamental importance to quality service delivery as it drives the attitude and behavior of the service employee. It indicates to what extent the service employees appreciates serving customers. Such attitude and behavior is not easy to accomplish and has to emanate from the overall marketing orientation of the organization. Based on the results of the study this variable on its own is not a strong predictor of employee perception of service quality. It is hence an indication that Addis Ababa commercial banks employees are in general customer oriented but they do not fully associate it to the benefits it has toward service quality and customer satisfaction.

The strongest association of the dependent variable is between standardized behaviors of service employees. However as the beta coefficient is positive, the fifth hypothesis "standardized behavior will be negatively related to employee perception of service quality" is rejected. The commercial banks service employees feel that the scripted and standardized service process helps them deliver service quality and results in customer satisfaction. Out of the five variables this study has analyzed, commercial bank service employees have identified standardized service behavior as the only predictor of their perception of service quality. The advantage of this understanding of service encounter is the fact that standardization helps achieve consistent reliability and responsiveness. However assurance and empathy which require skill and high level of customer orientation will suffer. In this context, it will be difficult to consistently guarantee delivery of service quality and customer satisfaction. Too much standardization and focus on productivity can put pressure on service employees. Zeithaml, Bitner and Gremler (2013) state an example of Verizon employees in Florida who were frustrated by the firm's requirement that a service call to a customer not go beyond a certain amount of time, regardless of whether the issue was resolved or not.

In general, this research has presented results that indicate Addis Ababa commercial banks employees understand the importance of the individual factors: balanced workload, level of skill, service orientation, service role flexibility and standardized behavior on service performance. However, with the exception of standardized behavior, they do not fully appreciate their direct association to their effort of delivering service quality. In addition, the interdependence of these factors is not clearly understood and identified by the service employees. The fact that employees' perception of service quality is strongly influenced by standardization is an indication that they feel the organization is more, if not only, responsible to the successful service delivery than the employees. Hence, amidst the rapidly growing financial service sector of Addis Ababa, we can conclude that the employees' perception of service quality is not satisfactory.

5.2 Recommendations

“Customer contact employees are the service, the organization in the customer's eyes, the brand and the marketers” (Zeithaml, Bitner and Gremler, 2013). They should therefore possess a holistic perception of service quality in order to consistently deliver it and satisfy customers.

This section will discuss possible course of actions Addis Ababa commercial banks can take in order to improve employees understanding on the influence of the five factors under study. The ultimate goal should be to achieve customer oriented service delivery and close Gap 3 (translation of perceptions into service quality dimensions between service delivery) of SERVQUAL model (Parasurama, Zeithaml and Berry, 1985).

The solutions to the identified problems cannot be achieved through marketing approaches only. As indicated in the introduction of this paper, Human Resources Department needs to be involved in developing strategies, programs and procedures that can improve the perception of commercial bank service employees.

In relation to workload the banks need to be mindful of indication that contact employees do not feel it can affect service quality. As workload increases, the stress and pressure of handling customers as fast as possible increase. In such situations, if the employees don't understand the consequences of their service performance, they might end up ignoring the feelings of the customer. Hence, the banks need to provide needed support and systems that can increase the workload influence awareness of the contact employees. According to An-Tien Hsieh, Chang-Hua Yen and Ko-Chien Chin (2004) one way of achieving that is by increasing the role of the customer in the service delivery process. That way continuous and active interaction with customers will help the employees closely monitor the mood and reaction of customers.

Developing people with technical and interactive skills is fundamental for delivery of service quality. However, in our case the employees don't feel it helps achieve service quality. The ultimate objective of their development needs to be clearly communicated to the employees by the banks so that they can have positive association of their skills with service quality and customer satisfaction.

Managers need to pay significantly more attention to employee communication within the strategic HR initiative of marketing strategies and objectives so that employees understand their role and importance in the implementation of the strategies and the achievement of marketing and organizational objectives (Doukakis, 2002).

This can further be boosted by proper implantation and management of internal marketing. If manager treat employees like customers and strive for their satisfaction, the employees in turn will replicate the effort to use their know-how to satisfy external customers.

It has been widely discussed in chapter two of this paper that service orientation is the key to service differentiation. In general, the commercial bank service employees show good signs of market orientation and to a very small degree associate it with delivery of service quality. There is therefore good ground for the banks to build on this predisposition and push employees' service orientation to be at the heart of the service delivery process. The banks' overall marketing strategy should be aligned with the development and motivation of the Human Resource strategy so that service orientation continues to grow in the attitude and behavior of customer contact employees.

Organizations cannot achieve an integrated customer orientation simply by marshaling policies which extol the virtues of service to customers. Rather, they must develop an effective organizational support. Strategic customer-orientation management presents a new opportunity for organizations and should be regarded as a positive and competitive marketing tool. A way forward is for managers to pay serious attention to the internal dynamics of the organization; systems and structure which are supportive of, and well attuned to, an overall culture of customer orientation (Sonny Nwankwo, 1995).

The results associated with service role flexibility and standardized behavior show to what extend service employees are confident and feel empowered to take control of their service delivery process. The banks need to devise mechanisms of engaging customer contact employees in the design and modification of service delivery processes so that they gain more confidence and feel empowered. Appropriately empowered employees are motivated and feel they can contribute positively to the successful delivery of service quality. They will exert maximum effort to meet customer needs even in difficult environment and situation. It is of course worth noting that managers need to find the balance between standardized behavior and flexibility.

Although service employees are encouraged to adhere to expected norms of delivering service, it is also essential for them to be adaptive and receptive to customers' needs. While the structure of the task would ensure reliability of service, training the representatives to think "out of the box" would promote empathy of customer service (Mukherjee and Malhotra, 2006).

Overall Addis Ababa banks service employees have a positive predisposition of the requisites to deliver service quality. However, their outlook of the determinant factors is not clearly defined and they have not made the appropriate association with service quality.

Hence, Addis Ababa commercial banks need to adjust their recruitment strategy, development programs and service delivery process in such a way they can increase the awareness, of service employees, about the importance and interdependence of the factors that influence their contribution to delivery of quality service. That way they will be able to improve the low ratings they particularly receive from customer on responsiveness and empathy.

5.3 Limitations of the study and suggestions for future studies

This study is conducted taking all Addis Ababa commercial bank employees as a homogeneous population. It therefore does not explore the peculiar strengths and weaknesses of individual banks, with respect to employee perception of service quality.

Additionally, due to scope limitation, gender specific and work experience related analyses has not been conducted.

Although support employees in back offices have indirect contribution to the delivery of quality service, they were not the subject of the research. Hence, the findings and conclusions of the study do not reflect their attitude and behavior.

As explained in chapter one and two of this study, studies conducted in the area of banks service quality are from the perspective of either the organization or the customer. The lack of studies in relation to commercial banks employees' perception of service quality does not permit the findings of this study to be compared with existing ones.

It is thereby recommended that future studies use the findings of this research as a background to investigate further the specific problems of the individual banks. It is also worth conducting comparative studies among the banks as well as between other service sectors. Those results will help identify if there are either banks or other organizations which do well on some dimensions of employees' perception of service quality. The output may be used to derive, develop and adopt best practices in the context of Ethiopian service industry.

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APPENDICES

APPENDIX

QUESTIONNAIRE

Dear respondent,

Thank you very much for dedicating a few minutes of your time to complete this anonymous questionnaire, which is used for collecting data to conduct a survey on “Employees’ Perception of service quality in commercial banks of Addis Ababa” as partial fulfillment of the requirement for the award of Master of Arts degree in Marketing Management from Addis Ababa University School of Commerce.

The questionnaire consists of two parts: Part One with personal details questions and Part Two with task, work environment and customer interaction related questions. The researcher hereby guarantees your replies will only be used for the purpose of this study.

Please reply to the attached questions thinking of your daily interaction with customers in the context of the actual work environment, work load, management style and your level of skill and knowledge.

If you need any clarification please feel free to contact me at 0911523496.

Part One

Bank you work for:

Gender:

	<u>Male</u>	<u>Female</u>
	<input type="radio"/>	<input type="radio"/>

Work Position:

	<u>Customer service</u>	<u>Supervisor</u>	<u>Manager</u>	<u>Other</u>
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Working in this bank for:

	<u>Less than 2 years</u>	<u>Less than 5 years</u>	<u>More than 5 years</u>
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part Two

- Please mark (×) on the number that best represents your reply
- Please use the following rating while giving your answers to below questions
 1) Strongly Disagree 2) Disagree 3) Not Sure 4) Agree 5) Strongly Agree

		1	2	3	4	5
1	The number of tasks I perform affects the level of customer satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	The number of tasks I perform affects the quality of service I provide overall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	The number of tasks I perform affects the average time I spend with each customer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	The number of tasks I perform affects the level of service I provide	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	I know virtually everything about the service that my bank offers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	My skills are up-to-date with the latest changes in my industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	I have been properly trained to provide customers with the best possible service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	I enjoy being around customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	I am concerned about what customers think of me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	I have the customers' best interests in mind	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	The service delivery process (i.e: maintain eye contact, smile ...) I follow when interacting with customers is effective in maintaining service quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	The service script (i.e: How are you, have a nice day ...) I follow when interacting with customers is effective in maintaining service quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	Service performance is usually better when I have the flexibility to change work situation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	Customers are more satisfied when the service is more flexible to their needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	Customers usually acknowledge and provide feedback of my contribution to their overall satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	Customers value and appreciate my contribution to the service they receive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>