



Addis Ababa University School of Commerce
Department of Marketing Management Graduate Program

**The Outsource Employment Services Quality and Customer Satisfaction:
The Case of Commercial Nominees**

**A Thesis Submitted in Partial Fulfillment of the Requirement for the
Degree of Master of Art in Marketing Management**

By: Solomon Haile

Advisor: Mesfin Workineh (PhD)

June 2018
Addis Ababa, Ethiopia

Addis Ababa University
School of Commerce
Graduate program Department of Marketing Management

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Declaration

I, Solomon Haile, hereby declare that the thesis entitled "The Outsource Employment Services Quality and Customer Satisfaction: The Case of Commercial Nominees" is my own original work and that all sources of materials used for the study have been duly acknowledged.

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Statement of Certification

This is to certify that Solomon Haile has carried out his research work on the topic entitled "The Outsource Employment Services Quality and Customer Satisfaction: The Case of Commercial Nominees" and it is his original work and is suitable for submission of the Award of Master's Degree in Marketing Management.

Mesfin Workineh (PhD)

Thesis Advisor

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ACRONYMS

3PL--- Third-Party Logistics

BPO – Business Process Outsourcing

CBB ---Construction and Business Bank

CBE--- Commercial Bank of Ethiopia

CN --- Commercial Nominees

E --- Expectation

HRO --- Human Resource Outsourcing

ILO --- International Labor Organization

MOT--- Moment of Truth

NGOs --- Non-Governmental Organizations

P --- Perception

SERVPERF --- Service Performance

SERVQUAL --- Service Quality

SPSS --- Statistical Package for Social Sciences

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Abstract

The major objective of this study was to describe the outsource employment service quality and customer satisfaction in selected customers of Commercial Nominees in Addis Ababa using SERVPERF model. Cluster sampling technique used for grouping 24 institutional customers' branches/outlets in five regions. In addition, simple random sampling technique applied to select respondents' customers from the sample frame. The data collection instrument, used in this study, was questionnaire and structured interviews. Primary data collected from outsource employment customers of Commercial Nominees using self-administered questionnaire. The questionnaire contained SERVPERF model with 22 performance statements and the degree of the customers' agreement measured using five point Likert Scale methods. From total population of 2,041 CNs outsource employment institutional customers outlets the study used 773 target population in Addis Ababa, a sample size of 264 questionnaires were administered out of which 246 questionnaires were found to be convenient and used for a comprehensive empirical analysis. The research design used mixed approach and the interpretation of the data conducted by using descriptive and inferential statistics with the help of Statistical Package for Social Science (SPSS) instrument version 16. In addition, various statistical tools like, frequency, percentage, Cronbach's Alpha, correlation and regression analysis applied, and the following findings identified. The regression analysis shows that all the service quality dimensions have significant influence on customer satisfaction. The correlation analysis also revealed that all service quality dimensions have positive and significant relationship with overall customer satisfaction. The result of the study also showed that, 44.7% of the respondents are not satisfied with the service delivery of the Commercial Nominees. Thus, the company should give strong emphasis to all service quality dimensions for contentiously improving its customer satisfaction.

Key words: Service Quality, Customer Satisfaction, SERVPERF, Commercial Nominees

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

The term outsourcing used by Van Mieghem, (1982) to identify the decision by which one or more processes or activities necessary to obtain a product or component even an organizational function originally undertaken in-house. Certain organization are regularly entrusted by a firm outsource to an outside organization the outsourcer (supplier or provider) who carries out the activity and sells the results to the former.

When we look at the history outsourcing according to Handfield, (2006), it starts in the Industrial Revolution when companies have grappled with how they can exploit their competitive advantage to increase their markets and their profits. The model for most of the 20th century was a large integrated company that can own, manage, and directly control its assets. In the 1950 and 1960, the rallying cry was diversification to broaden corporate bases and take advantage of economies of scale. By diversifying, companies expected to protect profits, even though expansion required multiple layers of management. Subsequently, organizations attempting to compete globally in the 1970 and 1980 handicapped by a lack of agility that resulted from bloated management structures. To increase their flexibility and creativity, many large companies developed a new strategy of focusing on their core business, which required identifying critical processes and deciding which could be outsourced.

According to Seth, (2011) definition, employment outsourcing is work done for a company by people other than the company's fulltime employees. In the modern setting, outsourcing turns out to be highly complex and organizations use employment-outsourcing vendors for a variety of reasons such as reduced overheads and operational costs, possibility of converting fixed costs into variable costs, price competitiveness, lower involvement (freezing) of capital and improved cost control (Quelin & Duhamel, 2003).

Outsourcing is a common practice among both private and public organizations and is a major element in business strategy. Perhaps most organizations now outsource some of the functions they used to perform themselves (Oya and Walter, 2006). Outsourcing, or employing an outside company to handle functions normally performed in-house, is a familiar concept to many firms. Functions such as payroll, bookkeeping and logistics are commonly outsourced to cut costs and increase efficiency (Michael, 2011).

In Ethiopia, the application of outsourcing is in its beginning stage. Currently many companies are engaged in providing limited outsourcing service. This shows the current outsourcing practice in Ethiopia is limited to company's non-core activities, which are confined to security guard, cleaning services, messengers, driver, lobby man, file operator, laborer, gardener and other positions.

The current trend in the last few years has shown major change as many firms started to outsource non-core human resource activities like: banks and insurance, private and governmental organizations, NGOs and other organizations outsource some of non-clerical employment service. Based on the researcher personal observation the major outsource employment service providing companies operating in the market are Commercial Nominees, Agar Security and Cleaning, Truest Security Service, Firework, Lion Security and many more. However with the increasing number of outsource employment organizations the sector has not been well addressed in terms of the how they operate, there service quality and customers satisfaction. The study can narrow down this gap by assessing service quality & customer satisfaction by focusing on Commercial Nominees.

The aim of the paper is not to explore all the outsource service provided by Commercial Nominees rather it focuses on the outsource employment management service sector of the company. The study assessed the outsource employment service quality and customer satisfaction particularly from the contexts of Commercial Nominees. Furthermore, it tried to provide important inputs for future researchers who will study outsourcing from Ethiopian contexts and from the company perspective; it can be in a better position for understanding the level of its service quality and customer satisfaction.

1.2. Background of the Company

Commercial Nominees is one of the oldest among the financial sector in Ethiopia. The company established in 1965 by Commercial Bank of Ethiopia (CBE), Construction, and Business Bank (CBB). Initially, the company performed its tasks as an integral part of (CBE). In that standing, it was mainly engaged in the businesses of share subscription agency, share registration and handling and administering of staff pension accounts of CBE and insurance brokerage.

The company began operating as an independent business entity after the shareholders meeting held on 29 July 1993, decided to re-organize and redefine its role. Based on the recommendation of an ad-hoc committee established in 1991 in order to make detail studies of the company's role and structure in light of the changing situations and its current business purpose redefined as: "To engage in various outsource service rendering businesses, trust administration, commission agent, brokerage ..."

In line with the business purpose, the company is engaged in the businesses of outsource service like employment service, salary payment services, pension benefit payment, disbursement and compensation payment, provident fund/trust fund administration, real estate and property administration, and other outsourced services.

Currently, In the case of outsourced employment service management, the total number of employees supplied for more than 24 client organizations reaches 23,978. In the reviewed period, the company has more than 3,185 cleaning employees, that give cleaning service for 489 branches of six client organizations and with the total area covered in this service is 209,157 squares meter operating with more than 40 branches all over the country (Commercial Nominees, Budget Year First Quarter Report, 2017/18).

The company is enjoying greater performance in the sector during the 2016/17 budget year CN attain a profit before tax of Birr 182.6 Million and net profit after tax of Birr 128 million which is 44.31% higher than the plan. The total asset position of the company stood at Birr 1.49 Billion on September 30, 2017 according to CN, Budget Year First Quarter Report, (2017/18).

1.3. Statement of the Problem

Outsourcing has become a strategic human resource approach in our current competitive business environment. Companies involved in the practice need to stick to their core competencies and go for strategic outsourcing to reduce cost and become more effective in their customer service. A company's business success could be determined on how well it manages its outsourcing relationship. Organizations outsource to achieve cost reductions and/or to be able to focus on their core business. They also resort to outsourcing as a way to achieve more efficient, effective and competent functions in their processes (William, 1999).

Organizations that consistently satisfy their customers enjoy higher retention levels and greater profitability due to increased customers' loyalty (Wicks & Roethlein, 2009). This is why it is vital to keep consumers satisfied, this is been done in different ways, and one way is by trying to know their perceptions of services offered to customers by service providers. In this way, service quality could be assessed and thereby evaluating customer satisfaction.

In general, the market for outsource employment agencies is growing significantly in Ethiopia there are more than 161 local private employment outsource agencies in Addis Ababa according to the Addis Ababa Ministerial Office of Labor and Social Affairs, (2018). This is mainly due to the expansion of financial and non-financial institutions and other business organizations have attracted a number of outscores employment agencies.

In 2018 with article 632/2001 support The Ministerial Office has cancelled 61 employment agencies commercial registration certificate due to lack of meeting the quality standard set by the Ministerial Office (Addis Zemen Newspaper, January 2018). With the rising number of firms their level of service quality and customer satisfaction in outsources employment services providers is not been formally studied. Hence, measuring service quality will enable outsource employment service providers to identify the key items of service quality by assessing the perceptions of consumers and discover which items or dimensions are important as well as require improvements in case of any weaknesses.

As one of the leading private employments, outsource agencies providing services to more than 2,102 customer's outlets. Commercial Nominees assesses on quarterly the satisfaction level of customers on its service quality delivery in its 13 Addis Ababa branches. A close-ended questionnaire is prepared and distributed to each branch and by setting suggestion boxes & books. According to CNs 2nd Quarter Customer Compliant Report of 2017/18 the findings from customers compliant survey indicated that the most of the customers are not satisfied by the overall service delivery of the company. Out of 85 customers who fill the survey questioners on service quality parameters like excellence in service delivery, regularity in uniform wearing, quality & cleanliness of uniform and armament usage.

About 45% of the customers satisfied by service delivery and 20% are not responding, while the rest 35% are not satisfied. The comments and compliant given by the customers in outsource employment management service has indicated the company service delivery showed issues to be considered for further improvement and broader study according to CNs 2nd Quarter Customer Compliant Report, (2017/18)

Furthermore, when the researcher analyzed various research studies conducted to this point using the SERVPERF and SERVQUAL model by (Yonatan 2010, Dejene, 2012 Resom 2013, & Girma 2017) came to understand that the research study have been carried out in different service industries such as telecommunication, insurance, hotels & banking. To the best of the researcher understanding so far, there is no empirical study conducted by using SERVPERF model to assess outsource employment service quality and customer satisfaction in the case of Commercial Nominees.

Hence, the researcher becomes attracted to undertake study on outsources employment services quality and customer satisfaction in the case of Commercial Nominees considering the following points. Firstly, cancellation 61 employment agencies commercial registration certificate due to lack of meeting the quality standard set by Addis Ababa Ministerial Office of Labor and Social Affairs.

Secondly, increasing customer compliant that cared out on quarterly compliant survey forwarded from customers through suggestion boxes and book. Finally, at the best knowledge of the researcher, so far, no study has been done that examined outscores employment service quality and customer satisfaction in the case of Commercial Nominees.

Therefore, In order to fill the above gaps the researcher undertakes the study with the objective of assessing outsources employment services quality and customer satisfaction in the case of Commercial Nominees.

1.4. Research Questions

The study is design to answer the following successive research questions:

- What is the relationship between service quality dimensions and customer satisfaction in selected customers of Commercial Nominees in Addis Ababa?
- What is the level of service quality offered to the customers by Commercial Nominees?
- What is the impact of service quality on customer satisfaction?

1.5. Objective of the Study

1.5.1. General Objective of the Study

The general objective of the study is to describe the outsource employment services quality and customer satisfaction in the case of Commercial Nominees using SERVPERF model.

1.5.2. Specific Objective of the Study

- To investigate the relationship between service quality dimensions and customer satisfaction for Commercial Nominees
- To assess the satisfaction of customers receiving outsource employment service from Commercial Nominees in Addis Ababa.
- To examine the impact of service quality on customer satisfaction

1.6. Significance of the Study

As the practice of outsourcing in Ethiopia is a new phenomenon, the satisfaction of customers is not yet assessed in many organizations particularly in outsource employment service quality. Hence, the researcher hope that the research can have great practical significance in creating awareness about the outsource employment service and customer satisfaction and provided important inputs in shedding light for further studies in the sector. Furthermore, the study can support the management of the company to identify and improve its weakness and strengthen its merits related to outsource employment customer satisfaction and the provision of quality service to its customers.

1.7. Scope of the Study

The aim of the study is focused on examining outsource employment services quality and customer satisfaction in the case of Commercial Nominees particularly in Addis Ababa. Therefore, this study did not consider other outsource employment customers located out of Addis Ababa. Furthermore, the study only focused on outsourced employment services like security services, messenger, lobby man, driver, laborer, gardener and janitorial service this makes the research result may not fully show the extent of other outsource services offered by the company due to familiarity and proximity of the study area, availability and manageability of data.

In addition, customer's satisfaction affected by many factors such as flexibility, priority determination, societal and cultural factors as well as environmental factors and many more. However, the study only stresses on service quality dimensions using SERVPERF model since it is the main issue raise in the service market. Therefore research did not examine other factors that affect customer satisfaction in outsource employment service.

1.8. Limitation of the Study

The study used a self-administered survey questioner as measurement tools for the sake of efficient of time and resources. However, the survey questioner may have its own limitation such as respondent bias in answering questions and resistance to fill the questioners. Hence there are possibility that respondents did not answer the question truthfully or they only give their answers based on the expected ideal condition not the real one. Moreover, as the sample is small and selected using simple random sampling technique, the results may not be generalized beyond the specific population from which the sample is drawn, considering the large number of outsource customer offices and branches geographical scattered all over the country.

1.9. Organization of the Paper

The study has five chapters. The first chapters emphases on introductory features like background of the study, statement of the problem, research questions, and objectives of the study and significance of the study, definition of terms, scope of the study and limitation of the study. Chapter Two discusses review of relevant literature for the study including, theoretical review, empirical review and conceptual framework. Chapter Three focuses on research design and methodology. Chapter Four demonstrate data presentation; including research findings, analysis and interpretations of data obtained from respondents and the final Fifth chapter focuses on summary of findings, conclusion and recommendations.

1.10. Definition of Terms

Conceptual Definition

- **Customer Satisfaction** – Defined as customers' needs and goals when a service is providing a pleasurable level of fulfillment and emotional response (Oliver, 1997).
- **Outsourcing** – A situation in which a company hires another company to do some of its work organizations often outsource non-core business functions to service providers that perform the work at lower cost and higher efficiency (Outsourcing Glossary of Terms 2007).
- **Private Employment Agency** – Any enterprise or person, independent of the public authorities, which provides one or more of the following labor market functions:
 - a) Services for matching offers of and applications for employment;
 - b) Services for employing workers with a view to making them available to a third party (user enterprise); and/or Other services relating to job seeking, such as the provision of information, which do not aim to match specific employment offers and applications. Agencies cannot charge workers for finding work (ILO, 2009).
- **Service** – A service is an activity which has some element of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of service may or may not be closely associated with a physical product (Pawe, 1995).

Operational Definition

- **Assurance** – The employee's knowledge, courtesy, and the ability of the service to inspire trust and confidence (Peter & Angela, 2006)
- **Empathy** – The caring, individualized attention the service provides its customers (Peter et al., 2006).

- **Outsourcing** – Financial institution’s contract with a third party to provide services, systems, or support (Outsourcing Glossary of Terms 2007)
- **Private Employment Agency** – any people independent of government bodies that performs any one or all of the following employment services without directly or indirectly receive payments from workers; services of making a worker available locally or abroad to a third party by concluding a contract of employment. Services of matching offers of an application for local employment without being a party to the employment contract (Federal Negara Gazeta Employment Exchange Services Proclamation, 2009)
- **Reliability** – The ability to perform the promised service dependably accurately and regarded as the most important determinant of perceptions of service quality (Peter et al., 2006).
- **Responsiveness** – The willingness to help customers and to provide prompt service this dimension is particularly prevalent where customers have requests, questions, complaints and problems (Peter et al., 2006).
- **Service Quality** – The customer’s perceptions of service quality by evaluating the overall feeling towards the service performance (Cronin & Taylor, 1992),
- **Tangibles** – The appearance of physical facilities, equipment, personnel image that will find favor with consumers (Peter et al., 2006)

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Concepts and Definition

2.1.1. The Definition and Types of Outsourcing

Scholars have offered different definitions across the globe in explaining the concept of outsourcing in relation to human resources and organization. According to Domberger, (1998) outsourcing made up of two words 'out' and 'sourcing'. It is a concept developed from American terminology 'outside resourcing'. Outsourcing used in economies to denote the act of transferring work, responsibilities and decision rights to people outside an organization

World Trade Organization defines outsourcing as a transfer of routine, repetitive activities to external providers such relationship regulated by a contract between the outsourcer and the service provider. The consequence of outsourcing is the reduction of employees in outsourcing company and the increase of employees in the outsourced company. In addition, World Trade Organization, (2004) defines outsourcing as a form of company organization, by which companies respond to competitive pressures, which require improved efficiency. Enterprises can reorganize through acquisitions and mergers, common investments, strategic alliances or through outsourcing to a connected company abroad or to an outsourcee foreign or domestic.

Depending on level of control over performance of outsourced function, outsourcing can be internal and external types. As pointed out by Anikin & Rudaya, (2009) internal outsourcing is reallocation of functions in business system for saving control over its performance and external outsourcing is delegation of performance of separate or mutually related functions to external outsourcer

On the other hand, Doyle & Tapper, (2017) suggested categorized on effective use of resources and reallocation of risk and responsibility outsourcing divided into partial and full outsourcing types. Partial or selective outsourcing is the delegation of certain functions or business processes to outsourcer, while set of mutually related functions are performed by company itself and full outsourcing refers to the delegation of separate function to outsourcing company with entrusting it with full responsibility for function's performance. Shen, (2005) has conducted an extensive study of the brief history of Human Resource Outsourcing (and BPO – Business Process Outsourcing) including in both academic literature and industry statistics. Based on his analysis the author summarizes the five major driving forces for HRO are saving costs, seeking better services, strategic concerns, transferring risks and saving trouble.

2.1.2. Types of Human Resources Activities Outsourced

In outsourcing Human Resources functions, the first and foremost issue is to make decision of which activities should be outsourced and which should be performed internally. While deciding about make or buy decision, firms require considering that what would be the impact of outsourcing these activities on the firm's performance (Klaas, 2003). For better outcomes, organizations may need to classify the "core" and "noncore" activities. Finn, (1999) suggests that basic distinction made between HR "core" and "noncore" activities. The core functions of the firm include top-level strategy, HR policies, and line management responsibilities (appraisal and discipline), while the non-core functions include specialist activities (recruitment and outplacement), routine personnel administration (payroll and pension), and professional HR advice (legal advice related to employment regulations).

Hall & Torrington, (1998) found that training and management development, recruitment and selection, outplacement, health and safety, quality initiatives, job evaluation, and reward strategies and systems were the likely HR functions outsourced, as they were consider noncore or because the organization lacked the expertise to perform these activities internally. The literature is evident and listed some of the activities which are outsourced completely are employment, training, payroll, healthcare benefits administration, and pension benefits.

2.1.3. Benefits and Risks of Human Resource Outsourcing

Companies make the decision to outsource for a variety of reasons; cost reduction tends to be one of the primary reasons for outsourcing. However, many researchers argue that the cost reduction should not be the only factor considered while making the decision to outsource. For example, a study by Beaman (2004) shows the real payoff from HR outsourcing is not in reduced costs, but in improved quality. Klaas, (2003); Scott-Jackson (2005); Belcourt, (2006) have explain that the other drivers of HR outsourcing are gaining specialized HR expertise, achieving flexibility, reducing risks and enhancing access to advanced technology

In general, organizations think about using employment outsourcing for a number of apparent reasons based on Sarwar, (2012) study first, it permits them to concentrate on their core business functions, and can focus on the area where they have expertise and are likely to do best. Second, it allows the firms to obtain competitive advantage and gain profit from the expert service providers who may have specialized skill in the concerned areas. Third, it also allows companies with greater flexibility and efficiency to cater with fluctuating labor requirements with the help of subcontractors. Firms can save the direct costs by the on time provision of the human resource (reducing headcount and overtime working) and indirect costs (cutting administration and backup costs, saving recruitment and training costs, saving absenteeism costs, and reduced industrial relations problems). Lastly, outsourcing also minimizes the risk factor of uncertainty to the vendor and provides opportunities to firms to choose most competitive tender to keep the future costs down.

Human Resource outsourcing practice is not without drawbacks. One of the most important issues is maintain the continuous delivery of expertise delivery and the retention of knowledge and skill internally. Most of the organizations adopt outsourcing to save the training costs as they assume that the specialized service providers will deliver the key skills as per requirement. As Klaas, (2003) point out, outsourcing can provide a shortcut to a more competitive price, but it typically contributes little to building the people-embodied skills that needed to sustain long-term capability.

Loss of quality is also another most important factor in outsourcing, especially for those firms, which are operating in a very competitive business environment. The management of the firm often assesses the service quality by comparing the result of the service delivery based on the overall performance of contractual agreement (Wray, 1999).

2.1.4. Service Quality

The definition of quality may vary from person to person and from situation to situation, only in wording but typically involve determine whether perceived service delivery meets, exceeds or fails to meet customer expectations (Zeithaml, Berry and Parasuraman, 1993). As, Czepiel, (1990) has defined service quality as customer perception of how well a service meets or exceeds their expectations service quality commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers.

Previous studying suggests that service quality is an important indicator of customer satisfaction according to Spreng and Machoy, (1996). Service quality is one of the important attributes of service providers as they regard measuring the service quality from consumer's perspective as a top priority construct. Service quality is a crucial factor for customer satisfaction, cost reduction, customer loyalty, customer relationship and retention, profitability and so on. Many have suggested that quality results from a comparison of perceived performance with expected performance based on the so-called Disconfirmation theory. Certainly, this notion was the basis for the SERVQUAL model, which views service quality as the gap between the expected level of service and customer perceptions of the level received (Zeithaml et al., 1993)

Based on Parasuraman, Zeithaml, and Berry, (1990) projection service quality that identified perceived service quality into five dimensions (tangibility, reliability, responsiveness, assurance, and empathy). Iwaarden, (2003) highlighted that the SERVQUAL instrument has been the predominant method used to measure consumers' expectations & perceptions of service quality, it has five generic dimensions or factors:

- Tangibles- Physical facilities, equipment and appearance of personnel
- Reliability- Ability to perform the promised service dependably and accurately
- Responsiveness- Willingness to help customers and provide prompt service
- Assurance - (including competence, courtesy, credibility and security) knowledge and courtesy of employees and their ability to inspire trust and confidence
- Empathy- (including access, communication, understanding the customer) caring and individualized attention that the firm provides to its customers

2.1.5. Customer Satisfaction

The word “satisfaction” originates from Latin language “satis” (sufficiently good, adequate) and “facio” (do or make). Simply, satisfaction defined as an effort of fulfillment of something or making something adequate (Tjiptono, 2007). When we see other definitions customer satisfaction conceptualized as transaction-specific meaning it is based on the customer's experience on a particular service encounter, based on Cronin & Taylor, (1992) consideration customer satisfaction is cumulative based on the overall evaluation of service experience. This shows that customer satisfaction based on experience with service provider and the outcome of service (Jones & Suh, 2000). It proven from past researches on service quality and customer satisfaction related from their definitions to their relationships with other aspects in business. Certain authors have approved to the fact that service quality determines customer satisfaction Dehghan & Zenouzi, (2012). Parasuraman et al (1985) in their study proposed that when perceived service quality is high, then it would lead to increase in customer satisfaction. Some other authors did follow with the idea brought up by Parasuraman et al (1995) and they recognized that 'customer satisfaction is based upon the level of service quality that is provided by the service providers' (Saravana and Rao, 2007).

2.2. Theoretical and Empirical Review

2.2.1. Theoretical Review

2.2.1.1. SERVQUAL

Gap Analysis is a process through which a company can compare its actual performance to its expected performance in order to determine whether it is meeting expectations and using its resources effectively or not. Parasuraman et al., (1985) developed the “Gap analysis model”, for evaluating service quality and its determinants. The model defined service quality as the degree of discrepancy that exists between customers' expectations for the service and their perceptions of service performance. According to Gap Model customer compare the service experience with what they expect and if both does not match it is result into gaps. The following are the gaps according to Parasuraman et al., (1985).

- **GAP 1:** The first gap is the gap between consumer expectation of service and management perception of the same. The gap arises when the service provider does not correctly perceive the actual wants or needs of customers.
- **GAP 2:** The second gap is the gap between management perception of service and service quality specify by them. The gap arises when the management or service provider might correctly perceive the needs of customer, but may not correctly specify them further.
- **GAP 3:** The third gap is the gap between service qualities specified by the employees and actual deliver of service. This gap is the result of poor training, incapability or unwillingness of employees to serve customer.
- **GAP 4:** The fourth gap is the gap between actual service delivered and communication made to the customer. The gap comes when customers assumed that what communication made to them not fulfilled at the time of service delivery.
- **GAP 5:** The fifth gap is the gap between expected service by the customer and service actually experienced by them.

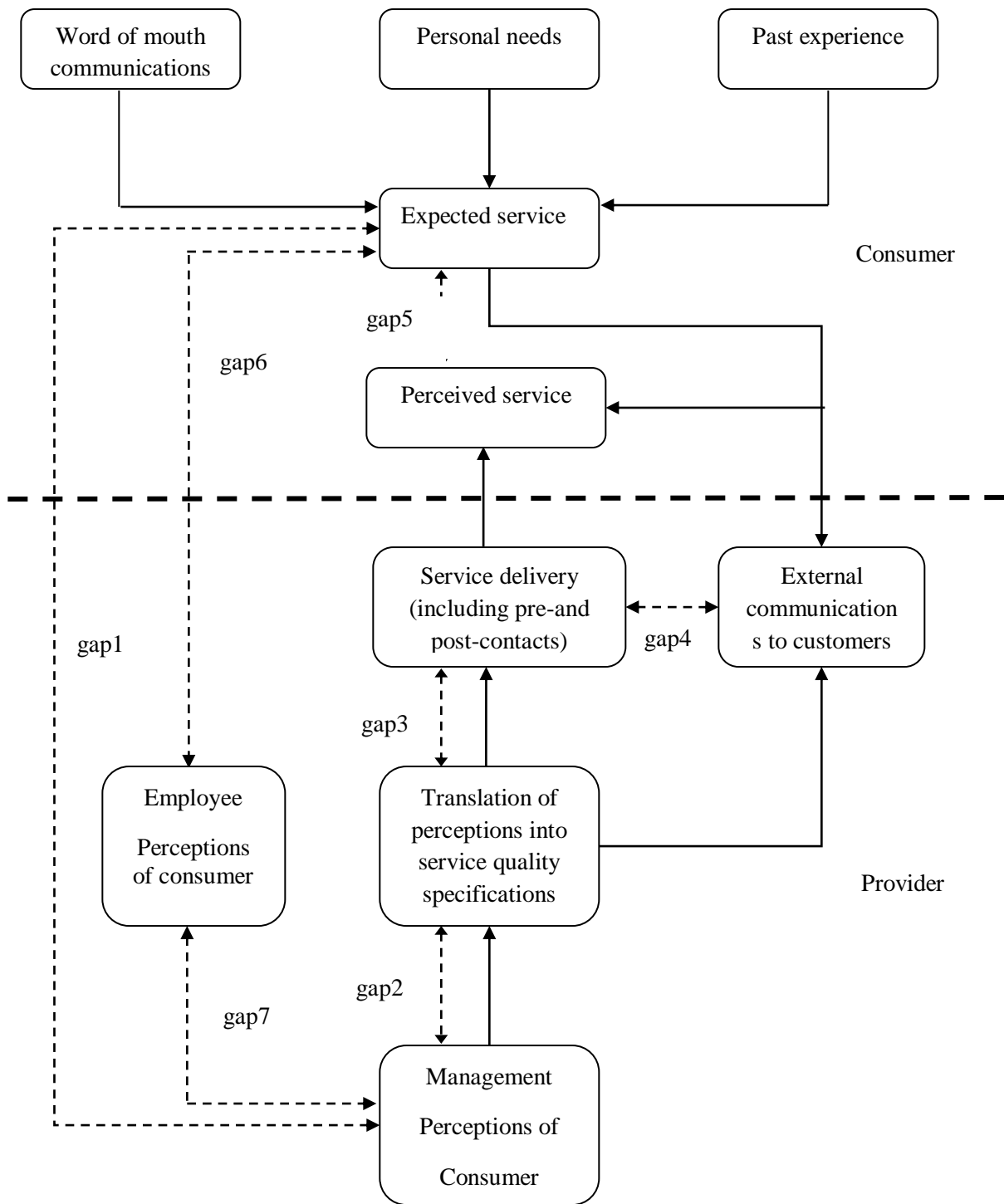


Figure 2.1 Model of Service Quality Gap (Parasuraman et al., 1985)

According to Brown and Bond, (1995) the gap model is one of the best-received and most heuristically valuable contributions to the services literature. The model identifies seven key discrepancies or gaps relating to managerial perceptions of service quality, and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) identified as functions of the way in which service delivered. Whereas Gap 5 pertains to the customer and as such, it considered being the true measure of service quality. The Gap on which the SERVQUAL methodology has influence is Gap 5.

Parasuraman et al. (1988) devised the SERVQUAL scale containing 22-item, which are used to measure quality of service on five dimensions namely, reliability, responsiveness, assurance, empathy and tangibles. The SERVQUAL scale considered one of the best ways in measuring the quality of services providing to the customers. In his original study, Parasuraman et al. (1988) first present ten dimensions of service quality, which later on reduced to five. The reduced dimensions of service quality are reliability, responsiveness, assurance, empathy and tangibles.

The SERVQUAL scale designed to measure service quality perceived by the respondents from five different service categories: retail banking, long-distance telephone, securities brokerage, appliance repair and maintenance firm, and credit cards (Chen, 2009). According to this model, service quality based on a comparison of customer's expectations with perceptions of the service actually received. According to Kumar, (2009) these dimensions are important to access customer's expectations and perceptions on delivered services and have impact on service quality. (Zeithml, 2006) said, "Service quality is a focused evaluation which reflects the customers perception about reliability, assurance, responsiveness, empathy and tangibles". He added that out of this dimensions "reliability" has shown to be the most important dimension in service quality. Apart from its growing acceptance and extensive application, SERVQUAL subjected to a number of theoretical and operational criticisms, which detailed below according to Buttle, (1996).

Theoretical Criticisms

- **Paradigmatic objections:** SERVQUAL based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.
- **Gaps model:** there is little evidence that customers assess service quality in terms of P-E gaps.
- **Process orientation:** SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- **Dimensionality:** SERVQUAL five dimensions are not universal; the number of dimensions comprising service quality contextualized; items do not always load on to the factors, which one would a priori expect; and there is a high degree of inter-correlation between the five dimensions (reliability, assurance, tangible, empathy and responsiveness).

Operational Criticisms

- **Expectations:** the term expectation is polysemic meaning it has different definitions; consumers use standards other than expectations to evaluate service quality; and SERVQUAL fails to measure absolute service quality expectations.
- **Item composition:** four or five items cannot capture the variability within each service quality dimension.
- **Decisive moments (MOT):** customers' assessments of service quality may vary from MOT to MOT.
- **Polarity:** the reversed polarity of items in the scale causes respondent error.
- **Scale points:** the seven-point Likert scale is flawed.
- **Two administrations:** two administrations of the instrument (expectations and perceptions) cause boredom and confusion.
- **Variance extract:** the over SERVQUAL score accounts for a disappointing proportion of item variances.

2.2.1.2. Service Quality Model (Grönroos)

According to Grönroos, (1984) one of the leaders in the Nordic School of thought with regard to the service literature, states that a proper conceptualization of service quality should be customer-based. Firstly, the customer's perception of service quality is the main feature in his service quality model and secondly, the determinants of what influence service quality are included. The model emphasizes that the interaction between the buyer and seller in a service setting is as important as the eventual outcome.

The basic principle in his model is that service quality is dependent on the comparison of two variables: the expected service from customers and the actual service as perceived by them. According to Grönroos, (1984) model the outcome of this comparison process will then be the perceived quality of the service. However, the model measures service quality through performance scores only after recognizing the difficulties in making independent measurements of customer's expectations.

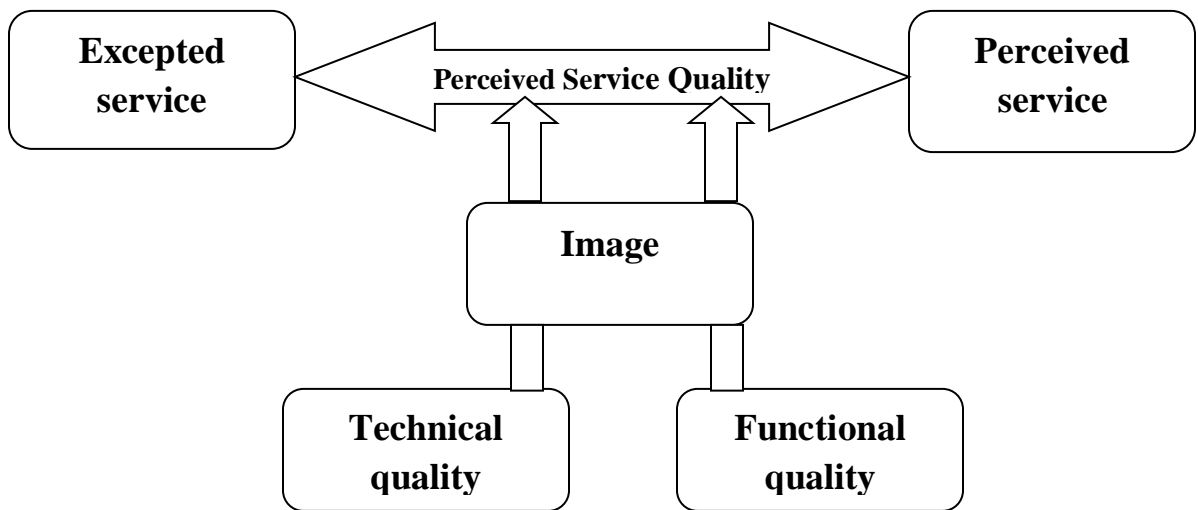


Figure 2.2 Perceived service quality model source (Grönroos, 1984)

According to Gronroos, (1984) managing perceived service quality means that the firm has to match the expected service and perceived service to each other so that consumer satisfaction achieved. The author identified three components of service quality namely (technical quality, functional quality and image).

1. Technical quality: is the quality of what consumer actually receives as a result of his/her interaction with the service firm and is important to him/her and to his/her evaluation of the quality of service.
2. Functional quality: is how he/she gets the technical outcome. This is important to him and to his /her views of service, he/she has received
3. Image: is very important to service firms and expected to build up mainly by technical and functional quality of service including the other factors (tradition, ideology, word of mouth, pricing and public relations).

2.2.1.3. Systems Approach to Service Quality (Johnson, 1995)

Another approach to measuring service quality is systems approach developed by Johnson, (1995). Here, a measure of overall service quality should include judgments of all dimensions of service (inputs, processes and outputs) all of which play important roles in a company's operations. Evaluating services with systems approach is different from evaluating products as because of service characteristics, then, in addition to outputs, a customer exposed to and affected by a company's inputs and processes.

Johnson, (1995) suggests that service quality depends on quality of each three dimensions: quality of inputs, quality of processes and quality of outputs. Input quality refers to equipment that is up-to-date, waiting areas are clean and comfortable, service personnel has skills and knowledge appropriately attired. Next, process quality is a quality of interaction between provider and customer. Often, customers directly affected by service production process; thus, accessibility, availability and service provider's willingness to help are parts of process quality. Output quality refers to the result of service provision and includes both tangible results and intangible benefits; it means changes in the customer's physical/mental state or a change in something that the customer possesses.

2.2.1.4. The Relationship between Customer Satisfaction and Service Quality

Service marketing literature indicates that service quality is an antecedent of customer satisfaction. According to Dehghan & Zenouzi, (2012) service quality and its dimensions have a direct bearing on customers' evaluation of a company. These authors stress that all elements of service quality directly influence satisfaction of customers and value the service offers to them. Out of the outcomes that better service offers, customers' satisfaction is the pioneer one. The implications of the research findings regarding the relationship between service quality and customer satisfaction are immense. Businesses need to ensure that the customer perceptions of service quality are consistently higher than their expectations so that customers remain satisfied. This will ensure greater profitability for the business and stronger market competitiveness (Chau and Kao, 2009).

Su, (2002) carried a study to find out the link between service quality and customer satisfaction, from his study, he came up with the conclusion that, there exist a great dependency between both constructs and that an increase in one is likely to lead to an increase in another. Also, he pointed out that service quality is more abstract than customer satisfaction because, customer satisfaction reflects the customer's feelings about many encounters and experiences with service firm while service quality may be affected by perceptions of value (benefit relative to cost) or by the experiences of others that may not be as good.

2.2.1.5. The Distinction between Service Quality and Customer Satisfaction

Several authors have managed to highlight the distinction between service quality and customer satisfaction. Thus, service quality is the managerial delivery of services while satisfaction is customers' experiences with those services (Lenka & Suar, 2009) and customer satisfaction is considered a consequence of service quality (Lassar & Manolis, 2000). Other authors consider that service quality is a consumer's judgment about the service itself, while satisfaction is more a judgment of how the service emotionally affects the consumer (Schneider & White, 2004). This assertion has its grounds in the belief those customers need to experience a service in order to decide whether satisfied or not, but can make quality judgments in the absence of an experience with the service.

In line with the above stated distinction Johnson and Gustafsson, (2000) point out that service attributes provide customers with benefits and the benefits derive overall satisfaction. This idea could be extended and say that the higher the benefits are perceived by customers, the higher the satisfaction level.

A review of the emerging literature suggests that there appears to be relative consensus among marketing researchers that service quality and customer satisfaction are separate constructs, which is unique, and share a close relationship (Cronin and Taylor, 1992). Most researchers in the services field have maintained that these constructs are distinct. Table 2.1 below identifies a number of key elements that differentiates customer satisfaction from service quality.

Table 2.1 Key Elements that Differentiates Customer Satisfaction and Service Quality

Customer Satisfaction	Service Quality
➤ Customer satisfaction can result from any dimension, whether or not it is quality related	➤ The dimensions underlying quality judgments are rather specific
➤ Customer satisfaction judgments formed by a large number of non- quality issues, such as needs, equity, perceptions of fairness.	➤ Expectations for quality based on ideals or perceptions of excellence.
➤ Customer satisfaction believed to have more conceptual antecedents.	➤ Service quality has less conceptual antecedents.
➤ Satisfaction judgments do require experience with the service or provider	➤ Quality perceptions do not require experience with the service or provider.

Source: Taylor & Oliver, (1993); Rust & Oliver, (1994), Grace & Cass, (2005)

2.3. Empirical Reviews

2.3.1. Using SERVPERF to Measure Service Quality

One of the better-known alternatives to SERVQUAL is the SERVPERF instrument, Cronin et al. (1992) which measures experiences only and does not ask respondents about expectations. As a result, SERVPERF uses only the perceptions part of the SERVQUAL scale. They argue that service quality is better predicted by perceptions of actual service received only and not as the difference between perceptions and expectations as suggested by Parasuraman, et al. (1988). Experience measured over a range of attributes developed to describe the service as conclusively as possible.

Unlike SERVQUAL, SERVPERF is a performance-only measure of service quality and excludes consumer expectations due to them being consistently high. Cronin et al. (1992) suggested that long-term service quality attitudes better reflected by performance-based measures only. They tested a performance-based measure of service quality in four industries and found that this measure explained more of the variance in an overall measure of service quality than SERVQUAL did. The new measurement SERVPERF model halved the number of items that must be measured (44 items to 22 items), making it easier to use.

Parasuraman et al., (1985) have proposed that customer's perception of service quality based on the comparison of their expectations (what they feel the service providers should offer) with their perceptions of the performance of the service provider. (Parasuraman et al., 1988) point out that expectation viewed differently in both satisfaction literature and service quality literature. In satisfaction literature, expectations are considered as 'predictions' by customers about what is likely to happen during a particular transaction while in service quality literature, they are viewed as desires or wants of consumers, that is, what they feels a service provider 'should' offer rather than 'would' offer. Different individuals have conducted study on the impact of service quality dimensions on customer satisfaction.

Jae Jon & KiJu, (2006) has conducted a research on evaluating the service quality of third-party logistics service providers using the analytic hierarchy process. The studies apply the analytic hierarchy process (AHP) to evaluate the service quality of third-party logistics (3PL) service providers. First, conceptualize five dimensions of 3PL service quality (i.e. tangibles, reliability, responsiveness, assurance and empathy). Then the AHP method to determine the relative weights of the five service quality dimensions and eventually select the best 3PL service provider. To implement this idea in practice, to conduct an empirical case study on four companies providing 3PL services in Korea. Based on Jae Jon, et al. (2006) finding the mean results indicate that responsiveness out of the five service quality dimensions is the most important factor in the perception of 3PL customers.

Sahar and Mohammad (2012) have conducted a research on measurement of service quality by using SERVPERF and quality gap model in Indian employment outsources industry. The statistic population includes all managers, employees and customers of Iran's three outsource companies namely Alborz, Iran and Dana. The sample volume of various categories viz. managers, employees and customers are respectively 203, 324 and 356 people selected by simple random and stratified sampling.

Based on Sahar, et al. (2006) research findings show that rate of present service quality as % 52/2 from the customers' point of view and also they estimated the rate of five gaps in service quality as -2.5, 2.7, -2.5, -0.2 and -1.6 for the first through fifth gaps respectively; these represent inappropriate service quality in the industry. The results represent that reliability is the most important and tangible dimensions are the least important factors at delivering an optimal outsourcing services.

Eunice and Kagure, (2015) conducted a research on service quality difference between outsourced and in house cleaning services in public universities in Kenya. The research design was comparative. A 343 population in Kenyatta University, which outsources cleaning services targeted and for in house functions, a 297 population in Karatina University targeted. The study comprised of faculty, non-teaching staff and students in the school of business. The sample size is 74 respondents from Kenyatta University and 67 respondents from Karatina University.

The result of the study by Eunice, et al. (2015), revealed that outsourced cleaning services yielded better service quality. In view of the findings, the study recommended that cleaning services given priority when making an outsourcing decision in public universities.

Ly Truong (2016) has carried out a research on logistics outsourcing activities and service quality assessment, focusing on third-party services and SERVPERF model. It also states the general current situation of Hohiminh City and local freight forwarders operating there. Quantitative method applied via surveys distributed on Face book, online business forums and the author's network of friends who are working at local logistics firms. The questionnaire targeted to both individual and corporate customers who are using outsource logistics services of HCMC freight-forwarding companies & 127 responses were and revealed customers' true opinions on service quality in those domestic firms. The result has showed many weaknesses of those companies especially in the reliability and assurance factor.

2.4. Conceptual Framework

The modified conceptual framework presented here below in Figure 2.3 based on (Parasuraman, et al. 1988). On this frameworks, the researcher examine relationship between the independent variables, which is service quality dimensions namely (tangibility, reliability, responsiveness, assurance and empathy), and the dependent variable, customer satisfaction. SERVPERF model is used to undertake the research on outscores employment service quality and customer satisfaction in the case of Commercial Nominees.

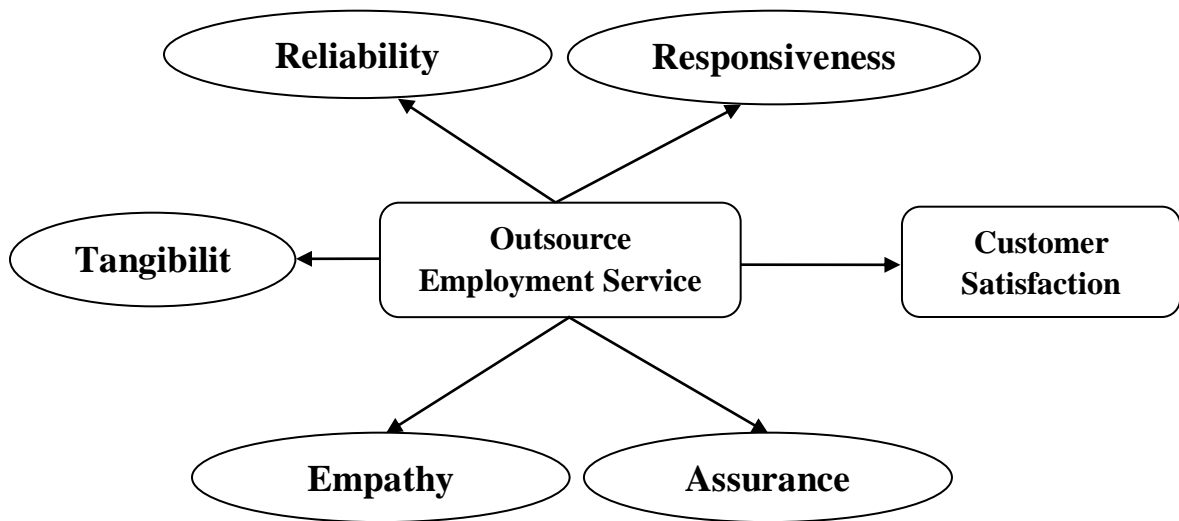


Figure 2.3 Conceptual Framework: Service Quality Dimensions on Customer's Satisfaction (Own Completion)

- **Tangibility:** the appearance of physical facilities, equipment, personnel and technology; the customer perceives that all the tangible aspects of the service are fit for the task and service delivery.
- **Reliability:** the ability to perform the promised service dependably and accurately
- **Responsiveness:** the willingness to help customers and provide prompt service; the customer's perception with regard to the service provider responds quickly and accurately to his or her specific needs and demand.
- **Assurance:** includes competence, courtesy, credibility, security, and knowledge of employees and their ability to inspire trust and confidence
- **Empathy:** providing caring and individualized attention for customers to make them feel they are receiving caring services and individualized attention

CHAPTER THREE

RESEARCH DESIGN & METHODOLOGY

This chapter provides detail introduction of the research methods and its element includes research approach, research design, sources of data, data collection instrument, sampling design and data analysis methods.

3.1. Research Approach

In research there are two basic approaches, these are qualitative and quantitative. The quantitative research approach makes use of statistics and numbers mostly presented in figures whiles qualitative approach relies on describing an event with the use of words.

In conducting this study, a comparison of both quantitative and qualitative research approaches made. In order to attain the objective of the study and answer the research questions a mixed research approach was used by combining or associating both quantitative and qualitative as a deductive approaches. It involves philosophical assumptions, the use of qualitative and quantitative approaches, and the mixing of both approaches in a study. Thus, it is more than simply collecting and analyzing both kinds of data; it involves the use of both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell & Plano, 2007).

3.2. Research Design

Research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information Zickmud & Babin, (2006). It provides a framework or plan of action for the research and it provides details of the necessary procedures for obtaining the information needed to structure and solve research problems. Hence, the study makes use of both descriptive and explanatory research design.

The use of descriptive design enables the researcher to ascertain and describe the characteristics of the variables of interest (Sekaran, 2003). The study used explanatory design to explain the relationship between the independent variables, (service quality dimensions) and the dependent variable (customer satisfaction). The primary purpose of this research design is to determine how events occur and which ones may influence particular outcomes.

3.3. Research Method

The study applied survey method by using a questionnaire developed based on SERVPERF model to collect primary data. A survey method has inherent strengths compared to other research methods. Surveys are an excellent vehicle for measuring a wide variety of unobservable data, such as peoples, preferences traits, attitudes, beliefs, behaviors, or information. Survey researchers use cross-sectional designs to collect data about current attitudes, opinions, or beliefs (Creswell, 2012). Hence, the research is cross-sectional design by collected and analyzed more than one case at a single time

In addition, structured personal interview conducted at institutions customers head office to managers and key personnel because they have the necessary information about outsource service quality adequately since they are the managers of the service provider directly.

3.4. Source of Data

There are two major methods to collect data about characteristics, individual or problem primary and secondary data. The study used both primary and secondary data. The Primary data collected through survey method by using a questionnaire and structured personal interview develop based on SERVPERF model. Moreover, appropriate secondary data examined from the organization publications and report, books, literatures, websites (internet) and other available sources for conducting this research.

3.5. Data Collection Instrument

The data collection instrument used for this study is questionnaire and interview. The questionnaire is developed based on the five dimensions of service quality and the 22 service quality items of the SERVPERF model. A questionnaire consisting of 23 statements measure to indicate the customers' degree of agreement for the performance statements, based on their perception of the service provided by Commercial Nominees adopted from SERVPERF model by Cronin and Taylor's (1992).

A self-administered questionnaire was used to measure the performance across the five dimensions using a five point Likert scale measuring the perceptions of customers ranging from 'strongly disagree' to 'strongly agree' to signify the level of agreement and disagreement to measure service quality and customer satisfaction with additional introductory outsource employment customers background information. Likewise a supportive structured interview with outsource manager and regional managers was undertaken at the head offices. The final part of the questionnaire measures the level of customer satisfaction using a five point Likert sale, which ranges from 'highly dissatisfied' to 'highly satisfied'.

3.6. Sample Design

3.6.1 Sampling Method and Techniques

The sampling technique used is cluster-sampling and simple random technique. Cluster sampling technique used for grouping the target population of all institutional customer offices, branches and outlets in five geographical regions and selecting the sample randomly from each region. Simple random sampling is used for selecting the sample by assigning a consecutive number to the target population in each region to select 264 institutional customers' breaches/outlets by using random number generating computer software program.

3.6.2. Sampling Procedure

Primary data has collected through structured interview and questionnaire. Institutional outsource employment customers outlet and branch managers as well as key personnel in the five regions have filled the questionnaire. Because, branch and outlet managers have the necessary information about outsource employment service provision adequately since they are direct beneficiaries of the services. In addition, 24 institutional outsource employment service managers at the head offices has be part of a structured interview since they are responsible in managing the day to day service provision and expected to have the detailed information about the subject matter.

3.6.3. Target Population

The study is undertaken to examine outsource employment service quality and customer satisfaction in the case of Commercial Nominees. The company currently provides outsourcee employment service to 24 institutions, which has 2,024 branches/outlets in the country, until January 2018. The target population of the study is all outsource employment customers in Addis Ababa, which is 773 institutional branches, outlets and different offices, located in and around Addis Ababa.

3.6.4. Sampling Size

The sample size of the study is selected from the target population which is customers of outsource employment service in five Regions of Addis Ababa. The company has currently 773 customers' in five regions of Addis Ababa has of January 2018. The sample size of this study is determined by using the following formula developed by Taro Yamane, (1967).

$$n = \frac{N}{1 + N (e)^2}$$

Where, n= is the sample size

N= is the population size,

E= is the level of precision or sampling error = (0.05)

Thus, sample sizes of 264 customers selected from the target population of 773.

Table 3.1 Target Population and Sampling Size

S/N	Total Number of Institutional Customers in A.A	Total Number Branches/Outlets A.A					Number of Sample Selected from Each Regions				
		Central	North	East	South	West	Central	North	East	South	West
1	C.B.E	89	59	101	89	95	32	27	24	18	34
2	Coop. Bank of Oromia	2	18	16	11	17	-	8	3	2	9
3	Development Bank	7	5	2	3	6	4	2	-	-	4
4	Addis Intern. Bank	5	3	12	16	9	-	2	7	3	4
5	Ethio Telecom	12	-	-	-	-	6	-	-	-	-
6	Enat Bank	12	2	9	8	5	4	-	5	2	2
7	G.S.I	-	-	-	-	1	-	-	-	-	1
8	Engender Health	-	-	1	-	-	-	-	-	-	-
9	Anbesa Bank	-	-	1	-	-	-	-	-	-	-
10	Cooperate. Infr. Dev	-	-	-	3	-	-	-	-	1	-
11	F.M.H.A.C.A	-	-	4	-	1	-	-	2	-	-
12	Abay Bank	4	6	1	9	3	2	4	-	3	1
13	E.C.X	2	3	-	1	-	1	1	-	-	-
14	Coffee Quality	-	-	-	1	-	-	-	-	-	-
15	B.G.I	2	3	-	3	-	1	2	-	1	-
16	Artistic Printing	2	2	-	-	-	-	1	-	-	-
17	Bank Sport	1	3	-	-	-	-	2	-	-	-
18	Investment Agency	3	-	1	-	-	1	-	-	-	-
19	Buna Bank	16	1	10	30	12	7	1	5	6	6
20	Sidama Buna	3	-	-	1	-	1	-	-	-	-
21	B & S Printing	2	-	3	-	-	2	-	3	-	-
22	Bole Printing	2	4	-	-	4	-	1	-	-	2
23	Railway Coop.	5	-	-	-	-	3	-	-	-	-
24	S.Y PLC	4	-	-	-	2	1	-	-	-	-
Total		173	109	161	175	155	65	51	49	36	63
Sub Total		773					264				

Source: Internal Report of Commercial Nominees

3.7. Ethical Considerations

Prior approval for the study achieved from Commercial Nominees to undertake the research and essential ethical issues in the study explained regarding:

- **Confidentiality** – The respondent assured that they are not confused, their responses remain confidential and the information they provide used for academic purpose only.
- **Organizational Approval** – A written letter that explains the research idea is provided to obtain prior approval from Commercial Nominees to conduct the research activity at the specified customer's location.

- **Informed Consent** – Cover letters that explain the purpose of the questionnaire given to the respondents of the study along with opening explanation on the purpose of the study prior to every interview session

3.8. Data Analyses Methods

After the data collection, the following activities on data is performed the raw data is converted into suitable form for analysis and interpretation. This was achieved through sequences of activities like editing, coding, entry, and tabulation. The objective is to check the completeness, internal consistency and appropriateness of the answers to each of the response questions. In addition, descriptive statistics was used to interpret demographic variables of the respondents and mean scores of the service quality dimensions.

Inferential statistics been employed to find out the relationship between service quality dimensions and customer satisfaction. For data, analysis Statistical Package for Social Science (S.P.S.S. 16.0 version) tools is used.

CHAPTER FOUR

DATA PRESENTATION

The chapter describes the analysis and interpretation of the collected data including the reliability study, profile of respondent, regression analysis, and analysis of service quality dimension, overall customer's satisfaction analysis, correlation analysis between customer's satisfaction and service quality dimensions and regression analysis. Furthermore, summary of the information collected through interview.

4.1. Reliability Study

The reliability of a measure is an indication of the stability and consistency which the instrument measures the concept and helps to assess the "goodness" of a matter. The Cronbatch alpha coefficient is an indicator of internal consistency of the scale, (Sekaran, 2013). As shown in table 4.1 below scale reliability Cronbatch Alphas coefficients for service quality items range from .874 to .931. The overall Cronbatch Alpha coefficient for expected-scale items is .958 therefore; the expected scales used in this study demonstrate high reliability.

Table: 4.1 Reliability of the Study

Service Quality Dimension	Cronbach's Alpha	No. of Items
Tangibility	.886	4
Reliability	.919	4
Responsiveness	.919	5
Assurance	.874	4
Empathy	.931	5
Reliability of Total Scale	.958	22

Source: Survey result, 2018

4.2 Profile of Respondents

This section summarizes the demographic characteristics of respondents, which includes gender, age, highest level of education, and the length of time the respondents company is outsourcing employment service to Commercial Nominees.

Table: 4.2. Profile of Respondents

Measures	Characteristics	Frequency	Percentage
Gender	Male	179	72.8
	Female	67	27.2
Age	20 years and below	2	.8
	21-30 years	61	24.8
	31- 40 years	77	31.3
	41-50 years	48	19.5
	Above 50 years	58	23.6
Educational Background	Some High School	5	2.0
	Graduated High School	11	4.5
	Diploma	54	22.0
	Degree	159	64.6
	2nd Degree	14	5.7
	Above 2nd Degree	3	1.2
Number of years as an outsourcing employment service customer	Less than one year	34	13.8
	1- 4 years	53	21.5
	4-7 years	63	25.6
	More than 7 years	96	39.0
	Total	246	100.0

Source: Survey, 2018

Out of the total 246 respondents, 72.8 % (179) were male and 27.2% (67) percent of the respondents were female. As shown in the respondents demographic profiles the numbers of male respondents were 45.6 % higher. With respect to age group, 0.8 % (2) found to be in the age category of 20 years and below, 24.8% (61) of the respondents are between 21-30 years old whereas 31.3% (77) were from 31- 40 years old. Were as 19.5% (48) were from 41-50 years old and the remaining 23.6% (58) were above 50 years old. Regarding educational level, the majority of the respondents 64.6% (159) are degree holders, 4.5% (11) or 2.0 % (5) of the respondents are high school complete or below it, 22.0% (54) are diploma holders, 5.7% (14) have 2nd Degree and the remaining 1.2% (3) have above 2nd Degree.

Accordingly, the length of relationship as outsourcing employment service customer with Commercial Nominees, 13.8 % (34) of the respondents have less than one-year relationship, 21.5 % (53) of the respondents have 1 to 4 years relationship, 25.6 % (63) of the respondents have 4 to 7 years relationship. The majority of the respondents have above 7 years relationship with Commercial Nominees with 39 % (96); this is because the company started its outsource employment service operation to Commercial Bank of Ethiopia, which has highest number of branches in the country.

4.3. Regression Analysis

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variables varied, while the other independent variables held fixed.

4.3.1 Tangibility

From the regression analysis, we can see that there is a positive statistical relationship between tangibility (independent variable) and customer satisfaction (dependent variable). As the table below presents the coefficient of determination (R-squared) indicates the balanced amount of variation in the response variable (customer satisfaction) explained by independent variable (tangibility) in the linear regression model. The larger the R-squared is, the linear regression model explains the more variability. Thus, 27% ($R^2 = .275$) of the variation on customer satisfaction is explained by tangibility.

Table 4.3 Model Summary for Tangibility

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524 ^a	.275	.272	1.284
a. Predictors: (Constant), Tangibles				

Source: Survey, 2018

On the coefficient table below, we can find the beta value, which measures how strongly each independent variable influences the dependent variable. Thus, a unit increases in tangibility leads to .570 increases in customer satisfaction other things being constant. Therefore, the more CN invests and devotes on its physical facilities equipment, technology and appearance of its personnel the more it satisfies its customers.

Table 4.4 Coefficients for Tangibility

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.692	.179		9.449	.000
	Tangibles	.570	.059	.524	9.619	.000
a. Dependent Variable: Customer Satisfaction						

Source: Survey, 2018

4.3.2 Reliability

From the regression analysis, there is a positive statistical relationship between reliability (the independent variable) and customer satisfaction (the dependent variable). Thus, 35% ($R^2 = .355$) of the variation on customer satisfaction is explained by the independent variable reliability.

Table 4.5 Model Summary for Reliability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.598 ^a	.358	.355	1.208
a. Predictors: (Constant), Reliability				

Source: Survey, 2018

From the coefficient table, we can find the beta value that measures how strongly each independent variable influences the dependent variable. Hence, a unit increases in reliability leads to .702 increases in customer satisfaction other things being constant. Commercial Nominees should invest in enhancing its ability to perform the promised service dependably and accurately so that the satisfaction of its customers increases.

Table 4.6 Coefficients for Reliability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.746	.226		3.302	.001
	Reliability	.702	.060	.598	11.660	.000
a. Dependent Variable: Customer Satisfaction						

Source: Survey, 2018

4.3.3 Responsiveness

From the regression analysis, we can see that here a positive statistical relationship between responsiveness (the independent variable) and customer satisfaction (the dependent variable). Thus 28% ($R^2 = .278$) of the variation on customer satisfaction is explained by the independent variable.

Table 4.7 Model Summary for Responsiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527 ^a	.278	.275	1.282
a. Predictors: (Constant), Responsiveness				

Source: Survey, 2018

As shown in the above table, we find the beta value that measures how strongly responsiveness, (the independent variable) influences customer satisfaction, (the dependent variable). Accordingly, unit increase in responsiveness leads to a .617 increase in customer satisfaction, other things remain constant

Table 4.8 Coefficients for Responsiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.107	.233		4.745	.000
	Responsive	.617	.064	.527	9.682	.000
a. Dependent Variable: Customer Satisfaction						

Source: Survey, 2018

4.3.4 Assurance

From the table below, we can infer that there is a positive statistical relationship between the independent variable assurance and the dependent variable-customer satisfaction. The coefficient of determination (R-square) indicates 43% ($R^2=.431$) of the variation on customer satisfaction is explained by assurance.

Table 4.9 Model Summary for Assurance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656 ^a	.431	.428	1.138
a. Predictors: (Constant), Assurance				

Source: Survey, 2018

On the other hand, from coefficient table below, we can find the beta value that measures how strongly each independent variable influences the dependent variable. Thus, a unit increase in assurance strongly increases customer satisfaction by .874 other things being constant. Therefore, the more CN invests on enhancing its employee's knowledge, skill and their ability to instill confidence, the more the customers are satisfied.

Table 4.10 Coefficients for Assurance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.084	.254		-.329	.742
	Assurance	.874	.064	.656	13.590	.000
a. Dependent Variable: Customer Satisfaction						

Source: Survey, 2018

4.3.5 Empathy

Empathy, which indicates a highest-level effect on customer satisfaction, and we can infer that there is a positive statistical relationship between the independent variable empathy and the dependent variable customer satisfaction. The coefficient of determination (R-square) indicates 48% ($R^2=.475$) of the variation on customer satisfaction is explained by empathy. As depicted from the result empathy is the dominant service quality dimension, which has the highest effect on the customer satisfaction, followed by assurance.

Table 4.11 Model Summary for Empathy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.691 ^a	.477	.475	1.090
a. Predictors: (Constant), Empathy				

Source: Survey, 2018

From the table below, we can infer how strongly the independent variable empathy influences the dependent variable on customer satisfaction. Thus, a unit increase in empathy leads to a .954 increase in customer satisfaction other things remain constant. Therefore, the more Commercial Nominees gives care and individualized attention to its customers, have customers' best interest at heart and understand customers specific service needs; the more the customers are satisfied

4.3.6 Overall Regression Analysis

As illustrated from, the table there is a positive and statistically significant relationship between the independent variables (tangibility, reliability, responsiveness, assurance and empathy) and the dependent variable (customer satisfaction). Hence, 55% ($R^2 = .554$) variation on customer satisfaction is explained by the independent variables.

Table 4.12 Model Summary of Service Quality Dimensions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	1.015	1.015

a. Predictors: (Constant), Empathy, Responsive, Reliability, Tangibles, Assurance

Source: Survey, 2018

4.4. Descriptive Analysis of Service Quality Measurement

The study used SERVPERF model that uses only the perceptions part of the SERVQUAL scale to describe outsource employment services quality and customer satisfaction in the case of Commercial Nominees . The following section discusses the analyses of service quality measures.

4.4.1. Tangibility

Tangibility: represent the service physically, companies should provide physical representations or images of their service that customers will use to evaluate quality, to enhance image, provide continuity and signal quality (Wilson et al., 2008).

As shown in table 4.4, below the mean value of tangibility is 2.68, which is the lowest of all the service quality dimensions. “CN employees are well dressed and appear neat.” has the highest mean value of 2.80 followed by “CN has up-to-date equipment and technology”, “The physical facilities and technology of CN go with the type of service it provided” and “CN physical facilities are visually appealing” with mean value of 2.74, 2.62, and 2.58 respectively.

Table 4.13 Mean Score for Tangibility

		Q1 CN has up-to-date equipment and technology	Q.2 CN physical facilities are visually appealing	Q.3 CN employees are well dressed and appear neat.	Q.4 The physical facilities and technology of CN go with the type of service it provided.	Tangibility
N	Valid	246	246	246	246	246
	Missing	0	0	0	0	0
Mean		2.74	2.58	2.80	2.62	2.68

Source: Survey, 2018

4.4.2. Reliability

Reliability: delivering on promises, the dimension is consistently shown to be the most important determinant of perceptions of service quality (Wilson et al., 2008). This dimension includes the consistency in which service promises met, that include keeping schedules or appointment times, completing tasks on time, and ensuring that outcomes met.

Accordingly, the mean value of reliability is 3.52. the highest value under this service quality dimension belong to “CN keeps your records accurately (payroll, employee personal file, payment statements, contract information)” which is 3.92 followed by “CN show sincere interest in solving a problem you face” and “CN perform service right the first time (error free service)” with mean value of 3.54 and 3.39 respectively. The lowest mean value from this dimension is shown to “CN provide service at the time they promise to do so”, 3.26.

Table 4.14 Mean Score for Reliability

		Q1 CN Provide service at the time they promise to do so.	Q.2 CN show sincere interest in solving a problem you face.	Q.3 CN perform service right the first time (error free service).	Q.4 CN keeps your records accurately (payroll, employee personal file, payment statements, contract information)	Reliability
N	Valid	246	246	246	246	246
	Missing	0	0	0	0	0
Mean		3.26	3.54	3.39	3.92	3.52

Source: Survey, 2018

4.4.3 Responsiveness

Responsiveness: being willing to help, this dimension emphasizes the attentiveness and promptness in dealing with customers’ requests, questions, complaints and problems. This includes the length of time a customer has to wait for assistance, answers to questions or attention to problems. Notion of flexibility and ability to customize the service to customer needs and it reflect customer’s point of view, not companies (Wilson et al., 2008).

The mean value for responsiveness dimension is 3.43. “CN has employees who give customers personal attention” has the highest mean value from this dimension which is 3.74 and followed by “CN employees are never busy to respond to your enquires” and “You receive prompt service from CN” with mean value of 3.72 and 3.24 respectively. The lowest mean value from this dimension is for “There are always adequate number of employees to respond to your needs at CN” and “CN tells you exactly when the service will be performed” both same with mean value of 3.22.

Table 4.15 Mean Score for Responsiveness

		Q1. There are always adequate number of employees to respond to your needs at CN	Q.2 CN tells you exactly when the service will be performed	Q.3 You receive prompt service from CN	Q.4 CN has employees who give customers personal attention.	Q.5 CN employee s are never busy to respond to your enquires	Responsi veness
N	Valid	246	246	246	246	246	246
	Missing	0	0	0	0	0	0
Mean		3.22	3.22	3.24	3.74	3.72	3.43

Source: Survey, 2018

4.4.4 Assurance

Assurance: inspiring trust and confidence, this dimension is important when customers perceive services as high risk or feel uncertain about their ability to evaluate outcomes. The company has to seek to build trust and loyalty between key contact people and customers (Wilson et al., 2008). Based on the above table summery, assurance has a mean value of 3.78, which is the second highest mean value from the other service quality dimensions. From this dimension “you feel safe in transaction with CN” has the highest mean value from all questions with value of 4.12 followed by “CN employees are consistently polite” with mean value of 3.89 and “CN Provide you the adequate information on the service you requested” with value of 3.71. The lowest mean value from this dimension is “The employees get adequate support from CN to do their jobs well (on the job & off job training)” with mean value of 3.41.

Table 4.16 Mean Score for Assurance

		Q.1 You feel safe in transacti on with CN	Q.2 CN employees are consistently polite	Q.3 The Employees get adequate support from CN to do their jobs well (on the job & off job training)	Q.4 CN Provide you the adequate information on the service you requested.	Assurance
N	Valid	246	246	246	246	246
	Missing	0	0	0	0	0
Mean		4.12	3.89	3.41	3.71	3.78

Source: Survey, 2018

4.4.5 Empathy

Empathy: treating customers as individuals, customers are unique and special and it is important that their needs understood and every customer want to feel important and understood by firms that provide a specific service (Wilson et al., 2008).

As illustrated under table 4.10 below, the mean value of empathy is 3.95, which is the highest value from the other service quality dimensions. The highest mean value in this dimension is given to “CN employees give you individual attention” followed by “CN assists customers' best interest at heart” with mean value of 4.07, 4.03 and 3.98 respectively. The lowest mean value in this dimension is given to “CN understand your specific service needs” followed by “CN service hours are convenient to you” 3.94 and 3.77 respectively.

Table: 4.17. Mean Score for Empathy

		Q.1 CN employees give you individual attention	Q.2 CN service hours are convenient to you	Q.3 CN assists customer s' best interest at heart	Q.4 CN has employees who give customers personal attention	Q.5 CN understand your specific service needs	Empathy
N	Valid	246	246	246	246	246	246
	Missing	0	0	0	0	0	0
Mean		4.03	3.77	3.98	4.07	3.94	3.95

Source: Survey, 2018

The summarized table 4.11 below indicates that empathy, which has the highest mean value of 3.96, is the dominant service quality dimension that has strong relation with customer satisfaction followed by assurance with mean value of 3.78, reliability 3.53, responsiveness 3.43 and tangibility 2.68.

Table 4.18 Mean Score and Standard Deviation for Service Quality Dimensions

		Tangibles	Reliability	Responsive	Assurance	Empathy	C.S
N	Valid	246	246	246	246	246	246
	Missing	0	0	0	0	0	0
Mean		2.68	3.53	3.43	3.78	3.96	3.22
Std. Deviation		1.383	1.281	1.285	1.130	3.96	1.505

Source: Survey, 2018

4.5. Descriptive Analysis of Customer Satisfaction

To measure the level of customer satisfaction in Commercial Nominees, the study asked the overall perception of service delivery by CN to respondents with a statement “My perception about Commercial Nominees service delivery can be best described as” with five point Likert scale “Highly Dissatisfied-1”, “Dissatisfied-2”, “Neutral-3”, “Satisfied-4” and “Highly Satisfied-5”.

Table: 4.19. Overall Customer Satisfaction level

Measure	Frequency	Percentage	Valid Percent	Cumulative Percent
Highly Dissatisfied	47	19.1	19.1	19.1
Dissatisfied	51	20.7	20.7	39.8
Neutral	12	4.9	4.9	44.7
Satisfied	72	29.3	29.3	74.0
Highly Satisfied	64	26.0	26.0	19.1
Total	246	100.0	100.0	100.0

Source: Survey, 2018

As the result of the descriptive data analysis indicated 4.12, 19.1% of respondents stated that they are highly dissatisfied with the services quality of Commercial Nominees, whereas, 20.7% respondents found to be dissatisfied and 4.9% of the respondents are neutral.

In addition, the rest 29.3% and 26.0% respondents are satisfied and highly satisfied respectively. The result indicates the percentage of customers who are highly satisfied with the service, which is slightly higher than those who are dissatisfied with the service.

Table 4.20 Customer Satisfaction Description

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Customer Satisfaction	246	4	1	5	3.22	1.505
Valid N (list wise)	246					

Source: Survey, 2018

As shown from table 4.13, the mean value of customer satisfaction is 3.22 and its standard deviation is 1.505. When we summarize, the above points out of the 246 respondents, 72 or 29.3% of the respondents are satisfied and 20.7 or 20.7 % of the respondents are not satisfied with the service delivery of Commercial Nominees. Likewise, 64 or 26.0% and 47 or 19.1 % of respondents are highly satisfied and highly dissatisfied with the service of Commercial Nominees.

4.6 Correlation Analysis

To find out the relationship between service quality dimensions and customer satisfaction, Pearson’s correlation coefficient (r) which measures the strength and direction of a linear relationship between two variables used. Values of Pearson’s correlation coefficient are always between -1 and +1. A correlation coefficient of + 1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1-0.29 suggests that the relationship between two items is weak or non-existent. If r is between 0.3 and 0.49, the relationship is moderate. A high correlation coefficient i.e. >0.5 indicates a strong relationship between variables.

Table: 4.21 Correlations between Service Quality Dimensions and Customer Satisfaction

		TAN	REL	RES	ASS	EMP	C.S
TAN	Pearson Correlation	1					
	Sig. (2-tailed)	.000					
	N	246					
REL	Pearson Correlation	.648**	1				
	Sig. (2-tailed)	.000	.000				
	N	246	246				
RES	Pearson Correlation	.676**	.606**	1			
	Sig. (2-tailed)	.000	.000				
	N	246	246				
ASS	Pearson Correlation	.681**	.670**	.634**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	246	246	246			
EMP	Pearson Correlation	.576**	.648**	.495**	.708**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	246	246	246	246		
C.S	Pearson Correlation	.524**	.598**	.527**	.656**	.691**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	246	246	246	246	246	

Source: Survey, 2018

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

* . Correlation is significant at the 0.05 level (2-tailed).

The above correlation matrix shows that empathy has positively and highest associations with overall customer satisfaction than the other dimensions with a value of ($r=0.691$, $p<0.01$) followed by assurance and reliability with a value of ($r = 0.656$, $p<0.01$), and ($r=0.598$, $p<0.01$) respectively. Accordingly, responsiveness ($r = 0.527$, $p<0.01$) and tangibility ($r=0.524$, $p<0.01$) values.

The result of this study exhibited that all service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant correlation with customer satisfaction in Commercial Nominees. The highest correlation is between empathy and customer satisfaction followed by assurance and customer satisfaction and the next successive correlation is between reliability and customer satisfaction followed by responsiveness and tangibility and customer satisfaction respectively.

4.7. Interview Analysis

To make the study more valuable a structured personal interview has been conducted to 24 institutional customers head office who manage the outsource employment service directly regarding; being well – dressed, uniform neatness, human resource supply, skill of employees, customer handling of CN officials at offices, sense of responsiveness and cooperativeness the results of the interview is summarized as follows.

Table: 4.22 Summary of Major Finding from Interview

Need Improvement	High Level Performance
<ul style="list-style-type: none"> ➤ Untimely & poor quality of uniform, inability to distribute raincoat, mattress, hand light etc. ➤ Size problem both in uniform and shoe ➤ Problem in staffing and selection of employees ➤ Inadequate cleaning materials supply and poor quality ➤ Work burden cleaners, guards and supervisors. ➤ Weak monitoring and evaluation system ➤ Inadequacy of on and off job training ➤ Negligence of comments given from branches ➤ Lack of monitoring shift leaders working their responsibilities effectively and checking reports correctness ➤ Less belongingness employee ➤ Inconvenience working hours mostly on weekends at head office ➤ High turnover and longer time to supply man power ➤ More emphasis to big clients like Commercial Bank of Ethiopia (CBE) 	<ul style="list-style-type: none"> ➤ More dependable as outsource employment provider ➤ Good supervision for Addis Ababa branches ➤ Honest and trust worthy employees ➤ Good customer handling ➤ Good Motivation of work at head office and branches ➤ Highly experienced work force

Source: Interview, 2018

CHAPTER FIVE

SUMMARY of FINDINGS, CONCLUSION and RECOMMENDATION

This chapter deals with summary of major findings, conclusions of the study findings and recommendation forwarded by the researcher.

5.1. Summary of Findings

The study administered 264 questionnaires and 258 usable questionnaires collected out of which 246 was found to be convenient. The demographic data indicated that the majority of the respondents are 72.8% Male, concerning the age of the respondents, 31% are from 31 to 40 years old, regarding the education level, 64.6% of the respondents are first-degree holders and 39% of the respondents have above 7 years relationship with the company.

Pearson's correlation coefficient performed to see the relationship between service quality dimensions and customer satisfaction and the result showed that there is a positive and significant relationship between the two variables. Similarly, it showed that empathy and assurance has the highest relationship with customer satisfaction followed by reliably, responsiveness and tangibility.

The finding from the regression result indicates all the service quality dimensions have a positive impact on customer satisfaction and empathy is the main service quality dimension followed by assurance, which affects customer satisfaction. From the R square value it showed that the service quality dimensions explain 55% of variation on customer satisfaction. The mean result of the survey indicated that the customers of Commercial Nominees are satisfied with empathy followed by assurance, and reliability but the mean result for tangibility and responsiveness is comparatively lower.

The data analysis indicated that 29.3% of the respondents are satisfied and 20.7 % of the respondents are not satisfied with the service delivery of the company. Likewise, 64 or 26% and 47 or 19% of respondents are highly satisfied and highly dissatisfied with the service of Commercial Nominees.

5.2. Conclusion

The study was conducted to describe the outsource employment services quality and customer satisfaction in the case of Commercial Nominees using SERVPERF model. With the aim; to investigate the relationship between service quality dimensions and customer satisfaction, examine the impact of service quality on customer satisfaction and assess the satisfaction of customers receiving outsource employment service from Commercial Nominees in Addis Ababa.

Pearson correlation analysis used to know the relationship between service quality and customer satisfaction in Commercial Nominees. The analysis found that all five dimensions of service quality are important for customer's satisfaction in Commercial Nominees. The study also showed that the empathy dimension of service quality has highest positive relationship with overall customer satisfaction closely followed by assurance.

These necessities the company's effort to work more on empathy and assurance dimension, for satisfying its customers to the highest level. In addition, it was observed from the correlation analysis; all the five service quality dimensions have strong positive correlation with customers' satisfaction. The outcome indicates that the Commercial Nominees customer place emphasis on all service quality dimensions because increases on these qualities from the company, increases customer satisfaction.

As per mean score value of respondents is concerned most of them are satisfied with empathy, closely followed by assurance. Customers are relatively less satisfied with tangibility and responsiveness. The mean score of service quality which is less than the overall service quality dimensions indicate that customers almost disagree that the company have delivered less quality services to satisfy their various requirements.

Tangibility scored the lowest mean value result from all service quality dimensions. It is up-to-date equipment and technology, physical facilities are visually appealing, employees are well dressed and appear neat and technology that go with the type of service it provided are not on the level of its customer-required standard.

Empathy has the highest mean value followed by assurance from other service quality dimensions. It indicated that the company has polite and knowledgeable employees that instill confidence in customers, as well as employees who are consistently polite, and provide adequate information.

The result of the study also showed that, from the respondents, 19% are highly dissatisfied, 20.7% dissatisfied and 4.9% are neither satisfied nor dissatisfied. This implies that 44.7% of the respondents are not satisfied with the service of Commercial Nominees. In a highly competitive market not satisfying such a high percentage of customers shows that it might lose the company's market position in the near future.

The study revealed that 55.4% of the variation on customer satisfaction on the independent variables that are empathy, responsiveness, reliability, tangibles, and assurance. Therefore, the company should give due attention on the elements of these service quality dimensions especially on those which showed fewer outcomes and apply its maximum effort to improve them.

5.3. Recommendation

Based on the major findings and conclusions of the study, the following recommendations are forwarded to the management and other stakeholders in the sector.

The company needs to work very hard to improve its tangibility dimension mostly; physical facility, supply of equipment and technology, on-time delivery of quality uniforms, and improving cleaning equipment and materials by consulting with the unique requirements of its customers.

The management of the company has to give quick responses for the propositions and questions raised by customers to deliver quality service on time mostly at branch level. In addition, the company should focus on creating bonded employees by communicating, having discussion forums, with internal and outsourced employees exclusively for employment services.

The result of the study also showed that, from the respondents, 19% are highly dissatisfied, 20.7 dissatisfied and 4.9% are neutral. This shows that 44.7% of the respondents are not satisfied with the service of the provision of commercial nominees. This result is a wakeup call to the company and as well as to be the management, to take immediate step to solved its customer service quality by closely working with its customers.

The company need to improve the skill and behavior of employees by organizing periodic training on customer handling, searching skill, developing on the job and off the job training to build basic skills required for the service. In addition, providing enough orientation for outsources employees about their duties and responsibilities by focusing on customer requirement before recruiting.

The study result has also indicated that that 55.4% of the variation on customer satisfaction illustrated by the independent variables which are empathy, responsiveness, reliability, tangibles, and assurance. Therefore, the company should monitor and evaluation its service provision and conduct continuous customer satisfaction survey and arrange discussion forum with responsible company officials periodically to improve its service quality.

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Annexure

Questionnaire

Dear Respondent,

My name is Solomon Haile. I am a graduate student at Addis Ababa University School Commerce. I am conducting a research on **‘The Outsource Employment Services Quality and Customer Satisfaction’: The Case of Commercial Nominees PLC** for partial fulfillment of Master of Arts in Marketing Management.

I kindly request you to spend some minutes of your time in filling the questionnaire. I would like to assure you that any information that you provide kept confidential. Your genuine response is highly appreciated for the outcome of the project. Thank you for your kind cooperation in filling the questionnaire.

Direction: Please put a check mark (√) on the appropriate box.

Part I: Demographic Characteristics of Respondents

1. What is your gender?

Male

Female

2. How old are you?

20 years and below

21-30 years

31- 40 years

Above 50 years

41-50 years

3. What is the highest level of formal education you have completed? (Mark (□) only one)

Some High School Graduated High School Diploma

Degree 2nd Degree Above 2nd Degree

4. How long is your company outsourcing employment service to Commercial Nominees?

Less than one year

4-7 years

1- 4 years

More than 7 years

Part II: Survey on Service Quality Perception Items

Instruction: This part of the questionnaire is intends to find your perception towards the service quality of Commercial Nominees. **Please circle the number**, which reflects your perception.

1 = Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5 = Strongly Agree.

S/N	Statement of Service Quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I	Tangibles					
1	Commercial Nominees has up-to-date equipment and technology (cleaning & security)	1	2	3	4	5
2	Commercial Nominees physical facilities are visually appealing	1	2	3	4	5
3	Commercial Nominees employees are well dressed and appear neat. (Uniform)	1	2	3	4	5
4	The physical facilities and technology of Commercial Nominees go with the type of service it provided.	1	2	3	4	5
II	Reliability					
1	Commercial Nominees provide service at the time they promise to do so.	1	2	3	4	5
2	Commercial Nominees show sincere interest in solving a problem you face.	1	2	3	4	5
3	Commercial Nominees perform service right the first time (error free service)	1	2	3	4	5
4	Commercial Nominees keeps your records accurately (payroll, employee personal file, payment statements, contract information)	1	2	3	4	5
III	Responsiveness					
1	There are always adequate number of employees to respond to your needs at Commercial Nominees	1	2	3	4	5
2	Commercial Nominees tells you exactly when the service will be performed	1	2	3	4	5
3	You receive prompt service from Commercial Nominees	1	2	3	4	5
4	Commercial Nominees has employees who give customers personal attention.	1	2	3	4	5
5	Commercial Nominees employees are never busy to	1	2	3	4	5

	respond to your enquires					
IV	Assurance					
1	You feel safe in transaction with Commercial Nominees	1	2	3	4	5
2	Commercial Nominees employees are consistently polite	1	2	3	4	5
3	The Employees get adequate support from Commercial Nominees to do their jobs well (on the job & off job training)	1	2	3	4	5
4	Commercial Nominees provide you the adequate information on the service you requested.	1	2	3	4	5
V	Empathy					
1	Commercial Nominees employees give you individual attention	1	2	3	4	5
2	Commercial Nominees service hours are convenient to you	1	2	3	4	5
3	Commercial Nominees assists customers' best interest at heart	1	2	3	4	5
4	Commercial Nominees has employees who give customers personal attention.	1	2	3	4	5
5	Commercial Nominees understand your specific service needs	1	2	3	4	5

Part III: Level of Customer Satisfaction

Direction: the following statement describes you're feeling about Commercial Nominees Please respond by circling you're choose on the number which best reflects your own perception.

23. My perception about Commercial Nominees service delivery can be best described as ?

- | | |
|------------------------|---------------------|
| 1. Highly Dissatisfied | 4. Satisfied |
| 2. Dissatisfied | 5. Highly Satisfied |
| 3. Neutral | |

Thank You for Taking Your Valuable Time to Fill This Questionnaire!