

SERVICE CLIMATE FROM EMPLOYEE'S PERSPECTIVE IN MALAYSIAN LOCAL BANKS

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Abstract

With the Malaysian service sector grows and offers extensive options to consumer to spend their ringgits, a priority on customer needs and wants are becoming more vital as a competitive advantage for each company. This study tests the six factors that influence employees' perceptions toward creating a good service climate. These factors include reward, organization support, self-reliance, management commitment, customer service, facilities and resources. This study looked at the possibility that the respective organizations can structure their companies and treat their employees in such a way to increase the strength of service climate and increase the attitudes of their employees, which may lead to better service performance. Data were collected in three Malaysian local banks (including in an Islamic bank) from employees' perspectives, and analyzed via factor analysis and multiple regression. Results indicated that the model generated a climate for service. However, the analysis should not end here as Sechneider et al. (1998) revealed the relationship between service climate and other important behavioral construct, that is service quality. Implications of these results for theory and practice are offered.

Introduction

Satisfaction of customers is very important in ensuring that services received by customers are equivalent and worthy to their ringgits paid to the service providers companies. The satisfaction not comes merely in the form of the usage of services, but also comes from experience in dealings with the front liner teams of the service providers. Compared to companies that produce products, treatment towards customers by employees in service provider companies are very important because of the intangible forms of their core competence.

For this reason, studying factors leading to an existence of good service climate from the perspective of employees are very important since the service climate ideally can influence the service quality provided by employees towards customers and increased the employee's loyalty level towards companies. Hence, the objective of this study is to examine the combination of measures that contribute to a good service climate, with the focus of the study on three Islamic banks in Malaysia. The selection on banking industry is made on the basis that this industry is among the largest services providers. The six factors that are included in the study are reward, organization support, self-reliance, management commitment, customer service, facilities and resources.

The article of this paper is structured into several parts; (i) literature review, (ii) methodology, (iii) discussion of findings and (iv) the conclusion.

Literature Review

Service climate

There have been many terms used by scholars in order to describe the meaning of climate. Some of them use 'climate' only (Powell and Butterfield, 1978; Glick, 1985) and most of them use a more specific term, i.e. diversity climate (McKay et al, 2007, Hicks-Clarke and Iles, 2000), innovation climate (Anderson and West, 1998), justice climate (Colquitt et al, 2002), organizational climate (Mahn et al, 2000; Johnson, 1996), service climate (Schneider et al, 1998; Gronroos, 2000; Dietz et al, 2004; Baker and Fesenmaier, 1997; Bowen and Schneider, 1989), safety climate (Hoffman and Stetzer, 1996; Hofmann and Mark, 2006; Zohar, 2000), transfer of training climate (Tracey et al, 1995) and work climate (Gelade and Ivery, 2003; Mahn et al, 2001; Kirkcaldy and Athanasou, 1999). These authors have explained significant variance in specific behavioural outcomes. In this case, different usage of terminologies has given different meanings of application.

It needs to be made clear that the authors are only interested in the climate for service, so that the explanation for demonstrating the applicability of the climate construct is relevant to the tables presented. By following the climate logic and the following explanation with respect to service, readers can have an enhanced, deeper understanding of this study.

Tagiuri (1968 in Powell and Butterfield, 1978) refers to service climate as the quality of the organization's environment as experienced by its members and can be described in terms of values or the meaning of a particular set of characteristics of the environment and how organizational environments importance are perceived and interpreted by employees (James and James, 1989, 1990; Johnson, 1996). Schneider (1986:63) proposed the meaning of the term to employees as:

“...the nest of policies, practices, procedures and reward, support and expectations, as a whole, are thought to create a sense of imperative and it is the sense of imperative...”

The employees will behave due to policies, practices, procedures, and routines to facilitate the excellence of services that has been outlined by the organization to achieve goals or other organizational imperatives (Schneider and Bowen, 1993). They are been expected to behave in order to get supported, recognized and rewarded by the management (Schneider and Bowen, 1993; Schneider et al, 1996; Schneider et al, 1998; Bowen et al, 2000; Schneider et al, 2000). This includes the extent of the perceptions that management set clear performance standards, provide appropriate training and information, remove obstacles to service, assist in employee job performance and distribute rewards for good service to customers (Hui et al, 2007).

Powell and Butterfield (1978) viewed service climate as a property of organizations and frequently functioning as a property of individuals' experience, values, knowledge and expertise (Brown and Leigh, 1996). Gronroos (2000) proposed the concept of service climate as the internal climate, the picture of how internal relationships function between people in an organization. Furthermore, Newman (2001) only referred to employee training, staff appraisal and reward when it comes to the conception of service climate. Burke et al (1992) thought that service climate could be conceptualised from a social interactionist perspective as evaluations of environmental attributes that have a social or situational construction component. Borucki and Burke (1999) added that service climate in terms of employee cognitive appraisals of the organization's attitude towards employee well-being and the concerns of members of the organization about the customer. It is derived from a consensual understanding, within a company, a department or a group, of how to behave in different settings and with different customer populations (Hui et al, 2007).

The evolution of climate has occurred through a number of different phases (Reichers and Schneider, 1990). The first stage is named as introduction and elaboration; followed by evaluation and augmentation. The final stage of concept is consolidation and accommodation. What is originally known and emphasize by the scholars was only the climate in the eye of the individuals who involved in the service delivery either by customer, employee or manager. In 1975, Schneider tried to spark the discussion about climate by put forward the idea of “climate for something”. The potential idea of the foundation for service climate was first initiated by Parkington and Schneider (1979). Their idea marked an early significant development with a research study about job stress among employees and customers in twenty three branches of Atlantic Coast, a

commercial bank in the United States. The expansion of climate for service continued drastically after the initial research. Researchers in related areas, especially in the psychology field, have continued to distinguish problems and advise solutions for future researchers and practitioners in the field of that specific climate.

Schneider (1983) commented his previous research that not very much attention on ethiology of climate. The ideas been expanded by the other researchers with other relevant subject (e.g. culture and innovation) and the continuation of climates been extended to a specific climate for instance climate for service. He worked with Moeller (1986) attempted to identify the elements of service climate by using a conceptual model introduced by Katz and Kahn. Few years later, he collaborated with Wheeler and Cox (1992) conducted a study to identify the themes that represents internal service climate and relate the paradigm of organizational climate to service excellence. After that, the specific service climate scales followed by Schneider and Bowen (1993); Johnson (1996); Baker and Fesenmaier (1997); Schneider, White and Paul (1998a); Andrews and Rogelberg (2001); Jong et al (2004); Dietz et al (2004); Schneider et al (2005); Jong et al (2005); Little and Dean (2006); Dimitriades (2007); Walker (2007) and Hui et al (2007) which were be appropriated with their research setting. The perceptions of characteristics in a setting compose the climate in the organizations.

Due to Schneider (1983), previous scholars attempted to explore new ideas from new perspectives, such as relate the research with financial matters which is only for short period and be different from others. As Rogg et al (2001) found out that service climate facilitates the delivery of customer satisfaction supported by Johnson (1996), while Schneider et al (1998a) demonstrated a positive link between the way employees perceive service climate and customers' perceptions of service quality. Service climate as well incorporated with other subjects in related areas such as human resource management (Schneider and Bowen, 1993; Schneider, White and Paul, 1998a) and organizational citizenship behavior (Dimitriades, 2007) where the types of variables measures and methods suited the researchers' needs. It has been found to be related to employee commitment (Lux et al, 1996) and to increase the empowering leadership behaviours of a service worker's supervisor with flow on effects to the worker (Yagil and Gal, 2002). Service climate and service culture are two different themes, which are hardly to separate (Reichers and Schneider, 1990; Schneider et al, 1996) because their strengths and weaknesses compensate each other (Schneider, 2000).

Schneider et al (1998a) proposed that the presence of foundation issues does seem to provide a basis for a climate for service. It is focusing more specifically on service-oriented policies and practices which produce the climate for service. Schneider's (1980) findings have been prolonged in Schneider and Bowen (1985; 1993), Schneider et al (1998a) and Schneider et al (2005). Global service climate has been introduced by Schneider et al (1998) and the term has been used again in Little and Dean (2006). Jong et al's (2005) proposed self-managing team service climate, the continuity of Jong et al's (2004) work. While Dimitriades (2007) in brought in the term of organizational service climate and followed by Hui et al (2007) presented the psychological service climate

term. Dietz et al (2004) proposed two specific service climates in employees' point of view which are branch and organization as a whole.

Different researchers with different studies generated different dimensions for future analysis. There are service climate dimensions scales are replicated from the previous works of other scholars such as in Andrews and Rogelberg's (2001) research in small businesses used the scales from the work of Schneider and Bowen (1985) and Rogelberg et al (1999). And the other example is the work of Baker and Fesenmaier (1997) which replicating the work of Zeithaml et al (1990). Lastly, Schneider et al's (2005) service climate dimensions were assessed with an eight-item measure developed by Schneider et al (1998a). Table 1 presented the originality of measures of service climate used by the scholars, investigated the circumstance in organizations involved in their research. They attempted to conceal as much states surrounded the employees either in tangible (e.g. systems support and logistics support) or intangible (e.g. bureaucrat orientation and enthusiastic orientation) form.

Table 1: Variables measured from previous service climate research

Author	Service climate variables measured
Schneider (1980)	<p>Manager and employee interviews: What happened to and around them on a typical day that made them feel particularly bad about their work. What came to mind when they thought about customer service and the bank. What they thought giving good service involved; what are the components of good service. How they felt when they were not giving good service; what prevented them from providing good customer service.</p> <p>Survey: Employee desires to give good service and what happens when the stress of customer versus management demands is encountered. Relationships between the way employees and customers experience service</p>
Schneider and Bowen (1985)	<p>Overall quality, enthusiastic orientation, bureaucrat orientation, branch management, systems support, customer attention retention and logistics support.</p>
Huei and Howard (1994)	<p>Strategic focus: awareness of strategic challenge, vision for the future, innovation, quality policy/philosophy, value systems/ethics</p> <p>Leadership and management: top management involvement, visible commitment to goals, role in quality improvement process, concern for improvement, system/structure for quality improvement</p> <p>Workforce: awareness of productivity/quality issues, attitudes/morale, cooperation, involvement, perceptions of work environment, social interactions, task characteristics, consequential constraints</p>
Johnson (1996)	<p>Service strategy, service support, service systems, information seeking, training, rewards and recognition, management service orientation, employee service orientation, sales and service relationship, estimate of customer satisfaction, overall service climate.</p>
Liao and Chuang (2004)	<p>Service performance, employee involvement, service training,</p>

Walker (2007)

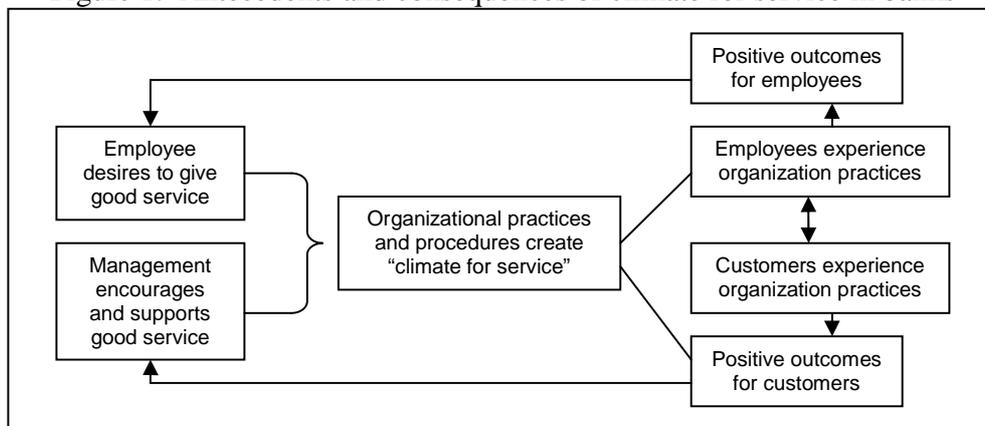
performance incentives,
Management service practices, management communication,
management support, staff service practices, client focus, staff
service ethos, staff personal attributes, staff concern for clients,
employment issues, resourcing, estimate of client evaluation service

Although service climate is a specific application of organizational climate (Johnson, 1996), its theory is still in the early stages of its maturation (Dietz et al, 2004). Service climate is built on foundations of caring for both customers and employees (Burke et al, 1992; Schneider et al, 1992). The importance of elements of service climate to customers and employees has been demonstrated in various studies. When there is a climate for service, employees have come to understand that superior customer service is expected, desired and rewarded; other things being equal, they are more likely to provide good service (Liao and Chuang, 2004).

Service climate in banking

Though discussion with an external customer as the focus, for total quality, internal customers are also equally important. The principles that apply for external customers apply for internal customers as well. They are sensitive to customer perceptions of overall service quality. They apparently know when their customers are satisfied or dissatisfied with the level of customer service provided by their bank (Raynerise and Harker, 1992). They also mentioned stability within an organization, which raises questions as to the importance of service climate in a bank. Customer service will be further strengthened when there is a corporate service culture in place that values the customer (e.g. handling complaints) and focuses on providing effective service. In one of Schneider (1980) research in branches of a bank, customers report good perceptions of service delivered as a sign of employees' perceptions towards strong internal climate, influence the bank's good financial position in term of profit (see Figure 1).

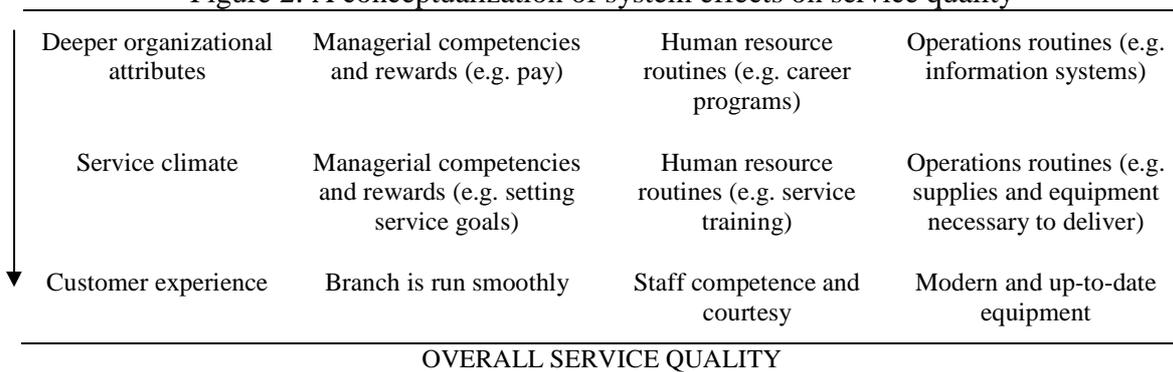
Figure 1: Antecedents and consequences of climate for service in banks



Source: (Schneider, 1980)

Figure 2 summarizes the results of the studies describes by Schneider (1990), the one on the climate for service and the other on human resource management. The figure shows that an organization’s human resource practices are correlated with customer perceptions of a service climate but that these practices are only on of the leys to a service climate. Also important for a service climate are other issues, such as management’s emphasis on service, the adequacy of equipment and supplies and operational support. The conclusion is that a service climate is dependent on many facets of the optimal functioning of the organization, not just on the human resource practices.

Figure 2: A conceptualization of system effects on service quality



Source: Schneider (1990)

Another factor that might contribute to a bank’s success is the form of appropriate organisational structure and its policy of encountering discussions and suggestions. People in the front line are most often aware of quality needs of customers and can offer valuable suggestions. Banks should actively encourage all level of staff to contribute actively towards building a learning bank and its own service climate.

A chain is only as strong as its weaker link. The quality programme can only work if each employee the link in the organizational chain is totally committed to developing a quality services bank. In fact, unless standards of service are established and implemented for internal customers, it will be almost impossible for a bank to implement any quality programme. Department and branches go to make the whole bank and unless there is smooth functioning in the system, it cannot deliver. For example, if a loan proposal is to be processed at a bank’s branch, but the proposal is not processed quickly at the main office, the branch may not be able to give the customer what has been promised. There must be total commitment from each and every employee for the quality programme to succeed.

What is needed here is the need to acknowledge the characteristics that are important in a service climate in banking sector that will fulfill the employees’ requirement. The researcher have to bear in mind that in the case of bank employees who are geographically located at a distance, for example in this case is Malaysia, the organization or management will have to acknowledge the work environment that these employees are in; the employees attitude, appearance, motivation, interactions, strengths and weaknesses and specifically their cultural beliefs.

The facilities, the approach used in delivering the services, the employees' appearance, attitude and motivation are all issues that still baffle as the service deliverer in the banking institution. They have to be sensitive in the benefits, challenges and the changes that have taken place and are still taking place at the present time. In today's banking institution, interactions among the employees and the customers, can also be used as part of gathering information regarding the services involve and assist the organization or management to determine employees' expectations and perceptions towards the services they provide.

Current service organizations face a lot of challenges, and one of it is to ensure that the policies, procedures, facilities and work environment are created within the employees circumstances and services delivered to the customers is in the best form at every time. Rightfully as an employee of a banking institution, one will realize that whatever that works with one set of customers at one time does not mean that it will work out again as expected at another time. In addition to that, it may not also work with another group of customers even at the same or different time. Only with the aid of the policies, procedures, facilities and work environment and the employee experience, they will be able to deal with the flaw and make improvements in the service delivery processes. Once the employees have learned and understand what is being delivered; either face to face or on-line, it is feasible to know the cause of the service delivery that has taken place, what facilitated the delivery process, what prevented the process of delivery, what impact technology has to the process itself. It is the issue that makes the process of delivery a beneficial experience for the organization, employee and customer that is important to be conceded. It is the issue that makes the environment of the organization effective that is important to be recognized.

Banks involve a high proportion of contact services due to services and products being offered in a very competitive environment, competing with financial institutions, insurance companies and building societies, regardless of location around the world. For Johnston and Silvestro's (1990) study, they chose banks because banks are the largest identifiable source of anecdotes in the area of positive or negative perceptions experienced by customers and employees. Johnston (1995) stated in his study that banks have identifiable customers who will have had not just a single experience with the particular organization, but an ongoing relationship over several years involving many transactions and other services per year.

The crux of the service is the customer experience in which staff involvement, their willingness and ability to serve determines customers' perceptions of quality (Newman, 2001). In McDougall and Levesque's (1994) research, an enabling dimension was identified that included a number of items that contributed to the ease or comfort of the customer in the service encounter. As for Cui et al (2004), bank employees regarded courtesy and timeliness as the dominant factors, while customers regarded access, availability, courtesy and timeliness as the dominants factors. The mismatch found in the relative importance of the determinants points to another area for service quality control.

Methodology

The purpose of this phase of the study was to gain a big picture of service climate in the banking sector in Malaysia, to overview the areas involved and have some background information about the context e.g. banks and employees. The questionnaire was used as the data collection instrument because of the advantages it offered, such as wider distribution and the subsequent reduction in distribution bias. Besides that, the questionnaire offers advantages in terms of costs, speed, sample size, time and communication (Oppenheim, 2001).

Having reviewed the literature on evaluation of service climate from the previous related research in the banking sector, the elicitation process through the open-ended responses provided assisted the researcher with important data which was essential for the selection of items in the questionnaire. Predominantly references on designing a questionnaire were seriously considered by looking at other questionnaires as references whereby the researcher was able to see what was good and poor about them and derive more confidence, since even many well known instruments look terribly imperfect in retrospect. The references also presented directions on how to design the proper construction of the questionnaire. It was intended in the selection of the constructs to cover the elements that definitely could help answer the research questions, such as the respondents' characteristics, perceptions, enabling environments in the service delivery process, preferred instructional and delivery approaches.

In these questionnaires, the questions were principally based and adapted from a number of items found by prominent scholars in the service climate (Katz and Kahn, 1978; Parkington and Schneider, 1979; Schneider, 1980; Schneider et al, 1980; Schneider and Bowen, 1985; Schneider et al, 1992; Rayniese and Harker, 1992; Singh, 2000; Andrews and Rogelberg, 2001) and service quality field (Le Blanc and Nguyen, 1988; Lewis, 1991; Kwan and Tan, 1993, 1994; Avkiran, 1994; Johnston, 1995; Galloway and Blanchard, 1996; Hartline and Ferrel, 1996; Stafford, 1996; Joseph et al, 1999; Allred, 2000; Lassar et al, 2000; Othman and Owen, 2001; Newman, 2001; Adlaigan and Buttle, 2001, 2002; Jun et al, 2002; Gounaris et al, 2003; Jamal and Nasser, 2003; Vijayan and Shanmugam, 2003) which are reported instruments designed to assess various service orientations and their use of different strategies for certain services. The questions were based on and adapted from a few noted studies that have been carried out successfully.

Gorard (2001) assured that the advantages of using such previous instruments and questions are considerable because the instruments used have been piloted, used previously, are mature and ready to be used, probably on a far larger scale than the researcher could envisage. This can carry some extra authority for the readers of this study.

Discussion of findings

Before factor analysis was conducted.

Table 1: Reliability statistics

Cronbach's Alpha	N of items
.975	132

After factor analysis:

- (i) 39.64% items were taken out from the list due to loadings were less than .5. Therefore, the usable items left to 81 from 132 items (Costello and Osborne, 2005).
- (ii) The number of rotated components was 30. Therefore, relevant number of variables for this study would be ten in order to see clearly contribution of each component.
- (iii) The researcher distilled these ten components and decided to withdraw three factors from the list due to critical number of items as the respective components had less than six variables per factor (Fabrigar et al, 1999).
- (iv) 80.49% communalities are greater than .6 (MacCallum et al, 1999).

The results of factor analysis as in the following Table 2 is presented after two iterations.

Table 2: Descriptive and reliability analysis

Component	Reward	Organization support	Self-reliance	Management's commitment	Customer service	Facilities and sources	Overall
Items	11	11	16	15	20	8	81
Mean	3.2278	3.4293	3.8396	3.4121	3.7036	3.4861	3.5164
Std. deviation	.5897	.4990	.4276	.5236	.5602	.5493	.5249
Cronbach's Alpha	.911	.823	.886	.921	.948	.899	.966

Table 3: Multiple Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.978	.590		3.353	.001
Reward	.030	.015	.235	1.947	.054
Organization Support	.037	.024	.258	1.561	.121
Self-reliance	-.008	.010	-.077	-.826	.410
Management Commitment	-.001	.014	-.010	-.073	.942
Customer Service	.006	.006	.110	1.076	.284
Facilities and Resources	-.008	.018	-.046	-.418	.676

A multiple regression analysis was conducted to predict service climate to service quality from perspective of bank employee towards reward, organization support, self-reliance, management commitment, customer service, facilities and sources. The analysis indicates factors related to the service climate. Here, the existence of good service climate is assumed as leading to good quality services provided by the banks' employees to their customers.

Based on the analysis, $R = .48$ indicated a less-than-perfect relationship between service climate to service quality and independent variables. Only 23% of the criterion variance can be accounted for by its linear relationship with the predictor variables.

$$\text{Predicted service climate} = 1.98 + .04OS + .03\text{Rew} + .01CS - .01SR - .001FS$$

The prediction equation for the standardized variables is as follows:

$$Z_{\text{Predicted service climate}} = .26Z_{OS} + .24Z_{\text{Rew}} + .11Z_{CS} - .08Z_{SR} - .05Z_{FS}$$

The result shows several factors that have high significant contribution to the prediction of the service climate. These elements are organization support, reward and customers. These findings leading to the statement that the existence of these elements in every organization is very important from the perspective of the employees, in the way to create and strengthen service climate.

Conclusion

This article focused to examine factors leading to the service climate in the three banks in Malaysia, from the perspective of the employees. Their perspective is chosen as they who are actually playing the main roles in a direct communication with customers — as the front liners —and having the direct experience with customers. Six factors included in the study are; reward, organization support, self-reliance, management commitment, customer service, facilities and resources. The study assumed that the existence and

strength of service climate can influence the way of the performance of employee in dealing with clients.

The study is conducted to identify whether the individual factors make a significant contribution to the prediction equation of the service climate. The result suggests that factors leading to service climate in the chosen banks are organization support, reward and customer service. For the managerial implications, these elements are very important to be strengthened in their organization, as these elements can increase the satisfaction of employees and influence their behavior. The existence of the factors— in tangible and intangible forms — should be constructed in the organization.

In the theoretical viewpoint, the study should be extended to include more factors in order to capture the detailed factors contributing to service climate in the organization. Schneider (1983) for example, advised the future researchers to be very specific regarding themes of climate to be explored or examined if they hope to assess the relationship between climate and other construct such as organizational behavior of interest. Additionally, the future study should also be extended to the comparison of perception on the service climate and service quality in Islamic banking industry and conventional banking industry to have the clear setting on the aspects.