

01

## Customer Satisfaction through Human Resource Management: Empirical Evidences from Bank Customers in Colombo District

---

A. K. N. S. Amarasekara, M. G. Padmadevi, R. W. A. Chathurani, T. J. R. Thisera,  
A. W. R. M. Ampitiyawatta

---

### Abstract

*Bank as a service oriented business, customer satisfaction is essential to gain competitive advantages from the volatile organizational environment. There are several factors affecting to the customer satisfaction. Among these factors, practices of HRM is a significant internal factor. In the Sri Lankan context, there are no any research findings regarding the impact of the practices of HRM to the customer satisfaction in banking sector. Then, it illustrates that there is no any theoretical knowledge about how to increase customer satisfaction through HRM. Therefore, "is there an effect of the practices of HRM to determine the customer satisfaction in banking sector?", which is the problem of the study. The sample of the study limited to 100 banking customers in Colombo district and questionnaire was used to gather the primary data. Univariate, and bivariate analyses were hired to analysis the primary data. The major finding of the study is that there is an impact of the practices of HRM to determine the customer satisfaction in banking sector. Therefore, as a bank manager, bank has to develop HRM system to enhance the customer satisfaction.*

*Key words: HRM, Customer satisfaction, Banking sector*

### Introduction

Management is a set of activities directed at an organization's resources (human, financial, physical and informational) with the aim of achieving organizational goals efficiently and effectively (Davidson, Simon, Gottschalk, Hunt, Wood, Griffen, 2006). It is very significant to the survival and growth of the business organization in this dynamic business context. The performance of an organization in this highly competitive environment is a myth without proper management. So, it is obvious that it has direct impact to the performance of any organization.

Management is a process (Robbins, Bergman, Stagg, Coulter, 2003; DeCenzo and Robbins, 2007). So it has various functions - planning, organizing, leading and controlling (Lewis, Goodman, Patricia, 2001; Davidson, Simon, Gottschalk, Hunt, wood, Griffin, 2006; DeCenzo and Robbins, 2007; Robbins, Bergman, Stagg, Coulter, 2003) which contribute to the overall performance of the organization. Those functions are interrelated and interdependent with each other.

Various types of business functions such as marketing management, human resource management, financial management, information management and research and technology (Opatha, 2009) are used to run above functions properly. A collective

integration of all business functions is really important for the success of any business organization although they cover various business fields. HRM is the function performed in organizations that facilitates the most effective use of people to achieve organizational and individual goals (Invancevich, 2001).

As human resource, people give a direct impact on organizational production and it is very important to manage it properly. Human resources are the most important resource among the various resources in the organization. Competition and the fustier pace of diffusion of innovation, committed skilled and flexible workforce is the key to gain and sustained to competitive advantage.

Ultimate goal of an economy or a nation is better standard of living of its people (Opatha, 2009). If it is not realized, the survival of any organization will vanish within a short period of time. Organizations have to fulfill society's needs and wants in satisfied manner. For that purpose any organization has to enhance their product or service quality through their human resources though marketing department has the responsibility to plan the organizational strategy based on customer oriented concepts. Many organizations face the challenge of creating and retaining satisfactory amount of customers for their product or service, because customers are very important to achieve organizational success. That's why many scholars have defined as "customer is the king" (Kottler, 2003). So that organizations have to fulfill their customer's needs and wants as expected by them. For this purpose many organizations pay their attention towards customer satisfaction. The way that people in the organization handle the business functions highly affects to the customer's satisfaction.

So, organization should enhance the competencies (knowledge, skills & attitudes) of people who deal with customers. Competencies of service marketers are more significant as they directly interact with customers than product marketers. The responsibility of generate and retaining of highly competent and contented workforce is going to the Department of Human Resource Management in the organization. So it can be concluded that customer satisfaction can be achieved through managing human resources properly that means HRM.

### **Problem and Objective of the Study**

The common term used in the marketing scenario is "customer is the king" (Kottler, 2003). Marketing is a challenging organizational function (Kumara, 2007). Bank, as a service provider in the national economy plays significant and important role. The business of a bank is depended on its customers. Remaining customers is a challenging and difficult task faced by any bank in Sri Lanka. This is a hard task in the competitive banking environment specially. To remain the customers of a bank, customer satisfaction should be enhanced and maintained properly. Usually, there are different strategies that can be used to enhance and remain the satisfaction of customers in the banking sector.

There are many factors and situations affected to determine the customer satisfaction. Among the various factors and situations, human beings handled by the marketing management or practices of marketing of an organization are critical and important. In

the marketing field, managing marketing workforce is named as internal marketing. In the available context, availability of the phenomenon of the impact of internal marketing or managing human resource on the customer satisfaction is rare. Therefore, there is theoretical and empirical gap in this study field. Then, the problem of the study addressed by the researchers was: is the practice of managing human resource affect to determine the satisfaction of customers in the banking sector in Sri Lanka. The main objective of the research was to find the impact of the HRM on the customer satisfaction in the Sri Lankan banking sector.

**Literature Review**

***Customer Satisfaction***

Customers are essential because they are where the life of an organization begins (Dalrymple & Persons, 2003). It is essential, therefore that is able to locate customer, find out what they want and then communicate its’ promises to them. Those promises have to be delivered to ensure that customers are satisfied (Brassington & Pettitt, 1997).

Customer satisfaction is an emotional state or a feeling by which customers ensure that the product perceive capacity has been met or exceeded his/her expectations which are created prior to purchase or use (Kotler, 1996; Gultinan, 1994; Lovelock & Patterson, 2004). Customer satisfaction is key to satisfy its goals (Saxe & Wetz, 1982; Luo and Hanburg, 2007) reveal that customer satisfaction has been shown to affect many other performance related variables in an organization. In order to create customer satisfaction is in the interaction with individual customers employees must generate knowledge regarding customers needs (Honburg, Wieseke & Bornermann, 2008). The other factor that affects customer satisfaction is the quality (Kotler, 1996).

Customer satisfaction is a vital variable to achieve key business goals and competitive advantages (Lovelock & Patterson, 2004). Customer satisfaction helps to achieve several key business goals and competitive advantages (Figure No 01).

Figure 01: Key business goals and competitive advantages from customer satisfaction

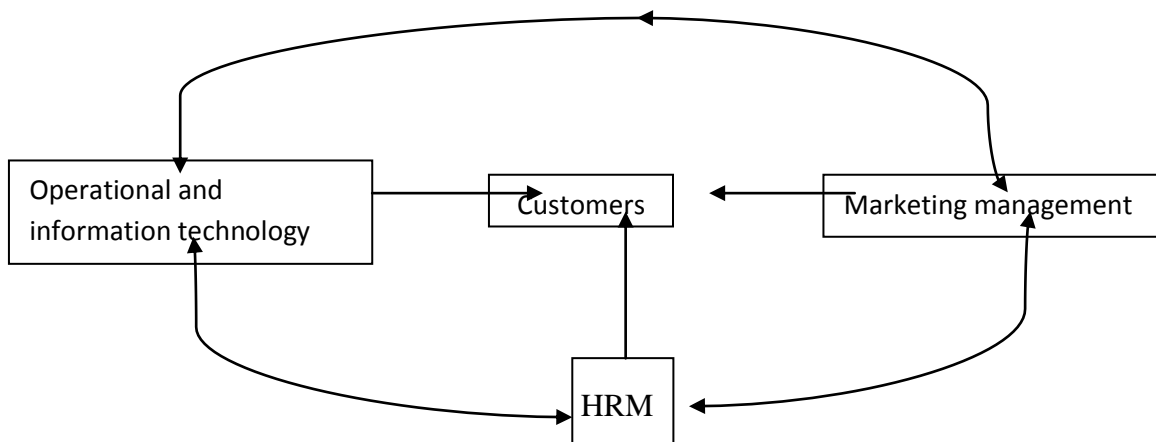


Source: Lovelock C., Patterson P, (2004), Service Marketing, Australia: National Library of Australia.

***Importance of HRM to achieve Customer Satisfaction***

Although marketing plays an essential role in creating customer satisfaction, most authors on service marketing accord the highest priority to the human resource functions (Perrault & McCarthy, 2006). Lovelock & Patterson illustrated three pillars which are essential for creating customer satisfaction (figure No 02). It is called service marketing trinity.

Figure 02: The three pillars for customer satisfaction

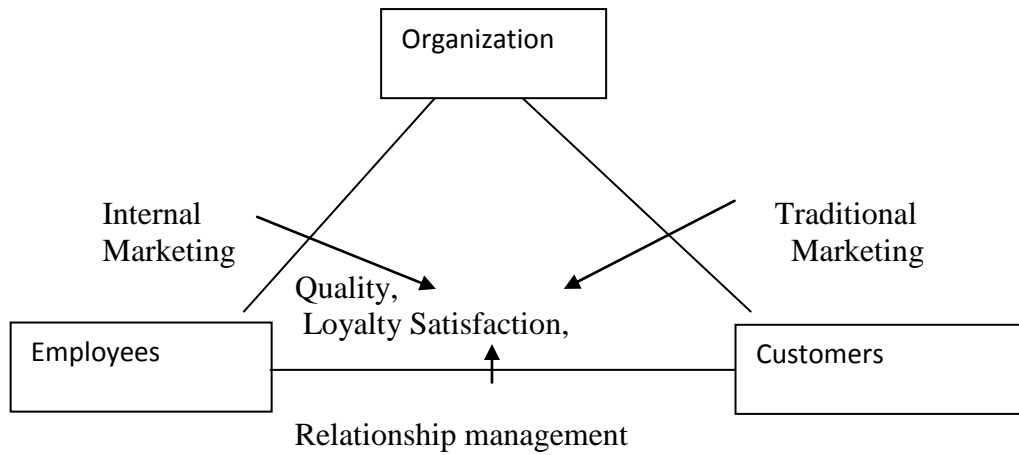


Source: Lovelock C., Patterson P., (2004), Service Marketing, Australia: National Library of Australia.

According to Figure No 02 customer satisfaction cannot be achieved only through marketing department. People are the crucial element in management because without them objectives and resources will remain unconnected and underutilized (Lovelock & Patterson, 2004; Jain & Jain, 2004). They also stressed that marketing manager should recruit and select an efficient workforce with the expert advice of the HR manager.

Human Resource Management practices are more vital than marketing management functions to the company and its marketing planning in the service organizations (Lovelock & Patterson, 2004). To achieve both good service and the impression of creating companies must have employees who are focused on serving customers (Kurtz and Clow, 2008). As defined by the academic specialist “HRM” involves all managerial decisions and actions that affect the nature and the relationship between the organization and its employees (figure No 03).

Figure 03: Impact of employee on organization and customers



Source: Lovelock C., Patterson P., (2004), *Service Marketing*, Australia: National Library of Australia.

Just their vision of marketing, viewing it from strategic perspective rather than a narrow functional and tactical one, so HRM is coming to be seen as a key element of business strategy (Lovelock & Petterson, 2004). However, the study of human resource management (HRM) in service organizations is still a young field (Lovelock & Petterson, 2004).

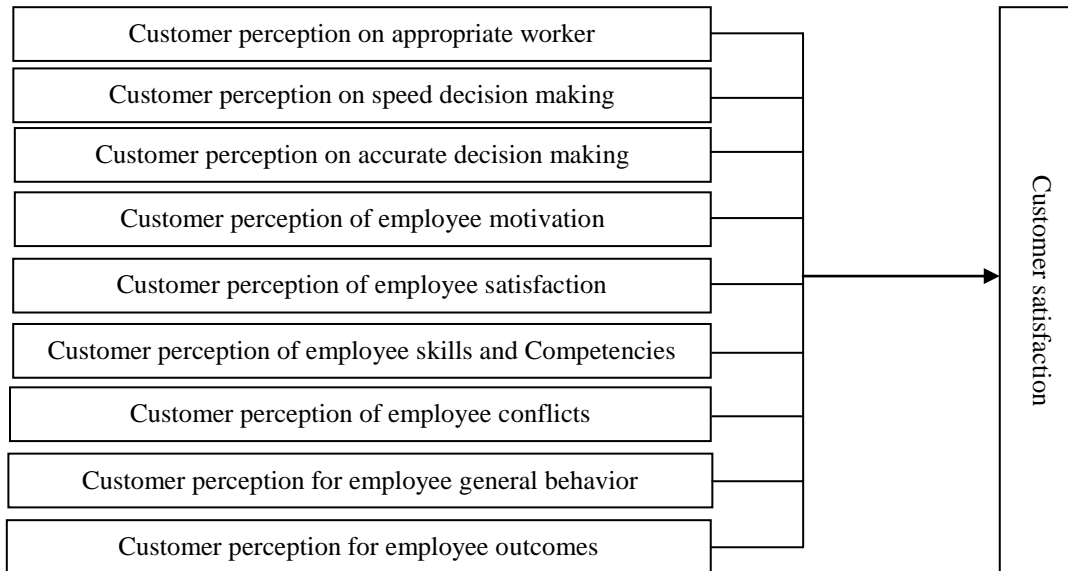
The Human resource management functions in service provider and the way they work are the most crucial factors in the company's performance (Looy, Gemmel, & Dierdanck, 2003). Since both customers and employees work simultaneously on the delivery of service employees play a crucial role in the experiences and satisfaction of the customer (Looy, Gammel & Dierdonck, 2003). Achievement of excellent service quality, satisfaction and hence customer loyalty to a service supplier required not only traditional marketing but also internal marketing and relationship management (Lovelock, Petterson & Walker, 2004). Internal marketing is primarily the province of human resource management within a company who has responsibilities for developing enlightened personnel policies to include recruitment, selection and training and also appraisal, rewards and recognition (Lewis, Goodman, Patricia, 2001). Internal marketing is the task of hiring, training and motivating able employees who want to serve customers well (Kottler, 2003). Many authors such as Kottler & Keller (2006) have revealed that internal marketing should precede traditional marketing.

***Happy Employees make Happy Customers***

The Roebuck model explains satisfied employees in terms of their attitude to the company and their job will encourage retention and lead to service helpfulness and merchandize value, which leads to customer satisfaction (Armstrong, 2006). Happy employees relating to happy customers will only be thought of as a pleasant side effect which is a 'plus' but not 'essential' to doing business (Looy, Gannel & Dierdonock, 2003). Achieving high levels of service quality and customer satisfaction implies that consideration is being given to employee satisfaction as well (Looy, Gannel & Dierdonock, 2003).

Based on the literature review on the phenomenon, the conceptualization of the variables can be depicts as figure No 04.

Figure 04: The Conceptual Framework



The figure No 04 explains the relationship between the independent variables and the dependent variable.

### Method

The survey method characterized by a questionnaire was selected as the method of data collection in this study. This study was purely based on primary data. The non-contrived field-setting environment was used to collect the primary data. Therefore, the survey method was found to be more suitable to collect required original data because of its comparative advantages position in terms of time and cost. To obtain the objective of the research, the researchers selected a sample of the banking customers from different banks in Sri Lanka. The selected sample of the study is limited 100 customers. All customers were selected randomly and the research is purely based on primary data, which were collected from Colombo district. A questionnaire was used for data collection. The questionnaire consisted of 31 question statements regarding two main dimensions of HRM practices perceived by the customers and customer satisfaction. The variable in the research model were measured by the use of questionnaire with five point scales. The five point scales for the variables were ranged from “Strongly Agree” to “Strongly Disagree” with the point of 1 to 5 respectively for positive statement and 5 to 1 in reverse order respectively for negative statements. The univariate and bivariate analyses were used to analysis the primary data. The decision rules for assessing variables are given below.

Practices of HRM

Mean value < 03: Bad practices of HRM

Mean value = 03: Average practices of HRM

Mean value > 03: Good practices of HRM

Customer Satisfaction

Mean value < 03: Low customer satisfaction

Mean value = 03: Average customer satisfaction

Mean value > 03: High customer satisfaction

**Empirical Data**

Univariate analysis for the independent variables and dependent variable can be summarized as in the table No 01. The mean value, medium, mode, standard deviation, skewness and kurtosis are the statistical tools used to analyses the primary data.

Table 01: The univariate analyses for the variables

	Mean	Medium	Mode	Std. deviation	Skewness	Kurtosis
Customer perception on appropriate worker	3.3360	3.4000	3.80	0.68807	-0.295	-0.150
Customer perception on speed decision making	3.2000	3.0000	4.00	1.15470	0.161	-0.117
Customer perception on accurate decision making	3.6900	4.0000	4.00	0.84918	-0.970	1.188
Customer perception of employee motivation	3.0350	3.0000	3.00	0.66763	0.026	0.722
Customer perception of employee satisfaction	3.3300	3.0000	4.00	1.01559	-0.115	-0.303
Customer perception of employee skills and Competencies	3.3350	3.5000	3.50	0.86180	-0.137	-0.221
Customer perception of employee conflicts	3.2267	3.3333	3.33	0.69450	-0.034	1.024
Customer perception for employee general behavior	3.6375	3.7500	3.50	0.66323	-0.501	0.606
Customer perception for employee outcomes	2.8950	3.0000	3.50	1.03303	-0.042	-0.784
Customer perception for the employee HRM	3.2984	3.2880	2.43	0.58339	0.048	-0.213
Customer satisfaction	3.6100	3.7000	4.00	0.584	-0.358	0.307

According to the table No 01, practices of HRM in the banks perceived by the customers are above the average except customer perception for employee outcomes. However, when considering the standard deviation for the mean value of HRM practices, all dimensions are remained at average level. Therefore, the practices of HRM perceived by the bank customers are at average level.

Customer satisfaction of the sample is 3.6100 (mean value). It concludes that customers' satisfaction for the bank services is good. However, it is also not in exceptional in nature.

The impact of HRM practices to the customer satisfaction was measured through the bivariate analysis. Especially Pearson Correlation was used to analysis the data. The results of Pearson Correlation for the relationship between independent variables and dependent variable are given in the table No 02.

Table 02: The Pearson Correlation for the independent and dependent variables

	Customer Satisfaction	
	Coefficient	Significant at 0.001 Level
Customer perception on appropriate worker	.611	.000
Customer perception on speed decision making	.415	.000
Customer perception on accurate decision making	.623	.000
Customer perception of employee motivation	.503	.000
Customer perception of employee satisfaction	.474	.000
Customer perception of employee skills and Competencies	.652	.000
Customer perception of employee conflicts	.458	.000
Customer perception for employee general behavior	.690	.000
Customer perception for employee outcomes	.533	.000
Customer perception for the employee HRM	.787	.000

According to the table No 02, all the relationships between independent variables (Practices of HRM) and the dependent variable (Customer Satisfaction) have positive relationships. It reveals that a good practice of HRM is a factor to determine the customer satisfaction in the banking sector.

In addition, among the relationships between independent variables of practices of HRM and dependent variable of customer satisfaction, there are three independent variables (Customer perception on speed decision making, Customer perception of employee satisfaction and Customer perception of employee conflicts) are less than .05. All other independent variables are significantly and positively (more than 0.5) related with the customer satisfaction in the banking sector.

As a whole, there is a strong relationship between customer satisfaction in the banking sector and perception of HRM practices by the customers. The Pearson Coefficient between these two variables is 0.787. It implies that the relationship is strong.

**Findings**

The findings of the study can be summarized as below.

- HRM practices of the bank employees perceived by the bank customers are remained at average level.
- Customer satisfaction of the bank customers is remained at average level.



- Impact of the practices of HRM to the customer satisfaction of banking employees is positive and strong.

### **Conclusion and Recommendation**

The objective of the study is to find out the impact of HRM practices to the customer satisfaction in the banking sector. The main finding of the study is that there is a significant effect of HRM practices of banking employees (customer perception) to the customer satisfaction of the banking customer. The findings of the study can be confirmed using the literature given by Looy, Gemmel and Dierdanck (2003), Kottler (2003). Therefore, as conclusion of the study, management of the banks has to develop appropriate HRM system to utilize human resources effectively and efficiently.

### **References**

1. Armstrong, M., (2006). A Hand Book of Human Resource Management Practice. London: Kogan page.
2. Brassington, F. and Pettitt S. (1997). Principle of marketing. London: Pitman Publishing.
3. Dalrympk, D. J. and Parsons, L. J. (2003). Basic marketing management. New York: John Wiley and sons, Inc.
4. DeCenzo, D. A. and Robbins S. P. (2007). Personnel/ Human Resource Management. Newdelhi: Prentice Hall of India Private Ltd.
5. Davidsons, P., Simon, A., Gottschalk, L., Hunt, J., Wood, G. and Griffin, R. W. (2006). Management Core concepts and Skills. Melbourn: John weley and sons Austrailia.
6. Guiltinan, J. P. (1994). Marketing Management-strategies. Newyork: American Banker's association.
7. Honburg, C., Weiseke, J. and Borrnemann, T. (2008). Journal of Marketing, Implementing the marketing concepts at the employee customer interface. Chicago: Amarican marketing association.
8. Invancevich, J. M. (2001). Human Resource Management. Boston: Mcgraw – Hill Higher education.
9. Jain, N. C., Jain S. (2004). Text book of Marketing Management. India: AITBS publisher & distributors.
10. Kottler, P. (1996), Principle of Marketing, Englewood: Prentice Hall, Inc.
11. Kottler, P. (2003). Marketing Management. Patpargani: Pearson Education (Singapore) Pvt Ltd.
12. Kottler, P. and Keller K.L. (2006). Marketing Management. Australia: Pearson Education.
13. Kumara, K. H. K. (2007). Marketing management hand book. Author: Colombo.
14. Kurtz, D. L. and Clow K. E. (2008). Services Marketing. Newyork: Jhon wiley & sons.
15. Lewis, P. S., Goodman S. H. and Patricia M. T. (2001). Management Challenges in 21<sup>st</sup> Century. Austrlia: South western college publishing.
16. Looy, B. V., Gemmel P. and Dierdonck R. V. (2003). Service Management- An integrated approach. England: Pearson Education Ltd.

17. Lovelock, C. and Patterson P. (2004). *Service Marketing*. Australia: National Library of Australia.
18. Lovelock, C., Petterson P. and Walker R. (2004). *Service Marketing*. Australia: Pearson Education.
19. Luo & Hamburg. (2007). [www.emeraldinsight.com](http://www.emeraldinsight.com). [10/02/02010].
20. Opatha, H. H. D. N. P. (2009). *Human Resource Management- Personal*. Colombo: University of Sri Jayewardenepura.
21. Perreault, W. D. and McCarthy E. J. (2006), *Essentials of Marketing*. Nweyork: McGraw Hill/ Iriwin Inc.Avenue of the America publisher Andy Widson.
22. Robbins, S. P., Bergman, R., Stagg, I., and Coutler, M. (2003). *Management*. Australia: Pearson Education.
23. Saxe and Weltz, B. A. (1982). The socio scale: a measure of customer orientation of sales people. *Journal of marketing research*. pp. 345 – 351.