

**UNIVERSITY OF STRATHCLYDE**

**Department of Marketing**

**The Role and Importance of Corporate  
Culture in the Delivery of a Service**

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## **Acknowledgements and Dedication**

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## Abstract

This thesis examines the role and importance of corporate culture in the delivery of a service. In particular it attempts to identify the characteristics of corporate culture within a service delivery environment and the influence corporate culture has on service delivery performance. The thesis also examines the activities undertaken to control and influence culture and their perceived success.

The research involved a review of the literature on service delivery, service quality and corporate culture. The fieldwork was undertaken on the UK retail banking sector and involved a programme of depth interviews with senior managers in 10 retail banks. This was followed by a programme of qualitative research and quantitative research within one retail bank. The quantitative research involved the completion of a questionnaire by 268 branch staff in 48 bank branches.

The research found that senior managers perceive corporate culture to be important in the effective delivery of a service. As a result managers try to influence the cultural characteristics of their service personnel, however these attempts are often thwarted by operational decisions emanating from the senior management.

There was no evidence to suggest that corporate values and attitudes are shared by all of the service personnel in an organisation. Instead there is a mix of company-wide consensus on some issues and subcultural consensus on others. Therefore consensus can occur at a corporate level, at a service team level or at a hierarchical level within an organisation.

Finally the research found no direct relationship between corporate culture and service delivery performance. The conclusions of the thesis therefore suggest that the impact of corporate culture may only be of equal or secondary importance to the impact of other factors such as the operations or leadership skills of the team manager or the knowledge and skill base of the team. As such, activities specifically aimed at changing or influencing the culture of service delivery personnel are, on their own, unlikely to have a major impact on service delivery performance.

The thesis therefore recommends that companies should take an integrated approach to service delivery with the functions of marketing, human resource management and operations working together to encourage, develop and support effective service delivery teams.

**Key Words:** Corporate Culture, Service Delivery, Service Quality, Retail Banks, Services Marketing, Services Sector.

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## **Chapter 1. Introduction**

### **1.1 Rationale for the Research**

During the 1980s the concept of corporate culture captured the imagination of management researchers and practitioners alike. In particular, Peters and Waterman's (1982) book entitled "In Search of Excellence: Lessons from America's Best-Run Companies" proclaimed that the key to corporate success was a strongly unified corporate culture. Top managers could build such a culture by articulating a set of values and reinforcing these values with formal policies, informal rituals and jargon. In time, these values would become shared and respected by all employees leading to higher commitment, greater productivity and ultimately, more profit. These seductive promises and the methods of their achievement were further popularised by a large number of other books and articles targeted at the executive and MBA markets (e.g. Deal and Kennedy, 1982; Denison, 1990; Pascale and Athos, 1981; Drennan, 1992). Not surprisingly, corporate culture quickly became the secret weapon for business success. As a result more than 2,550 articles and books have been published on the topic over the last 15 years (Alvesson & Berg, 1992).

The majority of the earlier articles focused on the culture of production teams and in particular, the transfer of Japanese shop floor culture to Western manufacturing industry. However, the growing research and literature on service quality through the works of authors such as Parasuraman et al. (1985), Zeithaml (1988), Gronroos (1988) and Gummesson (1988) increased interest in the role corporate culture could play in the delivery of excellent service quality.

Authors such as Normann (1991), Segal-Horn (1988) and Siehl (1992) produced conceptual models placing corporate culture at the centre of the service delivery process claiming that it had a major impact on the effectiveness of an organisation's service delivery activities. However, the majority of these models have little or no empirical evidence to support them.



The purpose of this thesis therefore was to further explore, using empirical research, the role and importance of corporate culture in the delivery of a service.

## **1.2 Objectives**

Within this broad remit the specific objectives of this thesis were as follows:

- a) To explore the perceptions of managers responsible for service delivery in the service sector with regard to the role and perceived importance of corporate culture in the delivery of a service.
- b) To examine whether managers in service organisations attempt to control and influence the corporate culture of service personnel. Additionally to examine the perceived success of such activities.
- c) To understand the characteristics and components of corporate culture within a service delivery environment.
- d) To assess the relationship between corporate culture and service delivery performance. In particular to identify any differences between those cultures providing effective service delivery and those providing poor service delivery.

In addition to the attainment of these specific objectives, the study provided a number of academic and practical benefits. From the academic standpoint, the study provided empirical evidence in an area where there are current deficiencies. By focusing on service delivery, it also pulls together research from the academic disciplines of marketing, human resources management and operations management. This may encourage further multi-disciplinary management research activity. The study also provided an assessment of the suitability of particular research approaches and research instruments.

From a practical point of view, the study may improve managers' knowledge of service delivery, corporate culture and the relationships between the two. The study identified current practice in the

management of corporate culture and service delivery as well as the pitfalls to be avoided. Finally, the study may help managers objectively evaluate the services provided by the growing number of self appointed corporate culture specialists and gurus.

### **1.3 Research Approach**

The research approach adopted for this study is set out in Figure 1.1. The research began with a review of the literature on service delivery, service quality and corporate culture. Following the literature review, the research problem and the research hypotheses were developed.

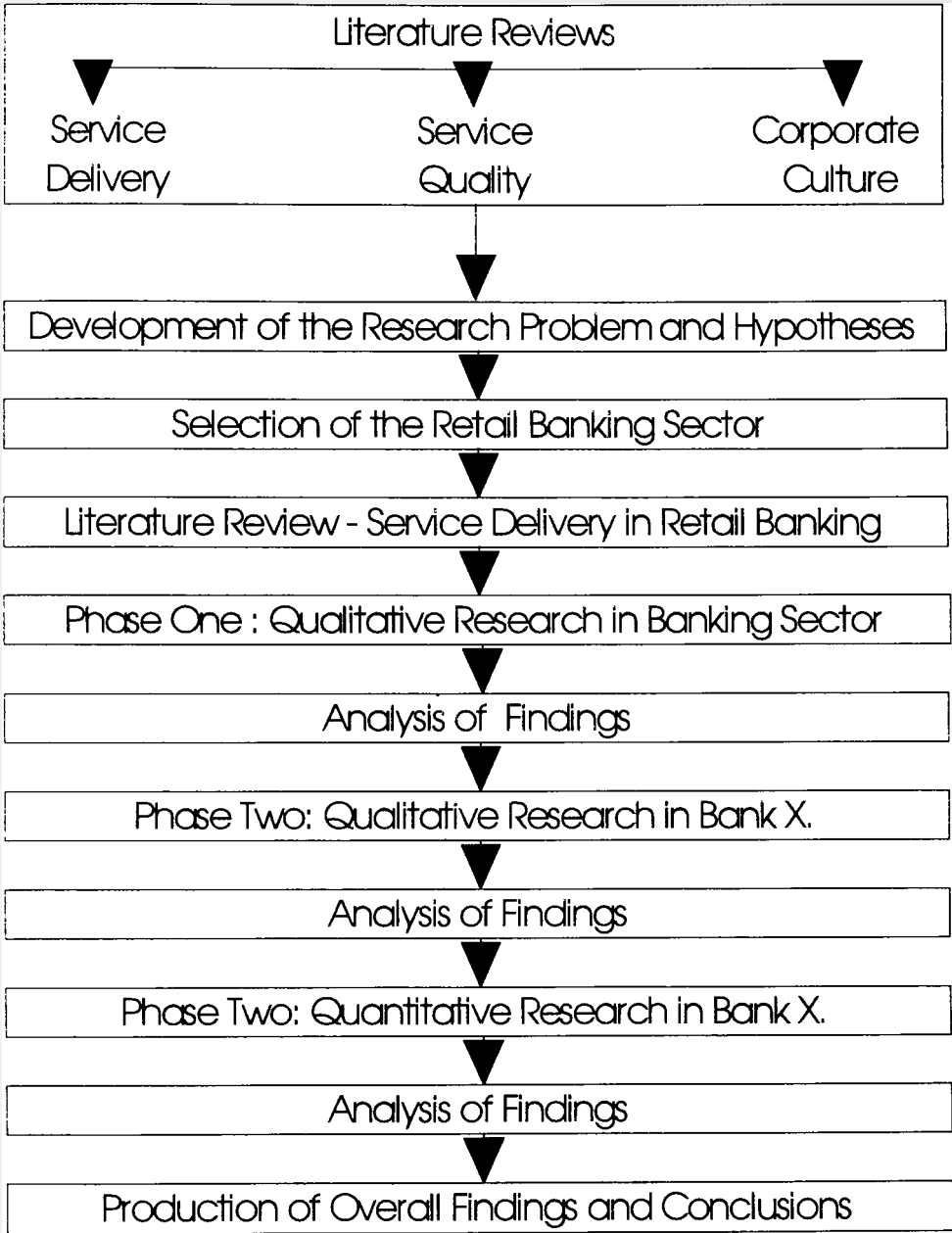
At this stage the retail banking sector was selected as the sector upon which the hypotheses would be tested. A further literature review focusing on service delivery in the retail banking sector was then undertaken.

A programme of qualitative research was carried out with senior banking managers responsible for service delivery. This phase of the research focused on the role of corporate culture in the management of service delivery.

To examine the specific characteristics of corporate culture and their impact on service delivery performance, a second phase of research was undertaken within one bank, Bank X. This involved two stages, firstly a programme of qualitative research looking at the cultural environment within Bank X. This was followed by a large scale quantitative study looking at the characteristics of the corporate culture existing within 48 bank branches and the impact of their culture on each branch's service delivery performance.

The research data was analysed after each stage of the fieldwork and the findings and conclusions were then produced.

Figure 1.1 The Research Approach



1.4 Structure of the Thesis

The structure of the remainder of this thesis is as follows:

Chapter Two considers the nature of the service delivery process, in terms of its key components. The chapter begins with a definition of service delivery and describes the interactions between the various components of the service delivery process. The need for co-operation and potential integration of the marketing, operations and human resource functions in the management of service delivery is also discussed.

Chapter Three defines the terms of service quality, customer satisfaction and customer service. It then proceeds to identify the activities involved in managing service quality and demonstrates the extent to which these activities are focused on the effective use and support of the organisation's human resource.

Chapter Four defines corporate culture and identifies those factors which influence the nature of a group's culture. The chapter describes the different schools of thought regarding the form culture takes within an organisation. The attributes of an effective culture are discussed as are the approaches used to manage or influence culture.

Chapter Five reviews the literature on service delivery within the retail banking sector. In particular, the chapter looks at the nature of the retail banking industry, the service delivery decisions being undertaken in this sector and the impact of the changes that have been made in service delivery.

Chapter Six sets out the research problem and explains the formulation of the eight research hypotheses. The chapter then explains the reasons behind the selection of retail banking as the sector upon which the hypotheses were tested. A detailed explanation of the research approach is given, justifying the various research stages, describing the procedures adopted and identifying any limitations.

Chapter Seven sets out the findings of the first phase of the field research which involved 15 depth interviews with senior distribution and marketing personnel in ten retail banks. The chapter looks at the perceived importance of corporate culture, the elements of culture requiring to be managed and the management activities undertaken. The

organisational issues conflicting with the management of culture are also explored. The chapter ends by testing three of the research hypotheses.

Chapter Eight sets out the findings from the case study in Bank X. The case study involved a programme of depth interviews with the line managers responsible for the service personnel in the branches and the completion of a questionnaire by 268 respondents in 48 bank branches. The chapter discusses the nature of the cultural environment within Bank X. and then examines the format of the culture existing within the branches. The relationship between the culture of the individual branches and their performance is also assessed. At the end of the chapter, the remaining five research hypotheses are accepted or rejected.

Chapter Nine presents the conclusions of the thesis and the implications of the conclusions for future research and for practising managers.

## **Chapter 2. The Service Delivery Process**

### **2.1 Introduction**

Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simultaneously (Regan 1963). This fundamental difference of inseparability has been recognised and documented by a large number of authors ( Eiglier and Langeard, 1977; Gronroos, 1978; Shostack, 1977; Donnelly, 1976; Booms and Bitner, 1981). In particular, Carmen and Langeard(1980) stressed that inseparability means that the customer comes into direct contact with the production process resulting in a highly interactive delivery process (Gronroos, 1978).

This chapter considers the nature of this delivery process, in terms of its key components. The interaction of these components is also assessed as is the manner in which they can be managed. The chapter begins with a definition of key terms.

### **2.2 Definition of Terms**

In defining service delivery it is important to firstly consider the nature of the service encounter.

Suprenant and Solomon(1987) described the service encounter as "the dyadic interaction between a customer and a service provider". In this definition, dyadic refers to both sides being critical to successful interaction. Taking the dictionary(Collins, 1972) definition of interaction, it involves different parties acting mutually on each other. Therefore both sides influence the encounter and its outcome. Solomon et al. (1985) suggested that " service encounters are role performances" in which service providers and customers have roles to enact in order to achieve a satisfactory outcome.

Other terms such as the service deed, act or performance (Berry, 1980) have been used to describe the same phenomena of the service encounter.

The concept of "the moment of truth" first developed by Normann(1984) and popularised by Carlzon (1987) also focuses on the point when customers come into contact with the service provider and interact.

Shostack( 1985) broadened the concept from simply the interpersonal element by defining the service encounter as "a period of time during which a consumer directly interacts with a service". Her definition encompassed all aspects of the service firm with which the consumer may interact, including technology, physical facilities, personnel and all other visible elements. With the automation of many services, this broader definition more accurately reflects many of the encounters customers have with service organisations.

Bateson(1985) adopted a similar definition by describing the service encounter as being the result of three interacting variables. These being the customer, the server and the service firm. The service firm is embodied in the operating procedures and the physical environment within which the service is provided. This results in an interaction of the customer, the server and the service firm.

These authors do leave certain issues unclear particularly with regard to the extent of interaction required to justify being called an encounter. Shostack(1985) included aspects such as "other visible elements". Does this suggest that a customer seeing a bank sign or advertising is having an encounter with that institution? Is the stay at a hotel defined as a service encounter or are the interactions or acts including check-in, breakfast, the bedroom, and dinner seen as individual service encounters? With continuous services like the provision of electricity, where do service encounters start and finish(if they do finish?).

In the industrial marketing literature(Hakansson, 1982) defined encounters or episodes as having one of four elements:

- a) product or service exchange
- b) information exchange
- c) financial exchange
- d) social exchange

The important aspect of these elements are that they all involve the two-way process of exchange. The customer has an impact on the organisation at the same time as the organisation has an impact on the customer. In a service industry context, the bank customer keying in details on an A.T.M. (Automated Teller Machine) is having an impact on the bank. A customer interacts with various parts of a hotel during a stay, each interaction could be classified as a service encounter as could the overall stay. Whereas viewing a sign or an advertisement entails the transfer of information but does not involve the customer having an immediate direct impact on the organisation and cannot therefore be termed an interaction.

Therefore in this thesis a service encounter is defined as an event which involves the mutual interaction of a customer/ potential customer and any of the components of a service organisation. Where the components may include service personnel, technology, operating procedures and the physical environment.

Moving on to consider service delivery, Huete and Roth(1988) viewed the service encounter as being created by the combination of the key elements of the core service concept ( to improve health, to fashion hair or to manage people's finances) and the service delivery process. In this case the service delivery process is defined as the sociotechnical system through which the organisation's inputs into the service encounter are available to the customer. In other words, this system incorporates the management and control of the people, physical environment, technology and the processes involved in supplying the service.

Harvey and Filiatrault (1991) developed this further by describing service delivery as involving the management of both the "front office", the locus of all personnel in direct contact with the clients and the "backoffice", the locus of all personnel and systems performing and operating support or administrative tasks. This is supported by Harris(1989) who suggested that the service delivery process is concurrent with the operations function. He described this function as being responsible for the management of a system which provides a service to or for a customer, and involves the design, planning and control of the system.



Normann(1991) added the customer into the service delivery process as the customer not only receives and consumes the service but also serves as a component in its production and delivery. A diner's manner and speed in which he eats a meal will impact on the way in which it is delivered.

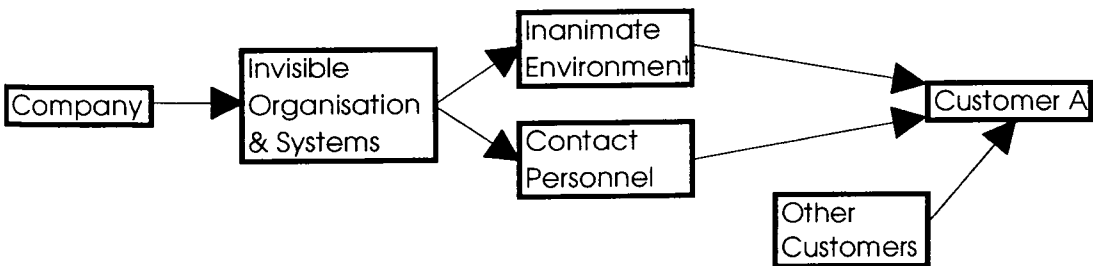
A synthesis of these inputs suggests that the aim of service delivery is to bring about mutual satisfaction in the service encounter through the management and control of the people (employees and customers), physical environment, technology and the processes involved in supplying the service.

### 2.3 The Service Delivery Process

Bateson(1992) suggests that the customer's experience during the delivery of the service is as important to customer satisfaction as is the benefit that the service provides. Gronroos(1983) in his paper on "interactive marketing" also stressed that "how" you perform a service is often as important as "what" you perform.

Grove and Fisk(1983) compared the performance aspect to a stage play that requires careful attention to the staging of the performance, the rehearsing of the performance team and the determination of which activities should best be performed in an out-of-sight backstage area and which activities should be prominently displayed front-stage. This has many similarities to the "servuction" system model ( Figure 2.1) developed by Langeard et al.(1981).

**FIGURE 2.1 The "Servuction" System Model**



Source: Langeard & Eiglier(1981).

This model breaks the service delivery process into two parts: that which is visible to the consumer and that which is not. The invisible part is the process, systems, backroom personnel and technology needed to deliver the service. The visible part is broken into the inanimate environment and the service providers or the individuals who interact with the consumer during the service experience. The inanimate environment consists of the technology and physical design elements that the customer comes into contact with. For a bank current account that may include the design of the branches, the automated teller machines as well as the cheque books and statements.

The model also suggests that customers interact with each other. Their behaviour and characteristics impact on each other's experience. Therefore the benefits derived by Customer A come from the interaction with the visible environment, the service providers and other customers. Each of these visible elements is supported and influenced by the invisible components.

Gronroos ( 1982 ) also proposed a number of interactions that occur during the purchase and consumption of a service. These also reflect the components of the servuction model.

1) "The consumer versus the physical /technical resources" - the interaction between the consumer and: the exterior and interior of a bank, the computer systems of a bank, the aircraft of an airline, the documents used by an insurance company, the tools and equipment used by a plumber or electrician.

2) "The consumer versus the contact personnel" - the quality, service-mindedness and customer sensitivity of the contact personnel.

3) "The consumer versus consumers" - the active involvement of the consumer in the production process and the influence consumers have on each other.

The importance and nature of each of these interactions varies depending on the service being provided and the consumers being targeted. Gronroos

( 1982 ) made the point, that for some services, no human resources are involved in the service provision, only physical resources such as automatic teller machines or automatic ticketing machines are needed. Services which take place in the consumer's home such as cleaning or plumbing services may involve little interaction with other consumers and only limited interaction with the service environment, whereas a customer's satisfaction with a holiday or leisure resort may be critically dependant on other consumers and the environment.

Therefore the successful management of service delivery involves the co-ordination of these various interactions and supporting them with the relevant procedures, personnel and systems:

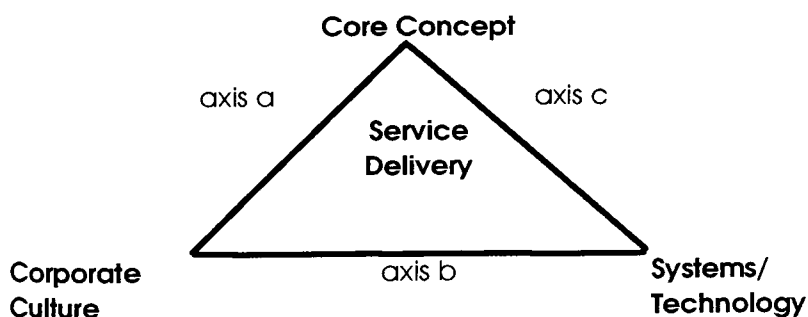
"The critical feature of the service industries rests on control of the offering at the transaction point with the customer or client" (Segal-Horn, 1988)

" The task is to manage the interactions among these resources in order to attract, maintain and enhance customer relationships " (Berry, 1983)

" Management of the customer / employees interface is an important services marketing task" ( Booms and Nyquist , 1981)

Segal - Horn(1988) modelled this management process using the diagram in Figure 2.2.

**Figure 2.2 The Critical Interdependencies for Service Delivery**



Source: Segal - Horn (1988)

This diagram suggests that service delivery and the resultant interactions are dependant on three key inputs, these being the core service concept, the corporate culture and the systems/ technology. The core concept is the specific distinctiveness of the service being offered (i.e. for American Express it would be integrated travel related services). The corporate culture, which will be discussed in more detail in Chapter 4, involves the attitudes and values of the service personnel. Finally the systems/ technology element relates to the processes, procedures and technology available to deliver the service. Segal -Horn explains that the management of service delivery is about "creating and maintaining an equilibrium between these three core elements.

Using case studies Segal-Horn (1988) described this equilibrium management as the management of the "critical interdependencies" and sees each axis of the triangle as requiring specific management activities:

**axis a (core concept / corporate culture)** - Human Resource Management Issues - Objectives, Image, Power distribution, Motivation, Attitudes, Rewards, Promotion, Selection, Training, Job Design, Style

**axis b (corporate culture/ systems technology)** - Operations Management Issues - Service levels, Quality measures, Support mechanisms, Cost management

**axis c ( systems technology / core concept)** - Structural Management Issues - Structure, Distribution, Scope, Formalisation, Time management, Resource Allocation, Planning and Control.

Although Segal-Horn (1988) provides only limited justification for the exact categorisation and groupings used, this model does re-emphasise the service providers' inputs to the servuction process( i.e. the back office process / technology , the front office systems / environment and the human element). It also highlights the need for co-ordinated management of these inputs.

The next section considers the role of marketing in the co-ordinated management of the service delivery inputs.

## 2.4 The Role of Marketing in the Management of Service Delivery

Gronroos(1982 ) stated that the marketing function in a service organisation must consider more than simply the traditional elements of marketing but must also become involved in the activities which are critical to the buyer-seller interactions of the service encounter. Booms and Nyquist(1981) also saw the management of the customer/employee interface as "an important services marketing task".

Berry(1983), Lovelock (1984) and Gronroos(1982) talked about the need for interactive marketing in services . This interactive marketing tackles the third of the three objectives of services marketing identified by Gronroos(1980):

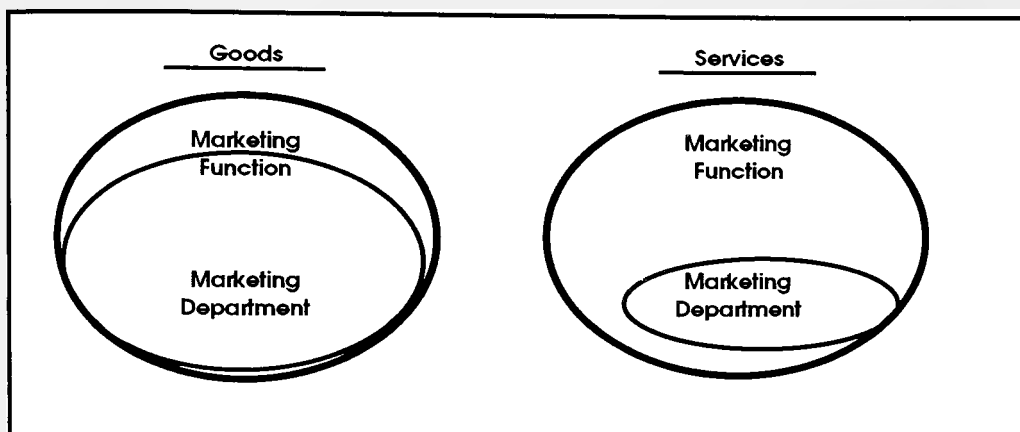
1. To create interest in the company and its service offerings.
2. To turn the general interest into sales by activities during the purchasing process.
3. To guarantee resales by activities during the consumption process.

Where product marketing involves significant activity on the first two objectives, it normally requires only limited effort in terms of warranties and after-sales service for the third objective. However, the service operation requires significant management during the consumption phase if repeat business is to be achieved.

Therefore Gronroos(1980) saw the management of the interactions of customers, service personnel and the service provider during consumption as being a marketing task. He saw this as causing difficulties in many service organisations, as the marketing department does not have the necessary authority to manage buyer/seller interactions. Other departments such as operations, human resources and technology departments all have an influence on the buyer / seller interaction. In product organisations, the interaction is mainly controlled by sales and marketing supported by a passive transport operation. Gronroos(1980) illustrated this with the following diagram (FIG 2.3)

This emphasises the distinction between the marketing department and the marketing function (Gummesson, 1993). Where the marketing department is the unit designed to work solely with marketing and sales activities and the marketing function relates to all activities that influence customer relations.

**Figure 2.3 The Relationship Between the Marketing Function and the Marketing Department**



source: Gronroos, 1980

Czepiel (1980) reiterated this by stating that:

"Operations must recognise the extent to which marketing is an integral part of every operations decision down to the service provider level, and marketing management must recognise the extent to which operations are intimately intertwined with marketing decisions"

Operating decisions influence marketing as the customer is in contact with the service delivery system during consumption. Sasser(1976) emphasised that marketing actions similarly affect operations as aspects of the marketing mix can influence demand patterns and consumer expectations.

Gronroos's (1980) solution to this, is that service companies should have no marketing department at all or only a very small marketing department. As a result, the total marketing function is not expected to be initiated and implemented within a marketing department, instead, all relevant departments are responsible for the service delivery process and the meeting of customer expectations. This requires some form of marketing co-ordinator in the top management team looking after the interests of the customer. Gummesson(1991) used the term "part - time marketer" to describe staff working in service organisations who may not have any direct-line management responsibility for marketing, but whose activities may indirectly impinge on the quality of service received by customers.

Where a marketing department does exist, Mayo(1990) sees a need for co-operation between the functions of marketing and human resources management if a company is to achieve a superior position in the marketplace.

Czepiel ( 1980), on the other hand, stressed the need for the integration of the marketing and operations departments working on the ultimate goal of customer satisfaction. He notes, however, the difficulty in achieving this integration:

"Integrating marketing and operations for the benefit of the customer and business is neither an easy nor an automatic task"

Czepiel goes on to suggest that integration may simply involve direction and control from senior management. Or as in the case of one of the airlines he researched , it may involve the splitting of responsibilities and the establishment of task forces. The airline's operations department controlled the components of the core product such as destinations, schedules and seats. Whereas the marketing department controlled the manner in which the service was delivered (in flight services planning and personnel, ramp and food services, tickets and reservations systems, personnel). Integration occurred through the creation of a series of continuing task forces and committees.

Such cross-functional links were highlighted by Giles(1988) who saw the need for "a structured iterative marketing planning process" . This would involve the creation of cross-functional teams of managers designing marketing plans for markets or market segments selected by top management. As a result the marketing problem defines the agenda, rather than having it determined by the structure of the organisation.

Rushton and Carson (1983) quoted the example of a marketing manager of a chain of restaurants who commented that he had no say in the recruitment of front-line staff. This reduced the direct control he had over marketing and meant he had to work through others to achieve his marketing aims.

The literature clearly emphasises the need for the co-ordination and integration of the various management functions for successful service delivery. However, the specific role of a marketing department in this integrated approach is far from clear and requires further research.

The remainder of this chapter considers the elements of service delivery that an integrated management process would need to address.

## **2.5 Managing the Environment**

As discussed in Section 2.3, the physical environment is one of the key elements in service delivery to be managed. Kotler(1973) coined the term *atmospherics* to describe the conscious planning of the service environment to contribute to the buyers purchasing propensity. This definition was further developed for services marketing by Greenland and McGoldrick(1992) as follows:

"Atmospherics is the tailoring of the designed environment to enhance the likelihood of desired effects or outcomes, such as:

- Greater user satisfaction, including both staff and customers;
- Improvement in the image of the product or service provider;



- Increased efficiency in the function of that environment, for example, greater productivity, increased sales and enhanced usage rates. "

Shostack (1984) saw the service environment as playing "an enormous role" in influencing the reality of a service in the consumer's mind. However, Shostack's view was not based on empirical research and Uhl and Upah(1983) pointed out that there have been few, if any, empirical studies designed to address the issue of the impact of the immediate physical environment on consumers. As stated by Greenland and McGoldrick(1992), one of the difficulties in the investigation of the service environment impact is that many of the attributes making up an environment exert their effects at or below the conscious level of awareness, which can lead to inaccuracies and misinterpretations of findings. There is, however, a rapidly growing discipline entitled "environmental psychology" which attempts to study environment - behaviour relationships. As summarised by Bateson(1992), the discipline is based on the hypothesis that the physical characteristics of the environment create an emotional state within individuals which affects behaviour. Most of the activity in this area has been directed at the environments connected with work, housing, entertainment and public buildings (Craik, 1973; Mehrabian, 1976; Stokols, 1978) rather than the service sector. Some limited research has claimed large effects from manipulating the retail environment through layout, lighting, colour and music (Wysocki, 1979; Stevens 1980) but their evidence is purely anecdotal.

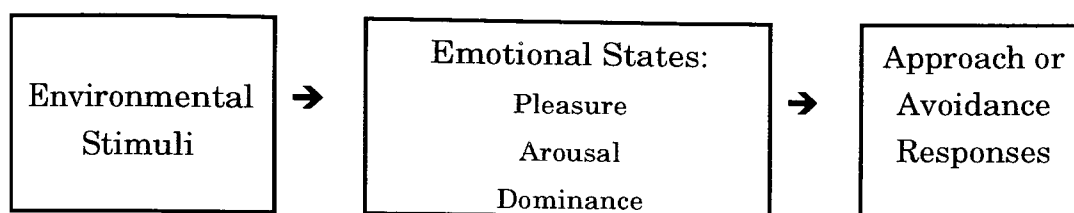
Donovan And Rossiter(1982), however, tested a model developed by the environmental psychologists, Mehrabian and Russell(1974) in the retail environment. The model was based on the hypothesis that all responses to an environment can be considered as approach or avoidance behaviours. Approach behaviours relate to a willingness or desire to enter, remain in, explore, interact with and return to the environment. Avoidance behaviours relate to the opposites of the above; dissatisfaction, feelings of anxiety or boredom, unfriendliness to others and a desire to leave the environment and not return.

These behaviours are determined by an individual's emotional state in the environment . This emotional state is characterised in terms of three dimensions. These being:

- Pleasure  $\leftarrow \rightarrow$  Displeasure
- Arousal  $\leftarrow \rightarrow$  Nonarousal
- Dominance  $\leftarrow \rightarrow$  Submissiveness

The model is shown in Fig 2. 4.

**/Fig 2.4 The Mehrabian - Russell Model**



Source: Mehrabian & Russell (1974)

Donovan and Rossiter's (1982) testing of this model in the retail environment suggested that the model had some application in the retail environment. However, the empirical research was limited to 60 students expressing their views about particular retail environments and stating their likely behavioural intentions. The nature of the sample and the use of stated behavioural intentions rather than actual behaviours provides an exploratory view of the subject. With this caveat, it is important to note that whereas dominance did not seem relevant in the retail environment, pleasure and arousal had an impact on anticipated behaviour. Tentatively, elements such as novelty, irregularity(pattern of layout), in particular seemed to have a direct impact on these emotions. However, further research is needed to identify the stimuli in the service sector which determine the levels of pleasure and arousal.

Overall, there seems to be clear agreement that the service environment or service setting is an important part of the service delivery process (Shostack, 1984; Mudie and Cottam, 1993; Bateson, 1992; Bitner, 1990, 1992; Wener, 1985). Therefore aspects such as those identified by Bitner (1992) require to be designed and managed:

- ambience - temperature, air quality, noise, music, odour, lighting
- space - layout, equipment, furnishings
- signs, symbols, artefacts - style of decor, objects displayed, colour

However, at present, there is little empirical evidence to confirm the completeness of this listing or to identify those elements which have the greatest direct impact on the service encounter.

## **2.6 Managing the Inputs, Systems and Procedures**

In addition to the management of the physical environment, effective service delivery requires the inputs, systems and procedures to be planned and controlled.

In manufacturing, the term operations management has been used to describe the management of the inputs and procedures involved in creating outputs. Vollman (1973) described operations management as encompassing all "systems of men, materials, capital, equipment, information and money to accomplish some set of objectives".

Specifically for the service sector, Harris (1989) developed the following definition:

"Operations management is the management of a system which provides goods or services to or for a customer, and involves the design, planning and control of the system."

He also suggested that the major objectives of this activity are firstly the provision of customer satisfaction and secondly the effective and efficient use of all resources. The resources could include:

1. People and Skills (manual or cerebral skills)
2. Physical Assets (vehicles, computers, cooking equipment)
3. Information (on customers, service requests)

- 4. Materials (office supplies, cooking ingredients)
- 5. Finance

These resources require to be efficiently converted into a service which is delivered to and satisfies customers.

Although the concept of operations management is similar in both the service and manufacturing sectors, the delivery of a service does provide some unique challenges to the activity. Bateson (1992) described the Servuction System as an operations "nightmare", since it is impossible to use inventories and impossible to decouple the system from the market. Customers arrive at the service organisation at unpredictable rates, this creates significant problems in capacity planning and utilisation. The continuously changing nature of the behaviour of the contact personnel and customers also creates problems in maintaining constant levels of customer satisfaction.

Within the operations management literature and in practice, these difficulties in the delivery of services have been tackled in one of three ways:

1. The minimisation of the customer contact component through the use of technology for increased automation and / or communications.
2. Developing a "production line approach" (Levitt, 1972) to the delivery of services
3. Managing Demand and Creating Flexible Capacity

Considering each of these in turn.

### **2.6.1 Minimising Customer Contact**

In order to manage customer contact, it is firstly important to understand the nature of the service operation (Bateson, 1992). Lovelock (1983) stated that two fundamental issues need to be considered, these being at whom(or what) is the service operation directed, and is this operation tangible or intangible in nature.

Lovelock (1983) used these questions to develop a four-way classification for services:

- 1) tangible actions to people's bodies(i.e. airline transportation, haircutting and surgery)
- 2) tangible actions to goods and other physical possessions (i.e. air freight, janitorial services)
- 3) intangible actions directed at people's minds (i.e. broadcasting and education)
- 4) intangible actions directed at people's intangible assets (i.e. insurance, banking, legal services)/

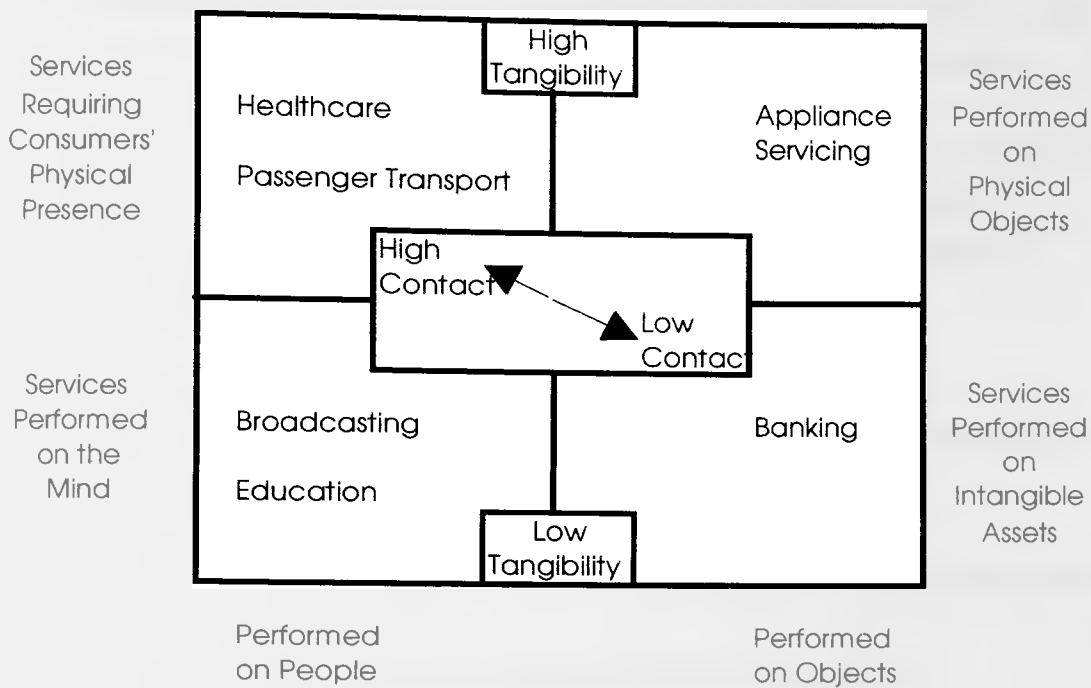
Chase and Tansik(1983) adopted a relatively similar approach but placed service systems along a continuum from high customer contact to low customer contact and Palmer(1994) adopted a diagrammatic classification (see Figure 2.5).

Palmer's (1994) diagram and the resultant understanding of the nature of the service operation allows a company to decide whether a customer needs to be:

1. present throughout service delivery
2. only present to initiate or terminate the service transaction (i.e. a dry cleaning service)
3. present at all (i.e. organising an insurance policy by post)

For example, service encounters in the upper-left quadrant of figure 2.5 represent the most intense type of service encounter as the customer and the service provider are required to physically meet in order for the service to be performed. Whereas in the lower-left hand quadrant, the service production process can in many cases be separated spatially from the consumption of the service. Listeners to a radio station or students requiring education do not necessarily have to physically come into contact with the providers to receive the benefits of the service. The activities involved in the upper right hand quadrant only require the service provider and customer to meet to initiate or terminate the service. Finally services on a customer's intangible assets(lower right-hand quadrant) may require little or no need for the customer to be physically present during the service production process(i.e. fund management).

**FIGURE 2.5: A Classification of Service Encounter Types**



Source: Palmer(1994)

The nature of contact between the service provider and the customer highlighted by this classification has major implications for the management of the service delivery process and the design of systems and procedures. In high contact services, the location of the service encounter, the difficulties involved in controlling quality and the management of demand need to be addressed. In low contact services, the technology in terms of computers, telephone switchboards as well as the procedures and documentation become more critical.

Chase(1978) suggested that many services could reduce face - to - face contact to exceptional situations with many of the routine transactions being handled by telephone or mail. Many banks and building societies are offering telephone banking services and postal accounts. Travel companies, theatres, and cinemas are all offering telephone based reservation services. All of these have come about as a result of computer technology and efficient telecommunications networks.

In certain instances, a high degree of customer contact can be used to differentiate the service from its competitors. Where this is the case, the operational costs have to be traded against the competitive benefits.

In addition to the level of contact, changes can also be made to the level of customer involvement in the service delivery process. The level of involvement, was labelled by Silpakit and Fisk(1985) as the level of customer participation. Their definition is as follows:

"Customer participation is the degree of consumers' effort and involvement, both mental and physical in the production and delivery of a service"

This is different from customer contact which was defined by Chase(1978) as:

" The physical presence of the customer in the system"

Therefore two services which may both have high levels of contact such as dentistry and physiotherapy may require different levels of customer participation. The level of participation may alter as a result of the introduction of new technology or changes in customer attitudes.

Palmer(1994, p157) provided examples of services where the boundary between the customer and the service provider has been redefined to include greater production by the customer:

- " 1. petrol stations which have replaced attendant service with self-service
- 2. The Royal Mail, which gives discounts to bulk mail users who do some pre-sorting of mail themselves
- 3. railway operators who have replaced porters with self-service luggage trolleys
- 4. restaurants which replace waiter service with a self-service buffet"

As stressed by Silpakit and Fisk(1985) the changing nature and different combinations of participation and contact will have a significant influence on the service delivery process, the servuction system and ultimately customer behaviour. Care must be taken to ensure that the operations management objective of effective and efficient use of resources doesn't

occur at the expense of customer satisfaction. Bateson(1992) therefore claimed that marketing should have a major role in evaluating and implementing alternative approaches.

### **2.6.2 Developing a "production line approach"**

Much of the literature on the development of a " production line approach" or the "industrialisation of services" stems from an article written by Levitt in 1972. In the article, Levitt (1972) advocated that service managers should take a manufacturing approach to services by substituting "technology and systems for people". He used the example of McDonald's Hamburgers to illustrate that economies of mass production may increase customer satisfaction where speed, consistency and price savings are important. This type of operation he described as "a factory in the field" which customers enter at the specific point in time that they need a service.

This approach is countered by a number of authors, Schlesinger and Heskett(1991) as well as Uhl and Upah(1983) pointed out that there are possible counterproductive outcomes of adopting the mass-production approach to services. These negative outcomes include customer disaffection and high employee turnover resulting in flat or falling sales. Schlesinger and Heskett(1991) state that the "McDonalds Approach" puts the service providers last rather than putting them first and designing the business system around them. They emphasised that many front-line , customer contact jobs are designed to be as simple and narrow as possible, so that they can be filled by anyone, as there is little need for additional thinking or initiative. This, they claim leads to bored unfulfilled employees and ultimately poor service.

What these criticisms do not fully take account of, is that firstly the "industrialisation of a service" is only likely to be adopted where it can satisfactorily meet customer needs. Secondly, there are many ways of industrialising a service encounter. Palmer (1994) suggested three approaches, of which, only the first may seriously impact on employee morale. The approaches are as follows:



### **1. The Provision of "Scripts" or operating procedures for role performance.**

Service providers must be able to go through a set routine with each customer. This may relate to specific actions or even the actual wording used in both face-to-face and telephone communications. At a managerial level, many jobs have been de-skilled by instituting formalised procedures, which replace much of the judgement previously made by managers(i.e. making loan decisions in banks). This may not necessarily help to increase efficiency but it may result in a standard level of service being given to all customers. Flexibility and personalisation of the service is very limited. In many cases it may also require significant customer participation. In McDonalds, customers are expected to have their order ready at the till, take their meal to a table and clear their own table.

### **2. The rationalisation and simplification of services available.**

Maintaining services that are purchased only occasionally or by a relatively few customers impacts on the efficiency with which the popular or core services are produced. As stated by Bateson(1992), customisation must be kept to a minimum, customers must select from a set menu of standardised services. McDonalds, Kwik-fit( the exhaust fitting service), and telephone share dealing services provide a limited menu of options to the customer.

### **3. Replacing human inputs with machine based inputs.**

Machines such as automated teller machines and ticket issuing machines can replace human inputs and provide a range of standardised services to customers. The introduction of such machines may remove many of the routine tasks undertaken by service personnel allowing them to undertake potentially more complex and interesting tasks.

Machines such as bar code scanners and computer terminals may also assist service personnel in undertaking their tasks, allowing them to become more productive.

As stated earlier, the servuction system creates major capacity -planning problems. These problems may relate to peaks and troughs in demand which may be unpredictable or time specific( i.e. morning peaks). During periods of high demand the quality of service delivery may suffer. As stated by Lovelock(1988), at any given point in time a service - organisation may be faced with one of four conditions:

1. Demand exceeds maximum available capacity with the result that potential business may be lost.
2. Demand exceeds the optimum capacity level; no one is turned away but the quality of service deteriorates.
3. Demand and supply are well balanced.
4. Demand is below optimum capacity, as a result customers may find the experience disappointing.

Sasser(1976) and Lovelock and Young(1979) suggested the creation of flexible capacity. This is principally brought about by the use of part-time staff or the movement of staff onto customer - service jobs during periods of peak demand. Flexible capacity can also be brought by developing alternative delivery systems such as ATMs (Rhyne,1988).

The alternative approach is to move the time of demand to fit capacity or in Berry's(1983) words "to reshape the demand supply patterns". Lovelock and Young(1979) explained that this can be achieved by marketing strategies involving differentiated pricing policies (i.e. off peak reductions), communications( promoting the service at non-standard times) and reservation systems.

This again demonstrates how elements of the marketing activity require to be integrated with the management of the service delivery operations.

## **2.7 Managing the Service Personnel**

Palmer(1994) described service management as the bringing together of the principles of marketing, operations management and human resource

management. This section considers the service delivery decisions relating to human resources. Normann(1991) stressed that the Human Resource Management function within service companies cannot be regarded as an auxiliary or merely supportive function. For top management it is a crucial strategic issue. Guest (1989) divided HRM into two component parts, termed "Hard" and "Soft". The hard element is principally concerned with efficiency and worker productivity. The softer element relates to the development and encouragement of employees in order that they participate within the organisation. The importance of this second element is emphasised by an exploratory study undertaken by Schlesinger and Heskett(1991) which suggests that customer satisfaction is rooted in employee satisfaction and retention more than anything else. Such satisfaction and retention may be difficult. Rhyne(1988) stated that front-line service jobs typically have the lowest pay, the least training and development, the lowest potential for growth and advancement, and the highest turnover.

This may change as the activities of the human resource function are seen as an integral part of the service delivery process. As stated by Palmer (1984) , the following activities have to be integrated with the marketing and operations inputs to the process:

### **1. Recruitment and Selection**

Recruitment policies should reflect the profile of the customers, with the selection of staff being based on their ability and willingness to satisfy customer needs. The skills required for operating equipment and processing the components of the service encounter are also important.

### **2. Training and Development**

Although the Hard element of HRM emphasises labour as a factor of production to be used like any other raw material, this may lead to an alienated and poorly motivated workforce which in turn will impact on the quality of service provided. Therefore the goal of soft HRM is to train and develop labour as the organisation's most valuable resource.

### **3. Career Development and Reward Mechanisms**

The retention of staff is often directly related to the quality of reward on offer. In Atkinson's model(1984) , core employees rather than part-time, temporary staff were seeking a clearly defined career - progression pathway. Otherwise all staff were influenced by the quality of reward on offer. From the organisation's point of view , some form of performance related pay can influence not only the efficiency of transactions but also the level of sales and marketing activity undertaken by front - line staff.

### **4. Monitoring and Controlling Staff**

This involves the monitoring of performance relative to the organisational goals, but also the elements of supervision, employee participation and teamwork necessary to meet these goals.

Normann(1991, p59) emphasised the importance of undertaking these activities and effectively managing people, as service personnel are:

"essential in analysing and interpreting what is happening in the marketplace, their creative capacities are required to design and refine the product offerings and the service delivery system, their discretionary capacities construct the 'fit' between the product offering and the customers needs, and they are the 'face' of the service organisation at the 'moments of truth' "

## **2.8 Summary**

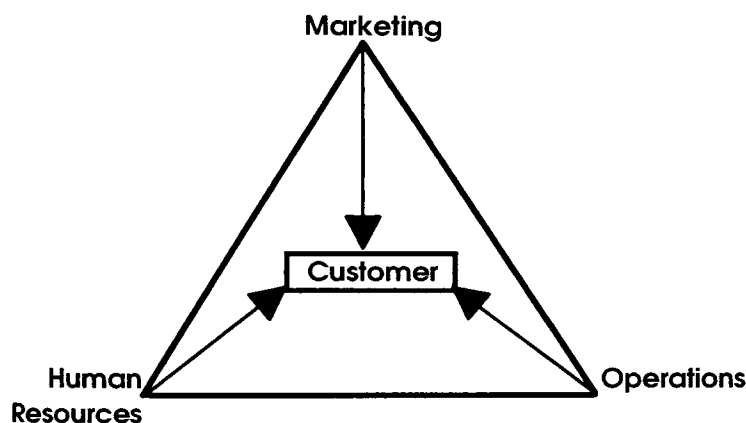
This chapter has defined service delivery as all of the activities involved in taking a service offering and bringing about the completion of a service encounter. Where a service encounter involves the mutual interaction of a customer and any of the components of a service organisation. These components may include service personnel, technology, operating procedures and the physical environment.

The delivery process is probably best explained with the servuction system model developed by Langeard et al.(1981). This model shows the process as an interacting system of:

1. The process, systems, and backroom personnel
2. The technology and physical design elements that the customer comes into contact with.
3. The service providers
4. The Customer
5. Other Customers

The involvement of each of these elements raises major questions about the role of specific management functions within service organisations. As discussed in Section 2.4 and as illustrated in Rhyne's(1988) diagram (Figure 2.6), the service delivery process involves the co-operation and potential integration of the marketing , operations and human resource functions.

**Figure 2.6 Cooperation in the Service Delivery Process**



Source: Rhyne (1988)

The specific role of each of these functions in the provision of a successful service is far from clear. However, the chapter clearly demonstrates, that in addition to the normal activities involved in marketing management, there is a need for marketing to be involved in the management of the service environment, the inputs / systems / procedures and the service personnel. This may suggest the need for a different structure in a service organisation , similar to the airline example quoted by Bateson(1995) which had restructured around the servuction model with all departments who had any form of direct contact with the customer reporting to the

head of marketing. Alternatively, it may mean that specialist departments and managers are inappropriate in service organisations and that management teams with skills in all three functions are required.

Overall, the optimum management approach and structure to deliver a quality service is unclear in the literature and therefore requires further research. As a starting point, Chapter 3 will consider the nature of service quality and the components which are considered as being critical to its provision.

## **Chapter 3. The Quality of Service Delivery**

### **3.1 Introduction**

Chapter 2 has emphasised the importance to a service organisation of the delivery system and the resultant interactions between the buyer and the seller. Much of the literature (i.e. Leonard and Sasser, 1982; Rabin, 1983; Bateson, 1992; Lewis and Booms, 1983) states that it is the quality of service delivery which is critical to success rather than simply the form of delivery. In particular, a significant number of authors view quality of service delivery as being crucial in developing a differential advantage over the competition (Reichheld and Sasser, 1990; Ross and Shetty, 1985; Leonard and Sasser, 1982; Day and Wensley, 1988). This chapter therefore considers the nature of quality in the service delivery context.

The literature in discussing this area uses a variety of terms such as service quality, customer service and customer satisfaction. The first part of this chapter will seek definitions for these terms as well as an understanding of how they inter-relate. Much of the theoretical work in the area of service quality has been developed by one of two academic groups, a group of Scandinavian researchers (the Nordic School - Gronroos, Gummesson, Lehtinen & Lehtinen) and a group of American researchers (the North American School - Parasuraman, Zeithaml & Berry). The chapter will therefore consider the work of these two "schools" with particular reference to the components which are considered to be critical to quality in service delivery. The chapter then considers the key management tasks involved in the provision of service quality and the perceived benefits of offering quality service. The theme throughout the whole of this chapter is the importance of service employees and their management to the delivery of service quality.

### **3.2 Definition of Service Quality**

There is no single common definition used by researchers for the term service quality. This is confirmed by Brogowicz et. al (1990) and Lewis (1989) who comment on the lack of "clear-cut" and generally accepted definitions. The definitions that do exist tend to be vague and all

- encompassing with much of the literature referring to the manner in which service quality is evaluated rather than defining exactly what it is. In order to develop a definition, it is necessary to start with the concept of quality. Wyckoff(1988) described quality as:

"The degree of excellence intended, and the control of variability in achieving that excellence, in meeting the customer's requirements"

The emphasis here is on the planned excellence of the organisation or product / service in meeting customer requirements and the consistency with which this excellence is provided. Therefore quality would seem to come about as a result of the tasks of planning and control with respect to the meeting or exceeding of customer requirements.

The theme of quality relating to conformance with customer requirements is supported by a number of authors ( Crosby, 1979; Gummesson, 1988; Hutchins, 1986; O'Connell, 1986; Smith, 1987; Buzzell and Gale, 1987; Ballantyne et al., 1995). In the provision of products, the planning and control elements may lead to a specialised function concerned with quality control employing procedures and technical specifications for measuring consistency, thus focusing on the principle of ensuring quality during the manufacturing process and the reduction of end of production line failures. Bateson(1992) stated that quality in the service sector cannot be viewed in the same way. In many services, the customer is a participant in the production process, he therefore suggests that quality control measures that depend on eliminating defects in the factory before the consumer sees the product will not suffice. Instead it has to be an integral aspect of all service management. Normann(1991) also described it as a general philosophy which pervades a whole organisation and all of its activities.

Quality in the service sector or service quality, as it is usually described, was seen by Lehtinen and Lehtinen(1982) as being focused on the interaction between a customer and elements in the service organisation.

In particular, Lewis and Booms(1983) defined service quality as being a measure of how well the service level delivered matches customer expectations. Parasuraman et al. (1988) also defined service quality as



the difference between consumer expectations and their perceptions of the service delivered. These definitions emphasise that it is more than simply the outcome requirements of the customers (i.e. to be fed or to get their hair cut), it is their expectations of the whole of the service experience. These expectations may vary according to the customer, the specific service and the customer's perception of the service provider. For example, customers may expect different levels of service from an airline in comparison to a railway and even within airlines they may expect different levels of service from Aeroflot in comparison with British Airways. As will be discussed later in this chapter, expectations arise from a variety of sources including previous experience with the provider and/or its competitors or from friends, the press or a service provider's advertising.

If each of these elements and definitions of quality and service quality are combined, the consensus from the academic literature suggests that:

Service quality is the excellence with which an organisation meets customer requirements and expectations especially in those elements where there is direct interaction between the customer and the organisation.

In discussing service quality much of the literature also refers to customer satisfaction. Nagel and Cilliers(1990) saw service quality and customer satisfaction as "two sides of the same coin". Service Quality being viewed from the organisation's point of view and customer satisfaction being viewed from the market perspective. However, in the same article, they used a quote from Feigenbaum(1983) to emphasise that quality is a customer determination, not a marketing or general management determination. Gronroos (1978 and 1984 ) also stressed that service quality is the consumer's perception of the quality of a service. This would suggest that service quality and customer satisfaction are on "one side of the same coin". Smith and Houston (1982) claimed that satisfaction is the outcome of the evaluation a customer makes related to the confirmation or disconfirmation of expectations. This suggests a customer is satisfied when the service quality meets or exceeds expectations, if the service fails to meet expectations, dissatisfaction results.

This leads to the following definition for customer satisfaction:

Customer satisfaction is the outcome of the evaluation a customer makes with regard to an organisation's level of service quality.

An organisation cannot control customer satisfaction, however, it can influence customer satisfaction through the provision of excellent service quality.

Customer Service is another term that is intertwined with service quality. Christopher(1983) described customer service as the implementation or operationalisation of service quality. There is general agreement that this is the main crux of customer service, however, there is some disagreement about the actual scope of these implementation activities.

Webster(1983),advocated that it is all of the processes, policies and procedures that help to develop a customer orientation throughout an organisation. Lovelock(1988) used the term customer service in a narrower sense by stating that customer service is the activity involving interactions with customers which has the dual roles of creating operational efficiency and customer satisfaction. Smith and Lewis(1989), based on interviews with 31 major organisations described customer service as focusing specifically on tactical issues serving customer's immediate needs. Peel's paper(1987) supported this tactical view by defining customer service as:

"Secondary activities undertaken by an organisation to maximise customer satisfaction in its primary activities."

He describes primary activities as the supplying of goods or services, and the design, marketing, selling, purchasing, assembly, manufacturing and accountancy that go with this. Secondary activities include:

1. The activities involved in ensuring that a product or service is delivered to the customer on time in the correct quantities.
2. The interpersonal working relationships between the staff of a supplier and a customer.
3. The provision of after-sales repair and maintenance facilities.

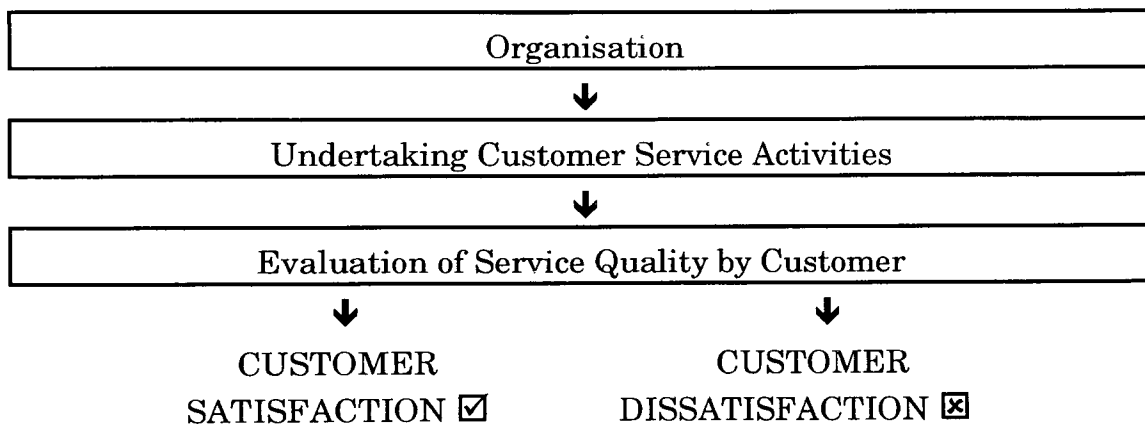
4. The department of an organisation which handles customer complaints.
5. The order-taking department of an organisation.

Overall, whether the specific activities relate to company - wide policies and procedures or specific tactical issues when interacting with customers, the common threads in these definitions would suggest that:

Customer service can be defined as the activities undertaken by an organisation to implement and operationalise excellent service quality.

The interrelationships between the concepts of service quality, customer satisfaction and customer service can be illustrated by the model in Fig. 3.1.

**Fig 3.1 The Interrelationships Between Service Quality, Customer Satisfaction and Customer Service**



### 3.3 Dimensions of Service Quality

If service quality is an evaluation of the excellence with which an organisation meets customer requirements and expectations, it is next appropriate to consider the dimensions that are involved in that evaluation. Lehtinen(1985) defined three basic dimensions as:

- a) Institutional Quality - refers to the image of the service organisation in the market - place.
- b) Interactive Quality - refers to the interaction between the individual customer and the contact person or the systems of the organisation.
- c) Physical Quality - refers to the physical surroundings, equipment and any product consumed during the service production process

These dimensions have similarities to those proposed by another author from the Nordic School, Gronroos(1984) who suggested three dimensions of service quality :

- a) Technical Quality - the outcome of the service encounter. For example, a bank's customer expects that the bank statement will be accurate and that standing orders are paid on time. Many of these things can be measured by the customer in a rather objective manner.
- b) Functional Quality - the manner in which the service is provided. This is measured in a very subjective manner and includes elements such as:
  - the attitudes and behaviour of employees
  - appearance and personality of service personnel
  - approachability of service personnel
  - service mindedness of personnel
- c) Corporate Image - based on a combination of traditional marketing activities such as advertising and public relations. as well as a result of a customer's perceptions of the organisation's previous performance in terms of technical and functional quality dimensions.

Although the three elements are interrelated Gronroos concluded that functional quality is more important in a customer's evaluation of service quality than are other variables. However, this over - simplifies a complex evaluation undertaken by customers. Excellent functional quality is immaterial if the basic technical quality and to a lesser extent the corporate image doesn't meet customer requirements. In the eyes of the customer, technical quality is often experienced as though it were functional quality. For example staff attitudes and behaviour may be blamed for service problems if internal systems and procedures are failing to support front-line staff. Basically Gronroos's categorisation merely separated the objective evaluation criteria from the subjective evaluation criteria (splitting the subjective criteria into service delivery and image).

These three groupings suggested by Gronroos compare with the ten determinants of service quality identified by Parasuraman et al.(1985) from the American school. The research undertaken by Parasuraman et al. involved conducting three focus group interviews in each of the following service sectors: retail banking, credit cards, securities brokerage and product repair and maintenance services. The researchers claim that virtually all comments consumers made in these interviews about service expectations fell into one of the following ten categories:

**Reliability** - consistency of performance and dependability. It means that the firm performs the service correctly first time.

**Responsiveness** - the willingness or readiness of employees to provide the service

**Competence** - the possession by contact and support personnel of the required skills and knowledge to perform the service

**Access** - approachability, ease of contact and the convenience of the service

**Courtesy** - politeness, respect, consideration and friendliness of contact personnel

**Communication** - listening to customers and keeping them informed in language they can understand

**Credibility** - trustworthiness, believability and honesty.

**Security** - financial security, confidentiality and physical safety

**Understanding the Customer** - making the effort to understand the customer's needs and providing individualised attention

**Tangibles** - the appearance of the physical facilities, staff and the equipment used to provide the service

The relative importance of each of these categories is likely to vary from one service industry to another and in certain services some of the categories may be of no relevance at all. However Parasuraman et al. saw these characteristics as almost an exhaustive list of the determinants of service quality in most ( if not all) consumer service industries. One criticism of this approach is that the boundaries between each of the categories are slightly blurred. For example there is overlap between security and credibility as well as between communication and understanding the customer. Earlier research by authors such as Sasser

et al(1978) may also raise questions about the value of such a list. Sasser et al(1978) suggested that there are three models of how consumers evaluate the quality of a service:

1. there may be one over-powering attribute that forms the basis of judgement about a service.
2. there may be a single attribute but with accompanying threshold minimum levels on other attributes
3. there may be a weighted average of attributes across a range, considered to be important

This suggests that Parasuraman's ten dimensions can only be used to measure service quality if their relative importance to individual customers can be assessed. As a result the same authors(Parasuraman, Zeithaml and Berry(1988)) built on their earlier work and developed a multiple - item scale for measuring service quality (called SERVQUAL ). Initially 97 items were used in this scale representing various elements of the 10 service - quality dimensions described above. Each item was recast into two statements, one to measure customer expectations about the service category in general and the other to measure perceptions about the service quality being provided by the organisation being assessed. In addition a seven-point scale ranging from "Strongly Agree" to "Strongly Disagree" was used with each statement. After refinement and testing, the final version consisted of five dimensions and a final 22 - item scale. The iterative procedure retained only those items that were relevant and common to all of the service organisations examined in Parasuraman et al.'s(1988) study(a bank, a credit- card company, a firm offering appliance repair and maintenance service and a long-distance telephone company). The five dimensions remaining consisted of three of the original dimensions shown above and two combined dimensions:

**Reliability** - the ability to perform the promised service dependably and accurately.

**Responsiveness** - the willingness to help customers and provide prompt service

**Tangibles** - the appearance of the physical facilities, personnel and communication materials

**Assurance** - the knowledge and courtesy of employees and their ability to convey trust and confidence

**Empathy** - the caring, individualised attention provided to the customer

The last two dimensions (assurance and empathy) contained items representing seven original dimensions - communication, security, credibility, courtesy, competence, understanding/knowing customers and access - that did not remain distinct during the refinement and testing stages.

In spite of criticisms of the general applicability of the 22 items in the SERVQUAL instrument (Carman, 1990; Cronin & Taylor, 1992; Teas, 1993; Brown et al., 1993; Smith, 1995), the five dimensions set out above have been widely accepted by researchers in the services marketing field. Reliability is seen as being largely concerned with the service outcome of service provision. Tangibles, responsiveness, assurance and empathy are more concerned with the service process / service delivery. In particular, three of these service delivery dimensions (responsiveness, assurance and empathy) are very much dependant on the employees delivering the service.

Parasuraman et al. (1991), in a later article, built on the identification of these dimensions by suggesting that customers' service expectations have two levels: desired and adequate. This suggestion was based on the findings of sixteen customer focus group interviews representing business and end - customers of a wide diversity of services.

The desired service level is the service the customer hopes to receive. The adequate service level is the predicted or adequate level of service. The quality of service between that of the desired level and the adequate level is termed the zone of tolerance. This zone varies from customer to



customer and from one situation to the next for the same customer. In particular Parasuraman et al (1991) hypothesised that the zone of tolerance for the process dimension of service ( responsiveness, assurance, tangibles and empathy) is likely to be larger than for the outcome dimension(reliability) . In effect, companies are supposed to be accurate and dependable and provide the service they promised to provide, whereas customers may be willing to accept less than their desired quality of service delivery if they obtain the service outcome that they seek. Parasuraman et al.(1991) emphasised that the tolerance zones vary as a result of experience, expectations of an affiliated party, number of perceived service alternatives and specific situations such as an emergency or in response to a complaint.

### **3.4 Managing Service Quality**

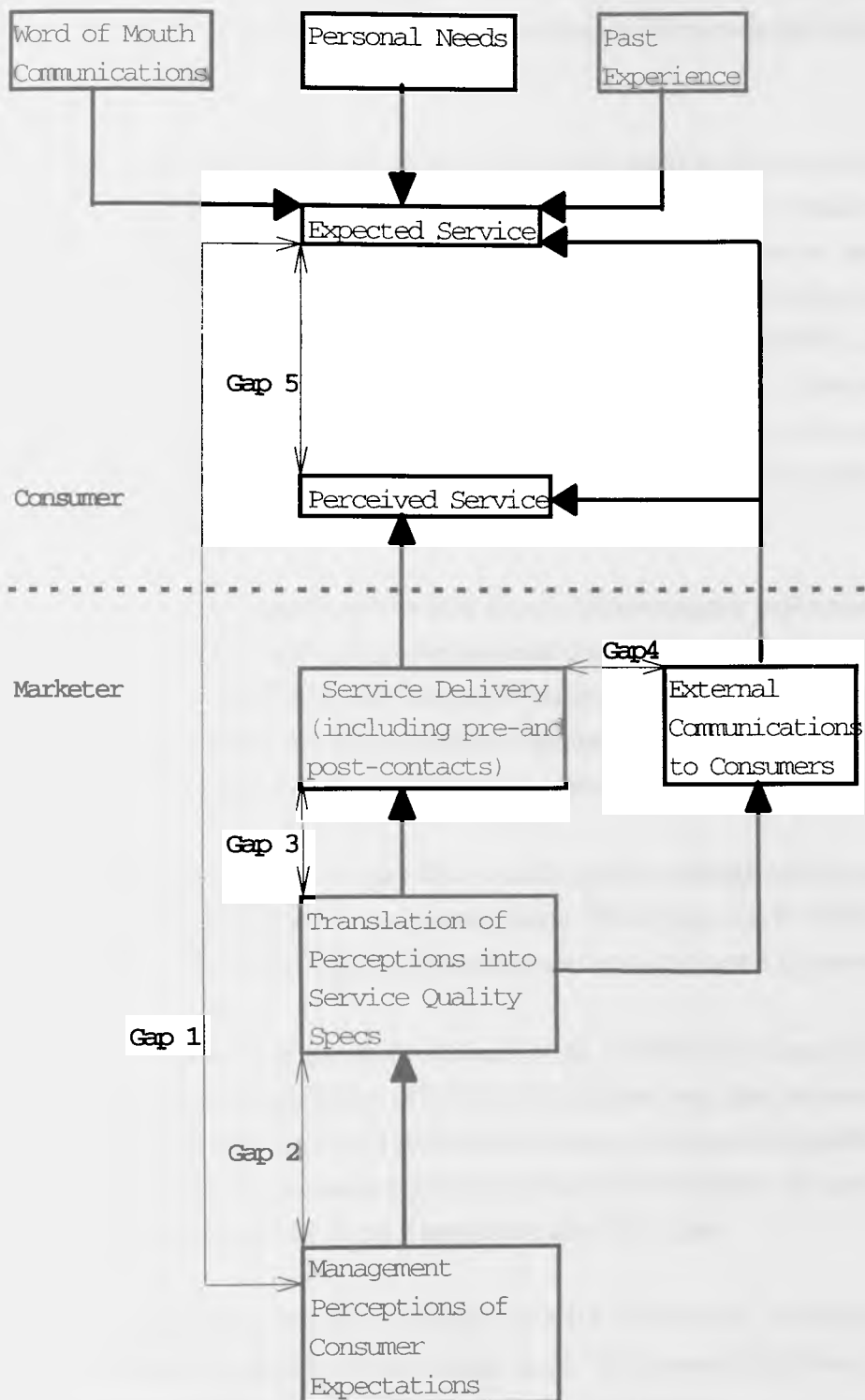
Awareness of the dimensions and their dynamic nature should assist managers in their ability to meet or exceed customer expectations. However, gaps remain between expected service and perceived service. These were conceptualised by Parasuraman et al. (1985 and 1988) into five gaps as part of their model of service quality (see Figure 3.2). These gaps were identified following a programme of in-depth interviews with three or four executives in each of four major U.S. service organisations.

The first gap (gap one) comes about as a result of management's perceptions of customers' expectations being different from actual customer expectations. This may be caused by a lack of marketing research information.

Zeithaml et al(1988) surmised that top managers' understanding of the consumer may also depend on the layers of management within an organisation and the resultant quality of upward communication. The importance of this is supported by research undertaken by Schneider and Bowen(1985) which suggested that customer contact personnel can accurately predict customer requirements.

The second gap (gap two) comes about as a result of the service quality specifications used by an organisation being different from management's perceptions of customer expectations. Zeithaml et al.(1988) suggested

Figure 3.2 Conceptual Model of Service Quality



Source: Parasuraman et al.(1985)

that organisations which have this gap tend to give higher priority to objectives other than service quality. As a result resources in terms of money and time are not available for service quality. This gap may also be as a result of no service quality objectives and standards being set or standardised.

The third gap (gap three) results from the service that is delivered being different from management's specifications for service quality. This service delivery gap occurs when employees are unable or unwilling to perform the desired level of service. The main theoretical constructs proposed to account for the size of this gap were teamwork, employee-job fit, appropriateness of technology for performing job, employees perceived control of their own jobs, supervisory control systems, role conflict and ambiguity. Each of these impact on how well customer contact personnel are able to meet the specifications for service quality.

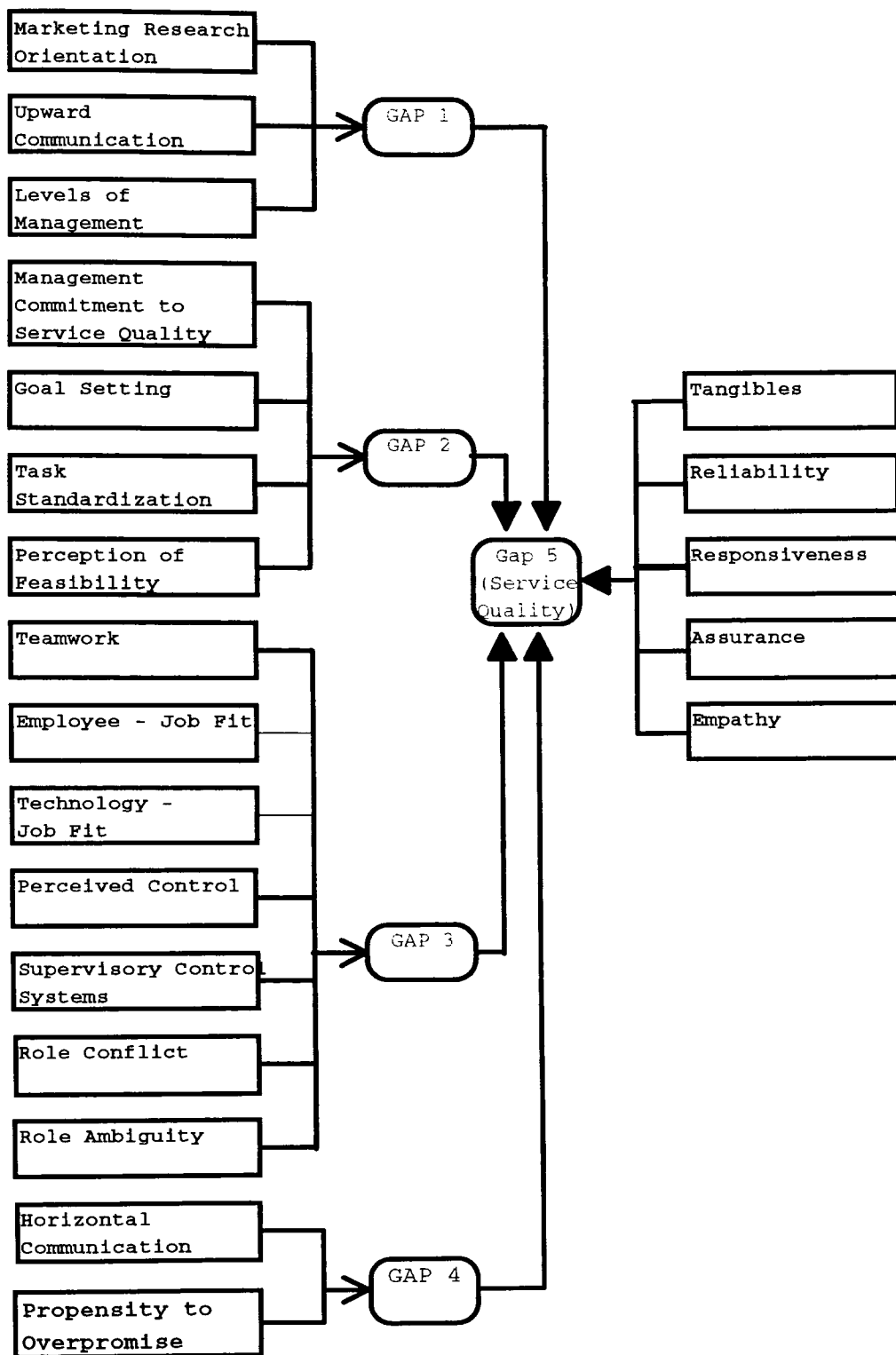
The fourth gap (gap four) results from the messages promoted about service levels in external communications being different from the service that is delivered. This may be as a result of a lack of standardisation over different branches and geographic regions or it may be due to the company over promising in external communications.

These four gaps lead to gap five which is the overall service gap between expectations and customer perceptions. This gap is a function of the other four gaps. The SERVQUAL instrument may be used to measure this gap.

Based on these five gaps, Zeithaml et al. (1988) developed an extended service quality model (See FIG 3.3) which set out the factors believed to affect the dimensions and direction of the previously identified four gaps. The four gaps are measured by the five determinants of customer satisfaction which in turn constitute the fifth gap.

The management inputs outlined in FIG 3.3 are all, with the exception of "Marketing Research Orientation" and "Propensity to Over promise", employee or human resource management issues.

FIGURE 3.3 Extended Model of Service Quality



Source: Zeithaml et al. (1988)

Brogowicz et al.(1990) attempted to add managerial tasks that require to be planned, implemented and controlled to the Zeithaml model, in order to make it more user friendly. The result is a more complex model which fails to bring any new perspectives to the original research.

Other authors such as Swartz and Brown(1989) and Garvin(1987) have identified gaps and determining factors in specific service sectors, however, these have also added little to the contributions of Zeithaml et al.

Although some organisations may attempt to surpass customer expectations, the essence of service quality management is therefore to somehow close the gap between what customers expect and what they perceive they are receiving. The activities involved in closing the gap are generally human resource activities. In particular, the emphasis is on the setting of service standards and the management of the work environment in which front-line staff operate (encompassing the provision of internal communications and the measuring or monitoring of performance).

### **3.4.1 The Setting of Service Standards**

The importance of setting standards for service quality was stressed by Berry et al(1985,1988), Johnston(1988) Lovelock(1988) and Gronroos(1981). In particular, Berry et al(1988) viewed service standards as helping to clarify work roles and communicate the organisation's priorities. Setting the standards is really a matter of defining customer expectations so service personnel fully understand them. In addition, if a company's quality of service is to be measured, they can provide the benchmark against which performance can be evaluated as well as the basis on which personnel are rewarded. Martin(1989) saw service quality standards as having three objectives:

- ☐ establishing a target towards which all employees can direct their efforts
- ☐ communicating the expectations of management and customers to employees

- ❑ creating a valuable management tool to assist with recruitment profiles, job descriptions and appointing decisions

Martin continued by suggesting that standards require to be set in two dimensions, procedural and personal, similar to the technical and functional dimensions put forward by Gronroos(1984).

However, none of these authors who put forward the setting of service standards as an essential element of service quality management support their arguments with empirical evidence. It is certainly true that the setting of standards is likely to make the management of service quality easier whether it leads to an improvement in service quality is less clear.

For example, Gronroos(1988) stated that in the production of a service, specifications may change (i.e. the customer may change his mind or have wishes other than originally expected). No one other than the individual who delivers the service can recognise shifts in the needs or wishes of the customer and immediate actions in such situations are often called for. As a result the quality of service may only be able to be judged by the service provider on an ad hoc basis rather than against a set standard.

Moore(1990) in his study of 23 American service companies identified a trend towards empowering front- line staff to respond constructively to customer requirements. Zemke and Schaaf(1989) in their analysis of 101 American service companies found that empowerment was a common theme running through most of their "excellent" service businesses. Bowen and Lawler(1992) suggested that an organisation can have controls, rules and carefully studied work methods or can have empowered employees seemingly consumed with providing flexible and creative quality service to customers with varying needs. The advantages that they suggest for empowerment are:

- ❑ Quicker on-line responses to customer needs during service delivery
- ❑ Quicker on-line responses to dissatisfied customers during service recovery
- ❑ Employees feel better about their jobs and themselves
- ❑ Employees will interact with customers with more warmth and enthusiasm

- ☐ Empowered employees can be a useful source of service ideas

The disadvantages of an empowered approach are:

- ☐ Increased costs of selection and training
- ☐ Higher labour costs
- ☐ Slower or inconsistent service delivery
- ☐ Certain customers may feel unfairly treated
- ☐ Employees may make bad decisions or give too much away

A review of the literature on empowerment ( Bennis, 1989; Bowen and Lawler, 1992; Conger and Kanungo, 1988; Kotter, 1988; Tichy and Devanna, 1986) suggests that empowerment and the setting of standards are not mutually exclusive. The literature shows the term empowering being used to include; the delegation of decisions and involvement of team members, the building of communication channels and networks, open and collaborative management style, the provision of recognition and feedback to team members and the articulation of a set of values and inspirational goals.

Bone and Griggs (1989) emphasised the importance of employee involvement in the setting of standards which would be compatible with an empowered approach. In addition, Berry et al.(1988) stressed that only a small number of standards are required relating to the most important customer expectations. This allows for a measure of flexibility from the service provider to respond to the changing needs of the customer.

### **3.4.2 Management of the Work Environment**

The dimensions developed by Parasuraman et al. (1988) highlighted the importance of the service personnel in the provision of service quality. The environment in which these personnel function impacts negatively and positively on their service performance, therefore the management of this environment is likely to be critical.

Albrecht and Zemke(1985) saw high quality service as requiring the service concept to find its way into the structure and operation of the

organisation. They suggest that there must be a customer-oriented culture in the organisation which is built, supported and maintained by the leaders of the organisation. O'Connell (1986) also stressed the need for a commitment to quality service being part of the organisational culture. The topic of corporate culture is a major topic in its own right and will be explored in more detail in Chapter 4.

Schlesinger and Heskett(1991) described companies that are truly customer oriented as being those where the management has redesigned the service delivery process (see Section 2.3) to support front-line workers' efforts and to maximise the impact of the value they create. They saw job definitions, recruitment procedures, reward policies and organisation structures and systems as being critical components of this. Gronroos(1981) stressed the importance of management methods, personnel policy, training and the nature of the support provided by planning procedures. These same elements are included within the concept of internal marketing.

The concept of internal marketing has emerged in the literature in the last 15 years as an all encompassing term for the activities that enable companies to recruit , motivate and retain customer - conscious employees (Sasser and Arbeit, 1976; Eiglier and Langeard, 1976; Gronroos, 1978,1981, 1983, 1985; Pope, 1979; Berry, 1981; George and Compton, 1985; Compton et al, 1987; George and Gronroos, 1989). Gronroos(1981) believes that the concept should be split into two levels. At a strategic level, the objective is to create an internal environment which supports customer consciousness and sales- mindedness among the personnel and at a tactical level it involves the selling of services, campaigns and marketing efforts to employees.

Lewis(1989) in describing the elements of the strategic level of internal marketing stated that a company needs to recruit and select the correct people, offer an appropriate package of employment, welfare and rewards. This should be supported by skills training, suitable supervision and evaluation of performance. Similarly, Richardson and Robinson( 1986) identified the key elements as being placement, management / supervision, training and measurement / control. Considering each of these individually:



1) Placement - the recruitment and selection of the right people for the right job. This means that job specifications are written in customer service terms, listing the knowledge and skills required to meet customer expectations. Normann (1991, p147) stated:

" Because the strain and tension of service jobs tends to be high and unique, it is very important to ensure that the right people are in the right jobs from the start"

Hostage (1975) and Zeithaml et al. (1988) also stressed that the quality of service offered depends upon the human dimension and the quality of people hired.

For example in talking about the airline industry, Bateson(1992) suggested that airlines offer similar bundles of benefits as each other. In many cases they may fly the same planes from the same airports. Often the deciding factor for many consumers that distinguishes one airline from another is the attitude of the service providers. Bitner, Booms and Tetreault(1990) using the critical incident technique found that the key causes of satisfaction and dissatisfaction amongst consumers of airline, hotel and restaurant services related to the behaviours of contact personnel. Other researchers have found the human interaction component to be of importance in evaluating life insurance (Crosby and Stephens, 1987) professional services(Day and Bodur,1978; Quelch and Ash, 1981), medical services( Brown and Swartz, 1989) and retail outlets (Westbrook, 1981).

The importance of recruitment and selection is best summarised by Thomas(1988):

" because the services are intangible, customers use the employees as surrogates for judging the quality of the service delivery: therefore the mental and physical attitude, well being and appearance of staff are crucial"

2) Management and Supervision - The importance of recruitment and selection is as relevant to the manager as it is to the front - line staff. The

manager is responsible for setting the tone in the work unit and is also in the best position to champion quality (Berry et al., 1988).

Richardson and Robinson(1986) believed the focus of management should move away from concentrating solely on the technical dimensions of a person's job to looking at the service aspects. Parkington and Schneider (1979) argued that if service employees perceive management to be less service oriented than themselves, that is they are more concerned about rules and procedures than meeting customer needs, employees are likely to experience role ambiguity and role conflict.

This is supported by Berry et al. (1988) who talked about the need for symbols from management. Such symbols may involve placing unit managers in offices close to the action or possibly involve the publishing of an annual employees' report that features workers who have provided exceptional service to customers. Berry et al. (1988) saw such symbols as having a material effect on the culture of an organisation, encouraging greater discretionary effort by adding meaning to employees' work.

The involvement of employees in the management of service quality was also put forward by a number of authors. In particular, Berry et al. (1988) stressed the need for some formal vehicle for voicing improvements in and evaluating service quality.

In many organisations, quality circles are put in place. Smith and Lewis(1989) described these as groups of six to eight volunteer members from a variety of departments, who discuss service issues and suggest action plans for future activities. Some companies reward team members for suggestions and activities, whilst others prefer to secure commitment by ensuring a high level of recognition for group members. This reiterates some of the earlier points made about employee participation through empowerment.

Schlesinger and Heskett(1991) based on their analysis of a small number of leading service organisations in the U.S.A. stated that customer satisfaction is rooted in employee satisfaction. The basic philosophy is that if management wants its employees to do a great job with customers, then it must be prepared to do a great job with its employees(George, 1990).

Although the form of management and supervision is widely accepted by academics as critical to service quality, there is little empirical evidence to clearly distinguish the good management practices from the bad ones.

3) Training - Richardson and Robinson(1986) see continuous training of the employees as being important, if they are to be able to do their jobs properly. Gronroos(1981) states that too often internal training programmes are too much concentrated on how the job shall be done technically, and too little is said about how customers should be treated. However, Smith and Lewis(1989) in their study of 20 U.K. financial institutions found that the majority were implementing a customer service programme involving the training of personnel. The objectives given for the training depended on whether it was aimed at management or front-line staff. Management programmes were aimed at:

- ☐ Changing management's attitudes and behaviour through improvements in people skills and leadership skills.
- ☐ Changing the organisational culture to one that was "marketing" "customer" or "service-oriented "

Programmes for front line staff were aimed at:

- ☐ Improving staff commitment to the organisation and the concept of service quality.
- ☐ Improving relationships and building a team spirit within the organisation.

Berry et al(1988) also emphasised the need for training to improve employees' knowledge and skills, because reliability and assurance are directly related to employee competence.

Gronroos (1981) stressed that training has to be on going, this is required if the correct messages are to be reinforced and the change in culture is to be a permanent phenomena.

Although training is universally seen as important, once again there is little empirical evidence to identify both the nature of training and related reinforcement / follow up necessary to be effective.

4) Measurement and Control - continuous monitoring of service quality is required(Richardson and Robertson, 1986) with feedback being given to staff regarding their performance. In terms of service quality Berry et al.(1988) talked about a service quality loop with a continuous linking of standards, staff performance and reward mechanisms. Staff are informed about their performance against certain customer service standards and are then rewarded accordingly. Moores(1990) in his analysis of 23 American service companies found that measurement was undertaken through the use of marketing research. The techniques used included qualitative research methods such as focus groups or questionnaires consisting of SERVQUAL derivatives. Performance indicators such as response times for telephone enquiries were logged and "Mystery Shoppers" were used, where researchers acting as real customers or potential customers are sent out to test and experience and report back on the service provided. Cook(1991) saw mystery shopping as being a useful technique to supplement customer feedback because it provides independent monitoring of service levels.

Based on measurement of this type, appropriate reward mechanisms are seen as being critical( Schlesinger & Heskett, 1991; Gronroos, 1981; Moores, 1990; Lewis, 1989; Berry et al., 1988; Nagel and Cilliers, 1990 ). As stated by Berry et al. (1988):

" Workers realise that management is serious about quality when management is willing to pay for it"

Berry et al(1988) also identified the most common reward systems for service quality as being:

- ☐ direct financial rewards
- ☐ career advancement
- ☐ recognition

In particular, Berry et al(1988) stated that recognition of high quality work can energise peer pressure and lead to better teamwork. Smith and Lewis(1989) found that many of the financial service organisations that they interviewed had established a comprehensive system of local, regional and national awards for both individuals and teams of individuals. Typical awards were badges, wall plaques, vouchers, cash, money for enhancing the working environment, and donations to a charity of the winner's choice. Staff appraisal schemes were also being used to encourage and praise staff who were working to achieve the organisation's service quality objectives. Displaying measures of customer- service productivity in the workplace( i.e. numbers of complaints, numbers of customers served and customer survey scores) was also a common motivating technique.

Although there is a significant amount of research highlighting the use of reward systems in service organisations( Garfein, 1988; Richardson and Robinson, 1986; Cornish, 1988; Smith and Lewis, 1989) , there has been little published research on the relative success of different reward systems. Berry et al(1988) based on 12 focus groups with managers in service organisations simply recommended that a reward system incorporating a mix of financial reward, career advancement and recognition is likely to be the most effective.

5) Internal Communications - although Richardson and Robinson(1986) did not include internal communications in their components of strategic internal marketing, it is the key element of internal marketing at a tactical level( Gronroos, 1981; Richardson and Robinson, 1986; Normann, 1991). These authors stressed that new services, campaigns and other external marketing activities should be communicated and sold to the employees first. The employees should be informed before the customers, particularly if the front-line staff are to be perceived as knowledgeable and competent by the customers. They also emphasised that if organisations cannot get their employees committed to their services and marketing efforts, it is going to be difficult to successfully sell them to their target market. Christopher, Payne and Ballantyne(1991) developed the notion of the internal customer, which highlighted the fact that every person working within an organisation is both a supplier and a customer.

Piercy and Morgan's(1991) view based on an exploratory postal survey of 200 medium to large size organisations was that the reality in many organisations is that marketing plans and strategies have to "sell" themselves to those whose support is needed. They suggested that there is a significant need for communications through meetings, committees, training and briefing sessions as well as through reports and informal communication methods such as staff newsletters. However, they also emphasised that there is a need for research to fully evaluate the relationship between internal marketing efforts and marketing effectiveness.

### **3.5 The Impact of Improved Service Quality**

As stated at the beginning of this chapter, a significant number of authors view quality of service delivery as being crucial in developing a differential advantage over the competition (Reichheld and Sasser, 1990; Ross and Shetty, 1985; Leonard and Sasser, 1982; Day and Wensley, 1988). The two main competitive advantages cited by these authors are the enhancement of customer retention rates and the attraction of new customers.

The relationship between customer retention and service quality is highlighted by a study of ex- customers in the banking sector (Richardson and Robinson, 1986). The study found that nearly 40 percent of bank accounts closed are closed because of poor service. Of these, thirteen percent terminated their accounts because of a rude or unhelpful employee; eleven percent found the bank cold and impersonal; and sixteen per cent closed accounts because of poor service in general.

The importance of retaining customers is stressed by Reichheld and Sasser(1990) who suggested that customers generate increasingly more profits each year they stay with a company. In certain service sectors, they suggest that companies can boost profits by almost 100% by retaining just five percent more of their customers. Gummesson(1987) and Payne and Rickard(1993) also emphasised the greater costs involved in the sales, marketing and set-up activities relating to new customers and in particular the frequent need for a long relationship to recover those costs.

Carroll(1991), however, cautions that retaining customers will not automatically lead to increased profits. Efforts must be targeted on the segments of the customer base offering the greatest profit potential. There may be certain customers that a company may not wish to retain because of the ongoing costs involved in servicing them. For example, Birrell(1992), the chief executive of the Halifax Building Society described how charges are being implemented to deter customers from maintaining savings accounts with very low balances as these accounts are unprofitable.

Satisfied customers can lead to the attraction of new customers and increased market share through word of mouth referrals (Ross and Shetty, 1985; Payne and Rickard, 1993). Conversely, failure to provide effective service quality will result in a cycle of failure which may place the organisation at a competitive disadvantage(Howcroft, 1991). In addition Howcroft(1991) estimated that between two to three times as many customers will tell others of a bad experience than would relate a good one. He suggested that this results from bad experiences tending to have a greater psychological impact and greater longevity than good experiences.

However, one study of fifty service firms showed high quality service providers earned an average of eight percentage points return on investment above low quality service providers( Allio and Patten, 1991). This tended not to be linked to higher prices being charged but was more to do with the loyalty and increased spend of satisfied customers. Other research(Thompson, DeSouza and Gale, 1985) as well as company experience(Rudie and Wansley, 1985) also suggested that delivering high service quality produces measurable benefits in profit, cost savings and market share. These studies, however, do not demonstrate a direct relationship between service quality and increased profit / market share, they simply identify that companies who are successful tend also to be concerned about service quality. In particular, Bolton and Drew(1991) who measured the impact of changes in service quality on consumer attitudes found that perceptions of service quality are very stable and change slowly. In other words, changes in service quality will not result in immediate improvements in the customers' global evaluations of service

offerings. The impact can also be reduced if service quality improvements are matched by the competition.

Overall, the academic literature suggests that the level of service quality should have an influence on the financial and market performance of an organisation. However, there is, at present, limited empirical evidence to either fully support or refute this proposition.

### **3.6 Summary**

There is no single definition used by researchers for the term service quality. Based on the common elements of the definitions used in the academic literature, this chapter defines service quality as the excellence with which an organisation meets customer requirements and expectations especially in those elements where there is direct interaction between the customer and the organisation. Related to this, customer satisfaction is defined as the outcome of the evaluation a customer makes with regard to an organisation's level of service quality. This suggests that an organisation cannot control customer satisfaction, however, it can influence customer satisfaction through the provision of excellent service quality. The final definition, is that of customer service which can be defined as the activities undertaken by an organisation to implement and operationalise excellent service quality.

Therefore an organisation undertakes customer service activities which are evaluated relative to customer requirements leading to a certain level of service quality. This level of service quality leads to customer satisfaction or dissatisfaction. If an organisation can improve its service quality, the academic literature suggests, based on limited empirical evidence, that there are potential rewards in terms of improved financial and market performance.

The principle activities involved in managing service quality, identified by the literature, are:

- ☐ The Setting of Service Standards
- ☐ Recruitment and Selection of the Right People for the Right Job.
- ☐ Supportive Management and Supervision



- ❑ Training of Employees on a Continuous Basis
- ❑ Effective Service Quality Measurement and Rewards / Control
- ❑ Efficient Internal Communications

The relative importance of each of these elements lacks any critical empirical assessment. In addition there is little empirical evidence to advocate the relative desirability of different approaches that a company may adopt when addressing each of these elements. However, it is clear that in service delivery, the major determinants of service quality relate to the effective use and support of the human resource. The only exception being where the delivery process can be automated.

As the emphasis is on an organisation's human resource, the next chapter will examine the impact of an organisation's corporate culture on the attitudes and behaviour of employees.

## Chapter 4. The Role of Corporate Culture

### 4.1 Introduction

As has been stated in Chapter 3, given that the process by which many services are delivered is through personal customer contact, the people who do the delivery become very important indeed. This chapter considers the role of corporate culture on employees' behaviour and performance.

With regard to the management of organisations, there has been a proliferation of authors focusing on the concept of corporate culture, and many of them have claimed that culture makes a major difference to the effectiveness of employees and their organisations (Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman, 1982; Deal and Kennedy, 1982; Kilmann, 1984; Sathe, 1985; Schein, 1991; Denison, 1990; Drennan, 1992; Kotter and Heskett, 1992; ). Kotter and Heskett(1992, p.x) , in particular, described the power of cultures as follows:

"They (cultures) can enable a group to take rapid and co-ordinated action against a competitor or for a customer. They can also lead intelligent people to walk, in concert, off a cliff."

Within the area of service delivery, the importance of culture has been stressed by Normann (1991) and Segal- Horn (1988):

"The culture and normative guiding principles are generally speaking a crucial success factor and a distinguishing feature of any service organisation"(Normann,1991,p.166)

"The Management of Service is an interactive process and corporate culture has a pivotal role in its delivery" (Segal- Horn,1988,p114)

This chapter will therefore consider the concept of corporate culture focusing firstly on its definition. The factors that influence culture will then be explored as will the effects of corporate culture on the provision of a service. The final part of the chapter will examine the arguments as to whether culture can be managed and potentially changed.

## 4.2 Definition of Corporate Culture

The concept of culture has principally stemmed from the study of ethnic and national differences in the disciplines of sociology, anthropology and social psychology. A good summary of the many definitions for culture developed in each of these disciplines was given by the cultural geographer Peter Haggett (1975, p238):

" Culture describes patterns of behaviour that form a durable template by which ideas and images can be transferred from one generation to another, or from one group to another"

Three aspects of this definition need further explanation. First, the transfer of behaviour does not take place through genetics but instead takes place through the social interaction between members of a group. Second, according to the culture pattern theory (e.g. Benedict, 1934) the various elements of a culture tend to form a relatively stable harmonious system and therefore any cultural template is durable and slow to change. Thirdly, the ideas and images of culture provide a guide for the conduct of acceptable behaviour. As such, many aspects of the culture are embodied in rules of various sorts; some are laws (e.g. against stealing) which are backed by official punishment for deviation; others are social norms (e.g. about what clothes to wear) which are backed by social disapproval and rejection of deviates.

Initially within organisational theory, scholars used the culture concept as a metaphor to study organisations as forums in which meanings are constructed and expressed through social interactions. But as it became part of the vocabulary of management thinking, more and more researchers began to employ culture as a variable rather than as a "root metaphor", something an "organisation had" versus something "it was". Some of the earliest references to the concept of culture as an internal organisational variable are found in the literature of Organisation Development (Jacques, 1952; Harrison, 1972). Several researchers began to link various types of cultures (e.g. "strong vs. weak") to certain outcome variables such as performance and internal integration (e.g. Deal and Kennedy, 1982; Wilkins and Ouchi, 1983). Thus, culture became a

mechanism with which to achieve managerial effectiveness and control (Barley et al. 1988; Peters and Waterman, 1982).

During these stages of development, a large number of definitions have been proposed for the concept of culture in the corporate setting. Some of these draw directly on the definitions from anthropology and the other root disciplines, others are specific to the corporate sector.

The more basic definitions do not aid understanding but simply provide a vague description to replace the term culture. These descriptions range from the "feeling in the organisation" (Tagiuri and Litwin, 1968) to the "rules of the game" (Van Maanen, 1976/1979, Ritti and Funkhouser, 1982) to "how things are done around here" (Drennan, 1992). These simple descriptions contrast with the more all-embracing and more useful definitions produced by Schein (1991), Schneider (1988) and Kotter and Heskett (1992).

"A pattern of basic assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think and relate to those problems" (Schein, 1991, p.9)

"Culture refers to:

- a) the values that lie beneath what the organisation rewards, supports and expects
- b) the norms that surround and/or underpin the policies, practices and procedures of organisations
- c) the meaning incumbents share about what the norms and values of the organisation are." (Schneider, 1958, p.353)

"At the deeper and less visible level, culture refers to values that are shared by the people in a group and that tend to persist over time even when group membership changes" At the more visible level, culture represents the behaviour patterns or style of an organisation that new employees are automatically encouraged to

follow by their fellow employees. Each level of culture has a tendency to influence the other( Kotter and Heskett, 1992,p4.)

These definitions outline some of the common key elements that appear in many of the definitions proposed for corporate culture. Firstly, corporate culture is a shared phenomenon( see Tichy, 1982, Pfeffer, 1981 and Wilkins and Ouchi, 1983). Culture , in this sense, is a learned product of group experience and is, therefore only to be found where there is a definable group with a significant history. The group does not necessarily have to be a whole company. Companies can have multiple cultures (Kotter and Heskett, 1992) or subcultures(Schein, 1991) usually associated with different functional or geographic groupings.

Secondly, the majority of authors, with the exception of Schein(1991) believe that there are two levels of culture, the visible level and the deeper less visible level . Schein's view, is that the term culture should only relate to the "deeper" less visible level, although he does use visible evidence to understand and describe different cultures.

The visible aspects encompass behaviour patterns, the physical and social environment and the written and spoken language used by the group. Many of these have been researched using a semiotic approach by researchers such as Barley(1983), Manning (1979) and Van Maanen (1977).

The deeper less visible level of culture relates to the group's values and what Schein(1991) calls their basic assumptions. The shared values consists of the goals and concerns that shape a group's sense of what "ought" to be. These notions, about acceptable norms, values and behaviour, can vary greatly in different groups; in some settings people care deeply about money, in others about customer well-being or employee well-being.

Some of these values may remain conscious and may be explicitly stated in a company's mission statement as the "dominant values of the organisation" (Deal and Kennedy, 1982). However, if these values are not based on prior cultural learning they may also come to be seen only as what Argyris and Schon(1978) have called "espoused values", which

predict what people will say in a variety of situations but which may be out of line with what they will actually do in situations where those values should be operating. Therefore the company's mission may say something about commitment to serving the customer, but its record in that regard may contradict what it says. Therefore the underlying values, assumptions and beliefs of corporate culture are more than simply strategic priorities and goals.

The third element relates to the manner in which new members learn the culture. A process of cultural socialisation arises informally from the existing employees and formally through induction training programmes. Harrison and Carroll(1991) explained that if an individual enters an organisation where employees work in an environment of strong group and peer pressure, the individual adopts the employees' norms. Whereas when the group pressures are weak, the individual is likely to accept the norms encouraged by management.

Finally, corporate cultures tend to change slowly over time. Kotter and Heskett(1992) explained that culture evolves as a result of the turnover of group members, changes in the company's market environment and general changes in society. Wilkins and Ouchi(1983) quoted a number of examples of organisations claiming to experience great distress because the culture can't be changed or because its members won't change fast enough.

Therefore the consensus from the academic literature suggests that corporate culture is the visible and less visible norms, values and behaviour that are shared by a group of employees which shape the group's sense of what is acceptable and valid. These are generally slow to change and new group members learn them through both an informal and formal socialisation process.

#### **4.3 Influencing Factors**

The elements in the socialisation process cited by authors as influencing and creating culture can be categorised into four main groupings (Schein, 1991), these are:

1. The Business Environment
2. Leadership
3. Management Practices and the Formal Socialisation Process
4. The Informal Socialisation Process

Many of the factors within each of these groupings are interrelated and work together to influence the culture of the organisation. Much of the thinking on influencing factors is based on a synthesis of group dynamics theory, leadership theory and learning theory. Group dynamics theory provides insights on how group members interact with each other and their leaders. Leadership theory focuses on how founders, managers and leaders create and influence the thinking and behaviour of others. Learning theory provides explanations as to why certain attitudes and practices are adopted whilst others are rejected.

#### **4.3.1 The Business Environment**

The general business environment in which an organisation operates helps to determine the culture. Society at large will influence opinions about work, money, status and different types of jobs. The writings of sociology and anthropology highlight the differences in cultural attitudes between geographical regions as well as differences between different levels of social strata. These differences will affect commitment, respect for managers, attitudes towards service and the customer.

The traditions of a particular industry will also have an impact; airlines have "a combination of military-establishment and pioneering enthusiast spirit"(Normann, 1991,p164). Banks and bankers have a risk-averse nature whereas stockbrokers have a deal-oriented culture.

Within companies, the nature of individual professions may have an impact. Accountants for example are perceived as being less exciting and holding different values than would be the case for managers responsible for advertising and public relations.

These societal aspects provide the foundations upon which the corporate culture is developed.

Overlaid on these foundations is the specific market environment within which the organisation is operating. Within a market, the speed of change, the level of competitiveness, the value placed on people vis-à-vis technology and the demands of the customer will also influence the values, norms and behaviour of those who work within it. Many of the companies who have had greatest need for a culture change have been those who have lost their monopolistic position( privatised companies such as British Telecom) or where an industry wide- cartel had broken down(ICI) as the non-competitive market environment had impacted on employees and their attitudes (Drennan, 1992).

#### **4.3.2 Leadership**

Many of the companies cited by researchers as being successful in terms of culture change are the ones who have a charismatic or highly visible leader at the top. In the ten successful organisations studied by Kotter and Heskett(1992) major changes in culture began after an individual who already had a track record for leadership was appointed to head an organisation. Although large numbers of people would be involved in making the changes happen, one or two leaders have been essential in getting the process started. However, one must remain cautious when considering such findings. Bryman(1984) stated that case studies of good or successful leadership can be identified since leaders are happy to accept the applause that comes their way. They may be much less enthusiastic about criticism, and so may tend to deflect a large part of the blame onto other factors such as the management structure or the environment. Leadership is likely to have some influence on the culture of an organisation. However, there is no empirical evidence to suggest that it has the totally overpowering and guiding hand suggested by Kotter and Heskett(1992) and Schein(1983).

Where there is evidence of a link between leadership and culture, it is in young newly created organisations. In new organisations Pettigrew(1979) believes that the entrepreneur or founder influences the culture through his own ambitions, the interactive processes between entrepreneurs and their followers and the more general processes through which purpose and commitment are generated and sustained. Schein(1991) saw the founder as having a critical role in reducing anxiety within a new group situation.



As the founder's prescriptions, of how things are to be done, help to set standards of acceptable behaviour and best practice, they also help to structure the initially unstructured relationships among the new group members. If the founder is surrounded by colleagues and employees who are not willing to accept his initial assumptions, the process of culture development will involve conflict, negotiation, compromise, and in some cases, the removal of members from the group. Because of the power of a founder, the emerging culture may then reflect not only the founder's assumptions but the complex internal accommodations created by subordinates to run the organisation "in spite of" or "around" the leader.

Schein(1991) through his in- company observations saw the leader and founder as influencing culture through the following actions:

**a). What leaders pay attention to, measure and control.**

If leaders continually pay attention to and monitor elements of the business such as customer service or cash-flow or growth, this is likely to create important themes that will exist within the culture

**b). Leader reactions to critical incidents and organisational crises.** Crises such as product recalls, shrinking sales, destruction or closure of facilities provide situations where the leaders actions are highly visible and can positively or negatively affect employees attitudes and behaviour. Ouchi(1981) cited examples of companies where short time working was introduced rather than lay-offs demonstrating the importance of people within the organisation.

**c). Deliberate role modelling and coaching by leaders.**

Leaders visiting parts of the organisation and broadcasting their vision for the company and the way things are to be done provides guidance as to what is and will be acceptable and expected from employees.

Richard Branson helping at check -in desks and on the flights of his airline may influence the flexibility and customer service approach of his staff.

These inputs as well the leader's direct impact on management practices can all influence the cultural norms held by members of the organisation.

Based on this, Schein(1983) demonstrated, through using examples of companies such as Hewlett-Packard, that founders of organisations often develop strong cultures in which they personally have strong symbolic significance. When the founder steps down or dies, his or her successor is often faced with intransigence if there is a desire to change things in response to new circumstances. This may be due to the influence and respect given to the previous leader or it may be due simply to people's general inertia and unwillingness to change.

There certainly does seem to be some link between leadership and culture. How strong the influence of leadership is on its own is difficult to quantify as it is entangled with the whole area of the company's management practices.

#### **4.3.3 Management Practices and the Formal Socialisation Process**

The manner in which a company is managed must influence either positively or negatively the beliefs, attitudes and behaviour of the employees. Before considering management practices, there is a need to distinguish between management and leadership. Kotter(1990) summarised many authors definitions of leadership by stating that it is involved in the long term direction of the company through the development of a vision and strategies for the future. The leader is then responsible for communicating through words and deeds this vision to internal and external audiences while motivating and inspiring the individuals who have to deliver it. Management, on the other hand, is generally described as being about the detailed planning, budgeting , organising, controlling and staffing of the organisation as well as ad-hoc problem solving.

Within these management tasks, managers have control over a range of factors that apparently affect cultural transmission. The most important of these highlighted by Harrison and Carrol(1991) are recruitment, formal socialisation procedures and the turnover of employees.

The types of people recruited can help to perpetuate a cultural orientation as recruiters will tend to find attractive those candidates who resemble

present members in style, assumptions, values and beliefs. This form of cultural embedding operates unconsciously in most organisations.

Recruitment decisions will not always lead to a perfect match, because of the personnel available on the labour market and the information that is missed or remains hidden during the interviewing process. Therefore formal socialisation activities are undertaken to reinforce acceptable attitudes and behaviour within the organisation (Schein, 1968, 1991; Ott, 1989; O'Reilly, 1989). These activities include training and particularly induction training which is geared towards providing explicit orientation for employees. Other techniques include systems of employee participation that rely on processes of incremental commitment, reliance on groups for control of members and comprehensive reward systems that use recognition and approval (O'Reilly, 1989). In a less explicit manner, employees learn from their own experience as to what the organisation values for promotions and salary increases as well as what the organisation punishes. Rewards and control systems reinforce behaviour that is deemed pivotal to success in the organisation.

In any case, management has a conception of the ideal employee on the cultural dimensions it considers relevant, and the objective from its point of view is to produce a person socialised to within some acceptable distance of the ideal and assist the departure of those who "do not fit in".

The frequency of turnover of staff whether through management action or employee preference is also cited by Harrison and Carroll (1991). They found that a high voluntary turnover of employees (people leaving of their own free will rather than through redundancy or other forms of rationalisation) aids in the establishment of cultural stability. The reasoning given is that greater turnover results in the departure of those employees with greatest resistance to socialisation, leaving those who are willing to accept the group norms and behaviour.

The design of the organisation with its hierarchies and reporting structures is also seen as having an impact on the norms and values of individuals at different points within it (Schein, 1991). Harrison and Carroll (1991) consider the impact of different organisational forms, such as Japanese -style, governmental - bureaucratic form and collectivist-

democratic form in their cultural transmission model, the findings are relatively inconclusive and tend to reflect national traits( e.g. the Japanese providing a stable corporate culture) rather than the design of the organisation. However, aspects such as decentralisation, empowerment of employees, recognition of unions all seem to have an impact on the elements of corporate culture.

There is certainly some evidence from the research that the activities of the management of an organisation may influence the culture, whether they can proactively control and manage the culture will be discussed in Section 4.5. However, the influence of management activity is also affected by the informal socialisation process which exists within an organisation.

#### **4.3.4 The Informal Socialisation Process**

As all of the definitions of corporate culture identify the critical element of sharing within a group, it is important to consider how an individual behaves within the group context. From group dynamic theory, the individual in a group setting has basically three primary needs(Schein, 1969,1991; Schutz, 1969; McGrath, 1984).

The first of these is to feel part of the group by developing a viable role and being recognised by other members of the group. This involves a compromise of maintaining a distinct and separate identity at the same time as being seen as a group member.

Secondly, there is a need to feel powerful, able to influence and control whilst accepting the needs of others to do the same. This can lead to conflict but can also help to formulate the roles of individuals within the group.

Thirdly, there is a need to feel accepted by the group and to achieve the basic security and intimacy that comes with that.

These factors are important whether it is a totally new group that is being formed or where a new member is entering an existing group. Schein(1991) saw these needs as reflecting the basic human needs for

security, mastery of the environment( influence and control) and love (acceptance and intimacy).

As a result of efforts to stabilise these needs and the personalities of the different group members, norms and standards arise and, ultimately, are consensually accepted and enforced. This takes time as people with different interpersonal styles and emotions cannot be expected to build shared meanings out of immediate interaction. Through working together, the group members gradually learn through interaction what each other's style is and how to accommodate it. To be accepted, new members will also attempt to behave in a manner which is generally consistent and congruent with the established norms.

This socialisation process is supported by the telling of, what has been termed, myths, stories and legends(Schall, 1981; Meyer, 1981; Cohen, 1975 ; Martin and Powers, 1983; Schein, 1991 ), about specific situations and how they were handled( i.e. why certain people were sacked and why some were promoted). This reinforces patterns of acceptable and unacceptable behaviour , it can also become a means of spreading a counter- culture or of revealing inconsistencies or absurdities in the main culture. Leach(1954) and Cohen(1975) argued that myths, either based on fact or fiction can be created and used by sub-cultures within an organisation in the furtherance of sectionalised interests.

The use of older or more experienced employees as mentors by younger or less experienced personnel may also help to embed some of the key components of established culture(Schein, 1991).

All of these influences are informal and come about simply by the interaction of individuals in a group setting. The study and detailed understanding of these interactions is in the realms of sociology and psychology, as such, it is beyond the realms of this study.

#### **4.4 The Effects of Corporate Culture**

As stated in Section 4.1, the influence of corporate culture on the operations of a service organisation is seen as being critical to the provision of a service. The nature of the service transaction as a social

process and the intangibility of the service itself, reinforce the need for consistent and effective behaviour. Scripts and procedures can be used to attain consistency. However these need to be supported by inherent beliefs, norms and values, if service personnel are to act and react naturally to clients and their requirements. Normann(1991) placed corporate culture at the centre of his model of the service management system. The model identifies the key interacting factors in the provision of a service as the types of client being targeted in the market segment, the benefits offered to the client in the service concept, the method of delivering the service and the image of the service provider. The nature of the corporate culture is considered to be critical to each of these other elements:

" No other component is more crucial to the long-term efficiency of the service organisation than its culture and philosophy, which shape and rejuvenate the very values and ethos on which the company thrives" (Normann, 1991, p48)

As shown in Chapter Three, Segal - Horn(1988) also stressed the role of corporate culture as one of the three key inputs(core concept, systems technology and corporate culture ) in her model of the critical interdependencies of service delivery:

"The ability to sustain a corporate culture across units has operational significance, especially for service industries which are often regarded as personality intensive" (Segal - Horn, 1988, p 110).

The justification given by these and other authors for placing so much importance on corporate culture is based on the body of literature which states that culture can aid or hinder organisational effectiveness and performance(Deal and Kennedy, 1982; Peters and Waterman, 1982; Schein, 1991; Kantner, 1983; Scholz, 1987; Kotter and Heskett, 1992). These authors principally used case study examples such as Benetton, American Express, British Airways, IBM, Procter and Gamble and ICI. In British Airway's case, the improved performance of the airline is put down to its efforts to shift the company from a technical, logistics and operations oriented culture, to one oriented to service. ICI's improved performance is associated with the adoption of a more adaptive culture.

Certainly each of these companies have witnessed periods of improved performance. However, the nature of culture makes it very difficult to separate its effect from that of leadership, the market environment and a host of other variables.

On the negative impact of culture, the relationship between corporate culture and organisational effectiveness has been more rigorously tested and the outcomes have been somewhat clearer. Bate(1984) interviewed and recorded meetings in the footwear and dairy product industry, from this research he identified that certain cultural orientations can constrain problem-solving behaviour. Not only does the culture affect the activity of joint problem-solving but certain cultural orientations produce " a sense of futility and pessimism in people long before they enter the problem-solving arena"(p 59.) This is particularly associated with large bureaucratic organisations where personnel feel that there is no point in trying as there is nothing they can do to change the situation. Similar orientations have been identified by Crozier(1964) and Hofstede(1980).

Certain cultural orientations cause inertia and a general unwillingness to change (Schein, 1991; Argyris, 1962,1965; Crozier, 1964). This has been found with regard to changes in working practice, the introduction of technology and the failure of mergers and take-overs. Therefore many companies have found that they can make strategic decisions that make sense from a financial or marketing point of view, yet they cannot implement these decisions because the values and attitudes required are different from that currently existing within the organisation.

An example of this, put forward by Schein relates to automation and computers. The status held by personnel is often based on the key items of information or critical skills held in relation to the technology of the workplace. With the introduction of computerised information systems and automation, subordinates may begin to know more in some critical areas than their boss. People who are in power often anticipate such changes and realise that the best way to avoid the loss of their own power is to resist the new technology altogether. Therefore, if the new technology is to succeed, those advocating it must recognise that the resistance to it is not to the technology per se but to the cultural change implications of its introduction.

Therefore, is culture only a constraint? Or can culture provide a strategic strength?

Scott(1987) stated that a strong organisational culture is a belief system that sustains the commitment of individual members to the good of the organisation. Individuals who have genuinely internalised the values of the organisation are likely to engage in co-operative and spontaneous behaviour in their service to the organisation. Pfeffer(1981) and Tichy(1982) suggested that this consensus of strategic direction leads to greater stability, better communication through a common language and greater harmony between sub-groups. Ouchi(1980) suggested that there is less to manage and control when employees share the same beliefs and values. A culture which is in harmony with the goals of the organisation is considered to be more adaptive in terms of changes to the administrative and production systems as well as to the technology and structure of the organisation (Smircich,1983). A number of authors also directly link strong cultures with enhanced financial performance(Barney, 1986; Saffold, 1988) or with improved employee productivity (Deal and Kennedy, 1982; Schein, 1991). However, the evidence to support these claims tends to come from qualitative research using small- scale convenience samples and is relatively limited in terms of reliability.

Studies undertaken by Gordon (1985), Iaffaldano and Muchisky (1985), Klein (1992) and Heasman (1995) using large scale quantitative research have all shown that the relationships between corporate culture and performance are disappointingly low or inconsistent.

To fully understand these mixed findings and the research approaches, it is necessary to explore the various perspectives of culture adopted by the researchers. Martin and Meyerson (1988) identified the following three major perspectives in corporate culture research:

### **1. The Integration Perspective**

This portrays a strong or desirable culture as one where there is organisation-wide consensus and consistency(Schein, 1991; Barley, 1983; Deal and Kennedy, 1982; Peters and Waterman, 1982). Espoused values



are consistent with formal practices, which are consistent with informal beliefs, norms and attitudes. Cultural members share the same values, promoting a shared sense of loyalty and commitment. Where inconsistencies, conflict or subcultural differentiation occur, this is portrayed as being a weak or negative culture. The majority of the research highlighting relationships between culture and performance have emerged from researchers who have adopted this perspective.

## **2. The Differentiation Perspective**

This emphasises that rather than consensus being organisation-wide, it only occurs within the boundaries of a subculture. At the organisational level, differentiated subcultures may co-exist in harmony, conflict or indifference to each other. Van Maanen(1991) in his study of Disneyland found groups of employees who considered themselves as being distinct. These sub-cultures related to different jobs, different levels of organisational status , gender and class. Claims of harmony from management masked a range of inconsistencies and group antagonisms. Rosen(1985) in his examination of an advertising agency found that class, gender and hierarchical status differentiated agency employees into a nested set of subcultures, each with its own distinctive pattern of reaction. What is unique about a given organisation's culture, then is the particular mix of subcultural differences within an organisation's boundaries.

## **3. The Fragmentation Perspective**

This approach views ambiguity as the norm, with consensus and dissension co-existing in a constantly fluctuating pattern influenced by events and specific areas of decision- making. As stated by Frost et al.(1991)

"From the fragmentation perspective, consensus fails to coalesce on an organisation-wide or subcultural basis, except in transient, issue-specific ways."

Rather than the clear unity of the integration perspective, or the clear conflicts of the differentiation viewpoint, fragmentation focuses on that which is unclear.

Many of the studies in corporate culture focus on only one of these perspectives, arguing whether it and it alone is evident within the organisation (see Table 4.1). As an example of this, Meyerson (1991) makes the point that much of the popular literature (Deal and Kennedy, 1982; Peters and Waterman, 1982) rests on the mistaken assumption that organisational culture consists of shared meanings and commonalities that are quite homogeneous, monolithic and organisation-wide. Little or no consideration is given to the potential existence of subcultures or dissension unless as an indication of a weak culture.

**Table 4.1 The Proponents of the Three Cultural Perspectives.**

<b>Integration Perspective</b>	Barley, 1983; Schein, 1991; Deal & Kennedy, 1982; Peters & Waterman, 1982; Ouchi, 1981; Pascale and Athos, 1981; Enz, 1988; Ott, 1989; Ouchi & Jaeger, 1978; Pennings & Gresov, 1986; Pfeffer, 1981; Pondy et al., 1983; Sathe, 1985; Sergiovanni & Corbally, 1988; Jonsson & Lundin, 1977; Pettigrew, 1979; McDonald, 1991.
<b>Differentiation Perspective</b>	Van Maanen, 1991; Rosen, 1985; Louis, 1985; Young, 1989; Christensen & Kreiner, 1984; Bartunek & Moch, 1991; Brunsson, 1986; Riley, 1983; Cooke & Rousseau, 1983.
<b>Fragmentation Perspective</b>	Kreiner & Schultz, 1993; Feldman, 1991; Meyerson, 1991; Levitt & Nass, 1989; Weick, 1991.

There are also major methodological differences between the three perspectives. Much of the research identifying consensus has involved small- scale qualitative research where the interviews have only been undertaken with the senior levels of selected organisations (Peters and Waterman, 1982; Deal and Kennedy, 1982; Barley, 1983). Such a methodological approach has been criticised for providing an incomplete picture of an organisation's culture reflecting only what management hoped to see (Martin et al., 1983).

Most of the studies identifying a differentiation perspective have tended to be quantitative, interviewing large numbers of subjects using some form of standardised research instrument (Martin and Frost, 1995). This approach to cultural research has been criticised for its lack of depth and its inability to assess the unique characteristics of an organisation (Schein, 1991).

The proponents of the fragmentation perspective have tended to research specific incidents or issues such as air traffic controllers operating on a foggy evening at a Tenerife airport (Weick, 1991) or policy analysts writing reports (Feldman, 1989).

Martin (1992) argued that it is not the case that advocates of the various perspectives have simply sought and found cultural contexts that fit both their methodologies and preconceptions. Instead, any corporate culture contains elements congruent with all three perspectives. Martin and Meyerson(1988) also argued, using data from a variety of case studies, that any culture contains elements that can be understood only when all three perspectives are used. From a senior manager's / director's point of view, the integrationist perspective may be congruent with a managers desire to see their values and policies shared and followed. Middle management may want to distance themselves from senior management and therefore subcultures and a differentiation perspective may be more appropriate. Newcomers and disenchanted shop floor workers may fit in more with the fragmentation perspective.

Therefore within a company there may be organisation wide consensus on some issues, consensus only within certain subcultures on other issues and an ambiguous state on the remainder. Schein in Frost et al(1991) suggested that there may be a core set of ideological guidelines within an organisation, that require a minimal consensus and consistency otherwise organisations would not function. Therefore consistency, consensus, harmony and integration may occur but within the midst of inconsistencies, ambiguities, conflicts, disruption and dissolution.

Therefore rather than describing strong cultures as all-encompassing phenomena within successful organisations, there is a need to identify the

individual strong, weak and irrelevant components of culture. As stated by Wilkins and Ouchi(1983, p478):

" Current popular claims for the importance of culture in organisations are so general as to be unhelpful and ultimately lead to dissatisfaction with what could easily come to be seen as yet one more social science fad"

Individual elements of a cultural orientation may promote or inhibit efficient operation, but some elements will probably be irrelevant to performance. As stated above, the adaptability of a culture may be important, particularly if an organisation has to undergo frequent or major changes.

In the services sector, Siehl(1992) emphasised the importance of the emotional aspects of culture. As much of the labour that is expended in a service encounter is emotional as opposed to physical, it is important that the emotion is correct during the service encounter. Some organisations try to standardise emotions and feelings through the use of a script for service providers but this tends to depersonalise the service for the customer. Therefore a customer-oriented culture is required where there is a commitment to enhancing the service encounter for the customer.

Normann(1991) similarly identified key elements in a service organisation's corporate culture as being:

- ❑ A client orientation
- ❑ An orientation towards quality
- ❑ High social technology orientation (an awareness that people are a company's most valuable asset)

Normann (1991)based these guiding principles on the observation of successful service organisations. They have not been empirically tested and research is required to test their validity. In practice they are relatively broad themes rather than specific cultural components and their measurement may be difficult. However, Normann(1991) stated that these themes can only be effectively integrated within an organisation if they are accompanied by changes in the internal norms and practices of the organisation. In other words through a change in a company's culture.

## 4.5 Corporate Culture Change

The culture or cultures within an organisation may no longer be appropriate to an organisation's context. For example, Ogbonna and Wilkinson(1988) identified a deliberate decision to change culture in British Supermarkets as a necessary response to the changed basis of competition. In the early 1980s, because of financial difficulties and it's imminent privatisation, British Airways had to change from having an operationally driven culture to one that was market led.

As has been stated earlier, the culture of a group does evolve and change over time as a result of changes in the various influencing factors. However, as has also been stated the influencing factors and components of corporate culture are complex and intertwined. As a result, these evolutionary changes may be too slow for the market and the management. The question then arises as to whether changes in an organisation's culture or cultures can be managed.

There is significant debate between researchers on this topic, with some seeing corporate culture as another critical component by which strategic managers can influence and direct the course of their organisations ( Schwartz and Davis,1981; Tichy, 1982; Deal and Kennedy, 1982; Schein, 1991; Peters and Waterman, 1982). In many cases these are the same authors who see a desirable culture as one where there is organisation-wide consensus and consistency (the integration perspective- see section 4.4).

Some researchers question whether corporate culture is indeed manageable because of the existence of subcultures, or even countercultures competing to define the nature of situations within organisational boundaries(Smircich,1983). Although this may not rule out the management of culture it may make it far more difficult and complex than the popular "newstand" texts suggest. As stated by Bryman(1984), no one genuinely seems to argue that cultures are absolutely inert and incapable of new directions. However, there is controversy over the degree of ease with which change can be introduced and managed.

There is also a debate as to whether the popular texts actually relate to culture or whether they simply relate to strategic directions and structures. Many of the changes discussed and championed as successful culture changes relate to improved entrepreneurship, the adoption of a customer or market orientation, teamwork or a financial discipline. Bryman(1984) described such orientations as superficial indicators of cultures, that would have been subsumed under umbrella terms like structure or strategy had culture not become so fashionable in recent years. Changes in the underlying values and norms that determine behaviour may not change and what companies may witness is merely behavioural compliance. As a result the implied benefits of the adoption of such orientations may be short-lived.

Deal and Kennedy(1982); Kotter and Heskett(1992) as well as many others focused on charismatic leaders or symbolic managers(Deal and Kennedy, 1982) as being the key ingredient necessary for a change in corporate culture. This ignores all of the other factors outlined as influencing factors in Section 4.3 such as recruitment, training, remuneration and organisational structure. Certainly, the initiative and commitment may come from a leader, but the corporate culture is shaped by more than simply the style of leadership.

Certainly from the lack of empirical results in the literature, the relative importance of each of the influencing factors is unclear and contradictory. What is clear, is that each of the factors does have some influence to a greater or lesser extent. They also interact by reinforcing and weakening the influence of each other and therefore it is likely that each of the factors requires to be managed if culture is to be changed.

As stated by Schein(1991), culture operates as a set of implicit assumptions, which cannot change unless they are brought to the surface and confronted. Therefore change may come about by getting employees to surface and re-examine the assumptions they hold. The role of management is to identify and manipulate the culture influencing factors that will motivate employees to re-examine and potentially change their own internal assumptions and values. In addition, managers are part of a company's culture and therefore their own values and assumptions need to be reviewed (Irons, 1993).

Overall, managers and their activities may therefore only act as catalysts for change rather than as dictators of change.

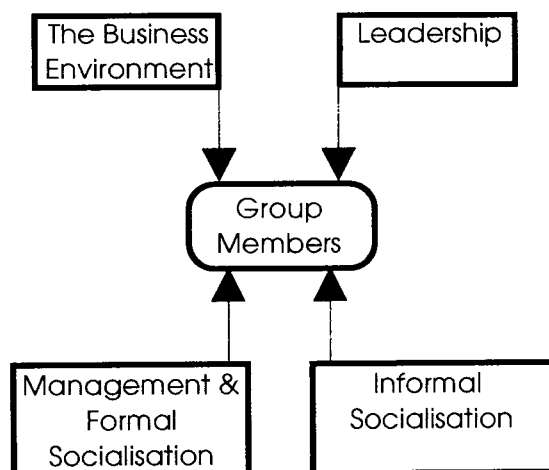
## 4.6 Summary

This chapter has defined corporate culture as the visible and less visible norms, values and behaviour that are shared by a group of employees which shape the group's sense of what is acceptable and valid. These are generally slow to change and new group members learn them through both an informal and formal socialisation process.

The groups referred to in this definition do not necessarily have to include all employees in an organisation, they may relate to sub groupings related to different functions or locations.

The range of factors, identified in the literature, which influence the nature of a group's culture are categorised into the groupings shown in Figure 4.1. The relative importance of each of these categories is unclear. A large number of authors see leadership as being the key influence, however, there is little empirical evidence to support this.

**Figure 4.1 Categories of Influencing Factors**



Corporate culture is seen by a number of authors as being critical to the provision of a service as it impacts upon and influences the personnel delivering the service. However, defining the nature of a strong and supportive culture is unclear, the definitions presented in the literature

depend on which school of cultural thinking an author belongs to. Much of the popular literature (Deal and Kennedy, 1982; Peters and Waterman, 1982) is in the integration school and rests on the assumption that organisational culture consists of shared meanings and commonalities that are quite homogeneous, monolithic and organisation-wide.

The differentiation school recognises the presence of differentiated subcultures within organisations. At the organisational level, a strong culture is where these subcultures co-exist in harmony, conflict or indifference to the benefit of the organisation.

The fragmentation approach views ambiguity as the norm, with consensus and dissension fluctuating depending on specific issues or areas of decision making. As such, the idea of a strong culture is not very appropriate.

Alternatively, a combination of these three perspectives may exist. A company may have organisation wide consensus on some issues, consensus only within certain subcultures on other issues and no clear unity at any level on the remainder. However, this along with the other perspectives require further testing with empirical research.

If a strong culture is so difficult to define, it may be worth exploring the individual elements of a culture which promote or inhibit the effectiveness of a service operation. The chapter highlights a number of broad themes which have been put forward by authors. However, these are simply guiding principles based on ad-hoc observations and therefore also require to be empirically tested.

Although there is general agreement (e.g. Schein, 1991) that management practices can influence the corporate culture, the ability of management to control a culture is questionable. It is certainly a more difficult task than that prescribed by authors such as Peters and Waterman (1982) and Deal and Kennedy (1982). Managers may be able to achieve behavioural compliance, however, this may be short-lived if the underlying values and norms that determine behaviour remain unchanged.

Rather than culture itself being managed, individual influencing factors may have to be manipulated if a change in culture is to be achieved. This



manipulation may motivate employees to re-examine and potentially change their own internal assumptions and values. Therefore managers may simply act as the catalysts for change.

Overall, although corporate culture is seen as being critical, particularly in influencing the performance of a service organisation, the literature explaining the phenomenon and its components is tentative and lacks serious empirical testing. This may be as a result of the nature of the subject or simply because the subject has been dominated by so-called management gurus rather than academic researchers.

Before exploring culture further, the next chapter will examine the nature of service delivery in the retail banking sector. This sector will then be used as the subject of the primary research into corporate culture and service delivery.

## Chapter 5. Service Delivery in the Retail Banking Sector

### 5.1 Introduction

In later chapters, the empirical research focuses on the retail banking sector as an example of a services organisation dependent on effective service delivery. In order to put the empirical research into context, this chapter provides an overview of the nature of the UK retail banking sector and the resultant implications for service delivery.

As there are a variety of different types of banks, it is perhaps useful to start by explaining what is meant by the term, retail bank. The terms bank, clearing bank, high street bank and retail bank are often used interchangeably by the press and the public. However as Table 5.1 shows each of these terms has a distinct meaning.

**Table 5.1 Definition of Banking Terms**

**Bank** - A deposit taking institution which is recognised as a bank by the Bank of England under the provisions of the Banking Act, 1985.

**A Clearing Bank** - A bank involved in the clearing system. There are three independent limited companies responsible for clearing cheques and other financial paper to enable funds to be transmitted from one bank to another. The larger banks and some of the building societies are members of the following three companies, and are therefore involved in the clearing system:

- Cheques and Credit Clearing Ltd
- CHAPS and Town Clearing Co. Ltd
- Bankers Automated Clearing Services Ltd (BACS)

**High Street Bank** - This tends to be another name for the major clearing banks, even although many other banks and building societies exist on UK. High Streets.

**Retail Bank** - Yet another name for a High Street Bank, but it particularly emphasises that they take funds from the ordinary man in the street.

Source: Klein (1989)

This study focuses on the retail banking sector. Lewis(1990) referred to retail banks as being those involved in the provision of personal financial services. This was reinforced by the UK government's C.O.I.(1994) who stated that retail banking is principally concerned with personal customers and small businesses. Its main services being cash deposit, money transmission and withdrawal facilities, being supplied through a significant branch network. Wright and Valentine(1986) stated that it is the large branch networks, the payments services and the customer base of individuals and small businesses which distinguishes the retail banks from merchant and other banks.

Therefore the definition of a retail bank used in this study is as follows:

A bank (recognised as a bank by the Bank of England) which operates through a large branch network providing payment and other financial services to individuals and small businesses.

## **5.2 The Nature of the Retail Banking Industry**

### **5.2.1 Customer Requirements**

This section considers the retail banking requirements of the two main customer groupings, the personal customers and the small business customers.

#### **Personal Customers**

All personal customers have five fundamental banking needs, these are to make payments, to borrow, to save, to invest and to protect or insure (Violano and Van Collie, 1992). The primary relationship with a retail bank is considered to be that of the payment or money transmission facility, in other words the current or cheque account (Laroche and Taylor, 1988).

The current account market is one of the most mature in the financial services sector, the number of accounts has grown from 26 million in 1983 to over almost 54 million accounts in 1993( British Bankers Association,

(1994) this excludes those current accounts held with the Co-operative, Girobank, Clydesdale and Yorkshire banks and with Building Societies). In 1991, 78 percent of the adult UK population (over 16 years) held at least one current account (The Advertising Association, 1992).

Although a number of authors have undertaken research into what they describe as being the consumer's bank selection criteria, their findings relate principally to the selection criteria for the cheque account rather than for any other banking service.

Anderson et al. (1976) in their study of bank selection criteria identified two clusters of respondents: those to whom the convenience of the branch was critical and those to whom the service orientation of the branch was important.

In a U.S. study by Stanley et al. (1979), 67 percent of respondents agreed that location is the most important factor in the selection process and 91 percent agreed with a statement, "It is important to me whether personnel at a bank are pleasant and friendly".

Lewis (1982) who studied weekly, cash-paid workers in the UK found that choice of bank was influenced by two key factors: real or perceived locational convenience with respect to home or work and recommendations of friends and family. Other authors who have also found locational convenience to be critical include the National Consumer Council (1983), Lanphear (1989), Martenson (1985), Riggall (1979) and Calantone and Sawyer (1978).

However, in considering different products, Laroche and Taylor (1988), in a study of 278 Canadian Bank customers found that convenience of location was most important for chequing and savings products but was of little importance in terms of long term deposits, pension products and mortgages, where efficiency of personnel and charges or interest rates were important. This is reinforced by the findings of Laroche and Taylor (1988) who found that the primary institution with the cheque account did not necessarily obtain the customer's business in these other areas.

Multiple sourcing was evident in Sweden where Martenson(1985) found that an average consumers had accounts with 2.7 banks. Cox and Lasley (1984) in the US found that the average household used 2.6 financial institutions and this was growing by 0.1 per year. In the U.K., research by the Association for Payment Clearing Services(1989) has suggested that well over half of all consumers who open building society accounts also have a current account with a bank. This is supported by research carried out with 1,191 bank customers by a market research agency for Clydesdale Bank which found that 58% of bank customers in Scotland also had a building society account. Thomson(1992) in his review of an NOP / Financial Research Service survey of 36,000 financial consumers found that in Scotland and the North of England, 9 percent of consumers held two or more current accounts. While in the South of England, the figure was as high as 17 percent.

There is therefore no guarantee for a bank, that by holding a consumer's current account, other products and relationships will be sold to that consumer. From the research with 1191 Scottish bank customers undertaken for Clydesdale Bank, Table 5.2 shows for the products purchased during the twelve months previous to the research, the proportion purchased from a bank. As this table shows, outwith the traditional bank lending and transmission products, banks are not particularly successful at selling other financial services such as insurance and pension type products.

However cross - selling of these products may prove difficult as the younger generation may not wish to enter bank branches and meet bank staff face to face. The use of ATMs has increased significantly among consumers in the under 30 age group (Inter-Bank Research organisation, 1985). The research carried out for Clydesdale Bank with 1,191 respondents shows the higher propensity for ATM usage amongst younger people (see Table 5.3). In addition to the findings on usage, the research found that 53 percent of 16-34 year olds, 39 percent of 35-54 year olds and 15 percent of those over 55 years of age actually preferred to use an ATM rather than enter the bank branch. This means that the next generation of bank customers are likely to have only limited contact with branch staff, making the task of cross selling more difficult and undermining the very function of the retail bank branch.

**TABLE 5.2 Source of Products Purchased in Last 12 Months**

Base = 1191 Scottish Bank Customers

	% purchasing from a bank
Personal Loan	85%
Interest Bearing Cheque a/c	84%
Revolving Credit	77%
Credit Card	70%
Deposit a/c	52%
High Interest a/c	39%
Mortgage	34%
General Insurance	24%
Life Insurance	14%
Pension Plan	9%

Source: System Three Research for Clydesdale Bank (1989)

**Table 5.3 Method of Cash Withdrawal used Most Frequently**

Base = 1191 respondents

Age	Cash Dispenser	Over the Counter
16-34	70%	25%
35-54	60%	37%
55+	28%	65%
Total	62%	38%

Source : System 3 Research for Clydesdale Bank, 1989

## **The Small Business Customer**

The small business sector is generally considered to consist of all companies having a turnover of less than £1 million (Smith, 1989) who are involved in service, retail and manufacturing activities. The requirements of companies in this sector in terms of financial services can be categorised into three areas (Marsh, 1988):

### **1. administrative requirements**

- pay service for employees
- company credit cards
- business and tax advisory services
- insurance
- pension fund management

### **2. working capital requirements**

- cheque account
- overdrafts / loans
- factoring
- invoice discounting
- foreign exchange facilities

### **3. capital requirements**

- leasing
- term loans
- interest bearing deposits
- money management service

In addition to the company requirements, there are also specific needs relating to the directors or partners in the firm such as estate planning, pensions, investments and taxation planning. There are therefore a wide range of opportunities available to banks within this market segment.

To be successful in attracting small business customers, Teas et al. (1988) found that companies were seeking a bank who sought a relationship with the company, clearly demonstrating an active interest in the company's business activities. The importance of a good relationship and a knowledge of a company's activities has been identified in a large number

of research studies (Turnbull and Gibbs, 1991; Dunkelberg and Scott, 1983; Buerger and Ulrich, 1986; Forum of Private Business, 1988). Other important factors include price, speed of service, accuracy, reliability and confidentiality( Smith, 1991).

A study by Roushanbakhti (1991) amongst Scottish small businesses found that many company directors were quite reluctant to have personal contact with their banks unless it was absolutely necessary. She found that most company directors with the exception of those who were involved in cash transactions (i.e. retailers) rarely visited the branch (average one visit per year) where their account was held. Direct contact with bank staff was limited to specific activities such as overdraft renewal, loan proposals and to review the company's financial accounts. In these circumstances the directors' preference was for the bank manager to visit the company.

However, the initial account opening typically happens at a branch which is convenient in terms of geographical coverage to the company or where one of the company founders currently holds a personal account. Therefore in many ways, the small business market is similar to the consumer market with branches being particularly important during the setting up phase of an account or banking relationship and possibly becoming subsequently less important during the day - to - day operation of the account. Thus making it difficult to foster close relationships through the traditional delivery channels.

### **5.2.2 Market Structure**

On the supply side, the Retail Banking Industry in the UK can be split into three groups (Martin, 1991):

1. The four major English Clearing Banks (the "Big Four"): Barclays, National Westminster, Midland and Lloyds.
2. The second-tier banks: Co-operative, National Girobank, TSB and Yorkshire.(the COI(1994) added Abbey National to this group).



3. The Scottish Clearing Banks - Royal Bank of Scotland, Bank of Scotland and Clydesdale Bank

Excluding National Girobank which offers services through the Post Office Network, Table 5.4 shows that these 11 retail banks account for over 12,100 branches. They are also responsible for around 15,000 automated teller machines (ATMs) (British Bankers Association, 1994).

**Table 5.4 The Branch Networks of the Major Retail Banks.**

	Number of Branches
National Westminster	2,545
Barclays	2,119
Lloyds	1,860
Midland	1,713
TSB	1,321
Royal Bank of Scotland	752
Abbey National	686
Clydesdale	314
Bank of Scotland	455
Yorkshire	270
Co-operative	109

These branches operate in a market which has changed dramatically over the last ten years. In particular, changes in the regulatory environment and in technology have had an impact on competitor forces, customer expectations and the manner in which services are delivered.

**5.2.3 The Regulatory Environment**

During the last ten years, the two most fundamental pieces of UK legislation affecting the retail banking sector have been the 1986 Building Societies Act and the 1986 Financial Services Act.

The first building society is said to have been established in Birmingham in 1775. In 1994 there were approximately 87(British Bankers Association, 1994) registered societies. Each of these is a mutual institution owned by its savers and borrowers. Traditionally building

societies are the major source of funds for the provision of long-term loans (mortgages) on the security of property. The money for these loans is raised from attracting short-term deposits from savers.

The 1986 Building Societies Act removed the regulations restricting the societies to the savings and mortgage market. Under the act, building societies are now allowed to provide the following services either themselves or through subsidiaries:

1. Money transmission services including the provision of overdraft facilities.
2. Foreign exchange services.
3. Management, as agents, of land
4. The provision of services relating to the acquisition or disposal of investments.
5. Establishment and management of Personal Equity Plans.
6. The Provision of unsecured loans.
7. Establishment and provision of pension schemes.
8. Arranging and giving advice on insurance.
9. Estate agency services.
10. Surveys and valuations of land.
11. Conveyancing services.

The act also allowed individual building societies to become public companies operating as banks providing that at least 20 per cent of the membership vote on the decision and that 75 per cent of votes are in favour of the change. At present, only Abbey National has taken this option.

The extent to which individual building societies have introduced these additional services varies. However, almost all of the larger building societies currently offer standard cheque accounts, provide personal loans and offer a wide range of insurances. For example, the Nationwide and Abbey National Building Societies launched interest bearing current accounts in 1987. By 1990, these two building societies had amassed over 1.8 million current account customers (Wilson, 1992). Although many of these accounts were secondary accounts which existed alongside a bank account, they provided a entry route into over 1.8 million households for

the building societies to sell more profitable financial and insurance products.

In addition to the increased competition from building societies, the 1986 Financial Services Act had a major impact on the structure of the U.K. banking industry. The act was primarily concerned with investments. Its two main aims were the protection of the private investor through the tightening up of regulatory procedures and the opening up of the stock exchange to outsiders.

The act stated that any organisation wishing to transact investment business could do so as long as they were authorised by an appropriate self-regulating body, a recognised professional body or the Securities and Investment Board. As a result, many of the major banks formed new groups by taking over stock exchange jobbers and brokers. This allowed them to use their retail branch networks to promote high-volume dealing in stocks and shares as well as providing personal equity plans.

The greater transparency of relationships and disclosures of commissions, has put significant pressure on independent insurance brokers. Before the Financial Services Act, insurance companies distributed their products largely via independent brokers and direct sales forces. However, with deregulation, insurance companies were able to establish distribution agreements with banks and building societies, thereby making their products directly available on the high street.

This trend linked to increased price competition has stimulated the appearance of financial service conglomerates. For example there is a link-up between Lloyds Bank and Abbey Life Insurance and between Royal Bank of Scotland and Royal Scottish Assurance. these linkages are commonly described as "bancassurance". The basic rationale of bancassurance being that it brings together the more sophisticated selling skill of the insurance organisations with the loyal client-base of the banks. Hughes(1994) suggested that a good insurance salesman can increase his sales productivity as much as three or four times working within a bancassurance regime compared to the traditional cold calling insurance representative.

Therefore these changes in the regulatory environment have resulted in greater competition for retail banks in the core banking areas of deposits, lending and money transmission particularly from building societies. To a lesser extent retailers and finance houses are also offering traditional banking products. As stated by Middleton in 1987:

"When one of Britain's leading consumer electronics retailing chains is adding insurance products to its consumer credit business, when building societies offer full consumer facilities including credit cards, when insurance companies are selling unit trusts and mortgages, when postal and savings banks offer ATM networks, when investment banks offer integrated cash and asset management accounts linked to securities trading and chequing facilities, and when consumers are acquiring multiple relationships with many different financial service providers, can bankers afford not to re-appraise their definition and approach to their retail finance businesses?"(P.16)

In addition to the increased competition, deregulation has enabled retail banks to take advantage of potential cross-selling opportunities with a range of insurance and investment products and services.

#### 5.2.4 The Technological Environment

Technology has also had a major impact on retail banking over the last ten years. This impact has been particularly felt in four main areas:

1. the automation of routine administrative tasks
2. improving the delivery of the service to the consumer
3. improving links between the banks and other financial institutions
4. developing better customer information for marketing purposes

Considering each of these in turn:

##### **1. The automation of routine administrative tasks**

Banking perhaps more than any other industry, relies upon the collection, storage, retrieval, assimilation and transmission of information.

Traditionally this has meant that retail banks have had to process large

amounts of paperwork. As a result banks invested in large mainframe computers over 30 years ago and have invested significantly on data processing ever since. The initial priorities have been to computerise the vast bulk of routine transactions. Cheque clearing in particular is a cumbersome process involving 60 percent (Smith, 1987) of bank staff in one way or another. With the production of Magnetic Ink Character Recognition symbols on each cheque, automation has allowed significant improvements and cost reductions in the clearing departments of the various banks. Attempts have also been made to reduce the number of cheques being processed by the introduction of:

Automated Teller Machines (ATMs) for cash withdrawal

Terminals at Tellers' Desks for cash withdrawal

Automated Payment Systems (Direct Debit, Standing Orders and other automated bill payment facilities)

Electronic Fund Transfer at the Point of Sale (debit cards for use in retail establishments)

The resultant reduction in paperwork combined with the advances in technology have enabled retail banks to cut costs and gain economies of scale by removing both processing and telephone enquiry functions from their branches to centralised processing and enquiry centres (Greenland, 1994, a). However, spending on technology has until recently not been accompanied by significant cuts in staff numbers. Although staffing fell by around 16 percent between 1989 and 1993, the overall number of bank staff was the same in 1993 as it was in 1986 ( British bankers Association, 1994). Therefore the cost-income ratios of the retail banks still remain around 65 percent which is well above the average of 50 percent cited for the building societies (Hughes, 1994). This provides the building societies with a major competitive advantage in terms of price.

## **2. Improving the delivery of the service to the consumer**

More efficient administration not only reduces operating costs but should also lead to the offering of a more efficient and accurate service to the customer. This has been combined with the provision of alternative means of delivery provided by automated teller machines (ATMs), electronic fund transfer at the point of sale (debit cards) telephone and home banking facilities.

ATMs were principally introduced to speed up and reduce the cost to the bank of cash withdrawals. Smith(1987) found that 45 percent of a human teller's time was spent granting withdrawals, the other major component being the acceptance of deposits which accounted for another 40 percent. Courter's (1991) research in the U.S. found that human teller transactions cost the bank twice as much as an ATM transaction. Therefore ATM's were used to encourage customers to take transactions away from branch counters, freeing up branch staff to concentrate on selling (Hughes, 1994). However, it was anticipated that the growth in ATM usage may mean that customers make less use of the inside of the bank branch, leading to fewer sales opportunities (Watkins, 1990).

Although ATMs now offer a range of services including cash withdrawal, deposits, current account balance and the ordering of chequebooks, statements and other bank information, the majority of users only use ATMs for cash withdrawal (Council on Financial Competition, 1988). In addition it has been found that more than 90 percent of those customers interviewed preferred to deal with members of staff when making deposits (Council on Financial Competition, 1988). The public seems to trust machines for withdrawals but not for deposits. Although this mistrust may stem from the fact that the ATM does not actually process the transaction but simply stores the transaction until the teller is ready to process it (Smith, 1987). The deposit is only applied to the customer's account only after a human teller has checked the deposit and accepted it.

However, bank and building society ATMs in the U.K. have increased in number from 5,745 in 1983 to 19,580 in 1993 and this trend is thought likely to continue.( British Bankers Association, 1994). A growing proportion of these are being located away from branches in shopping centres, garage forecourts, airports and railway stations.

The provision of debit cards and electronic funds transfer at the point of sale has also had an impact on the delivery of bank services. Debit cards allow customers to pay for goods and services with a plastic card at the point of sale with the payment debited directly from their account. Funds are transferred electronically from the customer's account directly to the retailers account. The first debit card in the UK was launched by Barclays Bank in 1987, there are now more than 24,000 cards in issue

undertaking 659 million retail transactions in 1993, valued at £17,869 million (British Bankers Association, 1994). For retailers and banks, debit cards have the advantage of being less paper intensive than cheques with transactions being validated and processed more quickly thereby decreasing the risk of fraud. For the customer, there is no cheque to write, speeding up the process and making it more convenient. In certain retail outlets a cashback facility is offered to debit card holders, this allows them to withdraw cash from their account. It also enables retailers to reduce their cash-handling costs.

The other major technological development which has impacted on the delivery of bank services has been the home-based or telephone banking facility. In the U.K. this started off with the computer based home and office banking system jointly launched by the Bank of Scotland and Nottingham Building Society in 1986. This original system required the customer to have a small terminal or computer hardware which could communicate with the bank through the telephone lines. With such a system, customers could access their accounts, check the balance and transfer money to other accounts and to pay bills. However, interactive voice response telephone banking has replaced the PC based home banking movement (Violano and Van Collie, 1992). Rather than investing in the computer a customer simply requires a touch-tone telephone. The banks computer responds in an interactive simulated voice to commands given through the telephones touch-tone buttons. The same activities are possible in the PC based system and the cost to the bank per transaction is almost half of that for an ATM transaction taking into account hardware and telecommunication costs.(Courter, 1991).

Midland Bank went one stage further in 1989 by setting up a bank which could only be accessed through the telephone or via ATMs. The telephone system is manned by human operators who not only provide the same services as any bank branch but also undertake cross-selling activities. First Direct has attracted over 150,000 customers (Retail Banker International, 1992) , their target audience being more affluent individuals who are technologically literate and willing to conduct their business away from branches.

For the banks which have set up telephone banking operations, it is thought (Hughes, 1994) that their ultimate objectives are to firstly remain competitive whilst reducing overheads on transaction based accounts and secondly to free up the branches to deliver services for other products and customer segments which require face - to - face contact.

### **3. Improving links between the banks and other financial institutions**

Computer and telecommunications technology has enabled different types of financial service firms to be linked together. For example, building society and bank branches may use a terminal link to insurance providers in order to obtain the best insurance policy quotation for a potential purchaser.

ATM networks may also be interlinked so that banks can provide wider geographical coverage to their customers. This has become important as ATMs are now generally viewed as a generic service offering limited competitive advantage( Violano and Van Collie, 1992). The largest of these linkages in the U.K. is the LINK consortium. This consortium consists of eight organisations who collectively provide their customers with access to a national network of shared ATMs. Seven of the organisations are large banks and building societies: Clydesdale, Co-operative, Girobank, Abbey National, Halifax, Nationwide, Woolwich. The eighth member is FTS which itself is a further consortium of 21 financial institutions which own their own ATMs and share a central computer and a national network to run them.

### **4. Developing better customer information for marketing purposes**

Banks have traditionally held customer information in the form of accounts and account numbers, therefore it has tended to be scattered in multiple files (Violano and Van Collie, 1992). It has therefore been very difficult for bank staff to get a complete picture of the relationship between the customer and the bank.



Information Dynamics Ltd(1991) based on interviews with 45 leading retail financial services organisations in Europe found that under 10% of the institutions were able to identify key buying groups beyond well known "good" customers and "bad" customers. As a result over 80% of them were in the process of creating a customer oriented information management system which would allow information to be consolidated by customer and indexed by a number of individual customer related parameters.

Violano and Van Collie(1992) saw this progression in the banking sector being from one where systems excelled in capturing and accounting for transactions to product-centred systems, dedicated to such lines of business as lending or credit- card management, to ultimately customer-centred relational database information systems.

Such systems can provide marketing databases or customer information files allowing the banks to track changing patterns of behaviour and identify opportunities to target and cross-sell specific products to particular individuals.

### **5.3 Service Delivery**

#### **5.3.1 Service Delivery Decisions**

The manned branch network is the traditional delivery mechanism for retail banking services. Such networks evolved to attract relatively cheap retail deposits through the convenience of branch locations and branch based payment systems. As a result, they have provided a highly effective, though increasingly costly, mechanism for administering, collecting and delivering cash./They have also, simultaneously facilitated the selling and servicing of a wide range of financial services. However, the changes in competition through financial deregulation, technology and customer requirements has brought the role and overall nature of the retail bank branch network into question. In addition to potential changes in the branch network, there are now a range of delivery mechanisms available to retail banks for selling and servicing financial services, these include:

- ❑ ATMs and self - service machines
- ❑ home and office / telephone banking
- ❑ direct mail and postal services
- ❑ the direct salesforce
- ❑ EFTPOS (Electronic fund transfer at the point of sale)

The choice of delivery system for retail banks has become a critical strategic issue ( Channon, 1986; Marsh, 1988; and Howcroft ,1990(a)). In particular, Friars et al(1985) based on their experience as consultants claimed that American financial services firms were beginning to look at distribution as a competitive weapon in the mid 1980s. In the UK, Howcroft (1990(a)) forecast in his review of retail branch banking that the management of the distribution channel mix will be of increasing importance in determining future competitiveness in the financial services market. Both of these sets of authors emphasise that the eventual choice of delivery system is likely to influence the organisation's product range, its price-competitiveness and the overall impact of the organisation in the market place. There is, however, no empirical evidence to confirm that the management of service delivery has been given priority status by retail banks within the UK. In fact the situation may reflect, Friars et al.(1985)'s views of American financial institutions whom they described as " making distribution choices blindly without recognising the full impact of such decisions". Friars et al(1985) went on to suggest that the focus should be on the amount of value added by a distribution system, for example, personal contact may add value to complex financial products whereas electronic delivery may add more value to less complex transactional products.

Howcroft(1990(a), p144) stated that the selection of delivery system should be based upon the following general considerations:

- "1. Maintaining a strong market position through attracting and retaining a large, profitable customer base
2. Introducing new distribution channels to counteract the cost benefit characteristics of the branch network

3. Building a distribution channel mix that can respond flexibly to changes in competition and the market place

4. Exploiting fully the benefits inherent in the existing infrastructure."

However, there is no published empirical evidence to confirm that these elements are currently assessed by the retail banks.

Kimball(1990) stated that the delivery system must be consistent with the bank's strategy, customer base, products and organisational structure providing a well - integrated whole. This reiterates a point made in Chapter Two which stated that the service delivery process involves the co-operation and integration of the marketing, operations and human resource functions. Consistency is important and Kimball (1990) suggested that the elements of distribution, products and organisation structure are dependant on whether it is a relationship strategy driven through the branch, a product strategy driven through the branch or a product strategy driven through a non-branch delivery channel (see: Table 5.5)

Kimball(1990) stressed that only a few U.S. banks have achieved an integrated and consistent strategic focus, with most of the banks possessing elements of both relationship and product strategies. He stated that the choice between a relationship or a product driven strategy is likely to be the most important marketing issue facing banks during the 1990s. However, this assertion and the belief that a bank can only be successful if only one of these approaches is adopted is not based on empirical evidence and therefore requires to be validated through research.

In addition, if an integrated and consistent strategic focus is required, how are the functions of marketing, operations and human resource management integrated? In particular, what role does the marketing function play in this regard? Research undertaken by Morgan (1988) amongst 130 banks, building societies and insurance companies found that the chief marketing executive was only responsible for marketing service activities such as marketing research, advertising, new product

launches, marketing training and the recruitment of marketing personnel. Such an executive had little or no influence over the strategic direction of the organisation or the service delivery undertaken at branch level. This was principally as a result of the powerful position of regional management in the banking sector. However, these findings would seem to conflict with the findings of research carried out by the Council on Financial Competition(1985) in 30 banks within the U.S. which suggested that there was a growing participation by marketing directors in senior-level policy making committees and in decisions regarding service delivery. In addition, Clarke et al.(1988) identified a trend within U.K. banks towards more managers with strong marketing backgrounds being recruited to senior positions.

These vague and somewhat differing views and findings raise questions as to whether, within retail banks, the marketing or some other function manages the bank's delivery system in a manner which is integrated with other elements of the bank's operations.

### **5.3.2 The Retail Branch Network**

In addition to distribution's potential role in gaining competitive advantage, many of the banks are looking at their delivery systems as a key area in the reduction of their operating costs. This is particularly important when one considers that between 45 and 80 percent (Friars et al, 1985) of a bank's costs are represented by distribution. In addition, a survey prepared in 1988 by Booz - Allen & Hamilton for the American Bankers Association estimated that nearly half of all bank branches in the USA were unprofitable.

**TABLE 5.5 Potential Bank Strategies and their Implications**

❑ **a relationship strategy driven through the branch**  
**product implications**

- integrated accounts built around transactions account
- easy cross sell
- relationship pricing

**delivery implications**

- dense branches to attract new primary accounts
- good service to retain relationships
- relationships are managed by the branch
- branches are the key sales vehicles

**organisational implications**

- key players are head of branches and branch sales manager
- head of branches has profit and loss responsibility
- product managers meet needs of branch head

❑ **a product strategy driven through the branch**  
**product implications**

- stand alone products
- emphasis on innovation and product quality
- broad product line

**delivery implications**

- adequate outlets for non recurring transactions
- centrally driven promotion
- centralised servicing wherever possible
- branches are order takers

**organisational implications**

- product managers are key players
- head of branches co-ordinates use of distribution channel
- branches meet needs of product managers
- product managers have profit and loss responsibility
- branches are cost centres

❑ **a non branch product strategy**  
**product implications**

- stand alone products
- narrow product line

**delivery implications**

- products develop their own sales channels
- centralised servicing

**organisational implications**

- product managers are business heads
- often organised as corporate subsidiary with different identity

Source: Kimball (1990)

The main overall trend in UK retail banking has been widespread branch closure and network restructuring, with the majority of banks reconsidering both the number and geographical spread of branches (Greenland, 1994, a). In 1992, Barclays reduced their branch staff by 8,000 and closed 120 branches, Midland closed 250 branches and the Royal Bank of Scotland plans to reduce branch staff by 3,500 over the period from 1992 to 1995 (FT, 20/11/92). Table 5.6 shows that during the period 1983-1993, the number of retail bank branches has declined by twenty percent whilst at the same time the number of retail bank ATMs has increased by 163 percent. However, even with the decline in branch numbers, the importance of the branch network to retail banking is not in question (Hawk, 1990; Howcroft, 1990(b); Lewis, 1990; Information Dynamics, 1991; Greenland, 1994(a)). However, it is widely accepted by the same authors that the nature of the branch network is likely to be changed dramatically through restructure and rationalisation.

**TABLE 5.6 Number of Retail Bank Branches and ATMs**

Year	Retail Bank Branches*	ATMs*
1983	15163	5633
1984	15037	6524
1985	14945	8129
1986	14663	9106
1987	14480	10408
1988	14387	11557
1989	14169	12983
1990	13699	13896
1991	13015	14251
1992	12449	14563
1993	12144	14837

\* excludes figures for Girobank

Source: British Bankers Association, Annual Abstract of Statistics, 1994

Restructuring of the branch network has tended to follow a "Hub and Spoke" branch system (Caron, 1987; Howcroft, 1990(a); Greenland, 1994(a)). The logistics of the system vary between different banks but it is typically structured around a "key branch" which may have responsibility for between four and fifteen satellite branches. The "key branch" is normally able to offer a full range of services as well as corporate banking services. The satellite branches themselves concentrate on basic personal banking services bringing in product experts from the "key branch" when required.

The processing of cheques is only undertaken by the "key branch" or some centralised processing department. Apart from centralisation of the processing function, hub and spoke branching also has the propensity to reduce costs by focusing specialists in the "key branches", thereby avoiding duplication, allowing satellite branches to be operated by staff on lower salaries. For example the highest position in a satellite branch is likely to be the equivalent of an assistant branch manager rather than the traditional situation of having a branch manager in each branch. Some satellite branches may simply be turned into unmanned branches, where technology provides the customer with a full range of depositing, withdrawal and money transmission services. In North America, unmanned banking arcades are commonplace.

Hub and Spoke branching should allow the retail banks to target specific branches at specific target markets. The extent to which this is done is unclear, however, as stated by Meidan(1983) in 1983, specialised branches would need to be located with particular care to maximise both revenue and customer satisfaction. Greenland(1994(a)) stated that the methods and techniques used by retail banks in evaluating locations range from very systematic and sophisticated approaches using modelling techniques to far more subjective consideration of secondary data sources and management knowledge. However, if distribution is to be seen as a major competitive weapon, the trend is likely to be towards greater sophistication in decisions regarding which branches are to be upgraded, down graded, closed or relocated.

An alternative to the existing branch network is to place branches inside other types of outlet. In the U.S. Violano and Van Collie(1992) claimed

that grocery stores are emerging as natural sites for branch banking. In addition to offering longer opening hours, the cost of a supermarket branch is likely to be one fifth to one tenth of the price of a traditional branch to build and operate. Garnett(1990) stated that over 400 bank branches in the U.S. have been opened in supermarkets. These branches have tended to be successful, whereas branches that have opened in department stores have generally been unsuccessful. In the U.K. there is no evidence in the literature to suggest that retail banks are considering supermarket locations for branches, although there are now 1,367 remote ATMs( separate from a bank branch, British Bankers Association, 1994) some of which are located in supermarkets. However, the cashback facility where customers can withdraw money from their accounts in supermarkets using their debit cards may be the way forward. Already in France, local banks have been carrying out experiments in butcher's and baker's shops as these tend to be high activity retailers in the French culture. These service are being seen as more cost effective transaction handlers for deposits and withdrawals than the traditional bank branch ( Smith, 1991). They do, however, limit the possibilities for relationship building as well as the opportunities for cross-selling products.

The appreciation of the similarities between retailer transactions and banking transactions is also reflected in the design trends for bank branches.

### **5.3.3 The Branch Environment**

Traditionally bank branches were designed to project an image of reliability, security and stability using classical architecture and a rather stern ambience (Greenland, 1994(b); Burton, 1994; Kay, 1987; Booker, 1991). Such an image of soundness and stability was meant to reassure the depositors that their money was in safe hands (Andrew, 1985) . In addition they were designed to process transactions. Over seventy percent of the floor space was given over to administrative staff, this area was separated from the public area by a large counter and more recently security ("Bandit" ) screens (Fairhead, 1987; Goldthorp, 1988; Wilson, 1992; Greenland, 1994(b); Burton, 1994).



Increased competition and the removal of "back office" functions to central locations has meant that the traditional branch design may no longer be relevant and many banks are turning to the retailing sector for design ideas (Fairhead, 1987; McIver and Naylor, 1988; Faust, 1990; Greenland, 1994(b); Burton, 1994). This accompanies a shift from "transaction -oriented to sales-oriented branches"(Faust, 1990, p30). The need to turn into a selling environment has meant that branches need to provide an inviting and user friendly environment for small business and personal sector customers. A number of authors(Fairhead, 1987; Flemington, 1988; Kilgour, 1988; McIver and Naylor, 1988; Fortescue, 1988; Robinson, 1988; Pirrie, 1988; Faust, 1990; Wilson, 1992; Greenland, 1994(b); Burton, 1994) described these changes as involving , on the outside, shop window-type frontages with eye catching signage and lighting, on the inside more space is now allocated to the customer, open plan environments with fewer physical barriers or bandit screens are being developed and more prominent merchandising displays and leaflet dispensers are being installed. Many designers have incorporated a "zoning " policy which involves designating the floorspace of a branch for specific banking transactions. As customers enter a branch, they enter a self service zone for quick transactions through ATMs and other automated delivery mechanisms. " Off the shelf" products, such as account openings and simple loans are provided by receptionists and counsellors in another zone. A secure zone is also provided for high value money transactions. Finally, for more complex products, interview rooms are provided (Burton , 1994).

Initially many of these design changes were dictated by regional / branch management and heavily influenced by concerns for their own convenience, however, more recently design changes have been based on national market research findings and branch piloting (Greenland, 1994(b)).

The cost of refurbishment is high, therefore the transition from the old style branch has been slow and for most of the retail banks is far from complete. The success of the refurbishment programmes is as yet unclear with few authors or banks being able or willing to produce evidence of improvements in perceived service quality and ultimately sales. There is also a question about the value and sense of expensive refurbishment

schemes when other delivery mechanisms such as ATMs and telephone banking are pulling customers away from the branch for their transactional and less complex requirements.(Howcroft, 1993) Purchasing more complex financial products is normally a "high involvement" process with impulse purchases being rare (Faust, 1990) therefore it is to be assumed that, on its own, an improvement in the branch environment is unlikely to increase sales.

The ability and qualities of the branch personnel operating within the branch environment have also been addressed by the retail banks, the next section therefore looks at the retail branch personnel.

#### **5.3.4 The Retail Branch Personnel**

The nature of the branch personnel's task has changed radically in the retail banking sector. This is illustrated by Table 5.7 which shows the changing nature of employment in retail banks and building societies. Traditionally, retail banks have been production oriented and personnel policies have not fostered a marketing culture:

"Those who get ahead in banks are usually the most careful, the ones who make the fewest mistakes, or indeed, no lending mistakes at all. Few banks reward entrepreneurship, arguing that it is security, not vivacity, which their customers seek" (Wills and Day, 1984, p5)

"Bank employees have in the past been recognised, rewarded and promoted not on their marketing skills but on their technical and production skills at getting the job done" (Richardson and Robinson, 1986, p4)

Howcroft(1990(b)) saw a fundamental change happening in the personnel policies of retail banks with recruitment and training placing more emphasis on client contact skills. The implementation of performance related pay has been introduced by many retail banks to reinforce the "new" marketing focus.

In particular, emphasis has been placed on the quality of the interaction between branch personnel and their consumers. Research by Smith and Lewis(1989) found that of the nine retail banks they interviewed, six were implementing service quality training programmes and two were developing them. These training programmes tended to focus on the personal qualities of staff( friendliness, helpfulness, courteousness, empathy etc.), customer / product knowledge and speed or efficiency in performing the service. Bertrand and Noyelle's(1988) study of financial institutions( including banks) in US, Japan and Europe found that branch staff's administrative and procedural competence was being augmented with customer assistance and sales skills. The focus was on moving from "order takers" to sellers and relationship builders. These inputs were seen as being necessary as they provided the banks with a method of differentiation from the increasing competition. The research also identified that the training programmes were designed to change the culture of the banks through the breaking down of internal barriers and improvements in internal communications. To achieve this, the training sessions and workshops mixed staff of widely varying status and actively promoted "first name terms" between management and staff. Improved communication both horizontally and vertically was a major issue for the programmes.

These training programmes were being reinforced and evaluated through the setting of service standards and the monitoring of the attainment of these standards through marketing research, mystery shopping surveys and recording the level and type of complaints (Smith and Lewis, 1989). Burton(1994) in her case study of a major UK bank found that quality circles were also being used in branches to develop new skills and product knowledge. Usually this involved teams of six to eight branch staff, headed by a team leader meeting to discuss products and service delivery, utilising booklets and videos.

**TABLE 5.7 The Changing Nature of Banking**

<b>Elements of Employment</b>	<b>Old culture (appropriate for stable, controlled environment)</b>	<b>New culture (appropriate for dynamic, competitive environment)</b>
1. Objectives	Social	Commercial
2. Key Tasks	Administration	Business Development
3. Promotion and Power	Seniority, general skills and experience	Expertise and specialisation - More external recruitment
4. Planning	Short- term based on tradition	Long-term based on research
5. Decision Making	Rules and Regulations	Greater Personal initiative
6. Relationships	Status and individual roles	Job content and teamwork
7. Appraisal systems	Based on effort, and loyalty	Based on performance, and results
8. Employment	Secure, well paid and caring	Insecure, low paid and part -time

Source: Adapted from Financial Times, 9 January 1987

To reward better service, banks were also using appraisal systems, customer service awards and more recently they have been attempting to introduce performance related remuneration (Burton, 1994; Smith and Lewis, 1989). However, a survey of 116 branch staff in 1990 found that staff received little formal monitoring of their service performance (Howcroft, 1992). The introduction of performance related pay has not been without its difficulties, particularly with regard to the conflict between equality of rewards for all staff within a branch and rewarding only those specifically responsible for selling (Burton, 1994). Therefore although reward mechanisms have been introduced, their practical application has been relatively unsatisfactory (Burton, 1994).

## **5.4 Perceived Success of Changes in Service Delivery**

### **5.4.1 Customer Perceptions**

Conflicting findings exist with regard to customers' perceptions of the service quality provided by bank branches. Lewis(1991) assessed personal customers' expectations and perceptions of banks in the UK and US.

Overall, the sample of bank customers in both countries was generally satisfied or very satisfied (94 percent in the UK and 79 percent in the US) with the service they received. This is supported by research carried out for Clydesdale Bank with 1191 Scottish bank customers, 94 percent of respondents were satisfied or very satisfied with the quality of service provided by their bank. However, for almost all elements of service Lewis(1991) found that perceptions of the service received were lower than their expectations. In particular, the main gaps related to speed of service, opening hours, the number of staff available to serve, the use of customer suggestions to improve service, the willingness of staff and management to help with problems and queries and the provision of personal, individualised attention. Moutinho and Brownlie(1989) also found in a survey of 400 personal customers that levels of satisfaction with the helpfulness of staff were low.

However, bank customers tend to remain loyal to the accounts they do hold. In 1991, the percentage of people actually closing their current accounts was only 3 percent (Thomson, 1992). Although this was the highest closure rate ever recorded, it includes those closing accounts because of divorce, house or job moves. This suggests that there is still customer inertia with regard to the closure and transfer of accounts possibly because:

a) it is not a straightforward process, especially if standing orders, direct debits and salaries are paid in and out of the account.

or

b) there isn't considered to be any significant difference between the individual banks

A similar picture emerges in the small business sector where the banks are failing to meet customer expectations due to inefficiencies, inaccuracies and inflexibility in the procedures and staff as well as the

level of bank charges( Smith, 1991; FT, 14/2/89; Bannock and Doran, 1990; FT, 30/5/91; FT 18/11/92). However, most small businesses accept these difficulties and remain loyal to their bank (Roushanbakhti, 1991).

#### **5.4.2 Perceptions of Service Personnel**

Over the years, little seems to have changed in the attitudes of branch staff. A survey undertaken in 1977, amongst branch managers found almost unanimous dislike of the marketing demands being forced onto them at that time( Brack, 1977). A survey amongst branch managers in 1980, found that negative attitudes towards selling existed ( Turnbull and Wootton, 1980). In 1992, research in branches of one of the major banks found that consumer - centred marketing was considered by staff as being extremely time consuming and therefore staff were unwilling to engage in the activity even when opportunities presented themselves (Burton, 1994).

Howcroft (1992) based on his pilot study of 116 interviews with clerical staff in retail bank branches tentatively identified the following three gaps:

- a) a gap between the customer service oriented message in training and the process oriented demands in the branches
- b) a gap between the customer service oriented message in training and the perception of staff promotions being synonymous with less customer contact
- c) a gap between the customer service oriented message in training and selling activity. Staff tended to see these as two separate activities rather than interdependent activities.

An explanation of these gaps was given by Cheese(1994) and Burton(1994):

" The opinion that customers have of a bank owes more to the signals communicated through its distribution system. .... While the branch infrastructure has changed to reflect the move from

factory to shop, it is questionable that hearts and minds in those branches have made a similar transition" (Cheese, 1994, p15)

"Many of the banks' clerical employees had been recruited during a previous era, when good administrators rather than articulate sellers were required. It was clear that not all of them had made the transition" (Burton, 1994, p64)"

This reiterates the points made in Chapter Four that culture is slow to change and the ability of management to control a culture is questionable particularly if the underlying values and norms remain unchanged. As stated by Mogano ( 1986, p31):

"Banks are rather like elephants: Solid and reliable, but somewhat cumbersome when it comes to changing direction"

## **5.5 Summary**

The twelve retail banks in the UK operate through large branch networks providing payment and financial services to individuals and small business customers. During the last ten years, changes in the regulatory environment combined with advances in technology have had a major impact on the customer expectations from retail banks and the competitive environment within which these banks operate.

In terms of service delivery, although the locational convenience of the bank branch is still important to personal and small business customers in selecting and establishing a current account, the branch is possibly becoming less important in the day-to-day operation of the account. This combined with the fact that banks have not been particularly successful at selling financial services outwith their traditional bank lending and transmission products has brought the role and overall nature of the retail bank branch network into question.

The literature suggests that the branch network will remain critical to the future success of the retail banks. This is reflected in the large amounts of money that have been put into restructuring the branch networks, redesigning the branch environment and training branch personnel.

However, there are now a range of delivery options available to retail bankers to augment or replace elements of the branch network, these include:

- ❑ ATMs and self - service machines
- ❑ home and office / telephone banking
- ❑ direct mail and postal services
- ❑ the direct salesforce
- ❑ EFTPOS (Electronic fund transfer at the point of sale)

These alternative delivery options may actually reduce the opportunity for servicing and cross selling to customers in the branch network. Therefore it is seen as being important that the branches are looked at as part of an integrated service delivery strategy.

Although authors and commentators suggest that the choice of delivery system has become a critical strategic issue for retail banks, there is no empirical evidence to confirm that the management of service delivery has been undertaken on an integrated basis and has now been given priority status.

Chapter Two highlighted the need in effective service delivery management for there to be co-operation and potential integration of the marketing, operations and human resource functions. The literature on the retail banking sector is very unclear as to whether marketing or some other function manages the bank's delivery system in a manner which is integrated with other elements of the bank's operations. Further research is required into how the functions of marketing, operations and human resource management are integrated, and in particular the role of the marketing function in the management of service delivery.

With regard to the branches themselves, the literature fails to provide any measure of the effectiveness in terms of sales or service quality brought about by the changes being made in the branch networks, the branch environment and the branch personnel. There is some evidence that there remain gaps between customer expectations and the quality of the service they receive. However, the literature fails to clarify whether this is due to



the poor management of service quality or is a result of the corporate culture existing within the bank branches.

## **Chapter 6. The Research Problem and Methodology**

### **6.1 Introduction**

This chapter presents the research problem and the methodological approach to studying the problem. The chapter starts by discussing the formulation of the research hypotheses which stem from the literature review material contained in Chapters Two, Three and Four. The chapter then explores the reasons behind the selection of the retail banking sector as the target of the primary research. Finally the chapter describes the methods used to address the research problem. This covers the research procedures, sampling approach, the research instruments and the data analysis.

### **6.2 Formulation of the Research Hypotheses**

#### **6.2.1 Management of Corporate Culture Hypotheses**

The principal theme that has linked the literature review chapters has been the importance and role of the human resource in service delivery. In Chapter Two, one of the key components in delivering a service was described as the management and control of the service personnel. This was reiterated in Chapter Three when Normann (1991) was quoted as saying that human resource management within a service organisation is a crucial strategic issue.

The five dimensions of service quality set out in Chapter Three include the dimensions of responsiveness, assurance and empathy which are all very dependant on the attitudes and behaviour of service personnel. Similar dimensions were raised from the work of Gronroos(1981) who theorised about the importance of employee attitudes, behaviour, personality, approachability and service mindedness.

The importance of these softer issues of attitude and behavioural norms were also evident in the literature discussed in Chapter Four where a number of authors stressed the need for a service oriented corporate

culture if a service organisation is to be effective. Corporate culture being the visible and less visible norms, values and behaviour that are shared by a group of employees. Normann(1991) also placed corporate culture at the centre of his model of the service management system.

The first hypothesis to be tested in this research sought to examine whether practising managers responsible for service delivery also view corporate culture as being important:

H<sub>1</sub> : Senior managers in service organisations perceive corporate culture as having an influence on service delivery

With the null hypothesis taking the following format:

H<sub>01</sub> : There is no evidence to suggest that senior managers in service organisations perceive corporate culture as having an influence on service delivery.

If culture is seen as being important in service delivery, the question then arises as to whether managers in service organisations undertake any activities aimed at attempting to control and influence corporate culture. Chapter Four stated that this may be particularly relevant where changes in market or industry conditions mean that an organisation's culture may no longer be appropriate to an organisation's context.

Therefore the second hypothesis to be tested was:

H<sub>2</sub> : Managers in service organisations try to influence the culture of their service personnel

With the null hypothesis taking the following format:

H<sub>02</sub> : There is no evidence to suggest that managers in service organisations try to influence the culture of their service personnel.

Whether or not managers actively try to manage the culture of an organisation, their actions may inadvertently impact on the culture of the organisation. In Chapter Four, the consensus from the literature suggested that the corporate culture of an organisation is determined by a combination of:

1. The Business Environment
2. Leadership
3. Management Practices and the Formal Socialisation Process
4. The Informal Socialisation Process

The relative importance of each of these elements is unclear, although a large number of authors saw leadership and management practices as being the key determinants. Linked to this, Irons(1993) saw the culture of top management as being the critical part of organisational culture with the failure to recognise this being the biggest barrier to successful change. This is reinforced by the reference to Parkinson and Schneider(1979) in Chapter Two which stated that where service employees perceive management to be less service oriented than themselves, employees are likely to experience role ambiguity and role conflict. Therefore the third hypothesis to be tested examined the extent of conflict between management's intention to influence culture and the day -to -day behaviour of senior management.

H<sub>3</sub> : Conflict may occur between management's intention to influence culture and the day to day operational management of the organisation.

With the null hypothesis taking the following format:

H<sub>03</sub> : There is no evidence to suggest that conflict may occur between management's intention to influence culture and the day to day operational management of the organisation.

## 6.2.2 Characteristics of Corporate Culture Hypotheses

Depending on which school of cultural thinking one believes, the resultant culture that may or may not stem from management activity, will take the form of one or a combination of the following:

a) The Integration Perspective - organisation-wide consensus, where all employees share the same values, promoting a shared sense of loyalty and commitment

or

b) The Differentiation Perspective - consensus within specific groups of employee rather than consensus being organisation-wide. Therefore an organisation will consist of differentiated subcultures co-existing in harmony, conflict or indifference to each other.

or

c) The Fragmentation Perspective - consensus only occurring with regard to specific areas of decision making. Resulting in ambiguity being the norm with consensus and dissension co-existing in a constantly fluctuating pattern influenced by events and specific areas of decision-making. This flux results in employees being confused about their roles and management expectations.

These conflicting perspectives led to the development of the following hypotheses:

To examine the integration perspective :

H<sub>4</sub> : A service organisation's corporate values and attitudes are shared by all service personnel.

With the null hypothesis being:

H <sub>04</sub> : There is no evidence to suggest that a service organisation's corporate values and attitudes are shared by all service personnel.
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To examine the differentiation perspective :

H5 : Different teams of service providers within a service organisation exhibit differences in their cultural characteristics.

With the null hypothesis being:

H05 : There is no evidence to suggest that different teams of service providers within a service organisation exhibit differences in their cultural characteristics.

And finally two hypotheses to examine the fragmentation perspective:

H6 : Service personnel are unclear about their role within their service organisation

H7 : Cultural consensus within a service organisation only exists with regard to specific corporate priorities or issues.

With the null hypotheses being:

H06 : There is no evidence of service personnel being unclear about their role within the service organisation

H07 : There is no evidence to suggest that cultural consensus within a service organisation only exists with regard to specific corporate priorities or issues.

Whichever format corporate culture takes, a significant literature exists to suggest that the nature of the cultural norms, values and behaviour impact on a company's effectiveness and performance. However, the literature is very weak on both empirical evidence to support this claim and also on the characteristics of an effective corporate culture. Both Normann(1991) and Peters and Waterman (1982) suggest some broad cultural themes but neither of these sets of guiding principles have been

empirically tested. This lack of empirical evidence led to the development of the final hypothesis:

H<sub>8</sub> : The culture of the service team impacts on the performance of the team's service delivery.

With the null hypothesis taking the following format:

H<sub>08</sub> : There is no evidence to suggest that the culture of the service team impacts on the performance of the team's service delivery.

If this null hypothesis had been rejected, then the research would have aimed to determine which characteristics of corporate culture have the greatest impact on the effectiveness of service delivery. In particular, an examination of the individual correlations between individual elements of a team's culture and a team's performance would have been undertaken.

In summary, the fieldwork element of this thesis will now set out to accept or reject the following null hypotheses:

H<sub>01</sub> : There is no evidence to suggest that senior managers in service organisations perceive corporate culture as having an influence on service delivery.

H<sub>02</sub> : There is no evidence to suggest that managers in service organisations try to influence the culture of their service personnel.

H<sub>03</sub> : There is no evidence to suggest that conflict may occur between management's intention to influence culture and the day to day operational management of the organisation.

H<sub>04</sub> : There is no evidence to suggest that a service organisation's corporate values and attitudes are shared by all service personnel.

H<sub>05</sub> : There is no evidence to suggest that different teams of service providers within a service organisation exhibit differences in their cultural characteristics.

Ho<sub>6</sub> : There is no evidence of service personnel being unclear about their role within the service organisation

Ho<sub>7</sub> : There is no evidence to suggest that cultural consensus within a service organisation only exists with regard to specific corporate priorities or issues.

Ho<sub>8</sub> : There is no evidence to suggest that the culture of the service team impacts on the performance of the team's service delivery.

### **6.3 The Retail Banking Sector**

In order to test these hypotheses, the primary research focused on the UK retail banking sector, a sector which has gone through rapid change in the last ten years. As highlighted in Chapter 5, changes in the regulatory environment, technology and customer expectations have not only altered the manner in which the banks deliver their services but have also changed the internal environment within the banks. The safe, traditional bureaucratic environment where everyone had a job for life has changed to a more dynamic competitive environment where poorer performing employees are expendable. As a result, the retail banking sector provided a research area where the traditional corporate culture may no longer be appropriate in the context of the current business environment.

In addition, it provided a research area where increased emphasis has been placed on the service delivery process with particular attention being paid to the quality of interaction between branch personnel and their consumers.

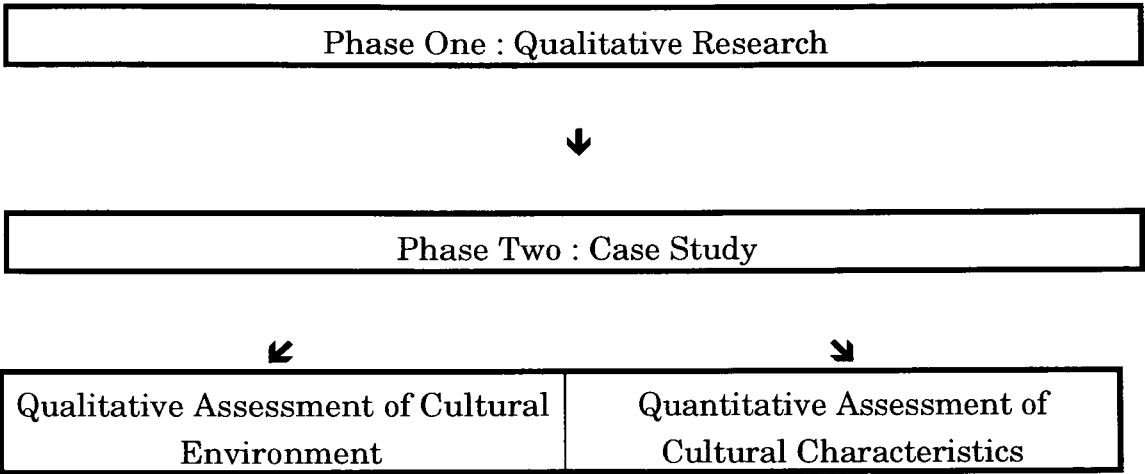
The retail banking sector is also a sector where there are a large number of service personnel involved in service delivery. In addition, it provided a research area where service personnel of similar seniority levels are physically separated into clearly definable teams (the branches). This allowed for any hierarchical oriented similarities and differences in culture to be separated from any team oriented characteristics.



Finally the retail banking sector shares characteristics with a wide range of other service sectors. It provides services which range from those that have commodity type characteristics such as current account services to those that are tailor-made such as advisory services. It also pulls on the disciplines of consumer marketing, business to business marketing and retail marketing.

The remaining sections of this chapter will discuss the research method used to examine the retail banking sector. The research consisted of two main phases, the first of which was a programme of qualitative research and the second involved a case study involving qualitative and quantitative research within one particular bank (see Figure 6.1)

**Figure 6.1 The Research Approach**



**6.4 Phase One : The Qualitative Research**

Looking firstly at the qualitative research, this was principally concerned with testing the first three hypotheses. In particular, the objective was to obtain the views of senior managers responsible for the service delivery functions within the leading UK banks. Therefore it consisted of 15 depth interviews with senior distribution and marketing personnel in ten UK retail banks.

### 6.4.1 Justification for a Qualitative Approach

This first phase of the research was aimed at exploring the linkages between corporate culture, service delivery and management activities. The emphasis was on the nature of the linkages, the explanation for such linkages and the attitudes towards such linkages. Therefore the research approach had to develop explanation and meaning rather than simply provide measurement. These considerations suggested qualitative research as the best approach, as it provided the facility for exploring linkages, meanings and attitudes. As stated by Quinn Paton (1986, p187), qualitative research seeks to:

"Capture what people's lives, experiences and interactions mean to them in their own terms "

It was also important that the research should not suggest linkages to respondents but instead should allow respondents to develop their own views. This meant that the research had to be introduced and undertaken in a manner which did not condition respondents' thinking but allowed the respondents to think and respond freely for themselves. As such, qualitative research allowed the researcher to explore issues identified by the respondent rather than being constrained by the predetermined question areas that exist in quantitative research. In addition, qualitative research could provide an evolutionary interview structure which can change in response to a growing understanding of the issues and linkages (Gordon and Langmaid, 1988).

Qualitative research is regularly used as a first step in the design of larger scale surveys (Hakim, 1987). This provided a further argument for its use, as information was required to assist in the design of the second phase of the research and its research instrument.

Finally, the nature of the potential respondents also had an impact on the research design. The size of the sample frame, in terms of the numbers of relevant senior managers in UK retail banks was very limited. Qualitative research is very appropriate for small samples. In addition it provides a confidential type environment enabling senior managers to speak on a one

to one basis on confidential or company sensitive areas (Easterby-Smith et al, 1991).

As the potential respondents were geographically spread throughout the UK and as a result of the sensitive nature of the subject matter, the use of group discussions was discounted and individual depth interviews were selected as the preferred approach.

#### **6.4.2 Selection of the Respondents**

As described in Section 5.2, there are 12 major retail banks located within the UK. Each of these banks was telephoned in order to identify those personnel responsible for distribution and marketing. The distribution function being the function that normally manages the day to day operations of the branch network. It was felt that respondents in these positions would be able to provide an overview of issues relating to service delivery and service quality. Human Resource Managers were not sought, as their view of culture was likely to be from a personnel management bias rather than from a service delivery bias.

Some of the banks did not have a manager with overall responsibility for distribution. However, twenty individuals were identified and letters (see Appendix 1) were sent to each of them seeking their assistance with a programme of in depth interviews.

The letter seeking the interviews with respondents and all telephone conversations prior to the interviews made no mention of corporate culture but instead focused on the following topics:

- ☐ The role of the branch relative to other delivery systems
- ☐ The extent to which marketing principles are employed in the selection, design and management of delivery systems in retail banking
- ☐ The opportunities and problems involved in making the branch network as well as other delivery mechanisms more effective as a marketing resource.

This omission of the corporate culture topic was intentional, as the researcher wished to explore the extent to which respondents identified culture as a legitimate topic in discussing service delivery.

Of the twenty individuals contacted, fifteen from ten different banks agreed to be interviewed. In five of the banks, both the marketing and distribution functions were interviewed, in four of the banks only the marketing function was interviewed and in one bank only the distribution function was interviewed (see Table 6.1). Therefore a response rate of 75% was achieved.

**Table 6.1 Depth Interviews Achieved**

Interviews with :	<u>Number of Banks</u>
Both Marketing and Distribution Managers	5
Marketing Managers Only	4
Distribution Managers Only	1
	<hr/>
TOTAL	10

**6.4.3 Interviewing Procedures**

Easterby - Smith et al( 1991) saw interviews as assisting the researcher to understand the constructs that the respondent uses as a basis for his or her opinions and beliefs about a particular matter or situation. Chisnall (1992, p.139) also saw interviews as being concerned with " a purposeful exchange of meanings".

In depth interviews, this transfer of understanding and meanings is dependant on the free exchange of communication between the researcher and the researched. From an analysis of other qualitative research studies, it is clear that this free exchange is dependant on :

Flexibility - "The pursuit of understanding is a complex searching type of procedure which cannot be rigid or standardised" (Gordon and Langmaid, 1988, p65). This means a flexible approach is required with respondents being allowed to talk about their views and opinions rather than simply answering a number of pre- set questions. This does not mean that the respondent can take the interview in any direction he or she pleases as the interviewer has an agenda or list of topics to be covered during the period of the interview. The actual questions to be used are not written down and they will differ from one interview to the next even although the topics are the same (Gordon and Langmaid, 1988). In this study, the topic list(see Appendix 2) was designed based on the findings of the literature review and the hypotheses to be tested. It was ordered in a manner to maintain the flow of the interview without leading the responses given by the interviewee. The topic of culture or any related human resource issue was not discussed unless and until it was mentioned by the respondent.

Continuity - With depth interviews it is important that the conversation flows rather than simply following the disjointed format of a series of questions (Gordon and Langmaid, 1988; Robson and Foster, 1989). In this study, this was achieved by structuring the topic list in such a way as to funnel the conversation from the more general topics to the more specific areas. A tape recorder was also used to maintain continuity, this meant that the conversation was not interrupted by note taking.

Rapport - "The interviewer must be able to create an atmosphere in which the subject feels comfortable enough to talk freely and openly" (Bogdan and Taylor, 1975, p111).

Service delivery and the branch network is considered to be critical to the future success of retail banks (see Chapter 5) and is therefore a topic about which the respondents were relatively secretive. It was therefore necessary for the researcher to develop rapport and trust with the respondents in order that they would speak relatively freely about the situation within their own bank. This was done through a combination of:

- a) detailed desk research on each of the banks before the interview using sources such as annual reports and press cuttings

- b) the researcher using his position as Chief Examiner for the Chartered Institute of Bankers in Scotland as an area of mutual interest.
- c) providing feedback on a general basis from earlier interviews enabling social interaction and a feeling of 'tit - for - tat' information exchange. Care had to be taken to ensure that this did not lead or influence the opinions of the respondents.
- d) reducing any interruptions of the respondent during the interview to the bare minimum.

Time - Depth interviews take a considerable amount of time, although the exact length of time varies from interview to interview. As stated by Bogdan and Taylor (1975, p109):

"Interviews should be long enough to adequately cover the topics that are raised but not so long that either you or the subject is fatigued".

In this study, the interviews ranged in length from 1 hour 15 minutes to 3 hours.

#### **6.4.4 Analysis**

Following the interviews, the tapes were transcribed. The transcription was undertaken by the researcher himself. This gave him the opportunity to begin to structure the data in his mind before undertaking the more detailed analysis. As stated by Gordon and Langmaid (1988, p133) :

" Interpretation is an evolving, active process that begins at the first contact with the problem and continues through each consecutive and chronological stage of the project"

However, even although it is a continuous process, there is still a need for a structured approach in the analysing of qualitative data. The approach adopted in this study was content analysis. This was preferred over a grounded theory type approach as the research findings related to only one phase of the research and the principle concerns were objectivity and hypothesis testing rather than seeking patterns in the data (see Table 6.2)

**Table 6.2 Differences between Content Analysis and Grounded Theory**

<b>Content Analysis</b>	<b>Grounded Theory</b>
Analyse by frequency	Analyse by feel
Objectivity	Closeness to the Data
Deductive	Inductive
Test hypotheses	Test out themes, develop patterns

Source: Adapted from Easterby-Smith et al(1991, p106.)

The analysis therefore involved reading the transcripts in order to identify themes and statements related to the research and the hypotheses. Then the transcripts were analysed to examine the frequency with which similar themes and phrases appeared in the 15 interviews. This was not simply a mechanical sorting process as each statement had to be considered in order to understand its full implications. Explanations for statements were also noted at this time as were specific quotations for illustrating the findings. The approach is similar to that set out by Hayward in Robson and Foster(1989, p98):

"My overall aim with my formal analysis is to read every word of each transcript, to think about what it means and to record that, in an 'aide memoire' form - together with other comments which relate to that topic area. I end up with an analysis sheet covered with points and references - sometimes the sheet gets too complicated, and I have to break it down further ...."

This produced data which was a mix of frequency information and textual information creating the findings discussed in Chapter Seven.

#### **6.4.5 Validity and Reliability of Qualitative Research Findings**

The validity of using qualitative research to test hypotheses is an area of some contention. A commonly held view is that no inferences can be confidently made from qualitative research, whether about attitudes or linkages or prevalence unless it is undertaken in conjunction with

quantitative research (de Groot, 1986; Merton, 1987 and Cox et al, 1976 ). The reasons given for this view relate to the samples on which qualitative research is typically based and the lack of stringency in the research approach.

With regard to the sampling, the main criticism relates to the small size of the samples and the fact that samples are purposively collected. (Sykes, 1990) . The size of the sample is usually small because large samples would prove too cumbersome for the intensive nature of qualitative data collection and analysis. In addition, the critics ( Hedges and Ritchie, 1987; Merton, 1987; Cox et al, 1976) make out that qualitative sampling procedures are almost haphazard. However, in reality many qualitative studies rely on systematic and replicable selection procedures that take account of potential sources of bias in the sample (McClintock et al, 1979). In addition the size and nature of the sample is not really an issue in this particular research, as the universe of 12 banks or 20 individuals is small and all of these sampling units were invited to take part in the research. Questions could arise as to whether differences existed between those individuals who agreed to take part in the research and those who did not. However, there is no evidence to suggest that there were any significant differences between these groups as the reasons given for refusal tended to relate to availability and work commitments.

With regard to stringency, there is nothing inherent in qualitative research to preclude hypothesis testing (Sykes, 1990; Kirk and Miller, 1986). Miles and Huberman(1984) even suggest that hypothesis testing lies at the heart of much qualitative research. However, the weakness is seen as relating to the absence of rigorous experimental control and quantification (Collins, 1989).

"It is the non-standardisation of interview format which underpins the frequently encountered assertion that quantification - in the sense of counting within the sample - is not permissible in qualitative research "  
(Sykes, 1990, p.304)

However, Kirk and Miller (1986) and Miles and Huberman (1984) not only disagree with this statement but go further by recommending counting in



qualitative analysis. In discussing the qualitative research approach Miles and Huberman (1984, p215) state:

"When we identify a theme or pattern, we are isolating something (a) that happens a number of times and (b) that consistently happens in a specific way. The 'number of times' and consistency judgements are based on counting"

These authors (Kirk and Miller, 1986; Miles and Huberman, 1984; Sykes, 1990) all state that counting is legitimate if it is used carefully and can be justified by the sample and the research approach. The nature of the sample in this study and the extent to which consensus appeared in the findings suggests that counting in this situation is legitimate and that the data can with care be used for the testing of the specific hypotheses set out in Section 6.2.1.

With regard to reliability, Mostyn(1978) and Twyman (1973) pose a question as to whether qualitative studies can withstand replication. They give examples of studies where different researchers carrying out the same research obtain different results. However Collins (1989) argues that a similar situation can occur in quantitative research and replication depends on the transparency of the method rather than the method itself. Therefore a clear explanation of what was done is needed to allow other researchers to judge the reliability. For this particular study, this methodology chapter seeks to provide that explanation.

The only other aspect in terms of reliability relates to whether the respondents were giving accurate accounts of the situation within their banks. As the area of service delivery is seen as commercially sensitive, it is possible that the respondents would not be totally forthcoming. However, there was no evidence of this in the interviews and the similarity in responses across the banks suggests that the information provided did represent the norm for the banking sector even if individual commercial secrets were concealed during the interviews.

Overall, the implied validity and reliability of the qualitative data in this study suggests that it is legitimate for the data to be used in the testing of hypotheses.

## **6.5 Phase Two : The Case Study**

A case study approach was adopted to test hypotheses four, five, six, seven and eight. It firstly, consisted of 12 depth interviews within Bank X to develop an understanding of the cultural environment within the bank followed by the completion of a research instrument by 268 service personnel in 48 of the bank's branches.

### **6.5.1 The Case Study Approach**

In order to understand the nature of culture within a service organisation and the impact of culture on service delivery, a case study approach was adopted for phase two of the primary research. The case study approach to research is described as:

"the social research equivalent of the spotlight or the microscope"  
(Hakim, 1987, p61)

"an empirical inquiry that investigates a contemporary  
phenomenon within its real life context" (Yin, 1984, p23)

" the approach aimed at better understanding complex phenomena"  
Gummesson(1993, p6)

The combination of these descriptions and definitions suggest that the case study approach is commonly used for the detailed examination of a complex and current issue or happening within its own context or environment. Its relevance to this study is evident from the literature (see Chapter 4) which indicates that culture is complex and detailed research is required if the phenomenon is to be understood. In addition, corporate culture only occurs within an organisation, therefore the research also needs to be undertaken within an organisation rather than on the fringes of an organisation. Finally, corporate culture is a contemporary phenomenon relating to the current and evolving situation within an organisation, as such its analysis must take account of its up to date context within the organisation.

However in selecting this approach, attention was also paid to the main criticisms of case study research. Yin(1984) categorises these into:

- a) a lack of rigour
- b) little basis for scientific generalisations
- c) a very time consuming approach

Considering each of these in turn:

a) a lack of rigour - case study research is often seen as lacking rigour as it is perceived as being haphazard and opportunistic( Yin, 1984). Certainly it often takes advantage of opportunities to obtain access to an organisation but that in itself should not affect the rigour of the approach. Instead, this perception may come about as a result of the fact that case study research is often considered to be only the exploratory stage of a research approach (Yin, 1984). Or it may stem from some of the writing produced by Glaser and Strauss(1967), Gummesson (1991) and Stake (1995) which gives the impression that case study research is synonymous with qualitative research. Even if this was true, rigour can be achieved with qualitative research. In addition, Yin(1984) and Gummesson (1993) state that case study research can include and even be limited to quantitative research and evidence. Therefore the rigour can potentially equal that of any qualitative or quantitative piece of research.

In this research, the case study encompasses qualitative and quantitative inputs with the rigour being determined by these inputs rather than the fact that it is a case study approach.

b) little basis for scientific generalisations - "How can you generalise from a single case?" (Yin, 1984, p.20) This oversimplifies the situation, in any research or experiment a researcher may wish to generate or test theory, alternatively a researcher may wish to generalise based on the taking measurements or the enumeration of frequencies. A case study can provide evidence which can test or generate theory, however, like almost all of the research in the social sciences it cannot generalise and generate scientific laws. With a scientific law being "a generalisation which is empirically universally true, and one which is also an integral part of a theoretical system in which we have supreme confidence" (Harvey, 1969)

One detailed case employing a valid and reliable methodology can have as significant a role in generating and testing theories as one hundred cases. This is supported by the following quotes:

" case studies like experiments are generalisable to theoretical propositions and not to populations or universes - the aim is to expand and generalise theories and not to enumerate frequencies" (Yin, 1984, p21)

" a single in-depth case could be used to generate theory including concepts, categories and models in order to understand things like decision processes on acquisitions, under what circumstances innovation thrives, how personnel react to incentive schemes etc." (Gummesson, 1993, p14)

c) a very time consuming approach - any study examining a phenomenon in detail is by its nature time consuming. Therefore this may be a criticism made by those who elect to undertake case study research but it should not be seen as a criticism of case study findings.

Following this assessment of the suitability of the case study method, it was decided to proceed with a detailed study within one particular bank. In selecting the specific case, it was noted that the qualitative research identified no major differences between the banks taking part. However, the emphasis in selection is not one of sampling research (Stake, 1995) where the bank is selected on the basis of being the most representative of all banks. Instead Stake(1995) suggests that the criterion should be based on maximising what can be learned. He states that this will be frequently determined by the extent to which access is granted to the researcher:

" We need to pick cases which are easy to get to and hospitable to our inquiry, perhaps for which a prospective informant can be identified and with actors (the people studied) willing to comment on certain draft materials." (Stake, 1995, p4).

Gummesson (1993) also sees access as being the " No. 1 preoccupation". In other words it is the depth of access and the managerial support that are the critical issues in selecting the case, particularly where there doesn't seem to be major differences in the organisations being studied.

In this study, Bank X was selected as the case for the following reasons:

- a) The researcher had a close relationship with many of the senior management in the bank.
- b) These senior managers were willing to allow the researcher almost unlimited access to branch staff and managerial grades within the bank.
- c) Staff of the bank were willing to comment on draft versions of the research instrument and the research findings.
- d) The head office of the bank was geographically close to the University making visits and the transfer of material easier.

The following sections describe the research that was carried out in Bank X.

### **6.5.2 Assessing the Cultural Environment**

As an initial first step it was important to assess the context within which the corporate culture operated in Bank X. In particular, the researcher needed to be aware of any management activities or organisational changes that had impacted on the service delivery personnel over the last two to three years, with a specific focus being put on the following cultural management tools which were identified in the qualitative research phase:

- ☐ performance measurement and rewards
- ☐ recruitment procedures and training
- ☐ communication

To undertake this assessment, the approach adopted was qualitative and consisted of a programme of in depth interviews with two district

managers, two area managers and eight branch managers. The justification for the qualitative approach was similar to that for phase one of the research (see Section 6.4.1). The researcher needed a detailed understanding of the environment within the bank, he needed to probe and understand the reasons for and implications of any changes or management actions affecting service personnel. Qualitative research allowed the researcher to explore issues without being constrained by predetermined question areas that may exist in quantitative research.

There was also a need for these interviews to provide a major input into the design of the quantitative phase of the research. In particular, the interviews provided assistance with:

- ❑ ensuring that the correct language and terminology was used in the covering letters and research instrument in the quantitative research
- ❑ the selection of the bank branches and personnel to be used in the quantitative research
- ❑ the logistics of the despatch and collection of the research instrument
- ❑ the development of internal support for the quantitative research
- ❑ obtaining feedback on the proposed research instrument
- ❑ facilitating the pilot testing of the quantitative research instrument.

The selection of respondents for the depth interviews was undertaken in collaboration with the General Manager responsible for Retail Banking. The aim was to interview a cross-section of line managers responsible for those service personnel located in the branches. The main emphasis was on branch managers (recently renamed as customer service managers) as they are closer to the service personnel, both in terms of status and location. It was thought likely that they would have a better understanding of what factors had been impacting on the branch personnel. Therefore eight of the twelve respondents were branch managers, four of these were based in branches that performed well in terms of sales and service and four were from branches that performed poorly. The method used to assess branch performance is the same as that used for the quantitative research and is discussed in Section 6.5.5 on the quantitative sample.

In addition, two area managers, one representing a high performing area in terms of sales and service and one representing a poor area were interviewed as were two of the bank's four district managers. These personnel gave a wider perspective to the findings as well as providing useful help with regard to the logistics of the quantitative research.

Similar to the interviewing procedures in Section 6.4.3, a topic list was used (see Appendix 3) and the interviews lasted between ninety minutes and three hours. A tape recorder was used to maintain continuity and all but one of the interviews took place in the respondents, offices or branches (one was undertaken in the University). Following the interviews, the tapes were transcribed and the analysis was carried out in the same manner as the qualitative research in Phase One (see Section 6.4.4)

### **6.5.3 The Quantitative Approach**

The methodological approach to the measurement of culture is an area where there has been a great deal of academic debate. A number of researchers (Louis, 1983; Smircich, 1983; Deal, 1986; Schein, 1987;) have advocated that only qualitative methods can be used in the measurement of culture. Whereas others (Cooke and Lafferty, 1989; Kilmann and Saxton, 1983; O'Reilly, Chatman and Caldwell; 1988, Sashkin and Fulmer, 1985; Schneider, 1990) have advanced the quantitative approach. In the middle there are researchers such as Martin(1990) who have attempted to combine quantitative and qualitative methodology.

In considering the approach for this study, it is necessary to look at the arguments put forward by the different groups. The qualitative researchers(Louis, 1983; Smircich, 1983) argue that the fundamental nature of culture is that of a social construction. As such, the complex nature of its unconscious and highly subjective components cannot be properly assessed using researcher- constructed scales and categories. This is supported by Schein( 1991) who argues that the elements of culture are so inaccessible and deep that only a complex interactive process of inquiry can surface and examine its characteristics. In particular, qualitative research is necessary to uncover fundamental assumptions that group members may take for granted (Peck, 1988).

In other words, qualitative research is needed to identify elements of a group's culture that the group may not be consciously aware of. Some qualitative researchers such as Gregory (1983) go further than this by stating that culture can only be understood by adopting "true" ethnographic methods where a researcher spends months or even years as a participant- observer within an organisation. However, such supporters of ethnography are even scathing about short - term or interview - based qualitative studies which they see as being unacceptable "smash and grab" methodologies (Martin and Frost, 1995).

The second justification for a qualitative approach , is that organisations are unique and therefore it is seen as being inappropriate to use a priori questions or statements to measure the culture in different organisations (Schein, 1991). Instead, non standardised assessments are required to match each specific situation. Schein (1991) goes further by stating that the use of researcher-derived categories is a distortion of the respondent's perspective and is thus unethical. However, this could be said about any structured quantitative questionnaire used in the social sciences.

These arguments for a qualitative approach have to be balanced against the difficulty in making analytic comparisons in qualitative data coming from different cultural groupings (Siehl and Martin, 1988). In comparison, a quantitative approach using a standardised instrument offers repeatability and systematic comparisons. Siehl and Martin (1988) argue that if culture is a phenomenon that organisational members share, then a research approach is needed which enables group members to be identified and individual groups to be compared. A quantitative approach is also more likely to be able to monitor cultural changes over time as well as potentially provide more measurable data on the relationship between productivity and culture.

The basic quantitative research approaches adopted for assessing culture involve highly structured procedures such as self completion rating scales, questionnaires and Q-sorts ( Cooke and Lafferty, 1989; Kilmann and Saxton, 1983; O'Reilly, Chatman and Caldwell, 1988; Sashkin and Fulmer, 1985; Cooke and Rousseau, 1988). The format being one of a priori structuring of stimuli to which group members are exposed during data collection. Rousseau (1990) argues that research that employs these



techniques tends to be more cross-sectional in nature and generally involves respondents from diverse positions and perspectives in an organisation. She sees this as having benefits over qualitative cultural research which tends to focus only upon key informants, who are often drawn from senior and middle management positions.

Siehl and Martin (1988) also suggest that quantitative studies may be able to offer greater perceived guarantees of anonymity, as such employees may be more willing to admit group values that may be different from that of top management.

The hybrid approaches combining qualitative and quantitative methodologies have tended to combine qualitative data gathering approaches with quantitative analysis methods( Martin, Sitkin and Boehm, 1985). Such approaches receive criticism from the qualitative proponents (for example, Schein, 1994) for a lack of depth and by the quantitative proponents (for example, Rousseau, 1990) for a lack of standardisation and repeatability.

In selecting the approach for this study, it was necessary to revisit the aims of this phase of the research. Firstly there was a need to identify whether there is consensus in the cultural values, norms and behaviour of service personnel. Therefore the approach needed to research the topic in such a way that the culture of different service personnel could be measured or described so that comparisons could be made. The emphasis was on the comparisons rather than the depth of understanding of the cultural components. This advocated a quantitative approach as did the fact that comparisons were also required between different service outlets to assess the relationship between culture and performance in terms of service delivery.

A quantitative approach, however, did have the weakness that some of the deep and inaccessible elements of culture may not be identified. But the need to go to such depth was less important than obtaining a cross-sectional viewpoint of the organisation. In particular, it was felt that behavioural norms and attitudes were more important in this study of culture and service delivery performance than was the uncovering of any fundamental assumptions that may exist.

The second supposed weakness of a quantitative approach was related to the inappropriateness of using standardised assessments within a number of unique organisations. To overcome this potential weakness, the research instrument was designed using input from past research studies, the data from phase one of the primary research and the qualitative research interviews with managers in Bank X (see Section 6.5.4). Therefore the research instrument was tailored to the specific cultural environment in which it was to be used.

A quantitative approach was therefore adopted and the next sections describe the methodology in detail.

#### **6.5.4 The Research Instrument**

Rousseau( 1990) stated that quantitative assessment of culture involves the a priori identification of a set of dimensions, categories or elements that are likely to be exposed. These variables are then placed in a self completion questionnaire which is issued to appropriate respondents. She identified three requirements in the creation of variables, these were:

1. Well grounded constructs - dimensions should be based on previous theory and research.
2. A frame of reference - the focal unit for the research ( organisation, function or department) must be identified and made clear to the respondents
3. Clear focus - justification for what is to be included and what is to be excluded.

In deciding upon the constructs, it was important to look firstly at previous quantitative assessments of culture (for example, Allen and Dyer, 1980; Kilmann and Saxton, 1983; Cooke and Rousseau, 1988; Roberts, Rousseau and LaPorte, 1990; Enz, 1988; O'Reilly et al, 1988; Sashkin and Fulmer, 1985; Cooke and Lafferty, 1989; Klein, 1992). As can be seen in Table 6.3, the focus of the variables used in all of these quantitative assessments is on cultural elements that come in the middle ground somewhere between the very visible elements of culture

**Table 6.3 Previous Variables Used**

Allen & Dyer(1980)	38 items in 7 subscales - Performance Facilitation, Job involvement, Training, Leader- Subordinate Interaction, Policies and Procedures, Confrontation, Supportive Climate.
Kilmann & Saxton (1983)	28 items in 4 subscales - Task Support, Task Innovation, Social Relationships, Personal Freedom
Cooke and Rousseau, 1988; Roberts, Rousseau and LaPorte, 1990; Cooke and Lafferty, 1989	120 items in 12 subscales - Encouraging, Affiliative, Approval, Conventional, Dependent, Avoidance, Oppositional, Power, Competitive, Perfectionist, Achievement, Self Expressive
Enz (1988)	22 items - providing a single score summed over 22 items
O'Reilly et al (1988)	54 items - sorted via a Q-sort into nine categories
Sashkin and Fulmer (1985)	20 items in 10 subscales - enjoying work, being best, innovating or taking risks, attending to details, valuing people, attaining top quality, communicating, growing in production / profit, managing "hands on", common organisational philosophy
Klein (1992)	63 items in 12 subscales - quality of service, work hard, empowered, feedback, management support and reinforcement, role clarity, norm clarity, catch 22, ego dissonance, teamwork, satisfaction, autonomy, skill variety, feedback from the job itself, task identity, significance.

and the deeper subconscious issues. The variables also vary from study to study, however, Rousseau (1990) in her review of past studies classified the variables into the following three groupings:

1. Task- related values and behaviours, such as risk taking and quality of service.
2. Interpersonal values and behaviours, such as management support, communication and team spirit.
3. Individual values and behaviours, such as freedom, satisfaction and self-expression.

Therefore in this research, an attempt was made to develop a self completion questionnaire which included items and subscales that related to these main groupings as well as relating to the banking sector and particularly Bank X.

The qualitative research in the banking sector provided the frame of reference and the focus for the constructs by identifying seven cultural elements (see Chapter Eight) which were perceived as having the greatest impact on service delivery, these were:

- ☐ A Clear Understanding of Roles
- ☐ Supportive Behaviour from Branch Managers
- ☐ Confidence in the Bank
- ☐ Team Spirit
- ☐ A Customer Orientation
- ☐ Satisfaction with the Job and the Bank
- ☐ Personal Belief in Work Tasks

Following the interviews with line managers in Bank X, these cultural elements were either subdivided or added to creating a total of 10 cultural elements. The additional cultural elements were as follows:

- ☐ Consistency of Orders and Requests - which, as described in Chapter Seven is a subset of " A Clear Understanding of Roles". The difference is that one relates to branch staff having a clear understanding of their own personal roles and the other relates to

superiors' actions and requests being consistent with these perceived roles.

- ❑ Socialising with Colleagues Outside the Workplace - the respondents in the depth interviews saw this as impacting on teamwork although they suggested that its prevalence over the last two to three years had declined significantly. This area was therefore examined as a separate category, in order to assess its impact and its current level.
- ❑ Involvement in sales and marketing tasks - the bank was keen to assess whether the branch staff saw themselves as being involved in sales and marketing tasks. In other words was sales and marketing seen as part of the culture of the branch or the responsibility of specific positions within the branch.

The resulting ten cultural elements can be grouped within Rousseau's (1990) classification of subscales as follows:

1. Task- related values and behaviours

- A Clear Understanding of Roles
- A Customer Orientation
- Involvement in Sales and Marketing Tasks

2. Interpersonal values and behaviours

- Supportive Behaviour from Branch Managers
- Team Spirit
- Consistency of Orders and Requests
- Socialising with Colleagues Outside the Workplace

3. Individual values and behaviours

- Confidence in The Bank
- Satisfaction with the Job and the Bank
- Personal Belief in Work Tasks

In addition, it is important to note that all of the areas that the cultural elements were measuring appeared in some form or other in at least one of the earlier studies set out in Table 6.3.

In terms of measurement, almost all of these earlier studies used multiple-item scales. The benefits of using multiple-item measures rather than simply 10 single item measures were set out by Churchill (1979, p66) who stated that:

1. The specificity of items can be averaged out when they are combined - in other words, respondents may look at a single statement in a unique way which may be different than was intended. This can be overcome by the use of multiple items or statements
2. By combining a number of items, one can make relatively fine distinctions among people - the more items, the easier it is to distinguish groups and group characteristics.
3. The reliability tends to increase and measurement error decreases as the number of items in a combination increases.

To take advantage of these benefits and to mirror the earlier approaches, this study also adopted a multiple -item approach. This meant that the next step in developing the research instrument was to generate items which capture the essence of the individual cultural elements. Selltitz et al.(1976) recommends that item generation should be based on literature searches and experience surveys. The literature indicates how an element has been defined previously and how many dimensions or components it had. Experience surveys are defined by these authors as a judgement sample of persons who can offer some ideas and insights into the phenomenon.

Similar input was used in this study, with the individual components of the key cultural elements being determined during the depth interviews in Phase One of the research and the depth interviews within Bank X. In addition, where appropriately worded statements were used in previous studies, these were taken and adapted for this study, otherwise totally new statements were developed.

Care was taken to use language appropriate for Bank X, for example the term CSM was used rather than manager or branch manager. Each statement was shown to the managers who took part in the qualitative research within Bank X, to check on understanding and ensure that there was no ambiguity in the wording. Some of the statements were recast to be positively stated and others to be negatively stated to reduce acquiescence type bias where a respondent gives the same rating to all questions. A number of similar statements were introduced to check on the consistency of respondent's answers. Finally, the researcher removed any items which contained an obvious "socially acceptable" response.

Some refinements were made after pilot testing (see Section 6.5.6 ), however, the final research instrument consisted of 47 items representing the 10 cultural elements.

Some of the more complex cultural elements such as satisfaction with the job and the bank required a large number of statements to truly reflect the meaning of the construct, whereas other more straightforward constructs relating to socialising and sales and marketing tasks required far fewer. The final groupings were as follows:

#### Satisfaction with the Job and the Bank

- ◆ Staff in my branch feel like winners
- ◆ I enjoy being an employee of Bank X
- ◆ Head Office responds effectively to the views of branch staff
- ◆ The bank cares about its branch staff
- ◆ I am happy with my position within the bank
- ◆ Some of the staff in my branch are actively seeking alternative employment
- ◆ Head Office listens to branch staff
- ◆ The staff in my branch feel that they are under pressure
- ◆ I would recommend the bank to someone like myself as a good place to work

- ◆ Staff in my branch are encouraged to be loyal to the company

### Confidence in The Bank

- ◆ Amongst the customers of my branch, Bank X has a reputation for superior customer service
- ◆ Bank X is committed to ongoing improvement and development
- ◆ The bank responds effectively to the changing needs of its customers / clients
- ◆ I recommend this bank to potential customers /clients seeking the products/services it provides

### A Customer Orientation

- ◆ Staff in my branch take care of small details, so the physical appearance of the branch (cleanliness, orderliness) helps to attract and keep customers
- ◆ My co-workers go out of their way to make sure customers feel good about the service they've provided
- ◆ Staff in my branch avoid tasks that require an extra effort
- ◆ Staff in my branch make a special effort when things get particularly busy

### Involvement in Sales and Marketing Tasks

- ◆ The Bank expects me to provide information about the tastes, preferences and needs of its customers/clients
- ◆ My branch relies on me to help win customers/clients and generate sales



## Socialising with Colleagues Outside the Workplace

- ◆Outside of working hours, I socialise with other staff from my branch
- ◆Outside of working hours, my CSM socialises with the branch staff

## Team Spirit

- ◆In my branch we are encouraged to work together as a team to get the job done
- ◆Staff in my branch show a lot of trust and confidence in each other
- ◆I know what's required of me to "fit in" as a member of my work team
- ◆I take pride in the quality of work that's done in my branch
- ◆My team inspires me to give the job my very best performance

## Supportive Behaviour from Branch Managers

- ◆The CSM in my branch pitches in and works as a team leader rather than "the boss"
- ◆My CSM is easy to approach and communicate with
- ◆I am complimented or praised (by superiors) when I make an extra effort to satisfy customers/clients
- ◆My CSM is a helpful coach and trainer
- ◆Staff in my branch receive feedback about their performance
- ◆My CSM is genuinely interested in each individual's personal achievement
- ◆It is easy to get a CSM's undivided attention when I need it
- ◆Staff in my branch are encouraged to speak up if they have a good idea

## A Clear Understanding of Roles

- ◆ Staff in my branch know what they are expected to accomplish
- ◆ I have a clear idea of how I'm supposed to act to satisfy the bank's customers / clients
- ◆ I know how I am supposed to act on my job
- ◆ Staff in my branch know what their job responsibilities are
- ◆ Bank X seems to be implementing a policy of change

## Consistency of Orders and Requests

- ◆ I receive inconsistent messages regarding what is expected of me on my job
- ◆ In my branch, conflicts and personality clashes interfere with performance
- ◆ The things I have to do to please some members of staff are likely to displease others
- ◆ I get conflicting orders or requests from different members of staff

## Personal Belief in Work Tasks

- ◆ I have to do things in my job that I feel should be done differently
- ◆ I have to change the way I normally think and behave when I come to work
- ◆ My job requires me to treat customers/clients differently than I think I should

In order to test the internal consistency of these groupings, reliability analysis was carried out on the final data using Cronbach's coefficient alpha, which is "the most commonly accepted formula for assessing the

The results of this reliability analysis are shown in Table 6.4. Three of the groupings show a high degree of reliability ( $>0.75$ ), five show a reasonable degree of reliability ( $>0.6$ ) and the remaining two show some reliability. These latter two are represented by only two items and the lower reliability may simply be a function of the number of items rather than their consistency. This was not considered to be a major problem as the variance in the responses for these two cultural elements was very limited.

**Table 6.4. Cronbach Alpha Coefficients for Cultural Elements**

Cultural Element	Number of Items	Cronbach Alpha
Supportive Behaviour from Branch Managers	8	0.89
Satisfaction with the Job and the Bank	10	0.86
Team Spirit	5	0.75
A Clear Understanding of Roles	5	0.72
A Customer Orientation	4	0.72
Confidence in The Bank	4	0.69
Consistency of Orders and Requests	4	0.64
Personal Belief in Work Tasks	3	0.60
Socialising with Colleagues Outside the Workplace	2	0.50
Involvement in Sales and Marketing Tasks	2	0.48

Following the selection of the forty - seven items, they were randomly ordered. The next stage involved the selection of the scaling procedure. This was also based on a review of previous research and the determination of what was most appropriate for this study. Table 6.5 sets out the scaling approaches used in previous studies.

**Table 6.5 Previous Scaling Approaches Used**

Allen & Dyer(1980)	Likert Scales (1 to 5, 6 = Don't Know)
Kilmann & Saxton (1983)	Paired Comparisons
Cooke and Rousseau, 1988; Roberts, Rousseau and LaPorte, 1990; Cooke and Lafferty, 1989	Likert Scales (1 to 5)
Enz (1988)	Likert Scales (1 to 4, 5 = Don't Know)
O'Reilly et al (1988)	9 categories, forced symmetrical distribution
Sashkin and Fulmer (1985)	Likert Scales (1 to 5)
Klein (1992)	Likert Scales (1 to 5)

As Table 6.5 shows, the most common scaling approach used in previous studies was the five point Likert scale. This is an agree-disagree scale and has the benefit of allowing the inclusion of a large number of diverse statements in a format that is usually easy for the respondent to understand (Lundstrom and Lamont, 1976). In addition, the complex process of developing paired statements or opposites was not required as would have been the case with other scales such as the semantic-differential. Therefore a Likert scale seemed to be the best approach. However, in the pilot testing (see Section 6.5.6), it was found that the respondents had difficulty relating the agree / disagree scales to the individual items. This was slightly surprising as some of these statements had been used in some of the previous studies. The main difficulty came about as a result of respondents wanting to respond with the answer "sometimes" to a number of the items, for example:

" Head Office responds effectively to the views of branch staff"

In response to this difficulty a frequency based scale using the six categories "Always", "Usually", "Fairly Often", "Occasionally", "Rarely" and "Never" was adopted and this worked well in the remainder of the pilot testing. A six point scale was used rather than a five point scale as it was difficult to identify an obvious middle category for such a frequency

based scale. It also had the benefit of forcing the respondents away from simply giving a neutral middle position response.

To set out the scales and forty - seven items as clearly as possible, the questionnaire was laid out in landscape format over four pages (see Appendix 4). The cover page for the questionnaire was used for setting out an introductory statement which:

- ☐ explained the purpose of the research
- ☐ assured the respondent of anonymity
- ☐ provided instructions on how to complete the questionnaire
- ☐ emphasised the brevity of the questionnaire
- ☐ provided instructions on how to return the questionnaire
- ☐ thanked the respondents for their participation

In addition to completing the scaling questions, respondents were asked to report on their branch sort code (a six digit number which identifies each branch) and their own position in the branch. This helped in the assigning of answers to particular branches and specific levels of staff whilst maintaining a significant degree of anonymity for the respondent.

### **6.5.5 The Sample**

As Bank X has 332 branches and around 6,300 employees, a full cultural assessment of all service personnel in the bank was considered to be beyond the scope of this particular study. Instead, 48 branches and 279 employees were surveyed, this section will describe the sampling procedure adopted.

In terms of the sampling frame to be used for branch selection, the size of the branches was an important issue. In order to obtain branch data that was comparable, it was decided that the branches should be of a similar size. Therefore only branches of more than 10 employees were included in the sample as:

- ☐ smaller branches with part-time staff or staff off sick might not have provided sufficient individual responses to allow a reliable assessment of group culture to be made.

- ❑ major differences might have occurred between small rural and large city-based branches, these differences might have masked any relationships with service performance. For example, some of the rural branches may have to share a manager, this may affect the working practices and attitudes within these branches.

Once the sampling frame had been determined a quota sampling procedure was adopted. This approach is described by Parasuraman(1991, p548) as " a procedure in which the population is divided into cells on the basis of relevant control characteristics with a quota of sample units being established for each cell." The control characteristics used in this study were as follows:

**District Coverage** - The bank operates in four districts, in order to assess whether the characteristics of Districts or District Managers influenced the culture of the branches, an equal number of branches were selected from each district. These branches were spread across the territories of area managers within each district to reduce the likelihood of one geographic area or one type of area manager exerting some form of bias on the results.

**Performance** - In order to assess the relationship between corporate culture and service delivery performance, there also needed to be a control characteristic relating to service delivery performance. Such performance was to be assessed on a combination of service quality measures and sales performance. However, Bank X's service quality measures were still at the development stage as mystery shopping research had only recently started and the monitoring of customer service questionnaires and complaints on a branch basis was incomplete. The only measure of performance available was sales league performance this took account of selling and cross selling activities relative to branch targets. Preliminary analysis undertaken by the bank had found that a branch's performance in the sales leagues tended to correlate with the provisional and incomplete service quality assessments. Therefore, as sales league performance was the only comprehensive service delivery measure available within Bank X, it was used as a control.

Sales league performance was calculated by the bank on a monthly basis and was based on the components set out in Table 6.6. One weakness of the sales league measures related to the fact that they were dependant on the reliability of the targeting procedures adopted by the bank. In comparison with some UK banks, the level of catchment area profiling was fairly limited within Bank X. Targets were based on past performance of branches combined with a qualitative assessment of the competitive and market situation existing within the catchment area of each branch.

This compares with one UK bank which uses computer modelling and over 50 different measurements to calculate branch targets.

To compensate for any inadequacies in Bank X's approach, it was decided to group the branches into three performance bands rather than undertake a rank ordering all of the branches. The three bands were:

- ☐ high performing branches
- ☐ average performing branches
- ☐ low performing branches

The study used only the high and low categories ensuring that only major performance differences were assessed rather than assessing branches on the basis of relatively minor and possibly inaccurate differences.

Each district was asked to identify an equal number of consistently high performing branches and consistently poor performing branches. In doing so, they were asked to exclude any branches where the performance was due to any abnormal circumstances such as excessive understaffing or branch refurbishment. The District Managers were also asked to exclude any branches where they felt that the quality of service offered by a branch was significantly different from the sales league performance of that branch. Thus ensuring that service delivery performance reflected more than simply sales performance.

There were therefore sample cells relating to districts and performance. In order to have sufficient branches within each cell and having allowed for the relatively limited number of branches with over 10 employees, a

sample size of 48 branches was agreed with Bank X. Table 6.7 sets out the quotas for each sample cell.

**Table 6.6 Measures of Sales League Performance**

- ☐ Savings products - percentage of target achieved
- ☐ Number of new Personal Accounts - percentage of target achieved
- ☐ Number of new Credit Card Accounts opened - percentage of target achieved
- ☐ House Purchase Loans(HPLs) - percentage of target achieved
- ☐ Cross Sell of Life and Pension Policies to HPLs - percentage of HPLs for which a life or pension policy has been cross sold
- ☐ Cross Sell of Buildings Insurance to HPLs - percentage of HPLs for which buildings insurance has been cross sold
- ☐ Cross Sell of Contents Insurance to HPLs - percentage of HPLs for which contents insurance has been cross sold
- ☐ Personal Loans (PLs) - percentage of target achieved
- ☐ Cross Sell Creditor Protection to PLs - percentage of PLs for which creditor protection has been cross sold
- ☐ Life and Pensions Commission - Non HPL - percentage of target achieved
- ☐ Bonus Points - awarded at times throughout the reporting period for high achievers in terms of sales or service
- ☐ Red Card Points - awarded at times throughout the reporting period for cheating.

**Table 6.7 Quota Sample of Branches**

	High Performing	Low Performing	Total
District 1	6	6	12
District 2	6	6	12
District 3	6	6	12
District 4	6	6	12
Total	24	24	48



Once the 48 branches had been selected, it was then necessary to select the individuals within each branch who would be asked to complete the research instrument. The bank prepared staff lists for all the branches and the selection was undertaken by the researcher. This meant that there was no bias created by district managers or customer service managers (branch managers) selecting favoured respondents to reply.

The staff lists set out all of the employees within each branch and their respective positions. The CSMs were removed from the lists as the research was focusing on the service providers rather than the management of the service outlet. This left the Personal Customer Advisers( PCAs) and the Customer Service Officers (CSOs) with each branch having between 2 and 4 PCAs and between 8 and 28 CSOs. A systematic sampling approach was used to select the PCAs and CSOs. Every third name on the alphabetical staff list for each branch was chosen with a maximum of 2 PCAs and a minimum of 4 CSOs and 1 PCA being selected in any branch. Where the branch had less than 15 employees, the sampling recycled through the list until the minimum number had been reached. Therefore all of the 48 branches contained a sample of at least five personnel with some branches having a sample as large as eleven. In total, this meant a sample of 279 personnel.

#### **6.5.6 Pilot Testing**

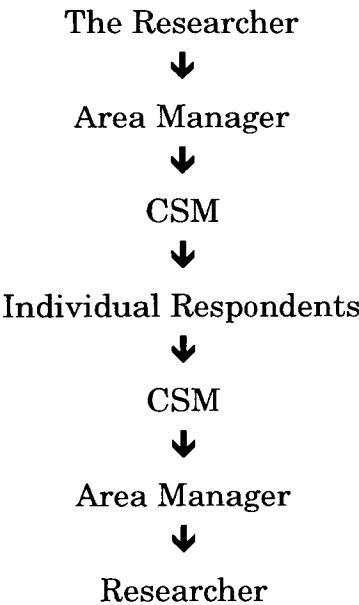
The questionnaire was piloted in the eight branches where depth interviews were undertaken (see Section 6.5.2). In each branch, a PCA or a CSO was asked to complete the questionnaire. The respondent was then questioned on his or her understanding of the questions, the ease of completion and the time taken. Revisions to the questionnaire were made after four interviews and these were tested with the remaining four respondents. These revisions related to the scaling approach (see Section 6.5.4) and minor changes to the wording in two of the statements. Generally the research instrument worked very well in the pilots. It could be argued that eight respondents is insufficient for pilot testing, however, the emphasis was on quality of testing rather than quantity of testing. As stated by Parasuraman (1991, p. 397):

"it is better to pre-test the questionnaire systematically on a relatively small sample than to pre-test it on a relatively large sample by simply asking the respondents to fill it out."

6.5.7 Research Procedures

The most critical aspect in the implementation of the research was the maintenance of respondents' anonymity. If reliable responses were to be obtained, not only did anonymity have to be promised, the process of anonymity had to be highly visible. Respondents had to be assured that neither their direct superiors or their colleagues within the branch would have sight of their completed questionnaire. Therefore a procedure had to be established so that the questionnaires could be returned to the researcher through the bank's internal mailing system without anybody but the researcher and the respondent seeing its contents. Figure 6.2 sets out the routing for the questionnaires

Figure 6.2 Routing for Questionnaires



To enable this to happen, each area manager was sent a package for each branch taking part in the study within his or her area. This was accompanied by a covering letter describing the contents of the branch packages, informing the area manager when and how the packs should be despatched to the branches and returned to the researcher (see Appendix

5). Within each branch pack, there was a letter to the CSM explaining the purpose of the research, describing how the potential respondents were chosen, listing the selected respondents and informing the CSM as to when and how the questionnaires should be returned. Questionnaires with return envelopes were enclosed for each member of staff taking part as was an envelope for the CSM to return all of the respondent's envelopes. As the envelopes were standard brown paper envelopes, the following labels were attached to distinguish them from other mail within the bank.

for individual questionnaires:

University of Strathclyde Questionnaire Return to CSM
--

for branch returns:

University of Strathclyde Questionnaire Returns from: X Branch
---

Once the CSM had received all of the envelopes from his or her staff, the envelopes were returned to the area manager in a single larger envelope. This larger envelope was then returned direct to the researcher by the area manager unopened. All of the materials were despatched and received through the bank's internal mailing system as this was perceived as providing a more secure and faster channel than the public postal service. It took 14 working days for the questionnaires to be despatched to the branches, completed and returned to the researcher.

#### 6.5.8 Analysis

Of the 279 questionnaires despatched, 269 were completed and returned to the researcher. Of the ten that were not returned, this was mainly due to the selected staff being unavailable due to sickness, holiday or job transfers. This was despite the following statement appearing in the covering letter to CSMs:

**"It's important that a full set of completed questionnaires is returned for each branch.** If a member of staff is off due to

illness etc., select the next person on your staff list who holds the same position(i.e. CSO or PCA)."

Fortunately, no more than one questionnaire was missing from any one branch and the branches where there tended to be omissions were the larger branches. This meant that all 48 branches had provided sufficient responses to be included in the analysis.

Of the 269 questionnaires returned, one was unusable because it was incomplete, otherwise 268 usable questionnaires were received or 96% of the original sample.

The data on the questionnaires was input onto a Microsoft Excel spreadsheet and combined with details on each individual branch such as district to which it belonged, the performance category and the gender of the CSM.

The spreadsheet was then converted into an SPSS datafile and analysed using SPSS.

### **6.5.9 Limitations of Case Study**

The main limitation of the case study relates to the fact that only one bank was examined. However, this does not mean that there is a lack of rigour or that theories cannot be generated or tested (see Section 6.5.1). It is simply the fact that Bank X may be atypical of other banks or other service organisations (although there is no evidence to suggest this) and therefore care must be taken in making generalisations from the results.

Secondly, the study is looking at the format of corporate culture within a service organisation and the relationship between corporate culture and service delivery performance. Therefore a quantitative approach to the measurement of culture was adopted. This means that the results do not provide a detailed assessment of some of the unconscious and fundamental assumptions that may underlie Bank Xs culture and these elements may impact on the format and impact of an organisation's corporate culture.

Thirdly, the research instrument was tailored to the specific situation existing in Bank X , making it difficult to undertake direct comparisons with the results from previous research studies. However, as is evident from Table 6.2, previous researchers have not used a standardised set of constructs or scaling approach, making comparisons difficult, in any case.

Finally, the service delivery performance measures used in Bank X may have weaknesses as they are more dependant on sales rather than service. They are also dependant on the reliability of the targeting procedures adopted by the bank. The impact of these potential weaknesses has hopefully been reduced by using performance bands rather than rank ordering the branches.

**6.6 Summary**

This chapter has set out the hypotheses and methodology used in the primary research phases of this thesis. The next chapter sets out the findings from the qualitative phase of the research, with the findings of the case study being discussed in Chapter Eight.

## **Chapter 7. Findings: Management of Corporate Culture**

### **7.1 Introduction**

This chapter considers the role of corporate culture in the management of service delivery within the UK Retail Banking Sector. The chapter is based on the first phase of the field research involving 15 depth interviews with senior distribution and marketing personnel in ten retail banks. The sample frame and interviewing approach are described in detail in Chapter 6: Methodology.

The chapter starts by looking at the perceived importance of corporate culture in the delivery of retail banking services. In particular, this section looks at the reasons why senior managers consider corporate culture as being important as well as the perceived effects of corporate culture. The chapter then considers the aspects of culture which senior management perceive as needing to be managed or influenced. Following this the management activities undertaken by the banks to manage the corporate culture of their branch networks are considered. Finally the chapter looks at the management and organisational issues within the banking sector which may limit the effectiveness of these culture change activities.

### **7.2 The Importance of Corporate Culture**

In all of the banks interviewed, effective service delivery in the branches was generally described as being:

- ☐ the provision of a service which meets or exceeds customer expectations in terms of quality

and

- ☐ the identification and conversion of sales opportunities

Considering the first of these, many of the commodity type services such as current accounts and personal loans are managed and processed

centrally. The emphasis of service in the branches is therefore less to do with the management of customer accounts but it is more to do with the service encounters when branch staff come into contact with customers or potential customers. This contact may be in the form of face - to - face meetings, telephone contact or written correspondence. The customer's perception of the quality of the contact was seen, by the respondents, as being an essential element in the overall quality of service experienced by the customer.

"In a market which is saturated, we need to get more business from our existing customers, we are only going to do that if we meet their expectations in terms of service." (Marketing Manager)

The respondents categorised the components of service into speed and efficiency, accuracy of service, courtesy of employees, competence and empathy with the customer. All of the banks were attempting to measure branch performance with regard to each of these components by using customer questionnaires and mystery shopping methods (these methods will be discussed further in Section 7.3.2).

With regard to the identification and conversion of sales opportunities, there is an increasing need within all of the banks interviewed for staff to cross-sell additional services to existing customers. In all of the banks this has meant that specific individuals have been given the task of selling, whilst other members of staff service the customer and identify potential leads for the sales person. This has meant that teamwork has become critical, if opportunities are to be spotted and converted.

"The staff have to work as a team, communicating and co-operating, otherwise we will miss the opportunities" (Network Manager)

However, in terms of performance, major differences occur. One bank gave the example of a branch in Shrewsbury which outperformed all of the other branches in the network. When improvements such as a computerised customer information system or branch redesign were implemented in Shrewsbury, the return was three times that of other branches where similar initiatives were implemented. The only difference

between Shrewsbury and other branches was the particular members of staff.

Such variances in performance are common, one of the banks quantified it as follows:

"In terms of service performance measurements:

10% of our branches do extremely well

60% have, what could be termed an average performance

20-30% are disgraceful"(Personal Sector Director)

Another respondent used sales figures to reflect the variances:

"There can be a difference of 400% in performance between the top branches and the bottom branches" (Network Manager)

These and other differences quoted by respondents could not be explained by the premises, the catchment areas or the market conditions. Instead, the ability of a branch to meet these service and sales criteria was unanimously perceived to be dependant on the personnel within that branch.

"You can provide the branch, the database, the products - but the key dimension is the people" (General Manager - Banking)

" We have invested in our premises and the technology but the biggest obstacle is the people" (Personal Sector Director)

" Redesign / Restructuring is not the solution - it is the people"  
(Head of Sales Support)

However, the differences in the skills of branch staff were not considered to be extensive, instead the common view amongst those interviewed was that it is the culture existing within the branches which determines performance.



" The majority of all branch staff have had the same knowledge and skill-based training and they tend to have similar academic backgrounds, but put them together into a team and it is difficult to predict what they will do". ( Marketing Manager)

" If you don't get the culture right - there will be so many gaps around the place that everything you do will be going through a sieve"(Head of Sales Support)

This supports the general view amongst the respondents that investing money on the redesign of branches, new technology and databases is wasted if the culture of the individual branches is not addressed.

" The performance of the branches in terms of service delivery is dependant on the branch manager and the culture that exists within the branch team" (Marketing Manager)

" The attitudes and culture that exists within the branches does make a difference" ( Network Manager)

As corporate culture may simply be proposed because it is the current fashionable management term, respondents were questioned regarding their meaning of culture. A combination of the views, attitudes and behaviour of staff was commonly cited in the definitions proposed.

" It is the way people think, act and behave" ( Marketing Manager)

" It is the combination of staff attitudes regarding acceptable behaviour" ( Network Manager)

An effective branch culture was commonly seen as being one which combines the following elements:

- ☐ attitudes and behaviour geared to serving and satisfying customers (15 mentions)
- ☐ a willingness to seek new business (12 mentions)
- ☐ attitudes and behaviour which facilitate teamwork (12 mentions)
- ☐ a desire to be multiskilled (8 mentions)

□ attitudes and behaviour which facilitate flexibility ( 8 mentions)

For many branches this was seen as meaning a move away from a relatively inflexible administrative culture concerned with procedures, processes and internal matters to a culture which encompasses attitudes and behaviour which are more flexible and outward looking. The inflexibility and inward looking nature of the existing culture is evident from the following quotes:

"The customer has to fit in with our processes and procedures, if they don't, the branches look for another customer" (Marketing Manager)

" If the Chairman was to visit a branch, the staff are expected to leave their customer to talk to the Chairman, rather than leave the Chairman to serve a customer" ( Marketing Manager)

In addition the respondents' view that culture explains the differences in the performance of branches suggests that there isn't a consistent corporate culture throughout a bank but instead different subcultures are seen to exist within individual branches. The replication of the culture existing within the better performing branches was seen as the principle aim of initiatives aimed at managing and changing culture.

### **7.3 The Elements to be Managed**

There were mixed views amongst the respondents as to what characteristics of a branch's culture need to be influenced. Respondents found it difficult to clearly identify the specific components of culture which are important for the provision of effective service delivery and to separate these from irrelevant elements. However, the most frequently mentioned elements were as follows:

**Clear Understanding of Roles** ( mentioned unprompted by ten respondents) - the branch staff must be aware of their role within the branch and the bank.

"They need to know what they have to do and why" ( Network Manager)

" You only get committed staff, if they know what they are meant to be committed to" (Marketing Director)

The sharing of corporate objectives and goals was seen to be important if staff are to understand the importance and relevance of their own actions and the actions of senior management. This is particularly the case with regard to the areas where traditional bankers feel less comfortable, that is the areas of sales and service.

In addition, the consistency of the objectives, goals and direction as they are communicated to branch staff by different layers of management is thought likely to have an impact on the resultant culture.

" Branch management , regional management and senior management must all be saying the same things otherwise you end up with very confused and disillusioned service personnel"  
(Marketing Manager)

**Supportive Behaviour from Branch Managers** (mentioned unprompted by ten respondents) - A branch manager has four basic responsibilities within the bank, these are:

- Lending Control - ensuring that lending is sound and that basic controls on lending risk are in place
- Administration and Facilities Management - aspects such as security, audit procedures, personnel matters and health and safety
- Sales Management - responsible for sales through managing sales activity and the service capability of the outlet
- Team Building - managing the team within the branch

In addition to these standard responsibilities, the leadership qualities of the branch manager were thought to have a major influence on the culture of the branch. The manner in which the manager runs the branch in terms of the emphasis put on areas such as teamwork, customer

service, sales activity and administration is thought likely to impact on the effectiveness of the branch and the culture.

" The branch manager is critical to the culture, both as a role model for the other staff and also as a champion of best practice" (Personal Sector Director)

" The branch manager is the one who creates an effective culture" ( Marketing Manager)

Two of the respondents felt that the most successful branch managers were those who didn't follow bank procedures to the letter but instead " bent the rules" in order to get the best from the branch and the staff. This rule bending may involve changing the way the administration in the branch is managed or providing staff with different types of reward for good performance( i.e. cream cakes, nights out etc.). In such a way, these managers were seen as using their initiative and responding to the particular needs of their staff and the branch environment rather than simply following head office guidelines.

**Confidence in the Bank** (mentioned unprompted by eight respondents) - If branch staff are to be sincere in their dealings with customers, then they have to feel confident that the services and products offered by the bank are of good quality.

"You can't expect a member of branch staff to recommend the bank's services, if they don't personally believe in them." (Head - Sales Support)

"There needs to be some sense of faith in the bank and the services it provides" ( Marketing Manager)

The respondents saw this belief coming from internal marketing and consistent internal communication of the bank's activities together with the justification for these activities.

**Team Spirit** (mentioned unprompted by eight respondents) - With the rationalisation of staff numbers within the branches, the ability of the

remaining members to work as a team has become more important. For the sales personnel to be effective, they are dependant on the service personnel identifying leads and providing efficient service and administration. The social interaction between the members of the branch team either within or outside the workplace may help to develop a branch culture with common goals.

" You need a team spirit, everybody helping each other out, to reach the branches goals and targets" (Marketing Manager)

" The commitment is as much to each other as it is to the bank" (Network Manager)

The aim is to get people feeling good as a team about their accomplishments and also feeling good about being part of the company.

Three respondents felt that informal social activities organised by branch staff, possibly outside working hours, helped to reinforce this team spirit:

"Branch outings and nights out help to cement the team " ( Network Manager)

Such activities were thought to build loyalty to the team as well as help break down any perceived barriers between different levels of staff.

**A Customer Orientation** (mentioned unprompted by seven respondents)

- An understanding of the importance of the customer and the need to focus branch activities around the customer rather than around bank procedures.

" Staff need to be asking what impact do my actions have on the customer" (Marketing Manager)

" Being willing to go the extra mile for the customer" (Personal Sector Director)

Attitudes towards the customer are seen as being critical to the development of a culture which is oriented towards customer service.

Therefore raising awareness amongst branch staff of customer needs and customer attitudes was an important objective within most of the banks researched.

**Satisfaction with the Job and the Bank** (mentioned unprompted by six respondents) - The satisfaction of service personnel with their employment conditions, their role in the company and the impact of the job on their own self esteem was considered by respondents as having a direct impact on the quality of service they provide to the customer.

" Happy staff result in Happy Customers" (Network Manager)

" You can't expect the branch staff to treat the customers with respect, if the bank doesn't treat its staff with respect." ( Marketing Manager)

This was seen as a particularly difficult area as a result of the policies of rationalisation and staff reduction within the banking sector.

**Personal belief in Work Tasks** (mentioned unprompted by four respondents) - This relates, in many ways, to "Confidence in the Bank" , although the respondents saw it as having more to do with staff feeling comfortable with their tasks and the manner in which these tasks are to be accomplished. In other words, do they have to act differently in the branch and with customers than they would personally wish to behave.

"Branch staff need to feel comfortable with what they are being asked to do, otherwise they will not do it with any sense of commitment" (Personal Sector Director)

" Bank tasks must fit in with the personal beliefs of staff, otherwise they are undertaken grudgingly and the culture becomes one of resentment" (General Manager - Banking)

Examples included areas such as procedures for charging customers, telephone sales activities and staff being asked to be over-sincere with customers.

**Overview** -all of the elements outlined above were seen as impacting on a branch's culture and were therefore seen as the areas needing to be influenced and managed.

" We have got to try and manage the culture if the bank is to get any form of competitive advantage" (Personal Sector Director)

" It isn't easy but we are trying to influence these elements of culture" ( General Manager - Banking)

" We are undertaking a number of activities aimed at influencing the culture" ( Marketing Manager)

The next section describes the activities being undertaken by the respondents' banks in an attempt to manage their corporate culture and in particular the culture of their branch networks.

## **7.4 Activities Aimed at Managing Culture**

The key activities aimed at managing or influencing culture that were being undertaken by all of the respondents involved the following four inputs:

- ☐ communication
- ☐ performance measurement and rewards
- ☐ recruitment procedures
- ☐ training

The respondents' approach towards each of these will now be discussed.

### **7.4.1 Communication**

All of the banks have recently developed mission statements that signal the culture they are trying to foster within their organisations. Their emphasis tends to be on service, customers, professionalism and competitors. This is evident from the following examples:

"We wish to:

- provide excellence and value in meeting personal financial needs
- and
- be the outstanding financial services company in the UK"

"To be one of the best financial services groups in the eyes of customers, staff and shareholders"

"Our aim is to be the best and most successful company in the financial services industry - best in customer service, best to work for, best in creating value for shareholders"

These types of mission statement are then communicated to the banks' workforce through seminars and publications along with details about how it can be made actionable by every employee in the organisation. As stated by one of the respondents, the effectiveness of such communication is dependant on the management in the bank being prepared to "practice what they preach". Service Personnel need to believe that their senior management are truly committed to the goals for them to feel it is worth committing themselves.

One bank attempts to demonstrate this commitment to the corporate mission by placing the following message on the back of all staff business cards:

At \*\*\*\*\* Bank we value:

- ☐ Service to our customers
- ☐ Quality in everything we do
- ☐ Competitiveness and a will to win
- ☐ Growth and development of our people
- ☐ Professionalism in our actions and ethics
- ☐ Profit through our efficiency and productivity

Other banks are encouraging their management to spend more time on, and pay more attention to the measures that indicate how well the organisation is doing on its chosen goals. However, linked to this,



respondents stated that service personnel will only be convinced about senior management commitment when the banks start to recognise and reward staff for the successful achievement of the goals.

#### **7.4.2 Performance Measurement and Rewards**

To encourage behavioural change, all of the banks have introduced a variety of methods to monitor behaviour and these are supported by a variety of reward mechanisms.

Competitiveness and sales activity are measured on volumetric targets with branch managers being required to attain a year on year increase in sales for between 10 and 25 different services. In five of the banks, these targets are developed following detailed profiling of each branch's catchment area using geodemographics and competitor information. This profiling involves the use of sophisticated computer profiling and simulation software. In the other five banks, the targets were based on past performance and a qualitative assessment from Regional Management. This qualitative assessment involves analysing a checklist of items such as housing developments, retail and industrial development, employment trends and location of competitors.

A number of the banks also target the branches on the number of sales interviews that should be undertaken each month. The number of services sold in each sales interview is also measured , as is customer retention.

The relationship with customers is commonly measured on the basis of the number of linkages, in terms of accounts or services, each customer in a branch has with the bank. This is also seen as providing a measure of service quality on the basis that satisfied customers are likely to purchase additional services from the same source.

In addition, service quality is measured using mystery shopper data, customer surveys and through the monitoring of complaints. Targets are set on these softer issues in terms of standards of service for areas such as speed of telephone answering, typical queue length and the number of complaints . Mystery shoppers also feed in scores on aspects such as helpfulness, attitude, product knowledge and efficiency.

As a reward for meeting targets, performance related pay has been introduced or is being considered in all of the banks. In some of the banks, team based bonuses are being considered or implemented, in the others, individual bonuses linked to a range of predetermined annual objectives are preferred.

In addition prizes and awards are given to the best performing branches. These varied in nature from trophies and money for social events through to recognition in the bank's newsletter.

To further encourage staff, Branch Managers are encouraged to display league tables in their branches to keep staff up-to-date on how many products have been sold and how their branch compares with others. Most of the branches also have weekly meetings to discuss the performance results and identify areas for further improvement.

### **7.4.3 Recruitment Procedures**

In terms of recruitment, all of the respondents stated that their recruitment policies had either changed or were under review. The quantity of new recruits has reduced as a result of rationalisation in the banking industry. However, the profile of those who are being recruited is changing. Instead of the banks selecting good administrators, the aim is for greater attention to be paid to the recruitment of personnel who are articulate and able to develop effective customer contact skills.

Branch staff who lack customer contact skills are being moved into centralised processing centres, where they are unlikely to come into direct contact with customers.

The impact of such changes was perceived to be long-term because of:

"the sheer weight of numbers recruited during a previous era"  
(marketing manager)

However, mechanisms such as early retirement had allowed all of the banks to make significant changes at branch manager level.

#### **7.4.4 Training**

Three of the banks had initiated a culture change programme. Such programmes consist of seminars and training events. The common format would seem to involve a road show event to explain the need for culture change and the bank's new mission. This is normally followed by residential training courses for branch managers who are then responsible for cascading this training down to all branch staff. Separate customer service training programmes may be undertaken with front-line staff to reinforce the service message. The training is normally supported by handbooks, videos and newsletters.

In the other banks, rather than a specific culture change programme being initiated, tailored training on skill development is targeted at individual groups of staff. For example, customer service training for front line staff, sales training for sales staff and leadership skills for management. One of the banks had set-aside £300 million for staff training during the period 1994 - 1999.

### **7.5 Organisational Issues and Characteristics Conflicting with Culture Change**

This section discusses the organisational characteristics and activities identified by the respondents as conflicting with and constraining the management of culture change.

#### **7.5.1 Confusing Corporate Goals**

A reduction in cost income ratios is a common objective throughout the whole of the UK retail banking sector. In particular, the emphasis would seem to be on the reduction of costs rather than significant increases in income. In all of the banks interviewed, this has meant reductions in staff numbers and the rationalisation of the branch network resulting in branch closures. This has partly been compensated for by greater automation and centralisation of processing activities. Although these changes concur with a culture of flexibility and competitiveness,

respondents felt that the resultant culture amongst branch staff was one of fear and uncertainty. No longer do bank staff have a job for life:

"Rather than staff being motivated to improve their performance in terms of sales and service, the fear of job cuts is resulting in staff keeping out of trouble, maintaining a low profile and taking no risks" (Marketing Manager)

"There are so many changes going on that the branch staff do not know which way to turn" (Network Manager)

All of the respondents felt that branch staff are confused by the somewhat conflicting goals of reductions in staffing levels and the provision of improved service and sales levels. Branch refurbishment budgets have also been cut leaving a large number of branches in old style buildings incorporating traditional bank counter layouts which are not always conducive to both sales activity and the customers' increased expectations of service.

" Staff tend to look at the mission statement and rephrase it as follows:

To be one of the best financial services groups in the eyes of shareholders and then in the eyes of customers and then in the eyes of staff.

With most emphasis being put on the shareholders/ city and the least emphasis being put on the staff." (Personal Sector Director)

Therefore these mixed messages with regard to corporate goals do not provide either a clear and consistent set of norms and values for branch staff to adopt or evidence that the senior management "practice what they preach".

### **7.5.2 A Lack of Leadership**

The literature review suggested that corporate values are often communicated more effectively through the actions of a leader or

corporate figurehead. All of the respondents agreed that a charismatic leader at the top of the bank (i.e. at Chief Executive level) is seen as being necessary for culture change to happen.

" a leader who pursues corporate goals with passion and zeal is contagious - managers and staff will then follow on with enthusiasm" (Personal Sector Director)

" a leader can't change the culture single-handedly but his charisma may be able to establish a critical mass of managers who are just as convinced as him about the direction of change" (Marketing Director)

Examples of successful corporate figureheads such as Lord King in British Airways and Tom Farmer in Kwik-Fit were regularly quoted by respondents.

"you would need a Lord King type figure to shift the culture of an organisation with 2,500 outlets and 60,000 people. Even then, it wouldn't change overnight" ( Marketing Manager)

However, all but one of the respondents were unable to identify a charismatic or high profile leader in their own bank or in the UK Retail Banking sector. The one respondent who named such a leader, identified an individual within his own bank.

Although this lack of obvious figureheads, and the resultant lack of a role model for staff was not seen as stopping culture change, it was generally felt that it made the change process slower and less focused.

### **7.5.3 An Inappropriate Management Structure**

Three of the respondents felt that the power of the Regional Managers / Directors with regard to the branch network in some of the banks results in leadership skills being more important at that level rather than at Board level. The importance of the Regional Managers / Directors comes about as a result of the management structures of the banks. The relative positions, reporting lines and power bases may send signals to employees

regarding the norms and values placed on different activities by the banks.

Traditionally, all of the banks interviewed were structured around regions with the number of regions ranging from seven to twenty-three. Many of these regions stemmed from the amalgamation of many regional banks into the national retail banks that exist today.

In many of the banks, the regional director or manager responsible for each region is extremely powerful in the bank, managing his own fiefdom and holding a position equal to or slightly below that of the general managers / directors of the bank. Although elements of corporate image and certain operational procedures are standardised throughout each of the banks, service delivery in each region is, to a great extent, determined and controlled by the regional director. To support him, there may be a number of area or district managers looking after up to 15- 20 branches. Lending decisions above a certain limit are referred up to area managers and then if they are over another predetermined limit they are referred to the regional director.

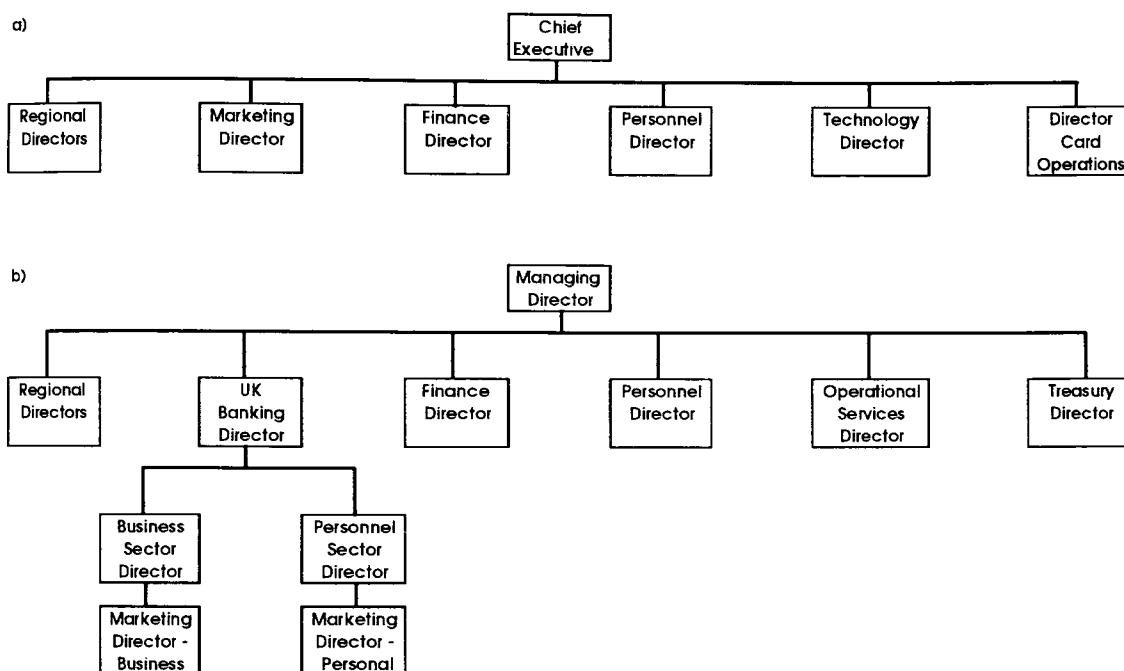
Figure 7.1 shows the two versions of the traditional management structures that existed within the banks being researched. These structures show that regional directors were either more senior than or equal to managers responsible for either marketing or human resource/personnel departments. These departments were simply seen as central service functions responsible for producing brochures and advertising or organising salaries and training programmes. They were not seen as having any direct input into the service delivery process. There was no evidence of significant co-operation between the marketing, operations and human resource functions in the management of service delivery.

Three respondents in marketing functions felt that the regional management structure hindered effective service delivery and there was therefore a need for far greater centralisation, with regional and branch staff being required simply to implement centrally made decisions. Their frustration with the regions is evident in the following quotes:

" The centre rather than the regions should decide everything - currently banks are the least consistent / least co-ordinated / least centrally controlled / least disciplined organisation I have ever met - they need to centralise" (Marketing Director)

" Regional control has led to wrong branches, wrong places, wrong appearance and overall the wrong interface" (Marketing Manager)

**Figure 7.1 Typical Management Structures**



However, only one of the banks researched has adopted a full-scale centralisation approach. In this case the centre determines exactly what should be done in each geographic area, and sets targets for specific segments which determines the nature and size of the physical presence and the technology needed to meet these targets. Regional management are then simply responsible for implementing these decisions.

In all of the other banks changes have occurred in their regional structures. The number of regions have been reduced and in all but one of the banks these reductions have been extensive, for example, one bank has moved from 7 regions and 54 districts to 3 regions and 21 areas. However, these changes have principally come about as a result of banks

re-evaluating their operating costs, changes in the processing of transactions and the advent of computerised systems for assessing credit risk. The driving force does not seem to be improved service delivery.

Amongst the respondents, there was general agreement about the need to fully integrate and effectively co-ordinate all of the potential delivery mechanisms. In the past decisions about the operation of the branches were separate from technological decisions, therefore the delivery requirements of customer groups were considered separately with regard to physical presence( the branch) and technology (e.g. ATMs / telephone banking ). The current emphasis is more towards distribution strategies which plan the optimum use of people, premises and technology, looked at together. As stated by one respondent:

" the trick is that you only get leverage if you think of them in an integrated fashion"

Efforts to bring about integration have taken a number of forms. Of the personnel interviewed for this study, three were in newly created posts responsible for areas labelled as " the network" or "network development" or "distribution strategy". These positions were senior appointments and reported directly to the board or to a corporate strategy function. Their responsibilities include national co-ordination of the service delivery network, the development of a service delivery strategy and assisting regional management teams with the implementation of that strategy. Another four banks had recently established multidisciplinary working parties / teams with similar responsibilities. These teams tend to consist of representatives from the regional management functions as well as marketing, information technology and human resources personnel. Where these teams and individuals exist the regional directors still make most of the decisions, although these decisions now require justification as they are the subject of far greater scrutiny. As a result these banks now have a national framework of evaluation criteria within which regional decisions are taken regarding the opening, closing and refurbishment of branches, the installation of ATMs and staffing levels. Regional personnel have to demonstrate that a location meets the minimum national criteria before any investment decision can be considered.



The other banks claim to have improved the working relationships between the centralised marketing and human resource functions and the regional management, although there was limited evidence of this.

Overall, until very recently the retailing operations of all of the UK retail banks has been dominated by Regional Management. This has meant that the emphasis in terms of service delivery management has been very much operations led rather than consisting of an integration of operations, marketing and human resource management. This is likely to have impacted on the priorities, attitudes and behaviour of staff within the branches.

#### **7.5.4 Limited Influence of Marketing Personnel**

As can be seen from the management structures discussed above, the marketing personnel in the banks do not have a controlling influence over the branch network and therefore have to work with rather than direct the activities of the branches. However, from the nine interviews with marketing personnel it is apparent that branch staff do have marketing activities to perform. These include:

- a) gathering information on customers during sales meetings/ financial health checks or during other contact in order to augment the data held on customer information systems
- b) identifying cross-selling opportunities when they are dealing with customers
- c) cross selling proactively and effectively

Many of these activities are dependant on a range of inputs outwith the direct control of marketing such as computer systems, reward systems, training procedures and personnel selection. However, the marketing personnel accept that it is equally important that the managers in centralised marketing departments are effectively communicating and working with those who are servicing and selling to the customers in the branches.

At present, respondents saw this communication as being very limited, consisting only of product, market and competitor information being sent out from the marketing department to the branches in information packs or newsletters. In all but one of the banks, promotional activity aimed at the customer was undertaken by the marketing department with little input from the branches:

"Lob the promotional mortar from the centre to the customers and drive them into the branches and you might get some, you might not - it is a very crude process"( Sales Support Manager)

"Promotional activity is banged out from the centre - branches are treated as morons" (Network Manager)

Respondents thought this led to a branch culture which is oriented towards reacting to customers rather than one which is proactively seeking additional business. This is compounded by the fact that all of the banks interviewed were still at the stage of developing or testing their customer information systems. These are systems that can be interrogated to provide details on a customer and his/her relationship with the bank. Such systems can be used for direct marketing activity or for indicating the type and timing of the most appropriate cross - selling approaches. As many of the branches do not have full working versions of such systems, it makes it very difficult for branch-staff to identify cross-selling opportunities and fully service their client base.

#### **7.5.5 Inadequate Human Resource Management**

For all of the respondents' banks, recruitment and training within the branches tends to be organised centrally. Recruitment tends to involve groups of full -time staff being recruited into an induction or graduate recruitment scheme and then being allocated to specific branches as and when required. Limited attention is directed at matching the individual to other team members or to the culture existing within a branch. Only one of the banks had moved the recruitment out to the regions but this was the exception.

The number of part-time personnel being recruited has grown significantly. This allows the banks to flexibly cover peak periods with fewer full - time staff. However, the marketing personnel interviewed felt that these floating personnel may affect the team - spirit of the branches and may be less committed to sales and service initiatives.

Section 7.4.4 discussed training relating to culture change programmes. However, there were concerns amongst the respondents that the majority of the training in the researched banks is directed at technical banking skills. Reinforcing, once again, the emphasis given to processing and operations.

"On average 80-90% of the training budgets are spent on these technical skills with only 10-20% being spent on areas such as customer service, sales skills, team building and leadership."  
(Marketing Manager)

Where sales and service training has been undertaken, its impact varies as a result of the limited attention given to follow-up training and the development of the branch manager in a supporting role:

"The bank sends staff on a three day customer service programme with little or no follow up and is then surprised when there isn't a dramatic change in service performance " (Marketing Director)

As a result, there was a widely held belief amongst the respondents that a large amount of the training budget is both wasted and poorly targeted.

## **7.6 Summary**

Throughout the qualitative research there was a general consensus of opinion with little or no differences in responses either by bank or by job function.

From the findings, it is evident that senior management in retail banks see corporate culture as having an impact on the effectiveness of service

delivery. This finding leads to the rejection of the following null hypotheses:

H<sub>01</sub> : There is no evidence to suggest that senior managers in service organisations perceive corporate culture as having an influence on service delivery.

There are also perceptions amongst these senior managers that the culture within a bank varies on a branch by branch basis rather than there being a single corporate culture within a bank. This suggests that subcultures exist with different teams of service providers having different cultural attributes, this will be tested further in the quantitative research.

The elements of a branch's culture identified by the respondents as having the greatest impact on service delivery were seen as being:

- ☐ A Clear Understanding of Roles
- ☐ Supportive Behaviour from Branch Managers
- ☐ Confidence in the Bank
- ☐ Team Spirit
- ☐ A Customer Orientation
- ☐ Satisfaction with the Job and the Bank
- ☐ Personal Belief in Work Tasks

The banks were trying to influence and manage these elements of culture through initiatives in the following areas:

- ☐ communication
- ☐ performance measurement and rewards
- ☐ recruitment procedures
- ☐ training

This proactive use of these management tools and the formal socialisation process to manage corporate culture leads to the second null hypothesis being rejected:

H<sub>02</sub> : There is no evidence to suggest that managers in service organisations try to influence the culture of their service personnel.

However the effectiveness of these initiatives was perceived as being constrained by:

- ☐ Confusing Corporate Goals
- ☐ A Lack of Leadership
- ☐ An Inappropriate Management Structure
- ☐ Limited Influence of Marketing Personnel
- ☐ Inadequate Human Resource Management

This finding leads to the rejection of the following null hypothesis:

H<sub>03</sub> : There is no evidence to suggest that conflict may occur between management's intention to influence culture and the day to day operational management of the organisation.

The next chapter discusses the findings of the quantitative research aimed at examining the culture which exists within one particular bank's branches.

## **Chapter 8. Findings: The Characteristics of Corporate Culture**

### **8.1 Introduction**

The previous chapter considered the role of corporate culture in the management of service delivery from a senior management perspective. One of the findings that emerged from the research with senior managers was their perception that rather than there being a cultural consensus within a bank, corporate culture varies on a branch by branch basis. This chapter aims to look in more detail at one particular bank to empirically test if corporate culture does vary by branch or by any other staff grouping.

Senior management also saw corporate culture as having an impact on the effectiveness of service delivery in the branches. This chapter therefore aims to test empirically whether there is any obvious relationship between corporate culture and the effectiveness of service delivery. In particular, individual elements of culture and their effect, will be explored.

In terms of format, the chapter starts by examining the nature of the environment existing within the bank being investigated. The chapter then considers the characteristics of the corporate culture that is present within 48 branches of the bank and any variance between the branches. Finally the chapter looks at the relationship between the corporate culture existing within the branches and the service delivery performance of these branches.

### **8.2 Bank X - The Cultural Environment**

This section of the research findings first describes Bank X and the changes that have directly impacted on the service delivery personnel over the last two to three years. It then looks at each of the cultural management tools identified in Chapter Eight, these being:

- ☐ performance measurement and rewards
- ☐ recruitment procedures and training
- ☐ communication

The findings are based on a programme of in depth interviews in Bank X with two district managers, two area managers and eight customer service managers (previously called branch managers). Details of the selection of the personnel for interview and the nature of the interviews are set out in Chapter 6: Methodology.

Bank X has 332 branches located throughout the United Kingdom and around 6,300 employees. It has been highly profitable with profits growing significantly over the last five years (see Table 8.1).

**Table 8.1     Bank X - Profit on Ordinary Activities before Charge for Bad Debts and Taxation**

<b>Year</b>	<b>£ million</b>
1990	80.9
1991	92.9
1992	96.5
1993	127.6
1994	132.2

Since 1987, the bank has been part of a larger foreign owned group with many of the senior positions in the bank now being held by foreign nationals from the parent company. The bank's mission has recently been changed to the following:

" To provide core banking and selected financial services professionally, efficiently and competitively to achieve a pre-eminent position in chosen markets" (Annual Report , 1994)

Although the mission statement does not specifically refer to customers or service, the Chief Executive in a statement published in the 1993 Annual Report states:

" We have tackled costs, we have worked hard to ensure our products meet the needs of our customers and we have now

embarked upon the third plank of our strategy to ensure we have a delivery mechanism which matches our customer expectations "

This emphasis on improving service delivery was alluded to by all of the respondents as they talked about the constant process of change which has impacted upon the staff who are working in the branch network.

### **8.2.1 A Period of Change**

All of the respondents and particularly those at customer service manager (CSM) level stated that they expected that, although there had been no specific culture change training initiatives, the culture within the branches would be strongly influenced by the major internal operational and structural changes that the staff have witnessed over the last two to three years.

" There seems to have been constant change, staff don't have time to come to grips with one change before the next one is implemented"  
(Customer Service Manager)

" There has been a great deal of change in personnel, procedures and management expectations but hopefully we are reaching the end of all of that" (Customer Service Manager)

" The corporate culture must be in a state of flux, as the procedures, structures and management expectations keep changing"  
(Customer Service Manager)

The most significant change has been the establishment during 1994 of three service centres. Two of these are responsible for back office processing removing 90 percent of the back office administration from the branches. The third provides a central service for handling telephone enquiries from the public. These centres were established in order to free branch staff from paperwork and telephones, leaving more time and resources available for improved sales and service activities. They have also led to a major reduction in branch staffing levels with staff being either transferred to the service centres or made redundant. However, in some of the branches these staff reductions took place before their



telephone and administration duties had been fully removed to the service centres, putting the remaining staff under a great deal of pressure.

" If we were at the correct staffing level and the telephone and service centres were working properly, then everything would be reasonably OK - but at the moment the staff feel that they are being abused" (Customer Service Manager)

" Before the roll out, we had 22 staff, that has halved , however, the workload hasn't halved. In the middle of the month we are just able to cope but at the end of the month it is crazy and impacts on our service" ( Customer Service Manager).

The problems have stemmed from four main areas:

- a) Initially, the telephone service centre was ill prepared with poorly trained staff resulting in certain branches being returned to the old system of answering their own telephone calls. Therefore the implementation process was much slower than expected.
- b) Some branches were allocated staffing levels that did not allow for people being off due to sickness or holiday. Although the recommended staffing levels had now been revised, staff were still being sought to bring branches up to their full complement.
- c) After staff transfers were made to the service centres and early retirements were taken, some branches were left with no experienced personnel to run the branches or help train and develop the more junior staff.
- d) The new staffing levels are dependant on the branches being manned by multi-skilled staff. However, the majority of the staff in the branches were mono - skilled as this had until the change been the traditional work pattern in the branches. Previously staff had been trained on one branch activity such as the counter or on vouchers or securities and only moved from these positions with promotion. Training was now required to allow job rotation and cover for absent staff, but in some branches this training

was not being given. This was either due to a lack of experienced staff to do the training or insufficient staffing levels to allow time for training.

Some of the branches have coped effectively with these problems and the changes in staffing levels, whilst others have struggled. The area managers attribute the differences to a combination of the customer service manager's ability to organise and manage the branch team as well as the attitudes and team spirit which exist within the branch.

"The problems vary from branch to branch - it depends on the customer service manager and team morale" (Area Manager)

"There are some problems caused by understaffing but these are often made worse by poor management and poor teamwork" (Area Manager)

The other major area of change has been in the management structure within the branches. In the past, a branch consisted of clerical officers, a variety of levels of supervisor, office managers, assistant managers and the branch manager position. Bank X redefined the roles of branch staff in 1994 with only three levels of staff working within the branches and two operating independently of the branches. These are as follows:

Within the branch:

- ❑ Customer Service Manager (CSM) - the new name for the branch manager
- ❑ Personal Customer Advisor (PCA) - responsible for the sales activity within the branch, a branch may have anything from 1 - 4 PCAs.
- ❑ Customer Service Officer (CSO) - the traditional counter staff in the branch responsible for all administration activities. The CSO's main responsibility is customer service but also to identify sales leads for the PCAs. CSOs may be full or part-time and a branch may have anything from 2 to 30 CSOs.

Operating independently from the branch:

- ❑ Personal Banking Managers (PBM) - operate with a portfolio of higher net worth individuals who require more sophisticated financial services.
- ❑ Business Banking Managers (BBM) - freed from day - to - day branch responsibilities to work with a portfolio of business clients. Each business client will now have a dedicated BBM rather than a dedicated branch.

With these new job functions, came a readjustment of salary scales in particular the salary scales for CSMs were significantly below the old branch manager scales. This meant that many of the experienced branch managers took early retirement or moved out of the branches to take up the higher salaried positions of BBM or PBM. Therefore a large number of the CSMs have had the responsibility of running the branch for only 12 - 18 months. Only one of the eight CSMs interviewed had been a branch manager prior to the restructuring. The recency of the appointments may mean that the CSMs will have had limited impact on the culture that exists within the individual branches.

In addition, the flattening of the supervisory and management structures within the branches has meant that many of the staff who were previously supervisors are now on the same grade as the staff that they were supervising. The area managers see this as not only causing some friction within the branch teams but also leaving the CSM with no obvious personnel to delegate authority to (with all staff being on the same level and receiving no additional rewards for taking on extra responsibilities). In one District, each branch has produced a charter which agrees the delegated roles and duties amongst the staff, this is done on a peer group basis and is not imposed from above. This is meant to ensure that duties are shared out and that the CSM receives the necessary support.

Throughout the network, CSMs have not only been brought closer to their staff in organisational terms but also physically by moving them out of the old branch managers' offices into the banking hall with the other staff.

Senior management see this as being important for team building and customer service.

In total, these changes in service centres, staffing levels and job function have had a major impact on Bank X's branch network over the last two years. In particular, the District Managers (previously known as Regional Managers before the changes) see the changes as having had a detrimental effect on the attitudes of most branch staff towards the bank as an organisation and towards the senior management. However, as a result of coping with change and adversity, customer service managers perceive that the loyalty to the branch and fellow branch staff has improved.

"there is a them and us situation between the branches but within the branch there is a great deal of loyalty to each other" (Customer Service Manager)

"there isn't a very noticeable corporate spirit but there is a sort of branch spirit, it often feels as if it is our branch against senior management and the rest of the bank" (Customer Service Manager)

Attitudes towards senior management have also been influenced by the recently introduced performance measurement and reward mechanisms.

### **8.2.2 Performance Measurement And Rewards**

In January 1994, individual performance pay arrangements were established for all levels of staff. Prior to this a bank-wide bonus was provided to all employees at Christmas based on the bank's profits. The new arrangements are based on an appraisal system where each employee is appraised by their direct superior. Staff are given a rating between 1 and 6 where 4 is a satisfactory performance. In 1994 all those who received ratings of 4 and above received a bonus. In 1995, it was stated that only those with ratings of 5 and above would receive a bonus, however, because of the number of staff liable for the bonus, the rules were changed shortly before bonus payments were made. Bonus payments were limited to a maximum of 50% of the employees in any one unit or

branch, this meant that all of the "6 " ratings got a bonus but only some of the "5" ratings got one. The arbitrary selection of which "5"s received the bonus had to be made by the CSM of each branch.

The handling of the reward mechanisms is seen by those interviewed as having had a serious impact on both morale and attitudes towards some of the CSMs and members of senior management. At the time of the research, industrial action has been threatened.

"The rewards system is a very sore point - it has set my branch back more than anything - it is very divisive " (Customer Service Manager )

" The rewards system has eroded any loyalty to the bank, there is a great deal of bitterness. Staff feel they have given a great deal of loyalty and support through all the changes but the loyalty is a one way street. The bank keeps asking for more from the staff and then gives nothing in return." (Area Manager)

" The bonus situation has caused a real difficulty with morale - branch staff are very disillusioned" ( Customer Service Manager )

In addition to the problems with bonus payments, there is also thought to be concern regarding career progression. Having removed many of the supervisory and management grades from the branches, there is very limited scope for career advancement within the branch networks. This is exacerbated by the fact that many of the CSMs and PCAs are relatively young. The customer service managers (CSMs) are therefore aware of a feeling of uncertainty over future direction which negatively impacts on motivation.

" When you talk to the more experienced staff about training - they say "What's the point- there is nowhere to progress to" ( Customer Service Manager ).

" It is difficult to stop staff from getting bored as they are doing the same thing everyday with no obvious step up to anything else " ( Customer Service Manager).

Overall, the motivating factors of financial rewards or career progression are currently perceived by the respondents as having a very detrimental effect on the attitudes and behaviour of branch staff.

### **8.2.3 Recruitment and Training**

With regard to training, very little training has been offered to branch staff from the central human resources function . The most recent training initiative of a significant size was a Customer Care programme implemented approximately four years ago. This involved service quality training for customer service managers which was then cascaded down to all branch staff. More recently, what training there has been has tended to be undertaken within the branches with the CSM and the more experienced branch members helping to develop the less experienced personnel. However, as a result of all of the changes mentioned above and the shortages of experienced staff in some of the branches, the extent to which training is carried out is very patchy:

" Training is a problem because you are strapped for time - very small scale - basically down to teaching them one small job at a time"( Customer Service Manager )

" Because of the limited role, that many of the staff now fill - I am running out of things to train them in" ( Customer Service Manager )

Much of the training for new recruits is still "on the job" and therefore the quality of such training varies from branch to branch.

In terms of recruitment, the changes in staffing levels has meant that the number of staff being recruited has greatly decreased. However, the pattern of recruitment has also changed with a greater emphasis being put on firstly graduates and secondly part-time staff. The graduates are being recruited directly in to the PCA selling role, further limiting the

potential career progression opportunities for the customer service officers(CSOs).

The part-time staff tend to be more mature, consisting principally of women returners and are being recruited in to the CSO role.

Although the number of staff being recruited is relatively small, the customer service managers see these new recruitment policies as changing the social and age profile of many of the branch teams. This may impact on the culture of these teams.

" The new part time staff almost create a team within a team - within the branch there is the part- time team who tend to stick together and the full time team. The CSM has to work hard to integrate the two." ( Customer Service Manager )

" The old team spirit is being weakened by the original branch staff resenting the graduates who are coming directly into the branch and taking the more senior positions - there is some friction there" ( Customer Service Manager )

#### **8.2.4 Communication**

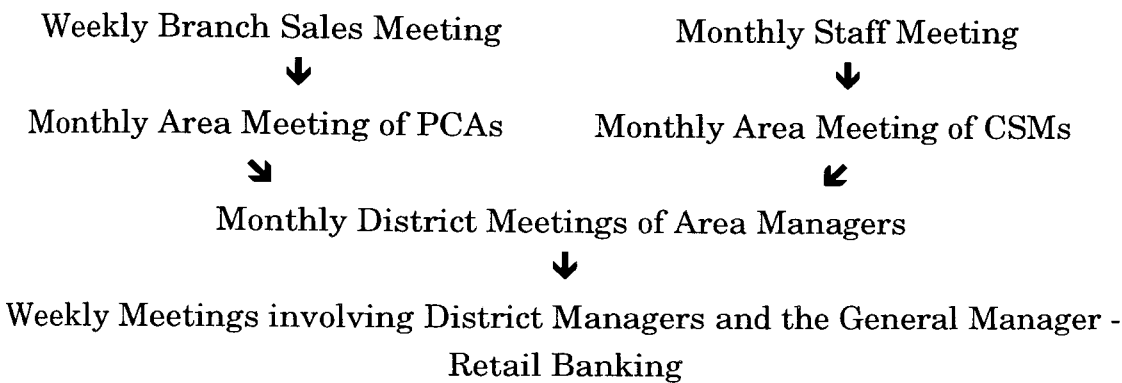
In terms of formal communication, all branches are required by head office to organise a sales meeting each week and also a monthly staff meeting. These involve all full time staff and are either chaired by the CSM or a PCA. These meetings were established as the main mechanism of communicating sales and general information to and from the branch staff. The communication channel from these meetings, up and down the organisation, is set out in Figure 8.1.

In practice, only five of the eight CSMs interviewed actually held regular sales or staff meetings. The others were unwilling to commit scarce resources to such meetings:

"There have been very few staff meetings and no sales meetings here because of the work load - all I do is circulate the memos I get around the staff" ( Customer Service Manager)

" Difficult to have sales meetings as I don't have the time or the resources" ( Customer Service Manager)

**FIGURE 8.1 Communication Channels to and from the Branch Staff**



All of the remaining CSMs interviewed, not only ran the meetings regularly but also tried to make them as interactive as possible with some introducing discussion topics and videos covering areas such as service standards. However, the success of such activities was seen as being limited by the CSM and area manager respondents with them witnessing most of the communication being downwards. Some felt this was due to the tradition of there being a power culture in banking with the customer service manager being dominant and where branch staff were never asked their views. Others felt that it was due to a sense of frustration resulting from the lack of acknowledgement or action from senior management when staff did provide feedback. Whichever is the case the formal communications channels, consisting of the meetings along with the staff magazines and circulars / memos, all resulted in a clearly top down flow of information.



With regard to informal communications, CSMs tended to inform staff about the branch's or individual's performance by using wall charts or publicly rewarding staff with cream cakes or bottles of wine. Other information was disseminated by the CSMs informally talking to individual staff. Overall, the CSMs interviewed generally felt that the communication between the CSM and the branch team through these informal means is more effective than the formal communication between the branch staff and the other parts of the bank.

This informal communication with the CSM or even amongst branch staff tended to be limited to the work environment. Socialising as a branch team or group seemed to be very rare and all of the respondents commented on the major reduction in out of hours socialising over the last 4 - 5 years.

" They used to run mixed five - a - side competitions in the Ayrshire District - two years ago they had five teams from this branch, last year there were two and this year none - the organisers had to approach a competing bank to get teams" (Customer Service Manager)

" Staff are under so much pressure, they just want to get home at nights - social outings are now very difficult to organise " (CSM)

Four of the respondents put this down to the increased pressure on the branch staff, the others put it down to the personnel mix consisting of part-time mothers and employees from different educational backgrounds. Whatever, all of the respondents felt that a reduction in socialising was likely to have a detrimental affect on team building.

### **8.2.5 Overview**

The depth interviews have clearly shown that the branch personnel have endured a major period of change within the bank which has not only affected the operation of the branches but has impacted on their personal status and reward mechanisms. At the same time personal development and involvement through training and internal communication initiatives have generally been neglected as a result of the focus being placed on the operational and structural issues. The impact on the culture existing

within the branches will be examined in the next section. However, all of the respondents taking part in the depth interviews anticipate that this environment is having a very detrimental effect on attitudes and morale.

### **8.3 An Assessment of Bank X's Corporate Culture**

#### **8.3.1 Bank X's Cultural Profile**

Following the depth interviews, a research instrument to measure components of corporate culture was developed and tested ( a detailed explanation of the development and testing process as well as the instrument itself is described in Chapter 6( Methodology). The result was a 47 item instrument which attempts to measure those cultural elements identified in Chapter Seven as potentially having the greatest impact on service delivery:

- ☐ A Clear Understanding of Roles
- ☐ Supportive Behaviour from Customer service managers
- ☐ Confidence in the Bank
- ☐ Team Spirit
- ☐ A Customer Orientation
- ☐ Satisfaction with the Job and the Bank
- ☐ Personal Belief in Work Tasks

In addition, following input from the depth interviews, three further elements were assessed. These were:

- ☐ Consistency of Orders and Requests - which, as described in Chapter Eight is a subset of " A Clear Understanding of Roles". The difference is that one relates to branch staff having a clear understanding of their own personal roles and the other relates to superiors actions and requests being consistent with these perceived roles.
- ☐ Socialising with Colleagues Outside the Workplace - the respondents in the depth interviews saw this as impacting on teamwork although they suggested that its prevalence over the last

two to three years had declined significantly. This area was therefore assessed as a separate category, in order to assess its impact and its current level.

- ❑ Involvement in sales and marketing tasks - the bank was keen to assess whether the branch staff saw themselves as being involved in sales and marketing tasks. In other words was sales and marketing seen as part of the culture of the branch or the responsibility of specific positions within the branch.

The self- completion research instrument was distributed to 279 personnel within the 48 branches ( as described in Chapter 7) and usable responses were received from 268 respondents. Table 8.2 sets out the average ratings for each of the 10 subgroups, these ratings reflect the six point scale on which respondents had to indicate the frequency ( always(6), usually(5), fairly often(4), occasionally(3), rarely(2), never(1)) with which certain behaviours or attitudes occurred within their branches.

**Table 8.2 Average Ratings for Cultural Subscales**

<b>SUBSCALES</b> <b>(268 respondents)</b>	<b>Average Ratings</b>
A Clear Understanding of Roles	4.9 (usually)
Team Spirit	4.5 (fairly often / usually)
A Customer Orientation	4.3 (fairly often)
Supportive Behaviour from CSMs	4.2 (fairly often)
Consistency of Orders and Requests	4.2 (fairly often)
Personal Belief in Work Tasks	4.2 (fairly often)
Confidence in the Bank	4.1 (fairly often)
Involvement in Sales and Marketing Tasks	4.0 (fairly often)
Socialising with Colleagues Outside the Workplace	2.9 (occasionally)
Satisfaction with the Job and the Bank	2.9 (occasionally)

As Table 8.2 shows, seven of the ten subscales were rated in the fairly often category. Of the three other subscales, "A Clear Understanding of Roles" consistently received higher ratings in all of the branches researched. This higher rating for role clarity may reflect the simplification of the staffing structures in the branches, or may simply reflect the situation in any organisation with most staff knowing what is expected of them.

Two of the subscales, "Satisfaction with the Job and the Bank" and "Socialising with Colleagues Outside the Workplace" received significantly lower ratings throughout all of the branches. The rating in the rarely to occasionally range for "Socialising with Colleagues Outside the Workplace" supports the views given by the CSMs and the Area Managers that the level of informal socialising amongst branch staff is very limited. Against this, team spirit received a relatively high rating possibly suggesting that socialising outside the workplace may not be necessary to develop a team spirit within the branch.

With regard to satisfaction, the average ratings for the individual statements that make up this subscale clearly show the level of disaffection within the branches towards head office and head office staff (see Table 8.3). This also supports the results of the qualitative research within Bank X which suggested low morale and friction between the branch staff and head office. It is interesting to note that even although this friction exists, the ratings for "Confidence in the Bank" are higher than those for satisfaction. This suggests that the staff have confidence that the bank can satisfy client needs even although it may not be able to satisfy employee wishes.

**Table 8.3 Items Making Up the Satisfaction Subscale with Average Ratings**

Base = 268 respondents	<b>Average Rating</b>
The bank cares about its branch staff	2.3 ( rarely)
Head Office listens to branch staff	2.3 ( rarely)
Head Office responds effectively to the views of branch staff	2.4 ( rarely)
I would recommend the bank to someone like myself as a good place to work	2.6 (occasionally)
Staff in my branch feel like winners	2.7 (occasionally)
I enjoy being an employee of Bank X	3.5 (occasionally / fairly often)
I am happy with my position within the bank	3.6 (fairly often)
Some of the staff in my branch are actively seeking alternative employment	3.7 (fairly often)
Staff in my branch are encouraged to be loyal to the company	4.1 (fairly often)
The staff in my branch feel that they are under pressure	4.7 (usually)

**8.3.2 The Existence of Sub Cultures**

Although the average ratings in Table 8.2 suggest that a team spirit exists, the ratings on statements relating to the bank's head office suggest that this team spirit does not relate to a bank-wide team. Therefore the team that the branch staff relate to must take the form of some subgrouping of the bank such as the branch, the different grades of staff or the regions to which a branch belongs. This raises the possibility that if branch staff associate with specific subgroupings, then there is a possibility that these groupings may be found to have their own subcultural characteristics.

To assess this, the analysis firstly considered the evidence for subcultures being branch based. Therefore Table 8.4 analyses the variance in the cultural ratings given by staff in different branches (an explanation of the ANOVA statistic is set out in Appendix 6).

**Table 8.4 Results of ANOVA on Subscales - Differences Between Branches**

<b>SUBSCALES (268 respondents)</b>	<b>Average Ratings</b>	<b>F ratio</b>	<b>Significance of F</b>
A Clear Understanding of Roles	4.9	0.99	.501
Team Spirit	4.5	1.81	.003
A Customer Orientation	4.3	1.19	.207
Supportive Behaviour from CSMs	4.2	2.31	.000
Consistency of Orders and Requests	4.2	1.30	.108
Personal Belief in Work Tasks	4.2	1.49	.031
Confidence in the Bank	4.1	1.71	.006
Involvement in Sales and Marketing Tasks	4.0	0.91	.639
Socialising with Colleagues Outside the Workplace	2.9	1.68	.007
Satisfaction with the Job and the Bank	2.9	1.75	.004

The F ratios and the significance levels in Table 8.4 suggest that there are significant differences between branches in certain areas of behaviour and attitude. The differences between branches is significant at the 95% level with regard to the following items (identified by boxes in Table 8.4):

- ☐ Supportive Behaviour from CSMs
- ☐ Team Spirit
- ☐ Satisfaction with the Job and the Bank
- ☐ Confidence in the Bank
- ☐ Socialising with Colleagues Outside the Workplace
- ☐ Personal Belief in Work Tasks

And the differences between branches are not significant at the 95% level with regard to:

- ☐ A Clear Understanding of Roles

- ❑ A Customer Orientation
- ❑ Consistency of Orders and Requests
- ❑ Involvement in Sales and Marketing Tasks

In considering these two groups of variables, the group where there is consistency across the bank tends to relate to the clarity and nature of the tasks and roles that the service delivery personnel are expected to perform. These are the elements that would tend to be set out on a bank-wide basis or stem from or be encouraged by the bank's head office. In other words, the elements that are more directly controlled and influenced by the bank's formal socialisation process. Whereas the group of variables showing no bank-wide consistency relate to team building, man management and commitment / satisfaction with the employer and the work environment. These are the elements that could potentially be more directly influenced at branch level by the informal socialisation process within the branches and the management and leadership skills of the CSM.

These findings seem to support the view that there is no overriding cultural consensus across the bank. This is supported by the multivariate tests on variance shown in Table 8.5 where the Pillais, Hotellings and Wilks multivariate tests of variance by branch all produced F values of between 1.57 and 1.66, all of which are significant at the 95% level (an explanation of these multivariate tests is set out in Appendix 6). This means that the analysis of the combination of subscales which create the overall corporate culture identifies that there are bigger differences between the culture of the branches than there is between the staff within the individual branches.

**TABLE 8.5 Multivariate Tests of Significance on Variance by Branch**

	<b>F. value</b>	<b>Significance of F.</b>
Pillais Test	1.57	0.00
Hotellings Test	1.66	0.00
Wilks Test	1.61	0.00

Although this may suggest that the bank consists of subcultures relating to individual branches, it may also suggest that culture of the bank takes a fragmentation type perspective where consensus only occurs in transient

issue specific ways. If consensus relates to the issues rather than the employee groupings, then different employee groupings should also show consensus on these elements. In order to assess this, the ratings and their variance were examined relative to the positions of the respondents.

The multivariate tests in Table 8.6 do identify significant differences for the combination of cultural subscales between the ratings given by CSOs and the ratings given by PCAs. However, the analysis of the individual cultural subscales (see Table 8.7) identified significant differences between the ratings given by the CSOs and the ratings given by the PCAs in only three of the subscales, these were:

- ❑ Supportive Behaviour from CSMs
- ❑ Confidence in the Bank
- ❑ Involvement in Sales and Marketing Tasks

In all of the other subscales, the differences amongst the individuals on the same grade of position were greater than the differences between the cultural attributes of the PCAs and the CSOs, suggesting that the branch is more likely to be the dominant differentiator in terms of culture.

In the three subscales where variation by position occurred, the PCAs recorded higher frequencies of these activities or attitudes occurring. This is not too surprising as the PCA's role is sales and marketing, they should therefore have confidence in the ability of the bank to meet customer needs and they are likely to have more involvement with the CSM in developing sales activity than will the CSOs.

However, the differences in the ratings given for "Supportive Behaviour from CSMs" and "Confidence in the Bank" are in subscales where there was no significant difference when the data was analysed by branch. This suggests that the level of cultural consensus does not relate to specific issues but instead relates to specific subcultures whether they consist of individual branches or different levels of staff.



**TABLE 8.6 Multivariate Tests of Significance on Variance by Position of Respondent**

	<b>F. value</b>	<b>Significance of F.</b>
Pillais Test	6.88	0.00
Hotellings Test	6.88	0.00
Wilks Test	6.88	0.00

**Table 8.7 Results of ANOVA on Subscales - Analysing Differences By Position of Respondent**

<b>SUBSCALES</b>	<b>Average Ratings</b>	<b>CSO</b>	<b>PCA</b>	<b>F ratio</b>	<b>Significance of F</b>
<b>BASE (number of respondents)</b>	<b>268</b>	<b>213</b>	<b>55</b>		
A Clear Understanding of Roles	4.9	4.9	5.0	1.46	.228
Team Spirit	4.5	4.5	4.6	2.57	.110
A Customer Orientation	4.3	4.4	4.2	1.83	.178
Supportive Behaviour from CSMs	4.2	4.1	4.7	22.48	.000
Consistency of Orders and Requests	4.2	4.2	4.1	0.24	.625
Personal Belief in Work Tasks	4.2	4.2	4.1	1.46	.227
Confidence in the Bank	4.1	4.0	4.4	11.15	.001
Involvement in Sales and Marketing Tasks	4.0	3.8	4.6	28.52	.000
Socialising with Colleagues Outside the Workplace	2.9	2.9	2.9	0.05	.831
Satisfaction with the Job and the Bank	2.9	2.9	3.1	2.50	.115

Another approach to testing the subculture hypothesis is to examine the cultural differences between the areas or districts in which the branches are located. The branches taking part in the research came from 12 different bank areas under 12 different area managers and 4 different bank districts under 4 district managers. Table 8.8 sets out the F values

and their significance for both areas and districts. As this table shows, three of the cultural subscales demonstrated significant variation at the area level and two at the district level. The variation in "Supportive Behaviour from CSMs" is consistent at both levels but none of the others show consistent differences.

**Table 8.8 Results of ANOVA on Subscales - Analysing Differences by Area and District**

SUBSCALES	Analysis by Area		Analysis by District	
	F ratio	Significance of F	F ratio	Significance of F
(Base = 268 respondents)				
A Clear Understanding of Roles	1.38	.182	1.89	.132
Team Spirit	1.52	.123	1.80	.147
A Customer Orientation	0.66	.774	0.67	.570
Supportive Behaviour from CSMs	2.68	.003	4.02	.008
Consistency of Orders and Requests	0.91	.528	0.42	.739
Personal Belief in Work Tasks	1.90	.040	1.61	.219
Confidence in the Bank	1.58	.105	0.84	.472
Involvement in Sales and Marketing Tasks	0.95	.496	0.59	.622
Socialising with Colleagues Outside the Workplace	1.48	.139	4.23	.006
Satisfaction with the Job and the Bank	2.18	.016	1.48	.219

Overall, the larger number of differences at branch level suggests that if subcultures do exist, they are more likely to relate to the individual

branches rather than the area or district groupings. This is supported by the CSMs in the depth interviews, who stated that branch staff associate themselves with their branch rather any particular grouping of branches.

Reasons for the differences between the branches are more difficult to ascertain. In order to both allow respondents to answer freely and to obtain the co-operation of the CSMs, limited information was gathered on the profiles and management of the branches taking part. What could be ascertained was the size of the branch, the gender of the CSM and the type of location (rural v urban). Neither the size of the branch nor the type of location created any significant variance in the cultural subscales. The gender of the CSM highlighted a limited amount of difference on three cultural subscales (see Table 8.9)

**Table 8.9 Results of ANOVA on Subscales - Analysing Differences by Gender of CSM**

SUBSCALES	Male CSM	Female CSM	F ratio	Significance of F
<b>BASE (number of respondents)</b>	<b>221</b>	<b>47</b>		
A Clear Understanding of Roles	4.9	4.7	4.71	.031
Team Spirit	4.5	4.5	0.07	.935
A Customer Orientation	4.3	4.5	3.82	.051
Supportive Behaviour from CSMs	4.2	4.2	0.04	.837
Consistency of Orders and Requests	4.1	4.3	2.26	.134
Personal Belief in Work Tasks	4.1	4.4	6.18	.013
Confidence in the Bank	4.1	4.2	1.02	.311
Involvement in Sales and Marketing Tasks	4.0	4.0	0.05	.820
Socialising with Colleagues Outside the Workplace	2.9	2.8	0.74	.391
Satisfaction with the Job and the Bank	2.9	3.1	4.2	.041

These differences related to roles being clearer with male CSMs and satisfaction and consistency with personal beliefs being higher with

female CSMs. The limited nature of these differences does not explain the branch differences in cultural subscales, particularly as one of the three subscales (clarity of roles) did not actually vary when differences by branch were analysed.

One other approach in considering the reasons behind branch differences is to consider the inter-relationships between the various cultural elements, in order to assess whether there is one element of culture that determines or influences the others. Table 8.10 sets out all of the pairings of subscales which produce Pearson Correlation Coefficients of more than 0.5 at the 95% significance level (a statistical explanation of these coefficients is set out in Appendix 6). In other words, at least 25% of any one variable in the pair can be explained by the change in the other. The identification of which variable is the dependant variable and which is the independent variable is however, difficult to determine. Team spirit may come about as a result of a customer orientation, clarity of roles, a supportive CSM and confidence in the bank. Or it may help to create the situation where some or all of these can become more prevalent. The same could be said of the factors that correlate with confidence in the bank. In other words, there is evidence of linkages between these variables but the extent to which one influences another is unclear.

**Table 8.10 Significant Correlations between Subscales**

Pearson Correlation Coefficients (significant at the 95% level)	
Team Spirit	
and A Customer Orientation	0.64
and A Clear Understanding of Roles	0.59
and Supportive Behaviour from CSMs	0.55
and Confidence in the Bank	0.52
Confidence in the Bank	
and Satisfaction with the Job and the Bank	0.71
and A Clear Understanding of Roles	0.55

8.3.3 Culture and Performance

Although it is unclear from the quantitative research what causes the differences in the culture of individual branches, the key aim of the research was to examine the format that a service organisation's culture takes and the influence of culture on service delivery. In this particular case, the format of the culture would seem to suggest the existence of sub cultures. Therefore the next step was to assess which subcultures or elements of subculture influence performance.

As discussed in Chapter 6 on Methodology, 24 of the branches (133 respondents) were selected for inclusion in the research because they were high performing branches in terms of sales and service, the other 24 (135 respondents) were poor performing branches. As Table 8.11 shows, the multivariate tests of variance in the cultural characteristics of the two groups found no significant differences at the 95% confidence level between the groups. Table 8.12 confirms this with regard to the cultural subscales with only " Socialising with Colleagues Outside the Workplace" showing any significance. As only one subscale shows any significance, there is a strong possibility that this level of significance could have occurred by chance and reflects nothing to do with performance.

**TABLE 8.11 Multivariate Tests of Significance on Variance by Branch Performance (two categories)**

	<b>F. value</b>	<b>Significance of F.</b>
Pillais Test	1.7	.08
Hotellings Test	1.7	.08
Wilks Test	1.7	.08

**Table 8.12 Results of ANOVA on Subscales - Analysing Differences by Branch Performance( two categories)**

SUBSCALES	High Perf.	Low Perf.	F ratio	Significance of F
BASE (number of respondents)	133	135		
A Clear Understanding of Roles	4.9	4.9	0.26	.610
Team Spirit	4.5	4.5	0.01	.938
A Customer Orientation	4.3	4.4	0.43	.512
Supportive Behaviour from CSMs	4.2	4.2	0.06	.812
Consistency of Orders and Requests	4.2	4.1	1.27	.260
Personal Belief in Work Tasks	4.3	4.1	3.75	.054
Confidence in the Bank	4.0	4.2	3.52	.062
Involvement in Sales and Marketing Tasks	4.0	4.1	0.44	.505
Socialising with Colleagues Outside the Workplace	3.0	2.8	4.42	.036
Satisfaction with the Job and the Bank	2.9	3.0	0.88	.350

In order to ensure that there was a significant contrast in performance between the high performing branches and the poorer branches, the bank was asked to identify the top 12 branches in the sample. A comparison was then made between the top 12 branches and the 24 poorest branches. Once again, the multivariate analysis highlighted no significant differences in the responses given by these groups (see Table 8.13). At the subscale level variance (Table 8.14) was only evident at the 95% confidence level for " Personal Belief in Work Tasks". As this is the only one out of the 10 subgroups that is significant and as it is unlikely that greater personal belief in work tasks on its own is likely to affect performance, the significance of the result may simply be a matter of chance. As such, the research suggests that there are no major cultural differences between those branches who are performing well in terms of sales and service and those that are performing poorly. Multivariate tests of performance combined with elements such as regional groupings or

respondent position also confirm this finding by providing no evidence of significant cultural difference.

**TABLE 8.13 Multivariate Tests of Significance on Variance by Branch Performance (top 12 v. bottom 24)**

	<b>F. value</b>	<b>Significance of F.</b>
Pillais Test	1.33	.215
Hotellings Test	1.33	.215
Wilks Test	1.33	.215

**Table 8.14 Results of ANOVA on Subscales - Analysing Differences by Branch Performance ( top 12 v bottom 24)**

<b>SUBSCALES</b>	<b>Top Perf. 64</b>	<b>Low Perf. 135</b>	<b>F ratio</b>	<b>Significance of F</b>
<b>BASE (number of respondents)</b>				
A Clear Understanding of Roles	4.9	4.9	0.39	.535
Team Spirit	4.5	4.5	0.29	.592
A Customer Orientation	4.3	4.4	0.60	.807
Supportive Behaviour from CSMs	4.2	4.2	0.02	.889
Consistency of Orders and Requests	4.3	4.1	3.80	.053
Personal Belief in Work Tasks	4.4	4.1	6.25	.013
Confidence in the Bank	4.0	4.2	0.15	.703
Involvement in Sales and Marketing Tasks	4.0	4.1	0.03	.955
Socialising with Colleagues Outside the Workplace	3.1	2.8	1.94	.165
Satisfaction with the Job and the Bank	3.0	3.0	0.20	.657

## 8.4 Summary

The depth interviews with line managers and the detailed quantitative analysis of Bank X, portray an organisation that is going through a major change in their operations, human resource policies and working conditions. This is reflected in the branches where there is evidence of a corporate culture of low morale linked with a friction between branch staff and head office. However, this is tempered by a clarity of purpose and a sense of team spirit within the branches.

This aggregate cultural profile is not uniform across the branch network, the quantitative research identified significant differences between branches. There is, therefore, no cultural consensus within the organisation, instead the quantitative evidence suggests that subcultures exist based on the branch unit. There is also quantitative evidence to suggest that there are also cultural variations, of a somewhat lesser scale between different levels of branch staff. In terms of issue - specific cultural consensus, the only cultural subscale which shows little variance over all of the employee groupings analysed is "Customer Orientation", otherwise all of the subscales vary depending on the group of personnel being examined.

Based on these findings the following null hypotheses can be rejected:

H05 There is no evidence to suggest that different teams of service providers within a service organisation exhibit differences in their cultural characteristics.

H07 There is no evidence to suggest that cultural consensus within a service organisation only exists with regard to specific corporate priorities or issues.

However, the findings do not provide any evidence to allow for the rejection of the following hypotheses:

H04 There is no evidence to suggest that a service organisation's corporate values and attitudes are shared by all service personnel.



Ho<sub>6</sub> There is no evidence of service personnel being unclear about their role within the service organisation.

In terms of the relationship between corporate culture and service delivery, the quantitative research found no significant differences between the culture of those branches that performed well in terms of sales and service and those that performed poorly. As a result the final null hypothesis cannot be rejected:

Ho<sub>g</sub> : There is no evidence to suggest that the culture of the service team impacts on the performance of the team's service delivery.

A fuller discussion of the implications of these findings relative to the literature is set out in Chapter 9.

## Chapter 9. Conclusions

### 9.1 Introduction

This chapter discusses the implications of the findings set out in Chapter 7 relating to the 15 depth interviews with senior distribution and marketing personnel in ten Retail Banks as well as the case study of Bank X (based on 12 depth interviews and the completion of a self completion questionnaire by 268 staff in 48 branches) set out in Chapter 8.

### 9.2 Managers Consider Culture as Being Important

The interviews with senior distribution and marketing personnel identified that managers involved in service delivery do consider corporate culture as being important in the effective delivery of a service. The rationale for placing such importance on corporate culture stems from the significant performance differences between similar service outlets. The management within the banks put these differences down to the culture existing within particular branches, although the evidence to support this supposition is very much circumstantial.

This evidence is based on the premise that the knowledge and skill base of staff at similar levels within the branch network is roughly the same. In addition the variance in catchment areas, branch facilities and the local competitive situation is taken account of by assessing sales and service performance relative to target, the view being that the target setting mechanism makes allowances for these issues. Therefore sales and service performance relative to target should be the same in all branches but it is not.

"There can be a difference of 400% in performance between the top branches and the bottom branches" (Network Manager)

The managers in the interviews put these differences down to culture, as they perceived them to be related to the attitudes and behaviour of branch staff. However, this view may be too simplistic for a number of reasons.

Firstly, to attribute the level of a branch's performance solely to culture assumes that the operational and team management abilities of branch managers are the same throughout an organisation. Even with highly sophisticated recruitment and training it is very unlikely that such uniformity could be achieved. Alternatively it may mean that a branch manager's operational and team management skills are irrelevant but then why do service organisations spend so much time and effort on management education and training?

Secondly, the targeting procedures used by the banks may not fully take account of the nuances in a branch's specific situation or catchment area, therefore the assessment of branch performance may not be comparing like with like. The nature and location of the branch, the local competitive and economic environment as well as the social circles of the branch staff may all adversely affect the equality of the targeting process. As such no true measures of relative performance may be available.

However, whether the perception is or is not justified, it is evident that senior management in retail banks see corporate culture as having at least some impact on the effectiveness of service delivery. This perception concurs with the views of authors such as Segal Horn(1988), Albrecht and Zemke (1985), O'Connell (1986) and Normann (1984) who all see corporate culture as being critical to the effectiveness of service delivery.

### **9.3 Managers' Attempts to Influence Culture**

The senior managers in the qualitative research stated that they were trying to influence or manage culture. The elements that they identified as being the cultural attributes that they wished to influence included all or some of the following:

- ☐ A Clear Understanding of Roles
- ☐ Supportive Behaviour from Branch Managers
- ☐ Confidence in the Bank
- ☐ Team Spirit
- ☐ A Customer Orientation
- ☐ Satisfaction with the Job and the Bank
- ☐ Personal Belief in Work Tasks

Each of these would satisfactorily fit within the definition given for corporate culture in Chapter Four. That is the visible and less visible norms, values and behaviour that are shared by a group of employees which shape the group's sense of what is acceptable and valid.

The banks were trying to influence and manage these elements of culture through the group of activities described in Chapter 4 as " Management Practices and the Formal Socialisation Process", and in particular through:

- ☐ communication
- ☐ performance measurement and rewards
- ☐ recruitment procedures
- ☐ training

These activities would of course be standard activities within any organisation. However, the respondents emphasised that these activities were being specifically tailored to influence the culture of the organisation.

Although the senior personnel in the banks seem keen to try and influence the culture of the service personnel, they are often thwarted by the fact that the culture change efforts are not also aimed at the top levels of management. Therefore operational decisions made by these top levels of management may conflict with the cultural attributes that are being sought. The findings confirmed this with the respondents in the senior marketing and distribution roles perceiving that any culture change activities they had undertaken were constrained by other policies implemented by the banks' senior management leading to:

- ☐ Confusing Corporate Goals
- ☐ A Lack of Leadership
- ☐ An Inappropriate Management Structure
- ☐ Limited Influence of Marketing Personnel
- ☐ Inadequate Human Resource Management

This supports the research conclusion of Irons (1993):

"The culture of top management is the critical part of organisational culture and the failure to recognise this is most often the barrier to successful change" (Irons, 1993, p47).

#### **9.4 Corporate Culture: Integrated, Differentiated or Fragmented ?**

As discussed in Chapter Four, much of the academic literature on corporate culture has focused on the format that culture takes within an organisation. Different schools of thought suggest organisation - wide consensus, consensus within specific groups of employee, consensus only on specific issues or a combination of these.

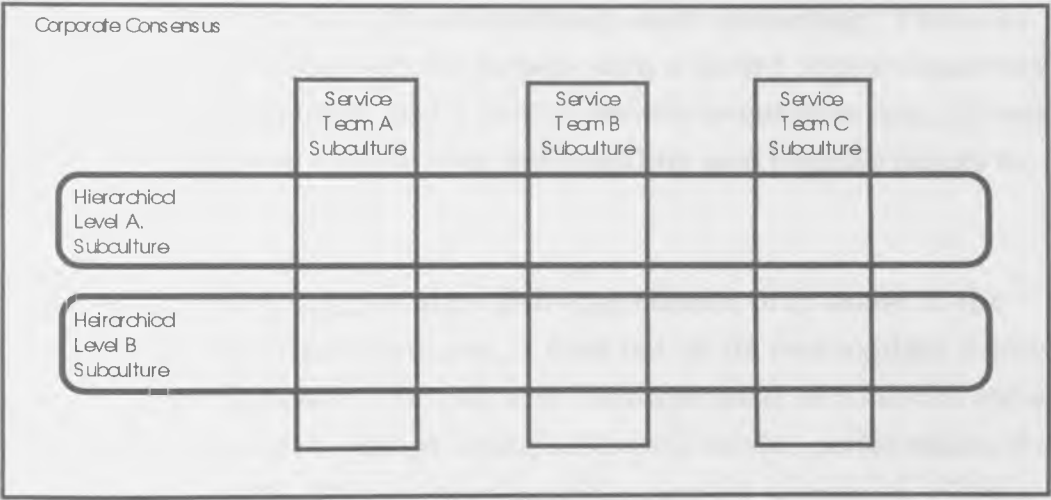
In this study, there was no evidence in either the qualitative or quantitative research to suggest that a bank's corporate values and attitudes are shared by all service personnel. The senior marketing and distribution managers saw cultural differences between the branches as being the principle explanation behind the variation in branch performance. Although their justification for making this association was purely subjective, they clearly felt that attitudes, norms and behaviour varied from branch to branch. The quantitative research confirmed this by identifying significant variation at the 95% confidence level in the cultural attributes of staff located in different branches. There was also some evidence of cultural variations, of a somewhat lesser scale between different levels of branch staff. This suggests some form of nested set of subcultures, the dominant influence being the branch team followed by the hierarchical status of the employees. Such a nested set of subcultures was also identified by Rosen (1985) in his examination of an advertising agency.

However, the differentiated perspective with independent subcultures does not fully explain the findings as there was one area of consensus which transcended all branches and staff groupings, this related to the behaviours and attitudes associated with a customer orientation. Although this is only one of the ten subscales, it is interesting to note that the research found no variance in this subscale, no matter which way the employees were grouped.

Whether this corporate consensus on one subscale suggests some form of fragmentation perspective where consensus only exists on specific issues is difficult to ascertain. However, according to the fragmentation perspective, the essence of any culture is ambiguity where staff do not understand their roles, where objectives are unclear with limited consensus at either organisational or sub cultural levels. In this study, the quantitative research suggests that service personnel were clear about their roles, subcultural consensus did exist and the level of ambiguity seemed to be limited.

The research findings may simply be suggesting that an organisation may exist with company-wide consensus on some issues and subcultural consensus on other issues. Therefore specific issues are important, not on the basis of whether consensus exists or not but rather on the nature of the employee grouping within which the consensus exists. The research suggests that consensus can occur at a corporate level, at a service team level or at a hierarchical level within the organisation. This is illustrated in Figure 9.1, where the whole box represents consensus at corporate level within which there are a variety of subcultures.

Figure 9.1 Levels of Corporate Consensus



This combination of the partially fragmented and partially differentiated characteristics is not too incongruent with the views of authors such as Martin(1992), Frost et al(1991) and Meyerson and Martin (1987) who all expressed the view that an organisation's culture should be assessed on the basis of a combination of the various cultural perspectives (see

Chapter 4). They suggested that all three perspectives are evident within any organisation, although only elements of two were identified in this particular research. However, it is clear that corporate culture is too complex to be simply classified into one all encompassing academic perspective.

## **9.5 Corporate Culture and Performance**

The qualitative research with senior distribution and marketing managers uncovered the managers' perceptions that the culture existing within each branch affected the service delivery of the branch. Their view was that higher performing branches would display different cultural characteristics to those of poorer performing branches. These perceptions were based on little or no empirical evidence, but were the commonly held view of the respondents.

The quantitative research did identify cultural differences between branches but no relationship was found between service delivery performance and these cultural differences. This suggests that the subculture existing within a service outlet does not impact on the performance of that service outlet. From a researcher's and a practitioner's point of view, this result may seem disturbing. Taken at face value, it implies that service outlets with a record of poor teamwork, unsupportive management and a lack of service orientation may, in some situations, outperform outlets that are healthier and happier places to work.

However, it may also suggest that although culture may assist in the achievement of better performance, it does not on its own explain a service outlet's accomplishments. The cultural characteristics of a service outlet may be less important in determining sales and service performance than the operational skills of the managers or the service personnel. Service outlets may be very effective and efficient in an operational sense in terms of meeting customer needs even although staff attitudes, behaviours and norms may not seem to be fully supportive of this task.

In addition to operational procedures and skills, the personality, attitudes and leadership skills of the manager in charge of the service outlet may

also have a major impact on performance. This study looked at the attitudes of service personnel towards the supporting behaviours of managers but did not look at the leadership or management skills of service outlet managers. A good leader or manager may be able to overcome or suppress the norms, values and behaviour that are shared by a group of employees.

Another possible explanation is that the culture of senior management may have a greater impact on performance than does the culture of the service teams. Inconsistent norms, values and behaviour regarding service delivery at senior level may result in inconsistent performances in the service outlets. The depth interviews undertaken with branch managers and area managers certainly suggested that inconsistent messages were emanating from the senior levels of Bank X. Service personnel may be receiving clear messages about the importance of customer service but this may conflict with messages relating to cost cutting, suggested staffing levels, employee remuneration or sales targets. Depending on the interpretation of these messages and the priorities assigned to each by the individual service teams, a team may perform extremely well or extremely poorly. For example, some teams may focus on sales, some on service quality, some on reducing costs and some may put equal priorities on everything.

These propositions may provide some explanation as to why there is no obvious link between the corporate culture of service personnel and service delivery performance.

However, such arguments conflict with the authors who pronounce a clear link between culture and organisational effectiveness (Deal and Kennedy, 1982; Peters and Waterman, 1982; Schein, 1991; Kantner, 1983; Scholz, 1987; Kotter and Heskett, 1992). However, none of these authors genuinely considered subcultures and all of their studies were inter - organisational rather than intra - organisational. In addition, the validity and reliability of much of this body of literature is seen as being questionable as a result of a variety of methodological shortcomings (see Chapter 4).



On the other hand, the arguments are consistent with the studies of Gordon (1985), Iaffaldano and Muchisky(1985) Klein(1992) and Heasman (1995). All of which have shown through empirical studies that the relationship between corporate culture and performance is disappointingly low or inconsistent. It should be noted that these studies have also been criticised for their methodological failings (see Chapter 4).

As with all of these other empirical studies there is a need to consider any methodological limitations of this study that may affect the validity of the findings.

Firstly, the environment within the bank under investigation was one of significant change. Many of the CSMs had only been in post for a relatively short period of time and the staffing of branches had gone through a period of major reorganisation. As culture takes a long time to develop and change through group interaction, it could be suggested that the cultural attributes of the branches were still to develop. Therefore the research instrument created a snapshot in time which did not fully reflect shared values, attitudes and behaviours. As a counter to this, the research did identify branch based subcultures highlighting that there were greater cultural differences between the staff of different branches than was the case within the individual branches. Such a situation could only emerge if group interaction within the branches had already enabled some shared values and behaviours to develop.

There is a bigger question mark about the bank's sales league performance measures (See Section 6.5.5). The targets set for individual branches may not truly reflect the potential existing within a branch's catchment area and the nature of customer expectations within that catchment area. Certainly the level of catchment area profiling would seem to be fairly limited within the bank and the measures were biased towards sales. However, no other weighted measures of sales and service performance were available. Unweighted measures were rejected as branch performance can vary considerably as a result of differences in premises, catchment areas and market conditions. To minimise the impact of any inaccuracies in the sales league measures, the branches were grouped into two or three performance bands rather than rank ordered. This meant that only major performance differences were

assessed rather than assessing branches on the basis of relatively minor and possibly inaccurate differences.

There may also be a question about the sensitivity and validity of the items in the research instrument . However, in terms of sensitivity, the items were able to confirm the results of the qualitative interviews with senior management which suggested that there were significant cultural differences between the branches. They also identified explainable variances between the different levels of service personnel. In terms of reliability, the Cronbach Alpha Coefficients for the items within the subscales were found to be reasonably high (as discussed in Section 6.5.4) and the subscales reflected the key issues identified by senior management during the qualitative research phase. The subscales were also similar to those used by other authors such as Rousseau (1985) and Klein (1992). A fuller discussion of the suitability of the research instrument is set out in Sections 6.5.3 and 6.5.4.

Finally, the quantitative findings were based on research with only one bank and although 268 personnel in 48 branches were involved, there is the possibility that this bank was not typical of other service organisations or even other UK banks.

## **9.6 Implications for Future Research**

There is certainly a need for further intra - organisational studies looking at the existence and effect of subcultures within organisations. This study clearly suggests that these subcultures exist within the banking sector. There is therefore a need to identify whether they exist in other types of service organisation.

There is also a need to further examine whether these subcultures have any impact on the effectiveness of service delivery. To do this, more reliable performance information needs to be available on a service team's activities. In particular, where performance is measured relative to specific targets, the parity of the targeting process for different service teams needs to be carefully assessed. This means taking full account of the exact circumstances that each service team is working under both in terms of the local marketing environment and the internal operating

conditions. Future research should also possibly consider using performance trends rather than simply performance at one point in time. This would enable a programme of longitudinal research to be undertaken providing an opportunity to examine the relationship between culture and changes in performance. Hopefully, this would remove any short term anomalies in performance data.

In terms of the measures used for assessing performance, more service quality measures are needed to provide a wider evaluation of service delivery with less reliance being put on sales activity. As service quality relates to the excellence with which an organisation meets customer requirements and expectations, such measures must take account of customer expectations. In particular, Parasuraman et al.'s five dimensions (reliability, responsiveness, tangibles, assurance and empathy) need to be assessed in terms of expectations and perceived performance. However, the criticisms of the applicability of SERVQUAL derived instruments (Carman, 1990; Cronin & Taylor, 1992; Teas, 1993; Brown et al., 1993; Smith, 1995) raises questions about the manner in which such an assessment should be undertaken. Answering these questions about service quality measurement is beyond this particular study. However, some of the weaknesses of SERVQUAL and other measurement approaches may be less significant when the research is undertaken within an organisation looking at different service teams rather than between organisations.

Whichever method is used to measure performance, some of the methodological limitations of the present study could be overcome by ranking performance rather than using categories of performance. This may enable future researchers to more fully examine cause and effect relationships.

The influence of the personality, values and behaviour of the service outlet manager on outlet performance also needs to be examined. This study has looked at the supporting behaviour of such managers but there is also a need to look at their leadership and management qualities. One would assume that these managers would influence the culture within the service outlet, but at present there is little empirical evidence to support such an assumption.

Finally, there would also be great merit, in this study being repeated within Bank X. This would provide information on how corporate culture changes over time and whether management efforts influence that change process. It would also allow the researcher to assess whether the recent alterations within Bank X's operations and human resource policies have coloured the responses given on the research instrument during this particular research study. This is especially critical in considering the respondents' level of satisfaction with their jobs, the bank and head office. There is a need to test whether transient satisfaction levels temporarily disturb the inherent cultural attributes of a group.

Therefore any replication of this study should take account of the points mentioned above and should possibly be undertaken at a different time of the year and not immediately after the payment of individual staff bonuses.

## **9.7 Implications for Management**

This study has looked at corporate culture, consisting of the visible and less visible norms, values and behaviour that are shared by a group of employees which shape the group's sense of what is acceptable and valid. It has also considered the relationship between corporate culture and service delivery in service organisations.

The overriding message from this research is that it is naive if not somewhat dangerous for managers to consider culture as a corporate resource that can be easily managed and manipulated. In particular, it may be unrealistic to expect cultural consensus within an organisation. Therefore the management goal of an organisation's corporate values and attitudes being shared by all service personnel may be unattainable. The research findings clearly suggest that subcultures exist within organisations relating particularly to service outlets and different hierarchical levels within the organisation. Therefore although consensus on some issues may be achievable company -wide, consensus on other issues may vary from subgroup to subgroup.

The reason for the existence of sub cultures is unclear but may come about as a result of individual subgroups having different perceptions as to what their priorities should be. This may be as a result of the characteristics of the group members and their interaction, or some of the differences may be as a result of conflicting and confusing messages and signals emanating from senior management. Certainly within Bank X, the messages regarding senior management expectations were unclear. Such a lack of clarity may lead each group to interpret the messages in their own way and develop their own norms, values and behaviour to suit.

Whatever the reason for subcultures, the complexity of culture is also evident in the fact that no direct relationship between corporate culture and service delivery performance was found. Culture may impact on performance but it may be of equal or even secondary importance to the operations or leadership skills of the team manager or the knowledge and skill base of the team. Without all of the pieces of the jigsaw, a change in culture may have little impact on service delivery performance. Even where the other pieces of the jigsaw are in place, the activities involved in the influencing or changing of the culture are likely to be more complex than the popular "culture - change" training programmes. This supports the claims of the critics of the various "culture - change" practitioners who argue that the impact on performance of such practitioners is extremely limited (e.g. Uttal, 1983).

If a team's culture is to be influenced by senior management it is likely that significant changes will be required in areas such as:

- ☐ internal communications
- ☐ performance measurement and rewards
- ☐ recruitment procedures
- ☐ training

Although these areas may be seen as relating specifically to the activities of a human resource function, it is important that they are undertaken as part of an integrated approach to service delivery. In other words, the functions of marketing, human resource management and operations need to work together in generating coherent messages and signals which encourage an effective service delivery culture.

The impact of such activities is therefore dependant on the full commitment and support of senior management not only in terms of spoken statement but also in terms of action. Therefore if an organisation wishes to influence the culture of its service teams, the culture change may have to start at the top of the organisation.

In conclusion, this thesis has shown that corporate culture and its management is far more complex than is suggested by the various management gurus and "spin doctors" in their popular "news stand" texts. There is also no evidence to suggest that corporate culture is the ultimate panacea for effective service delivery.

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## **Appendix 1**

## **Phase One: Covering Letter**

Dear Mr X,

### **Marketing Financial Services**

I am a lecturer within the Marketing Department of Strathclyde University specialising in the Marketing of Financial Services. As such I am involved in:

- ☐ Running a postgraduate course on the Marketing of Financial Services
- ☐ The writing of the distance learning material / Chief Examiner in Marketing for The Chartered Institute of Bankers in Scotland
- ☐ Running management development programmes for senior executives from the financial services sector
- ☐ Carrying out academic research in the Financial Services Sector

As you are probably only too well aware, the nature of the delivery system and the branch network within the retail banking sector is constantly evolving. As a result, I am currently undertaking research into the following areas:

- ☐ **The role of the branch relative to other delivery systems**
- ☐ **The extent to which marketing principles are employed in the selection, design and management of delivery systems in banking**
- ☐ **The opportunities and problems involved in making the branch network as well as other delivery mechanisms more effective as a marketing resource**



I am therefore arranging meetings with key people in the leading UK banks. I am principally speaking to **senior managers who have an overview of the bank's delivery system** (includes the branch network, ATMs, telephone banking systems and home/ office banking systems).

Therefore, I was wondering if you could provide me with some guidance as to who would be the best person to speak to within Bank XXXXX.

Following the meeting and in appreciation of your bank's assistance, I will send the interviewee a summary of the collated information setting out the typical findings within the banking sector.

I will telephone you or your secretary in a few days to hopefully identify a potential contact name.

Yours sincerely

**Alan M. Wilson**  
**Lecturer**

## **Appendix 2**

## **Phase One: Topic List**

.

## **Phase One Topic List - Delivery Systems and Culture**

### **Background**

- ❑ Personal Responsibilities / Position
- ❑ Previous Positions / Experience
- ❑ Components of the Delivery System used by the bank:

Manned Branch Network ( geographical coverage and branch numbers)

Telephone Banking Operations

ATMs and Self Service Machines

Unmanned Branches

Home and Office Banking Systems

### **Decision Making**

- ❑ Existence of a distribution strategy - integrated or separate strategies for branch network and technology
- ❑ Key decision makers and influencers on service delivery
- ❑ Extent to which decision makers vary by decision (the opening / closing of branches/ ATMs) (the design of branches) (the training of branch staff) (technology development) (operational issues)
- ❑ Extent of knowledge of what customers are seeking from delivery system
- ❑ Assessment of catchment areas before redesign, closure rationalisation etc.
- ❑ Decision Criteria in Channel Design / Restructuring
- ❑ Measures of Effectiveness

## The Branch Network

□ Role: transaction orientation v. sales orientation v. service orientation

□ Future configuration of branch networks

□ Roles of branch staff

□ Role of branch manager

□ Performance - measures of effectiveness

□ Sales Activity

□ Targeting procedures

□ Activities involved in Managing and Supporting Sales Activity

□ Service Quality

□ Customers' perceptions of service quality

□ Staff perceptions of service quality

□ Factors impacting on the quality of service delivery

□ Activities involved in managing and supporting service quality:

- setting of standards
- recruitment and selection
- management practices
- training
- rewards
- internal communication

and effectiveness of each

□ Characteristics of an effective branch network in terms of:

□ Operations

□ Marketing

□ Human resources

□ Characteristics of high performing v. poor performing branches/ teams

- ☐ Reasons for differences
- ☐ Activities aimed at reducing these differences
- ☐ The future of the branch network

**If Culture or Differences in Teams Mentioned at any Stage:**

- ☐ Clarification of what is meant / definitions
- ☐ Characteristics of an effective team or culture
- ☐ Characteristics of an ineffective team or culture
- ☐ Possibility of influencing
- ☐ Elements requiring to be influenced or managed
- ☐ Activities aimed at influencing behaviour, attitudes, culture
- ☐ Success at influencing culture
- ☐ Reasons for success
- ☐ Reasons for failure
- ☐ Lessons learned
- ☐ Other comments on effective service teams

**Thank Respondent for Assistance**

**Appendix 3                      Phase Two: Qualitative Topic List**

## **Corporate Culture Topic List for use in Bank X.**

### **Introduction**

- ☐ Job Title
- ☐ Background - period in present position
- ☐ Responsibilities
  - District Managers (no. of areas, branches etc.)
  - Area Managers(no. of branches etc.)
  - Customer Service Managers ( no. of personnel, customers etc.)
- ☐ Characteristics of areas, branches personnel

### **Definitions**

- ☐ Service Quality
- ☐ Corporate Culture
- ☐ Characteristics of Preferred Culture

### **Environment within the Bank**

- ☐ Description of Environment
- ☐ Changes and Their Impact - particularly impact on attitudes and behaviour
- ☐ Sales and Service Environment

### **Performance Measurement and Rewards**

- ☐ Salaries
- ☐ Performance Related Pay
- ☐ Career Progression
- ☐ Other Rewards and Motivating Factors

## **Recruitment and Training**

- ☐ Types of Training Undertaken
- ☐ Recruitment Procedures

## **Communication**

- ☐ Clarity of Communications
- ☐ Formal Communication
- ☐ Informal Communication
- ☐ Social Activities

## **Other Activities Aimed at Changing or Influencing Behaviour and Attitudes**

### **Logistics for Quantitative Research**

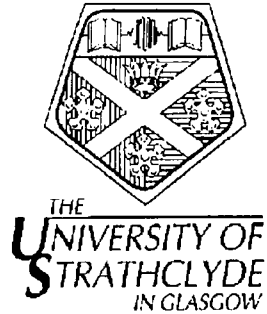
- ☐ Pilot Testing
- ☐ Approval of the Research Instrument
- ☐ Branch Selection Procedures
- ☐ Selection of Respondents
- ☐ Procedures for posting and returning questionnaires

**Thank Respondent for Assistance**



## **Appendix 4**

## **Phase Two: Quantitative Research Instrument**



## ASSESSMENT OF BRANCH CULTURE

This questionnaire is part of a piece of academic research looking at the corporate culture existing within bank branches. As such, the questionnaires will be analysed in complete confidence by academic staff in the Department of Marketing of Strathclyde University. **No Bank X. employee will ever see your completed questionnaire.** No answers will be attributable to specific individuals or branches and the management of Bank X. will simply receive an overview of the situation existing in the bank as a whole.

For each statement on the attached sheets, please indicate on the scale provided the frequency with which you think the specific situation exists **in your bank branch**. The questionnaire should only take around 5 - 7 minutes to complete. When you have completed the questionnaire, please seal it in the envelope provided.

Please give the envelope to your CSM. Your CSM knows how to send the envelope back to the University --- Unopened!

Thanks for your participation.

Alan M. Wilson  
Lecturer

Please enter the following details, so that I can monitor  
which questionnaires are still to be returned

Branch Sort Code

Position in Branch

	Always	Usually	Fairly Often	Occasionally	Rarely	Never	
◆ Staff in my branch feel like winners	6	5	4	3	2	1	(1)
◆ Staff in my branch take care of small details, so the physical appearance of the branch (cleanliness, orderliness) helps to attract and keep customers	6	5	4	3	2	1	(2)
◆ The CSM in my branch pitches in and works as a team leader rather than "the boss"	6	5	4	3	2	1	(3)
◆ Amongst the customers of my branch, Bank X has a reputation for superior customer service	6	5	4	3	2	1	(4)
◆ I have to do things in my job that I feel should be done differently	6	5	4	3	2	1	(5)
◆ I enjoy being an employee of Bank X	6	5	4	3	2	1	(6)
◆ Staff in my branch know what they are expected to accomplish	6	5	4	3	2	1	(7)
◆ Bank X is committed to ongoing improvement and development	6	5	4	3	2	1	(8)
◆ My CSM is easy to approach and communicate with	6	5	4	3	2	1	(9)
◆ I have a clear idea of how I'm supposed to act to satisfy the bank's customers / clients	6	5	4	3	2	1	(10)

- ◆ I am complimented or praised (by superiors) when I make an extra effort to satisfy customers/clients
- ◆ The Bank expects me to provide information about the tastes, preferences and needs of its customers/clients
- ◆ In my branch we are encouraged to work together as a team to get the job done
- ◆ My CSM is a helpful coach and trainer
- ◆ I know how I am supposed to act on my job
- ◆ Staff in my branch receive feedback about their performance
- ◆ My co-workers go out of their way to make sure customers feel good about the service they've provided
- ◆ I receive inconsistent messages regarding what is expected of me on my job
- ◆ I recommend this bank to potential customers /clients seeking the products/services it provides
- ◆ Staff in my branch show a lot of trust and confidence in each other
- ◆ My branch relies on me to help win customers/clients and generate sales
- ◆ My CSM is genuinely interested in each individual's personal achievement
- ◆ In my branch, conflicts and personality clashes interfere with performance

<b>Always</b>	<b>Usually</b>	<b>Fairly Often</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(11)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(12)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(13)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(14)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(15)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(16)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(17)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(18)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(19)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(20)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(21)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(22)</i>
<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(23)</i>

	<b>Always</b>	<b>Usually</b>	<b>Fairly Often</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	
◆Staff in my branch avoid tasks that require an extra effort	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(24)
◆Head Office responds effectively to the views of branch staff	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(25)
◆I have to change the way I normally think and behave when I come to work	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(26)
◆I know what's required of me to "fit in" as a member of my work team	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(27)
◆Outside of working hours, I socialise with other staff from my branch	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(28)
◆The bank cares about its branch staff	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(29)
◆It is easy to get a CSM's undivided attention when I need it	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(30)
◆Staff in my branch make a special effort when things get particularly busy	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(31)
◆The things I have to do to please some members of staff are likely to displease others	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(32)
◆I take pride in the quality of work that's done in my branch	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(33)
◆I get conflicting orders or requests from different members of staff	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(34)
◆I am happy with my position within the bank	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(35)
◆Staff in my branch are encouraged to be loyal to the company	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	(36)

	<b>Always</b>	<b>Usually</b>	<b>Fairly Often</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	
◆Staff in my branch know what their job responsibilities are	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(37)</i>
◆The bank responds effectively to the changing needs of its customers / clients	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(38)</i>
◆Staff in my branch are encouraged to speak up if they have a good idea	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(39)</i>
◆Some of the staff in my branch are actively seeking alternative employment	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(40)</i>
◆Outside of working hours, my CSM socialises with the branch staff	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(41)</i>
◆Head Office listens to branch staff	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(42)</i>
◆My team inspires me to give the job my very best performance	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(43)</i>
◆The staff in my branch feel that they are under pressure	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(44)</i>
◆My job requires me to treat customers/clients differently than I think I should	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(45)</i>
◆Bank X seems to be implementing a policy of change	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(46)</i>
◆I would recommend the bank to someone like myself as a good place to work	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<i>(47)</i>

**Thank - you for your help.**

**Please seal the questionnaire in the envelope provided and return it to your CSM.**

## **Appendix 5**

### **Phase Two: Covering Letters to CSMs and Area Managers**



Mr A. Smith  
Customer Services Manager  
Anytown Branch

Dear Mr Smith,

### **Assessment of Branch Culture Questionnaires**

The enclosed questionnaires are part of a piece of academic research looking at the corporate culture existing within bank branches. As a branch is only as effective as it's staff, the research is looking at how the individuals within a branch work as a team. The findings will feed into my own academic research as well as the decision making processes of the senior management in the bank.

Within your own branch, a sample of personnel have been **randomly selected** by the University to receive a questionnaire. The list of selected respondents is set out on the attached sheet and I would be very grateful if you could distribute the questionnaires to these people. The questionnaire should only take around 5 - 7 minutes to complete.

The questionnaires will be analysed in complete confidence by academic staff in the Department of Marketing of Strathclyde University. No answers will be attributable to specific individuals or branches and the management of Bank X will simply receive an overview of the situation existing in the bank as a whole. **No Bank X employee will ever see the completed questionnaires.** As such, envelopes are attached to each questionnaire, in order to allow the respondents to confidentially return the questionnaires to me through yourself and the Area Manager Sales and Service.

When the relevant staff have completed the questionnaires, I would be grateful if you could **return them in the attached envelope via your Area Manager - Sales and Service.**

**Completed questionnaires should be returned to the Area Manager  
Sales and Service by Friday 20 January.**

**It's important that a full set of completed questionnaires is returned for each branch.** If a member of staff is off due to illness etc., select the next person on your staff list who holds the same position(i.e. CSO or PCA).

Your Area Manager is fully aware of this initiative and should be able to answer any questions you may have about this survey or you can contact me directly on 041 - 552 - 4400 Ext. 3777.

Thank you for your assistance.

Yours sincerely

**Alan M. Wilson**

**Lecturer**

Selected respondents at Anytown Branch.

Mrs Lorraine Murdoch

Mr Neil Hodge

Mrs Sheena Love

Mr Cameron Reid

Mr Charles Steele

To: Mr. A. Jones, Area Manager - Sales and Service

From: Alan Wilson, University of Strathclyde

### **Assessment of Branch Culture Research**

Your District Manager has hopefully warned you about this package. I am currently undertaking a piece of academic research looking at the corporate culture existing within bank branches. As a branch is only as effective as it's staff, the research is looking at how the individuals within a branch work as a team. The findings will feed into my own academic research as well as the decision making processes of the senior management in the bank.

Each of the enclosed packs include questionnaires, return envelopes and a covering letter for each of the branches that have been selected for the research. A copy of the covering letter and the questionnaire is attached to this memo for your information.

I would be grateful if you could despatch the envelopes to the branches so that they can arrive during the first week of January.

As you will see from the covering letter, I have asked the CSMs to return the questionnaires in their sealed envelopes to you by **Friday 20 January**.

I would then be grateful if you could return them unopened to me at the following address:

Alan Wilson  
Lecturer  
Department of Marketing  
Stenhouse Building  
173 Cathedral St  
Glasgow G4 0RQ

**If you have any queries about the above, please do not hesitate to contact me on 041 - 552 - 4400 Ext 3777.**

**Appendix 6                      Explanation of Statistical Techniques**

The following statistical techniques were used in Chapter Eight:

**ANOVA** - this is used to test for differences among two or more means to determine if different levels or treatments of independent variables have significantly different impacts on a dependent variable. It is more appropriate than regression for this particular analysis, as regression requires both the independent and dependent variables to have interval or ratio scale properties. Whereas in ANOVA the independent variable usually takes the form of categories. The output from the ANOVA test is a F value and the statistical significance of the F value. If the significance level is less than 0.05, this means that there is less than a 5 percent chance of obtaining a F value of this size when the independent variable has no impact on the dependent variable.

**Pillais, Hotellings and Wilks Tests** - these tests relate to multivariate research in which independent variable effects on two or more dependent variables are investigated. As there is no unique multivariate analogue of the F test, a combination of tests is frequently used (Olson, 1976). The tests principally focus on examining the between groups variability relative to the within groups variability. Although the exact distributions of these three tests can differ, they can be transformed into statistics that have approximately an F distribution. When F is statistically significant, this means that there are significant differences in the responses of the different groupings of staff. The ANOVA results can then be examined to help determine which variable contributes to the overall differences.

**Pearson Correlation Coefficient** - an index (varying between -1 and +1) that measures the nature and the degree of association between two metric - scaled (interval or ratio) variables. It was chosen in this particular study as it is a more refined measure than the Spearman correlation coefficient. The magnitude of the Pearson correlation coefficients indicates the strength of association. If the coefficient is significant at the 0.05 level, this means that there are only 5 chances in 100 that a coefficient as high as this would occur from randomly paired data.