

Customer Satisfaction and Effective HRM Policies: Customer and Employee Satisfaction

S. Anastasiou, C. Nathanailides

Abstract—The purpose of this study is to examine the possible link between employee and customer satisfaction. The service provided by employees, help to build a good relationship with customers and can help at increasing their loyalty. Published data for job satisfaction and indicators of customer services of banks were gathered from relevant published works which included data from five different countries. The scores of customers and employees satisfaction of the different published works were transformed and normalized to the scale of 1 to 100. The data were analyzed and a regression analysis of the two parameters was used to describe the link between employee's satisfaction and customer's satisfaction. Assuming that employee satisfaction has a significant influence on customer's service and the resulting customer satisfaction, the reviewed data indicate that employee's satisfaction contributes significantly on the level of customer satisfaction in the Banking sector. There was a significant correlation between the two parameters (Pearson correlation $R^2=0.52$ $P<0.05$). The reviewed data indicate that published data support the hypothesis that practical evidence link these two parameters. During the recent global economic crisis, the financial services sector was affected severely and job security, remuneration and recruitment of personnel of banks was in many countries, including Greece, significantly reduced. Nevertheless, modern organizations should always consider their personnel as a capital, which is the driving force for success in the future. Appropriate human resource management policies can increase the level of job satisfaction of the personnel with positive consequences for the level of customer's satisfaction.

Keywords—Job satisfaction, job performance, customer service, banks, human resources management.

I. INTRODUCTION

In modern service organizations, customer satisfaction is a key factor contributing to organizational success. The collective attitudes and behaviors of the workforce in organizations have great potential to impact customer satisfaction because of their direct contact with customers [1].

The increasing markets' globalization and the continuous changing business environment have led business organizations to employ human resources management practices so as to be able to compete effectively [2]. The positive relationship between Human Resources Management policies and practices and organizational performance has been emphasized over the past decade by many researchers internationally [3]-[5].

One of the key variables in achieving the aims of HRM is way the service is delivered [6]. Empirical analysis has shown

that, not only are the actions of employees fundamental for a high-quality delivery of service, but also that their morale influences *consumer satisfaction* [7].

In all types of industries, the level of employees' dedication has been one of the most important indicators of an organization's performance. Within an organization, human resources perform a range of vital activities and tasks; they design goods and deliver services, control quality, set organizational strategies and objectives, etc. In this context, human capital is the most important organizational resource since without the labor force no business can be done [8].

Long-term customer satisfaction is closely related to the organizational culture which affects employees' eagerness to serve customers [9]. There are two main ways that organizations can improve upon service quality [10]:

- (i) Good human resources management policies and practices must be adopted to ensure employees' satisfaction. Management support plays an important role in enabling employees to provide high quality service to customers.
- (ii) The organization has to implement its organizational values, policies and procedures to leverage the delivery of high service quality to customers.

In the service sector in particular, a number of quality criteria have been outlined [11]. These include: the ability of the customer to have *access* in the organization's services without problems, the availability of *tangibles* (i.e.: communication materials and equipment used to advertise the organization's services), the ability of *communication* between the customer and the staff, *employee' education and training*, *politeness* and *eagerness* to serve the customer.

The service provided by employees, help to build a good relationship with customers and can help at increasing their loyalty [12]. A non-satisfied customer would buy an organization's service elsewhere and share his/hers negative experiences with friends and relatives. In contrast, a satisfied customer may share his/hers experience in a positive "word of mouth" recommendation and loyalty [13].

There several research papers which have stressed the positive effect on job satisfaction and performance of employees and those higher profits are seen when employees have high levels of job satisfaction [14]. For example, the supporters of the link between customer's satisfaction and employee's satisfaction argue that unhappy employees cannot make a customer happy and that high employee's satisfaction leads to high customer satisfaction, high productivity and profits [15]. The examination of the effect of job stress on work performance should not be based on the productivity

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without consideration for the quality of services. A stressed worker may exhibit low level of job satisfaction [16] with consequences for the quality of the work produced, which in turn can affect the satisfaction of the customers [17].

The productivity and work load of employees can change according to the financial conditions that a company is exposed to and according to the structure, size and maturity of the business and the sector in each country. Over the last years, the global financial crisis had a severe affect on the Greek economy and its banking sector. This resulted in major bank merging and the reduction of staff and salaries [18].

In Greece, there are research studies dealing with the factors affecting customer satisfaction such as the bank's *image*, the accessibility and the location of the branches as well as issues related to staff's politeness and friendliness and the provision of customers' personal contact with bank's employees.

The purpose of the present paper is to examine the possible evidence in the international literature for a link between job satisfaction and work performance

II. METHODS

The database of Google scholar was used to collect papers [18]-[22], [24]-[28], [30], which present job satisfaction and customer service quality data.. The selected indicators of customer satisfaction used in the relevant literature search included: Customers perceptions of service quality, perception of work performance and customer orientation attitude. These three parameters are known to be good indicators of customer's service quality [22], [23]. Nine papers which reported values for the level of job satisfaction and an indicator of customer satisfaction in the Banking sector were used in the present work.

Data normalization is a common statistical method applied in order to allow a comparison between published data which have used different methods with different score scales. For this reason, the scores reported in the used literature were subjected to data normalization and transformed to a scale of 1 to 100, in order to allow statistical comparison between the different studies which used different scales for estimating the investigated parameters.

All the data presented in the present work, reported significant correlation between banks customers and job satisfaction or between work performance and job satisfaction and the results of the correlations are presented in Fig. 1.

III. RESULTS

The correlation between job satisfaction and customer service indicators (Customers perceptions of service quality, perception of work performance and customer orientation attitude) as calculated from eight different research papers, is presented in Fig. 1. There was a significant correlation between the two parameters (Pearson correlation $R^2=0.5271$, $P<0.05$).

IV. DISCUSSION

Assuming that employee's satisfaction has a significant influence on customer's service and consequently influence the overall customer's satisfaction, the reviewed data indicate that employee's satisfaction contributes significantly on the level of customer satisfaction in the Banking sector.

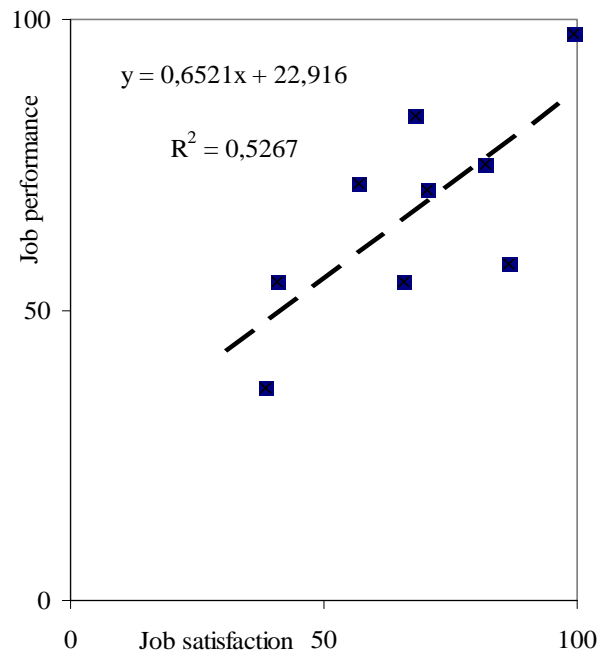


Fig. 1 Correlation between employee's job satisfaction (X axis) and work performance (Y axis) indicators based on data for customer's service, productivity, or customer's service orientated attitudes. Data on these parameters were collected from published papers and data were transformed, normalized and scaled to a scale of 1-100 [18]-[22], [24]-[28], [30]

The theoretical notion that satisfied employees would result in satisfied customers is the subject of several research papers with some data from service business sectors including the Banking, which support or do not support this theory [22], [23], [26], [29], [31], [32]. There are several reasons which can influence the overall satisfaction of customers with their banks. Nevertheless, in all of the research work which estimated the perceived level of customer satisfaction, it appears that customers have high expectation of the service they expect to receive from the personnel of their banks. This is crucial parameters of ensuring that customers will feel that they get the personal service, attention and understanding they expect from a financial service business organization they trust to do their business with [18]. In fact it is difficult to find another service sector for which the customers use the expression "my" as for example customers do when they refer to their bank "my bank". Perhaps similar levels of customers loyalty can be found in the hotels industry were customers use the expression "my hotel". Loyal customers in banks and hotels trust the service provider they opt to do business with.

In banks, customers trust their money, in the same manner, in hotels customers trust their comfort and shelter.

Irrespective of the service sector, modern organizations should adopt human resources management policies which ensure both customers and employees' satisfaction. With the necessary support from management, employees strive hard to provide high quality service to customers [10] and banking branches and personal contact with bank employees continue to play an important role for prospective customers, despite alternative techniques offered by technology.

There are several papers which provide useful information for the effect of management initiatives on the improvement of customer services provided by retail Banks and some of them indicate the correlation between job satisfaction and customer service [18]-[26], [33], [34]. Among other parameters, a significant parameter of overall customer satisfaction appears to be the satisfaction of customers from their interaction with the personnel of their bank [18]-[26].

Although job satisfaction is a result of several parameters, organizations can use a mix of tools which are known to have a positive outcome on job satisfaction. For example, training and working climate can positively influence the level of job satisfaction and service quality [35]-[37].

Nowadays, organizations are faced with a competitive business environment; this is particularly evident in service organizations, including the banks. Banks must be constantly open to the suggestions, needs, and expectations of both their customers and their personnel. Increased job satisfaction of employees may have positive effect on the quality of service offered to the customers. In turn customer satisfaction may increase profitability and retain the customers [38].

The positive relationship between Human Resources Management policies and practices and organizational performance has been emphasized over the past decade with evidence provided for several different business sectors and several countries and researchers [38]-[43].

The data reviewed in the present work, indicate a significant correlation which ranges from 0.17 to 0.4 which effectively means that the relationship between customer satisfaction and employees satisfaction may widely vary, nevertheless these two parameters are linked and the international experience is that this interaction between customers and employees parameters may affect business earnings and profitability [38], [43].

Nevertheless, the data confirm a significant link between these two parameters. It would be interesting to review the available data for other financial services and business sectors and see if a common pattern emerges to support the possible link between customers and employees' satisfaction.

As far as the banking sector is concerned, the results of the present work indicate that management initiatives to increase employee's satisfaction may be associated with increased customer's satisfaction.

As stated in the introduction, there are several parameters which can influence job satisfaction of the employees. For example, there is some evidence to suggest that employee's satisfaction is negatively affected by job stress and

professional burnout of the employees [44]. Furthermore, job satisfaction may be increased with job motivation, working conditions management practices [45].

In fact, job motivation, satisfaction and organizational commitment are significant parameters of human resource management and can for part of a wide range of business administration including the recruitment practices, analysis and design of jobs, incentives and employee benefits, organizational culture, evaluation, supervision and leadership style [46]. During the recent global economic crisis, the financial services sector was affected severely and job security, remuneration and recruitment of personnel of banks was in many countries, including Greece, significantly reduced. Nevertheless, modern organizations should always consider their personnel as a capital, which is the driving force for success in the future. Appropriate human resource management policies can increase the level of job satisfaction of the personnel. This should be a priority especially during period of financial crisis.

V. CONCLUSION

The presented data indicate that there is significant correlation between job satisfaction and customer service quality indicators in the banking sector. Further research would provide more data to examine the possible factors which influence the correlation between the two parameters. It is also important to investigate the possible influence of intrinsic and extrinsic parameters which affect the correlation between employee's and customer's satisfaction. Effective human resources management practices of the banking sector should investigate the influence of the several factors which influence customer's satisfaction starting from the factors which influence employee's satisfaction. This is not a simple task. Job satisfaction of the employees requires proactive management initiatives which may start from the methods of attracting and recruiting the personnel.

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