

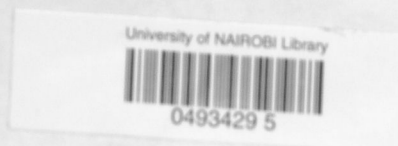
**A SURVEY OF INTERNAL SERVICE DELIVERY SYSTEMS IN KENYA
COMMERCIAL BANK**

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MUGAMBI, DORCAS

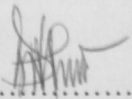
A Management Research Project Submitted in Part Fulfillment of the Requirements for the Award of the Degree of Master of Business and Administration [MBA], School of Business, University of Nairobi.

2006

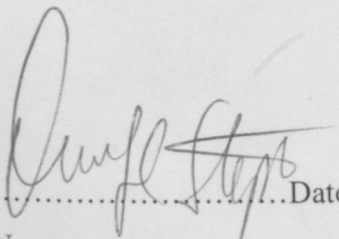


DECLARATION

This project is my original work and has not been submitted for a degree in this or any other University

I would like to dedicate this project to:
My Husband, Bruno Mugambi
Our daughters,
Flora Nkatha and Briega Kawira
My parents;
Signed  Date 1/11/2006
Mugambi Dorcas

This project has been submitted for examination with my approval as the University Supervisor.

Signed  Date 01/11/2006
Onserio Nyamwange
Lecturer, Department of Management Science,
School of Business,
University of Nairobi.

ACKNOWLEDGEMENT

I would like to dedicate this project to:

My Twin sister; Esther Kabweta

My Husband; Bruno Mugambi

Our daughters;

Fiona Nkatha and Briege Kawira

My parents;

Mr & Mrs. Mutunga

My gratitude to my parents Mr and Mrs Mutunga without whom I would not have been brought up as a morally upright woman. I owe my MBA to my twin sister Esther Mutunga, she forewent her higher education for my sake. Thank you, I thank my sisters; Ruth, Joyce, Sally, Mary and my brother; Moses for their encouragement. My brother in law Fr. Michabu gave me a lot of support and was there when called upon, I will forever remain indebted.

I would have wanted to mention everybody for their special contribution whether directly or indirectly but the space is limited. I appreciate my MBA colleagues especially Millie, Monica, Kithira, Akina, Kibera and Susan Mwangi for their inspiration.

Special thanks go to the entire KCB team, for assisting me with data and to KCB for the colossal support it offered during my study. I appreciate Co-operative bank, my employer for being supportive during the programme, special thanks also to the Librarian Mr. John Nzani and Geoffrey Gathanga.

Finally, my supervisor Mr. Nyamwaya I can not say enough thank you. He sacrificed his time to see me through this project. His guidance and patience was enormous of which I say thank you.

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The grace of God has been exceedingly sufficient through out my study and would like to thank the almighty God for his love, guidance and protection.

My special appreciation goes to my husband, Bruno Mugambi for being on my side in this extremely involving programme. He sacrificed his time and walked me through the programme. Our daughters Fiona Nkatha and Briega Kawira sacrificed my presence, I was not available when they needed me most.

My gratitude to my parents Mr and Mrs Mutunga without whom I would not have been brought up to a morally upright woman. I owe my MBA to my twin sister Esther Mutunga, she forewent her higher education for my sake, Thank you. I thank my sisters; Ruth, Joyce, Sally, Mary and my brother Moses for their encouragement. My brother in law Fr. Michubu gave me a lot of support and was there when called upon, I will forever remain indebted.

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ABSTRACT

This project examines several internal delivery systems and their impact on the internal customer. While there exists a variety of systems that are relevant to contact employees during service encounter, this study investigates whether there are deliberate systems put in place to support the internal customer in discharging quality services to the external customer. The study was also investigating the challenges experienced by the internal customers in helping to implement service quality.

A case study was carried out and a stratified sample of 100 respondents selected randomly was used to collect primary data. The data was analyzed using the SPSS software using the mean, factor analysis and chi-square to draw conclusions. Different systems supporting internal delivery were proposed and the results indicate that the systems are currently employed by KCB and play a major role in delivery of services. Although the ServQual model has been used previously to measure quality in respect to the external customers it will be used to measure selected dimensions of service quality to measure quality orientation to the internal customer.

Implementation of service quality has a number of challenges, which also came out strongly in the report. The major challenges experienced being those touching on change management, organizational factors, people motivation, standardization of procedures and conflict resolution. The results indicate that, the bank has employed various systems to support the internal customer however there are gaps between the expected quality and the rendered quality which the bank need to address.

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CHAPTER ONE: INTRODUCTION

1.1 GENERAL BACKGROUND

In today's rapidly changing and extremely competitive environment, customers demand greater value and higher satisfaction levels. As a strategic concept customer driven quality and service directed towards customer retention and market share growth can effectively provide competitive advantage. The quality of services is considered to be a critical success factor for contemporary service companies. Service quality's close conceptual as well as empirical link to customer satisfaction turned it into the core marketing instrument, making it the most researched area in services marketing (Fisk et al., 1995; Bolton et al., 2000). In addition, the accumulated research has linked positively with profitability (Fornell, 1992). This link, however, is not straightforward (Rust et al., 1995; Zeithaml et al., 1996). Two underlying processes generally explain the contribution of service quality to profitability. First, service quality is regarded as one of the few means for service differentiation and competitive advantage, which attracts new customers and contributes to the market share. Second, service quality is viewed as an important means for customer retention. This is because the key to gaining long-term competitive advantage is to continually meet customer's expectations in the way the customer recognizes as adding value.

In most service businesses, services are delivered during the interaction between the customers and customer-contact employees, and thus employees' attitudes and behaviours towards customer determine customers perceived service quality, satisfaction and performance (Bowen and Schneider, 1985; Pfeffer, 1994; Yoon et al., 2001). This has been of particular interest under the perspective of internal marketing, which views the satisfaction of employees as a strategic weapon to achieve high-quality service and greater customer satisfaction (Band, 1988; George, 1990)

1.1.1 Internal Service Delivery Systems

Requests and needs of customers are continuously increasing; so many social and technological improvements are needed. In general these technological improvements and life standards cause newer and more complex systems to be evolved day by day. Delivering quality service and products to customers is essential for success and survival in today's competitive banking environment. Reliability is one of the most important quality characteristics for customers and is used for products, systems, processes and components of systems. In order to achieve this, a company must organize itself in such a way that the human, administrative and technical factors affecting quality will be under control (Oakland, 1993). To effectively meet individual customer's requirements; the system in use must be appropriate to the type of activity and product or service being offered. The main aim for a good system is therefore to provide the operator of the process with consistency and satisfaction in terms of materials, methods, and equipments. A quality system, therefore, includes components such as the organizational structure, responsibilities, procedures, processes and resources (Oakland, 1993).

Few things are as important to service terms as contact employees' behaviour toward customers. Indeed the roles and/ or behaviour of employees have been extensively addressed in the services marketing literature. Previous research in this area has largely centered on identifying the effects of organizational variables on employee responses (Babin and Boles, 1996; Brown and Peterson, 1994; Weatherly and Tansi, 1993) and on examining the relationship between employee's attitude or behaviours and customers' perception of service quality (Bitner, 1990). It is much harder to measure whether services (as seen by the customers) meets a specification or not and the environment is much less controllable than a manufacturing plant- customers are tractable than components. Total quality programs of this type concentrate on the service delivery processes and capabilities and the powers of the people with direct customer contact to ensure consistency excellent quality (Aquilano and Chase, 1991). It therefore, requires greater commitment from managers because the process and culture changes required to empower employees who have customer contact cut deeply into traditional management prerogative.

It is important to clearly define the services to be performed and any deadlines for work product or performance. Without clarity, each party, even in good faith, may have different ideas and not discover this until the work is completed and one party is not satisfied. The more detail stated in the contract about the relationship, the less risk of misunderstanding or unfulfilled expectations later. To clearly define this Service Level Agreement (SLA) has been introduced in many organizations to act as an agreement between the provider of a service and its customers to quantify the minimum quality of service which meets the business needs (Hiles, 1994).

Oakland (1993) asserts quality starts here the next person who checks your work is your customer get it right the first time and avoid waste. The management must put in place checks and controls to ensure quality services aimed at satisfying the external customer. Internal control structures should be established to ensure business processes are carried out consistently, safely, with the proper authorization and in the manner prescribed (Crosby, 1990). Finally, the internal customer is key in ensuring the external customer's requirements are effectively met through feedback. Considerable information about the organization and customers resides in the heads of the frontline staff. If the manager can unlock a fraction of this he will be in a position to provide considerable better service, probably at a significantly reduced cost. This information is never captured in any formal system (Lake and Hickey, 2002).

1.1.2 The Kenya Commercial Bank (KCB) Limited

The Kenya Commercial Bank (KCB) Group is the leading institution in Kenya's banking and financial sector with an asset base of over KShs 74 billion. Today, the KCB Group has the widest network of outlets in the country comprising 95 full-time branches and 35 satellite branches. This represents over 55% of the total banking outlets in Kenya. As a player in the global financial market, the group maintains working arrangements with over 400 correspondent banks throughout the world (<http://www.kcb.co.ke/about/overview.asp>).

The history of Kenya Commercial Bank (KCB) dates back to 1896 when its predecessor, the National Bank of India, opened a small branch in the coastal town, Mombasa. In 1958 Grindlays Bank of Britain merged with the National Bank of India to form the National and Grindlays Bank. In 1970, the Government of Kenya acquired 60% shareholding in National and Grindlays Bank and renamed it the Kenya Commercial Bank. In 1976, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. The Government has over the years reduced its shareholding in the Bank to the current 26% with the public owning the remaining 74%. A wholly owned subsidiary, Savings and Loan (K) (S&L) Ltd. was acquired in 1972 to provide mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking and financial services and to facilitate cross-border trade within the East African region. Since inception, the Kenya Commercial Bank Group has endeavored to provide quality and customer friendly services geared towards meeting the ever-changing customer needs. This has ensured consistent growth in customer deposits that have, in turn, provided a strong reservoir for steady growth in customer borrowings every year (<http://www.kcb.co.ke/about/overview.asp>).

Since incorporation, KCB has achieved tremendous growth to emerge as a leader in Kenya's banking and financial sector. In 1970, the bank had 32 full-time branches, of which 25 were located in rural areas, five in Nairobi and two in Mombasa. Today, the KCB Group has the widest network of outlets in the country, comprising 95 full-time branches and 35 satellite branches all of which represent over 55% of the total banking outlets in Kenya. Of the total outlets, 80% are located in the rural areas, with representation in all administrative districts. All branches provide a whole range of retail banking and financial services apart from acting as agents of development. In recognition of the need to strengthen the interdependence between domestic and external economies, KCB has continued to expand working arrangements with banks in other countries (<http://www.kcb.co.ke/about/overview.asp>).

The bank owns several subsidiaries: S & L Limited specializing in mortgage finance for the purchase and development of residential as well as commercial properties; Kenya commercial bank (Tanzania) Limited which provides comprehensive financial and commercial banking

services in Tanzania. With the advent of the East African Cooperation, it is strategically placed to facilitate cross-border trade within the East African region. Kenya Commercial Bank (Sudan) Limited was incorporated in December 2005 as a wholly owned subsidiary of Kenya Commercial Bank. It becomes part of the KCB Group, and is backed by the financial stability and favourable heritage of Kenya's longest established banking organization that has been in operation for over 100 years (<http://www.kcb.co.ke/about/overview.asp>).

The bank has a customer service delivery department whose role is to ensure customer satisfaction in quality, flexibility and cost efficiency. The Head of customer service has a major role of ensuring reliable internal systems and processes that will ensure timely delivery to both the internal and the external customer. The ability to meet the customer requirements is vital not only between two separate organizations but within the same organization (Oakland, 1989; 1993). The bank must therefore ensure the internal supplier - customer does it right the first time in every stage of the process. Throughout and beyond the organization there is a series of quality chains of customers and suppliers that may be broken at any point by one person or one piece of equipment not meeting the requirements of the customer, internal or external. The interesting point is that this failure usually finds its way to the interface between the organization and its outside customers, and the people who operate at that interface – frontline staff usually receives the ramifications (Oakland, 1989; 1993).

1.2 STATEMENT OF THE PROBLEM

According to the internal market perspective, if the service organization wants its contact employees to do a great job with its customers, it must be prepared to do a great job with its employees (George, 1990). The internal exchange between contact employees and the organization must be operated effectively and efficiently before the organization can be successful in achieving the goal of external exchange. In this paper; the study will be focused on internal delivery systems that support the internal customer in delivering quality services.

Quality standards are an important aspect of any customer's perception of value and influence their buying decisions. Banking business is executed in a technical market where exacting

product performance is expected. Service and product quality will enable them to pursue excellence and accept the product and service challenges that they offer. A bank's ability to consistently and predictably deliver quality products and services to its customers at a competitive rate fortifies its reputation and success. Quality generates confidence that can be reflected in five dimensions; quality orientation, customer, process, profit and staff orientation. Quality and customer satisfaction are inarguably the two core concepts that are the crux of the operational and marketing theory and practice (Spreng and Mackoy, 1996).

Major changes in the commercial banking sector have also been experienced for the last few years. Kenya Commercial Bank's re-engineering strategy that was put in place in 2002 saw its turn around from a loss making company to a profit firm (Cascade, 2005). Investment in technology compounded with innovation of new products and services has created a stir in the market and changed the way banking was previously done (Marketing Intelligence 2005). In this regard the bank has emerged to be very competitive in the industry. It has been argued that service excellence enhances customers' inclination to buy again, to buy more, to buy other services, to become less price sensitive, and to tell others about their positive experiences (Anderson and Fornell, 1994; Anderson et al., 1994; Rust et al., 1995; Zeithaml et al., 1996; Bolton et al., 2000).

Deming (1986) in his first point, "strive for consistency of purpose", stresses the need of a system to combine all quality efforts within an organization in order to meet the corporate purpose. Crosby (1979) sees quality policy as a standard for practice that should be supported by a systematic framework depicting precisely the 'dos' and 'don'ts'. Various research has been done in the banking industry including; Githaiga (2003) on Total Quality Management Practices in the Kenyan commercial banks asserts that quality is key in all the companies operations. Gachoya (2005) asserts that the top management and all levels of staff must be involved in implementation of strategy. A contribution to this study will also come from Masaba (2005) who stressed that - principles of performance management range from performance improvement, employee development, need satisfaction and communication.

Because the Internal Customer plays a major role in ensuring service quality is experienced by the external customer. The researcher is set out to investigate whether the bank is taking any deliberate effort to ensure the internal customer delivers quality service to the external customer. Although researches have been done on areas of service excellence and customer satisfaction in the banking sector Murigi (2002), none has focused on internal service delivery systems. This study, therefore, was an attempt to explore the extent to which the bank focuses on the internal customer to ensure quality delivery channels among departments, teams and individuals. Is there an enabling environment to support quality? Is the internal customer aware that quality starts with them? And are there challenges the bank is encountering in providing quality services to the internal customer?

1.3 OBJECTIVES OF THE STUDY

The aim of this study was to achieve the following objectives:

To establish the extent to which the bank has put in place systems to support the internal customer in delivering quality services.

To establish the challenges facing the Kenya Commercial Bank (KCB) Limited in providing quality services to the internal customer.

1.4 SIGNIFICANCE OF THE STUDY

It is anticipated that the study will be useful to the following groups:

Academia / Researchers: Findings from this research will assist academicians in broadening of syllabus with respect to the concept of service quality as a tool for customer focus, continuous improvement and competitive edge.

Kenya Commercial bank (KCB) Limited: The results of the study will be important to the management of the Kenya Commercial bank (KCB) Limited, employees and customers of the

bank in improving its job satisfaction levels to achieve the domains of profitability, efficiency, reliability and timeliness.

Banking industry: the results of the study will help other players in the industry in improving their service quality and understand the challenges inherent hence come up with better measures to mitigate these challenges.

The key to sustainable competitive advantage lies in delivering high quality service that will inevitably result in satisfied customers (Shemwell et al., 1998). There isn't even an iota of doubt concerning the importance of service quality and customer satisfaction, as it is the ultimate goal of service providers. Prescriptions of service quality could occur at multiple levels in an organization - e.g. with the core service, physical environment and interaction with service providers (Boyer and Hubert 1994) or the other hand customer's overall satisfaction with the service organization is based on a function of all the encounters or experiences of the customer with that of the organization. Similar to service quality, customer satisfaction can occur at multiple levels of an organization for example with the contact person, satisfaction with the core service and satisfaction with the organization as a whole.

2.1 SERVICE QUALITY

Quality has been defined from different perspectives and paradigms, according to the person making the definition, the measure applied and the context within which it is considered (Domingo, 1999). It has been defined as "excellence" (Peters and Waterman, 1995), "value" (Kotler, 1997), "fitness for use" (Juran and Gyron, 1994), "conformance to requirements" (Crosby, 1979) and meaning "exceeding customer expectations" (Parasuraman et al., 1985). More often than not customers demand quality experience and high service behaviour is replicated in terms of an attitude towards consumption behaviour, which has led researchers and analysts to regard quality as a single most important factor for long term success and survival. Because of this Dettling (1987) asserts that quality was at the heart of the success, present and future.

CHAPTER TWO: LITERATURE REVIEW

2.1 OVERVIEW

Today's winners are those who overcome consumer cynicism by exceeding expectation and going beyond the point of encounter. These firms are successful because they have invested for the long term through recognizing that service fulfillment not only promotes growth of their customer base but retains customer loyalty (Lake and Hickey, 2002).

The key to sustainable competitive advantage lies in delivering high quality service that will turn results in satisfied customers (Shemwell et al., 1998). There isn't even an iota of doubt concerning the importance of service quality and customer satisfaction, as it is the ultimate goal of service providers. Prescriptions of service quality could occur at multiple levels in an organization – e.g. with the core service, physical environment and interaction with service providers (Bitner and Hubert 1994) on the other hand customer's overall satisfaction with the service organization is based on a function of all the encounters or experiences of the customers with that of the organization. Similar to service quality, customer satisfaction can occur at multiple levels of an organization for example with the contact person, satisfaction with the core service and satisfaction with the organization as a whole.

2.2 SERVICE QUALITY

Quality has been defined from different perspectives and orientations, according to the person making the definition, the measures applied and the context within which it is considered (Tapiero, 1996). It has been defined as "excellence" (Peters and waterman, 1995) "value" (Feigenbaum, 1995), "fitness for use" (Juran and Gryana, 1988), "conformance to requirement" (Crosby, 1979) and meeting and/or exceeding customers expectations" (Parasuraman et al., 1985). More often than not customers demand quality experience and their resultant behaviour is replicated in terms of an attitude towards consumption behaviour, which has led researchers and analysts to regard quality as a single most important factor for long term success and survival. Because of this Deming (1982) asserts that quality aims at the needs of the customer, present and future.

2.3 INTERNAL SERVICE QUALITY SYSTEMS

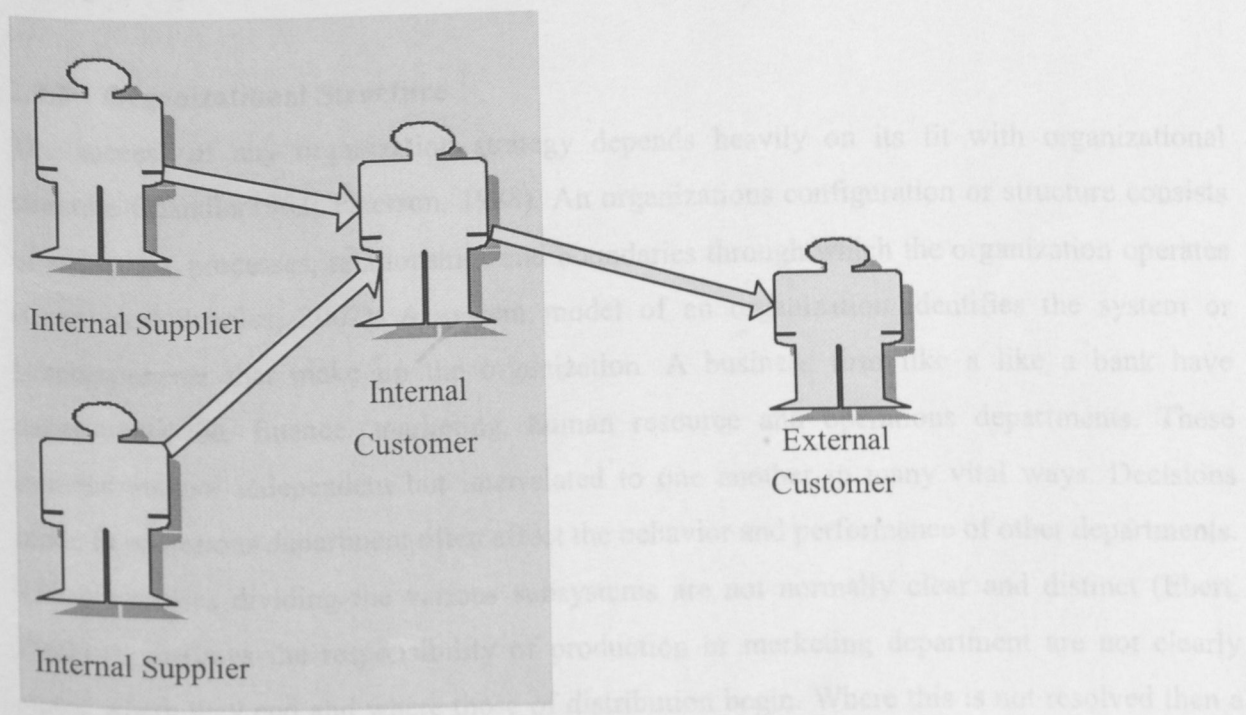
For any particular organization a quality system is essential to facilitate an effective supplier/customer interface, which extends beyond the immediate supplier (Oakland, 1991). These systems have to be incorporated in order for the organization to work together as one part. An organization can be viewed as a system in terms of the relationship between technical and social variables within it. Changes in one part, technical or social will affect other parts and hence the whole system (Mullins, 2002). Due to this reason there is increasing need for organizations to synchronize their internal systems for a common course – satisfied customer. These systems are created by people who perhaps are the most valuable assets an organization has. The role people play, how they interact through formal and informal processes and the relationship that they build are crucial in a firm's success.

2.3.1 Internal Customer

In service industry a customer is any one being served. Customers may be both internal and external depending on whether they are located within or outside the organization. Since quality is what the customers say it is (Feigenbaum, 1991) Product and service quality managers must identify customer requirements and strive to meet and exceed them. Businesses are now so complex and employ so many different specialists skills that everyone has to rely on the activities of others in doing their jobs (Oakland, 1989; 1993). The operations department must rely on the marketing department in order to have the right design in place; the production manager must rely on the design engineer to produce the right product, creating a series of internal supplies and customers. These form the so called 'Quality Chains' the core of company wide quality improvement (Oakland, 1989, 1993). The need for this cannot be overemphasized because organizations rely on their internal processes to deliver outputs that satisfy the customer needs and expectations. The output from a process is what is transferred to somewhere or someone – the Customer. At every supplier – customer interface there resides a transformation process and every single task throughout an organization must be viewed as a single process in this way. In this respect the management must ensure satisfactory results at each interface if quality is to be achieved.

The banks besides looking at internal customer must compare their performance with that of
 Throughout and beyond the organization there is a series of quality chains of customers and
 suppliers that may be broken at any point by one person or one piece of equipment not meeting
 the requirements of the customer, internal or external. The interesting point is that this failure
 usually finds its way to the interface between the organization and its outside customers, and
 the people who operate at that interface – frontline staff usually receives the ramifications
 (Oakland, 1989; 1993). The diagram below indicates that internal service is paramount in
 achieving external customer satisfaction.

Figure 2.1 Relationship between internal and external customer



Source: Aquilano and Chase, 10th Edition (1991)

Due to the inseparability nature of the service the frontline staffs are very important as they
 provide the encounter with the customer (Lake and Hickey, 2002). This point of encounter
 determines weather the customer will be willing to make a repeat buy; these points of
 encounter should therefore be used as opportunities to win the consumer. The organization
 must therefore train its personnel to recognize the point of encounter by offering the expected
 service and exceeding customer expectations.

The banks besides looking at internal customer must compare their performance with that of the other players in the market. Failure to learn about the strengths of the competition or about the best performance in any industry leads to complacency and decline. But obtaining and using such information helps motivate a company's people to make necessary improvements (Schonberger, 2002). Benchmarking presents a valuable tool for companies to identify best practices among leading institutions across all industries and to measure their performance against the leading competition in their industry. As the very best banks also benchmark against global standards, the industry keeps being dragged in the direction of global best practice. Local banks have no choice but to be dragged towards global benchmarks (Market Intelligence special annual edition 2005).

2.3.2 Organizational Structure

The success of any organization strategy depends heavily on its fit with organizational structure (Chandler 1962; Paterson, 1988). An organization's configuration or structure consists of structures, processes, relationships and boundaries through which the organization operates (Gerry and Scholes, 2002). A system model of an organization identifies the system or subcomponents that make up the organization. A business firm like a bank has departments like finance, marketing, human resource and operations departments. These systems are not independent but interrelated to one another in many vital ways. Decisions made in operations department often affect the behavior and performance of other departments. The boundaries dividing the various subsystems are not normally clear and distinct (Ebert, 2001). Sometimes the responsibility of production or marketing department are not clearly stated where they end and where those of distribution begin. Where this is not resolved then a problem may arise and need for a concerted effort from all the subsystems to ensure the external customer satisfactorily served.

2.3.3 Service Level Agreements (SLA)

Service Agreements and Service Level Agreements (SLA) which set forth levels of service can help clarify each party's goals, limit the liability of the parties and ensure that both parties get the services and payment expected. It is important to clearly define the services to be performed and any deadlines for work product or performance. Organizations services have

been adapted and enhanced over many years, during which business objectives, market conditions, volumes, deadlines, priorities and cost-benefit equations have changed radically (Hiles, 1994). But even when business goals are shifting, an SLA provides the impetus to review such services against present needs – to isolate “custom and practice” and identify the real current service requirement. Without clarity, each party, even in good faith, may have different ideas and not discover this until the work is completed and one party is not satisfied. The more detail stated in the contract about the relationship, the less risk of misunderstanding or unfulfilled expectations later. Service levels to be designated for technical or other performance should be set forth in an exhibit to the agreement and stated in detail; these some times also include financial penalties or rewards. There is no set formula for determining these levels and numbers.

2.3.4 Standard Service

Goode (1998) underlines the importance of client and provider involvement in the development of standards if their applications are to be effective. The basic values which are to underpin the standards lie in consistency of quality and customer satisfaction. Manufacturers standardize products offering because this provides a repetitive mechanism for managing costs and maintaining consistent quality. In the same way, services should be standardized and documented in an enterprise wide catalog of all available offerings written in basic business terms. An interactive online storefront for standard services, options and configurations best suited for the function, and eliminates much of the clarifications required in the ordering process.

2.3.5 Supervisory Support

Supervisory support refers to the socio-emotional concerns of the supervisor, and represents the degree to which the supervisor create a facilitative climate of psychological support, mutual trust, friendliness and helpfulness (House, 1971). The degree of supervisory support may influence the subordinates motivation, job satisfaction and performance (Babin and Boles, 1996; Michaels et al., 1987). Because supervisors are agents of organization who have responsibility for directing and evaluating subordinates' performance, like perceived organizational support (POS), employees form general views concerning the degree to which

supervisors value their contributions and care about their well being (Rhodes and Eisenberger, 2002). thus if the contact employees perceive that their immediate supervisor is concerned for them and provides adequate socio-emotional support for them, the employee will feel more positively towards their jobs (Babin and Boles, 1996; Kopelman et al.,1990; Michaels et al., 1987), and will exert more effort in the workplace (Brown and Peterson, 1994).

2.3.6 Communication of Service Quality

Total quality management will significantly change the way organizations operate and 'do business' this change will require direct and clear communication from the top management to all staff and employees, to explain the need to focus on processes. Everyone will need to know their roles in understanding process and improving their performance (Oakland 1989, 1993). Good information is key to being able to manage any activity in your organization (Lake and Hickey, 2002). After an organization has analyzed the customer this information must be communicated to the entire network. How this information is communicated matters a lot as it gives the end results. The team leader must gather all the relevant information, analyze and disseminate to the entire team. The operations staff or back office staff may not know much about the customer. The team leader as well as talking to customers must also talk to the employees and particularly to those on the front line. Frontline employees interact directly with the customers on a day-to-day basis. They are closest to the customer and most likely know what the customer likes or dislike about the service. They are also the first to suffer the wrath of the customers when something goes wrong, and the first to see the pleasure when the service 'hits the spot'. Consequently they provide useful feedback on how to improve service process, or recover from service mistakes (Lake and Hickey, 2002).

Commitment to quality in the top management helps to build quality through out the design process and to ensure good relationship and communication between various groups and function areas (Oakland, 1989; 1993). To achieve there must be a good system in place to ensure congruency throughout the organization. There are two straightforward ways to gain front line data. First is to talk to the staff individually to understand their experiences and second is to conduct small group discussions to establish the reactions to what others say and this helps the group to build on ideas. Once this data has been collated it can be used to

continuously improve on processes and any changes made should be communicated to all staff (Lake and Hickey, 2002).

Verbal communication either between individuals or groups, using direct or indirect methods; Written communication in the form of notices, bulletins information sheets, reports and recommendations; Visual communication such as posters, films Video tapes and demonstrations; Example- through the way people conduct themselves and adhere to established working codes and procedures, through their effectiveness and ability to 'sell' good quality practices (Oakland, 1989; 1993). The importance of good communication can therefore not be over emphasized it is a tool that can help the organization move to greater lengths, its no wonder most organizations and especially the banking industry have their own internal magazines as a means for communication besides the memos and meetings.

2.4 CHARACTERISTICS AND NATURE OF SERVICE

There are arguably major differences between service and manufactured goods (Lockyer, K. 1986). These differences have an impact on the approach and substance of quality management. These differences provide some of the unique problems managers of service operations encounter (Haksever et al, 1990).

2.4.1 Inseparability of Production and Consumption

In service industries, usually the marketer creates or performs the service at the same time as the full or partial consumption of the service takes place. The high visibility of the conversion process means that it is not possible to hide mistakes or quality shortfalls. Moreover, the involvement of the consumer in the delivery process introduces an additional process factor, the consumer, over which the management has little or no direct control. However, the behaviour of one group of customers does influence other customers' perception of service quality.

2.4.2 Intangibility of Service

Many services are essentially intangible. The lack of tangible attributes means that it is difficult for the producer to describe the service and for the consumer to ascertain its likely virtues. The consumer cannot see, feel, hear, smell, or touch the product before it is purchased. Therefore, the consumer often looks for signs of quality: for example: word of mouth; reputation; accessibility; communication; physical tangibles; etc. In services, the influence of intangibles, that is to say word of mouth and reputation, on purchasing decisions is much greater than the influence of tangible product specifications. This places greater responsibility on service organizations to deliver what they promise, right, the first time. Moreover, in service organizations frontline staff and physical facilities fulfill the dual functions of production and marketing (Haywood-Farmer, J.1998). They are viewed by the potential customer as signs of quality.

2.4.3 Perishability of Services

Services are perishable and cannot be stored in one time period for consumption at a later date. This means that, unlike manufactured goods, it is not possible to have a final quality check. The perishability of services coupled with the high varying demand that services experience, requires that managers allocate service capacity carefully and attempt to actively manage service demand (Haksever et al, 1990). The service provider needs to get the service right first time, every time.

2.4.4 Heterogeneity of Services

It is often difficult to reproduce a service consistently and exactly. A number of factors can affect the extent of the heterogeneity of service provisions. First, delivery of service often involves some form of contact between the consumer and service provider. The behaviour of the service provider influences the consumer's perception of quality. It is difficult to assure consistency and uniformity of behaviour.

Moreover, it is not easy to standardize and control this facet of service delivery. In effect what the firm intends to deliver may be entirely different from what the consumer receives. Second, service operations depend on consumers to articulate their needs or provide information. The

accuracy of the information and the ability of the service provider to interpret this information correctly has a significant influence on the consumer's perception of service quality. Third, the priority and expectations of the consumer may vary each time he or she use the service. Moreover, priority and expectations may change during the delivery of the service. The variability of service from one period to another and from consumer to consumer makes quality assurance and control difficult. Service providers have to rely heavily on the competence and ability of their staff to understand the requirements of the consumer and react in an appropriate manner. The statement from Jan Carlzon, president of Scandinavian International Airlines (SIA), puts this point into context. He stated that "we have 50,000 moments of truth out there every day". He was of course referring to the fact that SIA's staff comes into contact with each consumer 50,000 times each day and the consumer evaluates the quality of SIA's service based on these interactions.

Inseparability is widely cited as one of the distinctive features of services. Services are typically produced and consumed simultaneously thus customers have a direct input to its provision. This customer involvement then becomes one of many problems to be addressed by service providers (Zeithmal et. al., 1985). Financial services in general and corporate financial services in particular depend on the information provided by customers for enhanced quality services. Customer focus therefore influences the effectiveness and perception of the overall quality of service received.

2.5 SERVICE QUALITY IMPROVEMENT

Managers in the service sector are under increasing pressure to demonstrate that their services are customer- focused and that continuous performance improvement is being delivered. One of the greatest tangible benefits of improved quality is the increased market share that results, rather than the reduction in quality costs (Oakland 1989, 1993). The pursuit of continual improvement must become a way of life for everyone in an organization if it is to succeed in today's competitive environment. The environment is continuously changing and hence more and more organizations are becoming more creative and innovative to meet the emerging needs. Today the banking industry is the most dynamic with majority of banks generating new

products and better ways of serving customers. Since every bank must show its prowess in particular fields within the same industry the selling point is quality. This then means banks should keep researching in order to avoid distinction. All businesses competing on the basis of quality need to update their products, processes and services periodically (Oakland 1989, 1993).

2.6 DIMENSIONS OF SERVICE QUALITY

The five dimensions of service quality that have a positive impact on customer perceptions of service quality are; Tangibility (product), reliability, responsiveness, assurance and empathy. The major dimensions of service quality, (Parasuraman et al, 1991) summarized the nature of the core (outcome) and relational (process) constructs; while reliability is largely concerned with the service outcome, tangibles, responsiveness, assurance and empathy are more concerned with the service process. Whereas customer, judge the accuracy and dependability (i.e. reliability) of the delivered service, they judge other dimensions as the service being delivered.

Some researchers have tried to combine expectations and perceptions into a single measure to alleviate the problem of reliability, discriminate validity and variance restriction, and have found that such measures actually outperforms the ServQual scale in terms of both reliability and validity (Babakus and Bollers, 1992 Brown et al., 1993; Dabholkar et al, 2000).

2.7 MEASUREMENT OF SERVICE QUALITY

Edvardsen et al., (1994) states that, in their experience the starting point in developing quality in services is analysis and measurement of quality. One service quality measurement model that has been extensively applied is the SERVQUAL model developed by Parasuraman et al, (1985, 1988). The SERVQUAL instrument has been the predominant method used to measure consumer's perceptions of quality. It has five generic dimensions: Tangibles – physical facilities, equipments and appearance of personnel; Reliability – Ability to perform the promised service dependably and accurately; Responsiveness – Willingness to help the customers and provide prompt service; Assurance – (including competence, courtesy,

credibility, and security) knowledge and courtesy of employees and their ability to inspire trust and confidence; Empathy (including access, communication, understanding the customer) - caring and individualized attention that the firm provides to its customers. Although the SERVQUAL model has been used to measure the perceived quality (Parasuraman et al, 1985, 1988) of the external customer's perception of quality the researcher has applied it to measure the internal customer's perception of quality.

2.8 CHALLENGES TO ATTAINING SERVICE QUALITY IMPROVEMENT

2.8.1 Lack of Visibility Service

Quality problems are not always visible to the provider. The Technical Assistance Research Project (TARP) estimated that at any given time 25 per cent of customers are sufficiently dissatisfied with a service to stop repurchasing, yet only 4 per cent complain to the organization. This places greater responsibility on the service provider to be proactive in the identification of quality problems.

2.8.2 Difficulties in Assigning Specific Accountability

The consumer's overall perception of service quality is influenced by experience at different stages of service delivery. However, it is hard to attribute quality problems to a particular stage of service delivery.

2.8.3 Time Required to Improve Service Quality

Service quality problems often require major effort over a long period of time to resolve. This is because service quality is more dependent on people than systems and procedures. Attitudes and beliefs take longer to change than procedures. It is difficult for managers to keep their attention focused on the problem and remove the root causes of the quality shortcomings.

2.8.4 Delivery Uncertainties

Control of service delivery and quality is complicated by the individual and unpredictable nature of people. The people element encompasses both customers and frontline staff of the service organization (Lake and Hickey, 2002).

2.9 REQUIREMENTS TO ATTAINMENT OF “SERVICE QUALITY”

2.9.1 Market and Customer Focus

“Service quality” problems are more likely to arise in organizations that are not focused on identifying and acting on the customer’s needs and expectations. A quality organization should put itself in the “customer’s shoes” and build its policies from the customer’s vantage point (Foster and Whittle, 1989).

2.9.2 Empowerment of Frontline Staff

“Service quality” can be enhanced by giving frontline staff the latitude to make important decisions regarding the customer’s needs. It is generally recognized that devolvement of those decisions which affect customer care to the frontline staff pays dividends (Uttal, 1987). American Express uses the latitude given to its frontline staff to differentiate its service from that of other credit card providers.

2.9.3 Well-Trained and Motivated Staff

Frontline staff not adequately trained for their job will find it difficult to perform their tasks effectively. This will be noted by the consumer and is likely to cause adverse quality perceptions. It is also important to ensure that frontline staff are effectively supported and well motivated. Motivated staff requires the provision of: an appropriate and clear career ladder and opportunities; remuneration and recognition system; a measurement system; and appraisal procedures (Lake and Hickey, 2002).

2.9.4 A Clear “Service Quality” Vision

One consequence of the interactive nature of service is the need for a clear vision of “quality”. In the absence of a clear vision and definition employees are likely to have their own interpretation of “service quality”. Lack of common vision will inevitably increase the variability experienced by the customer within and without each stage of the service delivery. Inconsistency and variability of treatment is likely to have an adverse impact on the perception of “quality” (Lake and Hickey, 2002).

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN

This research was based on a case study. The study emphasized on the depth of the study rather than breadth (Kothari, 1990). The case study research design was chosen other than the cross-sectional survey, because the objectives of the study required an in-depth understanding and information about the subject matter. The study aimed to establish whether the bank has put any deliberate systems in place to enable the internal customer deliver service quality to the external customer and the challenges facing the bank in implementing the service quality strategy.

The Kenya Commercial bank; customer care and teller Departments and managerial positions bore the setting for the research. The choice of the Bank as the institution of study was made in consideration of the pivotal role it plays in the Kenyan economy. The fact that the bank offers a wide variety of banking services to target the mass market made it ideal for this study.

The target respondents comprised of tellers and other frontline staff, supervisors, managers in operations department, customer care, marketing and all the support departments. This was because they are all customer focused in their operations and the differences within the two levels (managerial and teller) are becoming more and more obscure as the bank moves towards integrating its operations.

Respondents were chosen from; marketing management, human resources management, management information system, operations management, branch managers, back office staff and front line staff at the branches. Based on the above, a stratified random sample of 100 taking care of proportional representation was considered. The stratification of the sample is shown on the table below:

Table 3.1: Sample stratification

Departments	Number(N)	Sample(n)
Operations managers, Auditors and IT	265	57
Customer service (H/O) & Marketing	26	5
Human resource managers	12	3
Branch Managers	9	3
Front Office & tellers	86	18
Back office	64	14
Total	462	100

3.2 DATA COLLECTION

Primary data was collected using a structured questionnaire, which were self administered through drop and pick method. The questionnaire captured respondent's reaction regarding the internal service quality systems and challenges encountered in ensuring quality services with respect to Kenya Commercial Bank (KCB). The questionnaire consisted of both closed and open-ended questions. It was divided into 2 sections: Part A: General/ Individual information; Part B: Service quality orientations, to answer the first and second objective (see appendix 2).

3.3 DATA ANALYSIS

Once data was been collected, the questionnaires were edited for completeness and accuracy and then coded. The data was analyzed through the use of descriptive statistics such as percentages and mean scores. Factor analysis was used to identify and isolate key challenges affecting the bank in the implementation of internal quality.

Statistical or significance test were used to test whether there were significant differences between departments. The Statistical Package for Social Sciences (SPSS) was used to analyse data, from which conclusions and recommendations of the study were made. ServQual model (Parasuraman et al, 1985) was adopted to measure the gap between the perceived and actual quality received.

CHAPTER FOUR: RESEARCH FINDINGS

4.1 INTRODUCTION

This chapter contains research findings from fully completed questionnaires. The data is summarised and presented in form of tables and pie charts to facilitate analysis.

4.2 DATA PRESENTATION

The study sought to find out what internal delivery systems are used at KCB to ensure service quality for the internal customer and the challenges the bank is facing in implementing a quality system. Various questions were asked in the questionnaire and the following are the findings.

4.2.1 Description of Respondents

Table 4.1: Description of respondents

Departments	Number(N)	Sample(n)	Respondents
Operations managers, Auditors and IT	265	57	37
Customer service (H/O) & Marketing	26	5	4
Human resource managers	12	3	1
Branch Managers	9	3	2
Front Office & tellers	86	18	10
Back office	64	14	9
Total	462	100	63

Source: Research data

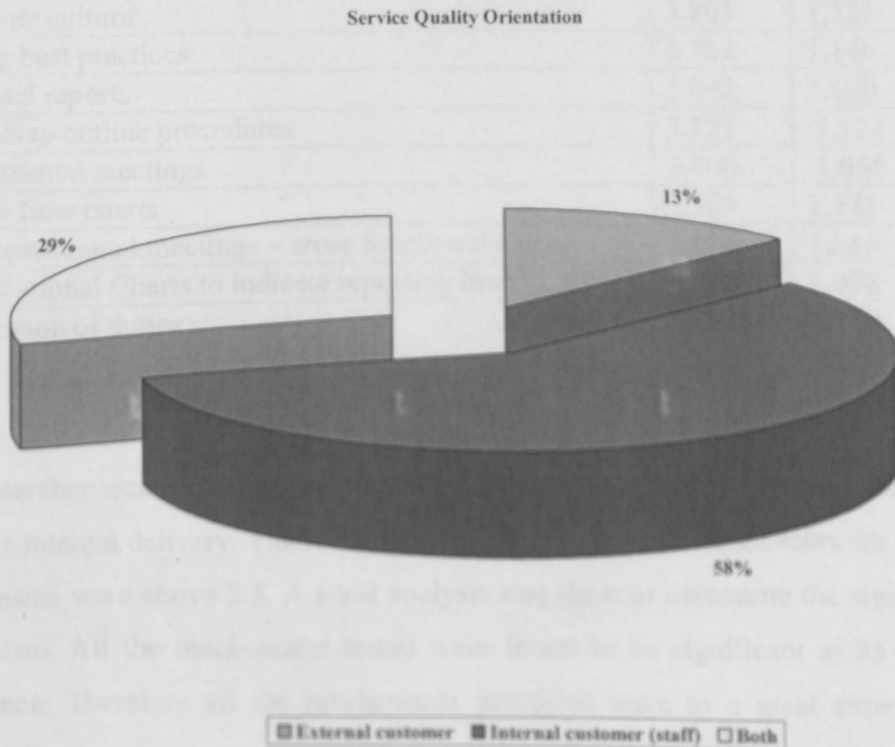
A response rate of 63 percent was achieved as shown on the table above. Below is a table indicating gender representation. 54 percent of the respondents were male while 46 percent constituted female respondents. The respondents had an accumulated total of 553 years of experience. The range of years of experience was 27 years and 10 months, with the highest

number of years being 28 and the lowest being 2 months. The research was therefore able to capture views from people with diverse experiences.

4.2.3 Service Quality Orientation

Respondents were asked to state who between the internal and the external customer has the major influence to ensure service quality is achieved. Fig 4.2 below represents the feelings of the respondents with 58 percent of the respondents believing that the internal customer has the major influence, 13 percent of the respondents believed it was the external customer who exerts the most influence whereas 29 percent of the respondents believed that both the internal and the external customers were influential in ensuring reliable systems and processes that ensure timely delivery of services. This is in line with the literature review, since quality is what the customers say it is (Feigenbaum, 1991), using such information helps motivate a company's people to make necessary improvements (Schonberger, 2002) and everyone has to rely on the activities of others in doing their jobs (Oakland, 1989; 1993).

Figure 4.2: Determinant of internal service quality



4.2.4 Mechanisms/Systems for Internal Quality

Table 4.2: Internal mechanisms for quality service

Mechanism	Mean	Std deviation
Training of personnel to improve quality	4.476	0.931
People are key in implementing quality	4.381	1.156
Effective communication channels	4.339	1.101
Effective leadership	4.258	1.007
Common Vision	4.254	1.092
Emphasis on team spirit	4.230	1.039
Circulars to update staff of changes in procedures	4.175	1.086
Right tools / equipments	4.164	1.067
Common Mission	4.115	1.226
Approval levels - checking transactions before processing	4.065	1.240
Regular management reports / returns	4.033	1.140
Prevention of problems – doing it right first time always	4.033	1.183
Circulars to update staff of changes in policies	4.016	1.157
Approved standards	3.984	1.118
Oversight departments e.g. Internal audit and compliance	3.967	1.164
Conflict resolution channels	3.934	1.138
Service Level Agreements between departments	3.905	1.201
MIS	3.848	1.064
Research and development	3.807	1.252
Corporate culture	3.803	1.123
Sharing best practices	3.762	1.146
Appraisal reports	3.742	1.100
Manuals to outline procedures	3.721	1.127
Departmental meetings	3.700	1.046
Process flow charts	3.569	1.141
Interdepartmental meetings – cross functional teams	3.557	1.245
Organizational Charts to indicate reporting lines	3.516	1.098
Segregation of duties	3.262	1.210

Source: Research data

The researcher wanted to find out whether the bank has put in place any deliberate systems to facilitate internal delivery. The results in table 4.2 indicate the mean score for all the identified mechanisms were above 2.5. A *t*-test analysis was done to determine the significance of each mechanism. All the mechanisms tested were found to be significant at 95 percent level of confidence. Therefore all the mechanisms identified were to a great extent being used to

support internal customer in delivering quality service. This supports the fact that internal systems are essential to facilitate an effective supplier/ customer interface (Oakland, 1991).

4.2.5 Service Quality Generic Dimensions

In this question respondents were asked to rank each of the proposed dimensions in order of importance. This was to explain the amount of weight the bank attaches to each dimension when delivering quality. The response was positive and all the dimensions were perceived as important.

Table 4.3: Actual service received by the internal customer

Dimensions	Mean-Perceived	Mean-Actual	Variance
Understanding other staff ensures prompt services	4.492	3.475	1.017
Smooth communication ensures problems are solved faster	4.533	3.550	0.983
Other staff must provide prompt service to ensure efficiency	4.443	3.597	0.846
When other department offer accurate services, processing is easy	4.468	3.659	0.809
Competence must be portrayed in solving problems	4.377	3.583	0.794
Courteous staff are key in delivering quality service	4.268	3.492	0.776
Personnel must portray ability to perform the promised service accurately	4.452	3.700	0.752
Secure systems ensure confidentiality in internal information	4.145	3.400	0.745
Accessing all other staff ensures better information flow	4.484	3.767	0.717
Equipment should be available to support staff to deliver quality	4.541	3.850	0.691
Other staff must be willing to help always whenever need arises	4.274	3.593	0.681
Personnel must portray ability to perform the promised services dependably	4.279	3.614	0.665
Credible sources of information ensure solutions are tailored to suit internal processes	4.226	3.583	0.643
Staff should be appealing and warm when dealing with others	4.466	3.983	0.482
Physical facilities should be clean and well kept for staff's welfare	4.403	4.034	0.369

Source: Research data

Further the respondents were requested to indicate the extent of satisfaction received given the same dimensions. This was to help the researcher find out whether the internal customer receives the expected service. General results indicate that there was some level of acceptance, however there were gaps identified between the perceived and the received quality, this is an indication that the internal customer is not satisfied with the quality of services received. Table 4.3 above tabulates means of perceived quality, actual quality and the gaps that exist in each dimension. These gaps were as a result of analysis as per Parasuraman et al, (1985, 1988), the ServQual model has been used to measure service quality gaps, by comparing the perceived against the actual quality. These gaps are an indication of lack of satisfaction because the received quality has fallen below the perceived quality (Hakserver et al. 1990).

Table 4.4: Groups Statistics

	N	Mean	Std. Deviation	Std. Error
Mean-Perceived	15	4.39007	.122160	.031542
Mean-Actual	15	3.65867	.180853	.046696

Source: Research data

It is vital to test whether there is any significant difference between the perceived mean and the actual mean. T-test was used in this case. Normality is assumed since the means have been computed from a sample of 63 respondents. According to Levine et al (2004), the central limit theorem supposes that if the sample size is large (greater than 30) the sampling distribution of the mean can be approximated by the normal distribution.

Our null and alternative hypotheses are;

$$H_0: \mu_p = \mu_a \text{ or } \mu_p - \mu_a = 0$$

$$H_1: \mu_p \neq \mu_a \text{ or } \mu_p - \mu_a \neq 0$$

Where

$$\mu_p = \text{mean score - perceived}$$

$$\mu_a = \text{mean score - actual}$$

Table 4.5: T-test for Equality of Means

	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	12.979	28	.000	.731400	.056351
Equal variances not assumed	12.979	24.574	.000	.731400	.056351

Source: Research data

At 95 percent confidence level, the null hypothesis is rejected. The p-value as can be seen from the table is 0.000 which is less than 0.05 ($\alpha = 0.05$). This implies that there is significant difference between the perceived and the actual status of internal service quality within KCB. There is the need, therefore, to come up with ways of reducing the disparity between the levels of perceived internal service quality with the actual level of internal service quality.

4.2.6 Challenges of internal delivery

Table 4.6: Challenges in achieving internal service quality

Challenges	Mean	Std. Deviation
Rewards to staff are not commensurate to the efforts	4.000	1.270
Lack of empowering staff to undertake key decisions	3.950	1.288
Bureaucracy – rigid policies	3.833	1.285
Unwillingness to change	3.754	1.376
Fear of making wrong decisions	3.721	1.246
Time required improving service quality	3.710	1.038
Lack of a good communication system	3.700	1.299
Hiring of inexperienced staff	3.633	1.414
Lack of research and development	3.623	1.346
Difficulty in measuring service quality	3.603	1.191
Lack of proper training	3.590	1.262
Not involving everybody in quality strategy	3.583	1.359
Lack of a standardized procedures	3.386	1.292
High staff turnover – hence lack of continuity	3.351	1.289
Delivery uncertainties	3.328	1.083
Lack of visibility	3.276	1.457
Fear of conflict between individuals	3.049	1.325
Fear of conflict between departments	3.017	1.211

Source: Research data

Respondents were asked to rank each of the challenges proposed so as to find out whether they agree with the challenge. The empirical results as shown on table 4.6a indicate that all the factors are a major challenge in implementation of service quality. The results are confirmation to literature review that the people element encompasses the greatest challenges followed by organizations inconsistent in their mission and vision statement (Lake and Hickey, 2002).

Factor analysis

Factor analysis was used to group the challenges identified into a few easier to deal with factors. The preliminary test done to determine the suitability of factor analysis was a correlation matrix. The results of the correlation matrix (see table 4.10 – appendix 3) enables us to check at a glance whether factor analysis is suitable for the sample. The correlation matrix shows that factor analysis can be performed as there are several variables which have got high correlation factors, that is, from 0.5 and above. Conclusive evidence regarding the suitability of performing factor analysis was further obtained as per the analysis data obtained and shown on table 4.7.

Table 4.7: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	521.899
	df	190
	Sig.	.000

Source: Research data

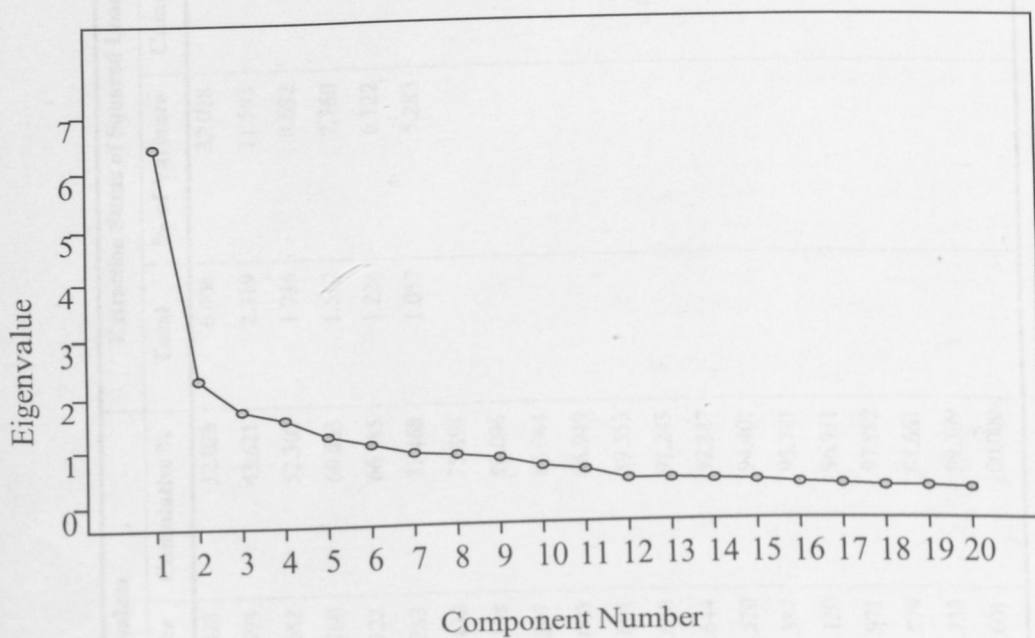
The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy statistic for the sample data is 0.749. In general KMO varies from 0 to 1 and overall KMO should be 0.6 or higher to proceed with factor analysis. This is because KMO indicates the proportion of variance in the variables which is common variance, that is, that variance which might be caused by the underlying factors. The measure is analogous to the coefficient of determination in linear regression. The

KMO statistic thus shows that we can proceed with factor analysis. This is further supported by the Bartlett's test which shows that nonzero correlations exists at the 0.000 significance level.

Using principle component analysis, six factors were extracted from the sample data. The total variance explained by the six factors was 71.47 percent; this is considered adequate for this study (see table 4.8). The rule of thumb is that anything more than 60 percent is adequate.

The results of the factor analysis are further supported by the scree plot shown on fig-4.2 below.

Figure 4.2: Scree Plot



Source: Research data

Table 4.8: Factors extraction

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.406	32.028	32.028	6.406	32.028	32.028	3.443	17.214	17.214
2	2.319	11.593	43.621	2.319	11.593	43.621	3.113	15.565	32.780
3	1.736	8.682	52.303	1.736	8.682	52.303	2.487	12.436	45.216
4	1.552	7.760	60.063	1.552	7.760	60.063	1.936	9.681	54.897
5	1.224	6.122	66.185	1.224	6.122	66.185	1.815	9.073	63.970
6	1.057	5.283	71.468	1.057	5.283	71.468	1.500	7.498	71.468
7	.886	4.430	75.898						
8	.840	4.198	80.096						
9	.769	3.847	83.944						
10	.601	3.005	86.949						
11	.521	2.604	89.553						
12	.338	1.690	91.243						
13	.329	1.644	92.887						
14	.304	1.520	94.407						
15	.277	1.384	95.791						
16	.224	1.120	96.911						
17	.194	.971	97.882						
18	.156	.779	98.661						
19	.148	.738	99.399						
20	.120	.601	100.000						

Source: Research data

The Scree plot tends to flatten after the sixth component number thus supporting the results obtained from the principal component analysis as indicated on table 4.8. All the other factors are not considered necessary as they are only able to extract variance less than that which is explained by a single variable. Table 4.9 below indicates the groupings of the various factors.

Table 4.9 factor analysis

Factor	Factor Description	Variables (Challenges)
F1	Change management	Difficulty in measuring service quality
		Not involving everybody in quality strategy
		Lack of empowering staff to undertake key decisions
		Lack of proper training
		Lack of a good communication system
F2	Organizational factors	Lack of visibility
		Hiring of inexperienced staff
		High cost in implementing new strategies
		Unwillingness to change
		Bureaucracy – rigid policies
		Lack of research and development
F3	Employee initiative and motivation	Difficulties in assigning specific accountability
		Time required improving service quality
		Fear of making wrong decisions
		Rewards to staff are not commensurate to the efforts
F4	Standardization of service	High staff turnover – hence lack of continuity
		Lack of a standardized procedures
F5	Fear of conflict	Fear of conflict between departments
		Fear of conflict between individuals
F6	Delivery uncertainties	Delivery uncertainties

Source: Research data

From table 4.9 the respondents confirmed the importance of people and that is why the factor analysis indicates change management as a very strong factor to consider when implementing service quality and as can be seen from table 4.8 it accounts for 32 percent of the total variance.

Much service research has emphasized the importance of customer-contact employees as boundary spanners who interact with the customers through service encounters. Also, considerable effort has been exerted to examine the relevant organizational elements that may stimulate favourable attitudinal and behavioural responses from employees, and which may subsequently improve internal customer's organizational performance. However, little attention has been given to the importance of the multiple support that contact employees receive from other concerned parties, even though they can affect the response of contact employees and ultimately influence customers' perceptions of the employee performance. I proposed that various types of internal employee support systems would affect the internal customer in delivering quality services to the internal customer. And that there are challenges that the employee faces in ensuring quality service is delivered to the external customer.

In measuring this both the external customer and internal supplier data from KCB head office and branches was used. The results show that, the internal customer plays a major role in ensuring quality services. This is evidenced by the results shown above; with 58 percent of the respondents confirming internal customers play a key role in ensuring service quality and 29 percent responding that both the internal and external customer play a key role in ensuring service quality. Only 13 percent of the respondents responded that the external customer plays a key role in ensuring internal quality systems. Overall 87 percent of the respondents agree that internal service quality is highly dependent on the internal customer.

The various mechanisms identified by the researcher were all being used by the bank to facilitate quality delivery internally. The results indicate that the mechanisms were all viewed as important for an effective internal system. Among the identified mechanisms; Training of personnel (internal customer) was found to impact on employee performance, the personnel plays a key role in delivering quality, while effective communication was viewed as a powerful

CHAPTER FIVE: SUMMARY AND RECOMMENDATIONS

5.1 SUMMARY AND CONCLUSIONS

Much service research has emphasized the importance of customer- contact employees as boundary spanners who interact with the customers through service encounters. Also, considerable effort has been exerted to examine the relevant organizational elements that may stimulate favourable attitudinal and behavioural responses from employees, and which may subsequently improve internal customer's organizational performance. However, little attention has been given to the importance of the multiple support that contact employees receive from other concerned parties, even though they can affect the response of contact employees and ultimately influence customers perceptions of the employee performance. I proposed that, various types of internal employee support systems would affect the internal customer in delivering quality services to the internal customer. And that there are challenges that the employee faces in ensuring quality service is delivered to the external customer.

In measuring this both the internal customer and internal supplier data from KCB head office and branches was used. The results show that, the internal customer plays a major role in ensuring quality services. This is evidenced by the results shown above; with 58 percent of the respondents confirming internal customers play a key role in ensuring service quality and 29 percent responding that both the internal and external customer play a key role in ensuring service quality. Only 13 percent of the respondents responded that the external customer plays a key role in ensuring internal quality systems. Overall 87 percent of the respondents agree that internal service quality is highly dependent on the internal customer.

The various mechanisms identified by the researcher were all being used by the bank to facilitate quality delivery internally. The results indicate that, the mechanisms were all viewed as important for an effective internal system. Among the identified mechanisms; Training of personnel (internal customer) was found to impact on employee performance, the personnel plays a key role in delivering quality, while effective communication was viewed as a powerful

mechanism that impacts on the internal delivery system. Overall result indicate that, the bank uses various mechanisms as shown in chapter four to ensure superior quality delivery system. Respondents agreed that all the challenges proposed were significant and were to a large extent hindrances in delivering quality service. Out of the 20 challenges identified the most powerful challenge that was identified was that staff (internal customer and supplier) is not rewarded in a way that is commensurate to their efforts. Empowering of staff also came out strongly followed by rigid policies. A factor analysis was also conducted and 6 main factors were identified out of the possible 20 challenges. Change management came out very strongly due to the fact that most of the issues touch on empowering, training and communicating to the internal customer. Quality improvement is a never ending process and requires support of the top management who should then cascade it to the lower cadres through providing the right infrastructure and a favourable environment. This can be enhanced by means of training and communication through out the organization.

5.2 RECOMMENDATIONS

The bank should emphasis more on supporting the internal customer as he is a major determinant in quality implementation. The bank should, however, conduct an awareness programme to educate the internal customer on the important role played by the external customer in the improvement of quality. The results indicate that, only 29 percent of the respondents are aware that both the internal and external customers are important in ensuring quality service.

The internal customer requires immense support from various internal suppliers and systems to sustain superior quality both internally and externally. Training is particularly very important and having a good remuneration system which was pointed out as the major influence for performance in quality.

The bank must also try to reduce the gap between the perceived service quality and what the internal customer actually receives. This analysis show some major gaps between what the internal customer expects and what is received, these gaps could easily find their way to the

external customer. Therefore, the bank should emphasis especially on educating internal customers on the importance of empathy - understanding other people's problems, enhance communication, providing prompt services and offering accurate services. The bank is however doing very well in responsiveness because the gaps are narrow as compared to empathy and assurance.

Finally, the bank needs to address the various challenges sighted in order to improve on the quality of service. The main factors are change management, Organizational factors, encourage employee initiative, motivation, standardize procedures, empower staff and conflict resolutions.

5.3 LIMITATIONS OF THE STUDY

The banking industry is a unique environment in the service sector. It is unique due the strategic role it plays in the economy to balance supply and demand for money. This being a sensitive aspect in human live confidentiality takes a central stage and customers must be assured that no personal information is leaked to the public i.e. Banks are charged with the responsibility of upholding client's information with utmost confidence.

Banks also operate in a very competitive environment and hence are very particular in releasing any internal information to the external environment. Owing to these two factors data collection was a challenge as respondents were reserved and did not want to release information called for with ease. Therefore, the researcher did not accomplish to collect 100 percent of the targeted sample, however 63 questionnaires were returned which constituted 63 percent of the total sample and was considered sufficient to do the analysis and make conclusions.

5.4 SUGGESTIONS FOR FURTHER STUDY

The researcher conducted a case study for KCB and recommends that for a generalized conclusion to be made a study should be conducted for the whole industry to find out whether

internal delivery systems are relevant in promoting service quality and the challenges encountered in the banking industry while ensuring quality services are delivered to the internal customer.

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A study should also be done to investigate what other factor affect the internal customer and supplier in delivering quality services.

R.T. Gunn, J.J. ...
Publications, ...

Anderson, E.W., ...
profitability, ...

Acquilaro, J.M., ...
Homewood, ...

Asubonteng, P., ...
review of ...

Bahakar, S., ...
Business, ...

Babin, B.J., ...
supervisor, ...

Ketching, V.J., ...

Bard, V., ...
New, ...

Bittner, S.J., ...
employee, ...

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Dear _____

I am a student pursuing a postgraduate degree at the school of business, University of Nairobi.

I kindly request you to fill the attached questionnaire for research purposes. The research focuses on the Internal Service Delivery Systems in Kenya Commercial Bank.

The information you provide will be treated with utmost confidence, and will be used for academic purposes only. I will also be glad to provide you with the findings of this study on request.

Thank you.

Mugambi Dorcas
University of Nairobi
P.O. Box 4314 - 00506
Nairobi

Tel: 0722713834

APPENDIX 1: LETTER OF INTRODUCTION

Dear _____

I am a student pursuing a postgraduate degree at the school of business, University of Nairobi.

I kindly request you to fill the attached questionnaire for research purposes. The research focuses on the **Internal Service Delivery Systems in Kenya Commercial Bank**.

The information you provide will be treated with utmost confidence, and will be used for academic purposes only. I will also be glad to provide you with the findings of this study on request.

Thank you.

Mugambi Dorcas

University of Nairobi

P.O Box 4514 -00506

Nairobi

Tel: 0722778834

PART B: SERVICE QUALITY ORIENTATIONS

APPENDIX 2: QUESTIONNAIRE

Thank you for taking your time to complete this questionnaire.

Please ensure that you complete all questions by ticking all that apply.

Completion of this questionnaire is voluntary and all responses will remain confidential.

PART A: PERSONAL DETAILS

You may tick (✓) where appropriate.

Your job title.....

Your Gender:

Male

[]

Female

[]

For how long have you worked in the banking industry (state in years)?

.....

Current Department (Please tick (✓) as appropriate)

Operations managers, Auditors and IT []

Customer service (H/O) & Marketing []

Human Resources []

Branch Managers []

Front Office and Tellers []

Other (specify).....

PART B: SERVICE QUALITY ORIENTATIONS

(Please tick (✓) as appropriate for your answer. Note there is no correct or wrong answer)

5. Who has the major influence in ensuring reliable internal systems and processes that will ensure timely delivery?

a) External customer [] (b) Internal customer (staff) [] (c) Both []

6. The following mechanisms/ systems are used to support the internal customer in delivering quality service. Please rank each of the mechanisms given below on a scale of 1-5 to indicate the extent of their use in the bank. (Where 1- not important and 5- very important)

Mechanisms/systems	1	2	3	4	5
People are key in implementing quality					
Service Level Agreements between departments					
Approved standards					
Oversight departments e.g. Internal audit and compliance					
Approval levels - checking transactions before processing					
Regular management reports / returns					
MIS					
Segregation of duties					
Circulars to update staff of changes in policies					
Circulars to update staff of changes in procedures					
Emphasis on team spirit					
Manuals to outline procedures					
Organizational Charts to indicate reporting lines					
Process flow charts					
Effective communication channels					
Training of personnel to improve quality					
Common Vision					
Common Mission					
Prevention of problems – doing it right first time always					
Appraisal reports					
Departmental meetings					
Interdepartmental meetings – cross functional teams					
Sharing best practices					
Right tools / equipments					
Corporate culture					

Mechanisms/systems	1	2	3	4	5
People are key in implementing quality					
Service Level Agreements between departments					
Approved standards					
Oversight departments e.g. Internal audit and compliance					
Approval levels - checking transactions before processing					
Regular management reports / returns					
Conflict resolution channels					
Effective leadership					
Research and development					
Others (specify)					

7. The following are factors considered when developing quality in service, please rank each of the statements given on a scale of 1-5 to indicate their **importance** when trying to achieve quality. Where 1- not important and 5 - very important.

GENERIC DIMENSIONS	1	2	3	4	5
a) Tangibles					
Physical facilities should be clean and well kept for the welfare of staff					
Equipments should be availed to support staff deliver quality					
Staff should be appealing and warm when dealing with others					
b) Reliability					
Personnel must portray ability to perform the promised services dependably					
Personnel must portray ability to perform the promised service accurately					

GENERIC DIMENSIONS	1	2	3	4	5
c) Responsiveness					
Other staff must be willing to help always whenever need arises					
Other staff must provide prompt service to ensure efficiency					
d) Assurance					
Competence must be portrayed in solving problems					
Courteous staff are key in delivering quality services					
Secure systems ensure confidentiality in internal information					
When other department offer accurate services process become smooth					
Credible sources of information ensure solutions are tailored to suit internal processes					
e) Empathy					
Accessing all other staff ensures better information flow					
Smooth communication ensures problems are solved faster					
Understanding other staff ensures prompt services					

8. Does your department provide services (input) to other department(s)?

a) Yes [] b) No []

If yes, how do you support other departments in providing quality services?

.....

.....

.....

.....

9. Does your department receive services (output) from other department(s)?

a) Yes [] b) No []

If yes, in a scale of 1-5 please rank each of the following dimensions to show **how satisfied** you are in the services provided by the other departments. Where 1- poor, 5- very good

DIMENSIONS	1	2	3	4	5
a) Tangibles					
Physical facilities in the bank create a conducive working environment					
The equipments availed are sufficient and in good condition					
Personnel in other departments are appealing and well groomed					
b) Reliability					
Other departments perform the promised services dependably					
Other departments perform the promised services accurately					
c) Responsiveness					
Other departments are always willing to help					
Other departments are always willing to offer prompt/ timely services					
d) Assurance					
Other departments display competence in their delivery					
Other departments are always courteous when serving other staff					
We feel secure when dealing with other departments					
Other departments offer credible services to our department					
e) Empathy					
We are able to access all the other staff of the bank when in need					
There is efficient communication between departments					
Other departments understand our requests always					

PART C: Challenges in delivering quality services

10. Various challenges may be experienced by banks while trying to attain service quality improvement. In a scale of 1-5 rank each of the following factors to indicate whether you agree or disagree with the challenge. Where 1- Strongly disagree and 5 – Strongly agree.

Challenges	1	2	3	4	5
Difficulties in assigning specific accountability					
Time required improving service quality					
Delivery uncertainties					
Lack of visibility					
Hiring of inexperienced staff					
High cost in implementing new strategies					
Unwillingness to change					
Bureaucracy – rigid policies					
Fear of making wrong decisions					
Lack of research and development					
Difficulty in measuring service quality					
Rewards to staff are not commensurate to the efforts					
Fear of conflict between departments					
Fear of conflict between individuals					
Not involving everybody in quality strategy					
Lack of empowering staff to undertake key decisions					
Lack of proper training					
Lack of a good communication system					
High staff turnover – hence lack of continuity					
Lack of a standardized procedures					
Other (please indicate)					

Appendix 3: TABLES

Table 4.10: Correlation matrix

Correlation	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20
C1	1.00	.493	.203	.372	.377	.162	.250	.065	.518	.306	.168	.361	.230	.256	.146	.246	.232	.355	.333	.324
C2	.493	1.00	.128	.000	.000	.000	-.132	-.149	.271	.114	-.252	.159	.107	.081	-.207	-.108	.015	.195	.196	.154
C3	.203	.128	1.00	.400	.118	.005	.263	.096	.262	.371	.071	.086	.307	.263	.331	.362	.356	.398	.235	.083
C4	.372	.000	.400	1.00	.531	.159	.543	.435	.448	.527	.267	.176	.072	.055	.268	.304	.276	.369	.167	.341
C5	.377	.000	.118	.531	1.00	.323	.350	.339	.516	.466	.349	.491	.279	.193	.210	.230	.237	.351	.068	.169
C6	.162	.000	.005	.159	.323	1.00	.352	.277	.140	.431	.194	.083	.131	.181	.147	.001	-.005	.093	.043	.064
C7	.250	-.132	.263	.543	.350	.352	1.00	.675	.478	.456	.578	.268	.167	.148	.558	.567	.407	.507	.057	.225
C8	.065	-.149	.096	.435	.339	.277	.675	1.00	.519	.435	.433	.143	.150	.112	.386	.313	.262	.291	-.124	.055
C9	.518	.271	.262	.448	.516	.140	.478	.519	1.00	.650	.336	.499	.430	.252	.289	.324	.421	.564	.186	.281
C10	.306	.114	.371	.527	.466	.431	.456	.435	.650	1.00	.273	.330	.281	.146	.293	.250	.423	.554	.124	.306
C11	.168	-.252	.071	.267	.349	.194	.578	.433	.336	.273	1.00	.113	.291	.249	.553	.484	.355	.236	-.129	.236
C12	.361	.159	.086	.176	.491	.083	.268	.143	.499	.330	.113	1.00	.315	-.010	.093	.335	.423	.408	.084	.131
C13	.230	.107	.307	.072	.279	.131	.167	.150	.430	.281	.291	.315	1.00	.492	.237	.104	.194	.099	.179	.095
C14	.256	.081	.263	.055	.193	.181	.148	.112	.252	.146	.249	-.010	.492	1.00	.368	.163	.022	.106	.111	-.059
C15	.146	-.207	.331	.268	.210	.147	.558	.386	.289	.293	.553	.093	.237	.368	1.00	.676	.490	.454	.016	.092
C16	.246	-.108	.362	.304	.230	.001	.567	.313	.324	.250	.484	.335	.104	.163	.676	1.00	.652	.557	.120	.169
C17	.232	.015	.356	.276	.237	-.005	.407	.262	.421	.423	.355	.423	.194	.022	.490	.652	1.00	.642	.205	.429
C18	.355	.195	.398	.369	.351	.093	.507	.291	.564	.554	.236	.408	.099	.106	.454	.557	.642	1.00	.323	.365
C19	.333	.196	.235	.167	.068	.043	.057	-.124	.186	.124	-.129	.084	.179	.111	.016	.120	.205	.323	1.00	.516
C20	.324	.154	.083	.341	.169	.064	.225	.055	.281	.306	.236	.131	.095	-.059	.092	.169	.429	.365	.516	1.00

Table 4.11: Component matrix

	Component					
	1	2	3	4	5	6
C1	.532	.524	.147	.054	-.021	.104
C2	.094	.730	.117	.073	-.111	-.184
C3	.474	.134	-.206	.372	.200	-.576
C4	.641	.015	.067	-.319	.302	-.265
C5	.615	.047	.400	-.214	-.154	.107
C6	.314	-.105	.528	-.155	.345	.100
C7	.756	-.369	.007	-.155	.129	-.020
C8	.578	-.439	.241	-.246	.041	-.132
C9	.774	.218	.230	-.059	-.202	-.053
C10	.724	.097	.221	-.211	.114	-.228
C11	.574	-.493	.045	.101	.015	.401
C12	.508	.255	.071	-.149	-.651	.126
C13	.422	.138	.352	.562	-.116	.187
C14	.322	-.018	.343	.733	.148	.045
C15	.627	-.452	-.230	.343	.050	.014
C16	.666	-.269	-.469	.155	-.176	.008
C17	.679	.008	-.503	-.006	-.199	.076
C18	.743	.170	-.333	-.085	-.079	-.148
C19	.267	.570	-.276	.102	.433	.239
C20	.426	.369	-.308	-.241	.374	.465

Table 4.12: Rotated matrix

	Component					
	1	2	3	4	5	6
C1	-.016	.201	.524	.422	.268	.166
C2	-.380	-.113	.478	.262	.111	.375
C3	.280	.116	.005	.077	.224	.805
C4	.193	.680	.119	.210	-.117	.326
C5	.107	.563	.505	.034	.155	-.115
C6	-.133	.662	-.047	.087	.232	-.147
C7	.576	.636	.079	.043	.040	.048
C8	.357	.698	.076	-.209	.000	-.009
C9	.222	.457	.632	.118	.210	.177
C10	.162	.664	.338	.137	.056	.296
C11	.627	.372	.006	.025	.301	-.351
C12	.219	.060	.855	-.024	.002	-.086
C13	.108	.071	.308	.053	.755	.013
C14	.102	.093	-.038	.002	.859	.154
C15	.779	.208	-.080	-.026	.313	.129
C16	.849	.058	.181	.059	.040	.168
C17	.721	.033	.365	.265	-.085	.163
C18	.517	.228	.416	.289	-.089	.380
C19	.005	-.047	.039	.818	.121	.199
C20	.201	.171	.114	.849	-.108	-.107