

## **IMPACT OF EMPLOYEE EMPOWERMENT ON SERVICE QUALITY- AN EMPIRICAL ANALYSIS OF THE NIGERIAN BANKING INDUSTRY**

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**ABSTRACT:** *Employee empowerment is a very important issues to organizations especially those providing services. This is because the customers and employees are engaged simultaneously in the production of service. The inability of the management to control the service encounter makes the employees responsible for the quality of service delivered to the customers. This practice can directly affect the quality of service. The objective of this study is thus to determine the impact employee empowerment has on service quality in the Nigerian banking industry. The study covered nine branches out of the fifteen branches of First Bank in Kaduna State. This is because the nine branches are within Kaduna State metropolis and so, there was easy access. The sample size consisted of all the staff in the various branches with the exception of contract (in sourcing) staff. The study used primary and secondary data. Questionnaires were distributed to two hundred employees across the branches of First Bank and regression analysis were used to analyse the data. Out of the 200 questionnaires distributed fifteen (15) were not returned. The study found out that employee empowerment has positive and significant impact on service quality. It recommends that First Bank should continue to promote teamwork amongst employees so that every staff irrespective of gender would work towards a common vision of achieving the objectives of the Bank. A more enabling environment for the female employees should also be encouraged so that there will be a balance in enhancing productivity.*

**KEYWORDS:** Employment, Service quality, Nigerian Banking Industry

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### **INTRODUCTION**

The recent increase in competition in organizations has necessitated the need to put in place several strategies to improve productivity. One such strategy is employee empowerment. Others include employee satisfaction, employee involvement among other strategies. The level of communication between employers and employees affect several areas of business within business environment. This means that employees who are empowered impact positively in organizations. Empowered employees are thought more likely to want to remain in duty with an organization even in adverse conditions so that the goal of the organization can be accomplished. There is a widely held view that if employees are not happy with their jobs customers will never be uppermost in their minds (Bates, Bates and Johnston, 2003). Research has shown that

employees are a critical prerequisite to the satisfaction of external customers especially in service organizations. Nevertheless it has also been recognized that service encounters are a three-way interface between the firm, the contact personnel and the customer (Ahmed & Rafiq, 2003). Silvestro (2002) however observed that happier employees necessarily result in happier external customers and a more profitable service operation that not only drives earnings but builds the brand equity of the organization. When service interactions are not properly controlled and handled or not even handled at all, the outcome is poor perception of service quality. Employee empowerment has impact on service quality as regards service delivery because employees have the most direct influence on the customers perception of the service, service quality and feeling of satisfaction or dissatisfaction among other things. With the autonomy and necessary support needed to perform, employees can go a long way to making a difference (Gronroos, 2001).

Employees in service organizations portray the quality of service customers derive since they have frequent contacts with the customers. With adequate empowerment, they present a better picture of the organization to these customers. Employees in service industries and particularly those who have frequent contacts with the customer like the banks usually serve as representatives of both the organization and their services to the customers at contact points. The quality of the service and the satisfaction the customer may derive will be an assessment of the entire service experience. Employees who are empowered in an organization can either portray a positive or negative picture to the customers. The employees have a major role to play in determining whether a customer would enjoy the experience or turn to their competitors for better solutions. This forces organizations to rethink their strategy because as Zeithaml, Bitner and Dwayne (2006) point out, companies today recognize that they can compete more effectively by distinguishing themselves with respect to service quality.

In banking organizations, the general offerings is averagely similar even though they engage in different approaches to achieving a differentiation from the others and to be able to gain more market share and customers in the industry. According to Gronroos (2001) “almost any retailing bank can provide an individual a retailing service but not every bank manages to treat customers in a way that they will be pleased with”. Service providers therefore seek to differentiate themselves from their rivals by offering customers higher quality of services than their competitors which makes the basis of their competition to be defined by their services.

Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service

The purpose of this research is to assess the impact employee empowerment has on service quality in First Bank of Nigeria, Kaduna State. It seeks to examine whether employee empowerment has any significant impact to service quality. It is therefore proposed that:

H0: There is no significant impact of employee empowerment on service quality.

## LITERATURE REVIEW

Widmier (2002) and Silvestro (2002) highlighted two basic approaches to managing people. First the staff can be supervised closely and corrective actions taken where they fail to perform to standard. Secondly, staff can be made responsible for controlling their own actions. The latter is what is referred to as employee empowerment.

The term empowerment has been defined in relationship to leadership and independence of the employee regarding service encounter and is compared to the opposite approach referred to as the production line method which is the traditional method of delegating authority to subordinates by their superiors (Deal, 2005). According to Looy, Gemmel and Van Dierdonck (2003) “empowerment means providing service employees with enough autonomy to allow them to handle unforeseen problems situations such as complaints”. It also refers to employees being more proactive and self-sufficient in assisting an organization to achieve its goal (Herrenkohl, Judson and Heffner, 1999). Empowerment means encouraging people to make decisions with the least intervention from higher management (Handy 1993).

Empowerment enables the managers to perform and help others working under them to achieve through successful work systems. Ripley and Ripley (1992) and Spatz (2000) stated that empowerment can enhance the responsibilities as well as motivation of employees in their routine work, improve satisfaction level, quality of services, employees’ loyalty and productivity. It also gives them a feeling of self respect that is worth a lot and ultimately increases the productivity and quality of products and reduces employee turnover. Gronroos lists the benefits of employee empowerment in service organizations as:

- a) Quicker and more direct response to customer needs
- b) Quicker and more direct response to dis-satisfied customers in service recovery
- c) Employees are more satisfied with their jobs and feel better about themselves
- d) Employee will treat customers more enthusiastically
- e) Empowered employees can be a valuable source of new ideas

Empowered employees are instrumental to creating good word of mouth referrals and increasing customer retention. Ahmed and Rafiq (2003) and Martin (1996) point to some challenges of employee empowerment as: it increases the scope of employees jobs requiring employee to be properly trained to cope with wider range of tasks and it also impacts on recruitment as it is necessary to ensure that employees who are recruited have the requisite attitudinal characteristics and skills to cope with empowerment.

Kotler and Keller (2006) defined service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its

production may or may not be tied to a physical product. Due to the role of the employees in service organizations and the value customers place on service quality, the management would have to adopt a system or approach that can yield satisfactory results

Looy et al (2003:124) defines service quality as a form of attitude representing a long run, overall evaluation of the service received. Arising from the perspective that the service quality perceived by the customer maybe different from the quality of service actually delivered by the service provider as studies have shown is always the case. Sureshchander and Chandrasekharan (2002:11) describe service quality as the degree of discrepancy between the customers' normative expectations of the service and their perceptions of the service performance. Grönroos (2001:61) argues that because of the complexity of the characteristics of most services, their quality has to be complex too, as compared to the quality of goods, which is traditionally related to the technical specifications of the goods. In the case of goods, the outcome or end result of the process is transferred to the customer while, in services whether ranging from high-tech to high-touch or from discretely used to continuous services, the way the service employees perform their tasks, what they say, and how they do it also influence the customers view of the service and their experience of it. Other factors that could affect the service are:

The attitude of other customers consuming the service and the atmosphere of the buyer-seller interactions. These factors can positively or negatively affect a customer.

The way the customer receives the service also influences his view of the quality of the service, the way he experiences the simultaneous production and consumption of the service is quality dimension. The quality of services can be classified into two parts based on how the customer receives the service and what the customer receives. "The HOW and the WHY":

Technical quality: what the customer receives and how he receives it, the outcome of the process. Functional or process quality: how the service encounter is taken care of and how the service provider functions.

Various studies in service management have shown that the perception of the quality of services through the eyes of the customer is formed by a judgment of many encounters, with an organization. According to Zeithaml, Bitner and Dwayne (2006:106), "customers perceive services in terms of quality of the service and how satisfied they are overall with their experiences." However, these encounters are mainly the joint effort of the employees who have contacts with the customers, and the customers themselves, who therefore may be in better position to understand them, and solve their service related problems.

As services are by their nature intangible, customers look for tangible things to give them a clue of what the service they are buying is worth. However majority of the clues they are searching for are evaluated through their interactions with the service supplier (the contact employee). Therefore, a huge part of their judgments will hinge on the attitudes and qualities expressed by those employees. Sureshchander et al (2002) suggests that firms should train, motivate and

reward their employees for demonstrating desirable behaviours in service encounters. Zeithaml et al (2006) says “Satisfied employees make for satisfied customers”.

Spice and Gilbert (1991) advised the managers to give authority to workers in making decisions for maximum utilization of human capital. Dobbs (1993) stated that empowerment enhances the performance of workers and improves the work environment of workers. Caring, respectful behavior and encouraging the employees improve the quality and interest of the workers in the job. Many managers have been found unsuccessful in creating empowerment by creating direct reporting channels, while if the employees were empowered with a common vision, it would ensure the success of all concerned. Promoting corporate values within the organization and ensuring their enforcement would be an effective and practical mode for enhancing corporate performance. Employee empowerment results in better performance of employees and enhances quality of service produced.

Following therefore all the qualities of service and with respect to the banking sector, a bank cannot inspect its services and products, and weed out unsatisfactory ones before they are presented to the customer (Ashi 2008). Employees therefore become the voice and face of organization. It thus follows that it is not enough that the employees be trained to provide quality service, but that they should also know what to do and how to do it. It is also essential that they have the necessary authority to make decisions regarding customer satisfaction. Employees need to be empowered to perform but they also need the support of good management, support systems, technology and information.

First Bank has been amongst the oldest banks in Nigeria. The choice of First bank as a subject for this study is because of its success rate especially in terms of providing service quality. Quite a number of studies have been made in the area of employee empowerment with different focus and approaches but an aspect that is still under-researched is how employee empowerment impacts on service quality in Nigeria.

## **METHODOLOGY**

The study sampled nine branches out of the fifteen branches First Bank has, in Kaduna State. These nine branches are within Kaduna State metropolis and so, there was easy access. The respondents consisted of all the permanent staff in the different branches with the exception of contract (in sourcing) staff. This added up to two hundred respondents from the nine different branches. The survey was conducted by distributing questionnaires to respondents who were employees of the bank. Out of the 200 respondents, 110 male and 90 female participated having age bracket between 20 to 50 years while majority of the respondents are between 30 – 40 years. Each respondent was given one questionnaire. Out of the 200 questionnaires distributed, fifteen (15) were not returned.

The questionnaire solicited general information about respondents that is age, gender, marital status, work experience and service quality. The Statistical Package of Social Sciences (SPSS) was used for analysis by applying regression and Independent sample test T- test.

## METHOD OF DATA COLLECTION

Data was collected through primary and secondary sources. Instruments used and sources consulted as already indicated, includes questionnaires, text books and journal articles. These materials were reviewed to draw relevant information on the research topic and form the basis for the design and formulation of the framework for the study.

### Estimation of Variables

This research work consists of two variables: the independent variable which is employee empowerment, and the dependent variable which is service quality. Employee empowerment is measured through a four-item factor: each item touches on a different dimension of what it means to feel empowered. These items encompass staff members' sense that they can exercise authority and creativity, feel respected and recognized for their contributions, have honest two-way communication with their supervisor, and enjoy their working environment.

The service quality is measured by assurances and tangibles of the bank. These assurances include the length of time a customer spends in the bank before being served (service delivery), teller courtesy and the attitude of the employees as they are serving the customers and answering questions. This will be drawn from the responses of the respondents and analyzed to find out whether employee empowerment has an impact on service quality in First Bank of Nigeria PLC.

### Data Presentation

The table below is analyzed based on whether employee empowerment has any significant impact on service quality.

**Table 1**

**TABLE 1: Simple Regression Coefficients, Standard Errors in Parentheses, t-value in brackets, p-value in italics**

Constant	Employee Empowerment	R-Square	F Statistic
2.633 (0.189) [13.896] 0.000	0.529 (0.529) [3.714] 0.000	0.651	13.795   0.000

The relationship among employee empowerment and service quality is measured through regression analysis. The result of regression analysis reveals that the model is significant ( $p < 0.05$ ), R-Square is 0.651 and F-statistics is 13.79. It is proved that there is positive and significant relationship between employee empowerment and service quality. The value of R-square shows the fitness of the model as employee empowerment contributes 65% of employees

attending promptly to customers. The regression coefficients for independent variables are 0.529 which suggests that employee empowerment contributes 53% change in the quality of service provided. This is as a result of the courteousness of the staff and the smile on their faces when serving customers. On the basis of these results, hypothesis (H2) proved valid and confirms that employee empowerment leads towards higher levels of service quality.

## CONCLUSION AND RECOMMENDATIONS

In this paper, we have examined the relationship between employee empowerment and service quality in First Bank of Nigeria, Kaduna State. Based on the result of the findings, employee empowerment has positive and significant impact on service quality. This research confirms that employee empowerment improves quality of service. The employees are highly empowered to deliver quality services to customers. This is evident in the assignment of particular employees to specified customers, to ensure they maintain a direct personal relationship with them. From the responses, when employees are unable to handle a given situation or when they are not knowledgeable about something they consult their fellow employees. They can also consult the bank manager or the general manager.

First Bank uses employee empowerment as a tool to enable their employees' deliver the right kind of service quality the bank stands for. Employees are given a high degree of autonomy, regarding decisions affecting customer service. These empowered employees are highly motivated to provide greater service and enable them to 'own' the job, exercise freedom while controlling the service process and individually respond to customers need in an excellent fashion.

It recommends that First Bank should continue to promote teamwork amongst employees so that every staff irrespective of gender would work towards a common vision to achieve the objectives of the Bank.

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## APPENDIX A

### PERSONAL INFORMATION

1. Name
2. Age
3. Sex
4. Marital Status

### QUESTIONS ON SERVICE QUALITY FOR EMPLOYEES

5. Does the Management believe that employee performance is directly related to employee empowerment?
6. How does this empowering the employees contribute to quality service delivery?
7. How does the bank blend in new employees into the system without causing any service failure in the organization?
8. Does this approach enable the Bank to compete with her competitors in the market?
9. Are employees rewarded for their enhanced jobs and punished for their failures? What happens when there is a service failure, who takes the responsibility? The employees or the bank or is it shared?
10. On the issues that employees need to consult with management, how many steps above can they go to get it resolved?
11. To what extent are the employees empowered to serve the customers?

### QUESTIONS ON SERVICE QUALITY FROM CUSTOMERS VIEW POINT:

12. How would you rate the appearance of the building of the bank? (a) Clean and Satisfactory (b) Clean (c) Satisfactory (d) Dirty.
13. Would you recommend another person to Bank here? (a)Yes (b) No (c) Maybe.
14. Would you prefer to bank somewhere else? (a)Yes (b) No (c) Maybe .
15. What do you like most about First Bank? (a)They care (b) They are timely (c) They are professional. (d) All of the above.
16. How would you rate their services in this bank? (a)Excellent (b) Normal (c) Manageable.
17. Are the employees friendly and polite? (a) Always (b) Sometimes (c) Never.
18. Are there any formal greetings from the employees? (a) Yes (b) No (c) Never.
19. Were all communications clear and professional? (a) Yes (b) No (c) Maybe.
20. Were the employees willing and able to respond quickly to the customer's needs?  
(a) Yes (b) No (c) I am not sure.
21. Are you satisfied with this Bank? (a)Very satisfied.(b) Satisfied.(c) Dissatisfied.
22. Do you think that First Bank is a customer-oriented bank? (a)Yes (b) No (c) Maybe.
23. When things go wrong do the employees show understanding? (a)Yes (b) No (c) Sometimes.
24. Are the services you receive, exactly as the bank promised, before you started with them. (a)Yes and better (b) Yes (c) No (d) Worse