

PERSPECTIVES OF SERVICE FAILURES IN FINANCIAL SERVICES

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Abstract:

Banking & Finance is a significant contributor to the service sector and it also has its own service loss phenomena. The research carried out on the backgrounds and outcomes that affect the actions of workers specifically suggests a widespread pattern of service delivery failures. In the sense of service provision and shortcomings, work-related behaviors and cumulative operational factors are discussed. The study also explains the role of frontline service personnel and emphasizes the crucial value of service delivery preparation. The study carried out to determine the most significant variables of service failure by along with managerial implications for recovery.

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1. Introduction

There are multiple credible evidences of increasing contribution of service industry to our nation's Gross Domestic Product (GDP). The service sector accounts for more than half of India's GDP; Banking, financial services and insurance have been an important constituent of the service sector. Though the over view of the overall indicators present a glowing picture, the fast growth has resulted in its own unique problems. Banking being a service does not offer 'instant product experience' at the time of purchase. At the best it provides a 'less experience'. The mis-selling of financial products puts the service receiver in an unfair situation causing service failure.

In simple terms, a service failure can be conceptualized as any service delivery falling short of the customer's expectations. In case of service failure, as the service delivered would be short of customer's expectations, it might result in customer dissatisfaction, might adversely impact the loyalty, and might result in negative word-of-mouth, all of which would negatively influence the fortunes of the firm. Post failure, customer behavior that might adversely impact the firm is understandable as in most service encounters; customers do not expect a failure in the first place.

Whilst it would be interesting to study the behavior of the present day demanding customer in case of double deviation effect, imagine the resources the firm would have to spend on service recovery and its impact on its profitability. If failure-recovery efforts are not managed

effectively, it can adversely impact the profitability and future prospects of the firm at a micro level and at a macro level have devastating impact on productivity of the nation.

While service failure and subsequent recovery efforts appear quite simple prima-facie, in reality it is quite complex. It is complex because usually it is the frontline service executives who get involved in the recovery efforts for failures caused by someone else in the service creation & delivery process. The complexity is enhanced by factors like remote service delivery, technology mediated service delivery, need for internal service recovery etc.

The fact is that in many services, service receivers play a role in the creation of the service makes the study of service failure and recovery even more interesting. Service receiver (customer) as a source of or contributor to service failure is something worth investigating. Quite often, recovery procedures are initiated only when a complaint is registered by the service receiver. Hence the customer has a role to play in the recovery efforts as well. The impact of customer presence, degree of participation etc., on service recovery is another issue worth investigating.

Another major development that is dramatically altering the creation and delivery of many services is technology. Technology is being increasingly used to create and deliver many services. Study of antecedents and consequences of service failure in

technology-mediated service delivery is another interesting facet that is worth investing.

In the recent past, the issue of service recovery has received fair amount of academic interest. Past studies have attempted to understand the impact of service failure on customer satisfaction, handling of service recovery on customer satisfaction, classifying recovery situations, evaluation of recovery by customers etc..

2. Related Research

Researchers have used three theories to explain the phenomenon of service loss. The Philosophy of Social Interaction, the Theory of Equality and Attribution. While the theory of social trade relies solely on the economic profit gained from exchange, the theory of equity depends on the assumed sacrifices and rewards within an interpersonal partnership and the theory of attribution has its origins on how the 'rank' of persons triggers events and influences their motivation through this cognitive interpretation.

Johnston & Hewa (1997) recognizes 'any measures taken by the service provider to reduce the shortage resulting from the inability of the provider to deliver the service as expected' as service recovery. Gronross (1998) describes service recovery as any behaviour taken in response to a service breakdown by the service provider. Smith et al (1999) see service recovery as 'a package of tools used to minimize service loss by the enterprise.'

Andreassen (1998) describes service recovery as 'efforts undertaken by organizations to restore aggrieved consumers after a service breakdown to a state of satisfaction'. Tax & Brown (2000) describes service recovery as 'a mechanism that detects service defects, addresses consumer issues efficiently, classifies their root causes and yields knowledge that can be paired with other success metrics to analyze and optimize the service system.

Service Recovery Paradox applies, according to Michel (2002), to 'a situation in which the happiness of rescued clients exceeds that of clients who have not faced any issues.' Many scholars, however, such as Halstead & Page (1992), have doubted the nature of the paradox of regeneration. Their core point is that no turnaround would be better than a stable, error-free operation for the first time. And experiments that have found convincing proof of the presence of a paradox of

recovery that meets the criteria of reliability and legitimacy are unusual.

The topic of service security has received a lot of research interest over the last two decades. There appears to be a general consensus on the underlying meaning of the promise of operation. Hays & Hills (2006) describes service guarantee as 'a commitment by a service provider that they will deliver at a certain level and, if that level is not reached, the service company then guarantees in some manner to refund the customer.' Kashyap (2001) describes service assurance as 'an specific customer promise relating to all or part of the service process, normally providing customer reimbursement if the commitment is not fulfilled. Wirtz (1998) argues that service guarantee (a commitment) is a 'form of contract' and that failure to satisfy it may lead to breach of contract. Zeithaml & Bitner (2006) mentions three types of service guarantees; unconditional service guarantees (satisfaction guarantee), guarantees of service attributes and mixed guarantees, which are a mixture of the two types listed above. Unconditional service guarantees have a very wide scope and are promises that, if he/she is not satisfied with the service given, the customer will not pay. Whereas quality attribute assurances are promises that are essential to consumers for particular facets of service. Combined promises are combinations that incorporate the general reach of the promise of absolute fulfillment with particular customer-relevant characteristics.

Fabien (2005), who suggested 'Internal Service Guarantees' to stress the need to ensure that internal service systems and personnel are still in a position to conform with company obligations (service guarantees). They discern between back-stage service activities and front-stage service activities (service units in direct contact with the customers). The front stage service units will find it difficult to satisfy the service guarantee obligations of Bosch & Enriquez (2005) in their work on QFD (Quality Feature Deployment) and Customer problem management framework have a fresh perspective unless back stage service units make formal commitments to the front stage service units. According to them, grievances are the Clear Voice of the Consumer (VOC) and meet one of QFD's key criteria for first-hand data collection.

3. Research Problem & Objectives

Efficient management of service loss and recovery has a major bottom-line power, as stated earlier. The financial stability of the service providers will greatly rely on how they execute these activities in their day-to-day job, as the frontline executives play an important role in service development, distribution and failure recovery. Organizational behaviour studies in the areas of psychology has identified such attitudinal and behavioral disorders that would impact workers. In this research, problems that lead to service loss (background) and subsequent attempts to correct the negative variance of service provided (recovery efforts) affecting financial services frontline managers are discussed. The Specific objectives of the study are

- To identify the appropriate antecedents of work related attitudes' that influence the behaviour of frontline employees during service recovery encounters.
- To identify the combined influence of organizational variables like customer service orientation of the firm, reward for service excellence, empowerment and customer service training on job related attitudes and subsequent behavioural outcomes include service recovery intentions.

4. Methodology

This present study is based on primary as well as secondary data in nature. The primary data have been collected from bank employees with the help of online survey method. For the given study, a total of 398

Table 1: Mean & Standard Deviation of Variables

	N	Range	Minimum	Maximum	Mean	Std. Deviation
TRAINING	398	5.75	1.0	6.75	4.3964	1.17733
INTRINSIC_MOTIVATION	398	6.00	1.00	7.00	4.8813	1.49502
CUST_SERV_ORNT	398	6.00	1.00	7.00	4.7295	1.24709
BURNOUT	398	5.00	1.33	6.33	4.1926	.97514
ORGN_COMMITMENT	398	5.00	1.33	6.33	4.5670	1.00404
PERFORMANCE	398	4.67	1.67	6.33	4.4573	.81263
INTENTION_RECOVERY	398	5.67	1.17	6.83	4.8137	1.05334

The descriptive statistics demonstrate that the information indicates sufficient uncertainty for more statistical research to be carried out. It also shows that for most non-demographic factors, the highest and minimum values are inside the scale range (1 to 7).

samples have been collected from public and private sector banks. The relevant secondary data also collected from, books, journals, magazine and internet etc.

The survey instrument was administered personally. Data was collected at the place of work. Self report studies are often criticized for high correlation as data on independent variables and dependent variables is collected from the same respondent resulting in common source variance.

5. Data Analysis and Interpretation

As factor analysis is an inter-dependence process, the variables can no longer be classified as independent (precedent) and dependent after factor analysis (consequence). Therefore, the majority of the observations are interpreted as results of the results of interrelated relationships of dependency. The data is checked before doing factor analysis to assess if the distribution of data is in line with the multivariate normality analysis criterion. In tabular forms, the results are displayed. Service delivery factors, viz. Education, intrinsic inspiration, orientation of guest service, burnout, organizational dedication, success and rehabilitation of purpose are tested for their value. For further statistical analysis, 398 available responses were maintained, as already stated. The mean & standard deviation of the variables used is given in the following table.

Both indicators used in the study were replicated in previous experiments, with the exception of the intention to invest in service rehabilitation. There is very little evidence, however, of any of the steps used in the analysis being used in the context of India. The

reliability of these tests therefore needs to be developed to decide if they validate the basic factor structure.

Table 2: Reliability Statistics: Variable – Training

Cronbach's Alpha	.604	N of Items	03
	TRAIN 1	TRAIN2	TRAINS
Scale Mean if Item Deleted	13.1508	13.1884	12.8367
Scale Variance if Item Deleted	12.410	12.113	12.923
Corrected Item-Total Correlation	.422	.477	.473
Cronbach's Alpha if Item Deleted	.504	.454	.462

Using a three item scale, customer service preparation was assessed. The overall item figures show that there would be no increase in inter-item reliability by dropping variables. Malhotra (2005) indicates that 0.6 and above alpha values signify adequate reliability of

internal accuracy. The alpha value of .604 by Cronbach indicates moderate internal accuracy for the variable preparation. All the ingredients are then held for further review.

Table-3 Reliability Statistics; Variable - Intrinsic Motivation

Cronbach's Alpha	.814	N of Items	03
	In- Motive 1	In- Motive 2	In- Motive 3
Scale Mean if Item Deleted	14.6985	14.6156	14.5101
Scale Variance if Item Deleted	22.231	20.590	20.099
Corrected Item-Total Correlation	.550	.722	.713
Cronbach's Alpha if Item Deleted	.806	.726	.728

As is evident from the cumulative statistics of the object, lowering an item does not lead to any change in

Cronbach's alpha's overall worth. Therefore, for further study, all things used to calculate intrinsic motivation have been preserved. Churchill et al (2006) suggests

that the alpha value of 0.6 and above represents an appropriate degree of internal accuracy and reliability, so the present form should be used for the measure.

The alpha value of .814 by Cronbach indicates strong internal stability for the vector intrinsic motivatio

Table 3: Reliability Statistics: Variable - Customer Service Orientation

Cronbach's Alpha	.766	N of Items	03
	CS0 1	CS0 2	CS0 3
Scale Mean if Item Deleted	9.2010	9.9598	9.2161
Scale Variance if Item Deleted	6.176	8.074	6.593
Corrected Item-Total Correlation	.686	.487	.636
Cronbach's Alpha if Item Deleted	.582	.801	.644

Using a three item scale, variable customer service instruction was assessed. The chapter on analysis methods has given full descriptions of the scale pieces. As compared to previous scales, the total value of Cronbach's alpha will increase to .801 by lowering an object (CS02). The optimal element for the item ration is 1:6, as suggested by Hinkin (1995), and he argues against lowering items for negligible change in the

alpha value of the overall Cronbach. The item CS02 is kept for further study because we are better-off by keeping the item (as the alpha value is .766). As recommended by Malhotra (2005), the alpha value of 0.6 and above implies adequate reliability of internal accuracy. Cronbach's alpha value of .766 indicates moderate internal stability for the Firm's variable Customer Service Orientation.

Table 4: Reliability Statistics: Variable – Burnout

Cronbach's Alpha	.777	N of Items	04	
	BURNOUT 1	BURNOUT 2	BURNOUT 3	BURNOUT 4
Scale Mean if Item Deleted	34.7437	33.9347	33.9749	34.615
Scale Variance if Item Deleted	61.506	56.379	47.521	58.424
Corrected Item-Total Correlation	.270	.344	.662	.302
Cronbach's Alpha if Item Deleted	.779	.774	.721	.778

There was a larger number of items compared to all prior factors in the burnout inventory. In the previous chapter, descriptions of the things were presented. In the viz. scale, there are two things, BURNOUT 4 and BURNOUT 1 through falling, which would have an insignificant increase in the total value of the alpha of Cronbach.

In comparison, burnout being a three-dimensional component of umbrella design, mental fatigue, depersonalization and reduced personal achievement, lowering two items would minimize one by one the

number of items for two dimensions. This is against Hinkin's (1995) suggestions that call for a greater element in the ratio of products. Therefore, the nine initial products used in the burnout measurement were kept for further study. Malhotra (2005) indicates that 0.6 and above alpha values signify adequate reliability of internal accuracy.

The alpha value of .777 by Cronbach indicates strong internal stability for the vector Burnout. All the ingredients are then held for further review.

Table 5: Reliability Statistics: Variable - Organisation Commitment

Cronbach's Alpha	.770	N of Items	04	
	ORGN_COMI VITMENT 1	ORGN_COMI VITMENT 2	ORGN_COMI VITMENT 3	ORGN_COMI VITMENT 4
Scale Mean if Item Deleted	36.989	36.1809	36.2211	36.6131
Scale Variance if Item Deleted	61.189	56.602	50.777	57.820
Corrected Item-Total Correlation	.319	.356	.538	.399
Cronbach's Alpha if Item Deleted	.765	.764	.734	.756

Using a nine item scale, variable company dedication was calculated. Organizational engagement, like most other consequential factors, is an umbrella concept with the following three dimensions: affective engagement, normative engagement and normative engagement. The scale is constructed such that each

dimension has at least three objects to weigh. Critical review of item total statistics shows that there would be an insignificant increase in the average importance of Cronbach's alpha by dropping item ORGN-COMMITMENT 4. Since the degree of transition is abysmal, all the goods are kept for further study.

Table 5: Reliability Statistics: Variable – Performance

Cronbach's Alpha	.607	N of Items	04	
	PERFORM 1	PERFORM 2	PERFORM 3	PERFORM 4
Scale Mean if Item Deleted	21.8442	22.1709	21.8241	23.1759
Scale Variance if Item Deleted	4.585	14.68	14.830	20.307
Corrected Item-Total	.579	.557	.550	.188

Correlation				
Cronbach's Alpha if Item Deleted	.447	.457	.462	.615

Again, variable efficiency is an umbrella term of two dimensions: general performance characteristics and perceived performance of service recovery. Review of item total statistics shows that the overall value of Cronbach's alpha will increase from .607 to .687 by lowering the item Output. However, being an umbrella

construct, lowering an object would go against the recommendation of a larger variable by Hinkin (1995). Although the alpha value is appropriate even though all the elements are preserved, the scale is used for further study in its current form.

Table 6: Reliability Statistics: Variable - Service Recovery Intentions

Cronbach's Alpha	.744	N of Items	04	
	PERFORM 1	PERFORM 2	PERFORM 3	PERFORM 4
Scale Mean if Item Deleted	23.9874	24.1784	23.9724	24.1809
Scale Variance if Item Deleted	29.635	28.867	28.500	31.902
Corrected Item-Total Correlation	.523	.481	.542	.329
Cronbach's Alpha if Item Deleted	.698	.708	.690	.747

The purpose of service recovery was measured using six items; since this was a newly developed scale based on the principle of rational behavior, it was very necessary from the point of view of service delivery to get a reasonable inter-item reliability. Complete item statistics show that removing an item does not result in a major change in the alpha value of Cronbach. While falling item RECOVERY5 can result in minor enhancement, it is marginal at best. The scale is then maintained in the initial form. And suggest that the alpha value of 0.6 and above reveals adequate stability of internal accuracy. The alpha value of .744 by Cronbach indicates strong internal continuity for the variable Service Recovery Purpose. Therefore, as influencers, all the elements considered relevant are maintained.

6. Conclusion

The effect of selected antecedents on the service recovery intentions of frontline service executives was analyzed in this research. To a large degree, the research has succeeded in defining the key antecedents and possible psychological effects that could impact the frontline service executives' work-related behaviour. This analysis has identified which of the operational considerations most impact the service recovery intentions of the frontline service managers in the insurance industry. By relying on these factors, insurance providers will aim to increase the quality of service recovery. Since burnout has been shown to have a major effect on core work-related behaviors such as workplace participation, efficiency and employee satisfaction, if they wish to see a successful

service turnaround, service providers need to solve this problem fast.

As all of the variables can be managed by management, the conclusions of this research contribute to a variety of major managerial consequences. First and foremost, the associations described reflect the context and consequent detrimental effects on frontline staff. As this research shows burnout and its consequent implications, managers should incorporate these steps in the daily attitude assessment survey that is carried out in their organisation. In addition to the above, the 'efficiency' of the frontline service executive is a particular management intervention that may have a positive impact on the objective of service recovery. The method of performance assessment & compensation should be flawless and specific task-related elements that lead to improved performance should be implemented as performance has emerged as a core influencer of job satisfaction, corporate engagement and service recovery intentions.

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