Title: The Importance of People on Delivering Service Quality: A study in Svenska Handelsbanken of Gävle

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ABSTRACT

Title: The Importance of People on Delivering Service Quality: A study in Svenska Handelsbanken of Gävle

Level: Final assignment for Master Degree in Business Administration

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Supervisor: Peter Lindberg

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Aim: Banks in Sweden appear extend through different distribution channels. The role of branch banking has changed to provide advisory services and sell the banks’ products and service which is an approach involves the people interactions. Service employees are associated with the organization service quality and customer satisfaction. A comprehensive human resource strategy thus can help the organization develop a more customer-orientation employee, in order to deliver service quality. With the help of the human resources strategies wheel (Wilson et al., 2008), how a bank develop people to deliver service quality will be showed, which finally lead to the purpose of this paper - revealing the importance of people on delivering service quality.

Method: By reading relevant literatures, the theory about service culture and human resource strategy is defined. Svenska Handelsbanken chose to be the research object.
Its decentralized organization which focuses on the interplay between strong branches, highly-trained specialists and efficient support functions is useful to this research. Through face-to-face interview with branch managers, a holistic view of the situation in bank will be showed, additionally, detail information can be digging out.

**Result & Conclusions:** The human resources strategies used by Handelsbanken is a process generally including hire the right people, provides effective and sufficient training and needed support systems, retain the best people. As a result, this research indicates with the service culture which establishes deeply inside the organization; Handelsbanken realizes the important of people on delivering service quality. And then by choosing the right people, training them, supporting them, and retaining them as a serious of human resources strategies, the service quality is delivered. In addition, the authors find out the relation among service culture, human resources strategies and people work as a triangle, constraining and assisting each other.

**Suggestions for future research:** One of the limitations of this thesis is lack of employee perception. Another is hard to find a lot of information about the unique reward system in Handelsbanken - Oktogonen Fundation in English. The document is in Swedish so that the authors only can get general information from the annual report 2008 of the bank. The suggestion for future research is to conduct a study which it includes bank perspective and employee perspective.
**Contribution of the thesis:** The contribution of this study is to show how importance of people in service quality delivery by complementing a framework which is integrated service culture and human resource strategies.

**Key words:** People, Human resource strategy, Employee, Service culture, Service quality, Bank
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1. Introduction

1.1. Background

It is recognized that the strategic competitive advantage of physical product is not sufficient anymore, the need of a good and a well prepared quality service become more and more significant. Technology evolution has making a dramatic influence on the service industry, which radically shapes how services are delivered (Floros, 2008). In order to provide convenience to customers, banking industry offers service through several distribution channels, such as ATMS, telephone, branches, and internet (Aronsohn et al., 2006). Swedish banks have a high proportion of internet customers compared to banks in most other countries (Sweden bankers’ association, 2008). But the four biggest commercial banks (Swedbank, Handelsbanken, Nordea and SEB) still rely on a widespread network of branches across the country (Sjöberg, 2007). Branch offices mainly operates to provide advisory services and sell the banks’ products and services (Sweden bankers’ association, 2008), they are considered as an important complement to the ever-growing online banking user-base (Sjöberg, 2007).

Physical branch channel mainly depends on face-to-face contact with customers (Wilson et al., 2008). It is a services delivery process that emphasizes how the service provider or contact person behaves or approach (Wilson et al., 2008). Generally, a service is not equivalent as a physical good, it is a process that create profit to customers, it is humans business and interaction among human being internally as well as externally (Grönroos, C, 2000). As the service marketing mention, “all the human actors who play a part in service delivery influence the buyer’s perceptions” (Bitner et al., 2006). Jamal and Adelowore
(2007) has found that customers perceive the bank employees as helpful relational partners who is capable and pleasure to provide professional and quick service.

During service delivery process, the contact employees can influence the buyer’s perception; they are the service, the organization in the customer’s eyes, the brand and the marketers (Wilson, et al., 2008). Employees, who are knowledgeable, understanding and caring about the customer financial situation and goal (Wilson, et al., 2008), can influence the customers’ thinking. Accordingly, the contact employees represent the organization, even they are off-duty, everything these individuals do or say can also affect how the customers feel with the organization (Wilson, et al., 2008). Furthermore, the culture of an organization will heavily influence the behavior of employees in an organization (Wilson, et al., 2008).

Services employees also influence the five dimensions of service quality - reliability, responsiveness, assurance, empathy and tangibles. When services fail or errors happens, their right actions and judgments to service recovery refer to reliability. By communicating their credibility and inspiring trust and confidence, employees offer assurance of service quality to customers. Moreover, employee appearance and dress can be one of the important aspects of the tangibles dimension of quality. (Wilson, et al., 2008)

On the other point of view, keeping the promise of service quality is the role of internal marketing (Wilson, et al., 2008). Internal marketing is “a complex combination of strategies needed to ensure that service employees are willing and able to deliver quality service and that they stay motivated to perform in customer-oriented, service-minded
ways” (Wilson et al., 2008, Zeithaml et al., 2006). Particularly, human resource strategy as one of the tools in internal marketing, it can help organization to ensure the service employees are able and willing to offer quality services and motivated to perform a customer-oriented in a service minded way (Wilson, et al., 2008). By designing and implementing human resources strategies, which about (1) hire the right people, (2) develop people to deliver service quality, (3) provide the needed support systems, and (4) retain the best people, (Wilson, et al., 2008), organization can create an understanding and acceptance among employees about the companies values, products, services delivery, and marketing campaigns (Grönroos, C, 2000, P365). With a set of human resources strategies to maintain a consistent customer oriented workforce, a service firm can develop a more customer conscious employee giving better service quality (Papasolomou and Vrontis, 2006).

In this paper, we choose Svenska Handelsbanken in Gävle as our research object. Its decentralized organization aims to promote the interplay between strong branches, highly-trained specialists and efficient support functions (Handelsbanken, 2009). Therefore, it would be a good example for us to research how the bank develops people to deliver service quality.

1.2. Problem

In Sweden, retail branch banking is a business that is indeed conducted locally (Sjöberg, 2007). While more and more urban customers use e-banking as the major delivery channel for accessing banking services, rural bank customers still rely on the physical branches as the prime access channel (Sjöberg, 2007).
In order to expanded product offerings, extend geographic reach and reduce the customers cost (Aronson et al., 2006), bank provide diverse technology channel on services such as mobile and internet. However, customers are unfamiliar with this technology-based service at first, they may have not experienced or have trouble to determine the value of purchase or use in one financial service (Matthing, 2004). Without the service employees, the technology-based service is unknown.

On the other hand, the complexity of the processes and supporting technology can lead to transaction/operations risk. Such risk arises from fraud, processing errors, system disruptions, or other unanticipated events which exist in each product and service offered (Mihalcescu et al., 2008). When problems happen, customers usually will contact the service offices and ask employees to help.

Aronsohn et al. (2006) find out although e-banking now provide many benefit to customers, a high interaction between employees and customers is significant for banks to continually improve the e-banking service quality. As Wu et al. (2006) state, person-to-person interaction is the main way to deliver service quality. Employees who work as advisor in banks have responsibility for sending important information to customers through email or communicating with them by phone. If possible, a face to face interaction can strength their relationship.

In addition, Brantås and Nilsson (2008) state customers always have long-term relationships with one bank. Nevertheless, there is possibility for customers to switch bank. The most obvious factor could be the customer becomes dissatisfied with the banking employees or feels that he/she has been treated badly by the bank (The Nordic
competition authorities, 2006). In order to retain service quality and customer satisfaction, banks should train employees and develop them reward for consistent, cheerful, prompt service performance (Anthony, 2001). The service marketing (Wilson, et al., 2008) has believed “even during slow economic times, the importance of attracting, developing and retaining good people in knowledge- and service-based industries cannot be overemphasized”.

According to the news reported in public, we found that there is a heavy pressure in Sweden labor market, and many people cannot find the work. Facing the large number of job-seekers, we suspect that how a bank can hire the right one who can suit the service of bank, thereby keeping them to deliver service quality.

Finally, we find few literatures research the strategy for delivering service quality through employees in branch banking in Sweden. Most of the papers we search on Emerald database or other internet essay database only present the relevance theories that employees play an important role in service quality delivery, but without case. This thesis would help us to get a general idea of the human resources strategies using in a branch office of Svenska Handelsbanken.

1.3. Purpose and research questions

Using the human resources strategies wheel (Wilson et al., 2008) as framework, this study aims to reveal the importance of people on developing service quality. Based on the main purpose, there are some sub-questions as following:

- How does the branch banking develop people to deliver service quality?
- What is the characteristic of this process?
1.4. Limitations

The limitation of this research is lack of employee perspective. In internal marketing, employees play an important role on service delivering process. Now we only got the data from managers points of view. If we conduct the interview to frontline employees, which is about how they think of the service quality that they deliver, it could help us to measure the human resource practices of this branch office in more validly. Another one is that we cannot get much information about the unique reward system - Oktogonen Fundation in Handelsbanken in English. The document of Oktogonen Fundation is in Swedish. We get general information from the annual report 2008 of the bank. This reward system makes contributions to attract and retain the best people in the bank. It is better that we can use more such kind of information to show how the bank retain the best people.

2. Methodology

2.1. Research strategy

Regarding research strategy, Silverman (2005) explains it is the choices that we make about types of research, methods of data collection, and forms of data analysis, etc. during planning and executing a research study.

In the early stage of our research, it is necessary to decide the research topic. Both of the authors have taken program of Business Administration in Gävle of Sweden. This program helps us to develop an understanding that service marketing and human resource
are very closely related. Additionally, we have interest to research the relevant about branch office of bank. In order to specific our research area, we need to do an initial review of the literatures, and then discover relevant material published in the chosen field of study (Walliman, 2008, p. 31). At the same time, we usually consult our supervisor about the research topic. By modifying several times, we decided to use the Human Resources Strategies Wheel of Wilson et al. (2008) as framework, and then do a responsive evaluation (Walliman, 2005, p. 115). It is a type of research based on observation to collecting data which mainly depending on the type of information sought, people can be interviewed, questionnaires distributed, and visual records. This research can contribute the subsequently analyze, even provide suggesting changes in conclusion (Walliman, 2005, p. 115-20).

After defined the research purpose, we consider use qualitative research to collect and analysis data. It is a strategy that usually highlights words to construe the attitudes, beliefs and motivations within a subject (Walliman, 2005, p. 247). This method tends to gain a deeper understanding for the problems investigated through different sources of information, as well as to be able to describe a general picture of the reliability in which the problem is involved (Walliman, 2005, p. 247). Since we are studying the meaning and influence of human resources strategies on employees for delivering service quality in bank, qualitative strategic can help us to get the own understanding of the participants.

2.2. Data collection

- Primary and secondary sources

When gathering data that relate to our thesis, we utilize both primary and secondary sources. In Williman’s (2005) book, the way which the researcher can gain data directly,
detached observation or measurement of phenomena in the real world, undisturbed by
any intermediary interpreter can be defined as primary sources. On the contrary, where
data have been subjected to interpretation perceived as coming from secondary sources.
To put it simple, we can use observations, surveys and interviews which mostly reflect
reliability to collect primary data, while we can collect secondary data through books,
articles, newspaper reports and other publications.

In this paper, secondary source are used when we are exploring a subject, seeking theory
and conducting relative data. Reading the text books, the journals and others relevant
books are the most general ways. About the journals, Emerald database and Google
Scholar are available. Also, the annual report and relevant PDF documents of
Handelsbanken helps us to know more about the bank organization. On the other hand,
we design interview as one way to collect primary data.

● Choice of bank

In the search for a bank to manage our research, the branch office of the biggest four
commercial banks in Sweden (Swedbank, Svenska Handelsbanken, Nordea and SEB) are
compared. We found that most of the financial services are very similar in each bank, but
they still have different client-type, use different pricing of services and distribution
channel as competition (Swedish Banker’s Association, 2008). Particularly, Svenska
Handelsbanken and Swedbank have the most branch office, 461 and 451 respectively. At
last, we choose Svenska Handelsbanken, for they not only private student thesis
assistance, but the mainly reason is that the branch office in Handelsbanken is
independent to conduct all services for each and every customer. We think the specific of
Handelsbanken would be benefit to our research.
Interview

To find out the suitable interviewee, we went to the branch office directly. It was not easy to get in contact with the office manager, as the bank officer replied us that because bank is always so busy from May till June before the summer time. Finally, we contacted one of the managers in Handelsbanken of Gävle by e-mail, whose name is Markus Strömberg, working as head manager of branch office. He gave us a lot of help and provided some suggestion to our thesis proposal. But change always happen, when we determined the interview date, the manger told us he had to deal with a big project with one of the biggest client in bank, and he thus could not do the interview with us. Fortunately, he helped us to get into contact with another manager, so we could finish our interview as we planned. The interviewee is named Ingrid Magnusson, whom is a private manger in Handelsbanken of Gävle.

According to Williman (2005), interview refers to a useful method of obtaining information and opinions from experts during the early stages of your research project, for it is flexibility. We decided doing the interviews by face-to-face. Because we wanted to explore a situation and wished to get information that cannot predict, we chose the open and structured form of interview. That meant although the questionnaire was previously provided, much more in detail questions came up and were discussed during the interview. The manager that we interviewed is very nice and knowledgeable, also very familiar with the operation of the branch office. She knows well with the employees working, so she could provide proper information that we needed. The interview was hold in one hour. Recorder was used in case we had forgotten something or misunderstood.

Questionnaire
Before interview, one questionnaire includes 20 questions was made with the information and theories that we got from the literatures study (Appendix 1). The questionnaire structure was developed from existing theory that stated by Wilson et al. (2008), most questions address issues regarding the human resources strategies wheel. On the other hand, we considered the role of service culture playing in one organization, so we also mentioned questions about this area.

3. **Theoretical framework**

3.1. **The role of service culture**

In service marketing (Wilson et al., 2008, Zeithaml et al., 2006), we have found that service culture as a new content added from 2006 in the 4th edition. To understand how a bank uses the human resources strategies to delivery service quality, we believe that there is a need to introduce the culture of an organization in general.

According to Martin and Terblanche (2003), corporate culture is the deeply seated values and beliefs which are shared by people in an organization. It means that a set of assumptions, are accepted and functioned well in an organization. Things which are done in the right way or problems should be understood in the organization. It ensures everyone keep on the same track in the organization. (Martins and Terblanche, 2003) Service culture, a specialized culture, can be seen as a branch of organizational culture (Zerbe et al., 1998). It refers to “a culture where on appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is
considered by everyone a natural way of life and one of the most important values” (Grönroos, 2000).

The role of service culture in earlier marketing theory has argued that service culture has impact on people delivering service quality. Service culture can mediate the relationship among management, employee and customers (Francis and Norma, 2005). Schneider et al. (1980) has presented high quality service relates to employee’s satisfaction and the perceptions of service-oriented practices and procedures, for employee will treat customer well as good as he or she gets excellent treatment from the organization. Service culture is a way to shape employee’s service behavior during delivering service quality (Schneider et al., 1980). Well perception service-oriented employee refers to the label when customer evaluates the service quality of firm (Bettencourt and Gwinner, 1996). Grönroos (2000) regards service culture is manifested in the characteristic which the employees of an organization are service-oriented. Moreover, service orientation can enhance the internal climate and improve the quality of internal services. It can also create good perceived quality for customers and strengthen relationships with customers.

In other words, service culture is the philosophy for internal marketing of an organization. It ensures that all employees understand internal objectives, know their roles and responsibilities in a customer-oriented environment, and are motivated for service-oriented behavior. Service culture can also be a guiding principle for management, which it has an influence on human resources practices. Correspondingly, human resources practices have an impact on employees delivering service quality through the effect of service culture. (Zerbe et al., 1998)
3.2. Human resources strategies for delivering service quality through people

In the financial service sector, since everything is replicable and building and sustaining relationships with external customers is invaluable, employees thus become the most important means of gaining a competitive advantage. By utilizing human resources management to maintain a consistent customer oriented workforce, a bank can develop a more customer conscious employee giving better service quality. (Papasolomou and Vrontis, 2006)

According to Wilson et al. (2008), some human resources strategies that can be used to deliver service quality is to hire the right people for the job and retaining the best staff. These strategies aim to motivate and enable employees to deliver successfully customer-oriented promises. By considering the purpose of this paper, we perceive that the human resources strategies wheel (Wilson et al., 2008) provides a framework. The human resources strategies wheel consists of four major themes: (1) hire the right people, (2) develop people to deliver service quality, (3) provide the needed support systems, and (4) retain the best people, as showed in the figure below.
3.2.1. Hire the right people

As the basic of delivering service quality effectively, recruiting and hiring the right people should be paid attention by organizations (Wilson et al., 2008). The recruiting process is a two-way street (Denisi and Friffi, 2005). An organization need to decide how to attract the best people, while the job candidate considers whether the organization and job fulfil his needs and goals (Lin and Kleiner, 2004). Selection of the best person seems to be a difficult task. Responsively, Wilson et al. (2008) provide a number of ways to assist in this decision.
- **Compete for the best people**

This is a way demands the organization to identify the employee segmentation, job design and promotion of job availability, as possible as compete with other organizations (Wilson et al., 2008). According to Denisi and Friffi (2005), to obtain the most satisfactory employees, an organization can search through internal or external. Job posting, supervisory recommendations are the three common methods used for internal recruiting. On the other hand, organization is used to open up recruiting efforts to the external community (Decenzo and Rovvins, 2002). Such efforts include advertisements (including Internet postings), employment agencies, schools, colleges and universities, professional organizations, and unsolicited applicants (Decenzo and Rovvins, 2002).

- **Hire for service competencies and service inclination**

Facing a lot of candidates, organization usually set up some basic selection criteria to choose the most suitable employees. Particularly, Wilson et al. (2008) integrate these into two complementary capacities: service competencies and service inclination.

Service competencies involve the skills and knowledge which are necessary to do the job (Wilson et al., 2008). Employers usually prefer people who have generic competencies like interpersonal skills, leadership skills, teamwork, and oral and written skills for work performance (Quek, 2005). In addition, he also reports cognitive skills like numerical skills, innovative skills, problem-solving skills, research skills and computer skills are denoted to generic competencies for work performance.

Service inclination means that the extent of the people interest, attitudes toward service, and their orientation for serving customers and others on the job (Wilson et al., 2008). A
firm would like to hire person whose personal values or personality fits with the rest of the organization, instead of hiring someone who only has a high level degree (Denisi and Friffi, 2005).

- **Be the preferred employer**

Wilson et al. (2008) express the preferred employer in a particular industry or in a particular location can be used to attract the best people. In order to be the preferred employer, an organization should accomplish the extensive training, career and advancement opportunities, excellent internal support, attractive incentives and quality goods and services (Wilson et al., 2008). We argue that if a company is a preferred employer, employees who work internally regard this experience as a very rewarding, and would like to spread the firm reputation.

**3.2.2. Develop people to deliver service quality**

After hiring the right people for the right position, it is very important to provide valuable training, empower employees and promote team in the workplace to ensure the process of delivering service quality (Zeithaml, et al., 2006).

- **Training**

Bettencourt and Gwinner (1996) have stated that it is critical to provide training which it includes job-related skills and behavioral skills to employee. Such kind of training can improve their capability to deal with variety of customer’s needs and complaints in delivering service quality. Without having necessary technical skills, knowledge and interactive skills, employees are easy to fail to provide good service and deal with customer’s varying needs and complaints (Boshoff and Janine, 2000). Employees must
be able to explain products or services effectively and correctly. Otherwise, customer will have a bad image to the services or products of firm. (Lovelock and Wirtz, 2007) Employees thus not only acquire these skills from the formal education, but obtain technical and interactive skills from on-the-job training. Such skills are good for employees to provide courteous, caring, responsive and empathetic to quality service. Moreover, training should fit the business goals and strategies of the organization (Zeithaml, et al., 2006). A fitting training is regarded strong message which is commitment of top management to delivery service quality by employees (Tsui, el at, 1997).

- Empowerment

Forrester (2000) defined “empowerment is the freedom and ability to make decisions and commitments“. Empowerment also means that organizations share power and decision making to their employees (Hechanova, el at., 2006). And Zeithaml et al. (2006) gave a more comprehensive definition, “empowerment means giving employees the desire, skills tools and authority to serve the customer”. Empowerment make employees can provide relevant and quick responses to customer needs and dealing with dissatisfaction during service delivery (Boshoff and Janine, 2000).

Empowerment enables employees to solve problems with difference situation in time, rather than taking time to ask permission from supervisors or managers. Because the managers or supervisors are not on the front-line, the idea that they think may not be the best may suit for customer. (Lovelock and Wirtz, 2007) Empowered and satisfied employees contribute the competitive advantage and business success (Grönroos, 1990).
Promote team

In mass service, teamwork plays an influential role in service quality (Akiko, 2008). Tjosvold et al. (1999) describe that teamwork can “enhance the commitment and ability of employees to deliver high quality service to customers”. However, service jobs are challenge, for they always need to deal with varieties of demands and needs. And sometimes customer is not polite and rational as you do, which it is frustrating. If employees work in a team, co-workers help each other and achieve the same goals. Employees won’t feel alone, and they are able to maintain enthusiasm and provide quality service. (Zeithaml, et al., 2006)

Macaulay and Cook (1995) summarized that well-functioning team can be characterized as: mutual assistance, positive place, easily generating new idea, open environment, knowing what they have to do, having confidence to do well, taking ownership and responsibility for customer issues, development and contribution are recognized. In a survey of financial service industry, Stephen (1996) explains that “teamwork at all levels of an organization is important to encourage innovation and radical improvement”. Teamwork is emphasized as one of the bank’s core values, and it is a program that encourages increasing customer satisfaction (Macaulay and Cook, 1995).

3.2.3. Provide needed support systems

Wilson et al. (2008) acknowledge that if one organization hasn’t enough internal support system, service employees are hard to effectively and efficiently deliver quality service. According to Paravantis (2009) research, it is known that the serving ability of a person mainly depends on the quality of internal processes, available resources and recognition. Most importantly, this ability affects the employee job satisfaction, his or her willingness
to remain in the organization and also the quality of provided services, which thus lead to influence the satisfaction of external customers.

- **Measure internal service quality**
  By maintaining the level of the internal service quality, we think companies can more easily deliver satisfactory customer-oriented service. Kang et al. (2002) have indicated that the measurement of internal service quality can provide specific data that can be used in quality management. It is a way to assess internal service quality and better understand how various dimensions impact overall service quality. Hence, measuring internal service quality would enable organizations to efficiently design the service delivery process (Kang et al., 2002).

- **Provide supportive technology and equipment**
  The right technology and equipment can assist the service employees in better service delivery (Wilson et al., 2008). Furthermore, this can be connected with the workplace and workstation design. For example, if an office environment is designed with open spaces, it can encourage frequent communication among employees.

- **Develop service-oriented internal processes**
  Grönroos (2000) presents the service production process as well as a network of systems which built up by interrelations and interdependence with a numbers of sub processes. Moreover, he explains that every service operation contains internal service functions which restrict each other. If poor internal service exists, the final service to the customer will be damaged. Therefore, an organization’s internal processes should be defined with
customer value and customer satisfaction in mind (Wilson et al., 2008), if they want to deliver quality service that can make customer satisfy.

3.2.4. Retain the best people

- Include employees in the company’s vision

Selecting the right people, training them, and developing them to deliver quality service, however, the most important thing is to retain them (Zeithaml, et al., 2006). As the right people is the most valuable asset of an organization (Lovelock and Wirtz, 2007). The key contact people are good at networking, and they can solve problem through networks. If the company loses the key contact employee, it loses his or her network too. (Donaldson and Tom, 2007) To retain the best people, organization should involve the employees into its strategy and goal, and make them understand how their work fits the goals of organization. If they feel valued and their needs are taken care of, they will prefer to stay in the organization. A critical way to keep the best employee is to establish effective reward system. (Zeithaml, et al., 2006)

- Treat employees as customers

It is a way that ensures employees feel valued and their needs are cared by the organization, so they would like to stay along with this firm (Wilson et al., 2008). Spetz and Butler (2008) perceive treating employees as internal customers, the organization can service them through development, motivation, quality recruitment and the attractiveness of working for the company. To assess employee satisfaction and needs, Wilson et al. recommend that organizations can conduct periodic internal marketing research.
• **Measure and reward strong service performers**

Many banks develop reward systems for good customer service, “especially if it results in the sale of a new account or other product” (Papasolomou and Vrontis, 2006). Reward can motivate employees to achieve high levels of performance (Zerbe et al., 1998). Additionally, reward should be related to organization’s vision and goal. A customer-oriented firm should reward performance of customer satisfaction (Zeithaml et al., 2006). Lytle and Timmerman presented (2006) that “Management provides incentives and rewards at all levels for service quality and not only for productivity”.

### 4. Empirical study

#### 4.1. Bank presentation

**Svenska Handelsbanken’s history and today**

Handelsbanken was founded in year 1871 by successful people and companies in Stockholm. The reason for the foundation of the bank was a personal conflict in Stockholms Enskilda Bank that made eight of the board directors to resign and start their own bank. In 1919 the bank changed its name to Svenska Handelsbanken. Today Handelsbanken deliver services in all the sectors in the bank industry, which means that it is a universal bank. This is a strong bank in Sweden with 461 branch offices. Handelsbanken has around 10 000 employees in 21 different countries. The strength of Handelsbanken is that they have the most pleased customer during the last 16 years, and higher profit compared to the average for the competitors during the last 35 years. (Handelsbanken, 2008)
4.2. Delivering service quality through people

4.2.1. Service culture

The goal of Handelsbanken is to have higher profitability than the average for its competitors. To achieve the goal, it makes efforts to offer better service to its customers, and control lower cost than other competitions. The most important corporate philosophy of the bank is: the customer is the core rather than its separable products, chasing long-term relationship and profit having priority than volumes. Based on the private and corporate customer’s requirements and a personal relationship, Handelsbanken would try its best to offer a full range of financial services and a high level of service. Handelsbanken defines the purpose of employees’ work is to meet customers’ need and requirement. (Handelsbanken, 2008) A separate internal publication called "Our Way" which has sum up the bank’s policy is also distributed to all employees (Handelsbanken, 2008). It provides the basis of the Bank's corporate culture, including decentralized customer responsibility, decentralized decisions and independent thought and action on the part of the employees.

The manager in the branch office answered that the difference of Handelsbanken compared to other banks is they treat customer in a long-term relationship, and the employees who provide suggestion start from the customers’ perspective. Although they are driving for profit, Handelsbanken still put the customers’ satisfaction in a top priority.

The branch is the bank

In Handelsbanken annual report (2008), we found that this bank has a strongly decentralized organization, which is aimed at promoting the interplay between strong branches, highly-trained specialists and efficient support functions. Its organization and
work methods are based on the branches' responsibility for individual customers and not on central units' responsibility for product areas or market segments. During our interview, we knew there is no exactly difference among branches. The bank’s working methods for customers is similar the same in each branch office. However, considering the area of the location, the relationship with customer is different. The relationship between the employee and customer would have different between small and big branch office. For example, at some small branch, the employee knows everyone in that place. The relationship among them is closer. This is different relationship relatively depends on how big the branch it is and how long the employee have worked in the branch.

4.2.2. The human resources strategies

Hire the right people

- Compete for the best people

Handelsbanken usually provide job introduction at colleges and universities each year, and they post the job on the internet web site and some internet job site. They would like to provide part-time job for students. This is a good way for students after graduated to enter and go to any branch offices in Handelsbanken easily as they have experience and know something about Handelsbanken. For the higher position, most of managers are recruited internally. The bank is to meet its need through internal recruitment and promotion.

- Hire for service competencies and service inclination

The recruiting process in Handelsbanken is operated step by step. Basically, the candidate should obtain relevant education, such as economic, financial management, etc. Moreover, the employers prefer the people who have responsibility and motivation for
the future in this branch office. During the selection process, the bank will interview personally, and the human resource department will make some tests to candidates. The manager believed “education is important, but is not the most significant”. Person who wants to work in Handelsbanken should be talkative, friendly, kind, and want to meet and do business with customer. The person should have ability to deal with different thing around here at the same time. The bank may ask the candidate during the selection process “do they see their selves as a manager”. The bank expects their employee should have their goal and make efforts to achieve it. It is very important for employees to learn in daily work for increasing professionalism, which is also the foundation to be a qualification manager in a bank. Handelsbanken (2008) defines “competence as the ability to solve the tasks that its employees face at work”.

- **Be preferred employer**

Handelsbanken does a successful business that is based on trust and respect for individual. The decentralized working philosophy gives employees a lot of freedom and creates a sense of involvement and chances to make a difference. Handelsbanken provides equal opportunities to man and woman. (Handelsbanken, 2008) The bank respects individuals with their own characteristics and their own way to expressing themselves. There is a good working environment that focuses on health in this office. To achieve the goal of satisfying customer, the bank provides continually training to employees and encourages them. Employee in Handelsbanken would like to have a goal for their career and then work hard to achieve it. Ingrid, the manager, considered employee can achieve a lot in Handelsbanken. Although many people want to work in Handelsbanken, the requirement is high for them working here. However, because the employers know what they want in
this branch, if they want to get a person work for them, they can find him/her most of time.

Develop people to delivery service quality

- Train for technical and interactive skills

Handelsbanken has one year training project for new people. Particularly, education that includes A, B, C, D level is provided by bank. The four levels training is about corporate culture “our way”, making business, being working in Handelsbanken, and introducing products, services, new technology and system of Handelsbanken. Additionally, the new employees would have example study. They bring the example back to work to study how it happens or be solved, then, take it back until next time training to study it again. After fulfilling the base level, they can go to the next level. This training year is so called one year of probation. If the new employee cannot pass the A level, they may not stay in the bank. One year later, they need to take a test. The new employees need to be observed in a year.

During the nine months of the education year, the managers will have three meeting with new employees. In the first three months, the meeting is about guiding the employees what to do and how to work, then the manager sends the employees’ performance report back to human resource department. The second meeting hold in another three months, the manager evaluates the employees’ performance and gives them suggestions for working. In the last meeting, the manager decides whether the person is the right person for Handelsbanken. It is said by the manager that good starting then everything is good. For the on-job employees, the branch always apply small meeting and emphasize the culture of bank, in order to develop employees’ communication, sales and service skill,
Empowerment

In Handelsbanken, the organization has been called a “following-up” system. It means that the bank accepts suggestions from employees in branches, and then passes them on the responsible units. Conversely, it helps the bank developing new procedures for working process. This working system involves employees to make decision and business plan. (Handelsbanken, 2008) When the employees meet problems during the service delivery, the bank encourages and allows them to make the decision and handle the problem on their own. However, if they cannot fix the problem, the superior usually only give some suggestions, so the employees still need to make their own decision to solve it finally. The manager in Gävle thinks that their office is good at they decide how to do by themselves. The office even every individual can make the own decision. In the office, everyone has very good communication with each other, and they discuss and make decision together.

Promote team

Everyone inside this office helps and coordinates with each other. Supervisor is pleasure to provide guideline to the new employees. All the employees working in Handelsbanken Gävle are cooperative. The older employees will help the new one to adapt environment quickly. If the new employees ask for help, the experienced employee will give them suggestions. It is responsibility for employees to improve their own skills and competence development, but it also needs to share their competences with others in the bank.


*Provide needed support systems*

- **Measurement internal service quality**
  
The employees are required to involve in unit’s business planning process and setting targets, which is the basis for the salary dialogue review between manager and employees.
  
  There is measurement in the office that called “go through the salary”. In order to encourage the employee motivation, bank will organize a meeting about the salary at the end of year. During the meeting, employee should review what did they do in a year, how do they appraise their own work. The salary highly connects to the performance of employees. It is a way that helping the employees to plan their working goals in a more little bit high level. In addition, the head office from Stockholm does investigation which called “good quality to customer” in every branch each year. The Gävle branch will know how the customer satisfies with the bank after they obtain the report from the head office. And then they can compare to other branches and learn how the others satisfy their customers. So they know what they should improve their service at last.

- **Provide supportive technology and equipment**
  
  In Handelsbanken, there are documents guarantee the work environment in each bank which cannot expose employees to unhealthy conditions or accidents. What’s more, the Bank has responsibility to provide the necessary resources for investigating and removing work environment problems. Handelsbanken’s health services and recreational club would provide specialist courses in the work environment area. The bank expects employees are able to influence their work assignments so that they enjoy their work and gain a sense of well being. (Handelsbanken, 2008)
The manager believes the environment provided in office is benefit for employees’ health, and making them more like to work. Moreover, the design of the working environment also considered how the customers sit and wait. Handelsbanken has unit’s representative, which go through the environment in the branch office.

- **Develop service-oriented internal process**

There is no special training about culture, but the bank internally talks a lot of culture. The internal talking is very important for Handelsbanken, as well as it provide a way that the bank can understand what they want to do and build for their customer. It plays a critical role in keeping culture alive.

The manager also mentioned the common complaint from employees is the communication problem in Handelsbanken. Someone may miss some information during it flowing. But the mostly complaint from employees is that they are so busy, especially at the end of month. So the advisors don’t have much time to contact their customers, they want to do more but time is limited. As result, the branch banking creates an open work climate. The administrative streamlining project aims to help the employees have more time to meet customers. And they also review everyday procedures and listen to employees for improvement.

The manager considered the bank can bear the small mistake made by the employees, but it should not be the big one which makes a dead relationship with customers. And one cannot make the mistake many times. In the first time, the manager will talk with him/her and explain what is wrong. If they cannot correct it, the manager may think this employee is not good for working here.
Communication channel in bank usually is meeting and discussion. Informal communication is “fika”, private party, and employees can go to relax together after work.

**Retain the best people**

- **Reward system**

Handelsbanken’s reward system is the Oktogonen Fundation. If the bank achieves high profitability, it shares extra profits with employees after returning the dividend to shareholders. Every employee in Handelsbanken gains an equal part of the allocated amount. No matter what position they have, the allocated amount is the same. The foundation is a considerable part of the funds, which are invested in shares of the bank. The disbursements are made when an employee is 60 years old. (Handelsbanken, 2008)

- **Treat employees as customers**

Handelsbanken thinks that it is the employee makes the bank, not its products. The bank takes a long-term relationship with its employees. It considers providing the right conditions for development in employees’ work and varies career opportunities. It also thinks about the employees’ stage life. (Handelsbanken, 2008)

5. **Analysis and discussion**

**Service culture**

Handelsbanken’s service culture shows it makes strong sense to the influence of service culture to service quality by people. “Our way” highlights the core of Handelsbanken’s
service culture is customers’ needs. Handelsbanken’s goal, the way to achieve the goal and its corporate philosophy strongly implies that the bank is a service and customer orientation organization. The interview with manager and the published information emphasize that the employees’ work and responsibility to focus on fulfilling customer’s requirements and needs.

Handelsbanken is a decentralized organization, which address the bank’s organization structure is base on the core of service culture. The decentralized structure makes the parts which are local branches and frontline employees can make quickly response to customer’s needs and demands. Moreover, the decentralized structure promotes the interplay between strong branches, which demonstrated Grönroos’s definition of service culture. The decentralized organization and service-oriented create a service mind climate in Handelsbanken. The perceived is delivered to customer by employees who work and take responsibility to customer’s needs.

**Hire the right people**

*Compete for the best people*

Handelsbanken usually hire the employee for basic position from external, but hire the managers from internal. The methods Denisi and Griffin (2008) stated that both internal and external recruiting have unique advantages and disadvantages. External recruiting will brings in new ideas and avoids the ripple effect, but may cost more and hurt motivation. Internal recruiting can increases motivation and sustains knowledge and culture, but may cause a ripple effect and foster stagnation. This process addressing hiring issues in Handelsbanken may help the organization to balance advantage and disadvantage of different recruiting. College/university job introduction, internet is the
main way that the bank posts the job. In some extent, they will segment the potential employee into student form college/university who having economic education background.

- **Hire for service competencies and service inclination**
  Handelsbanken will require the people not only have the relevant basic working skill and knowledge, but focus on their interpersonal skills, leadership skills. Particularly, the service inclination seems very important for the people. As the manager said “education is important, but is not the most significant”, the people should talkative, friendly, kind and want to do business with customer. On the other site of view, the bank emphasize the candidates should have both service competencies and service inclination, which imply the future employees can help the bank deliver service quality.

- **Be preferred employer**
  By accomplishing the extensive training, providing career and advancement opportunities, offering excellent internal support, and giving attractive incentives (such as salary, rewards, dividend), Handelsbanken obtain a high reputation. The bank understands how to attract the best people to become their employee. Specially, the dividend could be the most attraction, for there are not more banks would give the dividend to the employees.

*Develop people to deliver service quality*

- **Training**
  Handelsbanken knows the importance of training. It provides comprehensive educations about its corporate culture, business, working method, products and services. It fits the
bank’s goal and strategy. Employees acquire job-related skills and behavior skills from the one year training. The training focuses on improving continually employees’ capability to deal with customer’s needs, which is reflected in example study and one year of probation. Handelsbanken’s training program pays more attention to on-the-job training, even though the new employees have relevant background. The manager has three meetings with new people, which sends strong message that the top management commit to delivery service quality by employee.

- **Empowerment**

“Following - up” system shows Handelsbanken is democracy and empowerment. It also confirms the organization shares the power with its employees. The employees are involved in making decision and business plan, which helps Handelsbanken to obtain the information about customer’s needs as soon as possible. Then, Handelsbanken can improve working process by customer’s needs. In Handelsbanken, the employees are encouraged and allowed to make decision and handle problems by themselves. The supervisor plays the role of coach in the bank. It makes the employees can solve problem with difference situation and provide good suggestions to customer in time.

- **Promote team**

The interview with manager implies that employees in Handelsbanken work in a team, as everyone helps and coordinates with each other. The old employees help the new one to adapt environment, improve their skill and competence, and give them suggestions when they meet problems. It indicates that employees are mutual assistance, and Handelsbanken is positive place, easily generating new idea, open environment and so on. In a word, Handelsbanken’s team fits the characteristics of well-functioning team which
is summarized by Macaulay and Cook (1995). Additionally, Handelsbanken asks its employees to improve their skills, competence and share with others in the bank. It helps the bank to promote innovation and increasing customer’s satisfaction.

**Provide needed support systems**

- **Measurement internal service quality**

  The measurement “go through the salary” in the branch office could be the specific internal service quality measurement. It not only help the employee review how the service quality they delivered in a year, but most importantly, the bank can motivate the employee to be positive to deliver better service quality in the next year. Moreover, the survey “good quality to customer” from the head office could be another way helping the branch measure the internal service quality. Such a set of measurements show that the bank pays attention on the internal service quality measurement, thereby lead to improve the customer satisfaction.

- **Provide supportive technology and equipment**

  Handelsbanken is tried to provide necessary resources and satisfy environment to employees. The workplace design in the branch is comfortable and full of human nature. Enough technology is supported inside. Actually, the office designs an open space can encourage frequent communication among employees (Wilson et al., 2008). The branch also considers the feeling of the customers, the environment design include applying them where to sit and wait. In addition, the courses about the employees’ health and security prove that the bank would provide supportive technology and equipment to employee in a wide area.
Develop service-oriented internal process

The bank emphasizes the role of culture when developing service-oriented internal process. Moreover, Handelsbanken would like to hear the employees’ complain, which may help them improve the service-oriented process. Involving the service culture and employees into service-oriented internal process, the bank can more easily satisfy the employees. As Bellou and Andronikidis (2008) mention “satisfied employees are more motivated and harder working than unsatisfied employees.” However, it is a way usually implemented by the administrator. Therefore, the administrator should have the sense to develop service-oriented internal process. For a bank, the bank always organizes meeting and discussion to develop service-oriented internal process.

Retain the best people

Handelsbanken thinks it is the employee makes the bank, not its product. It involves employees into its strategy and makes them feel valued. The bank keeps long-term relationship with its employees. It treats employees as internal customers through servicing them the right conditions for development in work and career opportunities. It considers employees’ stable life too. Treating employees as internal customers makes the employees feel that their needs and value are cared by the bank. Handelsbanken’s reward system is Oktogonen Fundation, which motivates employees to achieve high levels of performance. Equal reward and open work climate make the bank be a preferred employer. Correspondingly, these ways help Handelsbanken to retain the best people.
6. Conclusion and suggestions

In this part, we will make a summary and answer the questions mentioned previously based on the above statement and analysis. Correspondingly, we will write some suggestions in according with the whole research.

- How does the branch banking develop people to deliver service quality?

We believe that the framework provided by Wilson et al. (2008) is available to reveal the human resources strategies of Handelsbanken. Moreover, this framework could be applicable to other banks.

Generally, it is a process start from recruiting. The bank will select the suitable people from internal and external. High requirements are set up based on service competent and service inclination. Following, the bank will provide a serious of training to the new employees, which could be called a kind of on-job training for the future working. We think that the bank strives to shape a qualified and excellent employee before they start to provide service. It likes to build a solid foundation on the structure.

In the working period, Handelsbanken afford enough empowerment to on-job employees, while it emphasizes forming cooperation among the term. Communication is very important during this process by holding a lot of meeting and discussion. On the other hand, the branch usually organizes an annual meeting at the end of each year, in order to examine the internal service quality. It is a measurement operated inside which relates to salary. We assert that it could be a good example for learning, and is positive and effective for motivation. The process of developing people to deliver service quality also includes offering relative hard facilities, such as technology, equipment, and workplace
design. Handelsbanken ensure the welfare of employees in the most extent. Accordingly, the bank establishes a reward system, trying to give employees more encouragement.

- What is the characteristic of this process?

At first, Handelsbanken is very focus on the beginning of everything, as well as the manager said “good starting then everything is good.” Secondly, they promote most of the manager from the internal. Although there is disadvantage of internal promoting, we think it is good for Handelsbanken. The manager, who has been in the bank as basic employee, is familiar with the service and knows more about the customers’ need. An internal manager actually sustains the culture of the bank, so he/she can spread it to the new employee more easily. Additionally, because customers usually keep a long-term relationship in one bank, an internal manager can get a closer relationship with customers.

Furthermore, Handelsbanken highly involve its service culture into the people developing process. The bank arranges the purpose of employees’ work is to meet customers’ need and requirement. It can be said that Handelsbanken is customer-centric. Employees are known to be one of the most interactions with customers in bank. Under the service culture, the bank is necessary to set up a serious of human resources strategies to choose the best people. No matter the hiring process or the retaining process, they actually reflect that the importance of people on delivering service quality. This service culture of Handelsbanken is like a philosophy rooting deep in the organization. It triggered the bank designing a tool to create a customer-orient employee. By choosing the right people, training them, supporting them, and retaining them, the service quality is delivered.
Finally, according to the research, we find that the human resources strategies of Handelsbanken are based on the service culture. By implementing this strategy, the people can obtain the service culture. However, by improving the employees of an organization become service-oriented, the service culture can sustain and reinforce. Moreover, the people who involve the strategy can make the process more completely by feedback. The relation among these three can be seemed as a triangle which shows as following (Figure 2), constraining and assisting each other. The figure is based on this research and created by the authors, which mainly reveals the relationship among the human recourses strategies, people and service culture of Handelsbanken. In some extent, by integrating the three factors, we believe that other organizations can also delivery service quality.

![Figure 2 the relation among service culture, human resources strategies, and people (Authors, 2009)](image)

We suggest that the organization should not only use the human resources strategies framework when designing the human resources strategies, but most importantly, they need to consider the relationship among service culture, human resources strategies and
people as our model. It is a model reinforce the importance of people on service quality delivery, by implementing the human resources strategies based on the service culture, an organization can develop a more customer-oriented employee to deliver service quality.
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Appendix

1. What is Handelsbanken's service culture? (The mission, value)

2. What is the dominant management style in branch office?

3. How do you hire an employee? (The method)

4. What do you think it is important?

5. What kinds of qualification are necessary?

6. Will you consider the characteristic of the people? Which characteristic do you think is fulfill with the bank’s value?

7. Which kinds of training are provided to employee? Does the training have difference in other branch offices? (Introduce new products, service; new technologies, systems and so on)

8. Does Handelsbanken have any training for employees about service culture? What is the training about?

9. How does Handelsbanken develop employees’ communications, sales and service skills?

10. Do you have any complaints from the employees? What kind of complaints is the
most common among the employees? And if so, how do you deal with them?

11. When front employees meet some problems, do they have right to make decision and handle problem?

12. When front employees meet some problems, what do you do? Will you encourage and help them solving problem?

13. Suppose employees make mistake and lead to bad influence, how do you recovery it?
   (General steps)

14. Is it important to create a positive relationship among the people in the organization? Are there any communication channels between management and employee besides meeting, problem discussion, in order to promote teamwork?

15. How do you evaluate the employee’s contribution to operational goals, working achievement, activity in business planning process?

16. How do you ensure the service quality in bank?

17. Do you think the workplace environment is important for employees?

18. As we known, the operation of Handelsbanken is based on the branches, so the branches’ responsibility for individual customers decides the bank’s organization and working methods.
What is the basic concept or requirement to the employees from the head office? What do you think is different about the employees in Gävle branch office (for example, working methods, working environment, working indicators, etc.)? Or could you give some examples?

19. Most of managers in Sweden are recruited internally, what kinds of qualification that the employees should have to be a manager?

20. About the ethical guidelines and moral conduct, employees should have duty of confidentiality; moreover, we know there are some policy and regulation to maintain such issues. Such as “Human resources policy in the Handelsbanken Group”, "Regulations governing employees at the Svenska Handelsbanken Group"

Will the bank strict on the employees’ private affairs (personal life)?