

**Total Quality Management, Commitment, and  
Recovery Performance in Commercial Banks of  
TRNC**

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## **ABSTRACT**

This thesis investigates the impact of perceived total quality management feature on the service recovery performance of the banking industry in Northern Cyprus. The moderating effect of job satisfaction and affective commitment have also been considered in the study results from 150 employees working in the various banks show that perception of them on the TQM factors exert positive and statistically significant on not only job satisfaction and commitment but also on service recovery performance. Finally factor analysis test results also do reveal that findings from this questionnaires' survey are robust.

**Keywords:** TQM, Satisfaction, Commitment, Recovery Performance, Banks

## ÖZ

Bu tez çalışması, çalışanlar tarafından algılanmış Kuzey Kıbrıs Bankacılık Sektörü'nde toplam kalite yönetimi uygulamaları ile çalışan memnuniyeti, çalışma eğilimi, ve başarısızlık telafisi arasındaki ilişkiyi irdelemektedir. 150 banka çalışanı ile yapılan anket analizleri sonucunda, bu değişkenler arasında pozitif yönde bir ilişki olduğunu göstermektedir. Bankalarda uygulanan toplam kalite yönetimi, çalışanın motivasyonunu, işe eğilimini, ve herhangi bir hizmet esnasında karşılaşılan başarısızlığı telafi etmek konusundaki performansını olumlu yönde etkilemektedir. Çalışmada varılan sonuçlar hem istatistiksel olarak anlamlı hem de önceki literatür çalışmalarının sonuçları ile benzer çıkmıştır. Son olarak, faktör analizi sonuçları da aynı zamanda, sonuçların geçerliliğini ortaya koymuştur.

**Anahtar Kelimeler:** TKY, Memnuniyet, Eğilim, Performans, Banka

*To my parents who supported me in each step of my life*

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# Chapter 1

## INTRODUCTION

Nowadays, organizations are operating in a different environment. The banking sector has been experiencing new challenges which are accompanied by the process of privatization and globalization of international economies. The banking sector is performing in volatile markets which there are lots of pressures. Banks must establish new ways to serve customers in a better condition in order to remain competent. Moreover, high competition, credit risks, the new demands of customers and globalizations are also forcing the banking sector to reform.

As business environment never stops changing, new models of management should be established continuity to deal with the new environment. Top managers in banking sectors should be more aware of their customers' demands and expectations otherwise they would lose the market in comparison with their competitors. Therefore, newly emerged business environment necessitates strong leadership, commitment to improving quality, employees' affective commitment. If a bank can achieve all these factors, it will be different from other banks or non-bank competitors.

The marketplace has become a place where any organization needs to be strategically prepared to compete sustainable. Strategic management improves the process of sustainability in an organization and in this way total quality adjustments brings a

continuous improvement framework to an organization. So, total quality approach helps to improve skillfulness, cut costs and provide some opportunities to evolve as a leader in the market (Goetsch & Davis, 2010). Apparently, it is more difficult to measure the quality of a service than of a manufactured good. In other words, service industries such as commercial banks have more difficulties to define quality than manufacturing industries such as automobile factories. Users usually have a limited number of characteristics as a basis for comparison among available alternatives in service industries. For instance, when one bank service lacks, customers preferably move to another.

In recent decades, total quality management (TQM) has been evolving as a popular modern strategic approach in many organizations and industries. TQM has existed for a long time in modern management literature and has had a significant influence on business history. As empirical studies reveal, many organizations have adjusted this approach and have successfully achieved their goals (Easton and Jarell, 1998).

The implementation of corporate and functional strategies depends on the companies' resources and, particularly, on people. The human resource strategy focuses on how the company should manage its staff to assist the organization in the achievement of corporate objectives (Walker, 1992).

The private sector has been always trying to implement total quality management in order to improve service quality, productivity and competitiveness (Hunt, 1992). There are several successful cases in the private sector which have implemented

TQM approach. However, TQM has got more attention in 1990's and public sector organizations have also started to employ this strategy (Carr and Littman, 1991).

By the beginning of this period, academic researchers suggested that public organizations could also improve their productivity by applying TQM practices (Milakovich, 1990). Since that time, TQM has still been a vital part of modern management strategies in government organizations (Van Seaton, 2010).

Last but not least, service recovery performance is an important topic which is discussed in several studies. Business success is significantly dependent on the service recovery performance effects. Therefore, to be successful in business and to reduce costs, an organization should keep frontline employees satisfied and committed (Ashill et al., 2008).

### **1.1 Aim and Contribution of the Study**

The aim of this study is to determine the role of TQM for evaluating the impact of job satisfaction and employees' commitment on service recovery performance in commercial banks of Northern Cyprus. In addition, this study is searching for the relationship of job satisfaction and employees' commitment with service recovery performance. The indicators of TQM which are considered in this thesis are top management leadership, teamwork, empowerment, reward and training. Data are collected from a sample of Frontline employees of commercial banks in Northern Cyprus. Finally, we targeted the following objectives to achieve the aim of the study:

1. Getting through the related literature about Total Quality Management factors and their impacts on employees' job satisfaction and commitment. Moreover, service recovery performance is also considered to be affected by these two factors.
2. Preparing questionnaires accordingly to acquire needed information. The questionnaires were distributed to the banking sector employees of commercial banks in Northern Cyprus.
3. Then, putting all collected data in IBM Statistics software which includes SPSS and AMOS programs to analyze the findings of the study consequently.
4. Finally, comparing the findings with what is available in the literature and suggesting some implications for the banking sector managers.

Therefore, it was expected that by implementing these objectives there would be valuable results both quantitatively and qualitatively. We hope that this study outcome can help top management in Northern Cyprus to improve their strategies regarding TQM.

## **1.2 Research Methodology**

This study is basically an empirical research which uses a deductive approach for model development and testing. Our sample consists of commercial bank employees of Northern Cyprus. Since we chose a quantitative approach, we designed a questionnaire with the help of related literature. The collected data were entered in IBM Statistics to compute needed information. Conclusions are based on the acquired information from this level.



### **1.3 Organization of the Thesis**

The structure of this study includes seven chapters. The first chapter introduces the importance of the topic and the objectives employed to achieve the results. The second chapter presents some information about Northern Cyprus banking sector and some historical background. The third one summarizes the related literature and discusses all the factors employed in the thesis. The fourth and fifth chapters introduce the research model followed by hypothesis and then come to the research methodology. The sixth chapter presents the collected data and the analysis of those data. Finally, in the seventh chapter we come to conclusions and compare them with the previous literature. In addition, limitations of the study and implications for future researches are suggested.

## **Chapter 2**

### **HISTORY**

#### **2.1 North Cyprus History**

Historically, Cyprus has experienced a variety of events. In 8500 B.C., first travelers moved into this island. As being of the third largest island of the Mediterranean region, many groups of people have been trying to get the control of it. In addition, it is not only rich in natural resources of copper and timber, but it is also known strategically a trading center because of its location. Therefore, many ancient nations have been engaged in fighting to capture this island including Greeks, Ottomans, Persians, Egyptians and Phoenicians. Cyprus was included in the domain which was ruled by Roman Empire in 58 B.C.

In 330 A.D., Byzantine Empire caught the ruling power of Cyprus. While one is traveling across Cyprus, the presence of several Byzantines architectures is not deniable. These structures are uniquely found in Byzantines Empire. In addition, there are also some legends referring to that era. For instance, Five Finger Mountains have a legend which is believed to belong to Byzantines period. It is believed that while Dighenis , the Byzantine hero, was jumping from Asia Minor to Cyprus to escape, his fingers caused the surface of these mountains to change.

It is said that Richard the Lionheart successfully captured the island in 1191 when he was on his way to the Holy Land. Then, firstly he sold it to Knights Templar but they

changed their mind and decided to return it. Then, Richard the Lionheart found another buyer who was a French Noble named Guy de Lusignan. They governed the island unmercifully for three centuries. Genoese and Marmelukes tried to capture the island in 1372 and 1426 respectively.

In 1489, the Lusignan family power in the island came to an end when their last king died and then his wife offered the island for sale in Venice. By the beginning of Venetians, they again provided a hard situation for residents by forcing them to pay high level of taxes. Moreover, they transformed the island to make it proper for military purposes. Venetians were defeated by the Ottomans in 1571. Ottomans took control of the island and let people relax after hard times of the Venetian period. The next 500 years were passed under the Ottoman government.

Turkey had appeared as a defeated country in the 1<sup>st</sup> World War, so Cyprus emerged as a part of the British colony in 1925. It was not much after the Second World War when the Greek Cypriots started to express independence from British colonial. They believed that the island needed to be ruled by Greece. This problem became more severe day by day and finally in 1957 it came to an end by the intervention of the United Nations. Consequently, in 1960 this settlement was established by a treaty, called the Treaty of Zurich, between Britain, Greece and Turkey. Three involved groups agreed to consider Turkish Cypriot community rights.

The Zurich Treaty did not last long and in 1963 a war started between the communities. Again, the UN got involved and tried to settle an agreement. They created a Green Line to force the communities to calm down. But Greek National

Guard tried to rule against the Cyprus President and took control of the island. Hence, as it was mentioned in the Treaty of Zurich, Turkey quickly entered in the island in order to protect Turkish Cypriots. Finally, in 1983 the Turkish Republic of Northern Cyprus (TRNC) was founded by Turkish Cypriots. The TRNC is not recognized internationally and is not a member of the EU while Southern Cyprus is a full member. Cyprus is still divided into two parts by the Green Line.

## **2.2 TRNC Economy**

Northern Cyprus economy is highly in control of service sector (69% of GDP in 2007). Service sector which is consisted of the public sector, tourism and education generated approximately USD 400 million in 2011 while industrial sectors only provided 22% of GDP and agriculture 9%.

Economic development of Northern Cyprus is influenced by the Cyprus problem. By the beginning of the separation of two parts of the island, the southern part, recognized internationally, has put some restrictions on the trading system. It has stated that all airports and ports which are not ruled by the southern government are legally closed. As the southern part is an EU member, so all European countries have accepted these embargoes. Therefore, the TRNC is dependent on Turkish economy to a high extent. As Northern Cyprus is connected to Turkey economically, the formal currency is Turkish Lira. On the other hand, the southern part is an EU member and its currency is the Euro. After the opening of the borders and freely transfer of residents between two parts, Euro has also become a common currency in TRNC. Although the local currency in North Cyprus is the New Turkish Lira (YTL), Sterling, US dollar, Euro is also commonly accepted in banks, shops, markets and

restaurants. Similarly, major credit cards are recognized by the banking systems while some retailers may add a commission fee in exchange.

Exports and imports to the northern part are done via Turkey. Although lots of restrictions are imposed on TRNC economy, it has shown economic development because of Turkish Lira stability and construction boom in recent years.

### **2.3 Northern Cyprus Banks**

Although Northern Cyprus is dependent on Turkey economically, it has a developed banking system. Central Bank of Northern Cyprus which is established in 1983 has a modern structured banking system which is developing continuously due to the tourism and other economic developments. There are different types of banks operating in the northern part including Turkish-based, Turkish Cypriot and some international bank branches. It is worth noting that most of operating banks in the TRNC are private. In addition, the Central Bank of TRNC acts as the fund provider to the government and governs monetary, credit and exchange policies.

Since the business community needs are diversifying non-stop, TRNC banks offer different types of services. Recently, they have developed their services and have tried to reach an internationally accepted level of performance. They are now offering a variety of service form insurance and leasing to mutual funds and asset management services. Similarly, they have developed electronic banking as well as telephone banking. In addition, most of the branches have English-speaking staff to satisfy the foreign customers' demands. ATM machines are available all over the

northern part and one can easily manage required transactions via most major credit cards.

So the banking system is consisted of a mixture of domestic and foreign banks. In order to have a short list of banks, one can mention the following banks in TRNC: HSBC, Akdeniz Garanti Bank, Akfinans Bank, As Bank Ltd., Asya Bank, Er Bank, Everest Bank Ltd., Kibris Faisal Islam Bank, Finba Financial Bank Ltd., Hamza Bank, KKTC Kalkinma Bank, Kibris Continental Bank Ltd., Kibris Endustri Bank, Kibris Euro Bank, Kibris Finans Bank, Nicosia Turk Kooperatif Iktisat Bank, Seker Bank Ltd., Rumeli Bank, Universal Bank, Viya Bank and Yasabank.

As mentioned above, most of banks are effectively managed by Turkey. So, when applying for a card, depending on the type of card, it can require about one month to be delivered. Usually, these cards are coming from Turkey. Locals can easily register by providing their ID card but foreigners need to present their residency status with a valid passport. Northern Cyprus is among the safest countries in the world and crime rate is close to zero.

## **Chapter 3**

### **LITERATURE REVIEW**

#### **3.1 Introduction**

The objective of this chapter of study is to review the relevant literature on the concept. Four main sections are present here. First of all, TQM literature is considered in detail; the second and the third part focus on the literature of the effective outcomes of TQM factors; and the last but not the least, the fourth part review the service recovery performance that, in fact, is the behavior consequence of the instrument constructs.

#### **3.2 TQM**

To give a definition of Total Quality Management, one can say TQM is the satisfaction of everyone who is included in the process of creation and consumption of the product. This satisfaction is the outcome of implementing hard issues and soft issues simultaneously. Hard issues can be listed as effective planning, programs, policies and strategies which are implemented by social shareholders, customers, staff, owners and suppliers. Similarly, organizations employ soft issues such as human and other assets (Arasli, 2002).

In recent decades, all organizations have been more focused on Total Quality Management (TQM). It has an active role in modern management science and affects

modern business history profoundly. The majority of organizations that employ TQM have reported the evident benefits of it in many ways.

TQM is known as a philosophical concept in management science which helps organizations to control and direct the human and material resources practices in order to accomplish their objectives in the most effective way (Easton & Jarell, 1998).

The objectives can be listed as follows:

- (a) Customer satisfaction.
- (b) Improving business condition such as profit, growth, market status and etc.
- (c) Providing service to the communities.

The Organization has to consider these objectives in order to be able to exist and perform in harmonious combination with the requirements of society. The way that the organization behave to satisfy these requirements can be either legislated or perceived by the organization and the operation of every organization must be compatible with them. One of the most important requirements is the ability to meet the customer needs. It is vital both for separate organizations and within the same organization. For instance, in case of a banking system, the behavior of a cashier in a bank can cause a failure for the bank if it is not pleasant and positive. Thus, no matter what kind of organization is considered, there are a set of quality checkpoints which are linked together as a series of quality chains. These series can be broken by one individual or one piece of equipment either internally or externally causing



dissatisfaction of the customer. It is worth noting that this failure normally reveals in the level of interface between the organizations and outside customers, such as the cashier case in the banking system.

When service organizations are considered, it should be notified that the products are intangible. So, instead of having a visible or touchable product, the customer will have an experience of the provided service. Thus, it is not easy to estimate or define the experience qualitatively. In addition, there are different perceptions of the experience among the individuals. In the meanwhile, there are some factors which help to define the services' quality such as responsiveness to customers, good manner of employees, punctuality in resolving complaints, and atmosphere. Moreover, one can add time and consistency to the mentioned list. Therefore, defining quality in service sector requires full use of abilities and resources (Goetsch and Davis, 1995).

As mentioned before, total quality management is known as a strategy in order to improve the performance of the organization. Nowadays, markets are so competitive so the organization should be modified strategically to compete. The ultimate goal of each organization is to reach customer satisfaction or even exceed their expectations. As competition never stops at markets, an organization which is willing to keep competitive should concentrate on employee participation and implicate continuous improvement plans (De Menezes, 2012; Molina-Azorin et al., 2009; Kaynak, 2003).

TQM has been applied successfully in service firms as well as industrial and manufacturing firms (Claver-Cortes et al., 2008; Prajogo, 2005; Brah et al., 2000).

The objective of this study is to focus on banks, thus, TQM factors which are discussed here are chosen consequently. The following factors are considered in this research: top management leadership, teamwork, empowerment, reward and training. The fulfillment of all these factors is necessary if an organization is looking for the successful achievement of total quality management strategy.

In addition, all TQM factors efficiently affect the commitment of employees and the customer satisfaction if they are applied jointly. Thus, service recovery performance is highly dependent on the successful accordance between all these factors (Rod and Ashill, 2010; Babakus et al., 2003; Forrester, 2000; Boshof and Allen, 2000).

### **3.2.1 Top Management Leadership**

Top management is commonly a group of individuals which execute at a senior level in an organization who manage the daily responsibilities in a corporation. Leadership is known as one of the most significant factors of the total quality management. One can list different definitions of leadership such as “leadership is the top management’s commitment in order to employ continuous improvements to the organization” (De Menezes, 2012). Similarly, Arasli (2002) notifies that there is not any succeed in quality management unless top management is committed to organization mentally and physically. It is not possible to improve junior or low-level employees’ performance without senior management endeavor.

In the context of total quality management, leadership is characterized as the provider and driver of the vision (Mittal, 1999). It is observed that TQM based leadership makes fundamental changes in a corporation and makes it more

competitive in comparison with its competitors regarding sales, profits and well-being of employees. For an organization leadership to be effective, all parts should be involved in value adding activities. In addition, it is very important that the top management leadership believes that TQM is the best and only way for a corporation to succeed in business life (Subburaj, 2005).

### **3.2.2 Teamwork**

Teamwork is the process of accomplishing a task by working jointly with a group whose members have the same goal. It is commonly of great importance in an organization where there are different sections which should collaborate together to perform a task. Similarly, teamwork can be defined as the extent to which an organization tries to characterize the spirit of working in a unit body while one also has the power to control his or her own work (Ooi et al., 2007). The practice allows employees at all levels to be more involved in the job and to work together company-wide (Noorliza and Zainal, 2000). This systematic training enables employees to be involved in every single level of work both in individual terms and organization-wide (Noorliza and Zainal, 2000).

Any organization, whether in manufacturing industries or service industries, needs corporation in order to survive. Corporation helps the employees to work as a team; therefore they can communicate properly with each other. No one can deny the importance of implementing reforms in an organization. As market never stops moving, organizations need to adapt themselves to these changes. The one which changes accordingly in a shorter time will be more competitive in new conditions of the market. Therefore, management should prepare an environment which has the

lowest amount of barriers against changing. To sum up, the presence of team working brings lots of benefits to an organization such as:

- Continuous Learning
- Flexibility in Working
- Better Employee Attitudes
- Co-ordination and supports
- Building Good Partnership Between Employees and Managers
- Creating More Commitment

In conclusion, the importance of teamwork should be considered in the framework of total quality management.

### **3.2.3 Empowerment**

Management should provide an environment for employees to use their talents and abilities to improve. This opportunity is defined as empowerment in related literature (Rod and Ashill, 2010; Chebat and Kollias, 2000). Subburaj (2005) introduces employees as the powerfulness level of each organization. If they do not involve in organization improvements, it cannot success. All resources are limited and the only expandable ones are human resources or employees. Hence, employees are inseparable part of the total quality management framework.

In TQM philosophy, employees are empowered to report any possible problems in quality. Historically, employees were afraid of reporting any quality problem in old management systems because they might be criticized. Moreover, one would pass the

responsibility of the defected quality to someone else. Under TQM framework, not only employees are not criticized, but also they are rewarded for seeking out problems (Garvin, 1987).

Looking through previous studies, it can be seen that empowered employees are much more effective to communicate with dissatisfied customers so they can recover better (Rod and Ashill, 2010; Chebat and Kollias, 2000) .

In service sectors, frontline employees are the ones who are in touch with customers more so they can communicate with them more efficiently. There are evidences in literature which show that empowered frontline employees are performing better and they have a wide outlook of what they are responsible for and how to handle different situations. Therefore, these kind of employees has a good knowledge of their own desires and can find themselves in a state of self-confidence and job satisfaction (Ashill et al., 2008; Ackfeldt and Wong, 2006; Ugboro and Obeng, 2000). Afterwards, the ultimate goal of any organization which is to satisfy its customers in the most desirable way is easier to achieve with satisfied frontline employees.

In addition, studies show that empowerment acts in two ways. Firstly, it increases employees' job satisfaction (Rod and Ashill, 2010; Ugboro, 2006; Upenieks, 2003; Laschinger et al, 2001; Eylon and Bamberger, 2000). Secondly, it influences employees' commitment to the organization (Rod and Ashill, 2010; Kuokkanen et al., 2003; Laschinger et al., 2001; Liden et al., 2000). So, that is why empowerment affects service recovery performance significantly.

### **3.2.4 Reward**

One can easily find in the literature that there is a direct and significant relationship between reward giving to employees and increasing the quality of service provided by them (Rod and Ashill 2010; Kassicieh and Yourstone, 1998). Reward giving here plays a two-sided role. It both persuades employees to provide higher quality services and makes them more tolerant to deal with customer complaints (Rod and Ashill, 2010; Yavas et al., 2003).

The reward is also called a compensation or it can be said that compensation is the collection of all rewards which may be given to employees in exchange for their good performance. These rewards can be either directly financial or non-financial (Mondy, 2007). Therefore, compensation is a strategic key in the hands of organizations which enables them to guarantee optimal levels of performance in order to achieve the organization's ultimate objectives.

In addition, the interfaces of organizations with customers are frontline employees. Usually, they have the lowest level of salary so the impact of reward on their performance will be significant (Forrester, 2000). Similarly, (Lawer, 2000) indicates that this reward can influence their job satisfaction level and their commitment to the organization.

### **3.2.5 Training**

If an organization is going to provide a high quality service in a consistent manner, it must consider some factors rather than just choosing the right people and empower them. So employees' performances have to be improved by training which enables

them to deal with customers pleasantly and correct the problems that arise unavoidably. Moreover, they should have not only social skills to handle customers' needs, but also they must be well aware of the characteristics of the product or service they are offering to the customers.

(Bitner et al., 1990) study shows that Frontline staff is responsible for approximately 43 percent of all unsatisfactory service encounters. It is indicated in (Berry and Parasuraman, 1991, p. 47) study that only a few numbers of employees are naturally reacting or replying to events or people, and can manage to satisfy customer needs when a problem arises. Therefore, there must be an educational system to teach employees how to react when problems arise. Unluckily the skills which are necessary to deal with an upset customer are contrary to what common sense would suggest (Whiteley, 1994, p. 49). When a person receives a complaint, seems as an attack to him or her. Therefore, training must guarantee that employees control the situations properly and decrease the probability of conflict.

The importance of training and education of managers, employees and all human resources is certified by strategy makers (Kassicieh and Yourstone, 1998). TQM concept enables an organization to be prepared more properly to change for better performance, so all human resources which are available, including managers and employees, should communicate with each other in order to gain success in this particular course of action intended to achieve success. Obviously, some skills are needed to improve communication through an organization. So trained personnel can receive willingly new changes and adopt themselves. Since growth is a non-stop process, there should be a continuous training system. Therefore, training programs

investigate different possibilities for employees' potential in order to decrease service defects which result in customer dissatisfaction (Cardy and Dobbins, 1996). It should also be notified that this is unreachable without a well-designed training program which helps employees to employ what they have learned.

Service literature indicates that employees who have not acquired particular skills to deal with their position, not only are unable to perform their job well, but also fail to handle customers' complaints (Rod and Ashill, 2010; Ashill et al., 2008; Lytle and Timmerman, 2006; Liao and Chuang, 2004; Yavas et al., 2003). No one can deny that customer is the most valuable asset of any service business, so service providing organizations, such as banks and financial institutions, should be aware of the importance of employees' behavior. It is proved that better quality comes from where employees are dealing with customers more effectively (Claver-Cortes et al., 2008).

Training is an essential principle in total quality management since it provides a framework to enhance people performance continuously. Education can empower employees in order to not only work with hard manner but also work in a clever manner (Geotsch & Davis, 2010).

### **3.3 Job Satisfaction**

It is assumed that if an employee is happy he or she is more productive. On the other hand, a productive employee is not necessarily a happy employee. So job satisfaction is defined as “the pleasant emotional state resulting from the assessment of somebody's job as facilitating the accomplishment of one's job values” (Locke, 1969).



Job satisfaction has been the topic of many researchers in many years and the relationship between job satisfaction and job performance has got significant importance. Initial studies date back to 1920s were when this relationship was tested in Hawthorne Studies (Boshoff and Allen 1999). These first studies were followed by other thousands of articles in more than 90 years and the relationship is still a question for researchers.

Generally, everybody believes that a satisfied worker is more focused on his or her performance and performs better. This belief is still held by many practitioners nowadays but researches show something else. Empirical results state that this relationship is not very significant and even sometimes it is very weak (Bagozzi, 1980; Locke, 1970). It is interesting to note that many researchers have presented some evidences that suggest the relationship is significantly in the other direction (Bagozzi, 1980; Locke, 1970) or in other words, who enjoys his or her job is done well.

It is stated in the literature that job satisfaction would be more transparent if employees have the chance to modify their responsibilities and similarly solve the problems which exist at work. In this case, the intrinsic rewards of work are more in comparison with the case without these opportunities (De Menezes, 2012). Similarly, many researches certify that there is a positive significant relationship in service providing industries between service quality and job satisfaction (Rod and Ashill, 2010). Undoubtedly, customer satisfaction is the ultimate goal of total quality management. Many studies which are conducted in this field reveal that employees' job satisfaction, especially in service industries such as banks, is highly in positive

relationship with customers' satisfaction (De Menezes, 2012). Hence, it is usually suggested that job satisfaction is as a negotiator which acts as a link between employees' and customers' satisfaction.

### **3.4 Affective Commitment**

Literately, affective commitment is the specific degree of which a person is engaged as a participant in an organization. In other words, affective commitment is the extent to which a human resource of an organization is associated with the organization (Ashill et al., 2008). There are also other common definitions available. (Babakus, 2003) define it by a factor which is the feeling of Frontline employees. He suggests that if one supposes that job satisfaction is the feeling of employees toward their job, affective commitment can be characterized as the feelings of employees toward the organization. Therefore, affective commitment is a concept regarding the emotional connection between the organization and its employees.

It is worth noting that if employees are involved emotionally, there would be a better performance provided by them. Similarly, these emotional states to help them deal with customers' behaviors more efficient (Babakus, 2003). For customers in service industries also evaluate the quality of a service emotionally, employees' feelings have a significant impact on customers' satisfaction (Babakus et al., 2003; Menon and Dube, 2000). These results are also tested empirically and it has been shown in (Pugh, 2001) study that customers' evaluation of the service recovery performance is positively affected by the positive emotional states of the service provider's employees.

Studies show that if employees are committed to the organization effectively, they are responsibly active to recover service failure in order to endorse their organization (Meyer and Herscovitch, 2001). So, service recovery performance is highly influenced by the level of employees' emotional commitment to the organization. In similar studies, it is shown that committed frontline employees are performing very well and provide a high quality service for the customers (Rod and Ashill, 2010). In addition, these employees are also active in service recovery more than any other part of an organization human resource (Rod and Ashill, 2010; Babakus et al., 2003).

### **3.5 Service Recovery Performance**

As mentioned many times in this study, customer satisfaction is very important for service industries. So, when a service performance fails, frontline service employees are the first interfaces of an organization who are there to recover the failure. The way frontline employees deal with service failure recovery by applying their abilities and actions is called service recovery performance. Their role is very vital to satisfy customers (Ashill et al., 2008; Babakus et al., 2003). Therefore, frontline employees are the first steps to bring quality of service in a service industry.

However, frontline employees usually have the lowest level of salary in an organization. In addition, there are a lot of stress on them during their daily duties. So, managers who consider total quality management should take care of the frontline employees very well because they are the key to attain the ultimate goals of their organizations. Unfortunately, service failures are very common among service providing organizations and there are only few organizations which seriously take care of service failures and try to learn from them (Johnston and Mehra, 2002).

Therefore, organizations have only one choice which is to solve the problem very quickly and effectively.

By going through similar studies, one can notify that if the customer is not satisfied with the service, only a satisfactory recovery by a frontline employee can affect them positively. So, again, the importance of frontline employees is obvious (Maxham and Netemeyer, 2002).

Another study by (Karatepe, 2006) confirms that service failures which are followed by well-done recoveries can have significant positive results in the customer satisfaction such as repurchasing purposes.

In sum, customers provided with a high quality service are so helpful for an organization's success and they show complimentary actions. On the other hand, dissatisfied customers are potential to spread negative information about the organization and decrease customers' loyalty to the organization (Rod and Ashill, 2010; Ramsaran-Fowdar, 2008).

## **Chapter 4**

### **RESEARCH MODEL AND HYPOTHESIS**

#### **4.1 Introduction**

In this chapter of the study, a model is introduced and developed. In addition, some hypotheses are also originated from this model. So, in the first part model is described in detail and then the hypotheses are discussed one by one.

#### **4.2 Conceptual Model**

In this study, a reformulation of attitude theory (Bagozzi, 1992) is employed. In this theory framework, each person estimates the quality of past, present and future outcomes individually and this process leads to emotions and afterwards coping responses. Technically, emotions are also known as affective outcome and coping responses are known as behaviors. For instance, when an individual feels positively in an event, his or her emotional responses would be driven positively; therefore, he or she would behave positively. So, it is obviously understood that the cognitive evaluation of individuals in events is of great importance because this process results in the way that they present their affective reactions and shapes the way individuals behave (Bagozzi, 1992).

As it is mentioned above, this study follows (Bagozzi, 1992) approach. In addition, TQM factors are introduced as appraisal variables. Hypothetically, these factors are taken into account as leading factors toward the organization. Here, affective

outcomes of TQM are identified as frontline bank employees' job satisfaction and affective commitment or in other words the former is how they feel toward their job and the latter is how they feel toward their organization. Similarly, it is hypothesized that there is a relationship between job satisfaction and affective commitment.

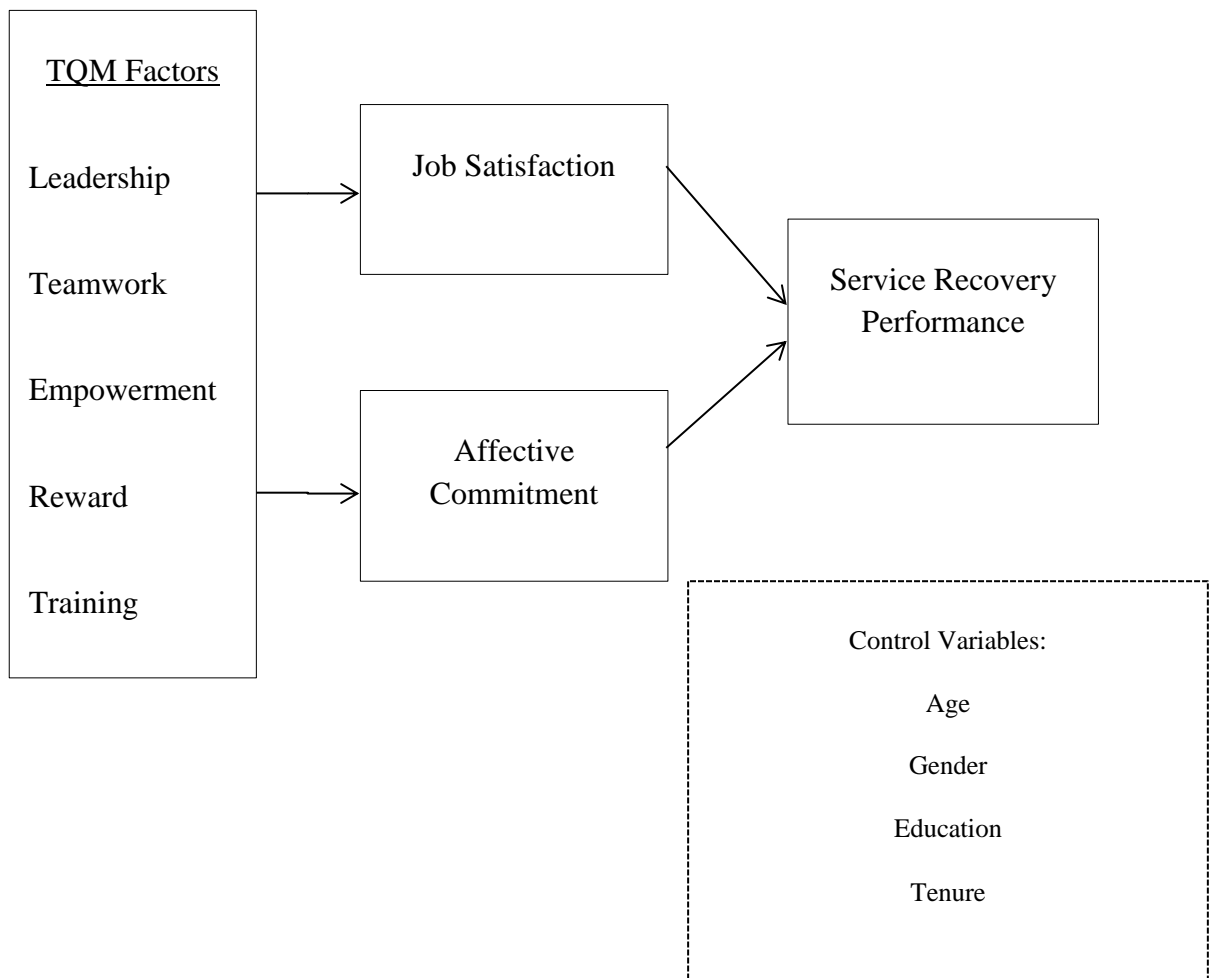


Figure 4.1: Conceptual Model of Research

Finally, there is a hypothesis which is concerned about how job attitudes and frontline bank employees' service recovery performance are related together. This would determine the way they act or behave toward the customers in order to find a solution to a service failure. Figure 4.1 depicts a general framework of the research model.

### **4.3 Hypothesis**

It can be inferred from figure 4.1 that total quality management factors which are listed in this model would have a positive impact on the frontline employees in order to reach a state of satisfaction in their job. In addition, it is supposed that they could also affect the frontline employees to be committed to the organization more effectively. Therefore, according to the relationship between TQM factors and job satisfaction and affective commitment, the first groups of hypotheses are proposed as follows:

**H<sub>0</sub>**: 1- There is no positive association between leadership and bank employees' job satisfaction.

**H<sub>0</sub>**: 2- There is no positive association between teamwork and bank employees' job satisfaction.

**H<sub>0</sub>**: 3- There is no positive association between empowerment and bank employees' job satisfaction.

**H<sub>0</sub>**: 4- There is no positive association between reward and bank employees' job satisfaction.

**H<sub>0</sub>**: 5- There is no positive association between training and bank employees' job satisfaction.

**H<sub>0</sub>**: 6- There is no positive association between leadership and bank employees' affective commitment.

**H<sub>0</sub>**: 7- There is no positive association between teamwork and bank employees' affective commitment.

**H<sub>0</sub>**: 8- There is no positive association between empowerment and bank employees' affective commitment.

**H<sub>0</sub>**: 9- There is no positive association between reward and bank employees' affective commitment.

**H<sub>0</sub>**: 10- There is no positive association between training and bank employees' affective commitment.

It is worth noting that one should consider the relationship between job satisfaction and affective commitment because affective commitment is not constant over time and develops as time passes. Similarly, in order to reach a proper level of affective commitment, the importance of job satisfaction of employees is undeniable (Ashill et al., 2008). As a result, it is suggested that employees supply affective commitment when they have experienced job satisfactions (Ashill et al., 2008). Hence, the next step is to propose mutual relationships between job satisfaction and affective commitment:



**H<sub>0</sub>: 11-** There is no positive relationship between bank employees' job satisfaction and their affective commitment to the organization.

According to the reviewed literature, job satisfaction and affective commitment have a combined impact on the service recovery performance. It is suggested in the literature of the service industry that the frontline employees' job satisfaction and customers' satisfaction from the service provided are related positively and significantly (Yoon et al., 2001). Similarly, it has been shown in the literature that when the employees are more committed to their organization, they do their tasks more efficiently and in case of failure they can perform more successfully to attract customers' satisfaction (Rod and Ashill, 2010). According to this fact, affective commitment is known as a vital factor which has a positive significant impact on service recovery performance (Rod and Ashill, 2010). In addition, TQM also plays an important role in improving the quality of service recovery performance. Therefore, the last group of hypothesis is proposed about the individual correlations between job satisfaction, affective commitment and TQM with service recovery performance.

**H<sub>0</sub>: 12-** There is no positive relationship between bank employees' job satisfaction and service recovery performance.

**H<sub>0</sub>: 13-** There is no positive relationship between bank employees' affective commitment and service recovery performance.

**H<sub>0</sub>:** 14- There is no positive direct relationship between TQM and bank employees' service recovery performance.

In this chapter, we proposed the conceptual model of study and we proposed fourteen hypotheses according to the model. In the coming chapter, correlation analysis results reveal whether the correlation coefficient is statistically significant or not; and, then they also determine the degree of correlation between study factors.

## **Chapter 5**

### **DATA AND RESEARCH METHODOLOGY**

#### **5.1 Sample and Study Setting**

This study is going to evaluate the role of total quality management in assessing the impact of job satisfaction and affective commitment of employees on the service recovery performance in commercial banks of Northern Cyprus. Therefore, the best sample which can represent the banking sector in Northern Cyprus was chosen among operating banks. Data is collected from the bank employees and managers in the Northern Cyprus banking sector including IŞ Bank, Koop Bank, Garanti Bank, TEB, Halk Bank and ING Bank from their branches in Famagusta, Kyrenia and Lefkosa. In addition, a random sampling method is properly applied in order to distribute questionnaires.

Unfortunately, many questionnaires were not answered by the respondents. Only 150 out of 400 questionnaires were completed, in other words less than 50% of respondents completed the questionnaires. Therefore, these 150 fully completed questionnaires were prepared to be considered in the analysis. Among all the reasons which were mentioned by the participants for not completing the questionnaires, the managers' command was substantial. So, most of them were not allowed to complete the questionnaires.

## **5.2 Questionnaire Measures and Structure**

The questionnaire consisted of three parts: Firstly, the respondents would respond the factors which are going to be analyzed in this study. Secondly, personal information questions were asked of respondents including age, gender, education level and tenure. In the last section, they were asked about their position in the institution and some information about the institution.

This study is organized in a form which is a self-report survey; therefore, it is potentially exposed to method variance. In addition, because there is a high possibility of getting into the trouble with single-source method bias, the questionnaire was carefully designed to have three parts separating dependent and independent variables (Podsakoff et al., 2003).

Subsequently, the factors which are selected for this study are categorized in different sections and questions are designed for each category. The respondents answer questions by scale numbers in each category. Categories are asking questions about top management leadership, teamwork, empowerment, reward, training, affective commitment, satisfaction and service recovery performance. In order to finalize the questionnaire framework, the scales were introduced similar to what is commonly used in the literature. Hence, accordingly a five-time scale was employed to evaluate a different factor. So, all factors would be evaluated on a five-point scale varying from 'Strongly Disagree = 1' to 'Strongly Agree = 5'. In other words, the respondents are asked to answer the questions based on the scaling system provided beside each question. The answers vary from 1 to 5. A sample of the questionnaire used in this study can be found in the appendix.

As it has been mentioned before, this study has used different types of control variables in order to find a possible connection between hypothesis. Accordingly, participants gender is measured via a binary variable defined either a male or female; age is controlled by a six-point scale consisting of 17-20, 21-24, 25-28, 29-35, 36-50 and 51+.

Similarly, education and tenure are scaled in 4-point scaling basis where the higher scale number shows more experienced combined with higher education level. Organizational tenure scale points are as 1-4 years, 4-8 years, 8-12 years and 12+ years. Moreover, institutional variables are also taken into account to clarify the respondents' background.

### **5.3 Reliability and Factor Analyses**

Reliability using Cronbach alpha and factor analyses have been conducted in order to test for the suitability of instrument and sample (Arasli et al., 2005).

As also suggested by (Arasli et al. 2005), according to the Catell's (1966) study criterion, factor loadings that are equal to or greater than 0.50 should be retained; otherwise, they are omitted from further analyses. A factor analysis was conducted for every question in the instrument using varimax rotation. As can be seen from Table 5.1, factor loading of only one question (which is question 5 in Recovery dimension) is less than 0.50; therefore, this question is dropped from further analyses (Hair et al., 1998). Finally, reliability analysis has been also used in this study in order to see the overall reliability score of our instrument. Cronbach's alpha coefficient for the whole instrument is 0.94 as seen in Table 5.1. Literature studies

suggest that a reliability coefficient above 0.70 is considered sufficient for exploratory studies (Nunnally, 1967).

Table 5.1: Reliability and Factor Analyses

Reliability Statistics	
Cronbach's Alpha	N of Items
.940	43

Factor Loadings		
	Initial	Extraction
Lead1	1.000	.690
Lead2	1.000	.725
Lead3	1.000	.763
Lead4	1.000	.814
Lead5	1.000	.643
Team1	1.000	.688
Team2	1.000	.760
Team3	1.000	.753
Team4	1.000	.673
Team5	1.000	.621
Empower1	1.000	.788
Empower2	1.000	.581
Empower3	1.000	.804
Empower4	1.000	.799
Empower5	1.000	.745
Reward1	1.000	.611
Reward2	1.000	.673
Reward3	1.000	.735
Reward4	1.000	.698
Reward5	1.000	.700
Training1	1.000	.667
Training2	1.000	.661
Training3	1.000	.761
Training4	1.000	.860
Training5	1.000	.844

Table 5.1: Reliability and Factor Analyses (Continued)

Commitment1	1.000	.633
Commitment2	1.000	.727
Commitment3	1.000	.768
Commitment4	1.000	.690
Commitment5	1.000	.839
Satisfaction1	1.000	.841
Satisfaction2	1.000	.791
Satisfaction3	1.000	.755
Satisfaction4	1.000	.707
Satisfaction5	1.000	.793
Satisfaction6	1.000	.639
Satisfaction7	1.000	.702
Satisfaction8	1.000	.620
Recovery1	1.000	.746
Recovery2	1.000	.796
Recovery3	1.000	.641
Recovery4	1.000	.674
Recovery5	1.000	.473

Note: Extraction Method: Principal Component Analysis.

#### 5.4 Hypothesis Testing and Correlation Analysis

In order to test the significant difference between the selected profiles, a hypothesis testing should be employed in this study. One of the best options to conduct this test is an Analysis of Variance (ANOVA). SPSS software can easily provide the ANOVA test.

Afterwards, in order to certify the validity of the proposed model, correlation and path analysis will be done in this study. Statistically, correlation analysis is a vital concept because it represents the level of relationship between independent variables in a model and also it determines the direction of this relationship. Moreover, the outcomes of this analysis are reported in percentage terms. For instance, a negative coefficient in correlation analysis represents an indirect relationship between two

independent variables while a positive coefficient stands for a direct relationship between two independent variables.

The final step will be path analysis where the degree and direction of correlation are investigated together in order to evaluate the parameters in the conceptual proposed model. Path analysis can be categorized as a regression model.



## **Chapter 6**

### **EMPIRICAL RESULTS**

#### **6.1 Descriptive Statistical Analysis**

As mentioned before, TQM indicators are hypothesized to be leadership, teamwork, empowerment, reward and training. Then, according to the conceptual model of this study, we tried to investigate whether there is a correlation between these indicators and job satisfaction as well as employees' commitment to the organization. The empirical results indicate statistically that these factors can be considered as indicators which are significantly affected TQM procedures.

#### **6.2 Frequencies**

In order to provide data for this study, four hundred questionnaires were distributed among Northern Cyprus banking system employees, managers and chef. It is worth noting again that unfortunately only 150 questionnaires were completed by participants. According to the gathered data which is shown in table 5.1, male respondents (59.3%) were more than female respondents (40.7%). In addition, a majority of them were between 36 to 50 years old (36%). In terms of educational training, about half of them (48%) were holding two-year vocational training degrees while the other half (48%) had faculty training of four years.

Table 6.1: Frequency Table

		<b>Age</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	17-20	10	6.7	6.7	6.7
	21-24	22	14.7	14.7	21.3
	25-28	23	15.3	15.3	36.7
	29-35	27	18.0	18.0	54.7
	36-50	54	36.0	36.0	90.7
	51+	14	9.3	9.3	100.0
	Total	150	100.0	100.0	

		<b>Gender</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	89	59.3	59.3	59.3
	Female	61	40.7	40.7	100.0
	Total	150	100.0	100.0	

		<b>Education</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Vocational School/Two Years	72	48.0	48.0	48.0
	Faculty/Four Years	72	48.0	48.0	96.0
	Master	6	4.0	4.0	100.0
	Total	150	100.0	100.0	

		<b>Position</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	41	27.3	27.3	27.3
	Chef	24	16.0	16.0	43.3
	Employee	85	56.7	56.7	100.0
	Total	150	100.0	100.0	

Additionally, only 6 individuals (4%) in the sample had master degree. The last but not the least, the questionnaires were mostly filled by frontline employees (56.7%)

and the rest of the questionnaires were completed by managers (27.3%) and chiefs (16%).

All questionnaires data were analyzed and summarized in the following table. Table 6.2 represents a common view of the questionnaires and some descriptive statistics such as minimum and maximum scores in each section mean score of each section and finally standard deviation of scores in each section.

Table 6.2: Descriptive Statistics of Completed Questionnaires

	N	Minimum	Maximum	Mean	Std. Deviation
Lead Total	150	1	5.00	4.3667	0.6848
Team Total	150	1	5.00	4.2987	0.55696
Empower Total	150	1	5.00	4.2133	0.75429
Reward Total	150	1	5.00	4.068	0.82895
Training Total	150	1	5.00	4.1773	0.83819
Commitment Total	150	1	5.00	4.3173	0.69637
Satisfaction Total	150	1	5.00	4.1275	0.67981
Recovery Total	150	1	5.00	4.0427	0.5721
TQM	150	1	5.00	4.2704	0.48771
Valid N (List-wise)	150		5.00		

As it is obvious in the table, average score of each variable is above four with standard deviations less than one.

## **6.3 Correlation Analysis**

After reviewing the questionnaires, the next step is to check the level of correlation between different variables. Firstly, the degree of correlation between TQM, the job satisfaction of employees, employees' affective commitment to their organizations and service recovery performance is investigated. Secondly, the degree of correlation among TQM indicators is tested. In other words, we have gone through the degree of correlation between one indicator and others one by one. Finally, we have also analyzed the degree of correlation between TQM indicators and both TQM and service recovery performance.

### **6.3.1 Correlation Analysis: TQM, Job Satisfaction, Affective**

#### **Commitment and Service Recovery Performance**

In the first step of correlation analysis, TQM, job satisfaction, affective commitment and service recovery performance are introduced as inputs. The results in the table 6.3 show that all dimensions are in positive correlation. It is also depicted in the table that the highest level of correlation exists between affective commitment and job satisfaction (0.688). On the other hand, the lowest level of correlation is between job satisfaction of employees and service recovery performance (0.141).

Table 6.3: TQM, Job Satisfaction, Affective Commitment and Service Recovery Correlations

		TQM	Job Satisfaction	Affective Commitment	Service Recovery
TQM	Person Correlation	1	0.675*	0.683*	0.237*
	Sigh. (2-tailed)		0	0	0.004
	N	150	150	150	150
Job Satisfaction	Person Correlation	0.675*	1	0.688*	<b>0.141***</b>
	Sigh. (2-tailed)		0	0	0.085
	N	150	150	150	150
Affective commitment	Person Correlation	0.683*	<b>0.688*</b>	1	0.15***
	Sigh. (2-tailed)		0	0	0.067
	N	150	150	150	150
Service Recovery	Person Correlation	0.237*	0.141***	0.15***	1
	Sigh. (2-tailed)		0.004	0.085	0.067
	N	150	150	150	150

\*. Correlation is significant at the 0.01 level (2-tailed)

\*\*. Correlation is significant at the 0.05 level (2-tailed)

\*\*\*. Correlation is significant at the 0.10 level (2-tailed)

### 6.3.2 Correlation Analysis: TQM Indicators

This part of correlation analysis is concerned about the possible presence of relationship among TQM indicators. Hence, the correlation of each indicator with others is investigated.

#### 6.3.2.1 Leadership and TQM Indicators

This part of analysis has gone through the analysis of leadership relationship with other TQM indicators. The results show that leadership is positively related to other indicators. The highest level of correlation is available with teamwork (0.565). In other words, leadership is highly related with teamwork which makes sense. In addition, the lowest level of correlation is present with reward (0.376).

Table 6.4: Leadership and TQM Indicators Correlations

	Leadership
Leadership	Pearson correlation sig.(2-tailed ) N 150
Teamwork	Pearson correlation sig.(2-tailed ) N 150
Empowerment	Pearson correlation sig.(2-tailed ) N 150
Reward	Pearson correlation sig.(2-tailed ) N 150
Training	Pearson correlation sig.(2-tailed ) N 150

\*. Correlation is significant at the 0.01 level (2-tailed)

### 6.3.2.2 Empowerment and TQM Indicators

The correlation analysis results (Table 6.5) show that empowerment is positively related to other indicators. The highest level of this positive correlation is available with reward (0.454) while the lowest level is with teamwork (0.318). Although teamwork has the lowest correlation level, it is statistically significant at the 0.01 level.

Table 6.5: Empowerment and TQM Indicators Correlations

		Empowerment
Leadership	Pearson correlation	0.390*
	sig.(2-tailed )	0
	N	150
Teamwork	Pearson correlation	<b>0.318*</b>
	sig.(2-tailed )	0
	N	150
Empowerment	Pearson correlation	1
	sig.(2-tailed )	
	N	150
Reward	Pearson correlation	<b>0.454*</b>
	sig.(2-tailed )	0
	N	150
Training	Pearson correlation	0.417*
	sig.(2-tailed )	0
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

### 6.3.2.3 Reward and TQM Indicators

It is shown in table 6.6 that there are positive correlations between reward and other TQM indicators. In addition, the test results confirm that correlations are statistically

significant. Additionally, the highest level of correlation belongs to training (0.59) while leadership has the lowest correlation coefficient (0.376).

Table 6.6: Reward and TQM Indicators Correlations

		Reward
Leadership	Pearson correlation	0.376*
	sig.(2-tailed )	0.00
	N	150
Teamwork	Pearson correlation	0.461*
	sig.(2-tailed )	0.00
	N	150
Empowerment	Pearson correlation	0.454*
	sig.(2-tailed )	0.00
	N	150
Reward	Pearson correlation	1
	sig.(2-tailed )	0
	N	150
Training	Pearson correlation	0.59*
	sig.(2-tailed )	0.00
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

#### 6.3.2.4 Teamwork and TQM Indicators

Teamwork is known as another main indicator of TQM factors. So, any correlation between teamwork and other indicators should be investigated. As the results in table 6.7 shows, teamwork is positively correlated with other indicators. In addition, correlation analysis results represent a leadership correlation level as the highest (0.565) while empowerment is believed to have the lowest (0.318).



Table 6.7: Teamwork and TQM Indicators Correlations

		Teamwork
Leadership	Pearson correlation	0.565*
	Sigh. (2-tailed )	0.00
	N	150
Teamwork	Pearson correlation	1
	Sigh. (2-tailed )	
	N	150
Empowerment	Pearson correlation	0.318*
	Sigh. (2-tailed )	0.00
	N	150
Reward	Pearson correlation	0.461*
	Sigh. (2-tailed )	0.00
	N	150
Training	Pearson correlation	0.518*
	Sigh. (2-tailed )	0.00
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

### 6.3.2.5 Training and TQM Indicators

The last indicator which is tested in order to determine the correlation coefficient is training. As expected, training also has positive correlation with other TQM indicators (Table 6.8). The highest correlation coefficient reveals in reward (0.590) and the lowest correlation coefficient is available in accordance with empowerment (0.518).

Table 6.8: Training and TQM Indicators Correlations

		Training
Leadership	Pearson correlation	0.564*
	Sigh. (2-tailed )	0.00
	N	150
Teamwork	Pearson correlation	0.518*
	Sigh. (2-tailed )	0.00
	N	150
Empowerment	Pearson correlation	0.417*
	Sigh. (2-tailed )	0.00
	N	150
Reward	Pearson correlation	0.590*
	Sigh. (2-tailed )	0.00
	N	150
Training	Pearson correlation	1
	Sigh. (2-tailed )	0.00
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

### 6.3.3 Correlation Analysis: TQM indicators, TQM and Service

#### Recovery

In this section of correlation analysis, two parts are introduced. The first part represents the correlation analysis between TQM indicators and TQM; the second part depicts the correlation analysis between TQM indicators and service recovery aspects.

#### 6.3.3.1 TQM Indicators and TQM

As it is shown in table 6.9, there are positive correlations between TQM indicators and TQM. In addition, it is also depicted that these correlation coefficients are

statistically significant. It is also important to notify that the highest correlation coefficient is between Training and TQM (0.821). On the other hand, the lowest coefficient revealed in the results is the correlation between Empowerment and TQM (0.664).

Table 6.9: TQM Indicators and TQM Correlations

		TQM
Leadership	Pearson correlation	0.745*
	Sigh. (2-tailed )	0.00
	N	150
Teamwork	Pearson correlation	0.727*
	Sigh. (2-tailed )	0.00
	N	150
Empowerment	Pearson correlation	0.664*
	Sigh. (2-tailed )	0.00
	N	150
Reward	Pearson correlation	0.766*
	Sigh. (2-tailed )	0.00
	N	150
Training	Pearson correlation	0.821*
	Sigh. (2-tailed )	0.00
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

### 6.3.3.2 TQM Indicators and Service Recovery

Technically, the correlations between TQM indicators and service recovery are of great importance. Therefore, the correlation analysis between these indicators and Service Recovery is represented in table 6.10. According to the results, TQM indicators and service recovery are correlated positively. Moreover, the highest

correlation is between reward and service recovery (0.207) which is statistically significant at 0.05 levels. On the other hand, the lowest correlation which is statistically significant is between empowerment and service recovery (0.153).

Table 6.10: TQM Indicators and Service Recovery

		Service recovery
Leadership	Pearson correlation	0.201*
	Sigh. (2-tailed )	0.00
	N	150
Teamwork	Pearson correlation	0.106
	Sigh. (2-tailed )	0.195
	N	150
Empowerment	Pearson correlation	0.153***
	Sigh. (2-tailed )	0.062
	N	150
Reward	Pearson correlation	0.207**
	Sigh. (2-tailed )	0.011
	N	150
Training	Pearson correlation	0.105
	Sigh. (2-tailed )	0.201
	N	150

\*. Correlation is significant at the 0.01 level (2-tailed)

\*\*. Correlation is significant at the 0.05 level (2-tailed)

\*\*\*. Correlation is significant at the 0.10 level (2-tailed)

To sum up, the correlation analysis results show that there are statistically significant and positive correlations between the variables which are considered in this study. In the next chapter, conclusions are discussed and policy implications are suggested based on the empirical results.

## **Chapter 7**

### **CONCLUSIONS AND POLICY IMPLICATIONS**

#### **7.1 Conclusions**

As discussed in the introduction chapter, this study was going to investigate whether TQM plays an important role in the evaluation of the job satisfaction and employees' commitment on service recovery performance in commercial banks of Northern Cyprus. Moreover, we mentioned that the special concern of this study, which makes it different in comparison with the related literature, is the investigation of the relationship of job satisfaction and employees' commitment with service recovery performance. It is also important to remember the importance of this study. As TQM is recognized as a proper approach to optimize the management system, the investigation of these correlations helps the management team to improve the performance of their human resources. Therefore, the more the management team is aware of this relationship, the better they can survive in the competitive service industries, specifically commercial banking.

In order to provide the required data, the sample was selected from commercial banks operating in Northern Cyprus. To the extent of our knowledge, this hypothesis have never been studied before, especially the relationship of job satisfaction and employees' commitment with service recovery performance.

Afterwards, fourteen hypotheses were introduced based on the possibility of the relationship between the study factors. Subsequently, correlation analysis was conducted to test the proposed hypothesis. Correlation analysis was categorized into three sections. Firstly, the TQM, Job Satisfaction, Affective Commitment and Service Recovery correlations were confirmed to be positive and statistically significant. The results showed that Job Satisfaction and Affective Commitment are correlated more than other factors. In other word, the satisfied staffs are more effectively committed to their bank. In addition, when there is an event of service recovery performance, job satisfaction is shown to have the least impact according to the results.

Secondly, the results certified that all TQM indicators are positively correlated together. So, it can be interpreted that Northern Cyprus commercial banking system should pay sufficient attention to all TQM factors because they are positively correlated.

The last but not the least category of correlation analysis takes the relationship between TQM indicators and Service Recovery Performance into the account. It can be concluded that TQM factors (top management leadership, teamwork, empowerment, reward and training) affect service recovery performance in Northern Cyprus commercial banking system. Therefore, in order to improve the staff's responsiveness in the event of customers' complaints, the managers should carefully control TQM factors.

## **7.2 Policy Implications**

The outcomes of this study can be considered by top management and decision makers in Northern Cyprus commercial banking system. As it is discussed in detail in the previous sections, TQM indicators are effectively determining the level of job satisfaction and commitment of the staffs to the organization. So, if managers apply proper TQM policies, they can guarantee the customers' satisfaction because the organization is supported by the satisfied and committed staff. Consequently, customers' satisfaction is the ultimate goal of any organization and the managers are expected to do their best to reach the maximum level of customer satisfaction.

As the events of defaults are not predictable, the managers of Northern Cyprus commercial banking system should prepare their staffs to control these events. When a customer faces a failure, the most important thing is how to satisfy him or her. Therefore, the frontline staffs in the banking system should be well prepared to handle these situations. Our results indicate that reward has a higher correlation with service recovery performance. Hence, if managers encourage their staffs by granting rewards according to their performance, they can improve the level of service recovery in their organization. Similarly, they can monitor the performance of their frontline staff regarding to their attitudes toward the customers and encourage them by promoting their position.

Nowadays, technology is progressing with an increasing rate. Commercial banking is also affected by this trend. Therefore, training is an important factor which should be in the priorities of the management team. As our result show, training is affecting the quality management higher than other factors. So, the top decision makers in

Northern Cyprus commercial banks should provide training programs in order to keep their staffs up-to-dated.

To be efficient, organization should try to employ all of their capacity. In other words, teamwork has an undeniable role in the banking industry. Therefore, managers should assign responsibilities to their staff in a way to enhance the degree of teamwork. It is also confirmed in our results that teamwork has the same level of importance in the Northern Cyprus banking system. In addition, it is indicated that teamwork is highly related to leadership. So, managers as the leaders of organizations should plan strategically in order to bring the teamwork attitudes in their organizations.



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## **APPENDIX**

## A: Questionnaire

**Thank you for participating in this study. The survey should take about 15 minutes to complete. Your responses are kept confidential.**

Your answers must fit in the scale of 1(strongly disagree) to 5(strongly agree):

### Top Management Leadership:

Top management actively participates in quality management and improvement process.	1	2	3	4	5
Top management strongly encourages employee involvement in quality management and improvement activities.	1	2	3	4	5
Top management arranges adequate resources for employee education and training.	1	2	3	4	5
Top management discusses many quality-related issues in top management meetings.	1	2	3	4	5
Top management pursues long-term business success.	1	2	3	4	5

### Teamwork:

Everyone in my department contributes to a team effort in serving customers.	1	2	3	4	5
I feel that I am part of a team in my department.	1	2	3	4	5
My fellow employees and I co-operate more often than we compete.	1	2	3	4	5
The activities of the bank require team-based works rather than personal achievements.	1	2	3	4	5
The bank management is trying to transfer some authority to their workers.	1	2	3	4	5

### Empowerment:

I have the authority to correct customer problems when they occur.	1	2	3	4	5
I am encouraged to handle customer problems by myself.	1	2	3	4	5
I do not have to get management's approval before I handle customer problems.	1	2	3	4	5
I am allowed to do almost anything to solve customer problems.	1	2	3	4	5
I have control over how I solve customer problems.	1	2	3	4	5

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**Reward:**

If I improve the level of service I offer customers, I will be rewarded.	1	2	3	4	5
The rewards I receive are based on customer evaluations of service.	1	2	3	4	5
Employees in this bank are rewarded for serving customers well.	1	2	3	4	5
Employees of this bank are rewarded for dealing effectively with customer problems.	1	2	3	4	5
I am rewarded for satisfying complaining customers.	1	2	3	4	5

**Training:**

Employees in this bank receive continued training to provide good service	1	2	3	4	5
Employees in this bank receive extensive customer service training before they come into contact with customers	1	2	3	4	5
Employees of this bank receive training on how to serve customers better	1	2	3	4	5
Employees of this bank are trained to deal with customer complaints	1	2	3	4	5
Employees in this hotel receive training on how to deal with complaining customers	1	2	3	4	5

**Affective Commitment:**

My values and those of the banks' are similar.	1	2	3	4	5
I really care about the future of this bank.	1	2	3	4	5
I am proud to tell others that I work for this bank.	1	2	3	4	5
I am willing to put in a great deal of effort beyond that normally expected in order to help the bank to be successful.	1	2	3	4	5
For me, this is the best of all possible organizations for which to work.	1	2	3	4	5

**Satisfaction:**

I am satisfied with my overall job.	1	2	3	4	5
I am satisfied with my fellow workers.	1	2	3	4	5
I am satisfied with my supervisor(s).	1	2	3	4	5

I am satisfied with this bank's policies.	1	2	3	4	5
I am satisfied with the support provided by this bank.	1	2	3	4	5
I am satisfied with my salary.	1	2	3	4	5
I am satisfied with the opportunities for advancement with this bank.	1	2	3	4	5
I am satisfied with this bank's customers.	1	2	3	4	5
I often think about leaving this bank.	1	2	3	4	5

**Service Recovery Performance:**

I don't mind dealing with complaining customers.	1	2	3	4	5
No customer I deal with leaves with problems unresolved.	1	2	3	4	5
Satisfying complaining customers is a great thrill to me.	1	2	3	4	5
Complaining customers I have dealt with in the past are among today's most loyal customers.	1	2	3	4	5

**Personal Information:**

**Age:** 17-20

21-24

25-28

29-35

36-50

51+

**Gender:** Female

Male

**Education:** Vocational School/Two Years

Faculty/Four Years

Master

PhD

- Organizational Tenure:**
- 1-4 years
  - 4-8 years
  - 8-12 years
  - 12+ years

**Institutional Information:**

- Number of Stars:**
- Three
  - Four
  - Five

**Department:** .....

- Position:**
- Manager
  - Chief
  - Employee