DAWNING OF A NEW ERA OF EMPOWERMENT A KEY SUCCESS FACTOR OF SERVICE QUALITY IN BANKING IN SRI LANKA

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Abstract

To survive in the increasingly competitive financial market, banks in Sri Lanka and other organizations are today looking for innovative strategies to enhance the productivity of their workforce. Among many strategies discussed by scholars, But empowerment appear to be a strategy that employers are reluctant to apply to enhance the service quality in a proper manner.

Organizations cannot survive in the market if they are unable to provide exceptional, quality customer service which requires empowering their employees. Empowering recognizing and valuing employees decrease errors and increase turnover and productivity, enthusiasm and commitment of employees actually increase the productivity, improve quality and finally increase the profit of the bank.

This paper discusses how empowerment may be used by employers in a practical manner to enhance the productivity of the employees to satisfy the customer requirements and to retain them for a long time.

Introduction

To survive in the competitive financial market environment characterized by deregulation and converging financial markets, addressing the complex customer needs which arise with the information technological factors and the time factor has become an important and urgent task.

As a result leaders of organizations including banks are searching for creative and innovative ways to enhance the potential of their employees to face this competitiveness.

Attaining exceptional service levels in the business world is a major concern of all managers and the executives of business organizations. The aim is to attract customers and to retain them with the organization providing them with quality service continuously. Therefore in order to do this, the organization should understand the importance of employee empowerment.
The simple meaning of an empowered employee is a person who can take any decisions on the spot not only to satisfy the organization but also its customers whereby the organization benefits in the long run.

In this scenario empowerment emerges as one of the most critical factors in the operation of business organizations especially service organizations like banks. As with the total quality management and re-engineering empowerment has become a very important strategy for the organizations. In fact empowerment has become one of the business administration mantras in 1990s.

Based on the researches done in the past (e.g. survey done by Fortune) it was observed that the contribution of empowered people to their organization was greater than that of other employees. Therefore the few empowered peoples with the rest of the employees contribute a lot to enhance the service quality and the productivity of the organization.

What drives, service organizations to change is the promise of enhanced financial performance and overall employee satisfaction which are always accompanied by empowerment. Successful empowerment drives the decision making authority down to the employees closest to the customers and to the product thus improving the quality of the customer service.

Empowerment is a topic that appears mostly in the field of human resource, business, the management literature, in generosity and the tourism literature. Therefore we should understand the meaning, and the definitions, of empowerment and why empowerment is so important to the service quality to the banking sector which is the most important service industry in Sri Lanka.

The purpose of this paper is to identify and understand the importance of empowerment of employees of the commercial banks of Sri Lanka as a factor that mostly impacts on the service quality and the satisfaction of the customers of the banks.

**Defining empowerment**

The empowerment literature reveals different concepts and the definitions of the empowerment concept (Honold, 1997). Most definitions of the empowerment agree that empowerment is concerned with giving more authority and preference in task and context related banking issues. Although some definitions are more concentrated on task-related activities, empowerment broadly takes in more than task oriented, related authority and latitudes.

Empowerment means “turning the frontline loose”, encouraging and rewarding employees to exercise initiative and imagination: “empowerment in many ways is the reverse of doing things by the book”. A more explicit definition by Jan Carlzon views empowerment as freeing someone from rigorous control by instructions, policies and orders, and giving that person freedom to take responsibility for his/her ideas, decisions, and actions.
It is to release hidden resources that would otherwise remain inaccessible to the individual and organization (Carlzon, 1987). Moreover, empowerment is described as a state of mind (Berry, 1995; Bowen and Lawler, 1995; Rafiq and Ahmed, 1998) to the extent that an employee with an empowered “state of mind” experiences the following qualities:

* feeling of control over how the job is performed
* awareness of the context in which work is done
* accountability for personal work output
* shared responsibility for unit and organizational performance
* equity in the rewards based on individual and collective performance (Berry, 1995).

Empowerment has been described as a means to enable employees to make decisions (Brown and Lawker, 1992) and a personal phenomenon where individuals take responsibility for their own actions. Lashley (1996) defines empowerment in relation to an organization’s purpose for using the strategy. Empowerment has been defined by scholars in different ways in different books.

In the Oxford dictionary empowerment means “is to give someone official authority or the freedom to do something”, to encourage and support the ability to do something.

The World Bank definition of empowerment is “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional contexts which govern the use of these assets”.

In the business dictionary empowerment is defined as follows. “A management practice of sharing information, rewards, and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance”.

**Dawning of an empowerment culture**

Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction.

It is acceptable that all the definitions explain how empowerment is important to the organizations to enhance the quality of the service. But the fact remains that many employers talk all the time about empowerment, but few actually put this into practice.

The reason may be that there is a misunderstanding the concept of empowerment. When the employees are empowered they still have to follow the rules, procedures and the policies of the organization when they engage in day today business. But true empowerment could mean that employees should be able to break the rules whenever need arises because employees...
need to look after the customers and provide quality service all the time but there are limits. Empowerment does not reflect that the employee can do whatever they wish and to break the limits to serve the customer.

The empowered workforce must be an educated, trained, and skilled workforce. On many occasions banks spend a great deal of money to canvass new customers and they do not spend any time or do not give an assurance to deliver quality service or product to them all the time. Many banks display advertisements that show warm, well treated caring employees, but when they really engage in business these warm, friendly well caring employees are difficult to find.

Sometimes organizations neglect capable employees who can handle the customers with great acceptance. Their presence is very important to the organizations and profitability.

Recognizing and proper planning, evaluating employees definitely reduces operational errors and increases turnover and productivity which enhancing the quality of the services effect on the profitability of the organization. Moreover, these employees’ commitment will increase all the time.

Most service organizations and employers consider customer service as a key factor in their business success formula, but very few appreciate the importance of empowered employees in attaining their goal. No organization/bank can provide exceptional, quality customer service without empowering their employees. The coordination between employees and employers is very important in this context.

**Empowerment process and strategy**

The empowering process and strategy are important for any banks in Sri Lanka in facing increasing competition. They need all the commitment and the involvement of their staff. Especially the commitment and the participation of top management as strategy and policy makers of banks are very important in implementing the empowering process and the strategy.

Following figure shows how empowerment process can be applied to the banking sector.
The relationship between employee and customer is very important in empowering process. Lack of trust between employees and the customers is the major management problem in empowering. According to John (1998) there are some myths that hinder employee empowerment as shown below.

* Businesses operate under the myth that they should not trust the customer, They think that the customers try to take more advantage from the organizations

* Businesses operate under the myth that they cannot trust the front line. Most top managements have little confidence in their front line managers.

* Businesses operate under the myth that empowerment will diminish or eliminate the role of the middle managers. Many middle level managers are not willing to empower the front line fearing that they will lose their control or ultimately eliminate the need for their positions.

* To make empowered decisions means taking risk, but the greatest concern of the employees’ is that they will be reprimanded or fired for making bad decisions.

Therefore the employers must consider these myths and should ignore them in the empowering process, if not the customer service and in the long run the stability of the bank/organization will suffer.
The management can use empowerment as a strategy in order to develop the organization to achieve its goals. As described by Nixon (1994) in Margaret (1997) the empowerment consist of five elements as follows:

* Establishing a vision
* Prioritizing acting only where most impact is possible
* Developing strong relationships with colleagues
* Expanding networks
* Using internal and external groups

Figure 11 explains the elements of empowerment, beginning with the concept of a change of strategy and ending with the final result.

**Figure 11**

**Empowerment and organizational change**

*Banks can develop the strategy and identify the variables that they can apply to assess the empowerment process and the following core variables may provide some guideline in the process of empowerment.*

*Source: Margaret (1997)*
* Individual roles
* Nature of task
* Problem solving and learning styles
* Reporting relationship
* Values and norms
* Measurement and rewards
* Decision-making authority
* Control systems
* Hierarchical trust
* Outcome (Robin and Elizabeth (1997))

Therefore as discussed above most employers acknowledge customer service as a key component of their business success formula, but few understand the importance of empowered employees in attaining their goals.

Commercial banks as a major financial service provider of the country need to understand the importance of the quality customer service all the time in this reshaping era and they cannot provide an exceptional customer service without empowering their employees.

**Hard bind with difficult and normal customers**

Keeping customers with the banks permanently is more difficult. And keeping the existing customers without any problem is also a difficult task. Elements like empowerment, speed, price, quality and the service provide exceptional power to this process. It may so happen that most of employees do not know how to provide quality service to their customers. As described by John (1998) following strategies can be adopted to render better, quality service from employee side.

* **Empower yourself with focus to give better service,** Empowerment means breaking and bending the organization rules when required to satisfy the customers. Hence employee has to take the initiative to fulfill the requirement of the customers pending covering approval of the managers. So the employee has to take a chance to break a rule to satisfy the customer with the view of fulfilling the requirement of the customer as well as benefiting the organization.

* **Reducing the response time.** At present customers need to do their work without any delay. Therefore if an employee can do the needful faster than before and accurately to the customer will be grateful.

* **Be aware of price.** If any bank/organization can give their service to the customers at a lower cost, they can survive in the market without any problem. The price plays a vital role in the market.

* **Look for quality in everything you do.** The simple rule is that quality service creates a positive relationship and these positive relationships are rewarded well. The employee should always consider the quality of the service to win their customers’ loyalty to the organization.
* Provide the best service possible. There is a service element in any activity pursued by any employee because, eventually all the activity of the employee impacts the real or perceived quality of the product or service the customer buys. Therefore the service is the skill that must be learned and practiced and fine-tuned. It consists a good attitude, courtesy, integrity, reliability, helpfulness, efficiency, availability, knowledge, and a whole lot more. Exceptional service is putting the customer first; being responsive to a customer’s needs, and being resourceful in meeting those needs.

Handling difficult customers is also a task a good employee has to perform from time to time.

Therefore to give better service employees need to control themselves at all times when they deal with difficult customers.

As discussed by John (1998) there are nine policies that help solve the problem of bad customers.

* Listen actively
* Empathize; be courteous; helpful; sprinkle; genuine sincere; friendly; comments
* Ask questions that require logical thinking by the customer to try and pull the person out of the irate state
* Do not become emotionally involved
* Identify the question as quickly as possible
* If you are at fault take the blame immediately
* Make a sincere positive statement
* Find ways to minimize the problem
* Solve the problem

Conclusion

Empowerment is a very important tool in reshaping financial organizations, especially in the present changing financial environment. Empowerment is not something which can be passed from the management to the employees.

It is a complex process which requires clear vision, involving all employees and employers of organizations.

Empowered working environment enables satisfying the needs of customers and keeps them coming back/loyal, and maintains best relations. This will help banks to reshape in these changing competitive and developing financial markets.
References


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