DEPARTMENT OF MANAGEMENT AND MARKETING

HOW CAN LAO STATE-OWNED COMMERCIAL BANKS SUSTAIN A COMPETITIVE ADVANTAGE THROUGH IMPROVING SERVICE QUALITY?

BY
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DECLARATION

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This thesis entitled: “How can state-owned commercial banks in Laos gain and sustain a competitive advantage through improving service quality?” is submitted in partial fulfillment of the requirements for the Unitec degree of Master of Business.

Candidate’s declaration

I confirm that:

• This thesis represents my own work.

• The contribution of supervisors and others to this work was consistent with the Unitec Regulations and Policies.

• Research for this work has been conducted in accordance with the Unitec Research Ethics Committee Policy and Procedures, and has fulfilled the requirements set for this research project by the Unitec Research Ethics Committee.

Research Ethics Committee Approval Number: 2014-1108

Candidate signature: ............................................ Date: 26 April 2016

Student number: 1415108
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ABSTRACT

In today’s highly competitive business environment, service quality has become an imperative element for State-owned commercial banks (SOCBs) in Laos to improve in order to enhance customer satisfaction, customer loyalty and customer retention. This will result in gaining and sustaining competitive advantage in the long-term. Besides, SOCBs should focus on the key determinant that deliver a high level of service quality to customers to overcome the bank’s competitors that are Frontline employees (FLEs).

The aim of this research study is to investigate the perspectives of management and staff toward service quality improvement. Additionally, this research project aims to identify the key improvement areas in customer service sectors of SOCBs in Laos in order to enhance customer satisfaction and loyalty as well as to sustain competitive advantage. The semi-structured interview was employed as a research technique to collect data and find the answer to the research question: “How can Lao SOCBs sustain competitive advantage through improving service quality?” The data was gathered through the qualitative approach from 11 participants of which 5 of them are at managerial level and the other 6 are FLEs from three SOCBs in Laos who work in the Head Offices in Vientiane capital.

The significant empirical findings reveal that all Lao SOCBs pay attention to FLEs as an essential approach to improve service quality as well as to maintain sustainable competitive advantage. Furthermore, the findings show that managers should focus on five key improvement elements to support FLEs to provide a high service quality to customers. In essence, the researcher has developed the pivotal model of key factors to be focused on to enhance customer satisfaction and loyalty based on the results of the findings of this research study and which are elucidated in Figure 4.

Finally, this research study can conclude that service quality is imperative for SOCBs to attain customer satisfaction and loyalty through serving a high level service quality from FLEs. As a result, SOCBs can create a competitive advantage in the long-term through providing high service quality by FLEs. It is inevitable for managers of SOCBs to focus on providing support to FLEs in the five key factors. Besides, this research also provides recommendations and directions for future research.
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FLEs</td>
<td>Frontline Employees</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>NEMs</td>
<td>New Economic Mechanisms</td>
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<td>SOEs</td>
<td>State-owned Enterprises</td>
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<td>SOCBs</td>
<td>State-owned Commercial Banks</td>
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<td>WOM</td>
<td>Word-of-mouth</td>
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Chapter One: Introduction

1.1. Background

In today’s highly competitive business environment, it is crucial for firms to develop and improve the quality of their products or services in order to gain and sustain competitive advantage. This includes the banking sector, as this sector mainly provides services to customers. Service quality is an important element to enhance customer satisfaction, customer loyalty and customer retention (Khan & Fasih, 2014). This is because service quality is about the capability of the service providers to offer services to their clients in a manner which meets the customer’s expectation (Jayakumar & Narsis, 2011). The greater the levels of satisfaction that customers experience the more loyalty from customers that banks will be likely to gain in the long-term. This will lead to higher profitability, cost savings and positive reputation (Kimando & Njogu, 2012).

For the banking industry in Laos, service quality plays a significant role in retaining existing customers and attracting new customers. This is because the competition in the banking industry in Laos, foreign banks, Lao private banks and Lao state-owned commercial banks (SOCBs) has become intense both domestically and internationally. This is a result from the integration of Laos into regional and international markets through joining regional and global organisations (Parameswaran, 2013).

In order to compete with other rivals, SOCBs and the state-owned enterprise (SOE) are the targeted organisations of the government to become a leading economic sector in the country (Ministry of Planning and Investment, 2011) that have to improve their service quality. Besides, as suggested by Lenka, Suar, and Mohapatra (2009), organisations like SOCBs should focus on human aspects especially frontline employees (FLEs) because they are the key determinants to overcome banks’ rivals (Lenka et al., 2009). However, the employees who possess competence and skill in providing service quality are still rare. Hence, the SOCBs or their management should consider what is the necessary support that should be provided to FLEs (Bhatti, Zafarullah, Awan, & Bukhari, 2011) as well as considering the key aspects to focus on to improve their service provision.
1.2. Problem description

In 1986, Lao People’s Democratic Republic (Bank of the Lao PDR) commenced the New Economic Mechanisms (NEMs) which shifted the country from a centrally-planned economy towards a market-oriented system (McCoy, 2011). Under this economic reform policy, local and foreign private investors were allowed to contribute to the economic development of Laos (McCoy, 2011). Additionally, the majority of state-owned enterprises (SOEs) were privatised, and Foreign Direct Investment (FDI) was encouraged and attracted through an open market policy (Phimphanthavong, 2012). As a result, in 2011, the operation of domestic and foreign private companies contributed 16 percent of total Gross Domestic Product (GDP) to the economic growth of the country (J&C Expat Services, 2013). They have become the largest contributors to boost Lao’s economic growth and this included the banking sector.

In response to the positive economic growth, Vietstock (2013) identifies that there has been a significant growth in the number of foreign banks in Laos. Banks such as the Industrial and Commercial Bank of China, ANZ, Bangkok Bank, May Bank and Banque Franco-Lao have set up for business in Laos in recent times. These banks have largely set up in Laos in response to their existing customers investment in Laos, in addition to seeking new business opportunities in an expanding market place (Keovongvichith, 2012). The number of commercial banks has more than doubled from 15 to 33 banks between 2000 and 2014 (Vientiane Times, 2014), four of which are state-owned commercial banks (SOCBs) (Keovongvichith, 2012). On one hand the rise in the number of banks is positive for economic growth, but on the other hand it has increased competition among local firms in the banking sector.

The integration of Laos into global organisations such as the World Trade Organisation (WTO) in early 2013 has helped Laos not only to diversify foreign investments but also to increase the number of foreign investors to drive the country’s economic growth (Kunze, 2013). As a member of the WTO, Laos has to follow all principles of liberalisation required of member states such as lower customs tariffs and other trade barriers. Moreover, Laos has to open and keep opening services and markets to global investors (Deloitte, 2012). It means that the investors all around the world especially investors from WTO member countries can access the 10 service sectors of Laos namely, business services, courier and telecom services, construction, distribution, private education, environmental
services, insurance, banking and other finances, private hospital services, tourism and air transport (Deloitte, 2012). This will likely mean intense competition and a great challenge for local commercial banks especially SOCBs because they have to compete with rivals all around the world from developed and developing countries that possess advanced technology, large capital reserves, significant human resources and strong reputations. The service quality in developed countries will mainly be based on advanced satellite and web technology for their better service quality while developing countries will focus on personnel assistant to obtain service quality (N. K. Malhotra & Ulgado, 2005; Muyeed, 2012).

In addition, the integration of Laos’ economy with other member countries of the Association of South East Asian Nations (ASEAN) in 2015 is also likely to be significant in development terms. The creation of ASEAN Economic Community (AEC) is focused on creating a single market and wide production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy (ASEAN Secretariat, 2008). Under AEC, ASEAN countries will become a region where there is a free flow of goods, services, investment, capital and skilled labour. This will make ASEAN countries more competitive in all areas. For Laos, in order to prepare for entrance into AEC, the government has been focusing on reforming SOEs including SOCBs by strengthening the efficiency and effectiveness of their business operations in some vital areas like organisation, personnel, administration and finance. By doing so, the government aims to make SOEs as well as SOCBs a leading economic sector in the country and ensure that they can compete in both regional and international markets (Ministry of Planning and Investment, 2011).

SOCBs showed poor performance during the transition of a central-planned economy towards a market-oriented system due to funding public priority projects and budget deficits (Keovongvichith, 2012). This has contributed to a lack of competition and consequently resulted in a weak governance structure, lack of managerial autonomy and limited financial innovation (Keovongvichith, 2012). Therefore, there was a merger and restructuring of SOCBs in order to overcome the problem. The seven SOCBs that were transformed in the late 1980s were consolidated into four banks during 1997-1998 namely Lao May bank, Lane Xang bank, Banque Pour Le Commerce Exierieur Lao and Agricultural Promotion Bank.
Currently, there are four SOCBs one of them is the outcome of the merging of Lao May bank and Lane Xang bank and one other is a non-profit bank with the task to provide credit for poverty alleviation in the 47 poorest districts of Laos (Keovongvichith, 2012; Vietnam Bank for Social Policy, 2014). Keovongvichith (2012) avers that after the restructuring of SOCBs, they contributed a large share to Lao banking financial developments worth about 60 percent of total assets, 67.7 percent of deposits and 60.5 percent of loans and 85 percent of branch networks and ATM services in 2010. This was a result of a deliberate government policy of the domestic financial sector development.

However, the share of assets, loans and deposits of SOCBs gradually declined in recent years due to intense competition with foreign commercial banks as well as Lao private banks in this marketplace (Keovongvichith, 2012). Moreover, most of the commercial banks are offering more or less similar services to customers (Hossain & Leo, 2009; Keovongvichith, 2012). Therefore, it is imperative for Lao SOCBs to improve their service quality to sustain a competitive advantage (Vietstock, 2013). This leads to the business problem: “How can Lao State-owned commercial banks sustain a competitive advantage through improving service quality?”

1.2.1. Focus of this project

This research will focus on the perspectives of managers and frontline employees (FLEs) in Lao SOCBs toward the role of service quality and how high levels of service quality can be achieved. In addition, this research project will identify key areas where service quality can be improved through analysis of current research in order to enhance customer satisfaction, customer loyalty and customer retention. This is because if the managers and FLEs understand the crucial role of service quality to their organisation, they will pay significant attention to improving service quality. The managers may therefore seek to develop new approaches to enhance their banks service provision. The FLEs, based on their understanding of the role of service quality, may also provide a better service to customers. Hence, this will help the SOCBs in Laos to be able to gain and sustain their competitive advantage.
1.3. Research aim and objectives

1.3.1. Research aim

This research study aims to investigate the perspectives of management and staff toward service quality improvement. Furthermore, the research aims to identify the key improvement areas in customer service sectors of SOCBs in Laos in order to enhance customer satisfaction and loyalty as well as to sustain competitive advantage.

1.3.2. Research objectives

Regarding the research aim identified above, the objectives are designed as follows:

(a) To determine the perspectives of State-owned commercial banks’ managers in the importance of service quality improvements to gain sustainable competitive advantage.

(b) To investigate the perception of frontline employees in the importance of customer service in the State-owned commercial banks.

(c) To investigate how the managerial staff influences the performance of frontline employees to improve service quality.

(d) To determine the challenges encountered by the Lao State-owned commercial banks when designing customer service.

(e) To identify the key areas for improving service quality of the Lao State-owned commercial banks in order to enhance customer satisfaction and loyalty.

1.4. Research question

This research attempts to achieve the answer to the following question:

What approaches should be taken by State-owned commercial banks in Laos to improve service quality in order to maintain a sustainable competitive advantage?
1.4.1. Sub-questions

This research will attempt to find the answer to the research objectives and research question by means of the following sub-questions:

(1) What are the understandings of SOCBs’ managers in service quality to gain a sustainable competitive advantage?

(2) How do FLEs perceive their role in providing service to customers?

(3) What is the necessary support that managers should focus on in order to help FLEs improve their service to customers?

(4) Which challenges do the Lao State-owned commercial banks face when designing customer services?

(5) What are the key factors that should be focused by the Lao State-owned commercial banks in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty?

1.5. Data collection

This research study project was conducted by utilising the qualitative research method particularly semi-structured interviews, as the data collection technique. The reason for using this method was to gain an in-depth understanding about the perception and perspective of frontline employees (FLEs) and their managers, or deputy managers, in Lao state-owned commercial banks (SOCBs) of the service quality. Besides, it allows research to seek for unanticipated issues regarding service provision and to clarify any confusion regarding terms and the questions. There were 11 participants taking part in this research study who are FLEs and managers or deputy managers of Lao SOCBs.

1.6. Outline of thesis

This thesis is consist of six chapters as follow:
Chapter one presents the overview of this research project. The chapter includes the background of the research topic and problem description that SOCBs in Laos are facing in today’s highly competitive business environment. It covers the challenges and reasons to investigate the perspective of FLEs and the managerial level on the service quality issue in order to sustain their competitive advantage. Besides, it covers the aim, objectives and research questions that form this thesis.

Chapter two critically reviews the literature related to SOCBs and service quality that FLEs were identified as key persons to influence the satisfaction of customers to maintain a sustainable competitive advantage. It also critically reviews the necessary support that management of the banks should provide to FLEs to deliver a high level of service quality. This literature guides the further analysis of the gathered data.

Chapter three discusses the methodology and to emphasise the rationale behind the selection of the qualitative methodology and semi-structured interviews as a technique for data collection. It also provides an explanation for the research paradigm, sample selection, research method, data analysis, validity of result and ethical considerations.

Chapter four discusses the results of data collection through the semi-structured interviews. The research findings are based on the perspectives and perceptions of the participants that are outlined in chapter four.

Chapter five focuses on the discussion of the findings based on the data of chapter four. All relevant literature and theories in chapter two are cited in order to explain and support the findings result in attaining the answers to the research questions.

Chapter six provides a summary of the research. Then the recommendations to SOCBs in Laos over how the key area of service quality should be improved are based on the findings. Additionally, the strengths and limitations of this research project are explained, and suggestions for further research are provided.
Chapter Two: Literature Review

2.1. Introduction

The previous chapter introduced the overview of this research which elucidated the business problem confronting the Lao state-owned commercial banks (SOCBs) along with the research aims and objectives. Essentially, it demonstrated the necessity of SOCBs to improve their service quality to sustain competitive advantage over their competitors in the long run.

In this chapter, a wide range of literature is critically reviewed. This includes the definition of SOCBs, service and service quality as well as the two most famous service quality measurement tools, SERVQUAL and SERVPERF that are also critically discussed. It then critically reviews the necessary key aspects to enhance frontline employees’ capability in delivering a high level of service quality as they are the most important drivers of a bank’s service performance to gain competitive advantage through providing a high level of service to customers.

2.2. State-owned commercial banks (SOCBs)

SOCB is a bank that has more than 50 percent ownership by the State (Berger, Hasan, & Zhou, 2009; Bounyong, 2010). Researchers of the International Monetary Fund (IMF), e.g. Gonzalez-Garcia and Grigoli (2013), have divided the SOCB into four groups based on their operations and performance, namely development agencies, quasi-narrow banks, development banks and retail commercial banks.

Development agencies do not act like banks because they do not borrow and do not lend money to the public. However, the operation of development agencies provides technical assistance, grants, subsidies and guarantees through a wide range of economic and financial instruments (Gonzalez-Garcia & Grigoli, 2013). Quasi-narrow banks do not provide loans to the public but take deposits from the public and invest those deposits for a short term in Government paper such as Treasury bills (Gonzalez-Garcia & Grigoli, 2013;
International Monetary Fund, 2010). Development banks do not collect deposits from the public. Nevertheless, they receive funds from Government transfers, multilateral agencies and bond issuances and lend directly to corporations, or through other banks that operate in particular sectors. In addition, these institutions, in some cases, are involved in the structural reforms of the Government. Finally, retail commercial banks conduct the same kind of operations as other commercial banks but their objectives are focused on the social area and/or Government or commercial development. These entities collect deposits and utilise those amounts of money to provide credit to companies and individuals (Gonzalez-Garcia & Grigoli, 2013). The same authors further suggest that it is crucial to focus on retail commercial banks. This is because their operations are similar to other private commercial banks and they also compete with the other commercial banks in terms of profitability.

Unlike SOCBs, the Central Bank is an institution that performs the banking system and monetary structures of the country in order to preserve monetary stability and is entirely owned by the Government (Jain & Khanna, 2007; Janssens, 2012; Sinclair & Milton, 2011). In different countries around the world the name given to the Central Bank differs, e.g. the Bank of England, the Bank of Russia, the Bank of Japan, People’s Bank of China, the Norges Bank, the Deutsche Bank and the Reserve Bank of New Zealand (Allen, Qian, Qian, & Zhao, 2009; Berger et al., 2009; Borio, 2014; Gomez, 2008; Rickards, 2014; Singleton, 2011; Tognato, 2012).

In terms of its role and functions, the Central Bank of any country differs from commercial banks in eight points as below:

(1) Public welfare is the major aim of the Central Bank whereas profit motive is the goal of the commercial banks (Jain & Khanna, 2007).

(2) The Central Bank is owned by the State while commercial banks might or might not be owned by the Government (Gomez, 2008).

(3) The Central Bank is the bankers’ bank and a lender of the last resort for commercial banks. It is compulsory for all commercial banks to have a banking account and keep part of their deposit in the form of cash reserves with the Central Bank. Thus, there will never be competition between the Central Bank and the commercial banks (Gomez, 2008; Howden, 2014; Jain & Khanna, 2007).
The Central Bank is the Government’s banker, agent and adviser while the commercial banks do those tasks for their customers such as individuals and companies. The reasons for this are that the Central Bank keeps all the Government’s bank accounts and manages treasuries on behalf of the Government. Besides, the Central Bank is the Government agent in the matter of generally controlling the exchange. In addition, the financial operations of the Government are huge so the Central Bank acts as financial advisor to the Government to minimize disturbing effects on the money market of a country. The ordinary commercial banks conduct all functions for their customers in a way that is similar to what the Central Bank does for the Government (Gomez, 2008).

The Central Bank has an exclusive right to issue notes while commercial banks have no such privileged right (Howden, 2014; Janssens, 2012).

The whole banking system of a country is controlled by its Central Bank. Moreover, the Central Bank directly controls and supervises the operation of commercial banks (Jain & Khanna, 2007; Singleton, 2011).

The credit of a country is controlled by its Central Bank. All commercial banks perform their clearance through the Central Bank as they keep reserve with the Central Bank. Hence, it can be seen as a Clearing House (Singleton, 2011).

The Central Bank is the custodian of country’s foreign balances whereas the commercial banks undertake the foreign exchange business with the approval of the Central Bank (Gomez, 2008; Jain & Khanna, 2007; Singleton, 2011).

SOCBs tend to have different objectives from private commercial banks in terms of operation (Dinç, 2005; Firth, Lin, & Wong, 2008). The objectives of SOCBs will be set by politicians to serve the political or government agenda while the aim of private commercial banks is to gain the highest return on capital that was contributed by their shareholders. Likewise, the SOCBs tend to allocate and price loans based on the Government’s preferences and priorities whereas private commercial banks will allocate and price loans based on borrowers’ risk profiles (Firth et al., 2008). According to the study of Sapienza (2004), SOCBs mostly lend to SOEs at below-market interest rates or to large firms located in depressed areas. Although SOCBs have to lend to firms in priority areas of the Government, they still need to run their business effectively to survive and to
maximise their profit (Keovongvichith, 2012). Thus, it is necessary for SOCBs to improve their processes as well as service quality in order to retain and obtain new customers to sustain a competitive advantage as supported by M. Kumar, Kee, and Charles (2010) that maintaining current clients is as vital as attracting new clients.

2.3. Service quality

Definition of service:

Service is an action, performance or endeavour which will provide benefit to clients (Hoffman, Bateson, Elliott, & Birch, 2010; Osman, Mohamad, & Mohamad, 2015). Osman et al. (2015) assert that service is dissimilar to goods and products. Hoffman et al. (2010) address the point that services are different to goods in four key unique characteristics as depicted in Figure 1 as below:

Figure 1: The four service characteristics

Source: Based on G. Armstrong, Adam, Denize, and Kotler (2015)

(1) **Intangibility**: services are intangible because they are unable to be sensed, tasted or touched in a manner similar to goods, and consumers tend to judge their experiences subjectively rather than objectively (Hassan, 2012).
(2) **Inseparability**: services’ production and consumption are inseparable because service will be sold first then will be simultaneously produced and consumed (Ganesh & Haslinda, 2014; Hoffman et al., 2010).

(3) **Heterogeneity/Variability**: delivery of service can be different from provider to provider and client to client (Maddern, Maull, Smart, & Baker, 2007).

(4) **Perishability**: services are not perishable because service cannot be inventoried or warehoused as goods (Hoffman et al., 2010).

In light of the aforementioned differences, it is very difficult for clients to assess the quality of service compared to quality of goods. The reason for this is that the evaluations of service are not only based on the service’s outcome but also other elements such as technical quality and functional quality (Maddern et al., 2007). Grönroos (1978) explains that technical quality is what is delivered by the service provider during the service provision whereas functional quality is how customers are provided with service by the service employee (as cited in Shanka, 2012). Hence, service quality has been taken into account nowadays by many organisations worldwide as it strongly impacts not only on their performance but also their success (Shanka, 2012).

**Definition of service quality:**

It is pivotal to understand the meaning of service quality in order to evaluate the service quality of any organisation. Researchers have studied service quality in many different areas and gave definitions to serve their interest as shown in Table 1 below.
Table 1. Studies about service quality in different sectors.

<table>
<thead>
<tr>
<th>Author</th>
<th>Organisational sector</th>
<th>Measurement tool</th>
<th>Country</th>
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<tbody>
<tr>
<td>Salazar and Costa (2010)</td>
<td>Hospitality</td>
<td>SERVQUAL and SERVPERF</td>
<td>Portugal</td>
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<tr>
<td>Inthavong and Onphanhdala (2015)</td>
<td></td>
<td>SERVQUAL</td>
<td>Laos</td>
</tr>
<tr>
<td>Izogo and Ogba (2015)</td>
<td>Automobile repair</td>
<td>SERVQUAL</td>
<td>Nigeria</td>
</tr>
<tr>
<td>Akroush, Abu-ElSamen, Samawi, and Odctallah (2013)</td>
<td>Restaurant</td>
<td>SERVQUAL</td>
<td>Jordan</td>
</tr>
<tr>
<td>Kassim and Abdullah (2010)</td>
<td></td>
<td>SERVQUAL</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Gautam (2015)</td>
<td>Telecommunication</td>
<td>SERVQUAL</td>
<td>India</td>
</tr>
<tr>
<td>Mpinganjira (2011)</td>
<td>Healthcare</td>
<td>SERVQUAL</td>
<td>South Africa</td>
</tr>
<tr>
<td>Siddiqi (2011)</td>
<td></td>
<td>SERVQUAL</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Lau, Cheung, Lam, and Chu (2013)</td>
<td>Banking</td>
<td>SERVQUAL</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Dhurup, Surujlal, and Redda (2014)</td>
<td></td>
<td>E-SQ</td>
<td>South Africa</td>
</tr>
<tr>
<td>Choudhury (2013)</td>
<td></td>
<td>SERVQUAL</td>
<td>India</td>
</tr>
<tr>
<td>Javadi, Balochianzad, and Nasirzadeh (2012)</td>
<td></td>
<td>SERVQUAL</td>
<td>Iran</td>
</tr>
<tr>
<td>Dinh and Pickler (2012)</td>
<td></td>
<td>SERVOERF</td>
<td>Vietnam</td>
</tr>
</tbody>
</table>

Source: Table Developed by Researcher (2015)

Based on Table 1 above, SERVQUAL measurement is the most utilised instrument which is employed by ten researchers, Inthavong and Onphanhdala (2015), Izogo and Ogba (2015), Akroush et al. (2013), Kassim and Abdullah (2010), Gautam (2015), Mpinganjira (2011), Siddiqi (2011), Lau et al. (2013), Choudhury (2013) and Javadi et al. (2012) respectively. Among those who used SERVQUAL measurement, they are four researchers, Siddiqi (2011), Lau et al. (2013), Choudhury (2013) and Javadi et al. (2012), who studied the banking industry in Bangladesh, Hong Kong, India and Iran consecutively while six others, Inthavong and Onphanhdala (2015), Izogo and Ogba (2015), Akroush et al. (2013), Kassim and Abdullah (2010), Gautam (2015) and Mpinganjira (2011), who researched in different industries namely: hospitality, automobile repair, restaurant, electronic commerce, telecommunication and healthcare in Laos, Nigeria, Jordan, Malaysia, India and South Africa respectively. Besides, E-S-QUAL and E-SQ were utilised by Santouridis et al. (2012) and Dhurup et al. (2014) in electronic commerce and online banking in Greece and South Africa. Another tool, SERVPERF, was employed by Dinh and Pickler (2012) to
study the Vietnamese banking sector. Finally, the mix tools, SERVQUAL and SERVPERF, were opted for in the study by Salaza and Costa (2010) for Portuguese hospitality.

According to Salazar and Costa (2010), service quality is a subjective concept that drives the financial performance of firms because the perception of customers is vital. In addition, Izogo and Ogba (2015) describe service quality as a factor to determine whether customers will remain with firms or move to their rival. Service quality is the overall assessment of customers about their general expectations compared to the actual performance of particular service organisation (Akhtar, 2011). For instance, the service quality in e-service will tend to be based on customers’ beliefs in technology (Santouridis et al., 2012). Furthermore, Choudhury (2013) argues that service quality is seen as the scope of discrepancy between the expectations and the perceptions of clients while Lau et al. (2013) assert that service quality is reaching the needs and expectations of clients. Putra (2013) and Horn and Rudolf (2011) defines service quality as the degree to which a service satisfies clients by meeting their wants, needs and expectations. Hence, in this research, service quality can be defined as meeting the needs, wants and expectations of internal and external customers. To sum up, the sole judges of service quality in all sectors are customers. The quality of service of any company is good if their customers perceive it so. In contrast, the service quality is worse if the customers feel so (Shanka, 2012). Consequently, measuring service quality is an essential way to improve the level of customer satisfaction and loyalty resulting in increasing profitability.

2.3.1. Service quality measurement instruments:

There are many ways to gauge service quality in order to improve firms’ performance and distinguish themselves from their rivals. However, SERVQUAL and SERVPERF are the most famous models used by scholars and practitioners in various industries especially in the banking sector (Dinh & Pickler, 2012; Muyeed, 2012; Shanka, 2012) as displayed in Table 2 and Table 3.
2.3.1.1. SERVQUAL

SERVQUAL was developed by Parasuraman, Zeithaml, & Berry (1985, 1988) to evaluate service quality which focused on customers’ evaluation of service consequence through the gap between their expectations and perceptions (Al-havari, 2015; Dhurup et al., 2014; Ramseook-Munhurrun, Naidoo, & Lukea-Bhiwajee, 2009). This instrument has 22 items on ten dimensions which is the first development of Parasuraman, Zeithaml, and Berry (1985) and then they recast those ten into five dimensions in 1988 namely, reliability, responsiveness, assurance, empathy and tangibles (Culiberg & Rojšek, 2010; Kaura & Datta, 2012; Kavitha, 2012; Siddiqi, 2011).

Reliability is the ability to perform the promised service dependably and accurately while responsiveness refers to the willingness to help clients and provide prompt service. Next, assurance is the knowledge and courtesy of employees and their ability to inspire trust and confidence. Empathy means the caring, individualised attention provided to customers. Finally, tangible refers to the appearance of physical facilities, equipment, personnel, and communication materials (Dutta & Dutta, 2009; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Malik, Naeem, & Arif, 2011; Munusamy, Chelliah, & Mun, 2010; Najjar & Bishu, 2006; Ravichandran, Bhargavi, & Kumar, 2010). For example, the bank has sufficient number of employees to serve customers and support customers in using service with up-to-date tools (Lau et al., 2013).

The development by Parasuraman, Zeithaml, and Berry (1988) of SERVQUAL, which is the cornerstone for many researchers to adapt this instrument to their interest, increased its dimensions from three to seven to suit their study area (Bahia & Nantel, 2000; Bedi, 2010; Dhurup et al., 2014; Jabnoun & Khalifa, 2005; Lenka et al., 2009; Valmohammadi & Beladpas, 2014). For instance, in the study of Lehtinen and Lehtinen (1991) and Kang and James (2004) applied a three dimension quality approach namely, functional quality: how service employees provide service to customers; technical quality: the technical ability and knowledge of employees, computerized systems, technical solutions and machine quality; and image of the service provider: the general perception of customer on service provider. SERVQUAL became the priority tool of many researchers especially in banking industry to employ in their study as illustrating in Table 2.
Table 2. Studies conducted by employing SERVQUAL.

<table>
<thead>
<tr>
<th>Author</th>
<th>Organisational sector</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newman and Cowling (1996)</td>
<td>Banking</td>
<td>Britain</td>
</tr>
<tr>
<td>Angur, Nataraajan, and Jahera (1999)</td>
<td></td>
<td>India</td>
</tr>
<tr>
<td>Chen and Chang (2005)</td>
<td></td>
<td>Taiwan</td>
</tr>
<tr>
<td>Jabnoun and Khalifa (2005)</td>
<td></td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Tarig and Moussaoui (2009)</td>
<td></td>
<td>Morocco</td>
</tr>
<tr>
<td>Kumar et al. (2010)</td>
<td></td>
<td>Malaysia</td>
</tr>
<tr>
<td>Ladhari, Ladhari, and Morales (2011)</td>
<td>Banking</td>
<td>Canada and Tunisia</td>
</tr>
<tr>
<td>Siddiqi (2011)</td>
<td></td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Kaura, Prasad, and Sharma (2013)</td>
<td></td>
<td>India</td>
</tr>
<tr>
<td>Okoe, Adjei, and Osarenkhoe (2013)</td>
<td></td>
<td>Ghana</td>
</tr>
<tr>
<td>Lau et al. (2013)</td>
<td></td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Khan and Fasih (2014)</td>
<td></td>
<td>Pakistan</td>
</tr>
</tbody>
</table>

Source: Table Developed by Researcher (2015)

Table 2 shows the research that has been conducted by utilising SERVQUAL measurement in the banking sector in five main regions - European, Asian, Middle East, African and American realms, worldwide during 1996 to 2014. The Table 2 indicates that scholars, Angur et al. (1999), Chen and Chang (2005), Kumar et al. (2010), Siddiqi (2011), Kaura et al. (2013), Lau et al. (2013) and Khan and Fasih (2014), who are interested in conducting his or her research in the Asian region, which includes India, Taiwan, Malaysia, Bangladesh, Hong Kong and Pakistan, outweighs the other four regions. The following outstanding region is African consisting of Morocco, Tunisia and Ghana. The researchers who have studied in this region are Tarig and Moussaoui (2009), Ladhari et al. (2011) and Okoe et al. (2013) respectively. Besides, Jabnoun and Khalifa (2005) and Ladhari et al. (2011) paid attention in Northern American and the Middle East regions.

Although SERVQUAL has been widely used by numerous scholars, it has been criticised by some researchers (Al-havari, 2015; Kaura & Datta, 2012; Ladhari et al., 2011; Ramseook-Munhurrun et al., 2009; Ravichandran et al., 2010; Siddiqi, 2011).
**Criticism of SERVQUAL:**

SERVQUAL model has been widely criticised and could be summarized in six main points.

1. **Dimensionality:** The five dimensions are not universal as they do not seem to be thoroughly generic (Carman, 1990; Cronin & Taylor, 1992), and seem to depend on the sort of area being researched or serviced (Babakus & Boller, 1992; Cronin & Taylor, 1992; J. Joseph Cronin & Taylor, 1994). Moreover, the SERVQUAL’s five-factor structure was not supported by most research studies.

2. **The gap model:** there is a rare proof regarding clients evaluating service quality through expectation and performance gaps (Babakus & Boller, 1992; Cronin & Taylor, 1992).

3. **Item composition:** the variability cannot be captured by four or five items within each dimension (Gilmore, 2003).

4. **Expectations:** it is unnecessary to gauge expectations, as they are difficult to follow. In case it is necessary to measure, perceptions and expectations they should be individually measured (Carman, 1990; Cronin & Taylor, 1992).

5. **Scale points:** Many respondents might respond to the scale points differently because the seven point likert scale is flawed (Gilmore, 2003).

6. **Polarity:** The reversed items may cause confusion to respondents and result in respondent error (Gilmore, 2003).

**2.3.1.2. SERVPERF**

In response to the above criticisms, Cronin and Taylor (1992) develop SERVPERF to serve their belief. They focus on the perception or the service performance solely. They provided sound evidence through their study that this approach could be sufficient to gauge the service quality. This tool utilises 22 items which reduce (i.e. half number of items) and uses five dimensions similar to the dimensions of SERVQUAL (Al-havari, 2015; Ladhari et al., 2011). Brady, Cronin, and Brand (2002) concur with the view of
Cronin and Taylor (1992) because their research has better results with the SERVPERF measurement compared to the SERVQUAL one. This measurement tool became the favoured approach of many scholars as presented in Table 3.

Table 3. Studies conducted by adopting SERVPERF

<table>
<thead>
<tr>
<th>Author</th>
<th>Organisational sector</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duncan and Elliott (2002)</td>
<td>Banking</td>
<td>Australia</td>
</tr>
<tr>
<td>Wang, Lo, and Hui (2003)</td>
<td></td>
<td>China</td>
</tr>
<tr>
<td>Beerli, Martin, and Quintana (2004)</td>
<td></td>
<td>Spain</td>
</tr>
<tr>
<td>Zhou (2004)</td>
<td></td>
<td>China</td>
</tr>
<tr>
<td>Culiberg and Pojšek (2010)</td>
<td></td>
<td>Slovenia</td>
</tr>
<tr>
<td>Mehtap-Smadi (2010)</td>
<td></td>
<td>Turkey</td>
</tr>
<tr>
<td>Nguyen, Chaipoopirutana, and Combs (2011)</td>
<td></td>
<td>Vietnam</td>
</tr>
<tr>
<td>Adil (2012)</td>
<td></td>
<td>India</td>
</tr>
<tr>
<td>Shanka (2012)</td>
<td></td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Titko and Lace (2012)</td>
<td></td>
<td>Latvia</td>
</tr>
<tr>
<td>Coetzee, Zyl, and Tait (2013)</td>
<td></td>
<td>South Africa</td>
</tr>
<tr>
<td>Ushantha, Wijeratne, and Samantha (2014)</td>
<td></td>
<td>Sri Lanka</td>
</tr>
</tbody>
</table>

Source: Table Developed by Researcher (2015)


In addition, Babakus and Boller (1992) found that SERVPERF is superior for both the efficient scale as well as reducing 50% the number of items to measure service quality.
Thus, this approach could be a handy choice for researchers as a research instrument to improve service quality.

**Criticism of SERVPERF:**

Although SERVPERF has been argued for by numerous researchers, it has been criticised by the opposition. In opposition, Khattab and Aldehayyat (2011) who argue that SERVPERF does not distinguish service quality from customer satisfaction. This is because they examined that customer satisfaction is a result of service quality rather than using customer expectations as standard to measure service quality. Another criticism of SERVPERF is that it is too generic to point out industry-specific dimensions in service quality (Sunder, 2011).

Even though numerous researchers who support SERVQUAL or SERVPERF make an effort to argue for and against SERQUAL or SERVPERF to serve their belief, both SERVQUAL and SERVPERF still seem to be widely employed. Hence, it is imperative to look at the benefits of service quality particularly in the banking industry in order to augment profitability (Khalid, Mahmood, Abbas, & Hussain, 2011).

**2.3.2. Odds of service quality**

An enormous number of studies were utilised to discern the advantages of service quality. Many of the experts claim that by providing a high level of service quality to clients, banks tend to acquire a competitive edge in driving customers’ satisfaction that impacts customer loyalty. Consequently, this results in reducing costs, enhancing the bank’s reputation, generating word-of-mouth (WOM) recommendation and increasing revenue in the long run (Hossain & Leo, 2009; Kang & James, 2004; Khan & Fasih, 2014; M. Kumar et al., 2010; Lau et al., 2013; Maddern et al., 2007) as illustrate in **Figure 2**. Khalid et al. (2011) and Misbach, Surachman, Hadiwidjojo, and Armanu (2013) assert that customer satisfaction is an essence of success because the customer will evaluate the service to determine whether it has attained their expectations and wants. If their wants are satisfied, they will tend to repurchase in the future and this will lead to customer loyalty (Osman et al., 2015; Tarig & Moussaoui, 2009). For instance, the study of Madjid (2013) in the
Indonesia banking sector concluded that customer satisfaction has a significant influence on customer loyalty.

**Figure 2: Benefits of customer satisfaction and service quality**

![Benefits of customer satisfaction and service quality diagram](image)

Source: Based on Lovelock, Patterson, and Wirtz (2011)

In addition, customer satisfaction develops from the high level of service quality and link to customer loyalty (Osman et al., 2015) as presented in **Figure 3**. Furthermore, customers who are satisfied with the bank’s service tend to advise others about their positive experiences. This will lead to enhancing the bank’s image via WOM advertising (Dedeoğlu & Demirer, 2015). Accordingly, the bank tends to obtain higher future profitability, a greater number of clients who are willing to pay premiums and higher levels of loyalty and retention of customers as confirmed by Khalid et al. (2011). Additionally, Grönroos (2000) found that a customer who is satisfied with the service is six times more likely to repurchase a service or product and share his or her experience with six other people (as cited in Shanka, 2012). Conversely, a customer who is not satisfied could spread negative rumours about the bank, which according to Mohsan (2011) is ten times higher than satisfied customers do (as cited in Shanka, 2012).

**Figure 3: The connection among service quality, customer satisfaction and customer loyalty**

![The connection among service quality, customer satisfaction and customer loyalty diagram](image)

Source: Based on Sabir, Ghafoor, Akhtar, Hafeez, and Rehman (2014)
However, some researchers argue that customer satisfaction does not guarantee repurchase, customer retention, or customer loyalty (Khan & Fasih, 2014). According to Lau et al. (2013), a repurchase customer may not be a loyal customer. This is because he or she may believe that there are no alternative convenient banks or service providers (Dedeoğlu & Demirer, 2015). The same author further argues that when alternative convenient service providers are available, these customers might turn to those providers. Hence, it is imperative to keep a base of loyal customers in order to allow a bank to possess a competitive advantage (Tarig & Moussaoui, 2009).

Loyal customers raise a bank’s profitability. Reucgeged and Sasser, (1990) demonstrates that an increase of five percent in loyal customers consequently generate more revenue of between 25 and 85 percent based on the sort of service sector (as cited in Tarig & Moussaoui, 2009). Moreover, banks that possess customer loyalty will not only grow the value of the business but also allow it to keep costs lower than the cost involved in attracting new customers (Beerli et al., 2004). This was supported by Kheng et al. (2010) who stated that the cost of acquiring a new client might be around five times the cost of maintaining an existing satisfied customer. Hence, keeping a sustainable relationship with clients is likely to gain customer satisfaction and be the key to building the loyal customer base through the warmth of service employees.

Service providers who can maintain their positive relationship with customers through their employees seem to gain competitive advantage over their rivals. Lenka et al. (2009) confirm that the most important drivers of a bank’s service performance is human aspects, or employees. This is because bank’s employees especially frontline employees (FLEs) will create their relationship with customers while providing service and the better relationship between them will also be made through their interaction and information flow (Al-Hawari, Ward, & Newby, 2009). It means that customers will perceive one bank’s service performance better than others through FLEs’ performance. As a result, FLEs are a crucial aspect in determining any bank’s performance to achieve competitive advantage as addressed by N. Malhotra, Mavondo, Mukherjee, and Hooley (2013).

Furthermore, the customer in developed, developing and less developed countries will expect different level of service quality from service providers. Customers in developed countries prefer the advance of satellite and web technology for better service quality (N. K. Malhotra & Ulgado, 2005) whereas customers in developing and less developed
countries prefer personal assistance rather than high technology in obtaining service quality (Muyeed, 2012). In addition, the skill of experience of the service provider depends on the individual for a developed country while skill of experience that suit a particular group is crucial in obtaining service quality for a developing and less developed country (Malhotra & Ulgado, 2005). Hence, it is crucial for service providers or banks to focus on not only personal assistance but also their FLEs’ skill of experience as a teamwork to gain high service quality.

Consequently, banks’ employees, particularly FLEs, are a crucial element because they are key persons who deal with customers. FLEs will assist customers through face-to-face contacts, provide a clear explanation of the bank’s products or services to each customer and give appropriate service to individuals (Lau et al., 2013). By providing such a service to customers will inspire trust and confidence through friendly customer service. Hence, Ramseook-Munhurrun et al. (2009) assert that if the service provider wants to improve service quality, it is essential to concentrate on FLEs.

2.3.3. Frontline employees

Frontline employees (FLEs) are a touch point between a bank and its customers who use its services because FLEs normally provide face-to-face service to clients (Wu, Tsai, Hsiung, & Chen, 2015). Hence, customers will assess whether the service quality of the bank is good through their personal interaction and contact with bank staff especially FLEs (Khan & Fasih, 2014; Wu et al., 2015). So, the role of FLEs is pivotal in developing relationships with customers, gathering customer information, and in creating customer satisfaction and customer loyalty (Hossain & Leo, 2009). In other words, the most important sources of customer information about customers’ complaints, requests, and expectations are FLEs (N. Malhotra et al., 2013). Thus, it is imperative to furnish FLEs with all necessary factors to help them create a great service quality which will differentiate a bank from its competitors. Khanna and Maini (2013) demonstrate that in order to enhance FLEs capability in service delivery and to reduce the turnover intentions of FLEs, there are some key aspects on which to focus. They are employee rewards, service training, empowerment, supportive management and service technology support.
2.3.3.1. Employee rewards

Rewards are something that employees receive for their job well done or their contribution and achievements (Michel Armstrong, 2012). According to Güngör (2011), there are two types of rewards, namely financial rewards or extrinsic rewards and non-financial rewards or intrinsic rewards. Financial rewards or extrinsic rewards are rewards that have a value of money adding up to total salary (Michel Armstrong, 2012) which include bonus system, perquisite, salary increase etc. (Güngör, 2011). Non-financial rewards or intrinsic rewards are rewards that focus on how people perceive their need to differing degrees (Michael Armstrong, 2004) which comprise recognition, personal growth, social rights, design of work, social activities, comfort of working place, vacation time, participation to decisions, authority and responsibility, promotion and title, authority and responsibility etc. (Güngör, 2011). Michel Armstrong (2012) asserts that financial rewards help others to recognise employees’ contribution in the shape of merit pay whereas non-financial rewards act as motivators if rewards are attainable and employees know how to attain them.

Providing appropriate reward policies in a bank is very important to induce FLEs in delivering high level of service quality to customers (Babakus, Yavas, & Karatepe, 2003). Furthermore, the connection between employee reward and performance of service delivery is a crucial element of service quality as asserted by Ashill, Rod, and Carruthers (2008). The same authors further argue that rewards are important in both incentivising employees and motivating them. This will lead to the delivering of high quality service to customers and dealing with customer complaints in an appropriate manner. It is claimed that the reward structure of an organisation has a strong impact on employee satisfaction and organisational commitment (Ashill et al., 2008). If an organisation, especially the management, can show their genuine commitment regarding reward systems, it will increase the levels of job satisfaction and organisational commitment of FLEs. Thus, they will provide exemplary service quality efforts.

2.3.3.2. Service training

Training are the programmes that are sponsored by a firm (Yavas, Karatepe, & Babakus, 2010). Training includes systematic efforts to assist subordinates to obtain professional capacities and capabilities that encompass knowledge, skills, or behaviours (Ashill et al.,
Rahmati, Hosseinifard, and Alimadadi (2014) define service training as planned actions to develop and train trainers and managers to improve their knowledge and capabilities. It is widely claimed that staff who lack interpersonal skills are unable to provide a high level of service in handling complaints of customers (Rahmati et al., 2014). The same authors further point out that due to the role of customer service training in developing knowledge and skills of FLEs to deal with service failures effectively, it directly impacts the job satisfaction of FLEs. Many researchers confirm that organisations that focus on investing more in service training programmes will possess FLEs commitment to the organisation (Ashill et al., 2008). Moreover, employees who are well trained are able to gain a high level of client satisfaction (Al-Hawari et al., 2009).

It is necessary for the organisation to provide a suitable training programme for their employees to support their activities in providing service to customers (Rahmati et al., 2014). In order to serve customers efficiently, organisation should set up an educational programme for their employees as a training programme. This training programme should contain how to use new technology and adapt it into work processes (Salehizadeh, 2000). Besides, the competences that include skill, knowledge, or behaviours of each employee should be recognised by their supervisors in order to provide an appropriate training programme and the modifications needed for their development and constant growth (Rahmati et al., 2014). This could not only diminish the negative impact of work demands but also help employees to reach their work goals (Yavas et al., 2010). That is customer satisfaction which leads to an organisation’s profitability increase.

2.3.3.3. Empowerment

Empowerment can be defined as the process of giving organisational members the authority and responsibility to accomplish their jobs (Al-Hawari et al., 2009). With empowerment FLEs will be endowed with more power to solve difficulties of customers immediately with an appropriate discretion (Bass & Bass, 2009; Wu et al., 2015; Yavas et al., 2010). This means that FLEs will be more flexible to fit the changeable wants of customers. The same authors further indicate that empowerment allows FLEs to present a flexible and appropriate service to customers resulting in the perception of customers that service quality will improve. Empowerment is encouraging FLEs to practise imagination and initiative to achieve individual goals as well as organisational goals (Tsaur, Chang, & Wu, 2004). Management in an organisation is illustrating its commitment to service
quality by shifting the responsibility and authority to FLEs to deliver excellent service delivery (Bass & Bass, 2009; Ghosh, 2013).

However, empowerment can have a negative impact. Empowered employees could interpret their extra power as an extra task to increase their workload (Ueno, 2008). So, the same author insists that it seems necessary for empowered employees to be rewarded for added labour in order to gain their high level of service performance. Additionally, empowerment might lead to inconsistent or slower service because empowered employees with customised service might slow down service delivery (Rafiq & Ahmed, 1998). This could significantly lead to customers’ frustration or dissatisfaction. Furthermore, by attempting to balance role demands, empowered staff may feel frustrated resulting in raising the role of conflict for employees and service quality (Tsaur et al., 2004). Thus, it is imperative for banks to provide employee rewards, empower employees with a clear indication about their role and function in order to ignore the negative impact mentioned above.

2.3.3.4. Supportive management

Management support for service quality acts as a significant part of the social support system of an organisation (Ashill et al., 2008). In other words, the extent that subordinates perceive the support of managers in both encouraging and reinforcing the high-quality customer service delivery, and providing support will make sure the needs of customers and employees are met. The effort of FLEs will rise if they perceive the effort to support comes with authority from the organisation’s management (Michel, Kavanagh, & Tracey, 2013). According to the finding of Singh (2000), a supportive management environment creates commitment to the organisation, job satisfaction, reduces turnover intentions and enhances employee work performance (Ashill et al., 2008).

Management support may come in the form of pay promotions, job enrichment, training, empowerment, rewards, performance feedback, colleagues’ support and involved in decision-making (Babakus et al., 2003; Schaufeli & Bakker, 2004). This type of support, on one hand, could raise positive perception of FLEs about how the organisation values their contribution as well as how the organisation worries about their well-being (Stamper & Johlke, 2003). On the other hand, the management support tends to increase the positive
outcome of FLEs (Yavas et al., 2010). Hence, organisations should not ignore this type of support if they want to achieve their goals of profitability.

2.3.3.5. Service technology support

Service technology support consists of integrated and sophisticated instruments that management furnishes to individuals to support them in routine tasks. This enables them to provide more time to their clients (as cited in Ashill et al., 2008). Ashill et al. (2008) demonstrate that service technology tends to assist FLEs in dealing with their tasks more accurately and efficiently as well as minimise the risk of human error.

Moreover, organisations or banks should adapt themselves into the high competitive technology world by investing more in high levels of service technology to support FLEs tasks (Lytle, Hom, & Mokwa, 1998). The same authors further address that by indicating the use of cutting-edge technology, banks can obtain customers’ satisfaction as this factor helps FLEs to achieve faster processing in delivering their service to customers. This tends to result in customer loyalty and a bank’s positive reputation. Hence, banks can generate higher profitability.

2.4. Summary

In this chapter, the first part of the literature review has provided the definition of SOCB, illustrated the role and functions of SOCB and its types as well as the comparison between SOCBs and the Central Bank and between SOCBs and private commercial banks in terms of their role and functions.

The second part indicated the key different characteristics between service and goods along with the significant role of service quality and its advantages in gaining customer satisfaction and loyalty leading to competitive advantages. Furthermore, the two widely employed measurement tools, SERQUAL and SERVPERF, and five dimensions of service quality are discussed. Additionally, the banks can gain their competitive advantage by building good relationships with their customers through FLEs and by possessing customer loyalty.
The final part demonstrated the crucial key aspects to enhance the capability of FLEs in order to allow them delivery of a high level of service quality to their clients.

In chapter three, the research methodology as well as research methods that are employed in this research will be discussed.
Chapter Three: Methodology

3.1. Introduction

The previous chapter discussed the literature review on service quality with two of the most famous measurement instruments, SERVQUAL and SERVPERF. The important key aspects to enhance FLEs’ capability to sustain a competitive advantage were also addressed.

This chapter predominantly focuses on the research methodology and research method that was employed in this study. The quantitative and qualitative research method are also discussed in detail and the qualitative technique is found to be best suited for this research project. Besides, the rationale supporting the selection of qualitative approach is provided. Furthermore, the sample selection, the scope of the research, the steps of data collection and data analysis are demonstrated and outlined. Lastly, the reliability and ethical issues are addressed.

3.2. Methodology

3.2.1. Research methodology

Research methodology is the discipline of knowledge of different research methods employed in the research study (Collis & Hussey, 2013). Research methodology is a way to scientifically and systematically cope with, or find, a solution for research problems (Bhattacharyya, 2006; Kothari, 2004). Additionally, Cobuild (1987) has defined methodology as a system of principles and methods for executing something (as cited in Jonker & Pennink, 2010) that are essential for researchers to take to achieve a certain outcome (Jonker & Pennink, 2010). Besides, methodology is portrayed by Schensul (2012) as the blueprint to manage research and renders it easily understandable by other readers. To put it another way, methodology is a set of the researcher’s decision and procedures to manage his or her study to be easily understandable to others (Schensul, 2012). This means that the researcher will carry out his or her study by following the blueprint or systematic
process that has been logically designed in order to develop the insight of the phenomenon regarding the concerned issue. This includes the process of collecting, analysing and interpreting data through the most suitable set of research methods for a research context in order to link methods to outcomes (Leedy & Ormrod, 2012; Sarantakos, 2005). Thus, methodology plays a vital role to determine what strategies, approaches and methods should be adopted by researchers is addressed by Collis and Hussey (2013).

Some scholars such as Lapan, Quartaroli, and Riemer (2012) and C. R. Kumar (2008) have pointed out some differences between research methodology and research method. Analogically, methodologies refer to the comprehensive frameworks and designs adopted in research studies while research methods refer to a particular techniques or the types of instruments adopted by the researcher to gather data in research studies (Lapan et al., 2012). For instance, an interview method or technique could be employed to collect data within the framework of a research study which can be defined by its methodology (Schensul, 2012).

Furthermore, C. R. Kumar (2008) addresses that research methodology has a wider scope than research methods. This is because methodology tackles not only the research methods, but also the logic behind the methods that are involved in that study (Bhattacharyya, 2006). Hence, a research design plays a pivotal role to connect a methodology with an appropriate practical application for running the research study (Wahyuni, 2012). It is believed that a certain research methodology will be affected by research paradigms (Wahyuni, 2012). Therefore, it is indispensable to understand the meaning and concepts of paradigms because they would assist researchers to construct a suitable design.

### 3.2.2. Research paradigms

A research paradigm refers to a fundamental belief system of how the world’s reality is perceived which then leads the way for researchers explore the globe (Jonker & Pennink, 2010). While W. L. Neuman (2003) sees paradigms as a fundamental direction to theory and research, Collins (2010) and Killam (2013) describe a paradigm as the researchers’ lens on a pair of glasses that we look through to view and understand the world. Killam (2013) adds that the world will look at the colour of the lens or paradigm that researchers choose. For instance, the world looks blue, if the researcher put on blue glasses. So, as a
researcher, it guides all what he or she sees as the study is conducted. Besides, a paradigm is defined by Saunders, Lewis, and Thornhill (2012) as a way of investigating social phenomena in order to understand that particular phenomena. Jonker and Pennink (2010) underline that a research paradigm deals with the philosophical dimension of social sciences. Hence, it influences the ways as to how social research studies are undertaken like a designation of a specific research methodology (Wilson, 2014). Therefore, it is an imperative to initially ponder research paradigms before conducting a research. This is because the research paradigms will guide the pathway of undertaking a research which will directly have a great effect on the research practices (L. W. Neuman, 2011; Saunders, Lewis, & Thornhill, 2009).

The research paradigms are divided into two main kinds: positivism and interpretivism paradigms which contradict each other and are distinguished by two main philosophical dimensions, namely: ontology and epistemology (Hudson & Ozanne, 1988; Kalof, Dan, & Dietz, 2008; Saunders et al., 2012). Ontology is the personal basic assumptions about reality or sense of being (Tronvoll, Brown, Gremler, & Edvardsson, 2011). It is concerned with what constitutes sense of being (Gupta & Awasthy, 2015). Hence, it is necessary for researchers to take their position based on their personal perception of reality (Gupta & Awasthy, 2015). On the other hand, epistemology refers to the concern of valid knowledge creation or forms (Scotland, 2012). Researchers attempt to explore the reality by raising some queries relating to knowledge. These questions are about how we investigate and understand it, how we can recognise it and find out whether it is truth or falsehood, and how this knowledge can be conveyed to others (Morrison, 2012; Tronvoll et al., 2011). Hence, the methodologies that underpin the work of researchers were impacted by both ontology and epistemology (Morrison, 2012).

Based on the ontological aspect, positivism paradigm refers to individuals who have an objective view or belief about the truth and it exists externally and is independent of social actors (Wilson, 2010). They, as researchers, try to avoid their influence on any part of their research effort by maintaining minimal communication with participants in their research. Such a group of researchers are called objectivists or positivists (Wahyuni, 2012; Wilson, 2010). Therefore, This group of researchers, positivists, employ the quantitative technique to collect data such as a survey and undertake the research by using a deductive approach (Gupta & Awasthy, 2015).
Based on the epistemological aspect, the interpretivism paradigm refers to those who possess the subjective or constructed view about reality and are called subjectivists, interpretivists or constructivists (Gupta & Awasthy, 2015). This group of individuals is interdependent of their research study because they believe that the researchers can gain knowledge about reality by interacting with social actors. Consequently, the researchers can understand the research respondents’ social world through varied knowledge, experiences and perspectives of different social actors (Scotland, 2012; Wilson, 2010). Thus, such researchers are deemed to pay attention to the meaning of social behaviour and adopt a qualitative technique to collect data because it is too complex to measure the social aspects of business based on the same nature of sciences (Gupta & Awasthy, 2015; Wilson, 2010). By doing it this way, researchers are allowed to communicate with respondents to get an in-depth understanding about their perception (Saunders et al., 2012).

Therefore, the research paradigm of this research study is based on interpretivism in order to answer the research questions. With regard to this research context, the author intends to study the perspectives of managers or deputy managers and frontline employees (FLEs) toward their role of service quality. Hence, a qualitative research method is the most appropriate technique to study such complicated issues and difficult to measure.

3.2.3. Quantitative and qualitative approach

3.2.3.1. Quantitative approach

The quantitative research method refers to an explanation of a particular phenomenon by gathering data in numerical form. This data are analysed by utilising a mathematically based technique to generate new meaning and knowledge (Muijs, 2011). A quantitative approach is always associated with a deductive approach to test hypotheses and theories in which the direction of research is shifting from general to specific (Saunders et al., 2012). This approach is based on available or existing theories to test whether the hypotheses should be rejected or confirmed based on the research findings (Bryman, 2012). Collins (2010) elucidates that the deductive paradigm approach is relevant to employ causal research design, because the objectives of a study aims to determine the cause and effect relationship through the observation of how independent variables influence dependent variables by utilising experimental designs.
According to Gupta and Awasthy (2015), researchers who adopt quantitative methods to their research are using a positivist paradigm. They focus on discovering objective reality and tend to be independent from the research study (Castellan, 2010). So the researchers usually collect data through surveys from a large number of the population or respondents (VanderStoep & Johnson, 2009; Venkatesh, Brown, & Bala, 2013). By using a statistical data analysis tool for quantitative method, researchers would receive more reliable results from a large sample that investigates and generates the data of the whole population (VanderStoep & Johnson, 2009). As the study of Tracy (2013) who asserts that the quantitative research approach model is apt to illustrate the frequency of participants or respondents who participate in ranges of activities, or how he or she likes a given product or service.

Quantitative research approach has become popular since 1250 A.D in western culture (Williams, 2007) because of its merits. Firstly, the quantitative approach as a survey approach seems to be more timesaving because it can be administered and assimilated promptly and the response to a survey can be arranged within a shorter timeframe than with the qualitative approach (Choy, 2014). Secondly, the results of statistical inference are reliable consequently this can help an organization to determine whether one solution, package, product, and so on is a better choice than the alternatives (Nykiel, 2007). Thirdly, the results of quantitative research could be projectable to a large number of the population (Nykiel, 2007). Finally, the data collection of the quantitative research method in this modern technology seems to be more convenient because the data collection could be gathered through different tools and channels such as e-mails and online network sites (Christodoulides, Jevons, & Bonhomme, 2012).

In contrast, the quantitative approach has been pointed out as having some weaknesses by many researchers such as Choy (2014), Nykiel (2007) and Rubin and Babbie (2010). Firstly, the research results of the quantitative approach are superficial because this method could not show the information that represents the deeper perception of large numbers of people (Rubin & Babbie, 2010). In addition, as the quantitative research approach requires to collect data from a large number of the population, sometimes, however, a lack of resources affects this type of large scale research to be impossible (Choy, 2014). The same author further criticizes that this approach lacks human beliefs and perception because researchers fail to get insight about respondents’ thoughts or
important characteristics. Another criticism of this method is that the issues will not be measured unless they are recognized before the beginning of a survey because the questions related to these issues will not be included in a questionnaire (Nykiel, 2007)

3.2.3.2. Qualitative approach

Denzin and Lincoln (1994) define qualitative research as the way that researchers study things that form naturally and try to understand or make sense of phenomena in terms of meanings people deliver to them (as cited in Neergaard & Ulhoi, 2007). This is supported by the assertion of Myers (2013) that qualitative research allows researchers to have an in-depth understanding and perception about people’s decisions and actions through the interaction between an interviewer and an interviewee. In general, the qualitative approach focuses on words to gather and analyse data rather than quantification research method (Bryman, 2012). This is because the qualitative method tends to create or develop new theories by gaining the in-depth phenomenon (Walsham, 2006). This means that the researchers study and interpret opinion and experience of a certain group of people through interview to get an insight about their perspectives over a certain matter regarding their real life experience (Saunders et al., 2012).

Qualitative research study usually follows an inductive approach (Yin, 2015) whereby the direction of research conducted is from specific to general (L. W. Neuman, 2011). This approach involves the building of meaning from rich descriptions, specific to people as well as settings (Lapan et al., 2012) which allow researchers to have a deep understanding about the nature of the problem or issue and the theory could be formulated based on the findings’ result (Saunders et al., 2012). Fields (2015) emphasises that the qualitative research is affected by the interpretive approach which indicates the human subjectivity’s role in the research process. The researchers who take the interpretive view seek to know phenomena by evaluating the value and meaning of information from participants (Lapan et al., 2012). The meaning behind this is that qualitative investigators research things in the natural settings of them, trying to make sense and interpret the meaning of phenomena that research respondents assign them.

There are many key benefits of the qualitative research method. Nykiel (2007) points out some merits of this approach that the qualitative approach might be cheap and quick
because of its small number of research participants. Additionally, although qualitative research cannot be generalised to the whole sample of population, its findings contribute valuable results for exploring a certain issue, for instance, the findings of issue in the services sector are employed by almost all market researchers (Nykiel, 2007). It assists researchers to gain an insight and obtain very detailed information (Venkatesh et al., 2013) through their freedom of interaction with participants, and consequently, it permits researchers to explore unanticipated issues that are uncovered during the design period (Lapan et al., 2012; Nykiel, 2007). Myers (2013) elucidates that by talking with respondents, the researcher could understand research subjects’ motivation, actions, reasons, and the context of their beliefs in an insightful way. In addition, it also illuminates a research problem (Zikmund, Babin, Carr, & Griffin, 2013). It means that the researchers could find the answers for their research problem by interviewing a certain group of participants.

However, there are some drawbacks about the qualitative approach. According to Mukherji and Albon (2009), qualitative research is too subjective, complex and doubtful about the transparency. Furthermore, the findings of qualitative research cannot be generalised because the focus group of this research is too small (Wahyuni, 2012). Moreover, the conducting of qualitative research is not systematical enough to make it valid (Nykiel, 2007).

Even though qualitative research has some limitations, this research study will employ only a single approach—qualitative approach rather than quantitative approach. This is because qualitative methods are suitable techniques to assist the researcher to achieve valid findings that can provide answers to research questions and it is also considered to be an appropriate research context of this study.

3.2.4. Rationale for a qualitative approach to research

The author of this research study considers that qualitative methods are the most suitable for this study because of three major reasons namely, the emphasis of subjective perspectives and insightful information, the limited number of target respondents and the flexible questions.
Firstly, the qualitative research method focuses on producing useful knowledge from the subjective meaning in terms of social action (Fields, 2015). In addition, researchers who pay attention to the subjective approach are connected to the interpretive view, so they try to get into the social world of respondents to have an insight about the reasons why they respond to a particular action and have such beliefs about reality (Wilson, 2010). This author further addresses that researchers tend to analyse research participants within their own cultural setting and involve observations that are subjective and qualitative in nature.

In addition, by interviewing research subjects, this enables a researcher to generate information in an in-depth way from participants’ real life working experiences that the researcher might never know or find hard to access. This point of view is supported by Hair et al. (2011) that the qualitative approach tends to help the researcher receive insightful and unexpected information from interviewees. This results in enhanced the findings.

Hence, it is imperative to employ the qualitative approach in order to understand the perspectives of management and staff toward service quality improvement of three State-owned commercial banks (SOCBs) of Laos. Moreover, there has been no research conducted on this topic in Laos, so the findings of this research study could provide useful suggestions to Lao commercial banks to effectively improve their service quality and overcome their foreign rivals in their local arena.

Secondly, the targeted population of this study will be management level and Frontline Employees (FLEs) of three SOCBs of Laos. This is because managers are involved in establishing and setting business strategies of their banks while FLEs are a bridge to help the organisation to gain customer satisfaction and loyalty. Besides, the number of this population in the headquarters of three SOCBs is limited, and it is insufficient to apply questionnaires or surveys. So, it is relevant to use interviews rather than questionnaires to gather the information. Thus, gathering data by using interview technique would be the most suitable instrument. As Myers (2013) states that if researchers would like to study one or a few organisations in depth, the qualitative research method is the best.
Finally, it is straightforward to adopt the interview technique of the qualitative method because of the complexity of the service industry particularly in banking sector. The qualitative approach, especially semi-structured interviews, allows a researcher to ask questions with no strict adherence to a question list based on the flow of each conversation and new questions might emerge during the conversation (Myers, 2013). In so doing, the respondents are willing to provide useful and reliable information because they feel more comfortable as indicated by Saunders et al. (2012). As a result, the real perception of management level responding to FLEs of those three SOCBs regarding service quality improvement could be investigated and understood by the researcher because the qualitative method consists of both practical and investigatory value (Piotrowski, 2012).

3.3. Sample selection

Based on the purpose and methodology of this research study, this research employs purposive and non-probability sampling because these approaches allow researchers to investigate in depth the target group. According to (Teddle & Yu, 2007) purposive sampling is a sort of sample that specific events, settings, or people are purposefully selected for the crucial information they can provide that cannot be gained from other sources. This sampling is one technique frequently employed in qualitative research, and a representative sample has been pre-determined by researchers (Tarka & Kaczmarek, 2015). The targeted respondents possessed knowledge and experience in specific areas of research interest. By using researcher judgment in selecting cases, this will allow a project study to answer its research questions and to meet the research objectives (Saunders et al., 2012). Moreover, this approach is commonly used when working with small samples which utilize intense, focused methods like in-depth interviews (Teddle & Yu, 2007). As supported by Tarka and Kaczmarek (2015) although the number of respondents or participants of purposive sampling is small, the result of research problem from in-depth learning is worthwhile.

Since this study aims to investigate in depth about understanding the views of management and staff of Lao SOCBs towards service, the samples of this study are in a position at managerial level and frontline employees who work in the Service Centre in the head
office of SOCBs in Vientiane capital where the numbers of customers are high. The potential respondents who are pre-determined and non-random are chosen because of their particular experience and knowledge (Babbie, 2011; Merriam, 2009).

3.3.1. Selection of participants

It is crucial to identify appropriate participants regarding their task because it leads to the determination of which the research questions are best answered (Creswell, 2009). Besides, the selection should be based on research questions, evidence informing the study and theoretical perspectives. In addition, the criteria of participants should be considered including relevant experiences and knowledge (Lapan et al., 2012).

Therefore, the representative participants who match with the criteria of this study phenomenon are managers or deputy managers and frontline employees (FLEs) who work in the Service Centre in the head office of SOCBs. This sampling has been selected because of their task, knowledge, expertise, experiences and their roles in determining a bank’s service performance. In short, regarding business competitions in the research phenomenon, managers and FLEs who are employed in SOCBs are chosen. Additionally, the SOCBs are selected because business competition in the banking sector is increasing, and SOCBs play a more critical role in stimulating the development of the Lao national economy.

After determining to select the participants and organisation sector, sample size should be considered. As noted by (Lapan et al., 2012) that sample size of qualitative study has a limited number of participants or small sample size compared to quantitative research study. This small number of qualitative sampling aims to study in detail and in depth, and to seek a richness of data regarding a specific phenomenon with a purposeful sample of the study (Tuckett, 2004). (Saunders et al., 2009) assert that the sample size of non-probability in qualitative research has no fixed rules because it predominantly focuses on the research purpose, objective and research questions. Additionally, Morse (1994) suggests that an appropriate sample size of qualitative research should be at least six whereas Creswell (1998) argues that the sample size in phenomenological qualitative research should be at around ten (as cited in Onwuegbuzie & Leech, 2007, p. 116). However, Tuckett (2004) emphasises that “the final decision about sample numbers was based on evidence of data.
saturation (‘redundancy’) which occurred when ‘no new information of significance (was) obtained’ for ongoing thematic development and theorising.” (p. 8).

At the pre-determined sample size for this research study, 12 potential participants were chosen based on their criteria regarding their position and organisation type. Among this number of sample size, four participants will be from each SOCB, two of the four are at the managerial level and the other two are FLEs. The reason for selecting this number of sample size is that there are only four SOCBs in Laos, one of which is the Policy Bank or a non-profit bank with the duty to provide credit for poverty alleviation, so only three of them will be the target organisations. In addition, the maximum number of managerial level staff in the Service Centre of each bank are three people who normally have tight schedules as well as FLEs who are quite busy in providing services to their customers.

However, the actual number of samples for this research project is 11 because one managerial level of one SOCBs withdrew from this research project for a personal reason. Although there are only 11 participants from three SOCBs that took part in the interviews, all of them met the criteria of this research project. This is because these 11 participants’ role in providing service to customers could determine their bank’s performance and their experience and expertise in service area could help their bank to improve service quality. Moreover, 11 participants are an appropriate number for the semi-structured interviews in qualitative research.

As noted by Babbie (2011) it is imperative to consider the sample size on the basis of participants’ elements, knowledge and the purpose of the research. In addition, Onwuegbuzie and Leech (2007) argue that sample size in the qualitative research method, generally, should not be too large or too small because this will cause difficulties in extracting thick and rich data as well as achieving data saturation. Hence, the sufficient number of qualitative sample size should be at around ten participants as emphasised by Lichtman (2010). So 11 participants are an appropriate number. Therefore, the adoption of non-probability, purposive sampling and semi-structured interview sampling are likely to be reasonable to meet the criteria of the research project.
3.4. Scope of the research project

The focus of this study will be the State-owned Commercial Banks (SOCBs) where service quality plays a crucial role to overcome other rivals and managerial level and frontline employees (FLEs) are key persons who understand the pivotal role of service quality to their organisation. Hence, there are some reasons for choosing SOCBs as a case for the research project as indicated below:

- Firstly, the integration of Laos into WTO in early 2013 and AEC in late 2015 caused challenges. This leads to high competition in the home country from global rivals in all areas particularly in the banking industry and this includes SOCBs. As most of the commercial banks are providing more or less similar services to customers, the commercial banks especially SOCBs need to improve their service quality by creating necessary changes in this area in order to sustain competitive advantage (Hossain & Leo, 2009; Keovongvichith, 2012; Vietstock, 2013).

- Secondly, the researcher is personally interested in researching the banking sector especially service quality because the researcher has personal experience working in this area. Additionally, the researcher realises that FLEs who normally provide face-to-face service to customers are the key determinant of sustaining SOCBs’ competitive advantage. Besides, the management in the Service Centre is also important in furnishing FLEs with the necessary factors to create a great service quality and involving the seeking of new approaches to enhance their bank’s service provision.

- Lastly, the study in this area will enhance the knowledge of the researcher and be seen to support the researcher’s future career growth. In addition, all new knowledge and experience gained from this research, the researcher could share with SOCBs as well as other Lao commercial banks to overcome their foreign bank rivals. By taking this approach, the researcher can contribute to the economic growth of Laos.
3.5. Research Method

Research methods are the tools or techniques that are adopted by researchers to collect data and analyse data (Lapan et al., 2012). In addition, research methods are specific strategies that researchers choose for conducting a research study (Bhattacharyya, 2006; Teddlie & Tashakkori, 2009). However, the research method is theoretical, that is independent from the methodologies and paradigms. Consequently, one research method could be utilised in a different research methodology (Wahyuni, 2012). Hence, when doing a research study, a research design plays an pivotal role in connecting research practices and methodology (Wahyuni, 2012).

3.5.1. Research method: Semi-structured interviews

This research will use semi-structured interviews as a data collection technique. According to Hammersley (2012), when a researcher participates in the conversation with respondents, the interview is the best approach to divulge other people’s thoughts and views.

The semi-structured interview allows a researcher to have sufficient flexibility to approach different research subjects differently while still covering the same areas of data gathering (Noor, 2008). It is a hybrid of the unstructured and structured approach (Wilson, 2014). Wilson (2014) demonstrates that with both structured questions, or a clear list of questions and themes, and unstructured questions this allows the researcher to have greater flexibility to ask further questions that are excluded on the preset questions list depending upon the participant’s answer. Furthermore, the respondents will be allowed to elaborate freely their point of interest. Hence, this will enable the researcher to gather the valid information to answer the research objectives and questions.

The research uses this method because it allows the researcher to gain in-depth information and develop insights by asking related and unexpected questions. Those questions will be based on the answers of the respondents and the flow of the conversation (Hair et al., 2011). The interview questions of this research will be developed and translated into the Lao language. All interviews will be recorded and transcribed into English written content.
3.5.2. Data collection

There are a number of approaches that could be adopted for interpretative research’s data collection such as open-ended questions, observation and interviews. However, it is imperative to collect data with appropriate methods in order to answer the research question of the research study. According to Ghauri and Gronhaug (2005), the data collection is selected based on what type of information that researcher wants for a particular research problem. For instance, if the researcher wants to understand the perspectives of participants on a certain issue, interviews, unstructured or semi-structured, questions are often adopted to collect qualitative data (Harding, 2013).

Therefore, this study employed the semi-structured interview as a technique to collect data and the reason behind this adoption was discussed and mentioned in the previous section, 3.5.1. The additional reason for adopting the semi-structured interview in this study is that the researcher is allowed to explore and cover new relationships or explanations that had not been known to be important before (Chung, 2000) because its part structured and an in-depth interview thus providing a guide to the interviewer how to conduct the interview (Harding, 2013). Besides, the respondents are allowed to freely explain or talk about a certain issue and their perspective over that issue by using their own words (Chung, 2000).

A qualitative data collection relates to the face-to-face communication between interviewer and respondent (Schensul, 2012). This can avoid the influence of others over the individual. DiCicco-Bloom and Crabtree (2006) note that by talking face to face, the participants tend to be more comfortable in disclosing in-depth and valuable information that they experience. Unlike a face-to-face interview, the participants in the group interview may be influenced by the higher position among the members within the group, the researcher consequently can be prevented in reaching in depth information. Hence, the qualitative data collection through face-to-face in this research can avoid the influence from the management of frontline employees regarding their perception.

Based on the organizational contact process in Laos, it is crucial to contact the organization through the Human Resource Division (HRD) for requesting data collection with the study purpose and that should be requested by sending a hard copy letter. The researcher sent request letters and attached the necessary documents such as information
sheet, interview questions and consent form to the HRD of the target SOCBs that acted as a key person for each interview preparation. The recruitment process and selection criteria for all participants was conducted by the HRD without any coercion. This is because different banks have different organisational structures, using titles or roles. The HRD passed on an information sheet, interview questions and participant consent form to target participants before the conducting of the data collection and they will have some time to understand their rights in participating or withdrawing from this research project. Even though the respective HRD determined the right persons to participate in the interviews, none is under any obligation to participate. Moreover, nothing they said will be reported to their employers in a way that could identify them.

After receiving the participants’ list from the HRD, the researcher personally contacted all participants who are voluntary via phone to arrange the interview schedule at their time convenience. Before each interview, the researcher briefly reviewed the information sheet and collected the consent form. Each interview took approximately 50-60 minutes. The data gathering took place from early January to late February 2015, seven weeks in total. All interviews were recorded and conducted in Lao language and then translated into English language for analysis and in which all respondents were free of all types of inducement, gift or perceived coercion. The researcher can initially examine and instigate the uncovering issues that emerge during the data collection process (Gibson & Brown, 2009). In addition, the researcher can obtain an understanding and preliminary analysis about respondents’ perspectives during transcribing (DiCicco-Bloom & Crabtree, 2006).

3.5.3. Research participants

The individuals who participate in the research study are called research participants (Johnson & Christensen, 2012) and they should be professionals in a research field of the study (Boeije, 2010). Hence, the participants chosen for this research study were managerial level and frontline employees (FLEs) of three state-owned commercial banks (SOCBs) that operate in Laos. These target participants have experience (at least ten years for managerial level and four years for FLEs) and knowledge in the banking service that can provide valuable information to researcher.

The three SOCBs were considered to be an excellent sample and case study for this
research study. This is because they play a crucial role in providing loans to the business sector in Laos such as small and medium enterprises (SMEs) and have been operating for more than a decade. For business and security confidentiality reasons, the names of participants and banks were anonymous and they were free from all type of coercion and inducement.

3.5.4. Pilot study

The pilot study refers to a prior test interview of questions with few participants which could help the researcher to perceive whether the research is feasible by receiving feedback from friends or participants (Ary, Jacobs, Sorensen, & Walker, 2014). The same author adds that this trial run also provides the chance for researchers to make changes to the interview questions if necessary. Hence, it is important for researchers to conduct a pilot test before the official interview to ensure the validity and reliability for gauging the research phenomenon.

In this research study, the pilot study was taken with three employees (one is managerial level and the other two are FLEs) who work in the bank’s Service Centre. These participants were not in the interview list for this research. At this stage, the researcher has the opportunity to observe the time taken for the interview. Besides, the amendment was made after pre-testing the interview questions such as fine-tuning ambiguities and repetitive questions, removing jargon, improving grammar and controlling interview time. Thus, this process can ensure that the interview questions were appropriate to obtain important answers for this research question.

3.6. Data analysis

Boeije (2010) defines data analysis as the systematic process of accumulating information through searching and interviewing to broaden the researcher’s understanding on a whole range of issues and present the findings to others. According to Given (2008), the qualitative content analysis is taken by classifying the textual data’s patterns and themes to
find out meaning. Hence, this research will apply thematic analysis with coding and memoing techniques.

Thematic analysis is a sort of qualitative analysis. It is utilised to identify, analyse, and report patterns or themes within data (Alhojailan, 2012). The same author addresses that by using thematic analysis, it allows the researcher to draw interpretations of the data that are collected in order to understand the potential area of any issue more broadly. Thematic analysis enables the researcher to find the answer to almost any kind of research question because of its flexibility (Braun & Clarke, 2013). Moreover, it allows the researcher to create codes and categories of data into themes in accordance with the classification of the differences and similarities of data set (Alhojailan, 2012). Hence, the thematic analysis process includes coding and memoing that will be integrated in the data analysis of this study.

As Myers (2013) asserts coding is one of the most common and the simplest ways to analyse data in business and management. The same author defined coding as the process of assigning a tag to a chunk of contents data then classifying that chunk into a certain category. In addition, coding helps a researcher to minimise the size of raw data and organise the data. Furthermore, the coding could be a number and a letter of the alphabet (Adams, Khan, & Raeside, 2014) to replace the names of organisations and participants regarding the ethics issue (Wahyuni, 2012). For instance, M1 to M5 were opted as the codes of managerial level, E1 to E6 were used as codes of FLEs and B1 to B3 were utilized as codes for the three SOCBs.

Besides the coding technique, the memoing technique was also used in this research. This is because memoing is a way of helping researchers to record and reflect their ideas about different coding categories and the interconnection to each theme of the data (Greonewald, 2008). Greonewald (2008) indicates that memoing consists of two levels, the textual level which refers to the step of taking emergent ideas while reading the data, and the conceptual level which relates to formulating theories regarding the concept and theme of the data. By doing so, a conceptual model and comparison of results to key theories from the literature reviews will be developed.

In qualitative data analysis, the researcher can opt to take a different way and have different steps for the process of analysis data. According to (Skinner, Edwards, & Corbett,
2015), there are three steps in analysis of data: preparing and organising the data, reducing the data into themes through a process of coding and condensing the codes, and representing the data in figures, tables or a discussion. On the other hand (Saunders, Lewis, & Thornhill, 2007) suggest four steps which include categorisation, unitising data, recognising relationships and developing the categories, and developing and testing theories to reach a conclusion. However, this research employed five steps data analysis namely: data transcription, coding process, developing themes, examining themes and creating a report (Braun & Clarke, 2006).

- **The first step:** At this stage, the interview-recorded data was transcribed from the Lao language into the written English language by the researcher. All data collection such as the audio record, handwritten field notes and memos gained from semi-structure interview were converted into verbatim form and organised into sections for retrieving easily (Skinner et al., 2015). This process allowed the researcher to be familiar with the gathered data through reading the data repeatedly and preparing for the next process, the coding process.

- **The second step:** After re-reading and summarising the data, it is imperative for the researcher to generate preliminary codes for outstanding feature data in an orderly way. Hence, the semantic or latent content, was coded. This semantic content is the most basic segment of the raw data that can be evaluated interestingly and meaningfully. Coding can be a phrase, key word, theme or category (Skinner et al., 2015). Besides, coding depended on the research study’s purpose and consideration of the researcher which elements were relevant. Furthermore, coding can be taken under the theme of either data-driven or theory-driven which depended on how the data was coded in the former or the latter (Braun & Clarke, 2006). However, this research coded the data regarding the latter, because the researcher can approach the data with the specific questions in mind that needed to be coded.

- **The third step:** This step is started after the main features of data have been coded and then the connection among the data sets were recognised. After that, the researcher started to find themes by using visual representation such as highlighting to classify the codes into categories. Sorted codes were then inserted into mind-maps and the name of each code written on a different piece of paper and consequently, varied themes emerged or appeared as a thematic map which
consisted of main themes and sub-themes. In so doing, the researcher can consider to divide or combine categories or themes for analysis (Dey, 1993).

- **The fourth step:** In this step, it is essential for the researcher to examine whether the themes are the correct candidate themes. There are two levels of checking and refining themes. At the first level, the researcher checked whether candidate themes could shape a logical pattern or not. If they did, the researcher moves to the second level. The second level relates to the evaluation process of themes to find out whether the theme itself was problematic or the coded data extracts do not fit here. In which case, the researcher discarded a theme that had a lack of supporting data extracts and produced new themes for the extracts that did not work in an existing theme. After that, each theme was given a concise name that was easily understood by the leader. This creation of a theme’s name was based on the aspect that the data in each theme was captured and then moved to the last step creating a report.

- **The Final step:** The researcher started writing a report about the findings after possessing a set of fully worked out themes. In this process, it is important for the researcher to convince the reader by providing concise, logical, coherent, non-repetitive and interesting complex story of data to tell across themes. The report consisted of compelling extracts and examples of an analytic narrative that made an argument linking back to the literature and the research questions. Then the conclusion of the report was provided and an explanatory theory was developed.

Braun and Clarke (2006) emphasise that qualitative analysis has no specific rule or road map and has a repetitive process. It means that the researcher had to move back and forth across all five steps in order to proceed the analysis process. Importantly, this analysis process has to be more flexible to fit the analysis data and research questions of the research study.

### 3.7. Validity of result

It is imperative for researchers to take the validity of result as a serious matter in their research project. Validity is the truthfulness of the research study’s findings and
conclusions predominantly based on the maximum chance of researchers to hear the voices of participants in a specific context (Hays & Singh, 2012). Wahyuni (2012) describes validity as “the extent to which it reflects the social phenomena being observed” (p. 77). Brink (1993) gives the definition to validity that validity “is concerned with the accuracy and truthfulness of scientific findings” (p. 35). Validity and reliability help the researcher to ensure that findings are credible and trustworthy and will be accepted by other researchers (Brink, 1993). Therefore, it is necessary for the researcher to be concerned about validity, reliability, credibility and bias when conducting qualitative research by using semi-structured interviews and in-depth interviews.

Prior to meeting with participants the researcher rigorously prepared the research process in order to prevent a poor research result (Saunders et al., 2012). The researcher provided all relevant documents and information in both hard and soft copy such as a list of semi-interview questions, consent forms and information sheet to participants before the appointment date. This allowed participants to consider the requested information and prepare themselves to provide their perspectives in detail regarding the interview questions. Thus, by sending information to participants prior to meeting with them, this enhances the validity and reliability (Saunders et al., 2009). In addition, the researcher has experience and knowledge in the banking sector that allowed the researcher to gain credibility from participants and motivate them to respond to the questions accurately. Thus, the credibility has been addressed.

Furthermore, the researcher behaved and communicated with the interviewees in a good manner and with respectfulness in all interviews to create credibility, reliability and confidence. The researcher started the discussion with the participant in a general way such as the interviewee’s role and task in the bank and the interviewer’s research project. This made interviewees feel more relaxed and confident to discuss in more detail. Moreover, this willingness of the participant allowed the researcher to access in depth information and can ensure the validity and reliability of the research result. As Brink, (1993) asserts the key aspects of all research are validity and reliability and result in the difference between poor and good research. Thus, validity and reliability can determine the quality of qualitative research findings.

The researcher attempted to avoid all possible form of bias that could emerge during the research process. Each interview took place in the meeting room of the interviewee’s bank
and in which only two people, interviewee and interviewer, were in that room, and the interview was recorded (Robson, 2002). These can help the researcher to diminish any form of bias and maintain confidentiality of all information. Additionally, the data collection from multiple sources establishes a complete view of the research phenomenon (Sargeant, 2012). For instance, this research project collected data by interviewing both managerial level and frontline employees in order to obtain the perspectives from both sides, managers or deputy managers and their subordinates, and achieve understanding of the studied phenomenon. Hence, the authenticity of the data collection has been ensured.

Therefore, as far as the important matter of the validity of results mentioned above are concerned, it is extremely crucial for the researcher to pay attention to the validity of the result in this qualitative research to ensure that there was credibility, validity, reliability and that it was unbiased.

### 3.8. Ethical considerations

An essential aspect of research is ethical issues because ethics is a part of philosophy which guides one’s moral choices regarding behaviour and relationships with others (Srivastava & Rego, 2011). Therefore, it is crucial for researchers to pay attention to ethical issues related to participants when conducting a research project. Moreover, it is indispensable to have the approval for the research from the Research Ethics’ Committee of the tertiary institute before the start of the research project as asserted by Donley (2012). Hence, this research study was conducted after receiving approval from the Unitec Research Ethics’ Committee (UREC) and conducted based on the guidelines of UREC.

The researcher has followed the suggestions of Liamputtong (2013) and the UREC that in qualitative research, the three main issues: informed consent, risk and harm and confidentiality should be considered by researchers. Firstly, the sufficient and necessary information about this research project such as research objective, benefits and potential risks were attached with the official request letter and sent to all targeted banks in Laos to gain an organizational approval letter. Thus, they can understand about their involvement and were aware of the necessary information about this research. An individual can then make the decision whether to participate in or withdraw from this research. Importantly,
the researcher respected the decision of respondents without any kind of coercion. Besides, the consent form with the signature of the participant was collected before each interview. Hence, the researcher can guarantee that all participants in the research were completely voluntary because there was informed consent.

Secondly, by taking part in the research project, the participants are protected by researchers from any kind of risk and harm such as emotional, physical and social well-being. To guarantee that no participants will be harmed by this research and to minimise the possibility of harm to the respondents, the researcher avoided asking question that link to politically and commercially sensitive issues. Besides, all information was kept confidential to prevent them from any kind of harm.

Finally, the personal information of participants was protected by concealing their true identity. The name of participants and their organization involved in this interview were not mentioned in any form of writing relating to this thesis such as presentation. This was to ensure that the participants’ privacy and rights as well as their organisation’s sensitive information, were not harmed by the study. Furthermore, there was no harm or risk to participants because the focus of this research has no issue related to both social and cultural sensitivity. Additionally, since the early stage the researcher asked for permission from participants to record the whole conversation, which was used for the purpose of this research. All records were not distributed to others except for the utilization by the researcher and supervisors.

The ethics issue was considered a crucial matter for this research project. Therefore, all issues that were pertinent to ethical matters such as the voluntary involvement of participants, informed consent, sensitive information, identifications of participants and their organisations were thoroughly addressed. It can be assured that they were not harmed and there was no risk during this research project and the researcher was seriously focused on the UREC guidelines.

3.9. Summary

In this chapter, the methodology was initially discussed and the research paradigm was highlighted and consequently underpinned the research study. This research study later
was based on the interpretivism paradigm and qualitative research method in order to answer the research questions. Additionally, the rationale behind this selection was discussed which included the emphasis of subjective perspective and insightful information, the limited number of target respondents and the flexibility of questions.

The researcher then discussed the sample selection that was based on purposive and non-probability sampling and it was most appropriate to employ the qualitative method in order to gain the richness in the data collecting. The aim of this study was to investigate the perspectives of management and FLEs of three SOCBs toward service quality improvement to find out key areas that needed to be improved. The total number of participants in this research was 11 people. The semi-structured interview was utilized as the method for this study. The data collection process, pilot study and five steps of data analysis were explained and outlined. The two final points of this chapter, reliability of research results and ethical issues were addressed.

In chapter four, the results of the semi-structured interviews that were collected from the 11 participants were analyzed. The findings are drawn based on the research questions.
Chapter Four: Findings

4.1. Introduction

The previous chapter has critically justified and provided sound reasons of using qualitative research methodology to this research study. The participants’ selection criteria was discussed and the research method for collecting and analysing data, the reliability of results and ethical issues were emphasised.

This chapter summarises the findings that were gathered using the semi-structured interview technique and based on six research questions from 11 participants. Five of the participants are managerial level and the other six are frontline employees (FLEs) from three Stated-owned Commercial Banks (SOCBs) in Lao PDR. The findings of this research clearly generate the answers to the research questions and the research objectives. In order to identify the key improvement areas in the customer service sectors of SOCBs to enhance customer satisfaction and loyalty and to sustain competitive advantage, this research focused on investigating the perspectives of management and staff toward service quality improvement. Moreover, the data results have pointed out the key areas that SOCBs in Laos should focus on to improve their service quality and it also contributes new knowledge of service quality to SOCBs in Laos.

4.2. Demographic information and Interview results and findings

The demographic information of respondents which include gender, age groups, level of education and number of years working in the bank were discussed as showed in table 4. This information or data provided the researcher with a background understanding about the participants. The total number of participants is 11 people, of which the number of male respondents is 18% and female respondents is 82%. Hence, the number of female respondents who contribute to this research project is totally higher than male. Besides, it is also showed that the majority of participants are in the age group of 41 years old and above, which represent 46%; the age group of 25-30 years old is 27%; the age group of 31-40 years old is 18% and the age group of 19-24 years old is 9% of the total number of
participants. The result indicates that the senior staff in the banking service area are crucial.

In table 4 displays the majority of participants have achieved bachelor’s degree level which stands for 64% while a master’s degree accounts for 36%. The findings indicate that the majority of staff who work in the banking sector are well educated. Nevertheless, the education system of Laos might not reach the standard when compared to the quality of developed countries. The information shows in table 4 that 46% of staff have 5-12 years of working experience in the banking sector especially in the service centre, 27% of them have 28 years and above of working experience, 18% of them 21-27 years working experience, and 9% have 13-20 years of experience in the area. The results illustrated that many of the staff have a lot of working experience in the banking sector. More than half of the total amount of respondents possess high expertise which can contribute to the growth of their bank.

Table 4: Demographic information of respondents.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age Groups</th>
<th>Level of Education</th>
<th>Number of years working in the bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>19-24</td>
<td>Bachelor’s Degree</td>
<td>5-12 years</td>
</tr>
<tr>
<td></td>
<td>1 (9%)</td>
<td>7 (64%)</td>
<td>5 (46%)</td>
</tr>
<tr>
<td>Female</td>
<td>25-30</td>
<td>Master’s Degree</td>
<td>13-20 years</td>
</tr>
<tr>
<td></td>
<td>3 (27%)</td>
<td>4 (36%)</td>
<td>1 (9%)</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td></td>
<td>21-27 years</td>
</tr>
<tr>
<td></td>
<td>2 (18%)</td>
<td></td>
<td>2 (18%)</td>
</tr>
<tr>
<td></td>
<td>41 years old and above</td>
<td></td>
<td>28 years and above</td>
</tr>
<tr>
<td>Total</td>
<td>11(100%)</td>
<td>11(100%)</td>
<td>11(100%)</td>
</tr>
</tbody>
</table>

All information relating to the 11 participants and their organisations who were involved in this study were omitted because of ethical concerns. This ensures that there is no harm to any of the participants and their organisations that were involved in this research. Simple codes were applied to represent the participants which include M1, M2, M3, M4 and M5 for managerial level, F1, F2, F3, F4, F5 and F6 for FLEs and B1, B2 and B3 for SOCBs respectively.

The interview questions of this study were designed from general to specific. These can help the researcher to understand the perception and perspectives of both managers and FLEs in Laos before seeking further information regarding service quality improvement.
The themes were identified based on the data collection and data analysis which lead to finding out the answers for the research questions.

4.2.1. Research question one

What are the understandings of SOCBs’ managers in service quality to gain sustainable competitive advantage?

Izogo and Ogba (2015) emphasised that the factor to determine whether customers will remain with the organisation, or move to their competitors, is service quality. Hence, the issue of the understanding of the ‘service quality’ term especially from managers was chosen as the first crucial sub-question. This is because the managers are involved in the designing approach and planning about how to improve service quality in the banks. Therefore, it is imperative for the researcher to know whether they understand the ‘service quality’ term in order to gain a sustainable competitive advantage. This also allowed the researcher initiatively to recognise who understood the linkage of ‘service quality’ term to ‘gain sustainable competitive advantage’. This accomplishes the research objective (a).

Based on the interviews, the ‘service quality’ term is well known among five managers in Lao SOCBs in order to ‘gain sustainable competitive advantage’ (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

The findings showed that all five managers acknowledged the important role of service quality to their bank in order to retain their customers. This could be considered as a basic understanding that managers should have and realise about their bank service quality (B1-M1, B1-M2; B2-M3; B3-M4, B3-M5).

There seems to be precise agreement about service quality as a competitive advantage from five managers in different banks. This management level of employees perceived service quality as a key element to prevent their customers using other banks’ services and employ it as a competitive advantage against their competitors.
I think service quality is crucial to our bank as it serves to satisfy our customers. Otherwise, our customers will go somewhere else (B1-M1, B1-M2, B3-M5).

As many banks provide similar service to customers. The service quality is very important in banking industry, especially when the competition is intense and there are a lot of competitors (B3-M4, B3-M5).

When interviewees were asked if they are satisfied with their service or not, all of the five management level employees tend to be proud of their service, especially the ability of FLEs. However, improvement is still needed in order to develop the service to be superior to their competitors (B1-M2, B1-M2, B2-M3, B3-M4, B3-M5).

I am proud with my service as currently we focus on the quality of our FLEs (B1-M1, B1-M2).

FLEs should know how to tackle customers’ problems (B2-M3).

As the customers of our bank have different nationalities, it is necessary for our FLEs to speak various foreign languages especially Chinese and English (B3-M4).

The service is good at some level but it needs a development in order to maintain current customers and acquire new customers into our banks. We try to get information and comments from our customers about our service while we service them. This is a valuable source (B1-M2, B2-M3, B3-M4, B3-M5).

**4.2.2. Research question two**

**How do FLEs perceive their role in providing service to customers?**

As a key point to communicate with customers at the first door of the bank to impress customers about their service, it is crucial to know whether FLEs understand their significant role in providing service to customers. FLEs are a key point who communicate with customers and FLEs normally provide face-to-face service to customers (Wu et al., 2015). Thus, clients will evaluate the service quality of the bank through their personal
interaction and contact with bank staff, especially FLEs (Khan & Fasih, 2014; Wu et al., 2015). So, the role of FLEs is vital in developing relationships with customers, gathering customer information, and in creating customer satisfaction and customer loyalty (Hossain & Leo, 2009). Because of this, understanding the role in providing service is necessary. In essence, this enables the research study to accomplish the research sub-question (2) and the research objective (b).

Almost all FLEs from different banks agree that the role in providing service is to satisfy customers. Two of them address that “ease of speed” is one of their roles in giving services to customers. Beside the main responsibility like depositing and withdrawing, FLEs also have to express friendly and good attitude toward customers.

*I have to smile all the time, keep calm and listen to customer’s suggestion no matter what the customer’s says (B1-F1, B2-F4).*

FLEs, from different banks all accept that satisfaction of customers leads to loyalty. In order to maintain customers to stay with the bank, the bank should provide better service to customers. In addition, FLEs have to show a friendly attitude toward customers.

*When customers are satisfied, they will be loyalty and tell others about our service (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).*

*My role as service provider is to make customers satisfied with my service as a priority. When I know and understand the objective of customers about what they want to do then I be able to help them and this will make them satisfied with my service (B1-F1, B1-F2, B2-F3, B2-F4).*

*Our bank has more and better service than other banks because I and my colleagues provide service with a friendly smile to customers (B1-F1, B2-F3, B2-F4, B3-F5).*

The interviewees were asked how they do know if customers are satisfied with how they perform according to providing service. Almost all of the interviewees illustrated that
facial expression can measure customers’ satisfaction. In order to maintain customers, the FLEs should understand the objectives of customers and meet their objectives.

*I know if customers like my service or not by observing customers’ facial expression and their reaction (B1-F1, B2-F3, B2-F4, B3-F5, B3-F6).*

*Staff should understand what customers want to complete by asking what is their objective is at the bank (B1-F1, B1-F2, B2-F3, B2-F4).*

Sometimes even FLEs are able to complete customers’ objectives, customers are still not satisfied with the service. For this issue, all FLEs from different banks agree that the solution for this issue is to apologize and ask for help from managers to sort out the issues.

*In order to tackle with the issue, I will explain to customers first and if it does not work out. Then, I will ask for advice from manager to cope with the problem (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).*

### 4.2.3. Research question three

**What is the necessary support that managers should focus on in order to help FLEs improve their service to customers?**

Based on the semi-structure interview, the findings showed that FLEs perceived that support is what they need from their managers in order to provide excellent service to customers. This supports includes advice on how to complete work as well as how to tackle personal issues. In addition, FLEs further state that in order to improve their routine service tasks, they need support from their manager, and training and up-to-date technology. Furthermore, Leadership of the manager helps to boost front-line employees in performing routine tasks better. When the interviewer asked them what motivated FLEs to provide greater service to customers, the elements are similar. However, the additional element that motivates them more is rewards.

From the perspective of managers, the bank also provides support to their staff to maximise their capacity in delivering service to customers. First, the bank relocates their
employees to suitable departments and second this organization also supports its FLEs with new high level technologies. In this regard, this point responds to the sub-research question (3) and carries out the research objective (c). The opinions were provided by the respondents as below:

Management support is needed for employees and staff should be able to consult with manager with any issues, especially family issues (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

I like my manager to help me to monitor my work performance, especially on busy days like Monday and Friday (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

The necessary support that I need is that my manager monitors and follows up with us in dealing with difficulties. This makes me feel like I have somebody to back up me for help all the time (B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

Employees is also improved by sending to overseas to study and enhance their skills in both short-term and long-term courses (B2-F3, B3-F5, B3-F6).

If it is possible, we need a new queueing system. Sometimes is a problem with queueing machine and customers cannot get queue card to book for service at the bank (B1-F1, B3-F5).

My company provide frontline employees with a bonus incentive and assurance to all employees (B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

Beside bonus, the bank also selects the best employee of the year and that the winner will be provided with a “Recognition certificate” (B2-F4, B3-F5).

Sometimes our bank relocates employees to different departments in order to find a suitable responsibility for them (B1-M1, B1-M2).

We focus on equipment that can increase the process of our system. To be precise, we keep looking for the best machine all the time (B2-M3, B3-M4, B3-M5).
Beside the necessary support, the manager should also influence their FLEs’ performance in order to provide high service quality to customers. Based on the findings, the researcher found that managers and FLEs have different views on how to influence the performance of FLEs in improving service quality. From the FLEs’ perspective, they look for specific elements that would be of benefit in motivating staff to deliver high service quality. The first element is that managers should have more experience than staff and second they should be able to solve the problems that FLEs cannot. From the perspective of managers, the element that is necessary in motivating FLEs to deliver high service quality is training as training is believed to enhance staff skills. Another factor that motivates employees to deliver higher service is benefits. In addition, promotion also becomes the third element in achieving good service quality through FLEs. Besides, the bank also provides support to their staff to maximise their capacity in delivering service to customers. First, the bank relocates their employees to suitable departments while second this organisation also supports its FLEs with new high technologies. Through this point, it completes research sub-question (3) and research objective (c). The respondents’ views are elaborated as follows:

Managers should be more experienced than FLEs because they can monitor and assist staff on how to deal with objectives of customers (B1-F1, B1-F2, B2-F3, B3-F4).

I want my manager to support and help me to do the work more frequently.

(B2-F3, B2-F4, B3-F5, B3-F6).

FLEs are very important as they have to provide service to different characters of customers with variety of services. Because of this, they have to get training in order to deliver high quality of service to customers (B1-M1, B2-M3, B3-M4, B3-M5).

When there is a new service, frontline employees will be trained on how to use the new service first in order to provide superior service to customers (B1-M1, B1-M2, B2-M3).

The bank provide incentives to FLEs who do the OT (overtime) along with bonus as bonus is one factor to motivate our FLEs to work harder (B1-M1, B2-M3, B3-M5).

Bonus is one factor that our bank uses to motivate our staffs (B2-M3, B3-M4, B3-M5).
Every year our bank selects the best and talent employees to promote them to the next level of position in the organization (B1-M1, B1-M2).

Sometimes our bank relocates employees to different department in order to find a suitable responsibility for them (B1-M1, B1-M2).

We focus on equipment that can increase the process of our system. To be precise, we keep looking for the best machine all the times (B3-M4, B3-M5).

Managers also do the evaluation to look for the best FLEs. The evaluation will select the best and most talented staff. Then, the manager provides them with rewards that motivate them to maintain their excellent performance. The evaluation is set every quarter (3 months) and at the end of the year. The following respondents’ statements explain:

Every three months and end of the year, there will be an evaluation process to monitor employees and select the best employee of the quarter as well as of the year (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

Every quarter (three months), the bank will do the evaluation in order to reward the best employee. The rewards that we provide to best employees are incentives, recognition certificate and promotion (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

4.2.4. Research question four

Which challenges do the Lao State-owned commercial banks face when designing customer services?

It is recognised that when designing service, first the bank aims to create activity that can improve service quality. This activity includes exchanging information and building relationships with customers. Besides, the activities that banks create to exchange information and build relationships with customers are held every quarter. Technically, every bank persists to provide a unique service to customers. However, some services are unique and some are not. Many banks believe that their service is different from others such as a mobile service and long experience.
Beside current activities, the banks also plan to operate and implement new activities to enhance service quality. Some banks plan to cooperate with other banks for more connections. In addition, these banks also plan to create more events with customers. To develop a new service, there will be challenges. All of the banks are agreed that the challenges in developing a new service are that they have unskilled staff and uneducated customers play a significant role as threats. This information answers sub-research question (4) and completes research objective (d). The below respondents’ statements specify:

The bank usually creates activities with our customers. For example, sport events. We also invites our customers to join bank’s special event in order to exchange information and build relationships with them (B1-M1, B3-M4, B3-M5).

We often invite our customers to join a football friendly match every quarter (B1-M1, B3-M4, B3-M5).

When we launch a new service, we usually send invitations to our potential VIP customers to join our event (B1-M1, B1-M2, B3-M4, B3-M5).

We have an excellent mobile service to serve customers at a specific location such as university and factories (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

The advantage of our bank is that our bank is established for so long and we have better connections with other banks both locally and overseas (B3-M4, B3-M5).

The bank plan to cooperate with other banks that are present in Laos to develop bank business together. The cooperation between two banks will encourage customers from both sides to communicate and spread word of mouth from one customer to another (B1-M1, B1-M2)

I think there should be more activities on special festival. For example, children’s day. This activity will get staff and customers to build relationship with each other so they can exchange the idea on how to develop the bank’s service (B2-M3, B3-M4, B3-M5).

The challenge issue that our bank has is that customers do not cooperate with our policy and expect us to complete work against our rules. For example, customers do not know
how to fill information on the form and do not bring their identity card with them for clarification (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

Sometimes FLEs do not have hard-time to adapt to new technology and they fail to sort out a problem for customers. (B2-M3, B3-M4, B3-M5).

Furthermore, as FLEs help customers to complete their task and technology decreases the time spent at the bank, the managers were asked if employees’ capability and technology improvement is crucial on the service. All managers agree that improvement in technology is important for service because it helps to reduce time and serve more people. In addition, some of the managers also state that improving employee’s skills makes the process of work faster. Generally when there are difficulties, managers will be the ones who tackle them. Managers from different banks were interviewed on how they deal with challenges. Almost all of them invite their customer to the VIP room to clarify and find a solution. The following interviewees’ statements indicate:

Because customers have different needs, technology can help my bank to serve what customers want. ATM card is an example on how technology can provide better service to our customers (B1-M1, B1-M2, B2-M3).

We assign our staff in different tasks and if we find out they are not capable, we will provide training to them (B2-M3, B3-M4, B3-M5).

When customers have problem, they will be invited into the VIP room to sort out the problem together. This will help bank to avoid negative image in front of other customers. (B1-M1, B1-M2, B2-M3, B3-M4).

4.2.5. Research question five

What are the key factors that should be focused by the Lao State-owned commercial banks in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty?

Discussion in this part responds to sub research-question (5) and achieves research objective (e). Two participants emphasise that FLEs should focus on improving their
service quality. Hence, it is essential to find out the key factors that affect the performance of FLEs and the need to improve SOCBs, or the managers to enhance customer satisfaction and loyalty.

I am proud with my service as currently we focus on the quality of our FLEs (B1-M1, B1-M2).

The participants provided the information about the key factors that should be improved as follows:

4.2.1.1. Employee rewards

It was clear that rewards are one of the factors that can motivate employees to deliver higher service to customers. Four managers address that a bonus is one among other factors that motivate employees to do their best in providing service to customers.

The bank provide incentives to FLEs who do the OT (overtime) along with a bonus as a bonus is one factor to motivate our FLEs to work harder (B1-M1, B2-M3, B3-M5).

A bonus is one factor that our bank uses to motivate our staffs (B2-M3, B3-M4, B3-M5).

Besides, managers also do the evaluation to look for the best FLEs. The evaluation will select the best and most talented staff. Then, the manager provides them with rewards that motivate them to maintain their excellent performance. The evaluation is set every quarter (3 months) and at the end of the year. The following respondents’ statements explain:

Every year our bank selects the best and talented employees to promote them to the next level of position in the organization (B1-M1, B1-M2).

Every three months and end of the year, there will be an evaluation process to monitor employees and select the best employee of the quarter as well as of the year (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).
Every quarter (three months), the bank will do the evaluation in order to reward the best employee. The rewards that we provide to best employees are incentives, recognition certificate and promotion (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

When a manager improves the area of employees with rewards, it is believed that it can increase service satisfaction and loyalty. The findings show that appropriate training and rewards can increase satisfaction through FLEs.

*I think rewarding employees is good for our bank service. When I set reward for my staff, they tend to work harder (B3-M4, B3-M5).*

### 4.2.1.2. Service training

The second crucial factor to improve capability of FLEs to provide higher service to customers is service training. The participants provided their view regarding the key factors that should improve. From the perspective of managers, the bank has to obtain particular key areas to improve service to a higher level. These particular areas are attitude, behaviour and second language. Besides attitude and behaviour toward customers, there is another factor that FLEs have to be equipped with. The results from interviewing managers reveal that for SOCBs in Laos FLEs they have to learn a second language and a even a third one. In addition, the results manifest that managers not only motivate their FLEs but also empower their staff by providing training overseas that provides those talents to enable them to become new leaders in the future. The respondents indicate that:

*Appropriated attitude and behaviour toward customers is very crucial so our bank send our staff to overseas such as Thailand to learn how to serve customers in professional way (B1-M1, B1-M2, B2-M3).*

*Even though our FLEs are able to speak English, they are still lacking in the skill of writing a professional document. In addition, Chinese customers are increasing because of entrance into ASEAN Economic Community (AEC) of Laos so we hire professional Chinese teacher to teach our FLEs how to speak Chinese (B2-M3, B3-M4, B3-M5).*
Our bank provides training to staff, especially who work in the international division and service centre in order to prepare for them to be ready for difficulties (B1-M1, B1-M2, B2-M3).

We select our talents to study overseas to enhance their skills and these people will be chosen as new leaders in the future (B1-M2, B2-M3, B3-M5).

Training has a lot of benefits as it enhances my staff’s skills and this influences work processes to be much better and faster (B1-M1, B1-M2).

4.2.1.3. Empowerment

There were five managers who realised the importance of empowering FLEs in order to provide good service to customers. They said that with more authority to accomplish their task of service to customers, FLEs can perform their service to customers faster and better. This is because they have more power to assist and solve problems immediately. However, it is necessary to monitor and determine FLEs responsibility to prevent misuse of their power.

We empower our FLEs with one-door service to customer which includes withdraw, deposit, transfer money in three main currencies namely: Lao Kip, USD and Thai Bhat. However, the maximum amount should not be more than 20 million kip or equivalent as addressed in the bank’s regulation. This can help FLEs provide service to customers faster compared to the previous one that FLEs had a limited role. This will result in customer satisfaction and loyalty (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).

With one-door service policy, FLEs can consider by themselves about their authority to solve problems for customers. They have no need to go back and forth to proceed customers’ document which consumes lot of time before (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5).
4.2.1.4. Supportive management

The fourth element is supportive management or could be considered as part of the social support system. The findings reveal that managers should have more experience than staff and second they should be able to solve the problem that FLEs cannot. Even though FLEs are able to complete customers’ objectives, customers are still not satisfied with the service given. For this issue, all FLEs from different banks agree that the solution for this issue is to apologize and ask for help from the manager to sort out the issues. FLEs also need motivation from managers in order to provide a higher level of service. The managers from different SCOBs were asked what the things are that they do to motivate their staff. The findings signify that almost all managers persist to provide friendly environment and consultancy to their staff. Additionally, managers as well as the banks should know how to locate employees in a suitable department. Employees will be under pressure if the task is inconsistent with their capability. The other support, such as advice, is how to complete work as well as how to tackle personal issues are also required. The participants state as follow:

Managers should be more experienced than FLEs because they can monitor and assist staff on how to deal with objective of customers (B1-F1, B1-F2, B2-F3, B3-F4).

I want my manager to support and help me to do the work more frequently (B2-F3, B2-F4, B3-F5, B3-F6).

Sometimes our bank relocates employees to different departments in order to find a suitable responsibility for them (B1-M1, B1-M2).

In order to tackle with the issue, I will explain to customers first and if it does not work out. Then, I will ask for advice from manager to cope with the problem (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

Management support is needed for employees and staff should be able to consult with manager with any issues, especially family issue (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).
I like the manager to help me to monitor my work performance, especially on busy days like Monday and Friday (B1-F1, B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

The necessary supports that I need is that my manager monitors and follows up with us in dealing with difficulties. This makes me feel like I have somebody to back up me for help all the time (B1-F2, B2-F3, B2-F4, B3-F5, B3-F6).

I try to create family environment for my employees so when they have problem, they are confident to seek for help from me. This family environment is built through company’s activity like company’s events or football matches (B1-M1, B2-M3, B3-M4, B3-M5).

### 4.2.1.5. Service technology support

The final factor that seems to be essential for all banks is service technology support. The managers in Lao SOCBs state that with the support of the banks providing up-to-date technology enable FLEs to deliver high quality of service to customers and decrease expenses while FLEs emphasise that the new technology helps them to provide service faster. FLEs further state that in order to improve their routine service tasks, they need support from their manager to provide training an up-to-date technology.

*We focus on equipment that can increase the process of our system. To be precise, we keep looking for the best machine all the times (B2-M3, B3-M4, B3-M5).*

*We keep investing more on new technology because this can assist our FLEs to provide faster service to customers and it can create competitive advantage. This is because the customers who are satisfied with our service quality tend to continuously use our service (B3-M4, B3-M5).*

*If it is possible, we need a new queueing system. Sometimes is a problem with queueing machine and customers cannot get queue card to book for service at the bank (B1-F1, B3-F5).*

As the service quality improvement task is important, knowing who should pay attention to this is what this research is looking for. Because of this, managers from SOCBs were
interviewed whether the service improvement should pay attention more from the manager perspective or from FLEs. The findings illustrate that both sides should pay attention to this task. Managers should focus on planning whilst FLEs should pay attention to execution. Besides motivating FLEs, the interviewees were also asked ‘what are the other activities which could enhance the service quality of the bank’. The results illustrate that setting standards and visiting customers are potential activities.

*I think the service improvement is both manager and front-line employee jobs. Manager is the person who set plan and staff are people who make the plan happen accordingly (B1-M1, B1-M2, B3-M4, B3-M5).

In order to maintain our service quality, our bank adapt the standard policy to use on staff. For example, ISO standard. This will help to keep our standard on international quality. (B3-M4, B3-M5).

We have mobile team to visit customers in University and factories. This will help customers to save time and we can get comment directly from them. (B1-M1, B1-M2, B2-M3).

4.3. Summary

The six research sub-questions below which served as the means to illustrate interesting results about service quality and FLEs which are:

- The understanding of SOCBs’ managers in service quality to gain sustainable competitive advantage;
- The perception of FLEs on their role in providing service to customers;
- The necessary support and influence activities that managers should focus on in order to help FLEs improve their service to customers;
- The challenges that Laos SOCBs encounter when designing customer services;
- The key factors that Lao SOCBs should improve in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty.

In order to gain sustainable competitive advantage, SOCBs’ managers understand that “service quality” is the main factor in getting competitive advantage. Because of this, to

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gain competitive advantage it is important to improve service quality. These managers understand that to improve service quality they have to develop people who deliver the service and they are the FLEs.

For FLEs, their understanding is also taken into account. These employees perceive that they have to express a friendly and good attitude toward customers all the time. They agree that when customers are satisfied with their service, customers will be loyal to their banks. The result also shows that if employees can complete customers’ objectives, it will help to maintain their customers. Sometimes FLEs have already achieved their objective and if customers are not happy, they will seek help until the task is finished. In addition, FLEs also state that more service will generate more satisfaction from customers. Lastly, the staff indicated that they know if customers are satisfied with the service or not by observing customers’ facial expressions.

So if FLEs are crucial to service quality, what can the bank and manager do to support and influence their staff? And what else should managers focus in order to help FLEs to improve their service they provide to customers? The notion from the results is clear.

• First for staff, FLEs need from their managers to have sufficient knowledge in specific areas that relate to the work and the managers should be able to use their experience to sort out problems for employees.

• Second for managers, they need to provide appropriate training to FLEs who need it. Moreover, managers should provide sufficient benefits to staff. Managers can also influence their employees by relocating them to suitable tasks that they are good at as well as supporting them with up-to-date technology in order to deliver a high quality of service to customers. Lastly, managers should reward best employees with incentive or promote them to the next level of position if the evaluation is excellent. These actions will influence frontline employees to improve service quality.

• Third, managers should be able to provide advice to employees. The advice is not only for work but also for personal issues.

• Fourth, managers should follow up and monitor their employees in order to check if there is any issue. Leading employees is crucial.
• Next, beside incentives and promotion, a recognition certificate is another reward, which can motivate staff.

• Finally, managers should know when to relocate their employees to the right positions.

Besides understanding the role and what FLEs need in order to improve service, learning about the difficulties in designing customer services is a must to know.

• First, the challenges can be learned through exchanging information and building a relationship with customers every quarter.

• Second, the banks should know the competitive advantage of their own banks.

• Third, the challenges can be learned through cooperation between two banks such as co-events.

• Fourth, the threat that can slow the developing of new services is unskilled employees and uneducated customers. However, it can be tackled by employing new technology and improving FLEs’ notion.

• Last, if the issue is beyond FLEs’ skills, the manager will cope with the issue by inviting customers to have a discussion in the VIP room.

For Lao SOCBs, in order to obtain customer satisfaction and loyalty through high level of service, the bank should focus on five main key factors.

(1) **Employee rewards**: The findings reveal that a bonus, promotion, evaluated performance, recognition certificate and incentives influence FLEs to work harder in order to provide high service quality to customers.

(2) **Service training**: Training will help FLEs to have a good attitude and behavior. In addition, the staff should be trained in learning a second language like English and Chinese, as Laos has entered into the ASEAN Economic Community. Additionally, the bank should provide seminars and training to talented staff and create them to be the new leaders in the future.
(3) **Empowerment**: this is a factor that allows FLEs to proceed with their task faster and solve customers’ problems immediately. This tends to lead to customer satisfaction and customers loyalty.

(4) **Supportive management**: This factor could be considered as a social support system. FLEs need managers who possess experience in problem solving, provide consultancy and a friendly environment while managers persist to provide a friendly environment and consultancy to FLEs. Managers also assist employees by relocating them to suitable responsibility to jettison their pressure which is caused by their work.

(5) **Service technology support**: It is pivotal to equip an up-to-date technology to FLEs in order to improve their routine service tasks that will result in providing high service quality to customers.

The high quality of service should be paid attention to by both managers and FLEs. Managers should focus on planning whilst FLEs should focus on executing the plan from the manager. Training and reward can increase satisfaction and lead to loyalty through FLEs. In addition, in order to maintain the excellent service, managers should set standards for work processes and the visiting of customers regularly.

The literature in chapter two and findings in chapter four will be utilised and discussed more in the next chapter.
Chapter Five: Discussion

5.1. Introduction

In the previous chapter, the information was obtained through interviewing five managers and six frontline employees (FLEs) from three SOCBs. The results are utilised in this chapter for discussion while each finding is supported with literature. All findings are based on the categorised themes that are divided into the six headings of the research sub-questions.

5.2. Discussion of the interviews

5.2.1. Research question one

What are the understandings of SOCBs’ managers of service quality to gain a sustainable competitive advantage?

The aim of research question one is to explore the understanding of SOCBs’ managers on how to gain a sustainable competitive advantage through service quality. This part reveals that all five managers from three SOCBs recognise the crucial importance of service quality to their bank to satisfy customers in order to obtain customer loyalty. They state that banks provide a similar service to customers, so focus on improving service quality is the key to sustaining competitive advantage especially in intense competition. In contrast, the customers will turn to our rivals if we ignore our service quality. Hence, it is necessary to pay attention on improving service quality.

There are many authors whose studies support these thematic findings:

The commercial banks in Laos are offering more or less similar services to customers (Hossain & Leo, 2009; Keovongvichith, 2012) so, improving service quality can sustain a competitive advantage (Vietstock, 2013). According to the findings, in order to gain a sustainable competitive advantage, SOCBs’ managers confirm that ‘service quality’ is one of the main factors in obtaining a competitive advantage. Competitive advantages in the literature include reducing costs, enhancing the bank’s reputation, generating word-of-mouth (WOM) recommendation and increasing revenue in the long run (Hossain & Leo,
2009; Kang & James, 2004; Khan & Fasih, 2014; M. Kumar et al., 2010; Lau et al., 2013; Maddern et al., 2007) as illustrate in Figure 2.

Figure 2: Benefits of customer satisfaction and service quality

Source: Based on Lovelock et al. (2011).

As service quality has a lot of benefits to the bank, SOCBs’ managers have to employ strategies to achieve high service quality. The finding illustrates that SOCBs’ managers are confident that FLEs can be an essential key element to obtain high level of service quality. In the literature, the FLEs are a touch point between a bank and its customers who utilise its services because FLEs normally provide face-to-face service to clients (Wu et al., 2015). Thus, it is imperative to furnish FLEs with all necessary factors to help them create great service quality that will differentiate a bank from its competitors.

To conclude, service quality is crucial and higher service quality can be obtained through FLEs. This information completes research sub-question (1) and satisfies research objective (a).

**Proposition 1a:** SOCBs can create competitive advantage through service quality.

**Proposition 1b:** The FLEs are an essential key element in obtaining high service quality in the SOCBs.

5.2.2. Research question two

How do FLEs perceive their role in providing service to customers?
The aim of research question two is to explore the perception of FLEs of their role in providing service to their customers.

In the findings, the FLEs understand that the role of their responsibility is to serve customers with friendly and good attitude. This approach includes greetings and smiling. In addition, these employees also indicate that when customers are satisfied with their service, customers will be loyal to their banks. This result is confirmed with the literature. Osman et al. (2015) point out that customer satisfaction develops from the high level of service quality and links to customer loyalty. The finding also is clear that one of the ways in gaining a higher level of service quality is to achieve or complete the customer’s objective. This accomplishment not only provides a higher level of service but also helps to retain their customers. The FLEs also state that they are able to know whether customers are satisfied with the service or not through observing customers’ facial expressions. Even though sometimes FLEs already achieve their objective, but customers are not satisfied. They will persist to achieve to complete the work until customers are satisfied.

To conclude, FLEs perceive their role as people who offer help to complete the goals of their customers along with providing a friendly and good attitude. They have to persist to complete the objective until the customers’ are satisfied by observing customer’s facial expressions. This information answers research sub-question (2) and satisfies research objective (b).

**Proposition 2a:** As FLEs, they perceive their responsibility to be that they have to serve customers with a friendly and good attitude.

**Proposition 2b:** The main duty of FLEs is to help customers to complete their objective.

**Proposition 2c:** To understand whether customers are satisfied with the service or not, FLEs can observe their result through customers’ facial expressions.

5.2.3. Research question three

What is the necessary support that managers should focus on in order to help FLEs improve their service to customers?
The aim of research question three is to scrutinize what managers usually practice in order to influence FLEs’ performance in improving service quality.

The performance of FLEs can be maximise service in different ways and according to the findings the first way is to let manager provide advice to staff. This advice is not only for work but also for personal issues such as a family issue. Secondly, managers should follow up and monitor their employees in order to check if there is an issue and help sort out the problem when FLEs need support. In the literature it is indicated that the effort of FLEs will rise if they perceive the effort to support comes with authority from the organization’s management (Michel et al., 2013). Additionally, Singh (2000) illustrated that a supportive management environment creates commitment to the organization, job satisfaction, reduces turnover intentions and enhances employee work performance. In conclusion, managers should focus on providing a consulting service and advice to employees when they need it with a work problem, or a personal issue. Beside incentives and promotion, managers should focus on rewarding employees with intrinsic rewards, especially in the form of a “recognition certificate”. This certificate can boost FLEs morale that results in better service quality.

To conclude, consultation and a monitoring process should be the focus for managers. Moreover, managers should reward employees with a “recognition certificate” in order to encourage them to provide higher service quality to customers. This information answers research sub-question (3) and completes research objective (c).

**Proposition 3a: SOCBs’ managers should provide consultation to their FLEs.**

**Proposition 3b: SOCBs’ managers should follow-up and monitor their FLEs.**

**Proposition 3c: SOCBs’ managers should reward their FLEs with an intrinsic reward which is ‘recognition certificate’**.

Besides, managers can influence their FLEs in many ways. According to results, First FLEs will be more influenced if their mangers have more experience than they have. This is because when employees experience obstacles, they can ask for help from experienced managers to tackle problems. Second, managers can influence their staff by providing appropriate training to FLEs. The training will enhance staff’ skills and increase the quality of service. These results are similar to previous research. Rahmati et al. (2014)
states that the competences that include skill, knowledge, or behaviours of each employee should be recognised by their supervisors (managers) in order to provide an appropriate training programme and the modifications needed to them for their development and constant growth. Moreover, employees who are well trained are able to gain a high level of client satisfaction (Al-Hawari et al., 2009). Third, managers can provide sufficient benefits to staff. Babakus et al. (2003) illustrates that providing appropriate reward policies in a bank is very important to induce FLEs to deliver a high level of service quality to customers. Beside rewards, managers can encourage employees by promoting them to the next level of position. These kinds of rewards are called intrinsic rewards. Güngör (2011) addresses that there are two types of rewards, namely financial rewards or extrinsic rewards and non-financial rewards or intrinsic rewards. Fourth, mangers can relocate their FLEs to different tasks or responsibility that suits their skills. Lastly, managers can support their employees with up-to-date technology. Ashill et al. (2008) demonstrate that service technology tends to assist FLEs in dealing with their tasks more accurately and efficiently as well as minimising the risk of human error.

To conclude, managers should have a lot more experience than their staff so that they can influence their FLEs through providing training, benefits, relocating and introducing new technology. This information completes research sub-question (3) and satisfies research objective (c).

**Proposition 3d**: SOCBs managers should have sufficient experience to lead their FLEs in completing customers’ objectives.

**Proposition 3e**: SOCBs managers can help to influence FLEs’ performance through training.

**Proposition 3f**: SOCBs managers can help to influence FLEs’ performance through benefits.

**Proposition 3g**: SOCBs managers can help to influence FLEs’ performance through relocating staff.

**Proposition 3h**: SOCBs managers can help to influence FLEs’ performance through utilising new technology.
5.2.4. Research question four

Which challenges encountered do the Lao State-owned commercial banks face when designing customer services?

The aim of research question four is to learn about challenges that are encountered by the Laos SOCBs when designing customer service.

The challenges that Lao SOCBs often experience when designing customer service are unskilled employees and uneducated customers. In the findings, unskilled employees are people who do not have sufficient skill in tackling problems. For uneducated customers, they are people who do not understand about bank policy and hardly cooperate with the bank in completing their tasks. In order to solve this problems, if the FLEs are unskilled, they can ask for help from their managers. In addition, managers can provide technology to help employees to cope with problems. In the literature, Ashill et al. (2008) demonstrate that service technology tends to assist FLEs in dealing with their tasks more accurately and efficiently as well as minimising the risk of human error. If customers are uneducated about service, mostly managers will invite them to the VIP room to have a discussion to find solutions. This will prevent the bank from having a negative image in front of other customers and be able to solve the problem effectively. Lao SOCBs are also able to find a solution to tackle the problems by exchanging information and building relationships with customers. The exchanging of information is performed by one department that will share a problem with another department. In addition, when staff do an activity to build relationships with customers, they can also learn from complaints and suggestions of customers. Lastly, the Lao SOCBs can learn about issues by cooperating with other banks. For example, through co-events.

To conclude, the two main challenges that Lao SOCBs encounter are unskilled employees and uneducated customers. These two issues can be solved through cooperation, building relationships, technology and support from managers. This information answers research sub-question (4) and complete research objective (d).

Proposition 4a: The first difficulty that SOCBs experience in designing a new service is unskilled employees.
Proposition 4b: The second difficulty that SOCBs experience in designing a new service is uneducated customers.

5.2.5. Research question five

What are the key factors that should be focused by the Lao State-owned commercial banks in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty?

The aim of research question five is to discover the key factors that Lao SOCBs should improve in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty. The information in this section answers sub-question (5) and completes research objective (e).

The findings showed that in order to improve service quality, the SOCBs in Laos should focus on developing FLEs who deliver the service to customers. The result of this research also illustrated that five main key factors that support FLEs to provide a high level of service quality to enhance customer satisfaction and loyalty requires focus by managers.

5.2.6.1. Employee rewards

It is important to note that all managers of SOCBs in Laos concurred that rewards as an incentive are key to motivate their employees to provide high service quality to customers. This has been confirmed by Babakus et al. (2003) who say that providing rewards in a bank can influence FLEs to give a high level of service quality to customers. By using an evaluated system, the banks provide both financial and non-financial rewards to their employees such as promotion, bonuses, incentives and recognition certificates. Employees who are incentivised and motivated are more eager to complete their task (Ashill el al., 2008). Managers emphasise that when they provide both incentives and bonuses FLEs tend to work harder. Incentives are a non-financial reward/intrinsic reward that motivates FLEs and FLEs know how to attain it whereas a bonus is a financial reward/extrinsic reward that can recognise FLEs contribution (Michel Armstrong, 2012).
**Proposition 5a:** The SOBCs should provide both financial and non-financial rewards to their employees such as promotion, bonus, incentives and recognition certificate.

### 5.2.6.2. Service training

All participants affirmed that training is crucial for their bank to possess skilled staff. They further acknowledge that training will not only enhance employees’ skills but also influence work processes to be faster. The training programme should involve how to use new technology and adapt it into work processes which can help to accelerate the work process (Salehizadeh, 2000). Some of the participants elucidated that FLEs need to be trained from time to time in order to maintain and develop their capability in providing service.

For Lao SOCBs, in order to obtain customer satisfaction and loyalty through a high level of service, first the bank should train FLEs to have a good attitude and behaviour. In the literature, Rahmati et al. (2014) confirmed that it is necessary for the organization to provide a suitable training programme for their employees to support their activities in providing serving service to customers. In addition, many researchers confirm that organizations that focus on investing more in service training programmes will provide FLEs commitment to the organization (Ashill et al., 2008). Moreover, employees who are well trained are able to gain a high level of client satisfaction (Al-Hawari et al., 2009). This training includes language training such as English and Chinese languages. As Laos does not use English or Chinese as a first language, this training is necessary. The result also illustrates that training of FLEs can increase satisfaction and loyalty.

**Proposition 5b:** SOBCs should provide training to their staff that trains them to express good attitude and behaviour.

**Proposition 5c:** SOBCs should provide training to their staff including language training such as English and Chinese language.
5.2.6.3. Empowerment

Empowerment is considered as an important factor that allows FLEs to provide a high level of service quality to customers. Most of the managers argue that FLEs who are endowed with more power tend to provide service to customers faster and customers are satisfied with their banks service. As all managers state that: *We empower our FLEs with one-door service to customers which include withdraw, deposit, transfer money in three main currencies namely: Lao Kip, USD and Thai Baht. However, the maximum amount should not be more than 20 million kip or equivalent as determined in the bank regulation. This can help FLEs provide service to customers faster compared to the previous one in which FLEs have a limited role. This will result in customer satisfaction and loyalty (B1-M1, B1-M2, B2-M3, B3-M4, B3-M5). Even if FLEs are empowered to solve problems for customers, this power is still under the regulation of the bank regarding their role and function. This tends to prevent them misusing of the extra power.*

The findings are demonstrated by Bass et al., (2009) that management in an organisation is illustrating its commitment to service quality by shifting the responsibility and authority to FLEs to deliver excellent service delivery. Besides, empowerment allows FLEs to present a flexible and appropriate service to customers resulting in the perception of the customers that service quality will improve (Bass & Bass, 2009; Wu et al., 2015; Yavas et al., 2010).

**Proposition 5d:** SOCBs should provide authority to their employees in providing high service quality. For example, the bank provides authority to frontline employees to make a decision by themselves about money with the limitation of 20,000,000 Kip.

5.2.6.4. Supportive management

Managers in SOCBs understand their role in providing support to their subordinates in order to allow them to provide high level of service to customers. They explain that it is necessary to provide a friendly environment to employees. This can help them feel more relaxed and to concentrate in working. Additionally, as the managers, they need to recognise when something is wrong with their employees and provide consultation and advice to them. This can prevent a negative impact that might happen from the bad mood of FLEs to provide service to customers. So, FLEs need their managers to have more
experience than they have especially in providing service to customers and solving problems or difficulties. In addition, managers should recognise and relocate employees to a suitable responsibility. This will prevent employees from being stressed caused by an inappropriate task for their skill and ability.

This finding is consistent with the research study of (Ashill et al., 2008) who state that supportive management is part of the social support system of the bank (Ashill et al., 2008) to help employees or FLEs to solve or prevent future problems and difficulties. This support can make sure that the needs of customers and employees are met (Ashill et al., 2008). Besides, this management support consists of pay promotions, job enrichment, training, empowerment, rewards, performance feedback, colleagues’ support and involvement in decision-making (Babakus et al., 2003; Schaufeli & Bakker, 2004). This type of support, on one hand, could raise positive perception of FLEs about how the organisation values their contribution as well as how the organisation worries about their well-being (Stamper & Johlke, 2003). Hence, they will provide significant service quality to customers to reach the bank’s goal that is profitability.

**Proposition 5e:** SOCBs should create friendly and nice working environment for employees.

**Proposition 5f:** Consultation should be provided to FLEs to influence them to provide higher service quality.

**Proposition 5g:** SOCBs’ manager should be more experienced than FLEs

**Proposition 5h:** Relocating is also a crucial element in influencing FLEs to provide better service quality.

### 5.2.6.5. Service technology support

Managers in Lao SOCBs accepted that it is inevitable to furnish their service staff with up-to-date technology in order to provide service quality to customers and reduce expenses. FLEs confirmed that new technology enables them to serve service to customers faster as well as complete their routine tasks more quickly. Moreover, support from managers to provide training in up-to-date technology is also needed.
This finding is supported by the study of some scholars like Lytle, Hom & Mokwa (1998) that banks should adapt themselves into the high competitive technology world by investing more in high levels of service technology to support FLEs routine tasks. This new technology will not only allow FLEs to deal with their task accurately but also minimize the chance of human error (Ashill et al., 2008).

To conclude, training, friendly environment, leadership programmes, strategic attention from managers and employees and service standards are the key element in creating a high level of service quality to enhance customer satisfaction and loyalty.

**Proposition 5i:** The friendly working environment can enhance employees to provide higher service quality.

**Proposition 5j:** Leader programme is integral in the perspective of FLEs and it can help to enhance service quality.

**Proposition 5k:** Strategic attention between managers and FLEs also play an important role in enhancing employees to contribute higher service quality.

**Proposition 5l:** SOCBs have to set standards for their service in order to maintain and enhance their service quality through FLEs.

### 5.3. Summary

The information in this chapter five illustrates the data that can answer all five research questions and addressed the research objectives determined in Chapter One. The findings and literature are on the same direction. Service quality can be enhanced through FLEs. Because of this, in order to obtain higher service quality, FLEs have to achieve improvement in five key elements as below:

- Employee reward: managers should provide both extrinsic rewards which include bonuses and incentives and intrinsic reward which consist of recognition certificate and promotion to motivate FLEs to serve a high level of service to customers.
• Service training: For Lao SOCBs, this country has a special characteristic as English is not the first language therefore language training is necessary for staff.

• Empowerment: when the bank authorises more power to FLEs, they seem to provide service faster. This is because the step of serving service has been decreased by one-door policy.

• Supportive management: managers should provide a friendly working environment to make FLEs feel relaxed in providing service. Besides, FLEs also need support from managers like consultation and advice when they experience problems not only the difficulties in work but also problem in their personal life. Importantly, managers should relocate them to a suitable task to prevent pressure.

• Service technology support: both managers and FLEs accept that FLEs should be furnished with up-to-date or new technology in order to accelerate service processes to satisfy customers.

This will enhance FLEs, and as a result FLEs will provide higher service quality. Finally, the high service quality will lead to satisfaction and customer loyalty as shown in figure 4.

Besides the above mentioned elements, FLEs also need a programme to develop them to be the next leaders for the bank. Finally Lao SOCBs also need more standard systems to keep their service up to the appropriate standard. All of these will help Lao SOCBs to be able to compete with private banks that have better service quality and create a strong competitive advantage to compete with international banks in AEC.

In the next chapter, conclusions and recommendations will provide direction and strategies as well as limitations and future research for this study.
**Figure 4: Key factors to be focus to enhance customer satisfaction and loyalty**

- **Employee Rewards**
  - Extrinsic rewards
    - Bonus
    - Incentive
  - Intrinsic rewards
    - Recognition certificate
    - Promotion

- **Service Training**
  - Second language training
  - Attitude and behaviour training

- **Service Technology Support**
  - New machine
  - New technology

- **Empowerment**
  - Provide authority to solve problem with a certain amount of money up to 20 million kip

- **Supportive Management**
  - Friendly working environment
  - Provide consultation
  - Give advice
  - Help FLEs to solve problem
  - Relocated responsibility

**Frontline Employees**

**Customer satisfaction (& service quality)**

- Insulates customers from competition
- Can create sustainable advantage
- Reduces failure costs

**Customer Loyalty**

- Encourages repeat patronage and loyalty
- Enhances/promotes positive word of mouth
- Lowers costs of attracting new customers

Source: Developed by the author based on this study (2015) and adapted from Lovelock, Patterson, and Wirz (2011)
Chapter Six: Conclusions and Recommendations

6.1. Introduction

The research study focuses on investigating the perspectives of management and staff toward service quality improvement. Furthermore, the research also aims to identify the key improvement areas in customer service sectors of SOCBs in Laos in order to enhance customer satisfaction and loyalty as well as to sustain competitive advantage. The study employed the semi-structured interview as a technique to collect data. The findings provide direction on how to create a competitive advantage through service quality by FLEs. The research question and all sub-questions are answered with support from empirical and practical evidence.

The findings with supported literature is categorised into six sub-questions. The resulting information is from chapter five while chapter two provides the supported literature. Recommendations will then be provided. Finally the strength, limitations and future research are manifested at the end of the chapter six.

6.2. Research conclusion

The perspectives of five SOCBs managers with ten years’ experience and six FLEs with at least four years’ experience are categorised and recommendations provided.

6.2.1. Research question one

What are the understandings of SOCBs’ managers in service quality to gain a sustainable competitive advantage?

In the bank sector, managers believe that they can create a competitive advantage through service quality. The reason behind this is that service quality creates a positive reputation, generates word-of-mouth (WOM) advertisement as well as maximising revenue in the long term. (Hossain & Leo, 2009; Kang & James, 2004; Khan & Fasih, 2014; M. Kumar et
al., 2010; Lau et al., 2013; Maddern et al., 2007) as illustrated in Lovelock’s model (Figure 2).

**Figure 2: Benefits of customer satisfaction and service quality**

![Benefits of customer satisfaction and service quality diagram]

Source: Based on Lovelock et al. (2011)

Because of these benefits, SOCBs’ managers persist in finding a way to obtain high service quality. One of the strategies that these managers employ in their banks is enhancing the abilities of their FLEs. Employees are the first people who encounter and provide service to customers. This notion is provided in the literature. Wu et al. (2015) said that FLEs are a touch point between a bank and its customers who utilise its services because FLEs commonly provide face-to-face service to clients.

In the findings, SOCBs’ managers are confident that when they enhance their employees about providing service these FLEs will provide better service quality to customers. The better service quality will help SOCBs’ managers to achieve a competitive advantage as the final stage.

**6.2.2. Research question two**

**How do FLEs perceive their role in providing service to customers?**

SOCBs FLEs understand that their responsibility is to provide service to customers, so serving customers with a friendly and good attitude is a fundamental daily task. Along with a friendly and good attitude, the main duty that FLEs address is that they have to complete the customers’ objectives. When the goal is achieved, customers will be satisfied.
which will result in satisfaction and customer loyalty. These employees also stated that when customers are satisfied with their service they will be loyal to the bank. This is consistent with the literature. Osman et al. (2015) point out that customer satisfaction develops from the high level of service quality and links to customer loyalty. On the other hand, if they achieve the goal but customers are dissatisfied, staff would redo or persist to achieve the objective again with a different method until customers are satisfied. To observe whether customers are satisfied with the service or not, the FLEs illustrated that they are able to know by observing customers’ facial expressions. This way it can help FLEs to predict the outcome of the service quality that they provide to customers.

6.2.3. Research question three

What is the necessary support that managers should focus on in order to help FLEs improve their service to customers?

According to the results, advice is essential and is needed by FLEs. Many SOCBs’ managers provide advice to their staff. However, the advice that employees need is not only related to work but also to personal life. Fewer personal life issues would affect work processes in a positive way. SOCBs’ managers also follow up and monitor their employees regularly. The monitoring will help the managers to detect problems that may happen and be able to promptly help FLEs. In literature, the effort of FLEs will rise if they perceive the effort to support comes with authority from the organization’s management (Michel et al., 2013). In addition, Singh (2000) illustrated that a supportive management environment creates commitment to the organization, job satisfaction, reduces turnover intentions and enhances employee work performance. In addition, SOCBs’ manager should recognize employees’ service by providing a ‘recognition certificate’. This is another type of reward that helps FLEs to improve their service to customers.

In the findings, there are different strategies influencing FLEs’ performance in providing service quality. From the FLEs perspective, the manager who leads them to provide service should have sufficient experience so that when staff encounter obstacles, managers can provide helps and support to them.
From the SOCB’s manager perspective, they said that one of the ways to influence their FLEs’ performance is to support FLEs with training. This is confirmed by the literature. Rahmati et al. (2014) states that the competences that include skills, knowledge, or behaviours of each employee should be recognised by their supervisors (managers) in order to provide an appropriate training programme and the modifications needed for their development and constant growth. Moreover, employees who are well trained are able to gain a high level of client satisfaction (Al-Hawari et al., 2009).

Besides training, SOCBs’ managers also provide benefits to their staff. This includes incentives, and bonuses. Babakus et al. (2003) point out that providing appropriate reward policies in a bank is very important to induce FLEs to deliver a higher level of service quality to customers. Training is to enhance employees’ skills and provide benefits to motivate them. Promotion is also taken into account as a third element. When employees receive training and develop themselves to the next level, they will need a new position. The new position is like a reward. This reward is called intrinsic rewards. Güngör (2011) said that there are two types of rewards, namely financial rewards or extrinsic rewards, and non-financial rewards or intrinsic rewards.

Managers can also use relocation as a reward to their FLEs to different tasks or responsibility that suits their skills. Technology is another important factor in helping FLEs to complete the job as technology now-a-days can save time and maximise the work processes and it can influence FLEs to provide a higher service quality.

6.2.4. Research question four

What challenges do the Lao State-owned commercial banks face when designing customer services?

There are always difficulties when designing the customer services. In the findings, it shows that unskilled employees and uneducated customers play a major role when difficulties arise. Mostly, FLEs have not received sufficient training when new to the service and are not able to present the appropriate service to customers. This has the effect of making employees fail to achieve their goal and can lead to dissatisfaction. However, this issue can be solved by supporting staff with technology. Technology is one of the
elements that help to tackle with issue. In literature, Ashill et al. (2008) demonstrate that service technology tends to assist FLEs in dealing with their tasks more accurately and efficiently as well as minimising the risk of human error. Another difficulty is uneducated customers. These customers do not have sufficient knowledge to co-operate with the employees to obtain their goal. This ranges from filling forms to forgetting an identity card for identification. Nevertheless, if this issue arises, mostly managers will invite them to the VIP room to have a discussion to find a solution. This will prevent the bank from giving a negative image in front of other customers and also to be able to solve the problem effectively. Lao SOCBs also are able to find solutions to tackle problems by exchanging information and building relationship with customers. The exchanging of information is performed by one department sharing a problem with another department. In addition, when staff do an activity to build a relationship with customers, they can also learn from complaints and the suggestions of customers. Lastly, co-events between one bank and another bank can help to generate pre-solutions or prevent the problems happening.

6.2.5. Research question five

What are the key factors that should be focused by the Lao State-owned commercial banks in terms of obtaining a high level of service quality to enhance customer satisfaction and loyalty?

A good attitude and behaviour tend to be an element that FLEs should have. In the literature, Rahmati et al. (2014) confirmed that it is necessary for organisations to provide a suitable training programme for their employees to support their activities in providing service to customers. In addition, many researchers confirm that organisations that focus on investing more in service training programmes will possess FLEs commitment to the organization (Ashill et al., 2008). Moreover, employees who are well trained are able to gain a high level of client satisfaction (Al-Hawari et al. 2009). What is most necessary for SOCBs in Laos is language training. As English is not the first language, it may cause difficulties to the bank if FLEs cannot communicate with customers effectively. In Laos, the most frequently used languages are English and Chinese. Besides training, a friendly environment is also crucial. Lao SOCBs should provide a friendly environment for their staff and encourage them to seek help when necessary. The service quality should be a
concern for both managers and staff. Managers set up the plan whilst FLEs take action. Lao SOCBs also set a programme which trains FLEs to be the leaders. The new leader would provide continuous progress for banks when the current workforce are retired. Lao SOCBs also visit customers regularly to collect data for both complaints and compliments as well as building a relationship with them.

6.3. Recommendations

6.3.1. Recommendation one

To improve service quality through frontline employees, Lao SOCBs have to set standards when developing their human resource.

As FLEs are a key element in improving the service quality that is provided to customers. There should be a standard system to develop the staff. Lao SOCBs can set up standards to improve their employees by creating a model of talented staff within the organisation. Then, the bank can use these persons as role models for other employees to follow to develop appropriate skills in order to improve service quality.

6.3.2. Recommendation two

Creating a special or additional department that is responsible for developing human resources for better service quality.

Everyday FLEs have to greet, smile and be friendly when serving customers that use the bank’s services. This is not an easy task and professional training is needed. In order to keep this standard sustainable, first, Lao SOCBs have to hire professional employees or send talented employees overseas to train. Besides, a specific department should be created. Hence, when the educated employees return from overseas training, they will be appointed as trainer in the concerned department. This department will run as a training institute where experienced employees will train new employees. Instead of using a manager to train FLEs which will result in work overload, the specific department will serve perfectly to produce skilled FLEs with high skills to service customers. This will help a bank to save cost in sending people overseas or hiring a professional trainer.
6.3.3. Recommendation three

There should be a plan (growing path) for training, support, rewards and promotion for frontline employees.

From the beginning of the year, Lao SOCBs should have a plan, growing path, for their FLEs. For training, there should be a training schedule for all departments. The training should focus on solving the weaknesses of FLEs and enrich their skills for specific responsibilities. This will help Lao SOCBs to develop their FLEs step by step in each department.

For support, there should be clear guidelines on which types of support is provided to employees beside common support that is stated on policy and the working contact. The additional support should be provided by the managers who monitor the employees and be able to sort out problems instantly with their FLEs. If there is an issue and there is no support available, Lao SOCBs should provide authority to managers to make a decision when the situation needs an instant decision. This authority can come with limitations depending on each situation. This decentralisation of power will motivate managers and FLEs to work more effectively rather than through a centralised system which is common in Laos P.D.R.

Rewards are divided into extrinsic rewards and intrinsic rewards. When the objective is achieved, Lao SOCBs should reward with an extrinsic reward such as incentives and bonus. In addition, they should reward FLEs who have excellent results with an intrinsic reward such as a recognition certificate “Bai Yong Yor”, or a new position for those who achieve an outstanding performance in each year.

6.3.4. Recommendation four

Lao SOCBs’ managers should be more open-minded and listen to their frontline employees by encouraging them to consult when there is an issue whether that issue is a work or a personal problem.

It might be harder for managers if they have to deal with personal issues of FLEs. However, they can help them to sort out problems indirectly. When employees experience a problem about work and need advice, managers can directly provide help and support to
them to sort out the problem. If the problem is about a personal issue, they should be open-minded and try to tackle problems with their FLEs. If the problem is extreme, the manager can hire a professional expert to provide suggestions and a solution for their FLEs.

6.3.5. Recommendation five

There should be a system, or a team, to educate customers in order to avoid the difficulties when the new service is introduced.

Before introducing a new service, Lao SOCBs should provide a team to advertise and educate customers on how to use the new service. This can be done through the bank and the media. At the bank, it can provide an educational video to show customers how to use the new service. There should be a brochure available for customers to learn more if they would like to take information home. For the media, they should advertise on how to use the new service through radio, TV and magazines.

During the launching, at the bank, there should be a team to help customers in performing and using the new service. This will help Lao SOCBs to reduce the time that customers would spend at the bank and increase the work processes for the bank every time that they introduce a new service.

6.3.6. Recommendation six

There should be a programme to create the leaders for Lao SOCBs when the leaders are needed.

Mostly, banks do not have a plan to create leaders to use in the future but practice the traditional way by recruiting new people from another place. The leader programme would have many benefits. First, it signifies that Lao SOCBs are hiring and training people in the long term not just to fill in short-term objectives. Second, it helps to boost FLEs’ morale. Those employees will work more effectively to demonstrate their capability to enter the programme. This will be of benefit to both sides the Lao SOCBs and FLEs. Third, the
leader programme will provide suitable people in the right position when the bank need staff and it will reduce training costs.

6.4. Strengths and limitations

6.4.1. The strengths of the research study

This study illustrates a number of strengths. The reliability and validity of the data collection is the first one. As this research employed semi-structured interviews as a data collection technique, the participation in conversation between interviewer and respondents is the best approach to divulge other people’s thoughts and views (Hammersley, 2012; Hair et al., 2011). Second, the researcher has essential experience and notion in the particular field of banking. This helps to obtain more credibility and accurate information from participants.

Moreover, since this study aims to investigate in depth the management and staff of Laos SOCBs regarding their role in providing service, the participants of this study are a position of managerial level and FLEs who work in the service centre in the head office of SOCBs. The information that these people provided to answer the sub-research questions are from opinions based on actual experience in everyday life of working in the banking industry. Lastly, biased data is significantly decreased as the interviews were held at a comfortable place in a friendly and professional manner and environment with less annoying sound that could affect the quality of the interview.

6.4.2. The limitations of the research study

In this study, there is some limitations. First, the study is conducted in Laos P.D.R which is one of the least developed countries in the world. The result is likely to be different in a developing country compared with a developed country.

The culture in Laos may affect the perception of service quality differently from other countries such as those identified in the literature - Portugal, Greece, South Africa, Jordan, etc. The way of providing the response and feedback would be distinct.
6.5. Future research opportunities

There is a mixed difference in the number of participants between male and female in managerial positions and FLEs position. The next research can look further on this gap whether there is any difference between male managers and female employees and female managers and male FLEs. The support from managers that enhance FLEs in different genders may signify interesting data and results.

There is literature to support that employee reward, service training, empowerment, support management and service technology support can enhance a FLEs to serve a better service quality to customers (Güngör, 2011; Ashill et al., 2008; Bass & Bass, 2009; Babakus et al., 2003; Lytle, Hom, & Mokwa, 1998). However, the finding illustrates that a programme to create leaders and relocating employees can also influence FLEs to create higher service quality. The next research can be conducted to explore if these two elements can lead to greater customer satisfaction and customer loyalty.

6.6. Summary

The service quality has been discussed in the literature until now about its effect on customer satisfaction and customer loyalty. In order to provide higher service quality, the FLEs have to be enhanced through employee rewards, service training, empowerment, support management, service technology support, leader programmes and relocating of employees. In Laos, if SOCBs can influence their FLEs with these elements the bank will be able to create a competitive advantage over competitors. In addition, this will help the SOCBs to develop a sustainable strategy in enhancing their service quality.

Moreover, Laos P.D.R joined the World Trade Organisation (WTO) in early 2013 and it helps Laos not only to diversify foreign investments but also to increase the number of foreign investors to drive the country’s economic growth (Kunze, 2013). When there are more foreign investments, there are also more competitors. Furthermore, Laos has also entered into the ASEAN Economic Community (AEC) in 2015. Entering an AEC means Laos enters into a highly competitive economic region. To survive in this tough market, SOCBs have to develop a sustainable competitive advantage of service quality through FLEs in order to acquire new customers and maintain their current customers.
The results from this study have produced a new process model and the researcher is strongly confident that *(as illustrate in figure 4)* this model helps to demonstrate potential elements that can enhance FLEs to provide greater service quality to customers. The researcher believes it can provide strategies to many SOCBs in Laos in order to compete with international banks from overseas and local private commercial banks that are spread throughout the country. Finally, the recommendations from actual experience of the researcher would be of benefit in developing a sustainable competitive advantage to Lao SOCBs.
REFERENCES


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APPENDICES

Appendix 1: Semi-structured interviews

SEMI-STRUCTURED INTERVIEW QUESTIONS
FOR THE RESEARCH

In terms of collecting data from all participants, I will protect the rights and privacy of the participants through the provision of confidentiality and ensure that the participants will not be harmed by the actions of this research project. The participants have the right to withdraw from the interviews without consequence and to review their own transcript and a summary of the final results.

I. The perspective of SOCBs’ managers toward service quality improvement:
   1. In your opinion do you think service quality is an important issue to enhance your bank performance? Why or why not?

   2. Are you satisfied with your quality of the service?
      - If yes, please give me more details about the quality of your service, such as any operations, functions and special services for customers?
      - If no, why are you not satisfied? Which issues have you identified that need to be improved?

II. The perception of frontline employees in the customer service sector:
   3. Regarding service quality, how do you understand your role of delivering service to customers?

   4. Do you think your responsibility such as providing service to customers is important to gain customer satisfaction and loyalty?
5. What kind of supports do you need your managers to improve your service to customers?

6. In your opinion, what is the necessary support you need to improve your routine service task?
   - Why do you think those supports will help you and your colleagues to deliver high levels of service quality to customers?
   - How well do you think this should be done?

7. In your opinion, what are the important factors that motivate you and your colleagues to provide great service to customers? Why are these factors important?

III. The influence of managers on the performance of FLEs regarding service quality:

8. In your opinion, what are the necessary elements that should be taken into account to create incentivising and motivating FLEs to deliver high quality service to customers?
   - Why do you think that those elements will influence positive performance of FLEs?

9. Are there any support systems that your bank currently focuses on to help FLEs to improve their service to customers?
   - If yes, what are they?
   - If not, what support do you think should your bank provide to FLEs to assist them to provide high levels of service to customers?

10. Do you evaluate the performance of your FLEs?
    - How? And how often?
    - Are there any rewards for those who given good performance? What type of rewards do you give?

IV. Difficulties faced by SOCBs when developing customer service areas:
11. What are your current activities to improve service quality? Why do you utilise these activities?

12. How do you implement them?

13. What are the difference between your bank and others?

14. In your opinion are there any other activities that you plan to implement in the near future in order to enhance the service quality of your bank? Why?

15. Are there any difficulties when your bank develops activities in customer service areas?
   - If yes, then can you identify the constraints?

16. Do you think employees’ capabilities and technology improvement have an important impact on the service quality of your bank?
   - If yes, then please illustrate how employees’ capabilities and technology improvement affect the service quality of your bank?
   - If no, then what are the other aspects that have a major effect on service quality of your bank?

17. Generally how do you deal with those difficulties?

V. Key areas to improve service quality:

18. In your opinion are there any particular/key areas that your bank has to improve in terms of obtaining a high level of service quality in order to increase customer satisfaction and customer loyalty? Why do the mentioned areas need to be improved?

19. Do you think that frontline employees play an important role in improving service quality and increasing customer satisfaction and customer loyalty? Why or why not?

20. Do you plan to further improve and enhance frontline employees in the following issues:
   - Employee rewards;
- Service training;
- Empowerment;
- Supportive management.

(Why or why not?)

21. In your opinion, should service quality improvement tasks be paid more attention by practical employees in the service sector or only at managerial level staff? Why or why not? In what way is this done?

22. From your perspective, if you improve the area of employee rewards; service training; empowerment; supportive management; and service technology support, will the improvement of those aspects be able to enhance service quality and increase customer satisfaction and customer loyalty? Why or why not?

23. In your opinion, which other potential activities could be introduced to your bank to enhance service quality and increase customer satisfaction? Why or why not? How will you plan to implement those activities?
Appendix 2: Information for participants

Information for participants

Research Project Title: “How can state-owned commercial banks in Laos gain and sustain competitive advantage through improving service quality?”

My name is Vanida SINGHAVARA and I am a post-graduate student pursuing a Master of Business degree at the Unitec Institute of Technology in New Zealand. To fulfil the requirement of this programme, I will conduct a research project on “How can state-owned commercial banks in Laos gain and sustain competitive advantage through improving service quality?”. The focus of my thesis is to investigate the perspectives of managers and frontline employees (FLEs) in Lao SOCBs toward the role of service quality and how high levels of service quality can be achieved. In addition, this research project will identify key areas where service quality can be improved through analysis of current research in order to enhance customer satisfaction, customer loyalty and customer retention result to gain and sustain competitive advantage.

The aim of my research project is to investigate the perspectives of management and FLEs toward service quality improvement. The research were designed to identify the key improvement areas in customer service sectors of SOCBs in Laos to enhance customer satisfaction and loyalty, and to achieve and sustain competitive advantage. By taking part in this research project, you will help me to further understand the key areas that SOCBs should be looking to improve in terms of service quality to enhance customer satisfaction and loyalty. Once the key aspects are identified, the new approaches that will enhance the service provision of banks will be developed.

Thank you for agreeing to participate in this study and to answer questions in the interview in order to accomplish the purpose of the research project. The process of the interview is voluntary, which means you are under no obligation to participate in the study if you do not wish to do so. If you agree to take part in this research, you will be asked to sign a participant consent form on the day of the interview. The interview will take approximately 35 to 60 minutes to discuss the topic area. The interview will be conducted at your bank at a convenient time as pre-arranged between us. Even though you have participated in the interview, you still have an opportunity to withdraw from
the research project at any tim. However, due to the research schedule, any withdrawals must be done within two weeks after the commencement of the interview.

The interview will be voice recorded and transcribed by the researcher. A copy of transcription will be sent to you to check and fine-tune for accuracy. In addition, you also have the right to access the final report of this research if you wish to do so.

Your name and personal information will be kept confidential. Your answers and feedback will not be revealed or reported back to your organisation. All data gathered from you will be stored with password protection. Only you, the researcher and the supervisors of the researcher will have access to this information.

If you have further inquiries regarding this research, please do not hesitate to contact my primary supervisor at Unitec, New Zealand, Dr Helen J. Mitchell, telephone is +64-9-8154321 ext. 7011 or email hmitche@unitec.ac.nz

**UREC REGISTRATION NUMBER: 2014-1108**

This study has been approved by the UNITEC Research Ethics Committee from 17.12.2014 to 17.12.2015. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Appendix 3: Participant consent form

Research Project Title: “How can state-owned commercial banks in Laos gain and sustain competitive advantage through improving service quality?”

I have had the research project explained to me and I have read and understood the information for participants given to me.

I understand that I do not have to be a part of this research project if I do not want to and I have the right to withdraw from this project within two weeks after the interview.

I understand that everything I say is confidential and none of the information I give will identify my organisation or me and that the only individuals who will know what I have said will be the researcher and her supervisors. I also understand that all the information that I give will be kept securely on a computer at the Unitec Institute of Technology for a period of 5 years.

I understand that my discussion with the researcher will be recorded and transcribed. The transcript of the interview can be corrected after receiving semi-structured interview in 14 days.

I understand that I will be able to see and approve the transcription as well as the finished research document.

I have had time to consider everything and I give my consent to be a part of this project.

Participant Name: .................................................................................................................................

Participant Signature: ............................................ Date: ..............................

Participant contact details: .........................................................................................................................
Researcher Name: Vanida SINGHAVARA

Researcher Signature: .......................................................... Date: ……………………

UREC REGISTRATION NUMBER: 2014-1108

This study has been approved by the UNITEC Research Ethics Committee from 17.12.2014 to 17.12.2015. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Appendix 4: Organisation consent form

Organisation’s permission letter to conduct research

On behalf of (your bank’s name), I am delighted to welcome Vanida SINGHAVARA (the researcher) to conduct a research in (your bank’s name) in order for gathering data through interview. The researcher is allowed to conduct the interview in (Department’s or Division’s name). I have read and understand ‘the information for participants’ attached to my bank, and it is understood that the name of my bank will not be identified in the thesis.

Signature:

Date: