

Assessment of Customers' Satisfaction Based on EFQM Model

(Case Study: Mehr Finance & Credits Institution of Semnan Province)

Aliakbar aminbeidokhti,

Associate Professor, Semnan University

Seyed Ali Hosseini,

Senior Industrial Management

Student Semnan Islamic Azad University

Abstract:

One of the most important indicators in performance improvement is the implementation and development of measurement systems and satisfaction of customers and is considered among the basic needs. The aim of the article is assessment of customers' satisfaction according to EFQM model in one of Mehr Finance & Credits Institutions in most important province of the country, Semnan. EFQM 2010 questionnaire is used for collecting data. For reliability and validity of the questionnaire Cronbach's alpha coefficient and content analysis are applied. Given the importance of the subject, to determine the statistical sample among 12 branches in entire province and by method of simple random sampling, 382 customers were selected to answer the questionnaire. Data analysis is performed by SPSS 16. The result of the research confirms all the criteria of EFQM model in this private institute which among them the results of customers were the most important ones.

Key words: *customers' satisfaction measurement, EFQM model, customers' satisfaction, Mehr Finance & Credits Institution*

Introduction:

Nowadays many organizations substituted customer-orientation to product-orientation and are trying to enhance the quality of commodity and their services to satisfy customers (Beikzadeh & Behbodi, 2009). Organizations that are seeking their own survival grant special place to their customers, consider their needs and loyalty. Its importance will be cleared when they become the final judge of quality of services and products and apply their comments to remove many problems of organizations. In the current era, the customer is in priority and force the organization to change the product and services. In customer viewpoint an excellent organization is the one which continuously try to satisfy the customer, opinion poll from them and fulfilled their comments (Jelodari Mamghani, 2006). In fact customers' satisfaction is feeling or attitudes of the customers to a product or services after its usage (Kavandi & Shakeri 2010). In other word enjoyment of the customer from the product or services after comparison of the performance (or its result) of the purchased product or services in comparison with what he expected (Frozande 2003). Satisfied customers transfer their positive experience to others and in this manner advertize for the organization and consequently decrease the cost of attracting customers (Kavosi & Saghaee 2005). It can

be claimed that if the customers are satisfied, it will cause their loyalty and increase the credit and fame of the firm and also increase the future profitability (Rezaei, 1996).

Review of literature

Concept of customers' satisfaction

Satisfaction of customer is the feeling or attitude he has towards a product or services after using it. Satisfaction of customer is the main result of a marketer's activity which acts as a connection between various stages of customers purchasing. For instance if customers are satisfied from a special services, they will probably keep buying the same staffs. Furthermore, their desirable experience will be spread which consequently engage with positive mouth to mouth advertising. In contrast, dissatisfied customers are likely to discontinue their association with the company and engage with negative mouth to mouth advertising. Moreover, keep purchasing the product and mouth to mouth advertising directly affect on the survival and profitability of a company. Marketing theorists have presented various definitions about concept of customer's satisfaction. Katler defines it as a degree to which a company's actual performance to meet customer expectations. If a company's performance to meet customer expectations, the customer will be satisfied ,otherwise it is vice versa. Jamal & Naser, two Arabian researchers, defines it as a feeling or attitude of customers towards a product or services after its usage.

The importance of achieving customer satisfaction

Why companies need to achieve customer satisfaction? What is the importance of satisfaction of customer for a company? To answer these questions it is necessary to know that what would happen if the customers were dissatisfied. Then what are the benefits of satisfied customers for a company and how a company can reach it. Studies have indicated that 96% of customers never complain about misbehavior and low quality of product and services and 90% of them won't come back. Each of these customers, who were dissatisfied, tells their dissatisfaction at least to 9 person and 30% of this kind of customers transfer their dissatisfaction to 20 people.

Also studies show that attracting a new customer is 6 times more costly than maintaining the current customers. In other word ,maintaining the current customers is cheaper than finding a new one; however, each of these activities is difficult and costly. A satisfied and loyal customer may cost large sums to the company, especially if this customer become encourage by high quality services that organization has promised to deliver. Furthermore, Interacts with existing customers is cheaper than finding a new one. Organizational excellence or business competitiveness models are applied as a powerful tool for measuring systems in different organization. By using these models not only an organization can evaluate their success in performing improvement programs in different time scales but also can compare their performance with other organizations especially with their best. Excellence models of business is the answer to this question that what is the features of a top organizations, what is the objectives and what are the criteria that govern the behavior? Nowadays most of the countries in the world by emphasizing on these models grant some national and regional awards to stimulate the organizations and business to grow create wealth and elevate. Doming prize in Japan, Baldrige in USA and European quality award which was established by European Foundation for Quality Management known as EFQM are the main sample of such prizes in 3 large economic poles of recent decades such as Japan, America and Europe. Among these models, EFQM model is more welcome and common in the world and become a model for many countries to design these awards. It is nearly a decade that willingness to evaluate, whether interior or exterior, according to the EFQM model is seen in Iranian companies. Processes that involve many companies to project in this area and give relative energy to undeveloped industry of management consult in Iran. This model is mooted in Iran when in the world more than 70 national elevated model and 90

quality awards exists and generally is profited by EFQM & Baldrige models and are converting towards each other.

Scientific process of development of elevated models

Appearance of these elevated models has started since Mr. Doming was invited to have a speech in the field of quality to Japan by Institute of Japanese Scientists (JUSE) and Engineers in 1950 and by registering a prize named Doming in 1951 become formalized. This movement lead to appearance of “pervasive attitude” & “pervasive quality control” in the 60s and finally threatens to bankrupt U.S. companies from Japan's success in the field of quality in the 80s. Applying standards of ISO 9000 in the late 1980s by western companies was consistent with this attitude. Europe Quality Award was established with EFQM model in 1991. In addition to the aforementioned model, there are other performance elevated models which were established by other countries but the most famous ones are Doming, Baldrige and EFQM models which the other developed models are inspired from the three mentioned models (Mahpeikar, Yari 2004).

National elevated models and available quality awards with following the EFQM & Baldrige models are converting towards each other. Perhaps the term competitive is the same everywhere and economic institutions are trying to learn everything about management. By recognizing the management challenges in the world by European and establishing competitive markets in this area, EFQM was established by 14 leading companies of this continent in 1988. The names of these companies are as follows:

Bosch, Bt, Bull, Ciba, Geigy, Dassault, Electroulux, Fiat, KLM, Nestle, Olivetti, Philips, Renault, Sulzer, Volkswagen (15, 2007, TUVNORD Educational pamphlets)

During 1999 to 2002, two main models of Malkom Baldrige and EFQM and changes have been made on these two; have been investigated by Ministry of Industries and Mines & Institute of Productivity Studies and Human Resources. By approving EFQM model from 31/05/2003, this model has been performed in sub systems of Ministry of Industries and Mines and this ministry and Institute of Productivity Studies and Human Resources have established the preparations of national awards of productivity and organizational elevation. During the period of holding of two national awards for organizational elevation and productivity, a number of large public companies and Limited number of private companies have followed this model and after self-assessment stage were succeeded to fill declaration for receiving certificate (Adel, Azar 2005, 13,14)

Research Methodology

The method of research in this article is applied and uses description- survey method to collect data. Since the objective is assessment of satisfaction of customers for one of the service organizations and research data was collected through testing hypothesis by questionnaire, it follows qualitative-quantitative approach. Also applied strategy is survey, review of literature and case study. In this article after preparing the subject of research review of literature was conducted. Then by designing conceptual model for research, EFQM 2010 questionnaire were used for collecting data. After distributing, collecting questionnaires and managing data, research data were analyzed by SPSS 16 and proper recommendations were rendered.

Collecting data and statistical sample of research

As set forth, for analyzing research data standard questionnaire of EFQM 2010 were used. It contains 72 questions according to the standard of organizational elevated model and for managing replies a range of five was used.

No-opinion=0

Could be improved=1

We do very well=2

We all believe we are excellent=3

We can prove we are the best=4

Given the importance of statistical sample in this article, 381 customers of this institute, those their accounts is circulated at least once a month, have been selected randomly to answer the questions.

Validity and Reliability

Because the concepts and indicators of presented model of this article is loaned from leading research of the world and have been used in many researches, so it indicates its high validity and the designed questionnaire has been reviewed by banking affairs experts (those have high experience, academic education and know how to satisfy the customer in bank). And perform necessary amendment to increase the validity of research. To investigate the research reliability Cronbach's alpha were used. Reliability coefficient obtained for this research is about 0.86 which indicates the good reliability of it.

$$r_{\alpha} = 0.86$$

Data Analysis:

Data analysis has been performed in several parts. In first part research hypothesis have been designed in 9 criteria of elevated model which used the Pearson test to investigate existence or non-existence of significant relationship between satisfactions of customers of Mehr institute of province by every single criteria. The following research hypotheses were formulated as follow:

1. There is a significant relationship between management of performed activities in Mehr institute and satisfactions of customers.
2. There is a significant relationship between staff activities of Mehr institute and satisfaction of customers.
3. There is a significant relationship between strategies and policies of Mehr institute and satisfaction of customers.
4. There is a significant relationship between partners and stakeholders of Mehr institute and satisfaction of customers.
5. There is a significant relationship between existing process of Mehr institute and satisfaction of customers.
6. There is a significant relationship between results of staff and satisfaction of customers of Mehr institute.
7. There is a significant relationship between result of customers and their satisfaction in Mehr institute.
8. There is a significant relationship between result of society and satisfaction of customers of Mehr institute.
9. There is a significant relationship between functional results of Mehr institute and satisfaction of customers.

The results of analysis are shown in table 1:

Table 1: final evaluation of Pearson correlation coefficient

9 Criteria of elevated model	Correlation coefficient	Significant	Test results
Management	0.597	0.000	H ₀ is not confirmed
Staff	0.602	0.022	H ₀ is not confirmed
Strategies	0.573	0.01	H ₀ is not confirmed
Partners & resources	0.625	0.033	H ₀ is not confirmed
Processes	0.652	0.000	H ₀ is not confirmed
Customer result	0.727	0.000	H ₀ is not confirmed
Staff result	0.683	0.023	H ₀ is not confirmed
Society result	0.712	0.000	H ₀ is not confirmed
Performance result	0.736	0.031	H ₀ is not confirmed

Table 1 shows that there is a significant relationship between 9 criteria of elevated model and satisfaction of customers of Mehr institute and because it is positive, whatever the level of 9 criterias were more desirable, the satisfaction of customers will be higher.

To analyze existence and non-existence of customer satisfaction from every 9 criteria of elevated model, binomial test were used. Considered satisfaction indicator for each 9 criteria of elevated model in this research should be more than 3.

Test hypothesis were formulated as follow:

1. Mehr institute customers are satisfied with its management.
2. Mehr institute customers are satisfied with its staff.
3. Mehr institute customers are satisfied with its strategies & principles.
4. Mehr institute customers are satisfied with its partners & available resources.
5. Mehr institute customers are satisfied with its available processes.
6. Mehr institute customers are satisfied with the staff results.
7. Mehr institute customers are satisfied with the receiving results.
8. Mehr institute customers are satisfied with society results.
9. Mehr institute customers are satisfied with functional results.

Results of analysis are presented in table 2:

Table 2: the results of binomial test 99 % confidence level

No.	variable	Test ratio	Observed ratio	Significant level	Results
1	Management (leadership)	0.5	0.24	Less than 0.01	H ₀ is not confirmed
2	Staff	0.5	0.17	Less than 0.01	H ₀ is not confirmed
3	strategy	0.5	0.15	Less than 0.01	H ₀ is not confirmed
4	Partners & resources	0.5	0.28	Less than 0.01	H ₀ is not confirmed
5	Processes	0.5	0.36	Less than 0.01	H ₀ is not confirmed
6	Customer result	0.5	0.07	Less than 0.01	H ₀ is not confirmed
7	Staff result	0.5	0.13	Less than 0.01	H ₀ is not confirmed
8	Society result	0.5	0.10	Less than 0.01	H ₀ is not confirmed
9	Functional result	0.5	0.04	Less than 0.01	H ₀ is not confirmed

Table 2 shows that in 99% confidence level, test ratio in all 9 formulated hypotheses is bigger than the observed ratio. Therefore H₀ is rejected and results indicate full satisfaction of customers from each 9 criteria. In continue satisfaction level of customer of Mehr institute by using T distribution and asking the following question will be analyzed.

“Generally what is your satisfaction level from this institute?”

Research hypothesis:

H₀: customers are not satisfied with Mehr institute

H₁ : customers are satisfied with Mher institute

Statistical indicators are shown in table 3 & 4 as follow:

Table 3: statistical indicators of customer satisfaction with Mehr institute

average	Standard deviation	95% confidence distance	
		High level of confidence	Low level of confidence
5.1873	1.28761	5.4398	4.9348

Table 3 shows that in 95% confidence level the average of customers satisfaction with institute is between 5.4398 & 4.9348.

Table 4: result of T-test for evaluating customer satisfaction of Mehr institute

Calculated T	Significant level	Freedom degree	Level of error	results
17.963	0.000	380	0.05	H ₀ is not confirmed

Table 4 indicates: given that significant level is less than error level so it can be stated with confidence that in confidence level of 95% customers of this institute are satisfied with this organization.

In continue to rank the customer satisfaction from each of 9 criteria of elevated model, Friedman test is used.

Hypothesis:

There is not a significant relationship between ranks of customer satisfaction of institute with any 9 criteria of elevated model. H₀: $\rho = 0$

There is a significant relationship between ranks of customer satisfaction of institute with any 9 criteria of elevated model. H₁: $\rho \neq 0$

The results are shown in Table 5 & 6:

Table 5: the results of analysis of Friedman variance for ranking indicators of elevated model

Test statistics	Degree of freedom	Significant level	Error level	Results
127.349	8	0.000	0.05	H ₀ is not confirmed

Significant level is smaller than error level, so H₀ is rejected and it can be confirmed that there is a significant relationship between 2 ranks of customer satisfaction ranks with each of 9 criteria of elevated model.

Table 6: priority of 9 indicators of elevated model

Criteria	Average of rank	Priority
Management (leadership)	3.89	4
Staff	2.24	8
Strategy	3.58	6
Partner and resources	1.96	9
Processes	2.38	7
Customer result	4.76	1
Staff result	3.73	5
Society result	4.19	3
Functional result	4.31	2

As it is shown in table above, the highest satisfaction of customer of institute is from customer results (4.76) and the lowest customer satisfaction is from partners and recourses (1.96).

Conclusion:

Banking is a customer-oriented service which customer is in the center of attention (Zham & Mohammad Khan, 2008) and satisfaction of customers is a key factor in determining the organization's successful factors in connections with customers (Richeld 2008). Paying attention to the results and considering the customers opinion will enhance the bank position in customer's mind and society. In this research we try to focus on assessment of satisfaction of customers in an organization named Mehr finance & credit institute by using questionnaire. The result of analysis in 9 criteria is expressed as follow:

- Satisfaction of customers from management of this institute is in a desirable level. In this regard, factors such as viewpoints and manager's attitude, workgroup encouragement and establishing a changing situation are successful factors of manager to attract customers.
- Satisfaction of customers from staff of Mehr institute is in a desirable level. In this regard factors such as people's capabilities, their connection with customers, punishment and encouragement and their participation in activities lead to rise of their attitude and more satisfaction of customers.
- Level of satisfaction of customers and principles and strategies of Mehr institute is in a desirable level. In this regard factors such as enhancement of organizational technologies, interior performance, strategies development, applying modern strategies and turning them to actual one are those increase satisfaction of customers.
- Satisfaction of customers from partners and resources of this institute is in a desirable level. In this regard factors such as sharing knowledge, partnership of organizations, organizational technologies are factors of increasing the level of customer's satisfaction.
- Processes in Mehr institute are appropriately designed and applied. In this regard factors such as management of key factors, innovation in processes and communication management are considered factors that have a great affect on satisfaction of customers.
- Expected result from staff is evaluated in a desirable level. In this regard factor such as qualifications of staff and their productivity can have important role in satisfaction of customers.
- Expected result from staff is evaluated in a very desirable level. In this regards factors such as performances, investigating complains, their satisfaction levels are the effective factors on customers of satisfaction.
- Expected result from staff is evaluated in a very desirable level. In this regards factors such as environmental effects, social effects of banks, and responsibility of organizations are important factors in satisfaction of customers.
- Functional result of Mehr finance and credits institution is in a desirable level. In this regard factors such as executive performance of an institute, financial performance and new innovations of an organization are considered an important factor in satisfaction of customers.

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