

Emotions Driven Excellence: How Emotional Competence of the Employees shapes Clients Satisfaction through mediation of Quality Perceptions and Customer Orientations

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ABSTRACT

Keywords:

Emotional Competence, Service Quality, Customer Satisfaction, Customer Orientation, Rapport.

Employees Emotional Competence is considered as one of the main concerned areas in services industry. This conceptual paper presents a holistic framework of Customer Satisfaction by studying the mediating role of Service quality and Customer Orientation between Employees Emotional Competence and Customer Satisfaction. In addition, this study also highlights the role of the individual constructs of Employees Emotional Competence on Customers Satisfactions Namely Perception of the Customers Emotion, Understanding the Customers Emotions and Regulating the Customers Emotions. The study emphasized that Emotional Competence is not only an individual quality of the employees but it can also turn into a strategic assets of the service organizations thus leading to an important competitive advantage. With the help of extensive literature review, this study proposed a holistic framework for Customer Satisfaction and its connection with the least researched concept of Employees Emotional Competence. The current study aims to provide a holistic model of customer satisfaction while prior studies have focused on narrow scope and have failed to provide the integrated approach covering all aspects related to customer satisfaction. Through this holistic model, this study will not only contribute to the existing theoretical body of knowledge but will also contribute to fill the gap in the services marketing literature in terms of emotional competencies of the front line employees of the services sectors.

INTRODUCTION

The banking industry in Pakistan not only fulfills the individual needs and wants of retail customer but also plays an important role in the overall economy of the country by providing

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financial services to the business customers and government. Like any other industry banking industry has been under intensive competition due to the highly competitive nature of banking process. (Wei & Prentice, 2022; Jain & Rath, 2023). In order to retain its customers, banking industry needs to ensure the satisfaction of its customers which will in turn leads towards loyal customers. (Alwali & Alwali, 2022; Prentice et al., 2022).

Customer satisfaction is considered a key concept in marketing research and has been the focus of much study in the area of services marketing (Radha, 2023; Yip, 2022). One definition of satisfaction offered by Ginting (2023) is how well a product or a service provider fulfills the needs and wants of a customer. Put another way, customer happiness is a byproduct of the service or product's actual use.

When it comes to the workplace, Emotional competence Behavior (ECB) is defined by many authors as the actual display of emotionally competent behavior at the work place by not only managing their own emotions but also manage the emotions of their customers (Serrano, 2023). Emotional competence is critical for regulating one's personality, relationships, self-awareness, and understanding of others, according to previous research. Emotional competence is defined as a set of characteristics, including constructive stress management skills. ECB has been described by many authors as the combination of managing, perceiving and regulating the other people emotions (Santos, 2023).

According to Perumal (2023), managers in close context service should assess their staff's emotional competence through exams and provide support to those who score low. A more positive work environment, including more satisfied customers and dedicated staff, is the direct outcome of high levels of emotional intelligence. Because they are able to convey their ideas in a more agreeable, suitable, and acceptable manner, employees who are emotionally competent have an advantage over their colleagues in the workplace and in personal relationships (Salman, 2023). Emotional intelligence is strongly associated with social skills, which are essential for success in the workplace and directly impact satisfaction in one's personal and professional lives.

Businesses can greatly benefit from the success and expansion of their loyal customer base. According to Alatyat et al. (2023), organisations should prioritise acquiring and retaining client loyalty as a crucial strategic advantage. Amid intense competition and elevated customer

expectations, the key to sustaining profitability and expansion lies in customer retention and cultivating enduring customer connections (Kadir, 2023).

The marketing literature indicates that establishing human connections is crucial for service oriented firms (Kim, 2023). However, there is a lack of clarity regarding the specific aspects of relationships that should be given attention. This study examines the concept of rapport, which constitutes an integral component of the connection established between a consumer and an employee. This element is seen to be particularly crucial in service industries, where there is frequent communication between personnel and clients. It further develops an ambiance for affinity and belongingness among the workers working in the habilitation environment (Borghi, 2023).

Undoubtedly, the service quality is a crucial component of the overarching concept, including all aspects of the issue and ensuring client satisfaction. According to Aras (2023), an expert in customer service management, this stage is crucial as it is when the client determines their desired outcome and evaluates what they really received. In his perspective, establishing the criteria for the company's team is the foremost task that must be accomplished prior to reaching a conclusion regarding the service. These principles encompass qualities like as tangibility, reliability, responsiveness, assurance, empathy, trustworthiness, integrity, compassion, accountability, and positive customer connections. The initial impression you make on others is crucial, as it is the primary aspect that captures people's attention. Delivering excellent service involves two components: fulfilling the customer's immediate requirements and exceeding their expectations to ensure their satisfaction (Gingting, 2023).

According to Ruiz et al., (2023), client orientation is an expansion of relationship marketing that focuses on creating long-term competitive advantages by providing exceptional customer service. Providing first-rate service to clients is central to each of these ideas. According to Helal et al. (2023), customer orientation is a strategy that aims to boost and sustain a company's profitability through long-term connections with consumers and boosting their level of pleasure. It works similarly to marketing relationships which aims at boosting long term relationships with the customer (Ismail, 2023).

Problem statement

While previous studies have acknowledged the importance of emotional competence in service industries, there is limited understanding of how emotional competence directly affects customer satisfaction and loyalty, particularly in banking has been done research on low impact this study addresses these gaps by investigating how the emotional competencies of the agents jointly influence customer retention and long-term customer satisfaction (Hill and Alexander 2017, Khadka and Maharjan 2017).

Emotional competence, the ability to recognize, understand, and manage emotions effectively has received increased attention in service-intensive industries especially banking where customer satisfaction and loyalty are paramount Banking industry often requires sensitive communication Debt as it contributes to customer loyalty.

Customer satisfaction is essential for the profitability and competitive advantage of banks. Loyalty, which is based on customer satisfaction and gauges the possibility that clients would keep using a bank's services, which is generally influenced by employees' emotional competence but knowing that the affective aspects of customer service experience overall satisfaction positive effects, understanding how emotional knowledge affects this outcome remains limited.

Although previous research has acknowledged the importance of emotional competence in the service industry, the direct relationship between emotional competence and customer satisfaction and delight is still not much explored This study seeks to follow suit and address this gap by examining how these competencies directly influence customer satisfaction. Prior research tends to ignore the unique emotional dynamics of financial services, raising the need for this focused research.

The banking industry has always prioritized customer relationships, but few studies have examined the role of emotional competence in this context. Given the high value of trust and interpersonal communication, especially for high-stakes investment decisions, it is important to understand. How customer loyalty and satisfaction are impacted by emotional intelligence in employees.

There is limited empirical evidence linking emotional and digital capabilities to customer satisfaction in the banking industry. Most existing research focuses only on generic service quality factors or digital innovations, leaving the relational and emotional aspects largely unexplored in these effective small studies, this research empirical focus provides additional data to understand customer loyalty drivers.

By combining emotional competence with digital skills, banks can better meet changing customer expectations. Customers increasingly expect personalized and empathetic service combined with effective digital support. This study's focus on two competencies acknowledges the complexity of today's customer service in the banking industry, and highlights the unique impact of emotional and technological integration on the customer experience

This study aims to fill this gap by investigating the direct and combined effects of emotional and digital capabilities on customer satisfaction and loyalty. By examining these strengths in a banking context, the study provides valuable insights into customer relationship management practices in the sector (Khadka and Maharjan 2017; Hill and Alexander 2017).

Significance of the Study

Researchers, academicians and practitioners across the globe agree to the fact that businesses and specially services like banks cannot survive in today's competitive world unless and until they beat their competitors in terms of customer satisfaction and service quality. The results of this research will help the researchers to understand the important aspects of customer satisfaction; service quality and customers relationship management. The present study aims to find the research gap identified and further explained the relationships between the different variables. The research study gave new insights to the banking sector where to invest more in their front end employees for a better and a satisfied customer. The study also aims to help the front line employees as what customers expect from them beyond their services and will help the human resource manager as what aspects in front line employees can help the banking sector achieve its goal and increase their efficiency.

By giving a complete and holistic pictures of the concepts such as employees emotional competence, customer satisfaction, service quality and customer orientations, this study explains new horizons in the field of service marketing. The results of the study offer new

insights to the managers and top management to develop strategies and tactics for successful CRM. Moreover, this study provides new knowledge creation in the field of marketing.

Research Objectives

The primary objective of the research is to test whether Employees Emotional competence has direct effect on the level of customer satisfaction in the service sector. The second objective of this research is to individually check the dimensions of the Employees Emotional competence and its individual impact on the level of customer satisfaction. The third objective of the study is to test whether Perceived Service quality and Customer Orientation mediates the relationship between the Employees Emotional competence and customer satisfaction.

Theoretical Background

In the context of this study, the conceptual model proposed in this study investigates the connection between customer satisfaction and employees emotional competence behaviour. The framework identifies important mediating factors that affect the relationship between customer satisfaction and employees' emotional competence behaviors, such as customer orientation, and perceived service quality. According to the suggested framework, emotional intelligence among front line employees in the services industry improves client interactions and service delivery, which in turn increases customer satisfaction and delight. These connections are further discussed in the following section.

Employees Emotional Competence Behavior and Customer Satisfaction

The concept of employee's emotional competence behavior (EECB) emerges from idea of social intelligence which enhance their capability to act wisely to perceive emotions, to understand emotions and to regulate emotions. The existing literature on this aspect exhibit significant impact of EECB on customer satisfaction as emotional adaptability of employees assists them to have capability of being efficient in multiple situations (Das et al., 2021). Salman et al. (2020) using meta-analysis explore the impact of EECB on customer satisfaction in banking sector and findings of study provides a positive and significant impact of EECB on customer satisfaction. Budur and Poturak (2021) state that customer preferences are continuously changing, thus emotional competence of employees is essential to gain customer satisfaction. Using survey-based quantitative study, the respective study analyze emotional competence of employees and studied its impact on customer satisfaction in SME's. The

findings of the study bring forth that customer perception of employees and EECB enhance customer satisfaction in a positive and significant way. Fernandes et al. (2018) also state that EECB as a formative construct exhibit a direct and positive impact on customer satisfaction and post-recovery satisfaction of organizations. The study further suggest that the organizations should focus on employees trait of emotional competence to develop their strategic planning and enhance customer satisfaction. In this accordance, the impact of EECB on customer satisfaction is notable as the emotional competence of employees improves their association with customers and enhance their satisfaction. Customer satisfaction is an important construct in marketing and service research, especially in high-contact industries such as banking. It is defined as resulting from a detailed analysis of the perceived benefits and costs of customer experience (Churchill & Surprenant, 1982, 10), influenced by many factors including employee emotional competence. Employees with a high level of emotional competence (EEC) can create personalized service interactions, which directly influence customer satisfaction by generating positive emotions (Matilla & Enz, 2002, 15).

Previous research has shown that customer perceptions of interpersonal professional behaviors, such as empathy, active listening, and emotional regulation, significantly increase satisfaction (Dagger et al., 2007, 18; de Ruyter & Wetzels, 2000, 12). According to Forgas's (1995, 20) affect adhesion theory, emotionally competent employees foster positive affective states, reducing customer criticism and increasing satisfaction. The concept of emotional competence includes the concept of how well consumers manage emotions during communication. This aspect is important in highly interactive service environments, where customers judge their experience based on interpersonal interactions.

Research shows that when customers perceive employees as emotionally competent, they tend to report higher levels of satisfaction due to the positive emotions generated by this interaction (Matilla & Enz, 2002). In the banking industry, this can be used to train employees to practice empathy and emotional control, thereby improving customer experience and satisfaction levels. Understanding emotional competence emphasizes an employee's ability to recognize customers' emotional states and respond appropriately. This responsiveness is critical in improving customer satisfaction, especially when it comes to volatile economic events.

Empirical evidence suggests that emotionally competent and understanding employees are better able to meet customer needs, leading to increased customer satisfaction (Dagger et al., 2007). Banks can implement programs that focus on employee training in empathy and active listening to improve service responsiveness and ultimately customer satisfaction.

Emotional regulation refers to an employee's ability to effectively manage their emotions. These skills are essential to maintaining a calm and professional demeanor, reassuring customers and positively affecting satisfaction. Research shows that employees who are skilled in managing emotions contribute to a better customer service environment, and increase customer satisfaction (Forgas, 1995). By encouraging emotional regulation through training, banks can ensure that customer interactions remain positive and productive, even under challenging circumstances.

Meditating role of Customer Orientation between Employees Emotional Competence and Customer Satisfaction

Customer Orientation (CO) focuses to put the need of customers over the needs of organizations. CO has been traced as formulating a worthy association with customer loyalty and satisfaction in existing literature. Arslanagic-Kalajdzic et al. (2020) state that CO is significantly related with satisfaction of customers and form an inverted U shaped form in analysis which is positively co-relates with performance of employees and satisfaction of customers. Jhamb et al. (2022) explore the role of CO and analyze its role in formulating strong customer bonds. Using qualitative analysis, the findings of the study bring-forth that emotional competence of frontline employees drive customer value and CO significantly enhance loyalty and satisfaction of customers. Ribeiro et al. (2020) highlight that customer-oriented staff and employees emotional competence enhance customer satisfaction. Moreover, the study further elaborates that affective commitment also strengthen employees and customer association. Kim and Jung (2022) state that CO entails to help the customers to meet their specific needs thus with emotional competency a positive and significant association between employees and customers can be identified. Accordingly, CO enhance the linkage of EEC with customer satisfaction.

Customer orientation, to the extent that employees prioritize customer needs, is central to service programs. Employees with high levels of EEC exhibit greater sensitivity to customer

emotions, which may increase customer intentions (Gremler & Brown, 1996, 14). Emotional competence enables employees to empathize with customers, respond effectively, and create customer-centric service experiences (Wu et al., 2017, 19).

This alignment with customer needs enhances customer perceptions of value, as emotionally competent employees are more likely to adjust service interactions to meet expectations (de Ruyter & Wetzels, 2000, 11). Customers' perceptions of an employee's emotional competence are determined by customers. Customers who perceive employees as emotionally familiar with them may feel that their needs are paramount.

Research reveals that perceived customer focus improves when employees display high levels of emotional competence, as this enhances a customer-centered service environment (Gremler & Brown, 1996). Training employees to display empathy and caring in the banking industry can enhance perceptions of customer focus, thereby improving service satisfaction.

An understanding of emotional competence emphasizes employees' ability to interpret and manage customer emotions, creating a stronger perspective on customer targeting. Empirical evidence suggests that customers perceive employees with high levels of emotional intelligence as more customer-focused, as their interactions feel more tailored and considered (de Ruyter & Wetzels, 2000). Banks can capitalize on this by training employees to communicate with customers in a meaningful way, increasing perceived intent and satisfaction.

Emotion management in employees allows them to manage their behavior during interactions, maintaining a supportive and attentive service environment that creates a perceived customer focus. Research shows that customers tend to perceive emotional care workers as aligned with their needs, increasing perceived customer attention (Wu et al., 2017). By implementing training in emotional management, banks can ensure that employees provide consistent, customer-centric service.

Meditating role of Service Quality between Employees Emotional Competence and Customer Satisfaction

Service quality (SQ) refers to the point to which a service fulfills the expectations of the customers. Various studies in existing literature have point-out the positive and significant impact of service SQ on customer satisfaction and indicate that by increasing the quality of the services organizations can satisfy their customers (Nguyen et al., 2020). The study of Marcos www.ijbmsarchive.com

and Coelho (2022) has the objective to explore the association between SQ and customer satisfaction. The results of the respective paper assert that SQ has the direct and significant relationship with perceived customer satisfaction and loyalty. The findings of Koay et al. (2022) using PLS shows that all aspects of SQ are significant for customer satisfaction. The study further elaborates that customer satisfaction is important predictor of customer loyalty. Likewise, Bello et al. (2021) analyze the impact of SQ and explore its association with customer satisfaction and customer responses. The findings of the study state that SQ positively impacts customer satisfaction and repurchase intentions of customers. Alzoubi and Aziz (2021) explore the association between emotional competence of employees and service quality to analyze their impact in strategic decision-making. Using survey-based quantitative methodology, the findings of the study indicate significant association among emotional competence and service quality. Moreover, positive impact on customer satisfaction has also been improved. In this accordance, as SQ formulate a significant bond with customers thus in presence of SQ the impact of EECB on customer loyalty and satisfaction is significant and positive. In the banking industry, service quality is a critical determinant of customer satisfaction and loyalty. EEC of employees enhances PSQ by enabling better management of service interactions. Customers perceive higher levels of service when employees display empathy and responsiveness, which are key aspects of emotional competence (Churchill & Surprenant, 1982, 14). When employees regulate their emotions, they can provide consistent, helpful service experiences, thereby increasing perceived service quality (Delcourt et al., 2017).

In the banking industry, service quality is an important determinant of customer satisfaction and loyalty. Staff enhance PSQ by facilitating manageable EEC service interactions. Customers perceive higher levels of service when employees display empathy and responsiveness, which are important aspects of emotional competence (Churchill & Surprenant, 1982, 14). When employees regulate their emotions, they can provide consistent, supportive service experiences, increasing perceived service quality (Delcourt et al., 2017, 21).

Perceived service quality (PSQ) significantly influences customers' perceptions of employees' emotional competence. When customers believe that employees are emotionally successful, this is often interpreted as a sign of high-quality service. Research has shown that perceptions

of EEC increase PSQ, as customers feel assured and valued in their interactions (Churchill & Surprenant, 1982). Studies also show that employees who exhibit emotional competence perceive higher service standards from customers. Through in-service training, PSQ can be enhanced to enhance employees' perceived emotional competence, and help banks differentiate through service quality.

The rationality component of EEC enables employees to respond appropriately to customers' emotional needs, contributing significantly to perceived service quality. Research shows that when employees understand customers' feelings and adapt their responses, customers perceive service as better, because it feels more personal and responsive (Delcourt et al., 2017). Banks can benefit from training employees to better understand customer sentiment, which can lead to improved service quality ratings and greater customer satisfaction.

Emotional regulation by employees is important for consistent and professional communication, which supports high perceived service quality. Research shows that employees who are skilled in emotional regulation are able to maintain calm, courteous communication, leading customers to perceive service as reliable and quality (Dagger et al., 2007). For banks, training employees in emotional design ensures that service quality remains high even in difficult interactions, thereby increasing PSQ.

Banks all over the world are facing a wide array of challenges ranging from global competition to the behavioral changes in customers' trends and attitudes. The banking sector in Pakistan is not an exception. The sector has seen phenomenal growth in the recent past and the banks has now no other options to attract new customers and retain their existing customers except to provide them with better service quality (Malik et al, 2021).

Service quality is one the important business tools which is used by the service industry all over the world to differentiate the business services from those of the competitors (Ladhari, 2008).

In common terms, Service Quality refers to the level of excellence which a service provider provides to its customers (Zeithaml, V. A., et al., 2011). Parasuraman et al (1988) defines service quality as the difference between customer's expectations from a service or the product and the actual level of performance from the same service and product. Service industries have these unique characteristics due to which exact quality of the service can only be measured

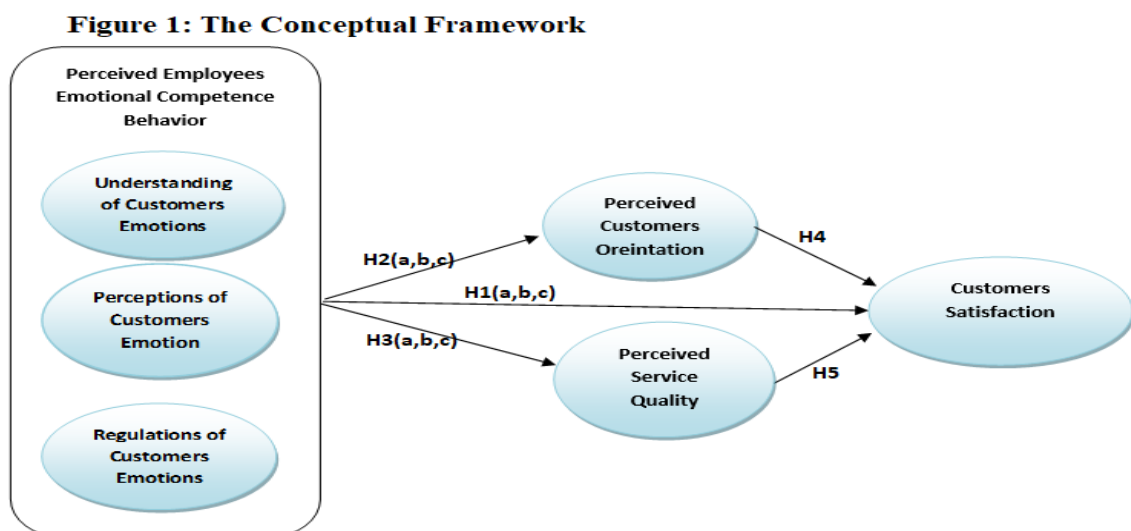
only when customer actually consumes the service and experience it. Similarly, the service experiences are heterogeneous, perishable and intangibles in nature. Tan et al., 2010 says that service quality is a type of attitude of the consumers which is formed from the difference between the expected service and the actual service delivered to the end consumer.

As for as the measurement of the service quality is concerned, there are mainly two schools of thoughts. One school of thoughts is a strong advocate of SERQUAL model which is actually a Gap model between the expectations and perceptions of the customers regarding a service experience (Parasuraman et al. 1985, 1988). The other school of thoughts is a strong advocate of SERVPERF which is a performance based model (Cronin and Taylor 1992). Although SERQUAL is mostly acknowledged and recognized model for measuring service quality, research also shows and associates some limitations with this model. SERQUAL measures the service quality by measuring the difference between the customer's perceptions and expectations. This model has a total of 22 variables which are widely divided into five dimensions namely: First is Tangibility which refers to the physical aspects of the service firms. This dimension is being used to reduce the intangibility factor of the service firms. Second is Reliability which means that services are provided accurately to the target customers. Third is the Responsiveness which means that services industry need to provide the services to their customers on time and that the employees at services sectors are willing to respond to the needs of their customers. Fourth is the assurance which means that employees at the services sector must be able to convey and instill confidence in their customers. Fifth is the Empathy which means that individualized and caring attention is provided to the customers (Ryu et al,2011). Bank employees are the real assets of any banking organizations. The front end employees have a bigger role as compared to the back end employees. These employees need strong marketing and communication skills as well as empathy to turn the customers into a loyal one. Empathy can be described as the ability of any person to understand the emotions, thoughts and experience of others. The role of emotions in service transactions has gained enormous attentions in the modern day service economies. All over the world empathy is being studied both by the researchers and academicians in a variety of disciplines ranging from Leadership, relationship marketing, psychology, anthropology, sociology and many more.

Previous research has shown that employees need to develop strong skills of competencies regarding their job requirements including commitment to the job and good communication skills. Commitment is the way how to respond to the need and wants of the end customers while communications is the providing of the reliable and accurate information to the customers on time. (Kholi & Jaworski, 1990). Thus without competence, expectation of the customer cannot be met in any business transaction which lead to customers dissatisfaction. (Selnes, 1998).

The Conceptual Model

The Key objective of this study is to propose and validate a holistic model of Employees Perceived Emotional Competence Behavior, Customer Satisfaction and Loyalty. In order to achieve this objective, several Mediating variables have been studied in the relationship between Employees Perceived Emotional Competence Behavior and Customer Satisfaction. The schematic diagram of the proposed holistic model is shown below.



Proposed Hypotheses

H1: Customer perceived Employees Emotional Competence (EEC) effects CS in a significantly Positive manner such that H1(a) Perception of the CE affects CS Positively, **H1(b)** Understanding of the CE affects CS Positively and **H1(c)** Regulations of the CE affects CS Positively.

H2: Customer perceived Employees Emotional Competence (EEC) effects Perceived CO in a significant positive manner such that **H2(a)** Perception of the CE affects Perceived CO

positively, **H2(b)** Understanding of the CE affects Perceived CO positively and **H2(c)** Regulations of the CE affects Perceived CO positively.

H3: Customer perceived Employees Emotional Competence (EEC) effects PSQ in a significantly positive manner such that **H3(a)** Perception of the CE affects PSQ Positively, **H3(b)** Understanding of the CE affects PSQ Positively and **H3(c)** Regulations of the CE affects PSQ Positively.

H4: Perceived Customer Orientation affects satisfaction of the customers significantly and positively.

H5: Perceived Service Quality affects satisfaction of the customers significantly and positively.

Contribution of the study

The results of this study will significantly increase theoretical understanding of how employees' emotional competency affects customer satisfaction as well as provide worthwhile practical implications for professionals working in the retail banking industry. Below is an explanation of these contributions:

Practical Contribution

This study provides managers and decision-makers in the retail banking industry with important insights into how workers' emotional competency behaviors enhance customer happiness through connections, customer orientation, and perceived service quality. By comprehending these processes, banks can concentrate on enhancing the analytical and emotional intelligence of their staff members through focused training and development initiatives. Furthermore, the mediating impact of different factors emphasizes the necessity of tailored approaches to successfully meet the various needs of clients. Banks will gain a competitive edge and long-term client loyalty by putting these insights into practice and improving service delivery, customer connections, and satisfaction.

Theoretical Contributions

This study also adds to the existing body of knowledge. By putting out and empirically confirming a thorough conceptual model that explores the complex links between employees' emotional competence behaviors and customer satisfaction, this study significantly advances the body of knowledge. In order to explain how employees' emotional competence affects customer satisfaction, the model highlights important mediating variables such as customer's

orientation, and perceived service quality. The study offers a better understanding of the ways in which emotionally intelligent workers enhance customers' opinions of service quality, their degree of engagement, and the quality of their relationships with employees by examining these mediators.

Conclusion

This study offers a thorough understanding of how employee emotional competence behaviors affect satisfaction of the retail banking customers in Khyber Pakhtunkhwa's (KPK) retail banking industry. The study emphasized the crucial mediating roles of customer orientation and perceived service quality in understanding this link by empirically testing a conceptual model. According to the research, emotionally competent front line staff members greatly improve the opinions of the customers regarding the quality of the services they receive, build closer bonds with them, and create a customer-focused atmosphere—all of which contribute to higher levels of customer satisfaction.

The study concludes by emphasizing that emotional intelligence in employees is not just a personal quality but also a strategic asset that can greatly increase customer satisfaction, foster customer trust, and ultimately boost an organization's competitive edge in the service-driven economy of today.

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