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Evaluate Employee Factors Influencing Customer Service Levels at South African SMEs Steel Industry

By Louise Van Scheers

University of South Africa, Unisa

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EVALUATE EMPLOYEE FACTORS INFLUENCING CUSTOMER SERVICE LEVELS AT SOUTH AFRICAN SMES STEEL INDUSTRY

Strictly as per the compliance and regulations of:



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- Organising a workshop by an external facilitator to discuss issues leading to lack of motivation from account/key account managers and service managers.
- Creating a motivating climate where there is effective management – leadership.
- Creating a shared value system, this will create commitment to a set of principles guiding and directing work behaviour.

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1. INTRODUCTION

Front-line service employees, placed at the organisation-customer interface and representing an organisation to its customers, play a pivotal role in service encounters, which often involve dyadic interactions between customers and service employees (Solomom, Suprenant, Czepiel, & Gutman, 2005 in Liao

& Chuang; 2004). An organisation cannot always rely on customers to make their feelings known, however, and so it may deliberately set out to measure customer satisfaction levels (McDaniel, 2006:267). In this customer satisfaction level measurement key factors driving customer service satisfaction can be identified. Increasing competition in the South African steel industry is forcing businesses to pay much more attention to satisfying customers, including by providing strong customer service. Customer satisfaction should be the primary concern and one of the key performance indicators of any business. It is therefore important for the company to understand factors influencing customer service so that they know where to improve and sustain their customer service levels. This study through literature review will make a significance contribution to customer service and hopefully improve the company's image in the marketplace.

The aim of this research is to evaluate factors influencing customer service levels at a SME of the South African steel industry. South Africa's large, well-developed metals industry, with vast natural resources and a supportive infrastructure, represents roughly a third of all South Africa's manufacturing. It comprises basic iron ore and steel, basic non-ferrous metals and metal products. The iron and steel basic industries involve the manufacture of primary iron and steel products from smelting to semi-finished stages. Ranked the world's 19th largest steel producing country in 2001, South Africa is the largest steel producer in Africa (almost 60% of Africa's total production). Primary steel products and semi-finished products include billets, blooms, slabs, forgings, reinforcing bars, railway track material, wire rod, seamless tubes and plates (<http://www.southafrica.info>).

South Africa boasts five primary carbon steel producers: ArcelorMittal South Africa, Highveld Steel & Vanadium, Scaw Metals, Cape Gate, and Cape Town Iron & Steel Works (Cisco). The country also has one primary stainless steel producer, Columbus Stainless. South Africa is the continent's largest steel producer, accounting for 48% of total crude steel production in 2008 (<http://us-cdn.creamermedia.co.za>). The primary steel industry is a significant contributor to the South African economy and earns considerable amounts of foreign exchange. In 2008, the country was ranked

Author : *Marketing & Retail Department, College of Economic & Management Science, University of South Africa, PO Box 329, Unisa 0003. E-mail : dr.louisevcs@gmail.com*

twenty-first in terms of global crude steel production, by the World Steel Association.

The South African steel retail company supplies different steel products for use in industries like, engineering, automotive, packaging, mining, and construction amongst others. The company manufactures both long steel and flat steel products. To serve the market, the sales and marketing teams was divided into long and flat steel decisions and these teams were in different locations yet some were serving the same customer base. This often created conflict and confusion in the market where different messages would be communicated. With the strategy to one company philosophy it was decided in 2005 to form one marketing team to serve the customers better. The strategy was rolled out further to have one account manager per customer for both long and flat steel products. Previously customer satisfaction surveys were conducted by each marketing team, but with the merger of the two departments instead of each team (long and flat steel products) conducting their own surveys which often meant that the same customers had to complete two questionnaires for the same company. The combined surveys have been conducted annually over the past years. There is however a concern that that feedback in some instances does not change, customers tend to complain about the same issues year after year. It is against this background that this study was initiated, to determine which factors have influence on customer service across the whole steel industry. Unless the company understands what are the key issues customers want and how they want to be served the drive for customer service satisfaction will remain an ideal. And also given the increasing competitive nature of the industry those customers that lack in customer service satisfaction are likely to lose out in the battle to both win and keep customers. Given its dominant position in the market the service levels are at times questioned by the market.

II. AIM AND OBJECTIVES

The aim of this research is to evaluate the factors influencing customer service levels at SME in steel industry.

The objectives of this research study are to:

- Evaluate employee factors which have an influence on customer service on SMEs in the steel industry.
- Gather information on customer service from managers, frontline employees and customers.
- Recommend appropriate actions to be taken in order to improve customer service levels.

III. LITERATURE REVIEW

As the revenue stream is sourced from customers, this makes them potentially the most

important strategic stakeholders. Jenkins (2007:56) argues that the volatility of revenue levels is driven by customer demand, reflecting business cycles, which require an understanding of customers and the nature of their situations. It is therefore of great importance to build a relationship with your customers since they are the users of the service or product you make and, their needs are varied and forever changing. Schonberger & Knod (2004:08) consent to this customer service importance in their supplier-to-customer connection principle. They value the opportunity for face-to-face meetings and real time discussions, which they believe, result in a more satisfying relationship. They argue that getting to know the customer is the first principle of operations management and that all other principles tend to follow naturally from the first one as they are more specific about how to serve the customers better.

a) Customer Service

Kotler (2007:42) defines "service" as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. "Customer service is anything we do for the customer that enhances the customer experience" argues Harris (1996:02). Harris states that customers have varying ideas as to what they expect from customer interaction, therefore the service provider must know his or her customers, and strive to provide them with excellent customer service.

b) Manufactures of the South African steel industry

South Africa steel industry has five primary carbon steel producers: ArcelorMittal South Africa, Highveld Steel & Vanadium, Scaw Metals, Cape Gate, and Cape Town Iron & Steel Works (Cisco), the first two manufactures were researched.. South Africa is the continent's largest steel producer, accounting for 48% of total crude steel production in 2008. <http://us-cdn.creamermedia.co.za> A few large players of the steel industry will be discussed next.

ArcelorMittal South Africa (the former Iscor) is the biggest producer of steel on the African continent, with a production capacity of about eight-million tons of liquid steel a year. About 65% of the company's stock is held by foreign investors, including ArcelorMittal group, with a 52% interest. The largest domestic shareholders are the Public Investment Corporation and the Industrial Development Corporation, with 8,95% and 8,79% respectively at the end of 2008. ArcelorMittal South Africa has four major steel operations. The Vanderbijlpark and Saldanha facilities produce flat steel products, of which the company is the largest supplier in Africa. The other two operations, at Newcastle and Vereeniging, produce long steel products. The company has also recently acquired two mills in Mozambique.

Highveld Steel & Vanadium, which is now almost 85%-owned by Russia's Evraz group, is South

Africa's second-largest producer of carbon steel. The European competition body approved the merger between Highveld Steel & Vanadium and Evraz in 2007, on condition that Highveld dispose of part of its stake in the Mapochs iron-ore and vanadium mine as well as its Vanchem operation, to avoid competition concerns at all levels of the vanadium value chain

c) Employee factors which have an influence on customer service of SMEs in the steel industry

i. Employee Motivation

McShane and Von Glinow (2009) argue that motivation refers to the forces within a person that affect his or her direction, intensity and persistence of voluntary behaviour. They argue that motivated employees are willing to exert a particular level of effort (intensity) for a certain amount of time (persistence), toward a particular goal (direction). Harris (2006) simply defines motivation as the individual drive that causes us to behave in a particular way. It is clear that motivation directly affects the amount of input that an employee is willing to put towards organisational goals and objectives, and that the higher the level of motivation, the more the intended input will be.

ii. Positive employee attitude

Positive employee attitudes are a necessity in every organisation to keep customers happy and therefore see them return or more business. Freemantle (1992) stresses the importance of positive employee attitudes. He argues that with sensitive and courteous handling, the few customers (about 1 percent) that behave in the most atrocious way, expecting the impossible and putting extreme pressure on the highly stressed front line staff, can become reasonable. He argues that positive employee attitudes are reflected in the simple things of life: a warm smile, a friendly word, a genuine display of interest, a sensitive glance, a welcome piece of unsolicited information, a thank you. He believes that they have a magical effect on customers, yet there is nothing magical about them. He further argues that all the sins of a defective support organisation, for example, excessive delays, an erroneous bill, faulty air conditioning system, can be forgiven by a customer, with a pair of a warm smile and real initiative used by a front line person.

iii. Employee Empowerment

According to Liao and Chuang (2004) the behaviour of employees plays an important role in shaping the customer perception of service quality. Zeithaml and Bitner (2003) assert that employees must be trained and empowered to solve problems as they occur. For service employees, there is a specific and real need for recovery training. Because customers demand that service recovery take place on the spot and quickly, frontline employees need the skills,

authority, incentives to engage in service recovery. Effective recovery skills include hearing the customer's problems, taking initiative, identifying solutions, improvising, and perhaps bending the rules from time to time (Zeithaml & Bitner, 2003).

In customer service, empowerment is to enable or permit customer service providers to make a range of decisions to assist their customers Harris (2006). Customer service providers are continuously faced with customer situations that are unique to the customer and that are somewhere beyond the boundaries of existing policies. Through empowerment, customer service providers are given the discretion to make decisions to assist their customers further. Research supports the premise that salespeople, who adapt their behaviours during customer interactions, as circumstances warrant, are more likely to fulfil the needs and requests of their customers and to thereby increase perceptions of service quality (Bitner, Booms, & Mohr, 2004; Humphrey & Ashforth, 2004; Reid, Pullins, & Plank, 2002) in Ahearne et al (2005).

d) Customer service culture in the organisation

Sadri and Lees (2001), see corporate culture as "an intangible concept, it clearly plays a meaningful role in corporations, affecting employees and organizational operations throughout a firm." They go even further and are of the opinion that culture not only determines the success or failure of the organisation, but that a positive culture can be a competitive advantage over competing firms or organisations. In addition to this point of view, Schein (2009) regards corporate culture as a multi-level concept that should be analysed at every level before it can be understood.

Customer service culture in the organisation is necessary to facilitate the front line service providers to deliver a commendable service to customers. Organisational culture is defined by Robbins (2008:595) broadly as a common perception held by the organisation's members or a system of shared meaning. McShane and Von Glinow (2000) shed more light on it as they define it as, the basic pattern of shared assumptions, values, and beliefs governing the way employees within an organisation think about and act on problems and opportunities. They argue that it defines what is important and unimportant in the company.

IV. RESEARCH METHODOLOGY

As this research aims to answer a research question by understanding other people's perceptions and experiences with respect to a particular case, in order to gain insight, and also to test an existing hypothesis with a necessity to generalise conclusions, a qualitative (managers interviews) and a quantitative (customers and front line customer service staff questionnaires) paradigms have been deemed appropriate. The researchers used semi-structured

interviews to collect data from senior management. The choice of semi-structured rather than structured interview was employed because it offered a sufficiently flexibility to approach different respondents differently while still covering the same areas of data collection. The interviews were conducted on a one-on-one basis by meeting the participants face-to-face rather than conduct the interviews telephonically. The researcher used a self-completion questionnaire to collect data from the customers and account/key account managers and service managers who are front line customer service staff. The self-completion questionnaire was emailed to customers and to account/key account managers, and service managers. There was a personal follow-up contact with personal staff to stimulate response.

The researchers have identified three populations to conduct the research. The first population identified above, the customers, is very large such that it is impractical and uneconomical to include all of them in the research. Incidental (accidental) sampling was used to draw a sample of participants (99 customers). There are different market segments for customers, only three market segments will be surveyed through questionnaires 33 customers per market segment were sent questionnaires. These are Service centres; construction & general engineering; and packaging and tube & pipe.

The second population identified, were senior managers, purposive sampling was used to select the managers to be involved in the research. Three (3) senior managers were interviewed to gather information pertaining to customer service. These managers serve the three market segments mentioned above. The last population identified the front line staff. There are 46 account/key account managers and service managers; 30 of these were sent questionnaires. This population was selected because these are employees that are directly and have daily contact with the customers.

In total 178 questionnaires were sent out to respondents on 15 October 2010, 136 of these were returned by 15 November 2011. The response rate achieved is 76 percent which is deemed appropriate.

V. ANALYSIS OF RESULTS

The objectives are to identify factors which have an influence on customer service in the South African steel industry, gather information on customer service in the manufactures and steel industry from managers, frontline employees and customers, and to recommend an appropriate customer service strategy to improve customer service levels. The factors that were investigated are employee motivation, positive employee attitude, training and development, employee empowerment, customer service culture in

organisations, and rewards (rewarding excellent service), these factors will be analysed based on collected data.

a) *Employee Motivation*

Motivated employees are willing to exert a certain amount of effort for a certain amount of time towards a certain goal (Robinson 2006, McShane & Von Glinow 2000) which is in this case is customer service. The level at which employees (key account managers and service managers) are motivated to do their job is key towards customer service and customer satisfaction. The respondents' response are indicated in figure 1 below.

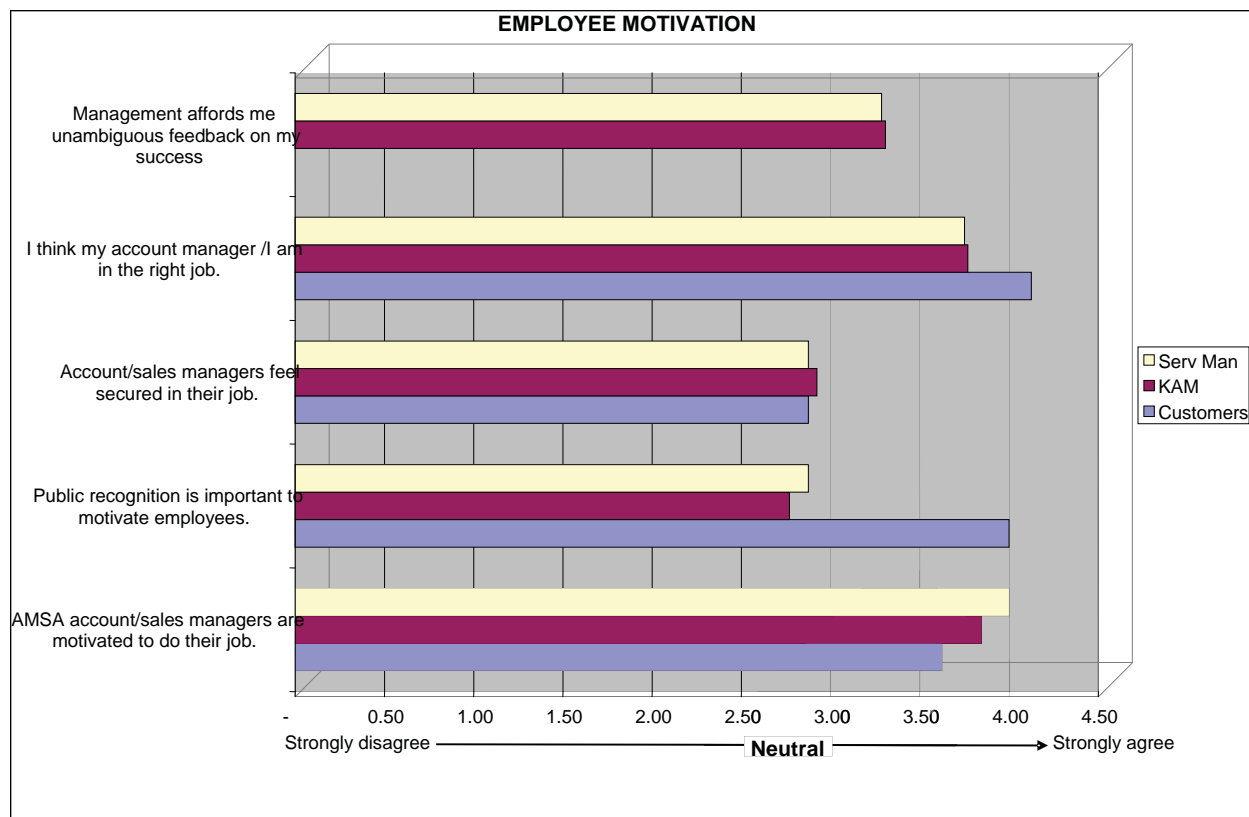


Figure 1 : Employee Motivation

Figure 1 above is an aggregate representation of responses from service managers, key account managers, and customers. The question about management feedback was only asked to employees. Of the respondents who replied 52% responded positively (agree and strongly agree). The other 48% responded negatively in receiving feedback from management.

Figure 1 also shows that the next question on motivation was being in the right job as this could affect the level of motivation. Although employees feel that they are in the right job, that perception is strongly felt by customers which is represented by a rating of over 4. When it comes to job security there is a consensus on all three groups that employees do not feel secured in their jobs. Public recognition has a very low score from employees as compared to customers. Customers agree that public recognition is important to motivate employees whereas employees' perception is that it is not important. This could be linked to the level of feedback or lack thereof received from management.

Figure 1 also shows on the bottom bar chart which records the degree to which employees and customers rate the level motivation for key account managers and managers to do their jobs. Interestingly employees rated themselves as more motivated compared to customer perception. Of the total employee respondents, 77% and 86% of key account

managers and service managers respectively, perceive themselves motivated to their jobs, whereas only 56% of customer respondents perceive employees to be motivated.

b) Positive employee attitude

Positive employee attitude like smiling, genuine show of interest is very important for front line employees as this reflects on customer service. As argued by Freemantle (2002:20) some small mistakes can be forgiven if the customer receives the positive attitude displayed by front line employees. Responses on positive employee attitude are depicted in Figure 2.

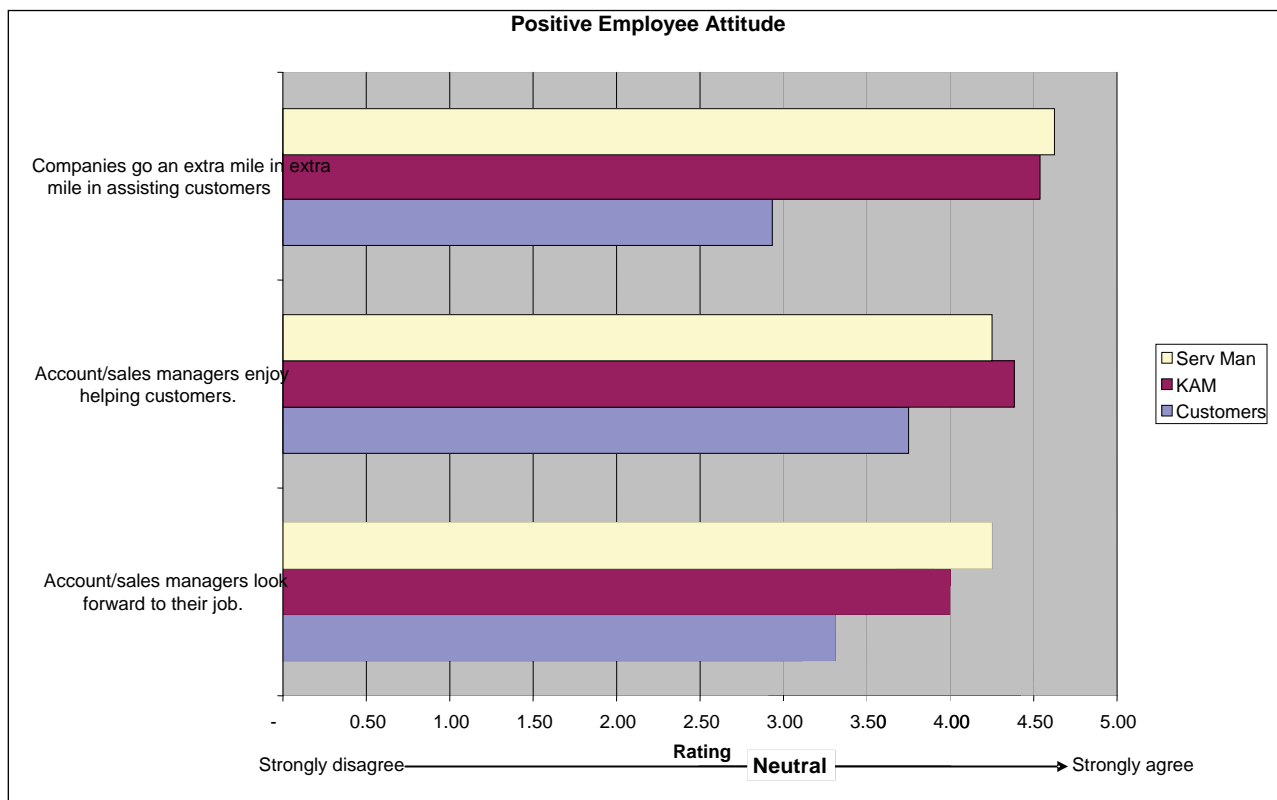


Figure 2 : Positive Employee Attitudes

Three questions were asked on this section. The two questions on positive employee attitude as perceived by customers, firstly on manufactures in steel industry going an extra mile in assisting customers and, managers and employees looking forward to their jobs were rated low by customers versus the rating by employees. As indicated in figure 2, only 31% of customers perceive that employees look forward to their jobs. Key account managers and service managers, 62% and 88% respectively look forward to their jobs. There is definitely a gap between the customer perception and that of employees.

c) Employee Empowerment

Employee empowerment is imperative in customer service environment, service employees must make decisions, take initiative, improvise in order to deal with and solve customer problems, and this is called service recovery. Unless employees are empowered improvisation and taking of initiatives will not happen. Figure 3 shows the results of question 4 in the questionnaire.

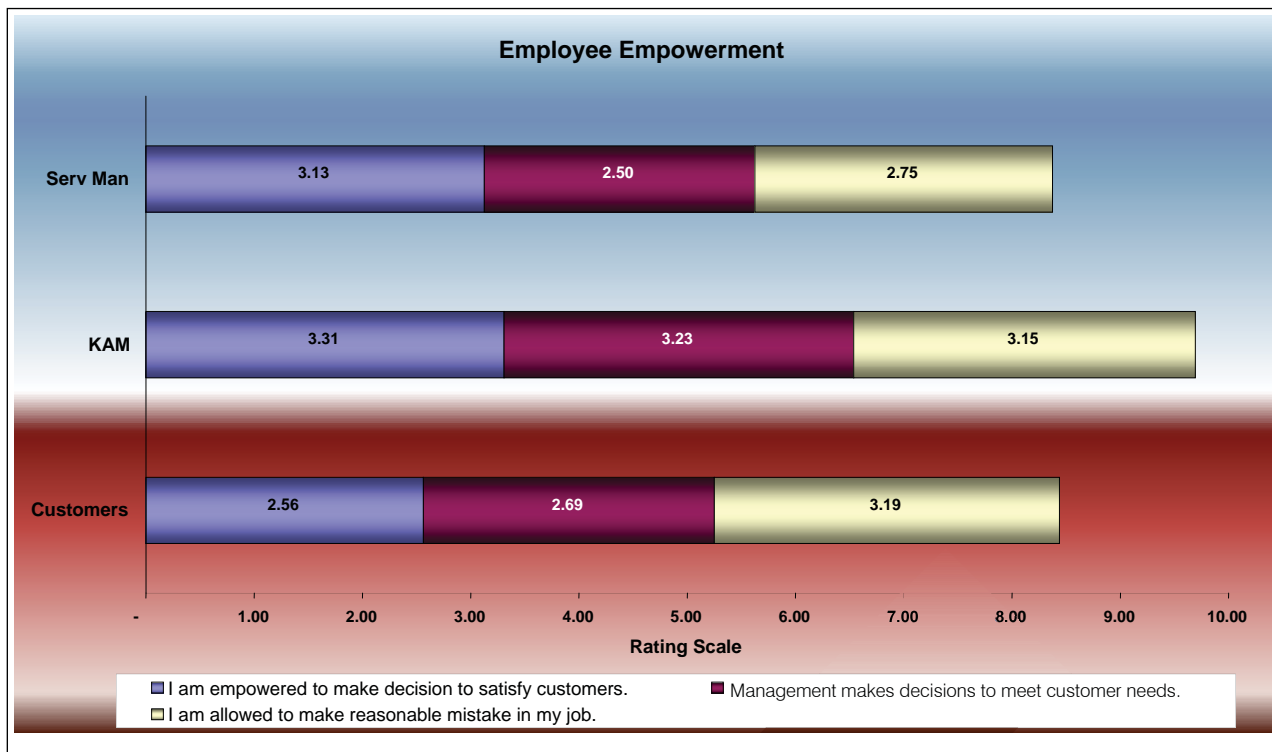


Figure 3 : Employee Empowerment

The results are indicated in figure 3. Three questions were asked in this section, one was that front line employees are empowered to make decisions to satisfy customers. This question was rated very poorly by customers a rating of 2.56 which means that customer say they disagree. It was equally rated low by employees with a rating of just above 3 which means they are undecided.

The question that management makes decisions to meet customer needs was also rated 2.50 by service managers, 3.23 by account/key account managers, and 2.6 by customers. And also the question that employees are allowed to make reasonable mistakes in their jobs was also rated poorly, a rating of 2.75 by service managers (disagree), rating of 3.15 by account managers and 3.19 by customers. There is clearly no level of empowerment on front line employees. One of the comments from customers is that "The frustration that is encountered that although our accounts manager understands our business he is not sufficiently empowered to make meaningful decisions"

d) Customer service culture

Customer service culture in the organisation is necessary to facilitate the front line service providers to deliver a commendable service to customers. Sadri & Lees (2001) in Liebenberg and Barnes (2004) in 4.3.4 above argued that in their opinion that culture not only determines the success or failure of the organisation,

but that a positive culture can be a competitive advantage over competing firms or organisations. It is therefore important that the organisation has a positive customer service culture as this could affect its success in the marketplace (see figure 4.)

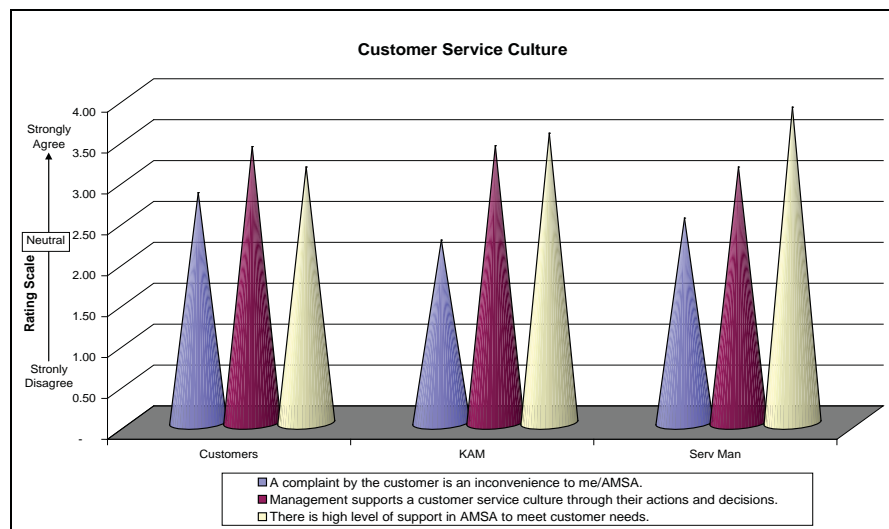


Figure 4 : Customer service culture

Figure 4 shows the results of respondents on question 5 of the questionnaire, customer service culture. The first question in this section was that a complaint by the customer is an inconvenience to me (employee). Customers tend to think that this statement is true as well as service managers, although the rating is low. Account managers seem not to agree with an average rating of 2. The question on management supporting the customer service culture through their actions and decisions scored just over 3 rating by customers and account managers and less than 3 rating by service managers. Account/key account managers and customers groups seem neutral on this, whereas service managers disagree as depicted by a rating of just below 3.

The question that there is a high level of support in the manufactures to meet customer needs was rated below 3 by customers, which means that customers do not see the level of support necessary to meet their needs. Account managers and service managers however rated this question above 3 with service managers having a highest rating of 3.5. Management support could therefore be dependent on individual managers, which will therefore differ throughout the organisation. The fundamental answer is that provided by customers who do not see the high level of support in the company.

a) Management Factors

The interviews with management were aimed at getting a different perspective and also to verify information obtained from employees and customers. The questions asked are briefly discussed under each factor that was investigated as having an influence on customer service.

i. Employee Motivation

On the question asked whether sales managers believe that their sales team is motivated, the sales managers interviewed stated that there was instability in the team over the last eighteen months and that this affected staff morale and motivation. A lot of resignation including that of the general manager marketing resulted in insecurity and lack of motivation. They believe that with the structure completed and people in their positions there will be stability. One remarked as follows "I don't think that there are necessarily motivated, we come from the era where we were challenged as a company, country, universe, often as a company goes through a slump the impact is felt by the employees. No salary increase, loss of leave days".

ii. Positive Employee Attitude

Different views were expressed with regard to attitude, one sales manager felt that employees should not speak bad about the company because it filters into the market, they must be positive, other felt that it depends on personal profile, those account managers who has been with the company for a long time have nothing to prove and those who are fairly new do their utmost best to make a point.

iii. Employee Empowerment

All sales managers interviewed said they empower their employees by not wanting to get involved on day to day activities; however account managers must exercise discretion within the set boundaries. They all want to get involved in more strategic issues; however they conceded that certain issues will be elevated by customers when they do not get joy from account managers. This however seems to negate their good intentions. If account managers are sufficiently empowered, customers would not be escalating issues to management.

iv. *Customer service culture*

Sales managers said the culture is not ideal, the company is fighting fires all the time and reactive, they should be proactive. One sales manager remarked that.... "We must rectify our attitude, we are arrogant, take it or leave it attitude. We don't treat them like customers". This certainly agrees with the responses from customers and front line staff as discussed above.

v. *Customer service improvement*

Sales managers were asked how they can improve customer service. The general theme was to know customers better, communicate more, and improve response time on customer queries, show that you care and be honest, and practice what we preach. One of the comments was "I think by understanding what our customers want and by improving on our delivery of what they want, we have been running business to suite our bottom line, we need to shift our focus a bit, not to forget it, if your customers are happy the bottom line will be taken care off".

VI. CONCLUSION AND RECOMMENDATIONS

Customers and account/key account managers and service managers alike made their opinions on issues of customer service on the key themes identified. To a large extent there are similarities on how the steel manufactures are viewed to be dealing with some of the issues. The interviews held with sales managers as well gave indication of a company faced with a general lack of customer service culture. The views expressed by customers about the company or sales staff, such as arrogance, monopoly, and not listening to customer needs was also expressed by some of the sales managers interviewed.

a) *Employee Motivation*

The honesty with which account managers in particular expressed their lack of motivation is commendable, this was also expressed by customers and confirmed by sales managers. Although sales managers gave possible reasons for lack of motivation, i.e. recent problems with uncertainty and high turnover of senior managers in the sales and marketing departments, the problem does exist and needs to be addressed.

This can be addressed by:

- Organising a workshop by an external facilitator to discuss issues leading to lack of motivation from account/key account managers and service managers.
- Creating a motivating climate where there is effective management – leadership.
- And by creating a shared value system, this will create commitment to a set of principles guiding and directing work behaviour.

b) *Employee Attitude*

Attitude can be a personal or individual problem, but in an organisation where attitude is a problem, it can be so pronounced that it affects customer service, the problem can be deeper. Employee attitude can also be linked to other factors like customer service culture and rewards. Research results showed that there is a general lack of customer service culture at the steel manufactures, there can be pockets of excellence, but these seem to be overshadowed by the attitude of carelessness. The researchers recommend that:

- The basic understanding of the importance of customers to an organisation and what happens if there are no customer needs to be taught to all employees especially those who interact with customers.
- Management includes customer service in the balance score card as a key performance management measure so that there is change in employee attitude to a positive one that will help enhance customer service.

c) *Employee Empowerment*

Empowerment gives credibility to account managers and all employees dealing with customers. If account managers cannot make decisions and keep on referring issues to management, customers are likely not to take them seriously and this will lead to customers dealing directly with senior managers. Customers do understand the boundaries under which account managers operate, but a fair amount of latitude should be given to account managers to make decisions. This will also elevate them from being order takers to be order creators, they must be able to discuss customer business and see potential growth opportunities. Customers are likely to open up when their account manager is seen to be in control, and this control can best be seen if account/key account managers empowered which will also boost their confidence.

It is recommended that:

- Management encouraged to delegate and let account/key account managers take charge of customers' issues.
- Clear and relevant boundaries be set that will give account/key account managers autonomy on selected matters.

d) *Customer service culture*

Customer service culture is a bigger problem that cannot be confined to a sales and marketing department in an organisation. Although this culture manifest itself through the frontline employees dealing with customers, the roots of it needs to be traced back to the overall organisation. This could even point up to senior management and the way things are seen to be done by customers who have an advantage of dealing

with all levels in the organisation. What could be recommended here is that management must foster a culture that recognises the importance of internal customers. The way internal customers do business with one another affects the way the company does business with the external customers. If the front line staff cannot get help from the internal customers, they will not be able to effectively and efficiently serve the external customer. There is goodwill among customers which the manufactures can use to improve their customer service culture and also change the perception in the market on their service levels.

VII. CONCLUDING REMARKS

This research study evaluated and established that factors like employee motivation, positive employee attitude, employee empowerment and customer service culture are some of the factors influencing customer service levels at manufactures SME of the steel industry researched.

This research was conducted to determine factors influencing customer service in the steel industry. It would be recommended that further research is conducted on internal customer service between departments, like production planning, quality management, and credit risk management.

The significance of the research is that for the first time, there is empirical evidence to prove that other than the core issues of product quality, on-time-delivery, and price there are other such as employee factors (which can be viewed as soft issues /factors) that have an influence on customer service of SME steel manufactures. If customer relationship and loyalty is important, then more attention must be given to these factors. For a company to have customer intimacy, more emphasis needs to be given to employee factors such as employee motivation, positive employee attitude, employee empowerment and customer service culture in the organization. Since this research was done based on manufactures with dominant positions in the steel industry, the employee factors identified are deemed to be influencing the customer service levels in the South African steel industry.