

Client Satisfaction in Service Organizations:

The Case of an Accounting Firm

Sita C. Amba-Rao, *Indiana University at Kokomo*
Jatinder N.D. Gupta, *Ball State University*

Abstract

Clients in an accounting firm were surveyed to identify factors relating to client satisfaction in service organizations. Four independent variables—communication, responsiveness, service quality, and effectiveness—correlated with, and explained the variance in client satisfaction. Interpretation and implications for business practice are discussed and practical guidelines for enhancing client satisfaction are offered.

and an interview with two key members (a senior partner and the office manager who interfaces with the firm's staff and the clients) of the firm. The literature reviewed included discussions on client (customer) satisfaction in general, as well as in the accounting business. Both practitioner publications and academic journals were reviewed. This combination should capture the universal as well as service-specific factors in client satisfaction within the service sector.

Introduction

The service sector, with its variety of small personal service businesses, has been growing rapidly, while operating in a competitive environment. In order to serve clientele well and to maintain or raise the customer base, under these circumstances, there is an increasing interest in monitoring client (customer) satisfaction. In this quest for measuring satisfaction, the service firms do not have a tangible product to measure its worth for customers, in terms of numbers or the traditional product quality criteria. So the question, "How is client satisfaction identified and enhanced?" becomes important. Many professionals offer experience-based suggestions either on various aspects of client expectations and firm performance, or a listing of suggestions on a specific aspect. These are helpful. Yet, few systematic surveys of the client viewpoint, in aggregate, exist to determine the factors that would enhance or influence user satisfaction of services, especially in particular service segments (Amba-Rao 1991; Barnes and La Francois 1987). On the other hand, however, a core of empirical studies have attempted to identify service quality factors (Carman 1990; Grönroos 1984; Parasuraman et. al. 1988) in a variety of organizations.

This study represents one such analysis in a service organization, namely, an accounting firm. While different service segments may have individual differences, their common features allow wider utility of the findings of such studies (Carman 1990). Recognizing such individual differences within the service sector, it was decided to focus on one segment and conduct an exploratory study, by means of a client survey. A questionnaire was developed based on two sources: literature search

...the subjective perceptions of the client, rather than the objective reality or the perceptions of the service provider, should be assessed.

Factors Affecting Client Satisfaction

Client satisfaction is influenced by a number of personal attributes of the service providers. These characteristics fulfill client expectations, in addition to technical competence (Baer 1985). This suggests that the subjective perceptions of the client, rather than the objective reality or the perceptions of the service provider, should be assessed (Zeithaml 1988). For instance, it was estimated that 70 percent of businesses which changed accounting firms did so because of a perception that the replaced firm had a lack of concern for the client (Lewandowski 1986). The importance of client retention vis-a-vis gaining new clients is highlighted by the fact that the Customer Service Institute estimated the cost to acquire a new customer to be five times as much as it is to service an existing one (Szabo 1989).

Several surrogates of client satisfaction have been identified and used in the literature. Concepts such as *service value* and *service quality* have been shown to create client satisfaction. In so doing, service quality and value are measured from a consumer's viewpoint (Mersha and Adlakha 1992). Further, several consumer behavior research studies view service quality perceptions as a result of the comparison of consumer expectations and actual service performance (Cadotte et. al. 1987) and/or

equating services received and experience with the service providers (Schneider and Bowen 1985; Grönroos 1984; Parasuraman et. al. 1988). A value-based model of service quality is introduced by Mattsson (1992) who investigates the relationship between a pre-conscious level (value) and an attitude level in expressing satisfaction. Other researchers have sought more direct measures of client satisfaction by attempting to identify factors that influence client satisfaction (see Table 1 below). For example, Gullede (1988) suggests measuring satisfaction to fulfill customer expectations. Higgins and Ferguson (1991) use a market audit as an alternative framework to examine the key dimensions of service quality.

A review of prior studies revealed several variables and items that are thought to influence client (customer) satisfaction in different service organizations. A selected summary list of these findings is presented in Table 1. The information in Table 1 clearly indicates that there are

several similarities as well differences in the definition of various variables and the details covered in various studies. One reason for this variation is the different types of services involved, for example, in banks, health services, and accounting firms. These variations suggest the need for customizing the studies as indicated earlier. This phenomenon was demonstrated by Carman (1990) in his survey analysis of client perceptions of service quality in four different service organizations. The objective of his study was to assess the seminal work of Parasuraman et. al. (1988). Based on his finding, Carman (1990) concluded that while their dimensions are useful, the number and type of dimensions and the content and wording of the individual items need to be adapted to specific services. Carman (1990) also points out the absence of another factor of interest, that is, client satisfaction in these two studies — his and that of Parasuraman et. al. (1988).

Table 1
Variables and Items in Selected Analyses of Customer Satisfaction in Service Organizations

<i>Author/year</i>	<i>Variables and items</i>
Andrus, Ott, Donnelly (1989)	Effective problem-solving, personal attention, prompt service, advice on business decisions, additional tax services, staff training in personnel relations.
Axline (1985)	Delivery of service (communication, quality, timeliness, effectiveness); perception of firm's personnel, clients' knowledge of the services, reasons for selecting/changing accountants (understanding of and concern for clients' business, availability, accounting knowledge/competence, promptness, quality of service); frequency of contact, fee structure.
Azorsky (1986)	Fee structure (estimate fee range in advance and justify charges for services, answer questions on billing, complete services as agreed).
Barnes and LaFrancois (1987)	Perceived accuracy, reliability, thoroughness of statements, ability to meet deadlines, interpretation of statements, performance of auditors.
Cottle (1986)	Prompt service (phone calls returned, appointments kept, completion of services), listening, interest in client.
Gelb, Smith, Gelb (1988)	Shaping realistic expectations of the client, emphasizing communication throughout, focus on successful outcome in clients' terms as well as those of the provider.
Parasuraman, Zeithaml, Berry (1988)*	Reliability (dependable, accurate, consistent service); assurance (knowledge, confidence, courtesy, trust); empathy (caring, individual attention); responsive (helpful, prompt); tangibles (physical facilities and employee appearance).
Perry (1984)	Prompt service, interest, listening.
Skigen (1985)	Knowledge of clients, frequent contact, fulfilling client needs, follow-up, responsive, reliability.
Wilson and Waters (1984)	Discuss fees only when client asks, be specific in stating estimated fees and services to be rendered.

* This source addressed service quality, not satisfaction. It is included here as it analyzed an important variable in the current study.

Keeping in view the above suggestions, it was decided to identify specific quality factors relevant to the accounting service and examine their relationship with measures of client satisfaction. Thus, the factors influencing client satisfaction (variables or items in Table 1) need to be examined and consolidated in such a way that the service provider can offer a meaningful response to them.

In order to define the aggregate variables that influence client satisfaction, an unstructured interview was conducted jointly with a senior partner and the office manager to explore potential areas of investigation using Table 1 as the basis for discussion. As a result of these interviews and the literature review, the following four independent variables were identified:

- **Communication:** professional and support staff interactions with clients; and, the image created by the staff.
- **Responsiveness:** client relations, timeliness of service, availability of staff, and empathy for the client.
- **Quality:** quality of the services provided, fee aspects reflective of quality, reliability, consistency, and knowledge.
- **Effectiveness:** the accountant’s problem-solving abilities in resolving client’s unique problems.

The dependent variable in this study, of course, is the client satisfaction defined as follows:

- **Satisfaction:** clients’ overall satisfaction with the firm; and two other indicators—recommendation of the firm to others and intention to continue to use the firm’s services.

The main purpose of this study is determine the extent to which communication, responsiveness, quality, and effectiveness account for client satisfaction.

Survey Method

Population and Sample

The accounting firm under study is located in a midwestern city with a population of about 60,000, and is the largest accounting firm in the area. It employs thirteen professional and five support staff. Services are offered in several accounting areas and clients included both individuals and primarily small-sized organizations. The corporate segment was the focus of this study. The firm has 533 business clients. A random sample of 200 clients was chosen using a computerized list. Questionnaires were returned by ninety-eight of these indicating almost 50 percent response rate. The respondents were

predominantly in retail firms (29 percent) followed by professionals (18 percent). The remaining 43 percent of the respondents were comprised of a wide variety of business. Forty-two percent had been clients of the firm for eight years or more; another third for four to seven years.

Data Collection and Questionnaire

The review of the literature and the unstructured interviews with the senior partner and the office manager of the accounting firm in question indicated several items that collectively reflect the measures of the four independent variables related to client satisfaction. The interview revealed the following business concerns for further investigation: timeliness of service, adequacy of the range

Table 2
Descriptive Data on Variables¹

No.	Variables	Reliability (Cronbach Alpha)	Mean	Std. Dev.
Communication		0.84	4.52	0.48
1	Personnel are friendly and courteous		4.85	0.36
2	Staff professional in appearance		4.85	0.36
3	Accountant keeps in frequent contact		4.04	0.93
4	Accountant follows up after services		4.19	0.96
5	Clients informed of pertinent changes		4.29	0.85
6	Accountant gives clear explanations		4.53	0.71
7	Client comfortable asking questions		4.83	0.50
8	Firm cares about financial well-being		4.46	0.85
Responsiveness		0.74	4.69	0.44
9	Staff willing to help client		4.74	0.55
10	Staff gives personal attention		4.73	0.54
11	Phone calls returned promptly		4.63	0.62
12	Financial reports completed on time		4.60	0.64
13	Accountant available when needed		4.62	0.59
Quality		0.77	4.38	0.57
14	Firm knowledgeable about client business		4.47	0.81
15	Finances kept confidential		4.80	0.46
16	Errors corrected efficiently, professionally		4.68	0.63
17	Fees explained before services provided		3.68	1.25
18	Fees reasonable for services		3.78	0.97
19	Firm provides quality service		4.74	0.56
Effectiveness		0.77	4.25	0.79
20	Accountant is effective problem solver		4.40	0.98
21	Client referred to specialist		3.65	1.50
22	Advice received was beneficial		4.35	0.79
23	Firm is meeting needs		4.57	0.68
Satisfaction		0.94	4.68	0.61
24	Client satisfied with services		4.65	0.63
25	Client would recommend firm		4.70	0.61
26	Client will remain with firm		4.65	0.72

¹ survey items abridged; all items rated on a Likert scale with never=1 and always=5.

of services offered, innovative problem solving, perception of quality service, and fees charged. Based on these concerns and literature review, a questionnaire consisting of twenty-nine items was constructed. Altogether, three researchers, the firm’s partners and the office manager reviewed the questionnaire prior to constructing the final version of the survey instrument. Thus, the reliability and content validity were enhanced. Reliability tests of the measures were also conducted as reported below. Two questions covered background information — number of years with the accounting firm and the nature of client’s business. No other background information was deemed necessary. Three open ended questions sought the meaning of quality service, potential need for additional services and any comments. The study variables were measured by twenty-six items. An abridged form of the questionnaire is shown in Table 2.

It should be noted that we were unable to access individual customers of client firms for their views, hence we depended upon the literature for some of the quality measures. However, the open ended question to the respondents on the meaning of quality service elicited several of the measures used in the survey. The predominant ones were accuracy, promptness, and timely completion of reports (12-17 responses out of a total of 110), followed by cost and efficiency (9 and 8 respectively). Further, under “other comments,” a few (20) were offered, of which cost factor was the most frequently (6) mentioned. All these items, except accuracy were directly included in the questionnaire. Instead of accuracy *per se*, a statement on *efficient correction of errors* was included. In addition, in order to capture the influence of various forms of accuracy and other concerns, an overall item on quality service was added.

A five-point Likert scale, ranging from “always” (5) to “never” (1) was used to elicit client perceptions regarding the service aspects and client satisfaction. A return

envelop was enclosed with a cover letter explaining the purpose of the study and ensuring confidentiality.

The Variables, Measures, and Test

The variables used in this study are listed in Table 2 along with their reliability levels. Items in the questionnaire represented the variable measures. The reliabilities (Cronbach Alpha) of the variable scales were high, ranging from 0.74 - 0.94. Four independent variables were identified and their relationship to the dependent variable was examined by descriptive statistics, Pearson Correlation and Multiple Regression, at a significant level of 0.05 or less.

Survey Results

The respondents were comprised primarily of retail firms (29 percent) who were users of the accounting firm for at least four years. Table 2 includes the variables, their measures and descriptive statistics, and Table 3, the inter-correlations among the variables.

The mean response levels of all the variables were high. They ranged from 4.25 - 4.68 on a scale of 1-5 points—always=5, never=1; with low levels of variance (standard deviation) in the responses. The intercorrelations among the variables were significant, ranging from 0.57 - 0.80. The multiple regression of the four variables against satisfaction was 0.67; that is, 67 percent of the variance in satisfaction was explained by the four variables. Of these, quality had the most influence (Beta, 0.35; p=0.006), and responsiveness the next (Beta, 0.19; p=0.05).

Intpretations and Implications

Certain limitations and concerns need to be addressed in discussing the findings of this study. The sample is

Table 3
Pearson Correlations Among Variables*

<i>Variables</i>	<i>Communication</i>	<i>Responsiveness</i>	<i>Quality</i>	<i>Effectiveness</i>
Communication				
Responsiveness	0.61			
Quality	0.74	0.64		
Effectiveness	0.80	0.57	0.77	
Satisfaction	0.68	0.58	0.74	.70

* p=0.000

limited to the clients of one firm, the study is exploratory in nature and has some statistical limitations. Hence the findings are tentative, with suggestive guidelines and a frame of reference for practice and future research.

Two statistical patterns raise questions. First, there is relatively less variance in the mean responses. However, the factor correlations with satisfaction range from moderate to high (0.58 - 0.74). Secondly, the intercorrelations among some of the independent variables, namely, effectiveness, quality, and communication are high. These issues may raise the question of reliability and validity of the questionnaire. However, our questionnaire design included sufficient checks as explained in the survey method section, to enhance its relevancy and accuracy, specifically: published sources, several people reviewing the items, and later, comments of the respondents being consistent with the items in the questionnaire.

The consistently high responses could also raise questions. These high responses may be because the sample consisted of a single firm and a single client group of small businesses (although comprising a variety of them), using a specific service, namely, accounting. Further, the accounting business used in the survey is a reputable firm in the area. Hence, it may be that the respondents, three-fourths of whom are clients for at least four years had positive experiences with regard to several items that they listed as being important service elements. Further, earlier empirical studies discussed in the literature have shown the existence of varied but distinct constructs. It is also possible that, in this analysis, there is some overlap among the elements of the variables.

With the above caveats, the following three suggestive guidelines are offered to help practitioners enhance their client satisfaction.

Improved Service Quality Enhances Client Satisfaction

Of all the variables, quality service had the most impact and, therefore, should be paid particular attention. Despite showing lesser influence, responsiveness is another dimension for focus. Interestingly, both factors emerged in the clients' identification of the meaning of quality service. This concurs with previous research conclusions that service quality is becoming an important competitive priority in the 1990s (Zeithaml et. al., 1990).

Since service quality is defined by specific items in the survey instrument, the survey responses to these individual items provided further insight into issues and concerns. Two such effects in the current findings are relevant. One is under the variable, *effectiveness* while the other concerns the fee issues under the variable, *quality*. The overall response level for the effectiveness variable was high at 4.25 ("frequently effective"). But, for item twenty-one (asking whether the client was referred to a specialist) the response fell to 3.65 (where

3.0 represents "sometimes") with a high level of variance in the responses. This does not necessarily reflect a concern. Viewing the comments, it signified that there was no additional need for specialists; while some suggested adding certain specialized services.

... some of the responses may indicate a gap between client perceptions and the realistic level of fees.

Questions about quality produced results contrary to those about effectiveness. The relative deviation within this category, from high response, was the fee issue. Items seventeen and eighteen (means of 3.68 and 3.78 versus overall 4.38) are about prior explanation of charges and their reasonableness. A closer examination of the data revealed that almost half (48 percent) had reservations about fee explanation ("sometimes" to "never"), reinforced by two out of five (40 percent) who, similarly, had questioned the level of fees. While this response might appear to be sharply negative, it was offset by the low level of comments offered—only six stated fees to be high and no reference was made to explanation.

As pointed out earlier, some of the responses may indicate a gap between client perceptions and the realistic level of fees. This points to the need to explain the service charges. There were conflicting views on explaining accounting fees—to explain in advance versus only upon client's request. Evidently, advance information offers informed choice. The drawback to this is that the accountants may not know the extent of services ultimately needed or that the needs may change. Yet, an effort needs to be made to explain the fees while addressing such uncertainty. Such an explanation, supported by positive demonstration of other service behaviors discussed in this study will aid in reducing the perceptual gap mentioned above. In addition, it would be a good business practice to periodically assess and reaffirm the appropriateness of the fee level.

Multi-pronged Approach to Enhance Client Satisfaction is Warranted

The respondents experienced high levels of satisfaction and perceived the firm to be maintaining effective communication, responsive, and providing effective and quality services. These factors contributed, individually and jointly, to client satisfaction. This implies that a multi-pronged approach is warranted to enhance or sustain client satisfaction in service organizations.

The significant intercorrelations among the independent variables could mean that they are mutually influential and feed upon, or moderate, each other. Consider the

interrelationships among quality, communication, and effectiveness (0.74 - 0.80). This could mean that, if the accountants were communicative with the clients and were knowledgeable and offered quality service, then the effectiveness of the accountants will be high. In other words, in this process, the accountants and the clients will get their points across to each other, the accountants will be aware of the clients' needs and, with their knowledge and ability to utilize their skills, will fulfill the clients' needs and solve their problems effectively.

The variables, responsiveness, communication, and quality were also significantly interrelated (0.61 - 0.74). This would mean that, if the accountant is responsive by being willing and available to help and give personal attention, the client will feel comfortable to ask questions or respond otherwise; in turn, the accountant will gain a better understanding of the client's problems and solve them to the latter's satisfaction.

A Continuous Self-assessment Program is Needed to Enhance Client Satisfaction

The client perceptions about services and service providers change with time. Therefore, a continuous self-assessment program is needed for enhancing client satisfaction. Small businesses may consider auditing or surveying their own practices. This can be done internally through their staff and through client surveys. While the individual customers of client firms could not be approached in the current study, such access in the form of focus group interviews will aid the accuracy of the survey instrument. Assistance in conducting systematic surveys can be availed from the services of an area college or university. The business or economic centers, the Small Business Institute (SBI) of the Business Schools, or independent study/research courses are possible sources of assistance. Implementing any changes suggested by self assessment of these practices by a firm should include joint discussions by the owner-manager of the small business and its employees. This will promote employee acceptance and commitment to the new behaviors, and consistent practices.

These findings from a continuous self-assessment program can also be used for orienting new employees to the culture and practices of the business. This helps in sensitizing them to the attitudes and behaviors required, besides technical competence, in fulfilling their roles.

Conclusions

Four factors relevant to satisfaction were identified, each consisting of several measures. These factors were communication, responsiveness, quality, and effectiveness. Statistically, the measures and factors were found to be highly reliable; and all four were highly

correlated with the factor of concern, client satisfaction. More studies and rigorous testing are required to generalize the findings to other situations. Nevertheless, the model and the questionnaire can be used as an evaluative tool in tracking client satisfaction, as well as business and staff performance in this regard. The model can also be used for developmental purposes in reorienting or training existing and new employees towards effective performance.

It is important to note that this study concentrates on only one firm in one professional category, namely accounting services. The selection of this accounting firm may have caused the results to be biased (even though informal interviews with other professionals in several service organizations confirm the above conclusions). Further, many of the results reported above may be a result of the cross-sectional nature of the study as compared to a longitudinal study. Therefore, the above results and guidelines must remain preliminary until a large, full-scale study can examine the issues addressed in this paper through longitudinal and cross-sectional survey techniques.

The findings of this exploratory study do show that it is prudent for service organizations to focus on service quality, communication, effectiveness, and responsiveness as a way to enhance client satisfaction and hence improve the firm's competitive position in the market place. While only one service organization was considered in this study, results may well apply to the services associated with products supplied by (or for) manufacturing firms. This suggests that a large-scale longitudinal study that includes various types of service and manufacturing organizations would be a fruitful area for future research and may result in developing suitable guidelines for enhancing client satisfaction in different types of organizations. ■

References

- Amba-Rao, S.C. 1991. Client satisfaction in real estate business: A survey analysis. *Mid-American Journal of Business* 6:27-32.
- Andrus, D., R. Ott and D. Donnelly. 1989. What keeps business clients happy with tax services? *The Practical Accountant* 22:82-83.
- Axline, L.L. 1984. Are your clients satisfied? (Client Survey). *Journal of Accountancy* 158:84-88.
- Azorsky, M.A. 1986. Professional fees and client satisfaction. *CPA Journal* 56:100-101.
- Baer, W. 1985. Quality work doesn't mean quality service. *American Salesman* 30:3-6.
- Barnes N.G. and H. LaFrancois. 1987. Priorities and perceptions from the client point of view: Opportunities for effective marketing of an accounting practice. *Journal of Professional Services Marketing* 3:217-230.

- Carman, J.M. 1990. Consumer perceptions of service quality: An assessment of the SERVQUAL dimensions. *Journal of Retailing* 66 (1):33-56.
- Cadotte, E.R., R.B. Woodruff and R.L. Jenkins. 1987. Expectations and norms in models of consumer satisfaction. *Journal of Marketing Research* 24:305-314.
- Cottle, D.W. 1986. Don't chase away new business by appearing too busy. *Journal of Accountancy* 162:172+.
- Gelb, B.D., S.V. Smith and G.M. Gelb. 1988. Service marketing lessons from the professional. *Business Horizons* 31:29-34.
- Grönroos, C. 1984. A service quality model and its marketing implications. *European Journal of Marketing* 18 (4):36-44.
- Gulledge, L. 1988. Measure satisfaction, performance to meet customers' expectations. *Marketing News* 22:34-35.
- Higgins, L.F., and J.M. Ferguson. 1991. Practical approaches for evaluating the quality dimensions of professional accounting services. *Journal of Professional Services Marketing* 7 (1):3-17.
- Lewandowski, N.J. 1986. Marketing ourselves and our services to existing clients. *Ohio CPA Journal* 45:36-38.
- Mattsson, J. 1992. A service quality model based on an ideal value standard. *International Journal of Service Industry Management* 3 (3):18-33.
- Mersha, T. and V. Adlakha. 1992. Attributes of service quality: The consumers' perspective. *International Journal of Service Industry Management* 3 (3):34-45.
- Parasuraman, A.V., A. Zeithaml and L.L. Berry. 1988. SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing* 64 (1):12-40.
- Perry, L. 1984. Developing good client relations. *Journal of Accountancy* 157:95-96.
- Schneider, B. and D.E. Bowen. 1985. Employee and customer perceptions of service in banks: Replication and extension. *Journal of Applied Psychology* 70 (3):423-433.
- Skigen, M.R. 1985. Are you effectively using these basic practice-building techniques? *The Practical Accountant* 18:79-81.
- Szabo, J.C. 1989. Service = survival. *National Business Journal* 77:16-19.
- Wilson, H.O. and E.D. Waters. 1984. Accountant's fees: 10 don'ts (and some do's) discussing fees with clients. *The Practical Accountant* 17:67-68.
- Zeithaml, V.A. 1988. Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing* 52:2-22.
- Zeithaml, V.A., A. Parasuraman and L.L. Berry. 1990. *Delivering Quality Service*. New York: Free Press.

About the Authors

Sita C. Amba-Rao is Professor of Management at Indiana University at Kokomo. Her research interests are in human resources management and organizational development in small firms and organizations.

Jatinder N. D. Gupta is Professor and Chairperson of Management at Ball State University. His research interests are in productivity improvement in private and public organizations through appropriate scheduling, organizational structures, and use of technology.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.