To Identify Service Quality Gaps in the Irish Financial Services Industry

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DECLARATION

I hereby declare that all the information included in this dissertation towards the MBA in Marketing is that of my own, unless otherwise referenced and indicated with inverted commas and source of information listed. A full list of references for all wording not of my own is included with this dissertation.

Signed: Sean O’Beirne

Date: 12/08/13
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ABSTRACT

Despite the financial industry crash of 2008 not just in Ireland but on a global scale, the financial services industry remains a key cornerstone of the Irish economy and an important element of the Irish Government’s foreign direct investment strategy. However, research has been relatively limited in the context of the Irish Financial services industry, in terms of gaps in service quality and any potential opportunities that may exist. This study therefore lends itself well towards the analysis of the industry and researching improvements and opportunities in what remains a globally competitive industry.

Due to the exploratory nature of the research subject a qualitative approach was taken towards this study. This involved conducting four in-depth interviews with key elements within the industry in Ireland namely on the Fund Administration side and the Investment Manager side. Therefore the interviews covered the service provider side (Fund Administrators) and the customer/service user side (Investment Managers).

The outcome of the collected data provided some very important factors for the Irish industry to consider, focussing on the gaps in the industry and where opportunities exist. After the analysis and interpretation of the collaborated data, this study provides recommendations and conclusions regarding these service quality gaps and new prospects to be pursued.
CHAPTER 1: INTRODUCTION

1.1 Background to Research Problem

‘Despite the upheaval in the global financial services industry over the last two years, the Irish Financial Services Industry has shown remarkable resilience and strength. Given the size and importance of the financial services industry globally, despite the crisis, the Irish Financial Industry continues to be an important growth opportunity’ – FSI Ireland 2013)

Despite all the recent negative perceptions towards the financial industry whether morally justified or not, as of 2013 the Financial Services Industry in Ireland remains of strategic importance to economic growth and continues to evolve in a very dynamic fashion. The industry represents a very significant part of the Irish economy and therefore it is important that it is understood how we can continually improve financial services and service quality, considering increasing competition from not just existing fund servicing locations such as Luxembourg and Cayman Islands but also increasing competition from growing and lower cost financial centres such as those in Budapest and Bangalore, India.

According to the FSI (Financial Services Ireland), the industry employs 32,000 people, contributes €2.1bn to the exchequer and 7.4% of total Irish GDP. It also represents 10% of all multinationals in the country. Therefore it is important that research is carried out on maintaining and improving service quality given the importance of the sector.
Delivering consistently good service quality is difficult but profitable for service organisations (Zeithaml, Berry, Parasuraman 1988); therefore this study seeks to eliminate these difficulties by identifying key service quality gaps and areas for service improvement within the sector. “Service quality positively influences both perceived value and customer satisfaction” (Ying-Feng Kuo, Chi-Ming Wu, Wei-Jaw Deng 2009) so the study will evaluate customer (Fund Managers/Investors) perceptions of service quality (service delivered by Fund Administrators, Custodians, Back-Office operations) within the context of the Irish Financial Services Industry. The dissertation considers the intricacies of understanding measurement of service quality in financial services.

1.2 Suitability of the Researcher

The researcher has studied services marketing theory at both undergraduate and post-graduate level and previously obtained a BA degree in Business Studies incorporating marketing modules. Therefore this knowledge of existing services marketing theory was applied to the case study.

Further to the marketing theory studied, the topic selection was based on the fact that the researchers own professional experience includes 6 years working within the Financial Services Industry at global firms such as JPMorgan and Northern Trust. The researchers work experience to date involves both client service provider level (Fund Administration, Back Office) and service user level (Fund/Asset Manager, Front Office) which can be used to support the arguments made by this study. Suitable contacts within the industry also helped the researcher to investigate the subject.
1.3 Recipients of the Research

Dublin Business School/Liverpool John Moores University will be furnished with this research project along with the appointed supervisor namely Andrew Quinn.

This is a pioneering study (in terms of industry context) and it is the intention of the researcher that this study aims to facilitate the financial authorities (IFIA, IFS) and government bodies (e.g. IBEC, IDA, Central Bank) in Ireland to improve service quality to Fund/Asset Managers and Investors.

This study also aims to aid the Fund Administration Companies here to identify the gaps in their service that they provide to investors, so they can offer an enhanced facility. Finally the research aims to help all of the above to identify opportunities for continued success in Ireland with the Financial Industry.

1.4 Research Objectives and Hypothesis

The central objectives of this research project is to investigate if there are any gaps in service quality in the Irish Financial Services Industry, whereby not only service quality in the sector will be objectively measured, but also this study seeks to identifying the gaps or opportunities that the sector in Ireland can utilize or capitalise on in terms of new service offering gaps.

Therefore this study also sets to add a new layer to the traditional definition of improving service quality (focussing purely on the existing service levels) by incorporating new additional contributions to existing service levels as a means to measure and improve service.
Following the review of the existing literature regarding service quality, with consideration to the financial sector in Ireland, the researcher considers that due to the dynamic nature of the financial industry, in an ever increasingly globalised world perceptions of quality will need to be matched by add-on value.

With this in mind the following hypothesis has been produced:
- Investment Managers (service users) perception of service quality is based on their experiences in dealing with the service offerings of Investment Administrators (service providers).
- Investment Managers perceived value from service quality can be significantly increased from the provision of add-on high level servicing tasks.
- Customer satisfaction, loyalty and increased consumption to Irish service providers is achieved when perceptions are exceeded from this high level servicing and a move away from the provision of back office servicing only.

1.5 Dissertation Approach

The first aspect when conducting a study of this nature is the review of the existing literature and evidence relating to service quality. The review of the literature will engage the evolution of service quality and its application to the financial industry. This will involve the analysis of service marketing, measuring service quality with models e.g. SERVQUAL/RATER, as well as customer satisfaction and the post consumption intentions.
In developing answers from the testing of the hypothesis and research objectives, the researcher will examine the services associated with Investment Managers and their perceptions relating to the use of the Fund Administrators. The next aim of this study is to examine if the fund administration services are measuring up to perceptions and expectations. This is the most salient aspect of the research project as it will gauge and identify whether there are areas that the Irish financial industry needs to improve on as well as possibly recognizing and uncovering areas that will grow the industry in this country. The researcher will use qualitative data analysis methods in collecting this data.

The collected data will then be interpreted in detail with a discussion of the data findings. Finally the recommendations and potential solutions for the industry will be provided to enhance the service quality of the industry.

1.6 Dissertation Plan

The dissertation to identify gaps in the Irish financial services industry is incorporated across 6 chapters set out as follows:

The first chapter will provide a brief background to the topic inclusive of the relevance and usefulness of the study as well as the background and suitability of the researcher. The second chapter will involve a detailed review of the existing literature on service quality, while also trying to identify if the literature has not yet uncovered any existing problems besetting the Irish financial Industry. Chapter 3 sets out the design of the research and the methodologies employed in order to gather the data as well as the reasoning behind the selection of these methods. The fourth chapter presents the collected data from the in-depth
interviews that were carried out. This area sets out the results of the research as well as the findings. The fifth chapter provides the conclusions of the study along with the recommendations of the research findings that merit further investigation. The last chapter includes a self reflection piece from conducting a study of this nature.

Finally an appendix and bibliography section will be provided showing all external points of reference the author has used as well all additional information used in the study.

1.7 Scope and Research Limitations

Due to the limits of time and a project deadline the research will have been conducted over a relatively short time span. Therefore a snapshot study will face time management issues. Bearing in mind these research deadlines it was also not possible to include all service users and service providers in the Irish financial industry given the amount of financial companies in operation. The sample size of two service providers (Fund Administrators) and two service users (Investment Managers) is therefore a limitation of the study. Due to the confidential nature of the financial industry, respondents may limit their responses due to corporate confidentiality. Every effort will be made to limit the impact of this limitation and signed confidentiality forms will be provided to respondents. These research limitations will be detailed further in the research methodology section of the study.
1.8 Contributions to the Study

It is important to note the contributions made to this study and any potential effects the study may have on future research. Significant contributions to the study have been made by the existing research that has been carried out over the years. The literature review contained in Chapter two of the study details the contribution of the literature relevant to this study and is fully referenced in the bibliography. The in-depth interviews conducted amongst the Administrators and Investment Managers across the industry in Ireland have greatly aided the dissertation with their inputs. As they are the key components of the industry their responses have provided a great insight into understanding the research problem and providing the required solutions.

Due to the growth of the Financial Industry in Ireland over the past decade and in this context, this study will provide a reference point to the area of service quality in Finance. This study will have also contributed to further research as little research on service quality gaps in the Irish Financial Services sector has been conducted to date.
CHAPTER 2: LITERATURE REVIEW

2.1 Financial Services Industry in Ireland

Since the formation of Dublin’s International Financial Services Centre (IFSC) by the Irish Government with EU approval in 1987, it is now internationally recognised as a choice location of international financial services, ranging from banking and treasury to insurance and funds. The centre is host to some of the world’s top global financial institutions with companies such as State Street, Citigroup, JP Morgan Chase, HSBC, Merrill Lynch and ABN Amro managing European and global functions from Ireland.

However, the financial services sector has experienced unprecedented challenges over the past five years and it is more demanding and less forgiving than ever before. According to the Irish Times, Dublin’s international standing as a financial centre has taken a further knock in the latest ranking of global centres to 56th spot. To remain competitive and maintain its international standing, Ireland’s financial services industry needs to identify service quality gaps in order to improve service quality and satisfy the investors and Investment/Asset Managers. The hypothesis is tested on variable factors influencing the relationship between service quality, perceived value, customer satisfaction and purchase intention.
2.2 Services Marketing

The economies of most developed and developing countries have moved away from agriculture and industry and are increasingly characterised as service economies. According to Gronroos (2000), “services and physical goods should not be kept apart anymore.” Similar arguments can be found in the work of Schlesinger and Heskett (1992), Normann and Ramirez (1993), Gronroos (1994), Gummesson (1995), and Vargo and Lusch (2004).

Characteristics of services and marketing challenges

Bitner, Fisk and Brown (1993) suggest that the major output from the services marketing literature up to 1980 was the delineation of four services characteristics: intangibility, inseparability, heterogeneity and perishability. These characteristics underpinned the case for services marketing and made services a field of marketing that was distinct from the marketing of products. Each of the unique characteristics of services leads to specific problems for service sectors such as the financial services industry and necessitates special strategies for dealing with them. Furthermore, these characteristics are usually seen as hurdles, or negative qualities of services, to be overcome by marketing (e.g., Zeithaml and Bitner 2000). This requires services marketing specific solutions, strategies developed from experience in goods marketing are often insufficient.

Intangibility

According to Bateson (1979) intangibility is the critical goods-services distinction from which all other differences emerge. Services cannot be felt, seen, tasted, heard or smelled before they are bought. Thus intangibility poses a challenge to firms providing services rather than physical goods, as they need to give tangible evidence for the quality of the service.
In the case of the financial services industry, most companies provide intangible professional services, thus it’s harder to show clients the quality of the end product than tangible products. This could be explained in the context of an investment manager buying the service from a Fund Administrator, an External Auditor, a Fund Promoter, a Prime Broker or Cash Custodian etc. The Investment Manager perceives a risk when using these services since it is difficult to know in advance what they will be getting. To reassure the Investment Manager and to sustain differentiation from the other similar firms, the relevant service providers need to have an efficient facility that the Investment Manager can see, and an easy-to-navigate website that lists all the service offerings, and a reliable, competent and professional team to help clients.

In general, service providers must be able to convert intangible services into concrete benefits. Consider the use of an external auditor’s service to a fund manager, the auditor extracts financial information from the funds managed by the Fund Administrator, design audit testing approaches and then provide audit opinions and recommendations to the fund manager. This translates the auditor’s service into tangible benefits for the fund manager.

*Inseparability*

Inseparability of production and consumptions involves the simultaneous production and consumption which characterises most services (Regan 1963). This makes it harder to separate a service from the service provider since the client is also present as the service is produced. Provider and client interaction is a fundamental feature of marketing services because both provide and customers affect the quality of the service. People are a crucial factor in the service delivery process, since a service is inseparable from the person providing it. Consequently, many financial services companies invest heavily on customer service
training and staff quality training. These companies would encourage their staff to undertake and complete relevant professional qualifications in order to improve their technical knowledge and provide expertises that are superior then their competitors.

Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Upah 1980) and causing marketing and production to be highly interactive (Gronroos 1978). Chase & Stewart, (1994), while extending the concept of Poka Yokes (suggested by Shigoe Shingo) i.e. fail safe method from manufacturing sector to service sector points out that, because of inseparability, customer error can directly affect the service outcome and therefore quality control becomes extremely difficult in services. Hartline and Ferrel (1996) while studying the impact of service employee management (empowerment, evaluation and commitment) in hotel industry suggest that because of inseparability quality control in services is very difficult as the attitude of customer-contact employees can influence customers’ perceptions of the service.

*Heterogeneity*

Heterogeneity concerns the potential for high variability in the performance of services. Heterogeneity in service output is a particular problem for labour intensive services. “Many different employees may be in contact with an individual customer, raising a problem of consistency of behaviour” (Langeard et al. 1981, p. 16). Hess, R. et al. (2003), in a survey of 346 senior undergraduate business students at a large university found that service performance variability and failures arise from the inseparability of service production and consumption, which prevents quality inspection of most service prior to delivery.
Ellram et al., (2007) suggests that it is difficult to provide consistent quality to service customers as services are provided by human beings and as such are related to the exchange of human knowledge, expertise and capabilities which can fluctuate from person to person and with time. This poses a big challenge for service providers, however service firms can take various measurements towards quality control. For financial services firms, the first is to recruit the right candidates with relevant qualifications and experience and provide them with excellent training and further study opportunities. Another measurement is standardising the service performance process like creating a standard checklist or flowchart to map out every service process. A lot of fund administration companies would contract an external auditor to evaluate the design and operating effectiveness of its internal controls which is a process to standardise the service performance process. This document (SAS 70 report) signed off by the external auditor will provide some degree of comfort and reassurance of the quality of the services provided to the clients.

Perishability

Perishability means that services cannot be saved, stored, returned or resold once provided to a client. Because services are performances that cannot be stored, service businesses frequently find it difficult to synchronise supply and demand (Bessom and Jackson 1975, Thomas 1978). Sometimes too much demand exists and sometimes too little demand exists, therefore it’s difficult for a company to forecast demand.

In the financial services industry, a lot of back office administrators and auditors are busy during the first half of the calendar year since most clients’ financial year end is December. To offset high demand during the busy period, these companies may hire more employees such as contractors or require staff overtime to maintain the quality of the service provided.
During the second half of the calendar year, the companies might find themselves with a staffing surplus with non chargeable time. And the best way to overcome this problem is to utilise the quiet period to provide staff training, develop client relationship and prompt service marketing.

**Figure 1: Service characteristics and marketing challenges**

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<thead>
<tr>
<th>Service characteristics</th>
<th>Marketing implications</th>
<th>Challenges for marketers</th>
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<tbody>
<tr>
<td>Intangible</td>
<td>Services are an act or deed that cannot be patented and have few search qualities</td>
<td>How to sustain differentiation of an intangible dominant offering. How to develop brand associations which help to re-announce consumers</td>
</tr>
<tr>
<td>Heterogeneous</td>
<td>There is a dependence on employee action and employee and consumer interaction and each consumer encounter is unique</td>
<td>How to guarantee a minimum level of service quality. How to recover poor service</td>
</tr>
<tr>
<td>Inseparable</td>
<td>Customers take part in production process</td>
<td>How to manage the service delivery process effectively</td>
</tr>
<tr>
<td>Perishability</td>
<td>Services cannot easily be stored for later use</td>
<td>How to employ differential pricing to match supply and demand and how to meet peak time demand given finite resources</td>
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(Source: Adapted from: Services Marketing: Integrating customer focus across the firm, By: Zeithaml, Valerie A.; Bitner, Mary Jo, McGraw-Hill, 3rd edn.)
2.3 Service Quality Measurement

Currently in a time of increasing competitiveness and complexity in the global financial services industry, financial service companies such as Fund Administrators based in Ireland need to understand “high service quality” might be the ultimate factor to differentiate from other global financial services locations, thus result in superior performance in terms of market share, customer loyalty, and improved return on investment. Therefore these firms can “seek to measure their quality of services as a basis for improvement”. (Conger, Hefley, Galup, Dattero 2012)

Service quality is a perception of expected versus actual received experiences with an organization that transcends individual transaction satisfaction (Parasuraman, et al., 1988). These expectations are formed by service organisations’ past experience, word of mouth, and marketing. Based on this concept, Parasuraman, Zeithaml, and Berry (1988) developed the SERVQUAL model (including five dimensions, namely Reliability, Assurances, Tangibility, Empathy and Responsiveness) to measure service quality.
The SERVQUAL/GAPS Model is used to measure service quality by assessing the expected versus received service. According to Tate and Evermann (2010), despite its success, SERVQUAL has come under increasing criticism for lack of conceptual clarity, non-generic applicability, and difficulty of the original expectations versus perceptions approach. The problem with this interpretation is that it fails to consider context. For instance, Cronin and Taylor (1992) pointed out that using service quality performance (SERVPERF, i.e. the perceived service in SERVQUAL) to measure service quality, produces better results of reliability, validity, and predictive power than using SERVQUAL.
Some other studies (Boulding et al., 1993; McAlexander et al., 1994; Parasuraman et al., 1994; Zeithaml et al., 1996) also maintained that SERVPERF is more accurate than SERVQUAL in the measurement of service quality, and SERVQUAL can provide better diagnostic information. However, when applying the model of SERVQUAL to a case study context e.g. for the purposes of this paper the Irish Financial Services Industry, the concept becomes clearer when a service expectation divergence/gap can appear between a fund manager and service provider. The models simplicity is the reason for its success as it can be applied across many industries.

The model is used to assess the level of service quality of service organisations as shown in Figure 2. According to the following explanation (ASI Quality Systems, 1992; Curry, 1999; Luk and Layton, 2002), Gap1, Gap5 and Gap6 are the most important gaps since they have a direct association with external customers.

**Gap 1: Management perception of customers’ expectation:** Management does not always perceive correctly what customers want due to lack of relevant marketing research, inadequate upward communication and incorrect feedback analysis.

**Gap 2: Management perception and service-quality specification:** as a result of not setting a specified performance standard, lack of goal setting and inadequate commitment to service quality.

**Gap 3: Service-quality specifications and service delivery:** can be caused by conflicting standards, poorly trained service personnel, inappropriate control system, and lack of team work.
**Gap 4: Service delivery and external communications:** as a result of not matching performance to promises, and inadequate horizontal communications.

**Gap 5: Perceived service and expected service:** this occurs when the consumers’ perceived services do not match their expectations due to influences by word of mouth communications, personal needs and past experience from the consumers’ side and the gaps on the service providers’ side.

**Gap 6: Expected service and employee perceptions:** is caused by not understanding consumers’ expectations by front line employees of service providers.

**Gap 7: Employee perceptions and management perceptions:** this may occur when the front line employees of the service providers do not have the same perceptions of customer expectations as the management.

Closing the gaps between customer expectations and perceptions of service performance by matching or exceeding customer expectations is the key to achieve customer satisfaction.

SERVQUAL uses the RATER metrics to measure the service quality gaps which are Reliability, Assurances, Tangibility, Empathy and Responsiveness. These metrics are useful to assess service quality in the fund administration sector. According to Kang & James (2004), SERVQUAL focuses more on the service delivery process than on other attributes of service, such as technical dimensions. This is a limitation of the SERQUAL model, although most models do have flaws. “Problems both large and small can be found with any research instrument, the service quality instruments all seem to have significant issues about which
some re-thinking is required” (Conger, Hefley, Galup, Dattero 2012). This is an area where further study could enhance the SERVQUAL model with a focus on these technical dimensions. Another area that merits further investigation is whether the RATER metrics can be applied internally within a service provider and not just between the service provider and client. “Compared with external service research, there is relatively limited research focused on internal service quality measurement. This is partly a consequence of the marketing background of many service quality academics and the multi-disciplinary nature of internal service.” (Brandon-Jones, A. and Silvestro, R., 2010)

The five dimensions of service quality have been the key focus of many academic and practical researchers which are stated as follows (van Iwaarden et al., 2003):

*Reliability* - Ability to perform the promised service dependably and accurately. In the case of fund administration, the Fund Managers need to know they can rely on the fund back office or middle office function to dependably and accurately calculate the monthly net assets, share capital and provide investors’ reports in a timely manner. Timely and accurate monthly management reports are more reliable than having flashy equipment or systems.

*Responsiveness* - Willingness to help customers and provide prompt service. The Fund Administrators should be able to provide financial and non-financial information quickly, and promptly. Emails and phone calls need to be addressed in a timely manner. It’s important for the fund managers to feel that the administrators are responsive to their requests.
Assurance (including competence, courtesy, credibility and security) - Knowledge and courtesy of employees and their ability to inspire trust and confidence. It is important to communicate to fund managers that the fund administration staff is highly skilled, polite, trustworthy and have the customers’ best interests at heart. The Fund Administrators should also let the fund managers know they are free from fraud, risks and they have procedures in place for anti-money laundering. If these facts are not properly communicated to the fund managers, then their confidence in the administrators will be affected and their assessment of the administrators’ quality of service will be lower.

Empathy (including access, communication, understanding the customer) - Caring and individualised attention that the firm provides to its customers. The Fund Administrators should ensure the service is easily accessible by providing convenient hours of operation, convenient location of service facility, and convenient systems for remote access. The Fund Administrators should also keep fund managers informed in a language they understand, listening to them, and making the effort to understand the customers’ specific requirements.

Tangibles - Physical facilities, equipment and appearance of personnel. The Fund Administrators need to show they have the technology or equipment to provide the services and the appearance of personnel is professional.

If the service providers, i.e. the Fund Administrators focus on getting the dimensions of service quality right, especially “Reliability”, then the fund managers’ expectations will be met or exceeded, and as a result customer loyalty will follow.
2.4 Relationship between Service Quality, Perceived Value, Customer Satisfaction and Post-Purchase Intention

Previous studies of marketing have pointed out that the key of corporate success and competitive advantage is the enhancement of service quality, perceived value, and customer satisfaction (Khatibi et al., 2002; Landrum & Prybutok, 2004; Wang et al., 2004; Yang & Peterson, 2004). This study attempts to examine the relationships among service quality, perceived value, customer satisfaction, and post-purchase intention to find out which dimensions of service quality are significantly correlated with perceived value and customer satisfaction.

The result can provide valuable reference information for financial service providers to manage their services and enhance their service quality.

Service quality
Service quality is considered as a critical dimension of competitiveness (Lewis, 1989). Providing excellent service quality and high customer satisfaction is the important issue and challenge facing the contemporary service industry (Hung et al., 2003). During the past two decades, service quality has become a major area of attention to managers and researchers because of its strong impact on business performance, lower costs, return of investment, customer satisfaction, customer loyalty and gaining higher profit (Leonard and Sasser, 1982; Cronin and Taylor, 1992; Gammie, 1992; Hallowell, 1996; Chang and Chen, 1998; Gummesson, 1998; Lasser et al., 2000; Newman, 2001; Sureshchander et al., 2002; Seth and Deshmukh, 2005).
Several conceptual models have been developed by different researchers for measuring service quality. It is envisaged that conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program, thereby improving the efficiency, profitability and overall performance (Seth and Deshmukh, 2005). Thus, the first hypothesis of this paper is whether Investment Managers (service users) perceptions of service quality are based on their experiences in dealing with the service offerings of Investment Administrators (service providers).

Perceived value

Customer perceived value definition in the services marketing literature is: “the customer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988 p. 14). Traditionally, customer perceived value has been viewed a trade-off between benefits and sacrifices (Flint et al., 2002; Grönroos, 2000) or between quality and sacrifices (Monroe, 1990), which can be divided into monetary and psychological sacrifices (Dodds and Monroe, 1991). The sacrifices have originally primarily included monetary sacrifices such as price and acquisition costs but were subsequently extended to include perceived non-monetary price factors such as risk of poor performance (Liljander and Strandvik, 1993; Monroe, 1990).
In addition, customer perceived value is always context-specific (Flint et al. 2002; Rescher 1969; Sheth, Newman and Gross, 1991; Woodruff 1997). For example, Woodruff (1997) defines customer perceived value as “a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations” (Woodruff, 1997 p. 142).

In recent times, however, service marketing literature has begun to view customer perceived value not just as something that is produced for customers, rather as something that relates to customer experience and value-in-use. (Heinonen, 2009; Sandström, Edvardsson, Kristensson, Magnusson, 2008).

Customer’s perceived value can be defined from the perspectives of money, quality, benefit, and social psychology (Kuo, Wu, and Deng, 2009).

The Monetary perspective indicates that value is generated when less is paid (such as by using coupons or promotions) for goods (Bishop, 1984). Perceived value is the difference between the highest price that customers wish to pay for a product or a service and the amount actually paid.

According to the Quality perspective, value is the difference between the money paid for a certain product and the quality of the product (Bishop, 1984). That is, when less money is paid for a high quality product, positive perceived value will be created (Kuo, Wu, and Deng, 2009).
The Benefit perspective indicates that perceived value is customers’ overall evaluation of the utility of perceived benefits and perceived sacrifices (Zeithaml, 1988). However, the sacrifice means more than the money paid for a certain goods. Non-monetary costs, such as transaction cost, search cost, negotiation cost, and time incurred during the purchase, should also be included (Zeithaml, 1988; Cronin et al., 1997; Keeney, 1999; Cronin et al., 2000).

The Social Psychology perspective points out that the generation of value lies in the meaning of purchasing a certain good to the buyer’s community (Sheth et al., 1991). That is, goods carrying particular meanings (such as social economic status and social culture) can increase the effect of social self-concept (Sweeney & Soutar, 2001; Wang et al., 2004).

In this paper, perceived value is the evaluation of the benefits of a service by Fund/Asset Managers based on their advance sacrifices and ex-post perceived performance when they use financial services provided by service providers in the Irish financial services sector.

In evaluating the relationships between service quality and customer’s perceived value most of the empirical studies have pointed out that service quality will positively influence perceived value (Cronin et al., 1997; Cronin et al., 2000; Brady et al., 2001; Bauer et al., 2006). Thus, the second hypothesis of this paper is whether Investment Managers perceived value from service quality can be significantly increased from the provision of add-on high level servicing tasks. The research literature proved the hypothesis but has no significant research on services quality in Irish financial services industry to perceived value. Hence, the hypothesis is tested to measure the significance on service quality may/may not affect perceived value in Irish financial services industry.
Customer satisfaction

Customer satisfaction can be defined using the transaction-specific perspective or cumulative perspective. According to (Boulding et al., 1993), the transaction-specific perspective indicates that customer satisfaction is the evaluation based on the recent purchase experiences. Compared with the transaction-specific perspective, the cumulative perspective stresses overall evaluations, indicating that evaluations of customer satisfaction should be based on all the purchase experiences of the customer, disregarding any specific purchase experience (Johnson & Fornell, 1991).

Parasuraman et al. (1988) argued that the cumulative perspective is more capable of evaluating the service performance of businesses and more effective in predicting consumers’ post-purchase behaviours (Wang et al., 2004). Therefore, in this study, customer satisfaction is defined as the total consumption perception of Fund/Asset Managers when using financial services provided by Irish Fund Services Providers.

Previous studies of several conventional industries have pointed out that service quality positively influences customer satisfaction (Kuo, 2003; Lee & Lin, 2005; Collier & Bienstock, 2006; Hsu, 2006; Park & Kim, 2006; Bauer et al., 2006). Thus, the third hypothesis of this paper is customer satisfaction, loyalty and increased consumption to Irish service providers is achieved when perceptions are exceeded from this high level servicing and a move away from the provision of back office servicing only. The research literature has no significant studying on services quality in Irish financial services industry to customer satisfaction. Hence, the hypothesis is tested to measure the significance on service quality may/may not affect customer satisfaction in Irish financial services industry.
Post-purchase intention

Post-purchase intention is the tendency that consumers will purchase the goods or services at the same shop and deliver their use experiences to friends and relatives (Zeithaml et al., 1996; Cronin et al., 2000; Wang et al., 2004). To evaluate post-purchase intention, Zeithaml et al. (1996) adopted loyalty, switch, pay more, external response, and internal response to assess the evaluation work. Boulding et al. (1993) used repurchase intention and word of mouth to evaluate consumer's post-purchase intention. Repurchase intention is the process of an individual purchasing goods or services from the same firm (Hellier et al., 2003), and the reason for repurchase is mainly based on previous purchase experiences. Compared with attracting new customers, enterprises can spend less on marketing to retain old customers (Zeithaml et al., 1996). Consumers who have not experienced or fully understood the properties of a certain product or service may usually rely on word of mouth to acquire information (Bansal & Voyer, 2000). Therefore, compared with external marketing strategies, word of mouth is more important and influential to customer’s attitude and behaviour (Harrison-Walker, 2001).

In previous studies, post-purchase intention has been frequently used to inspect service quality (Cronin & Taylor, 1992; Boulding et al., 1993; Zeithaml et al., 1996; Cronin et al., 1997; Cronin et al., 2000; Alexandris et al., 2002; Wang et al., 2004), which has been considered as significantly and positively influential to post-purchase intention (Boulding et al., 1993; Zeithaml et al., 1996; Cronin et al., 1997; Cronin et al., 2000; Alexandris et al., 2002). In other words, good service quality can induce positive post-purchase intention of consumers (Kuo, Wu, and Deng, 2009).
2.5 Customer Satisfaction in Financial Service Industry

Based on the feedback on quality of service from senior managers in financial service firms, benchmark studies have identified the drivers of firm performance (Roth and van der velde, 1991; Heskett et al., 1994). These studies indicate that marketing, design of operations, organizational structure and human resource management significantly influence firm’s performance (Krishnan, Ramaswamy, Meyer, Damien, 1998). In line with these findings, researchers have developed the operational capabilities-service quality-performance (C-SQ-P) framework to facilitate managerial decisions to enhance firm performance (Roth and Jackson, 1995). This stream of literature on the service profit chain does not directly address the significance of efficient operations systems in enhancing firm performance (Heskett et al., 1997).

On the other hand, Frei, KalaKota and Marx (1997) studied the efficiency of alternative delivery processes. In Athanassopoulos, Soteriou and Zenios (1998)’s study, they have discussed performance efficiency gains from environment factors and human resource management respectively. These studies focus on a specific firm performance measure and identify the various operational variables that contribute to the efficiency in improving that performance measure (Krishnan, Ramaswamy, Meyer, Damien, 1998). Senior management in the financial service industry will often prefer an integrated analysis of both streams for the same financial institution (Krishnan, Ramaswamy, Meyer, Damien, 1998) to measure customer satisfaction.
Roth and Jackson (1995), in one of the few rigorous empirical studies on the financial services industry, identify the determinants of service quality in the banking industry. Their analysis indicates that the quality of customer interface positively influences service quality (Krishnan, Ramaswamy, Meyer, Damien, 1998).

Profit and growth are stimulated primarily by customer loyalty, and loyalty is a direct result of customer satisfaction (Heskett et al., 1997). Therefore enhancing customer satisfaction in the Irish financial service industry can increase Ireland’s reputation of international ranking in this industry, attract even more foreign investors to invest in Ireland, and increase its total industry revenue and long-term profitability.
CHAPTER 3: RESEARCH METHODOLOGY

Somekh and Lewin (2005) define methodology as both "the collection of methods or rules by which a particular piece of research is undertaken" and the "principles, theories and values that underpin a particular approach to research" (p.346) while Walter (2006) argues that methodology is the frame of reference for the research which is influenced by the "paradigm in which our theoretical perspective is placed or developed" (p.35). The most common definitions suggest that methodology is the overall approach to research linked to the paradigm or theoretical framework while the method refers to systematic modes, procedures or tools used for collection and analysis of data (Mackenzie and Knipe (2006).

The intention of this study is to assess service quality within the Irish Financial Services Industry and to identify any potential gaps in service quality that needs to be addressed between customers and service providers. Within this sector the research has a particular focus on the relationship between Fund Administrators (Service Providers) and Fund/Asset Investment Managers (Users of administration services). This section of the study details the methodology behind the research including the research design, data collection and analysis methods, as well as the associated dilemmas that research of this nature can encounter.

3.1 Research Questions

Saunders et al. (2007) describe the research question as a key driver behind the research process. Therefore it is important that the research questions are clearly defined in accordance with the objectives of the research. For the purposes of this research the following questions have been formulated to identify and assess service quality within the sector.
How important is service quality to the industry?

The reasoning behind this question is to allow the researcher to gain an understanding into the value placed on service quality within the industry by both the providers and users and the effects of poor quality service.

How do financial services firms develop and implement service quality practices?

By seeking information relating to service quality design and implementation of practices, this allows the researcher to analyse current practices and make comparisons between providers.

What are the customer’s service expectations? What are the perceptions of customer expectations?

This is an important question that aids the researcher in identifying the gaps between service provider and users, demonstrating the areas of service divergence between expectations and perceptions. The question also aims to measure current service quality. Any gaps identified can then be used as opportunities and examples to improve on.

How can service quality be improved or enhanced within the industry?

Leading on from the previous question, this helps the researcher in formulating strategies and uncovers any areas where improvement is required.
Another possibility is that the question may identify new areas for service quality development and competitive advantage.

Once the questions have been established, the researcher will attempt to verify the following hypotheses:

H1: Investment Managers (Service Users) perceptions of service quality are based on their experiences in dealing with the service offerings of Investment Administrators (service providers).

H2: Investment Managers perceived value from service quality can be significantly increased from the provision of add-on high level servicing tasks.

H3: Customer Satisfaction, loyalty and increased consumption to Irish Service Providers is achieved when perceptions are exceeded from this high level servicing and a move away from the provision of back office servicing only.
3.2 Proposed Methodology

Using the research onion see figure 1, this will map and develop the research methodology for this study. This will include selecting a suitable research approach, relevant strategies and philosophies as well as the techniques involved in the collection and analysis of the data.

Figure 3: The research ‘onion’

Source: Saunders, Lewis and Thornhill (2007, p.102)

3.3 Research Philosophy

The first layer of the onion deals with the philosophical approach to conducting the research. The research philosophy according to Saunders, Lewis and Thornhill (2007 p.101), “contains important assumptions, these assumptions will underpin your research strategy and the methods you choose as part of the strategy.”
Developing a philosophical perspective requires that the researcher make several core assumptions concerning two dimensions: the nature of society and the nature of science (Burrell and Morgan, 1979). Society is viewed as unified and cohesive, whereas the sociology of radical change views society as in constant conflict as humans struggle to free themselves from the domination of societal structures (Burrell and Morgan, 1979). The other dimension, science, involves either a subjective or an objective approach to research, and these two major philosophical approaches are delineated by several core assumptions concerning ontology (reality), epistemology (knowledge), human nature (pre-determined or not), and methodology (Holden and Lynch, 2004).

Ontology is concerned with the nature of reality and assumptions researchers have about the way the world operates and the commitment held to a particular view (Saunders et al, 2009).

Epistemology is concerned with the study of knowledge and what we accept as being valid knowledge (Collis and Hussey, 2003). An Epistemological issue concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline (Bryman, 2004). According to Saunders et al, 2007) there are three epistemological approaches to research philosophy: Positivism, Realism and Interpretivism.

**Positivism**

The positivism approach is normally adopted by researchers that prefer to seek facts or causes of social or business phenomena using logical reasoning such as precision and objectivity as methods of investigation.
The positivism approach is normally adopted by a researcher that prefers to work with an observable social reality in order to come up with law-like generalizations similar to those produced by the physical and natural scientists (Remenyi et al, 1998), and in this tradition, the researcher becomes an objective analyst, coolly making detached interpretations about those data that have been collected in an apparently value-free manner (Saunders et al, 2003). Furthermore, the emphasis is on a highly structured methodology to facilitate replication (Gill & Johnson, 1997) and on quantifiable observations that lend themselves to statistical analysis (Saunders et al, 2003). The assumption is that the researcher is independent of and neither affects nor is affected by the subject of the research (Remenyi et al, 1998; Saunders et al, 2003).

Realism

Realism states that real objects exist independent of human consciousness, but that knowledge is socially created (Saunders et al, 2007).

According to Blaikie (1993), whilst realism is concerned with what kinds of things there are, and how these things behave, it accepts that reality may exist in spite of science or observation, and so there is validity in recognising realities that are simply claimed to exist or act, whether proven or not. Similar to interpretive, realism distinguishes that natural and social sciences are different. From an organisational perspective, Hatch and Cunliffe (2006) describe the realist researcher as enquiring into the mechanisms and structures that underlie institutional forms and practices, how these emerge over time, how they might empower and constrain social actors, and how such forms may be critiqued and changed. Realists take the view that researching from different angles and at multiple levels will all contribute to understanding since reality can exist on multiple levels (Chia, 2002).
Interpretivism

There have been many criticisms on positivism which define “laws” in the same way as physical sciences in the complex social world of business and management. This led many researchers to argue for an interpretivist approach. Interpretivist studies are characterized by the prioritization of subjective meanings and social-political as well as symbolic action in the process through which humans construct and reconstruct their reality (Baroudi, 1991). Interpretivist approach focuses on diverse cultures, socioeconomic conditions, and the experiences and perceptions of the actors involved (Avgerou and Walsham, 2000), which emphasises on conducting research among people rather than objects.

For the purpose of this study which involves measuring human behaviour and services (intangible by nature) the researcher adapts an Interpretative philosophy. The research involves a level of social world interpretation of experiences and perceptions within the Irish financial services industry. Therefore this philosophy is suitable to the study as “Interpretivism is an epistemology that advocates that it is necessary for the researcher to understand differences between humans in our role as social actors.” (Lewis and Thornhill, 2007 p.106)

In terms of research ontology (nature of reality) the research will involve a subjective approach to the study because the research will involve analysis of the customers (fund managers) interpretation of service and their experiences and perceptions. The role of the researcher according to Saunders, Lewis and Thornhill (2007 p.109) is to, “seek to understand the subjective reality of the customers in order to be able to make sense of and understand their motives, actions and intentions in a way that is meaningful”.
3.4 Research Approach

The next element or layer of the onion is the type of approach the study will utilize. There are two types of research approaches namely inductive and deductive research.

*Inductive approach*

Saunders et al. (2007: 17) state that inductive approach involves the development of a theory as a result of the observations of empirical data. Qualitative research strategy is regarded as inductive. According to Rocco et al. (2003), inductive logic and qualitative methods are generally employed with the goal of understanding a particular phenomenon of interest within its social context.

*Deductive approach*

Bryman (2004: 8) states that deductive approach is an approach to the relationship between theory and research in which the latter is conducted with reference to hypotheses and ideas inferred from the former. Quantitative research strategy is regarded as inductive. The theory used in the research becomes as a framework for the whole study, organizing model for the research questions or hypotheses and procedure for data collection. (Creswell, 2003: 125).

Researchers adopted the inductive approach focus on understanding the meanings and interpretations of ‘social actors’ and to understand their world from their point of view, is highly contextual and hence is not widely generalisable (Saunders, Lewis and Thornhill, 2007). For the purpose of this study the approach favoured is the inductive approach.
Including what and how type questions the focus of this study will mean the induction approach is more suitable for this case study analysis. Flexibility in building theories and a flexible structure is another characteristic of the study that aligns itself more favourably with an inductive approach. Saunders, Lewis and Thornhill (2007 p.120), describe the inductive approach as an emphasis on “gaining an understanding of the meanings humans attach to events, a more flexible structure to permit changes of research emphasis as the research progresses”.

3.5 Research Strategy

The next level of the research onion is the research strategy. Sauders et al, (2003) describes the research strategy as a generic plan guiding the way for the researcher to answer the research questions set forth. Each type of research strategy could be used for all three purposes: Exploratory, descriptive and explanatory (Yin, 2003). According to Collis and Hussey (2003), the types of research strategy available are: cross sectional studies, experimental studies, longitudinal studies, surveys, action research, case studies, ethnography, grounded theory, hermeneutics, and participative enquiry. The claim that one research strategy is better than the other research strategy is a myth (Saunders et al, 2007).

Elements of the research strategy for the investigation on service quality gaps in the Irish Financial services industry will involve case study and grounded theory strategies. According to Saunders, Lewis and Thornhill (2007 p.139), “the case study strategy also has considerable ability to generate answers to the question ‘why?’ as well as the ‘what?’ and ‘how?’ questions. For this reason the case study strategy is most often used in explanatory and
exploratory research.” With this study seeking to answer ‘why’ and ‘how’ questions on service quality, this is an appropriate strategy to employ.

Again due to the explanatory and exploratory nature of the topic, Grounded Theory is another strategy that can be implemented. Saunders, Lewis and Thornhill (2007 p.142) “A grounded theory strategy is, according to Goulding (2002), particularly helpful for research to predict and explain behaviour, the emphasis being upon developing and building theory. As much of business and management is about people’s behaviours, for example consumers’ or employees’, a grounded theory strategy can be used to explore a wide range of business and management issues. In grounded theory, data collection starts without the formation of an initial theoretical framework. Theory is developed from data generated by a series of observations”.

3.6 Research Choice

The next element or layer of the onion is research choices which refers to the methods used for quantitative and qualitative research.

Qualitative research

Qualitative research is one in which the researcher usually makes knowledge claims based on constructivist perspectives (Creswell, 2003). Strategies used in this research design involve participative inquiry, phenomenologies, ethnographies, grounded theory studies, or case studies. Qualitative research normally emphasizes words rather than quantification in the collection and analysis of data (Bryman, 2004: 206).
Quantitative research

Quantitative research is one in which the researcher primarily uses post positivist claims for developing knowledge for example; cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurements and observations, and the test of the theories (Creswell, 2003). Strategies normally used in this research design are experimental studies, surveys, and predetermined instruments used in data. In addition, Bryman (2004: 266) states that quantitative research usually emphasizes quantification in the collection and analysis of data.

For the purpose of this paper, the research will adopt qualitative case study research. Given the nature of the case study, the researcher believes a single data collection technique, in other words a mono method is to be employed for the data collection. An In-depth interview will be used as the mono-method to seek qualitative information from the respondents.

“In-depth interviews are a useful qualitative data collection technique that can be used for a variety of purposes, including needs assessment, program refinement, issue identification, and strategic planning. In-depth interviews are most appropriate for situations in which you want to ask open-ended questions that elicit depth of information from relatively few people (as opposed to surveys, which tend to be more quantitative and are conducted with larger numbers of people)” Guion L, Diehl D, and McDonald D, (2011). Therefore the structure of the in-depth interview will be semi-structured (allowing room for follow up questions where suitable) with a programme of questions that seek depth of information from respondents. Depth is required from the responses so the researcher can fully evaluate an exploratory study of service quality in the financial services sector. Interviews will be recorded to allow researcher to adequately scrutinise and evaluate the data.
Four In-depth interviews are carried out across 4 different firms in the Irish Financial Services industry. The interviews consist of 2 interviews with Client Relationship Managers in 2 different Fund Administration Firms (Service Providers) and 2 interviews with Middle-Office/Portfolio Managers in 2 Fund/Asset Management Companies (Service Users).

3.7 Time Horizon

The next layer of the research onion refers to the time horizon of the study. There are two types of time horizons, cross-sectional studies and longitudinal studies. Longitudinal research involves study over longer periods of time and is typically involved in measuring change during this time period which is not suited to projects with short term time restrictions whereas cross-sectional studies are noted as snapshots of a particular phenomenon at a particular time (Saunders et al, 2007).

Due to time restrictions for this research, the study is cross-sectional. A cross-sectional study engages the collection of data on more than one case at one specific time in order to collect quantitative or quantifiable data when more than one variable is considered (Bryman and Bell, 2003). Therefore the investigation into service quality gaps in the financial services industry is a ‘snapshot’ i.e. service quality as it stands now in the industry, rather than an examination of service quality developments over the years. Similarly described by Saunders, Lewis and Thornhill (2007, p.148) as “the study of a particular phenomenon (or phenomena) at a particular time.”
3.8 Data Collection Method

As the research topic is investigative and exploratory in nature (investigating service quality gaps in the financial sector), the research method is qualitative. Also as the research techniques used are non-numerical or statistical in nature qualitative is more apposite to the topic than quantitative research. “Qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numerical data.” Saunders, Lewis and Thornhill (2007, p.145) Therefore as in-depth interviews have been selected as the primary data collection method across 4 financial services firms in Ireland for this study, the technique collates qualitative data. After the researcher’s interpretation of this qualitative data on service quality, the researcher then develops theories relating to the topic.

Where appropriate the researcher makes use of existing sources of data that are publicly available, also known as secondary sources of data. Secondary sources of data collection are used in the form of company and industry specific organisational websites (internal secondary data), as well as any previous and relevant research papers or journal articles (external secondary data).
3.9 Sampling Selection

Sampling and selection are principles and procedures used to identify, choose, and gain access to relevant data sources (Mason, 2002). A sample is “a smaller (but hopefully representative) collection of units from a population used to determine truths about that population” (Field, 2005). There are two types of sampling techniques: probability or representative sampling and non-probability or judgmental sampling (Saunders et al, 2007).

Non-probability sampling is used for this research into service quality gaps in the Irish Financial sector. Given the size and the scope of the Irish Financial services industry it is not possible for example to interview every firm within Dublin’s IFSC, considering also the time and budgetary constraints of this study. Samples are not selected at random.

“Non-probability sampling (or non-random sampling) provides a range of alternative techniques to select samples based on your subjective judgement. In the exploratory stages of some research projects, a non probability sample may be the most practical.” Saunders, Lewis and Thornhill (2007, p.226). Therefore suitable selective samples are chosen within the industry as follows: 4 different firms in the Irish Financial Services industry. They consist of two interviews with client relationship managers in two different fund administration firms (service providers) and two interviews with middle-office/portfolio managers in two different Fund/Asset Management Companies (Service Users). Therefore the relevant people with relevant experience at both service provider and service user level have been chosen to examine the service gaps within the industry.
Convenience sampling also features in this research into the Irish financial services sector. The samples described previously will be relatively easy to access and are also in proximity for the researcher in conducting the study. Criticisms exist with convenience sampling based on the premise that there is bias in the samples which are not representative of the complete picture. “Although this technique is used widely, it is prone to bias and influences that are beyond your control, as the cases appear in the sample only because of the ease of obtaining them. Saunders, Lewis and Thornhill (2007, p.234). However the focus of this study is not service quality across the entire global financial system but a narrower focus on identifying any service quality gaps that may exist in the Irish financial services sector.

3.10 Research Ethics

During this research topic ethical issues are given serious deliberation. Given the nature of the financial services industry confidentiality from the researcher is an essential requirement and information of a classified nature should not be disclosed. “In the context of research, ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or are affected by it.” Saunders, Lewis and Thornhill (2007, p.178). Therefore the purpose of the research being undertaken is clearly communicated to all respondents before any research took place allowing respondents time for consideration. No research took place on any organisations without prior consent and understanding of the nature of the research. The organisations in question were also informed prior to the interview of the topics under research. This allowed organisations further deliberation time.
According to Gray (2003, p.76) it is important that “we approach our subjects of study as participants in our research not as ‘objects’ to be investigated.” As well as letters of consent, confidentiality agreements are drafted and signed for the research purposes. Anonymity of the participants will also be a feature of the data collection. During the course of the in-depth interviews, participants aren’t obliged to answer any questions which they deem unsuitable. Agreement is also sought where voice recording instruments are used and participants have the right of refusal of use and any content to be removed from recording.

3.11 Research Limitations

By anticipating and trying to identify research limitations in advance, the researcher planned around these issues trying to minimise the effect of these limitations. The most likely limitation a short term or snapshot research study like faces is time management. Research was conducted over a short term period. Due to the dynamic nature of the financial industry, managers often have large workloads and busy schedules so there was limited availability for interviews. Together with the researcher’s busy schedule these factors indicated that time management was carefully planned.

Due to the lack of availability of external funding of the research, the study also has tight budgetary controls for the collection of data.
In terms of research validity, qualitative analysis with subjective opinions can be prone to the bias of the researcher. According to Smith (2013, ehow.com), “Qualitative research often depends on the individual judgment of the researcher and is heavily dependent on the researcher's interpretation (for example, in the analysis of interview data or case study information).” Due to the researchers experience within the financial industry, vigilance with personal bias was maintained during the study.

Reliability of data/information is another potential limitation of the research. The sincerity of responses from interviews can be tainted due to corporate policies of the organisation and confidentiality constraints. Also with the researchers professional employment within the financial service sector means the confidentiality factor could be exacerbated as well as any personal bias. The researcher encourages confidence in the participant and makes them feel at ease.
CHAPTER 4: DATA FINDINGS AND ANALYSIS

4.1 Introduction

This section of the study provides details of the gathered research data that was conducted using a qualitative research method as already outlined in the research methodology section due to the exploratory nature of the research problem. The data is presented from the results of the interviews carried out by the researcher amongst key industry stakeholders in the Irish Financial Industry.

4.2 In-Depth Interviews

As previously outlined the researcher conducted 4 insightful interviews in total, two each amongst client service providers and the service users in the industry. Three of the four interviews were conducted in hotel lobbies for a more informal setting in the hope of putting the interviewees at ease and to more easily obtain accurate and insightful responses which may not have been possible in more stifling formal surroundings. One of the interviews was conducted within the offices of the interviewee due to the ease of access for the researcher.

Before conducting the questions the researcher gave a brief introduction about himself, the research project and any concerns on behalf of the interviewees to be addressed. Also before proceeding confidentiality and consent forms were distributed and signed by the parties concerned. (See Appendix 3) It was also pointed out by some of the interview participants they would prefer if their company name was not directly attached in writing to the interview question responses, so company names have purposely been omitted from the data. The results of the interviews are presented as follows.
4.2.1 Interview Questions and Answers – For Client Services Managers (Service Providers/Fund Administrators)

Q1: Can you give me a brief introduction about your experience to date in client services?

After graduating from University both Client Service Managers ended up working in well-known firms such JPMorgan, BNY Mellon, Citi and State Street in Dublin’s Financial Services centre and worked in various departments early on such as Fund Accounting, Transfer Agency before their current positions in Client Services. After numerous years in Client Services they found themselves progressing through the ranks to eventually hold their current positions as Client Service Managers. The general tasks and responsibilities of their positions include being a point of contact for clients, managing and query handling of new client projects, monitoring service level agreements and proactively managing client accounts.

Q2: What are the performance expectations of the company in the year ahead?

In terms of fund services and profitability the respondents expectations were to grow the client bases and thus to increase revenue streams through additional funds under administration from existing clients and searching for new business clients. Also a performance expectation is not to lose any important existing clients. In terms of operational expertise the performance expectations were to continuously enhance the fund service expertise and the roll out of new client reporting platforms. Enhanced servicing levels through IT and customizable client reporting platforms providing single touch point for client reporting therefore freeing up personnel to enhance other areas of performance.
Q3: Can you describe the service you provide to clients/Investment Managers?

The role of the firms was to provide back office administration services to Asset/Investment Managers. Typical areas of administration for client funds included Fund Accounting and Net Asset Value Calculations (also known by the acronym NAV), Financial Reporting, Investor Reporting and Fiduciary Services. Part of the service included custodian services which are the safe keeping of clients’ assets, trade settlements and corporate actions processing. Other important service offering include the Transfer Agency which deals with all Investor Subscriptions and Redemptions from the funds.

Q4: What do you consider to be the main threats/challenges facing the financial services industry in Ireland?

The first interviewee noted that in his firm in recent years there were job losses and job relocations from Dublin to Limerick but farther away to lower cost destinations such as Bangalore in India. There was common consensus from the respondents that for the fund servicing business in Ireland operating costs remain a concern in the face of competition from new lower cost centres in locations such as India and Poland. Other existing competitive rivalry exists in Luxembourg and Cayman Islands. Both respondents also note the increasing regulatory requirements such as Transaction Tax, UCITS regulations and other EU directives. One of the respondents also noted decreasing revenue from lower admin fees, a result of decreasing fund values.
Q5: Do you foresee any potential opportunities arising out of these challenges in the future?

The responses included that Ireland has an advantage being an English speaking country with an experienced workforce and another asset is our expertise and knowledge. Dublin has a reputation for a centre of excellence in Financial Services. The more manual processing tasks are being transferred to low cost locations outside Ireland, but the higher level knowledge is still retained in Ireland. Also noted was a significant potential opportunity from the increasing regulatory environment means that opportunities exist for high level compliance and Risk management tasks. Another opportunity that Ireland must seize is to gain new entrants away from competitors based on our reputation.

Q6: Can you briefly describe some of the recent service problems/issues encountered by your clients?

According to one of the client administrators, the nature of the work can be quite demanding in what is a very dynamic industry, which means issues will always be encountered. In a very competitive environment such as fund administration, the respondents noted that there were ever increasing demands made by clients, with one respondent noting that there are issues with work overload amongst his staff which leads to slower response times and query resolution times to clients. A respondent noted that when they were internally migrating the IT systems onto a new platform it caused interruption to clients. With new funds being launched no new staff members are being hired to cope with the increasing business due to pressure on admin fees so again this can impact on service levels.
Q7: In terms of service quality what do you think your clients are looking for in fund administrations services?

The interviewees denoted the following were important factors of service quality. Firstly efficiency, with clients expecting accurate Net Asset Value delivery (NAV), which should always be delivered on time. Clients expect real time support for any queries. An important factor of service quality is flexibility and the ability to provide customizable service tailored to specific client needs. It is also important to keep up with the evolving nature of client needs. It was also noted by the respondents that they seek act as consultants in providing knowledge resources and solutions to complex problems and thus focus on partnership building with clients.

Q8: What do you consider are the factors of excellent service quality and how do you measure service quality provided to your clients?

As previously outlined reliability, timeliness, accuracy and knowledge were reported by the respondents to be factors of excellent service quality to clients. Interestingly one of the administrators indicated methods of measuring their service quality. This involved aiming for NAV delivery stats of 98% and over for on-time delivery. Another aspect that measured service quality was the error count and that there should be a very low error count and any errors should only be for immaterial values. The other administrator noted the firm had a colour coded scheme- black indicating safe clients happy with service, orange for in between clients so more focus needed on satisfying their needs and finally red clients which could be a potential loss of business. So a low client turnover is a measure of service quality as well as increasing business volumes from existing clients.
Q9: *How is the service quality practices implemented within this organisation?*

It was inferred from the responses to this question that service quality practices are implemented in the service providers by strictly adhering to the conditions set out in the SLA (Service Level Agreement) with the clients. There is commitment to client requirements, constantly seeking feedback which is achieved through regular client meetings and contact with the Investment Managers. Clients are also able to evaluate performance of the service providers through questionnaires and surveys that are carried out throughout the year. Within the organisation themselves there is also the internal audits where comprehensive reviews of the internal quality control procedures are carried out. All procedure manuals are also reviewed and updated regularly.

Q10: *What do you perceive are your client’s service quality expectations regarding your fund administration services?*

The respondents in this question virtually re-iterated what was covered before in terms of the factors of service quality. They believed that the priority of what clients expected was the timely and accurate delivery of the independent NAV valuations. They perceived that professionalism and expertise resources were important expectations from clients and also being capable to facilitate and meet changing requirements and demands. Again operating to the agreed conditions in the service level agreements was mentioned.

Q11: *How important is service quality to this organisation?*

Both respondents noted that service quality was taken very seriously and was a critical factor in their operations. The market in Ireland is very competitive with numerous operators so Investment Managers can easily shop around and go to other competitors and new service providers. The respondents noted again that client feedback is sought on a regular basis. An
interesting point was made at this stage by one of the administrators who noted that more profitable clients for their business were provided with enhanced service levels and more focus over other clients who are less profitable and have reduced service levels. So top level clients are taken very serious and the firm goes to great lengths to make sure they are satisfied.

**Q12: Do you think your clients are satisfied with your service offering to date?**

Mostly the clients are satisfied with the service offerings. The colour coded categorisation of clients showed there were only a small number of lower profit clients in the red category in danger of being lost. Previously red level clients had been lost and business taken elsewhere but majority are in the black safe category. Other clients are very satisfied with service offerings which can be seen from the increase in assets under management. It was also illustrated that where clients were over bargaining and aggressively downward pricing admin fees the firm would more readily let them go to competitors.

**Q13: In your opinion have you ever lost any clients/business due to service requirements not being fulfilled?**

The interviewee confirmed clients had been lost as mentioned earlier due to unreasonable pricing from highly demanding clients meaning that the servicing of some Investment Managers Funds is unfeasible. It had been the case that the admin firm had even ended a partnership in the past. Another important point is that sometimes a clients business grows dramatically and the service organisation no longer has the sufficient resources and capabilities to handle the client’s demands so they have to move to the largest service administrators. Finally NAV valuation errors and more specifically numerous material valuation errors will result in the loss of business.
**Q14: With increasing global competition how do you think service in the Irish Financial Industry can be improved?**

It firstly needs to be marketed and reinforced that Dublin is a centre of excellence for fund administration. The interviewees both concluded that it is important to adapt new skills and to be constantly evolving expertise for new complex problems and fund ranges/products. The industry in Ireland should focus on higher level activities and not just back office procedures. Also it was mentioned that while not service specific the corporate tax policies should not be amended to please outside parties.

**Q15: How do you think you can enhance your service offering to your clients?**

The answers to this final question were very insightful. They included that they could enhance service by enhancing IT capabilities and being a one stop shop for query processing and resolution. Staff training and development, the provision of customised, tailored service to Investment Managers with complex Hedge Fund products. Rewarding good service delivery and rectifying lower service quality was another point made by the client service manager. Company resources should be aligned with requirements of clients. The most important factor was in the future providing high level activities such as enhanced middle office services where profit margins are greater and the model is more cost efficient for Investment Managers.

The interviewer thanked the client service administrators for their time and brought the interviews to an end.
4.2.2 Interview Questions and Answers - Portfolio Managers (Service Users/Investment Managers)

Q1: Can you please give us a brief introduction about your experience to date in Fund/Asset Management?

After graduating from college after studying finance related Masters programmes the portfolio managers have worked in their respective companies since graduating. Both entered the Investment Manager industry as interns before climbing to assistant portfolio managers and eventually to portfolio managers of certain funds. This indicated to me that the position of a portfolio manager is a fairly prestigious job and there is a low staff turnover for these positions. A factor in this may also be that front office opportunities are limited in Ireland as the sector in Ireland is mostly made up of back office jobs. The fund managers have about 9 years and 12 years work experience to date in the field. They manage the investment portfolios of various funds from equity funds to fixed income funds, flexible and mixed fund products with passive and active trading strategies. Over the years they have seen some fund liquidations (due to the crash in 2008) and also the launch of new funds.

Q2: What are the performance expectations of the company in the year ahead?

Naturally the firms expect growth and to maximise fund returns over benchmarks. The Investment Managers will work closely with the key investors to launch products. One portfolio manager indicated that one key investor has pledged up to €3bn to launch a new umbrella of funds which will contribute to a significant increase in AUM (Assets Under Management) for the firm. There will be also other new fund launches of a flexible fund investing in bonds, equities and futures. The firms aim is to also increase revenue streams through more managers fees from new fund launches and an increase in
incentive/performance fees should funds be in positive performance. As with most firms they also expect to control and reduce costs over the course of the year.

**Q3: Can you describe the services you use from your Service Providers/Fund Administrators?**

The primary function of their service providers is fund administration. The services include the independent NAV valuations of the Investment Managers funds. The service providers provide other facilities such as Investor Reporting and reconciliation and safekeeping of assets i.e. acting as Custodians on behalf of the funds. Therefore they also hold the cash accounts of funds and with the transfer agency handle all investor’s subscriptions and redemptions from the Investment Manager’s funds. Other roles include administration activities adhering to regulatory compliance and also process improvements on valuating funds. They also fulfil the role of administration expertise and data management.

**Q4: What do you consider are the main threats/challenges facing the financial services industry in Ireland?**

Both respondents noted that increasing regulation was a threat to the industry here and this applies to most countries within the EU where outside the union there are locations globally with less regulation such as Singapore and Cayman Islands. They stated that there isn’t just increased regulation but also an increase in the complexity of the regulation including the scrutiny and enforcement of procedures. Derivatives’ trading in particular is facing increased scrutiny and regulation. One portfolio manager indicated that this leads to increased costs in terms of finance and human resources in monitoring new procedures and the review of the effectiveness of compliance programmes. The other portfolio manager mentioned that Ireland remains a reasonably high cost economy although competitiveness in this area is improving. He also mentioned that the administration and back office firms are facing
competition from lower cost destinations thus confirming what was mentioned by the administrators in the interview with them.

Q5: Do you foresee any potential opportunities arising out of these challenges in the future? Yes was the broad consensus from the portfolio managers. Their responses varied. They mentioned that Dublin is a centre of excellence with a developed knowledge base which will be helpful in the future and that the industry here can leverage the human capital and expertise. With the increased outsourcing of the lower level back office activities this creates opportunities for higher level value adding services. The respondent mentioned opportunities for the provision of higher level and enhanced servicing. This could also mean that the Investment Managers themselves may outsource activities to the administration houses in Ireland. One of the Investment Managers predicted that this is already happening and will increase in the future so for the right price Asset/Investment Managers would be looking at outsourcing some middle/front office activities. Areas mentioned included risk management, portfolio composition analysis and reporting. Trade and order routing is another area that could be looked at. These are areas which are higher value to Investment Managers and would offer enhanced revenue streams for the Fund Administrators in Ireland as these activities are more profitable especially in an age where there is downward pricing pressure on admin fees from service users/Investment Managers.

Q6: Can you briefly describe some of the recent service problems/issues you encountered with your service providers? There were some common problems experienced by both respondents in relation to issues with their service providers. The late delivery of valuations has an impact on their timeliness of their operations in terms of trading portfolios and analysing fund positions. Un-matched and delays in matching trades was also a common factor in delaying the portfolio managers
from trading as this means there are trades excluded and confusion over portfolio and cash positions. One of the respondents noted that after a take over their administrator had to change IT platforms and the migration to the new IT platform caused significant interruption to the their activities and this could have been planned better. They had failed to set up the fund accounts on the new platform which caused severe trading delays. NAV valuation errors was a common problem amongst the Investment Managers and for one firm the impact was immaterial but for the other portfolio manager there was a material error on a valuation during the past year.

*Q7: In terms of service quality what do you expect from your Service Providers/ Fund Administrators?*

The portfolio managers note that the minimum service quality expectations were the delivery of accurate valuations on time. The funds are to be administrated according to strict adherence to regulatory and compliance requirements. The Investment Managers also don’t just expect the minimum in terms of service quality and they expect high standards of tailored service. As one of the managers pointed out service providers should have flexibility and adaptability to changing investment policies and the launching of new products. The other Investment Manager thought that the possession of expertise in servicing complex and structured funds was an important service quality attribute for them. There was a recurring theme regarding expertise as an expectation of the respondents. Other features noted by the interviewees were that the service should match the levels in the SLA or service level agreement. Facilities were another important factor with regards to the provisions of liquidity access to global markets and operational facilities.
Q8: What do you consider are factors of excellent service quality and how do you measure service quality provided from your Fund Administrators?

Almost 100 per cent of Nav’s delivered on time is a measurement of good service quality and also Nav’s without any material errors is considered a measurement of god service quality in the industry. Excellent service contains foresight and a customizable service to evolving and changing manger needs.

Q9: How is the service quality practices implemented within the organisation?

The Investment Managers pointed out that their responsibility lies with managing funds responsibly and the relationships with key stakeholders in particular the key investors driving business. The service quality involved in Fund/Asset Management Firms is to optimise return on investment across the product range and closely monitoring the fund’s portfolio. The service quality practices noted by the respondents included compliance checks of collateral portfolio’s as well as risk management procedures and tracking of fund performance. Due diligence reviews are also conducted on a regular basis. The managers also undertake consistent research and analysis for optimising investment fund returns over benchmarks for actively managed strategies or in the case of passive managed funds tracking market indices. Another service quality practice implemented by the organisation was the ability to design investment solutions for clients as well as prudent decision making on trading strategies.

Q10: What are your quality expectations from your Fund/Asset Servicing Providers?

As consistently mentioned throughout the interview sessions the fund managers cited the accurate and timely delivery of independent Net Asset valuations of the funds is a basic quality expectation from the service providers. Another recurring theme was that service providers should do more than just the bare minimum, but instead go beyond the call of duty
and act as a knowledge resource or consultant on their area of expertise i.e. client servicing. From this question an important point was noted that creating value adding services and tasks is a quality feature that sets a service provider apart from their competitors. Quality reporting was noted by one of the portfolio managers as an expectation of theirs and that the fund administration companies should be able to provide ahead of schedule reporting which is value added info. An example of this would be as accurate as possible forecasting reports such as cash projection reports allowing portfolio managers to anticipate short term future positions more effectively.

**Q11: How important is service quality to do organisation?**

It was alluded to by both of the portfolio manager interviewees that service quality is very important to the success of the business. They are heavily dependent on service providers to effectively manage cash positions of the funds and provide up to date data that allows them to trade accurately. Quality service is a requirement to excel in investment management and it can create competitive advantage for the administration firms that have built an excellent reputation in admin services. In terms of service quality one of the portfolio managers noted that reliability from service providers to provide accurate data and the avoidance of any material errors is important as any material errors can have serious implications on investor relations. Therefore service quality is central to the success of the financial services industry in Ireland.
Q12: Are you satisfied with your service provider’s performance to date? Yes/No please elaborate if possible.

One of the Investment Managers stated that his organisation was satisfied with the service to date. However due to the dynamic and evolving nature of the business they always see areas that can be improved upon. Both the managers noted that their Nav delivery statistics were good with the deliveries being on time. One of the respondents pointed out that there were some Nav calculation errors throughout the year but the effects of most of these errors were immaterial and a handful of small material errors. A factor discussed earlier, one of the interviewees expressed some dissatisfaction at this point on the fact that after a take over the administrator had to migrate their systems onto the platform of the firm taking over the administrator which caused considerable disruption. As a result portfolio managers were unable to generate trades on time, with other issues included receiving incorrect instrument and cash positions. Also this was a period of heavy trading volumes and all the new accounts for the new company platform had not been set up. The results were that incorrect overdrawn cash balances and compliance breaches were reflected as cash could not be settled on time. The Investment Manager noted that as the partnership with this service provider existed for a long time and had gone well up to that point they remained with this administrator also considering it was a once off event. The other administrator mentioned that pricing is of course a key issue with service providers. They are aware they could move to another larger service provider who would charge lower admin fees, but they are satisfied with the service and are not inclined to take on the risk of migrating the funds across to a new service provider who have many clients and may not be able to provide the same personalised service. The savings made would therefore potentially have a more significant impact elsewhere on the company’s operations. Overall therefore it was fair to assume that the service users were satisfied to date with the service providers.
Q13: Have you ever changed Fund Administrators/Service Providers due to their service quality issues and if so please describe these issues?

One of the respondents explained that they have not changed their service provider in the course of his time in the company and was not aware of any change in Fund Administrator before his arrival at the firm either. Their partnership has existed for a long time and the respondent indicated that the overall picture hadn’t changed suggesting that they have customer loyalty to current provider. The other portfolio manager indicated that some years back there was a change in service provider. The reason for the change was due to some material NAV errors. However the main reason for the change was due to the fact that the service provider was unable to grow and provide the necessary resources as the Investment Manager firm grew and launched new funds and products. Along with this, the pricing of admin fees became an issue to a provider that was unable to respond to changing client needs. Therefore the business relationship became unsustainable for both parties.

Q14: With increasing global competition how do you think service in the Irish financial industry can be improved?

The responses to this question and the following questions highlighted very important areas that the Irish Financial Industry could focus on to grow and become more profitable. The interviewees noted that Dublin has an established financial industry and the time is right to pursue more high value tasks that are more profitable than just the traditional back office administration duties. The respondent went on to note that as an established centre of excellence, English speaking country with access to a talented pool of human capital this works in our favour. The interviewer followed up this response by asking for areas and examples of the higher value adding activities that the industry in Ireland should pursue. The response included an enhanced Middle office operations department including tasks such as
order routing. Areas of focus would also be risk management, portfolio analysis research and other regulatory reporting. One of the Portfolio managers at this stage kindly went through in detail some of these kinds of reports which could be used by the interviewer to develop examples for the conclusions and recommendations of this study. The manager also noted that the industry could be improved with closer integration to front office managers. Developing client specific reporting packages instead of standardised packages would improve the industry. Service providers should also try to take advantage of the outsourcing of activities of the Investment Managers.

Q15: Finally, what do you think your service providers can do to enhance their service offerings to your organisation?

Some of the responses for this question overlapped and re-enforced what was previously stated in responses to earlier questions. Enhanced service offerings to Investment/Asset managers would come from operational risk reporting and the provision of enhanced middle office services. Expertise in compliance and regulation which is always changing and evolving is another important opportunity. The responses were very focussed on the upgrade to the higher value activities and service offerings. The benefit they mentioned was that these services would benefit the Investment/Asset Managers by lowering costs and complexity to them as this would now be outsourced and this would allow for a transfer to a fixed cost base rather than a variable cost. The administrator has the benefit of an increasing revenue stream not just relying on admin fees which are being aggressively priced at the moment. Administrators in turn can focus on these areas and outsource lower value activities to lower cost centres. Reference was made again to the risk and collateral reporting analysis as a way service providers could enhance their offerings. One of the portfolio managers again mentioned the ability of providers to have foresight and forward thinking rather than being
command orientated and waiting for the service users to chase and follow up on their requirements. Finally technology was also mentioned as a way to enhance service offering. The portfolio manager indicated that they are working with their administrator at the moment on developing IT systems where there is an on-line one stop shop for all trade processing activities and corporate actions when processes can be viewed and tracked right from order status to the confirmed and accounted status. These factors together would create an enhanced service offering for clients and would benefit the whole industry.

The interviewer thanked the portfolio/fund managers for their time and brought the interviews to an end.
CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The purpose for conducting this research was to analyse the service quality in the Irish Financial Services industry. To be more specific the study was investigating if gaps exist in the service quality expectations of service users and the perceptions of service quality from service providers. The research study also attempted to identify what are the opportunities that exist within the industry and how service providers can meet these opportunity gaps that exist in the market.

From analysing the collated data i.e. the in-depth interviews amongst service users and providers, the researcher concludes that service users (Investment/Asset Managers in the context of this research study) perceptions of service quality is linked to their experiences with service providers (Fund Administrators/Back Offices) and that gaps exist for higher level servicing tasks to be conducted in Ireland. The conclusions and recommendations of the study, using specific examples, confirm the original hypothesis below:

*H1 Investment Managers (Service users) perceptions of service quality is based on their experiences in dealing with the service offerings of Investment Administrators (Service providers)*

*H2 Investment Managers perceived value from service quality can be significantly increased from the provision of high level servicing tasks.*
H3 Customer satisfaction, loyalty and increased consumption to Irish service providers is achieved when perceptions are exceeded from this high level servicing and a move away from the provision of back office servicing only.

5.1.1 Hypothesis 1

H1 Investment Managers (Service users) perceptions of service quality is based on their experiences in dealing with the service offerings of Investment Administrators (Service providers)

From the literature review we can see much research has been conducted into service quality, but little has been done in assessing it in the context of the Irish Financial Services sector.

The in-depth interviews conducted with the Investment Managers provided an insight into their perceptions of service quality. The responses were focused on the aspects of service received from their Service Providers/Fund Administrators. From the GAPS model in the literature review we saw how service gaps exist when expectations diverge with perceived service levels. Therefore according to the literature service quality perceptions are influenced by the service experienced.

The responses from the Investment Managers proved that their perceptions of service quality are based on experiences in dealing with the service providers. For example, one of the service user’s responses was that he perceived good service quality as administrators providing a tailored specific service that was flexible in having the ability to handle challenging investment policies and the launching of new products. The responses also indicated that fund valuations should be delivered on-time in an accurate manner without any
material errors. Their responses mentioned that service quality is receiving these valuations on-time so if service providers were delivering incorrect late fund valuations this would lead to having a negative perception of service quality from the Fund manager’s point of view. One of the portfolio managers interviewed noted in that almost one hundred per cent of NAV’s delivered on-time is a measurement of good service quality which is now what they expect from their Fund Administrators.

The other portfolio manager mentioned that their perceptions of the service quality received from their administrator was damaged slightly when they didn’t properly plan the migration onto the new parent company’s platform which resulted in significant trading delays and reporting errors for the Investment Manager.

Another key indication of service quality expectations from the service users was that when the portfolio manager mentioned they had changes their service provider. The reason for this was due to the administrator making material valuation errors but more importantly as their business grew with increasing product launches the service provider was unable to grow at the same pace and provide sufficient resources for the administration of the funds. The change in administrator to a larger provider shows that perceptions of service quality are based on the experiences of dealing with service providers. Therefore the evidence from the in-depth interviews proves the hypothesis that Investment Managers service quality perceptions are based on their experiences with Fund Administrators.
5.1.2 **Hypothesis 2**

*H2 Investment Managers perceived value from service quality can be significantly increased from the provision of high level servicing tasks.*

From conducting the in-depth interviews and with global competition facing the financial services industry here, Investment Managers are looking for more than the minimum service levels from their administrators. Again the research finding show a correlation between customers perceived value from service quality and high levels of service.

From the collected data from both service providers and service users showed a consensus that high level service tasks increase the level of perceived value amongst customers. The response in the interviews from both service users and providers also indicated that high level customizable servicing tailoring to specific client needs was mentioned in terms of high value and increased value from the customer’s perspective. There was also another common feature in responses that normal service levels are no longer acceptable and that service providers added value comes from not just carrying out listed tasks as per service level agreements, but by acting as a consultant or providing knowledge based expertise in the area of fund administration. The administrators mentioned in their experience in dealing with clients is the ability to provide solutions to complex problems and partnership building with Investment Managers will lead to increased perceived value.

The data collected from the interviews with the administrators/service providers ended with one of the respondents declaring that growing the middle office activities and outsourcing of back office activities is a strategy being introduced to the firm so higher level operations will be conducted in the future.
The Investment Managers meanwhile stated that the provision of higher level value adding tasks is a feature of service quality that sets a service provider apart from their competitors. They provided an excellent example where they perceived value was increased when the administrator was able to provide a high detail real time cash projection report online at the click of a button, which enabled time saving from the Investment Manager not do this task themselves and also enabling the Investment Managers to easily anticipate short term future fund positions more effectively. So this process improvement shows that the perceived service value increased as a result of a high level servicing task. The portfolio manager indicated that there is a correlation between successful investment management firms and the partnership with the most competent administrators or service providers.

Therefore from the above evidence, the results of the primary research verifies the hypothesis that customers perceptions of value is increased from the provision of high level servicing tasks in the context of the Financial services industry.

5.1.3 Hypothesis 3

*H3 Customer satisfaction, loyalty and increased consumption to Irish service providers is achieved when perceptions are exceeded from this high level servicing and a move away from the provision of back office servicing only.*

As mentioned already the Industry in Ireland is facing increased global competition from lower cost centres in terms of providing traditional back office operations (Fund Administration, Custody, Net Asset Valuations etc). It was important therefore to test if increased consumption of Irish service providers can be achieved when perceptions are exceeded through higher level servicing activities and the exploring of opportunity gaps that
may exist in the market. The results of the research identified key areas to be considered by the industry here to increase high level servicing operations.

From the interviews and as previously mentioned there was the example of an easy to access future cash projection report being provided by the administrator that led to increased operating efficiency for the Front office (Investment Manager). This led to increased perceived high level servicing and demonstrated that gaps exist to provide higher level servicing by removing time consuming tasks like projections from Investment Managers to leave them more room and time to focus on the trading and investment strategies.

One of the administrators indicated that Ireland should focus on adapting new skills like projections and confirming this is where their firm should focus on evolving expertise on higher level operations. The administrator pointed out that enhanced middle office servicing is an area to be pursued by the Irish service providers which provides greater profit margins than back off operations and the model would benefit Investment Managers by being more cost efficient for them.

The portfolio managers (Front office) responses in the interviews confirmed gaps do exist for higher level servicing operations to be conducted by service providers because the portfolio managers are being impacted by increasing regulation meaning less time focused on trading strategy/models and more time focussing on not breaching any compliance requirements. One of the portfolio managers confirmed during the interview that they are actively pursuing the outsourcing of some of their middle/front office operations. This demonstrates that gaps do exist and that service providers should actively pursue these more profitable activities which would also remove the burden from the Investment managers leading to higher
perceived value from the administrators. This is important as back office activities are facing downward pricing pressures.

Again the research shows that the hypothesis is true that higher level servicing increases perceived value and that the opportunities exist for service providers here. The portfolio manager kindly demonstrated some of these activities to the researcher, which will form part of the recommendations from this study in the next section.

5.2 Recommendations

The research study has produced the evidence that gaps exist in the Irish Financial services industry that need to be pursued and an enhanced services offering mix needs to be developed to meet the increasing demands of Fund managers to satisfy their service expectations. As already indicated in the quantitative research minimum adherence to service level agreements will not suffice in an industry facing pressure on existing revenue streams from Investment Manager downward pricing of admin fees and the emergence of lower cost fund service centres for back office operations.

It was noted by both the administrators and portfolio managers, due to the financial crash and particularly here in Europe there is an ever increasing regulation of the Funds and Investment banking industry. So from the research we can infer that ever increasing time and human resources are being required from fund managers to make sure there is compliance with central bank and international financial standards in their investment policies. This represents an opportunity for the fund services industry in Ireland to capitalise on and meet this gap in the market.
As fund managers indicated in the research that they are facing increased time and resource pressures they would be willing to out-source these high level operating tasks. The Fund Administrators could charge premium pricing for these higher level activities increasing revenue streams and profit margins. The administrators should also take advantage of the outsourcing of middle office activities from Investment Managers.

The solutions for capitalising on the service gaps in the Irish Financial industry are as follows:

*Enhanced Middle Office Operations*

The administrators in Ireland need to improve the service offerings and this can be done with the implementation and set up of an enhanced middle office operations department.

The research demonstrated the requirement for administrators to facilitate complex queries and provide solutions to the front office (Investment Managers). Currently back office servicing is stand alone from the front office so the middle office could bridge the gap and provide closer integration with the front office. This benefit would be mutual for service users and providers as it would remove the burden of position keeping for the Investment Manager firm and the higher level tasks would increase fees for the service providers.

The enhanced middle office in the administration/service provider firm would also involve order routing. The order routing involves the tracking of trades from instruction to settlement. The enhanced middle office would receive trade instructions from portfolio managers and then would be responsible for trades being executed right through to settlement and clearing. Again if this was outsourced to the administration firm it would remove the burden of order routing from the Investment Manager and the time consuming nature of resolving discrepancies with brokers.
Development of Advanced Reporting Packages

The qualitative research demonstrated an example of the cash projection where this led to improved service quality perception from the Investment Managers with a high value report. This indicates that as part of an improved advanced service offering and addressing a current gap in the market, Fund Administrators as part of an enhanced middle office will need to offer high value reporting packages. High level reporting would provide real time and value adding information that is directly beneficial to the service users and re-enforcing the integration into the client’s front office.

Referring to Appendix 5, this is a sample of a high value adding report showing a real time detailed analysis of a fund portfolio composition that could be provided to the Investment Manager firm. The first page of the report displays instantly all of the security positions and monitors the weight percentage of each security along with maturity of the fixed income instruments, and credit ratings per rating agencies. This also displays that the fund is adequately collateralised. The second page displays and flags any potential warnings. For example security Issuer GE on this page is flagged at 16.58% meaning that the portfolio of the fund is overly invested in a single security issuer with any investments over 9% being flagged. This would mean the Portfolio manager would instantly know they would have to trade to sell some of the position in GE from 16.25% and bring below 9%. It also flags any investments with a single country over 30%. This report provides high level value to portfolio managers flagging any warning instantly and notifying the need to trade accordingly to bring fund positions in line and reduce exposure.
Risk management

Since the financial crash in 2008 and the emergence of more fraud in the Investments industry, there is ever increasing regulation for Investment Managers to comply with central bank and government standards. Naturally more regulation impacts on the resources of the firm if the Investment Manager firms not only have to concentrate on trading and investment procedures but also focus on compliance with all complex regulations. The area of risk management consulting and operational risk reporting is another key area of high service level tasks that Irish Fund servicing firms should target as a gap that needs to be filled to further satisfy clients with value added servicing.

Referring to Appendix 6 this report is an example of a report that could be used by the service providers to help the front office of investment firms/portfolio managers assess operational and market risk. The table on the first page of this appendix shows the global exposure of a complex portfolio. It measures the gross exposure as percentage of the Fund value so a portfolio manager can instantly know if there is a breach of any compliance risk procedures. On the second page of the Appendix 6 report displays the counterparty risk as a percentage of the fund value and measuring current asset exposure. This report again demonstrates high value solutions to the complex regulatory environment for service users which will add to their perceived value from service providers.

* To note Appendix 5 & 6, are samples developed by researcher in conjunction with portfolio manager as examples for enhancing service offerings for Investment Managers.

As identified by this research study the focus on these areas will lead to increased perception of added value for Investment Managers and the capitalising on the service gaps and
opportunities will increase profitability for the Fund Administrators of Ireland. After uncovering these areas it is now up to the Irish Financial services industry itself to implement these enhanced service levels to take advantage of the opportunities now being presented.
CHAPTER 6: SELF-REFLECTION ON LEARNING

6.1 Introduction

“It is necessary ... for a man to go away by himself ... to sit on a rock ... and ask, 'Who am I, where have I been, and where am I going?’” - Carl Sandburg

The researcher has found himself in the exact same situation almost two years ago. After working in the financial services industry for a number of years, the researcher started to feel unfulfilled and incomplete in his line of work and keep questioning the direction of his career path. The researcher wanted to find a way to advance or change his career prospect by further education and the course in MBA (Marketing) at Dublin Business School provides the opportunity to stock take and learn new skills and hear new perspectives.

A thesis is not just about reporting on the research process, it is also about how the process affects personal and professional learning (Shacklock and Smith, 1998). The dissertation process itself has been a very personal and challenging journey. It requires a lot of commitment, hard work and dedication from the researcher. At times, the researcher found the research very interesting and educational; and there were other times the researcher found it very difficult to move forward the research process with a very demanding full time job. But after a period of hard working, determination, and encouragement from family and friends, the researcher was able to complete the dissertation. The end result and the learning experience was very fulfilling and rewarding, and the researcher felt he has accomplished another major milestone in his life.
Through the work on the final research paper, the researcher has learned much about himself and gained knowledge of how to do stronger research, structured planning, while also enhancing organisation skills and using an objective voice etc. This chapter will discuss the self reflection of the author over the past two years he spent in DBS during the MBA course.

6.2 Researcher Background

Since graduation from the BA course in Business Studies, the researcher has worked for the past 6 years in a large multinational company and now a smaller company in the financial services sector. The researcher’s academic experience together with his professional experience has given him a broad skill set.

The BA degree provided him with analysis into business models and problem solving, general business theory, analysis of corporate organisations, basic IT skills, and presentation/team working skills. In the 6 years of work experience to date in the financial service industry, the researcher has strongly enhanced his IT skills by working and testing many different office applications and web platforms. He now possesses strong knowledge of the Irish and international financial services industry as well as an understanding of how financial markets and instruments operate. He has also gained financial accounting experience. Working within teams for the past 6 years he has certainly developed his communication skills with his role involving daily meetings and presentation of results. The nature of his work has also provided him with the ability to analyse and interpret data.
As the youngest of four siblings in his family, in a bid to emulate them, it was their chosen career path in the corporate environment which influenced the researcher’s decision to follow them into the financial world. In hindsight, after 6 years work experience and with a greater sense of perspective the researcher started to realise that this option was not the most suitable for him in achieving his ambitions. As the researcher has grown that little bit older since graduation his perception and definition of success in terms of a career has changed. It is no longer for example making large amounts of money and climbing the ranks in a large multinational financial firm. The researcher has discovered that to him the financial rewards are only one component in fulfilling his self-actualisation needs.

The researcher knew that eventually he wanted to route away from the financial services industry and into education. The researcher has a great passion in Chinese language and culture and having a partner as Chinese has given him the opportunity to learn the language and develop contacts in China. Therefore the researcher’s end goal is to become a teacher of Business & Chinese at a 3rd level institute in Ireland. If there is a lack of opportunities in Ireland to reach this goal, his other option will be to own and operate a private school in China mixing his business and educational backgrounds. The researcher’s planned move into education has come after careful consideration.

Obtaining an MBA is an important step to doing this. Although the researcher is not expecting the MBA to provide him with all the answers, he has the belief that by doing an MBA will provide him with a more rounded business knowledge given that his work experience to date has purely been financially based. Therefore if he wants to teach business he needs to obtain a more rounded perspective of the business environment and a cross
discipline skill set. Within the MBA this does not just come from the theory itself but also from fellow peers and the different perspectives and experience and insights they offer.

When the course first started, the study seems challenging yet achievable. But it was when the researcher finished the proposal for the dissertation, he started to realise just how much work the actual dissertation will involve.

6.3 Reflection on Learning Experience

Knowledge results from the combination of grasping and transforming experience (Kolb 1984:41). Kolb developed a four-stage learning cycle: concrete experience, reflective observation, abstract conceptualisation and active experimentation to describe how learning by experience takes place. According to Kolb, immediate and concrete experience should serve as a basis for observation and reflection which then leads to the continuous of the learning cycle.

![Figure 4 – Kolb’s learning styles](image)

Figure 4 – Kolb’s learning styles
Kolb’s model above is based on the Experiential Learning Theory (ELT) which describes learning as a process whereby knowledge is created through experience grasping and experience transforming approaches. According to Kolb, It is not necessary for individuals to start the learning cycle in the same mode in a uniform manner. Due to each individual’s particular life experiences, and the demands of different environment, each individual will develop a preferred way of choosing among the four learning modes.

Concrete experience - those who rely on concrete experience for grasping are open to new experiences, depend on people contact for gathering information, are intuitive and make feeling based judgments (Barmeyer, 2004; Kolb & Kolb, 2005).

Reflective observation - those who prefer reflective observation watch and observe all sides of an issue in order to understand its meaning and take time to act. (Barmeyer, 2004; Kolb & Kolb, 2005).

Abstract conceptualisation - those who rely on abstract conceptualisation are logical and analytical in their approach to a learning situation and seek theories and generalisations (Auyeung & Sands, 1996).

Active experimentation - those who prefer active experimentation like to try things out, are more willing to take risks and are practical and application oriented (Barmeyer, 2004; Kolb & Kolb, 2005).
After careful examination of the learning styles cycle developed by Kolb, the author has identified his current preferred approach of learning being active experimentation. He prefers taking risks and trying things out rather than first seeking to understand the theories and the meaning of all sides of an issue.

6.4 Development of Learning and Performance

“The more that you read, the more things you will know. The more that you learn the more places you'll go.” - Dr. Seuss, I Can Read With My Eyes Shut.

Improving one’s learning and performance throughout life is vitally important, and identifying one’s strengths and weaknesses is an essential process. As previously discussed the MBA course is important for the researcher to address any skill set deficiencies that he has and identifying his strengths and weaknesses can pinpoint the areas for improvements.

6.4.1 Planning and Preparation Skills

In the beginning of the course, the researcher identified planning and preparation as a skill set that needs improving. In his current line of work there are set procedures and task manuals to follow so often there is little planning to be done with certain tasks. However, the researcher realised in an academic environment an essential part of teaching is the planning preparation and delivery of the subject content. Planning and co-ordinating skills are required to deliver content that is relevant and also ensuring the efficient running of the lecture hall/classroom. By developing his planning skills could help identify issues early and possible courses of action. Planning skills help aid decision making by helping task completion.
This MBA course has tested the researcher’s planning and preparation skills to his limits. Due to the large volume of course work and a demanding full time job, the researcher found it hard to manage the balance between work, study and personal life at the beginning of the course. But once the research get into a routine, and started to plan and prepare all the course work ahead of schedules and not leaving anything to the last minute, he found he was able to manage the challenge and met all the deadlines.

Furthermore, using this dissertation as an example, the researcher has set and clearly defined goals and strategies for each chapter of the dissertation and was able to meet each individual deadline he set for himself. The plan acts like a blueprint to check against and to see if the researcher was following the correct path.

6.4.2 Communication Skills

Working in teams throughout his professional and academic career has not necessarily meant there is no room for improvement in the researcher’s communication skills. During the MBA programme the researcher found that during group projects he could have been more proactive and vocal in communicating his thoughts rather than being in the background. For teachers it is important to be socially engaging with students and peers and this is something that the researcher shall work on to improve so he can be a competent teacher.
Empathising with others points of view is another aspect of communications the researcher can work on instead of seeing his view as always correct. Indeed participating more in expressing opinions in class is another area during the MBA programme where the researcher had regrets and felt he could have contributed more to discussions during the course. When the researcher goes to China he needs to develop his language skills in Mandarin to more effectively communicate with locals. Communicating in Mandarin with natives will lead to a quicker level of fluency.

Furthermore, for the dissertation itself, the researcher realised how important it is to communicate with the dissertation supervisor, work colleagues, fellow students and family. First of all, it was important for the researcher to communicate with the dissertation supervisor on a regular basis to discuss his progress of the research and stay on the right track. The regular meeting with the dissertation supervisor also helped the researcher to effectively manage each individual deadlines he and the supervisor set. Secondly, it was important for the researcher to establish a good relationship with current and ex co-workers in the financial service industry in order to help him complete the interview parts of the research, and also providing him with inspirational ideas. Another important channel of communication is with fellow students and family. It was very helpful to seek advice and opinions from fellow students when the researcher ran into obstacles during the dissertation process, and it was vitally important to communicate with family members to seek their understanding and encouragement over the course of the MBA programme.
6.4.3 Self Awareness skills

Early in the MBA course the researcher thinks one of the problems he first encountered was a lack of self-awareness. The researcher was still uncertain about whether the MBA was a suitable subject for him to pursue. Overtime this no-longer became an issue as he learned to fully embrace the course and sought to think of the positive benefits it will bring. Previously the researcher was also quite ambivalent about his future goals and he only knew that he wanted a change of career direction without any idea of what that direction should be. In the future, the researcher will focus on what are the goals that will make him achieve his aspirations and bring about a sustained positive change.

6.4.4 Management Skills

In his career so far the researcher has not reached management level in the financial services industry partly due to the fact he has realised that his future goals and objectives are not in that industry nor would he make a suitable manager in that environment. The area of management is a very broad area. Where he needs to develop his management skills is in managing classroom situations. The researcher knew to be a successful teacher he must learn to have an ability to motivate students. Students will perform better if the teacher is motivating them effectively. An effective manager or motivator must possess the ability to influence others, for example this can be done by asking students to do projects on topics that are of interest to them rather than of interest to the teacher. This motivates students to perform tasks easily while still developing their research and writing skills. Maintaining discipline is another management skill needed for development.
During the MBA programme, the researcher has learned various theories about strategic management through case studies and exams. And by the end of the model, the researcher had gained a good knowledge of the key models and tools of strategic analysis, the origins of strategic analysis to the development of clear organisational strategy, strategic plans from the development of strategies that demonstrates an appreciation of structural, cultural and behavioural issues involved in successful change, international perspective in all areas of the strategic management process, produce the input of current strategic aims within the strategic decision-making process and develop an understanding of the importance of ethics in modern business practice. All the theories mentioned above has helped the researcher to gain an in-depth view of how management skills can be developed and utilised in any modern day business practice.

Furthermore, through the learning experience from the MBA programme, the researcher was able to employ some of the theoretical management knowledge in his workplace during a project and got approval and appreciation from senior management. The researcher is confident if opportunities present themselves in the future, he could utilise the knowledge he gained from the MBA programme into practice.
6.5 Scope of future application for learning

The MBA in Marketing programme has provided various aspect of learning experience which will be beneficial to the researcher to change his career path from financial service industry into education. The researcher gained not only the valuable learning experience but also the many friends that he made over the past two years from the course.

The programme itself is a personal and spiritual journey for the researcher where he has learned so much about himself and discovered his potentials in many areas. The researcher has grown tremendously over the course of the past two years and is more determined than ever to take the next step in his life and embark on the journey into education.

“I learned this, at least, by my experiment: that if one advances confidently in the direction of his dreams, and endeavours to live the life which he has imagined, he will meet with a success unexpected in common hours.” - Henry David Thoreau, Walden: Or, Life in the Woods

The researcher has apprehended his personal value and goals in life through this learning process and is confident to start advancing his life in the direction of his dreams in the very near future.
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(Accessed 5\textsuperscript{th} April 2013)
APPENDICES
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## APPENDIX 2: DISSERTATION COSTS

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APPENDIX 3: CONFIDENTIALITY AGREEMENT (SAMPLE)

Dublin Business School

Company Security Clearance and Confidentiality

Name: ____________________________________________

Dissertation Title: ____________________________________________

Company Security Clearance

Please initial as appropriate

1. We agree that the student(s) may undertake a dissertation of the nature indicated above and that he/she/they will be given access to appropriate information sources within our Organisation

2. We agree that copies of the finished project will be made available for assessment by staff of Dublin Business School, Liverpool John Moores University and External examiners.

3. We request that the completed dissertation be treated as confidential and not used for any other purposes other than assessment

Company Name: ____________________________________________

Signed: ____________________________________________

Position: ____________________________________________

Date: ____________________________________________

Note to Student:

Please ensure that the original signed copy of this form is forwarded to the Postgraduate Business Programme Coordinator and a copy of this form also be included in the Dissertation.
APPENDIX 4: INTERVIEW QUESTIONS

Interview Questions: Service Quality in Financial Services

Questions for Client Services Managers (Service Providers/Fund Administrators)

1. Can you please give us a brief introduction about your experience to date in client services?

2. What are the performance expectations of the company in the year ahead?

3. Can you describe the service you provide to clients/fund managers?

4. What do you consider are the main threats/challenges facing the financial services industry in Ireland?

5. Do you foresee any potential opportunities arising out of these challenges in the future?

6. Can you briefly describe some of the recent service problems/issues encountered by your clients?

7. In terms of service quality what do you think your clients are looking for in Fund Administration services?

8. What do you consider are the factors of excellent service quality and how do you measure service quality provided to your clients?
9. How is the service quality practices implemented within this organisation?

10. What do you perceive are your client’s service quality expectations regarding your fund administration services?

11. How important is service quality to this organisation?

12. Do you think your clients are satisfied with your service offerings to date?

13. In your opinion have you ever lost any clients/business due to service requirements not being fulfilled?

14. With increasing global competition how do you think service in the Irish financial industry can be improved?

15. How do you think you can enhance your service offerings to your clients?

**NO FURTHER QUESTIONS, THANK YOU**
Questions for Portfolio Managers (Service Users/Fund Asset Managers)

1. Can you please give us a brief introduction about your experience to date in Fund/Asset Management?

2. What are the performance expectations of the company in the year ahead?

3. Can you describe the services you use from your service providers/Fund Administrators?

4. What do you consider are the main threats/challenges facing the financial services industry in Ireland?

5. Do you foresee any potential opportunities arising out of these challenges in the future?

6. Can you briefly describe some of the recent service problems/issues you encountered with your service providers?

7. In terms of service quality what do you expect from your service providers/Fund Administrators?

8. What do you consider are the factors of excellent service quality and how do you measure service quality provided from your Fund Administrators?

9. How is the service quality practices implemented within this organisation?
10. What are your quality expectations from your Fund/Asset Servicing Providers?

11. How important is service quality to this organisation?

12. Are you satisfied with your service provider’s performance to date? Yes/No please elaborate if possible?

13. Have you ever changed Fund Administrators/service providers due to their service quality issues and if so please describe these issues?

14. With increasing global competition how do you think service in the Irish financial industry can be improved?

15. What do you think your service provider can do to enhance their service offerings to your organisation?

NO FURTHER QUESTIONS, THANK YOU
## APPENDIX 5: FUND PORTFOLIO COMPOSITION ANALYSIS

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## Structured Funds: Eligible Portfolio + Funded Coupon Swaps + Funded Index Swap

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</table>

Notes:
Each coupon swap is hedged with the relevant bond (they have the same issuer and all risks of the FDI is eliminated).
The portfolio of eligible securities complies with diversification and other rules set in the Regulation (max 30% of NAV for each issue and minimum of 6 issues).
The Index (or the basket of indices) underlying the Index Swap complies with diversification and other rules set in the Regulation.
### Structured Funds: Eligible Portfolio + Funded Coupon Swaps + Funded Index Swap

#### Counterparty Exposure

<table>
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<th>Pos</th>
<th>FDI</th>
<th>Asset</th>
<th>Counterparty</th>
<th>Maturity</th>
<th>CCY</th>
<th>Notional</th>
<th>Position Price</th>
<th>Divisor</th>
<th>FX Rate</th>
<th>Market Value</th>
<th>Current Exposure</th>
<th>Collateral</th>
<th>Counterparty Risk</th>
<th>Counterparty Risk %</th>
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</tr>
</tbody>
</table>

| Totals | NAV 161,983,799.51 | &nbsp; | &nbsp; | 0.00% |

| Leverage | Official 96,664,513 | &nbsp; | &nbsp; | 0.00% |

Notes:
A netting and collateral agreement is in place with counterparty A.