CHAPTER 3

RESEARCH FRAMEWORK AND PROPOSED MODEL OF RESEARCH

Based on the review of literature presented in the previous chapter, this chapter presents the broad research questions, theoretical foundation of the present study, operational definitions of various constructs being examined and their measurement and the interrelationships among these constructs. It also covers the proposed conceptual framework which illustrates the relationship between customer orientation of service employees, its antecedents and consequences and a model proposed for research.

RESEARCH QUESTIONS

The concept of customer orientation has been studied extensively in the past and viewed as core element of the marketing concept. Although the notion of customer-oriented selling is not new, but until recently little empirical research has been done to examine the effectiveness of customer-oriented selling, its antecedents (Swenson and Hersche 1994; Williams and Weiner, 1990) and outcomes. Hence, the present study would contribute to fill this gap. The first research question is that how can we measure the customer orientation of service employees? In order to answer this question it is necessary to define customer orientation in context to the present study. In other words, providing an answer to the question; what is customer orientation of service employees is a pre-requisite of the present study. The next research question: what are the significant antecedents of customer orientation in banking industry? The identification of various antecedents would help in predicting customer orientation. Another major research question is what are the customer outcomes of customer orientation? An answer to how customer orientation of service providers influences customers would justify the time, effort and money spent by the companies to make their employees customer oriented.

THEORETICAL FOUNDATION OF THE STUDY

Employee customer orientation is very essential for firms’ success, survival and profitability. In competitive arena, customer orientation is considered to be powerful
weapon in the hands of service firms to provide value services to the customers. Employees who are proximal to customers are more likely to engage in customer oriented behavior than the less proximal employees. Theoretical foundation of the present study is laid on attraction-selection-attrition model, social network theory and Vroom expectancy theory. According to attraction-selection-attrition model, individuals whose personality attributes and vocational interests predispose them to be service oriented (helpful, considerate, and concerned for others) are more likely to be attracted to, selected for, and remain in roles that require more interaction with customers. Social network theory suggests that interactions create opportunities for the exchange of information. In consistent with that Vroom expectancy theory (1964), employees are more likely to develop a higher level of customer orientation in order to obtain valued outcomes. In contrast, employees who are distant from customers are less likely to acquire an understanding of customer needs and expectations due to limited interactions with customers (Liao, & Chuang, 2008). In addition, some other theories, such as social identity theory, social cognitive theory, social exchange theory, affect theory of social exchange, reciprocity norm, and role theory which support the antecedents taken in relation to customer oriented selling, are also considered.

ANTECEDENTS OF CUSTOMER SERVICE ORIENTATION

Job Satisfaction

Job satisfaction is a significant construct which is a major concern for effective management (Chen & Silverthorne, 2005). Job satisfaction can be defined from two perspectives; cognitive perspective and affection perspective:

According to the cognitive perspective, job satisfaction can be defined as an opinion of favorableness of the working environment (Van & Motowidlo, 1996) or it is defined as a positive (or negative) evaluative opinion about one’s job or work situation (Weiss, 2002).

According to the affection perspective, job satisfaction is defined as a feeling or affective response to the facets of the work situation (Smith et al., 1969) or a positive or
pleasurable emotional condition which is the outcome of one’s own appraisal of the job or of one’s work experiences (Locke, 1969). Job satisfaction is essentially the extent to which a worker feels positive or negative about his or her job (Odom, Boxx & Dunn 1990).

Affective Commitment

Organizational commitment is the internal feeling that enhances the desire of an employee to remain with the organization and to behave in the best interest of the organization (Siguaw & Honeycutt, 1995) or the relative strength of an individual’s identification and his involvement in a particular organization. Organizational commitment consists of a strong belief in the organization and an acceptance of the organizational goals and values; a willingness to exert considerable efforts on behalf of organization; and a strong desire to maintain membership with the organization (Mowday, Steers & Porter, 1979). Organizational commitment consists of three attitudinal dimensions:

- Affective commitment: Affective commitment means employees who are committed to their organization because they want to be.

- Continuance Commitment: Continuance commitment means employees who are committed to their organization because they need to be; that is, they have few alternatives; and

- Normative Commitment means employees who are committed to their organization because they feel they ought to be (Furtmueller, Van & Wilderom, 2011).

Organizational Identification

Organizational identification is a specific form of social identification in which the individual defines him or herself according to his/her membership in a particular organization (Mael and Ashforth, 1992). Organizational identification has been described as a perception of oneness with or belongingness to the organization (Ashforth and Mael 1989). Organizational identification occurs when employees perceive oneness with an
employing organization and feel that they belong to it (Ashforth & Mael, 1989). Organizational identification generates a range of positive employee and organizational outcomes, such as low turnover intention, organizational citizenship behavior, employee satisfaction and well-being, and employee performance (Riketta, 2005).

**Self-Efficacy**

Self-efficacy refers to beliefs in the capabilities to mobilize the motivation, cognitive resources, and courses of action that are required to meet the given situational demands (Wood & Bandura, 1989). Social cognitive theory demonstrated that self-efficacy refers to people's judgments of their capabilities to organize and execute courses of action required to attain the designated types of performances (Bandura, 1986). The significance of self-efficacy lies in its ability to increase the employee performance (Chebat & Kollias, 2000).

**Role Ambiguity**

Role ambiguity can be defined as the degree to which a salesperson is uncertain about expectations with respect to his/her job, the best way to fulfill known expectations, and the consequences of different role performances (Behrman & Perreault, 1984). Role ambiguity results when an employee lacks salient information essential to perform his job adequately (Dursun & Kiliic, 2011; Singh, 1993; Harris et al., 2006; Karatepe et al., 2006) and his or her uncertainty about the expectations of different role set members (Singh, 1998) or due to unclear plans and goals, a lack of clarity of one’s duties, and an uncertainty about the amount of authority granted to perform tasks (Idris, 2011).

**Customer Oriented Culture**

Customer oriented culture defined as the set of beliefs that puts the customer’s interest first, while not excluding other stakeholders, such as owners, managers, and employees, in order to develop a long-term profitable enterprise (Deshpande, Farley, and Webster, 1993). That means a company must foster a customer orientation culture in order to pay maximum attention to customers' value and satisfaction. Customer-focused values will likely drive sales peoples’ use of customer-oriented selling behaviors (Schwepker, 2003).
Customer oriented culture of a service firm has a strong influence on the firm's ability to provide excellent service.

**Long Term Orientation**

In today’s environment where service industry is characterized by competition, shorter product life cycles, increased product varieties, and more knowledgeable consumers, scholars and practitioners have emphasized about maintaining long term relationships with customers (Endo & Kincade, 2008). A few businesses can survive without establishing solid relationships with their customers (Hunt & Morgan, 1994; Dwyer, Schurr, and Oh, 1987). As Gronroos (1984) has observed that establishing a relationship with a customer carries two components; attracting the customer and building relationship with him/her so that economic goals of that relationship are achieved.

**Personality**

Personality can be defined as “those characteristics of the person that account for consistent patterns of feeling (Pervin, Cervone & John, 2005). Personality traits are comprised of Big Five traits. Out of five traits three were discussed below:

- **Conscientiousness**: Individuals with high conscientiousness are methodical, responsible hardworking, dependable, persistent and risk averse (Goldberg, 1990; Lanjananda & Patterson, 2009; Barrick & Mount, 1991). Conscientious employees exhibit high performance and tend to be satisfied with their jobs (Barrick & Mount, 1991). They place a high priority on the technical aspects of serving customers well (Lanjananda & Patterson, 2009). Past literature reveals that conscientiousness is related to overall job performance (Barrick & Mount, 1991).

- **Extraversion**: Extrovert people are highly sociable, gregarious, energetic, active, talkative, cheerful and friendly (Salgado, 1997; Kline& Lapham, 1992; Lanjananda & Patterson, 2009; Judge et al., 2002). They tend to form long term psychological contracts. Previous research has established a significant
association between extraversion and performance and job satisfaction (Barrick & Mount, 1991; Judge et al., 2002).

- **Agreeableness**: Agreeableness is being characterized by kindness and being good natured, trusting, compliant, caring and cooperative (Judge et al., 2002; Kline & Lapham, 1992). Agreeable individuals tend to be successful in careers where teamwork or customer service is relevant (Lanjananda & Patterson, 2009).

### CUSTOMER SERVICE ORIENTATION OUTCOMES

#### Customer Satisfaction

A customer is satisfied when a service offered performs better than expected and is dissatisfied when expectations exceed performance (Bolton Drew, 1991) or when actual experience exceed expectations. Similarly, customers have expectations with regard to the behavior of service employees when these are exceeded the level of customer satisfaction with the service provider is positively influenced (Hennig-Thurau, 2004).

#### Customer Commitment

Customer commitment has been defined as psychological desire based attachment to the service provider, reflected by the strength of the customer’s identification and involvement with that provider (Dean 2007); refers to an implicit or explicit pledge of the continuity of a relationship between partners (Dwyer, Schurr, and Oh, 1987; Wetzels, Ruyter & Van, 1998); plays a central role in relationships (Wetzels, Ruyter & Van, 1998); or defined as an attitude that reflects the desire to maintain a valued relationship (Bansal, Irving, and Taylor 2004). Customer commitment includes; affective and continuance or calculative commitment (Bansal, Irving, and Taylor 2004; Fullerton 2005; Gruen, Summers, and Acito 2000; Dimitriades, 2006).

- **Affective commitment**: Affective commitment reflects a consumer’s sense of belongingness and involvement with a service provider akin to emotional bonding.

- **Continuance commitment**: Calculative commitment is the way that the customer is forced to remain loyal against his/her desire. In calculative commitment...
customers are committed to a selling organization only because they feel that ending the relationship involves an economic or social sacrifice (Dimitriades, 2006).

**Customer Retention**

Building long-term and solid relationships with customers is considered as an essential precondition for the economic survival and success of most service firms today (Hennig-Thurau, 2004; Berry, 1995). This role of customer retention is important because costs of acquiring new customers in highly competitive markets and the cost-reducing potential associated with long-term relationships (Hennig-Thurau, 2004).

**Superior Value Creation**

In the world of global competition, flat organizations, constant change and customer-focused efforts in service industries is increasingly recognized as a key element to cater to the ever demanding customers (Chebat & Kollias 2000). Customer oriented employees are more likely to deliver superior value to customers.

**ANTECEDENTS AND CUSTOMER ORIENTED BEHAVIOR**

**Job Satisfaction and Customer Orientation**

In service-based industries, employee job satisfaction is widely cited as an antecedent of customer-oriented behavior (Ashill, Carruthers & Krisjanous 2006). A significant positive relationship between job satisfaction and customer oriented selling has been observed (Hoffman and Ingram 1991; Hoffman and Ingram, 1992; Siguaw, Brown and Widing, 1994; Flaherty, Dahlstrom & Skinner, 1999; Pettijohn, Pettijohn and Taylor, 2002; Stock & Hoyer, 2002). On the contrary, Wagenheim,(2006) and Homburg, Wieseke, J., & Bornemann (2009) found no significant relationship between the front-line employee, overall job satisfaction and the customer orientation. Some studies have indicated customer orientation as the outcome of job satisfaction (Hoffman and Ingram, 1991; O'Hara, Bolesand Johnston, 1991). In line with previous findings, Harris, Mowen and Brown (2005) and Donavan, Brown and Mowen (2004) reported that employee customer orientation leads to job satisfaction.
Social Exchange theory has demonstrated that human beings participate in reciprocal behaviors of mutual actions and they support those actions that provide adequate benefits to them. According to the social exchange perspective, salespeople who enjoy satisfaction from their job are going to reciprocate in a supporting manner to those whom they consider beneficial (i.e., customers) (Yim, 2008). Employees who are contented and satisfied might have greater capabilities in the area of providing satisfaction to their customers (Pettijohn, Pettijohn and Taylor, 2004) and they tend to be more involved in their employing organizations (Yee, Yeung, & Cheng, 2008) that seems to be associated with more significant, challenging, and varied tasks (Brown and Peterson, 1993). The following hypothesis is set to test in the present study.

**H1:** Employee job satisfaction is positively associated with customer oriented behavior of the employee.

**Affective Commitment and Customer Orientation**

Affective organizational commitment has been studied extensively as an antecedent of customer orientation. As the affective organizational commitment increases the organizational development, growth, and survival are also enhanced (Lee et al., 2006) as it leads to the cooperative behavior that is very essential for long-term and mutually beneficial relationships (Furtmueller et al., 2011). There is an empirical evidence to support that organizational commitment is positively related to customer oriented selling (Siguaw, Brown and Widing 1994; O’Hara et al., 1991; Hoffman & Ingram, 1991; Kelley 1992; Flaherty, Dahlstrom & Skinner, 1999; Pettijohn, Pettijohn and Taylor, 2002; Rozell, Pettijohn, and Parker, 2004). Harris, Mowen and Brown (2005) and Donavan, Brown and Mowen, (2004) have found that affective organizational commitment is an outcome of customer oriented selling as committed individuals believe in the organization, accept the organizational goals and values and act in ways that are consistent with the interests of the organization (He, Li, & Keung, 2011). In the presence of consistent results of the research studies carried out in the past, the following hypothesis is tested.
H₂: Affective commitment of a service employee is positively related to his or her customer oriented behaviors.

**Organizational Identification and Customer Orientation**

Employees who are strongly identified with their organization will act according to the organization’s identity to the extent that the organization’s identity incorporates the value of customer orientation and employee’s identity with their organization (Wieseke et al., 2007). Customer-oriented service behavior seeks to improve by introducing the organizational identification that associates individual behavior to organizational norms and values, such as customer orientation (Haung, 2008). There is empirical evidence to support the fact that organizational identification is an antecedent to customer orientation (Thakor & Joshi, 2005; Wieseke et al., 2007). Employees who identify with the organization are more likely to engage in customer oriented behavior (Peccei & Rosenthal, 1997; Wieseke et al., 2007). Social identity is mainly concerned with that part of the individual’s self-concept that is derived from the knowledge of his membership to a social group (or groups) together with the values and emotions significantly attached to that membership. Social identity theory deals with four elements: categorization, identification, comparison and psychological distinctiveness. Based on the discussion reported above, the following hypothesis is set to test.

H₃: Employees who strongly identify with their organizations will display greater customer oriented behavior.

**Self-Efficacy and Customer Orientation**

There is an empirical evidence to support the premise that there is a positive relationship between self-efficacy and customer oriented selling (Coelho, & Sousa, 2011). Employees with higher self-efficacy set higher goals, (Brown et al., 1998) deliver superior service quality and achieve customer satisfaction and thus improves salespersons’ performance (Wang and Netemeyer, 2002; Krishnan, Netemeyer & Boles, 2002; Stajkovic and Luthans, 1998). Frontline employees who are competent and confident about their skills and abilities are likely to be satisfied with their jobs (Karatepe et al., 2006). Pimpakorn & Patterson (2010) have found a partial influence of self-efficacy on customer oriented
selling. Higher self-efficacy leads to lower level of customer orientation as perceived by customers (Feinberg & Kan, 2008). Self-efficacy is an important antecedent to be studied because self-efficacious employees are able to cope with demanding situations that arise during the service encounter (Hartline and Ferrell, 1996). Further, employees with higher self-efficacy exert more effort on the job (Gist, 1987) and perform at a higher level (Hartline & Ferrell 1996). Based on the above discussion, the following hypothesis is proposed to be tested.

\[ H_4: \text{Employee Self-efficacy is positively related to customer oriented behavior of the employee.} \]

Ambiguity and Customer Orientation

Role ambiguity reduces an employee’s ability to perform by diverting his attention away from job duties (Harris et al., 2006). There is an empirical evidence to support that role ambiguity have a significant negative effect on employees' job satisfaction (Babakus et al., 1999; Babin and Boles, 1996; Brown and Peterson, 1993; Hartline and Ferrell, 1996; Siguaw, Brown and Widing, 1994; Singh, 1993; Weatherly and Tansik, 1993) and organizational commitment (Hartline and Ferrell, 1996; Siguaw, Brown and Widing, 1994) salesperson performance (Brown and Peterson, 1993) and adaptive selling behavior (Jackson, Tax, & Barnes 1994) diminish employees’ ability to serve customers (Hartline and Ferrell, 1996). It seems logical to assume that if employees are unsure about the duties they are expected to perform then their motivation to engage in customer oriented behavior would be diminished (Zeithaml et al., 1988; Knight, Crutsinger, & Kim, 2006). Several researchers found no significant relationships between role ambiguity and customer-oriented selling (Hoffman and Ingram, 1991; Siguaw, Brown, and Widing, 1994; Flaherty, Dahlstrom & Skinner, 1999). Role ambiguity negatively affects customer oriented behavior (Knight, Kim & Crutsinger., 2007; Danaei, et al., 2012). Jones, Busch, & Dacin (2003) and Pakkanen (2006) have found that salesperson customer orientation decreases role ambiguity. The finding of the studies discussed above provides a base for the following hypothesis.
H₅: There exists a negative relationship between role ambiguity and the employee’s customer orientation

**Customer Oriented Culture and Customer Orientation**

The ultimate aim of every business is to meet customer needs. In this context, the term ‘customer orientation’ is used to imply an organizational culture that stresses the customer as the central point of strategic planning and execution (Deshpande et al., 1993; Jaworski, Kohli & Sahay, 2000). Customer oriented culture leads the firm to anticipate the needs of its customers, offer goods and services and satisfying customers’ needs. It is therefore widely acknowledged that a successful organization needs to foster customer-oriented business culture (Brady & Cronin, 2001). The culture should be prevalent throughout an organization – such that employees consistently exhibit customer-oriented behaviors, and such that consumers thereby become accustomed to this philosophy (Dobni and Luffman, 2000). It has also become a generally accepted principle that fostering customer-oriented culture leads to the creation and maintenance of customer value. Customer oriented culture hinder the presence of selling orientation. The finding of the studies discussed above provides a base for the following hypothesis.

H₆: Customer oriented culture is positively related to customer oriented behavior of the employee.

**Long Term Strategic Orientation and Customer Orientation**

Building long-term relationships with customers is considered as an essential precondition for the economic survival and success of most service firms today (Heening-Thurau, 2004). Literature reveals that long term relationships reduces costs (Hennig-Thurau, 2004) and also guarantee long-term competitive advantage to the company. Williams and Attaway (1996) indicated that individual sales representatives can positively affect the organizational performance by utilizing customer-oriented approach in establishing and maintaining solid relationships with customers. Based on the above discussion, the following hypothesis is set to test.
H7: Long term strategic orientation of banks is positively related to customer orientation

**Personality Traits and Customer Orientation**

The personality trait of extraversion, conscientiousness and agreeableness are positively related to customer oriented selling. Brown et al (2002) and Shogo Iwanaga (2007) have shown positive relationship between personality traits and customer oriented selling. Certain other researchers (Hurley, 1998; Brown et al., 2002) have found positive association between personality traits and salespeople performance. Brown et al., (2002) identified the basic personality traits that lead employees to be more customer oriented. They found that personality traits, such as agreeableness, conscientiousness and need for activity were positively associated with customer oriented selling in food service industry. Shogo Iwanaga (2007) indicated that agreeable and conscientious individuals are more inclined to meet customer needs and were ready to sacrifice their own interest for the sake of customers. Customer interests and their needs were always been priority for the salespeople. The following hypotheses are proposed to examine the relationship of extraversion, conscientiousness and agreeableness with customer orientation behavior of an employee.

H8: Extraversion is positively related to customer oriented behavior of an employee
H9: Agreeableness is positively related to customer oriented behavior of an employee
H10: Conscientiousness is positively related to customer orientated behavior of an employee

**Customer Oriented Culture, Long Term Orientation and Selling Orientation**

Long-term strategic orientation is strongly dependent on the ability of its salespeople to create long-lasting relationships with customers. Selling oriented employees emphasizes on activities that may result in sales in the short term at the expense of customer satisfaction, use manipulative tactics to close sales, and focus on short-term goals, at the expense of the customer’s needs. Salespeople will engage in customer oriented behavior when their company’s strategy focuses on the long term goals. Customer oriented culture
hinder the presence of selling orientation. Based on above discussion, following hypothesis is proposed.

**H11:** Customer oriented culture is negatively related to selling oriented behavior of the employee.

**H12:** Long term orientation is negatively related to selling oriented behavior of the employee.

**Superior Value Creation, Customer Oriented Behavior and Selling Oriented Behavior**

Customer oriented employees identify customer needs and respond according to the information received from customers about their needs and wants and create superior value for them. It is critical to have employees who have high level of customer oriented behavior as they are considered as the show-windows to the customers (Samad, 2011). Firms reap many benefits when their salespeople practice customer-oriented selling (Flaherty, Dahlstrom & Skinner, 1999). Selling oriented employees have focus on short-term goal at the expense of the customer’s true needs. Based on the above discussion, the following hypothesis is set to test.

**H13:** Customer oriented employee behavior is positively related to superior customer value creation.

**H14:** Selling oriented behavior is negatively related to superior customer value creation.

**Customer Orientation and Customer Satisfaction**

Achieving customer satisfaction is the primary goal for most service firms (Gordon, 2000). Customer satisfaction contributes to customer retention (La Barbera, & Mazursky, 1983; Zeithaml, Berry, and Parasuraman, 1996; Anderson, Fornell, and Lehmann 1994; Cronin and Taylor, 1992; Bearden and Teel, 1983; Boulding et al., 1993; Oliver and Swan, 1989; Oliver, 1980; Fornell and Wernerfelt, 1987, 1988). According to Kotler (2006), one key element to customer retention is customer satisfaction, a satisfied
customer stays loyal longer and loyalty drives profitability and growth (Heskett & Schlesinger, 1994). There is empirical evidence to support that customer oriented employees create satisfied customers (Stock & Hoyer, 2005; Susskind, Kacmar, & Borchgrevink, 2003; Boles et al., 2001). There seem consistency among the findings of the various studies about the above stated relationship and the same is being tested in the present study with the following hypothesis.

**H15:** Customer oriented employee behavior is positively related to customer satisfaction

**Customer Orientation, Customer Commitment and Customer Retention**

Customer commitment has been found to be positively associated with customer satisfaction (Dimitriades, 2006). In order to achieve customer commitment, a company’s strategy must be customer centered, long term and must be based on mutual relationship benefits. There is empirical evidence to support that customer orientation is positively associated with customer commitment (Boles et al., 2001; Brady and Cronin, 2001; Brown et al., 2002; Hennig-Thurau, 2004). The following hypotheses are proposed to test the above stated relationships.

**H16:** Customer oriented employee behavior is positively related to customer commitment.

**H17:** Customer oriented employee behavior is positively related to customer retention.

**AFFECTIVE COMMITMENT AS A MEDIATOR OF THE RELATIONSHIP BETWEEN JOB SATISFACTION AND CUSTOMER ORIENTED BEHAVIOR**

Job satisfaction and employee affective commitment are related to each other as satisfied employees exhibit more commitment toward organization (Alexandrov et al., 2007). Empirical evidence suggests that job satisfaction is an antecedent to affective organizational commitment (Brown and Peterson, 1993; Paulin et al., 2006). Job satisfaction and organizational commitment has significant impact on customer orientation (Pettijohn and Pettijohn, 2002; Joshi and Randall, 2001; Kelley, 1992). Mukherjee and Malhotra (2006) noted job satisfaction has an indirect effect on an
employee’s perception of service quality mediated through organizational commitment. Job satisfaction has been studied as an antecedent of organizational commitment by some researchers (Alexandrov et al., 2007; Brown & Peterson, 1993). Based on above discussion, the following hypothesis is proposed

**PROPOSED RESEARCH MODEL**

The review of literature in chapter 2 helps in building a conceptual framework for the present study. The proposed model of customer orientation, its antecedents and consequences is based on integration and modified existing constructs as well as new constructs. The proposed research model is shown in figure 3.3.1.

Figure 3.3.1 Proposed Model of Customer Orientation of Service Employees
The above proposed model is operationalized and fitness of the model is tested in the present study. The different constructs used for the measurement of various dimensions of the model and statistical tools used for the said purpose are reported in the chapter on research methodology.