CHAPTER 3: CONCEPTUALIZATION OF STUDY MODELS

3.0 Introduction

This chapter proposes a conceptualization of service employee customer orientation (COSE) for the study, which is presented as a four dimensional construct, the dimensions being the employee's motivation to serve customers, his customer-oriented social skills and technical skills, and his or her self-perceived decision-making authority. Theoretical framework for present study follows the line suggested by Thurau et al. (2003), Thurau (2004) and Hanzaee et al. (2011). It is to be noted that employee and customer perspectives with respect to COSE, though conceptualised, have till date not been empirically tested especially in the context of telecommunication industry. As far as employee perspective is concerned, the researcher has also included determinants of COSE suggested by other previous researchers (Boshoff et al., 1996; Caruana et al., 1998; Allred, 2001; Thurau et al., 2003; Yavas et al., 2003; Malhotra et al., 2004; Huang et al., 2006; Lee et al., 2006). For gaining insight into employee perspective, the various determinants of COSE have also been discussed and hence two models viz. customer perspective and employee perspective have been proposed. Implications are drawn out for relationship marketing of services organizations and relationship marketing theory. Further, the research hypotheses considered for the study have been stated.

3.1 Theoretical Framework of the Study

A theoretical framework is defined as a collection of theories and models from the literature which underpins a positivistic research study (Hussey et al., 1997). In other words, it is a conceptual model of how the researcher theorises or makes logical sense of the relationships among the several factors that have been
identified as important to the problem. Developing such a conceptual framework helps us to postulate or hypothesise and test certain relationships and thus to improve our understanding of the dynamics of the situation. In total, the theoretical framework discusses the interrelationships among the variables that are considered important to the study. It is essential to understand what a variable means and what the different types of variable are. After the theoretical framework has been formulated, then testable hypotheses can be developed to examine whether the theory formulated is valid or not (Sekaran, 2003). So, the theoretical framework may be referred to as a conceptual framework or as the research model.

Taylor et al. (1995b) have suggested that models should be evaluated in terms of both parsimony and their contribution to understanding. Keeping the same in mind, present study aims at generating models for the employee and customer perspective of COSE that could contribute to practical applications and help in better understanding of the linkages between the variables considered for the study.

From the methodological point of view, in a longitudinal study, data on the dependent variable is gathered at two or more points in time (Sekaran, 2003) while in a cross-sectional study, as the present one, data are gathered just once, perhaps over a period of days or weeks or months. It is expected that the proposed research models could be of help to marketers and practitioners in taking effective steps to improve customer satisfaction, perceived service quality, customer commitment and retention thus ultimately revenue and profitability.

Taking into account the crucial role of personnel for service organizations, the study focuses on the concept of customer orientation of service employees (COSE). COSE is defined as the behaviour of service employees when serving the needs and wishes of existing and prospective customers. Behaviour is preferred to culture, as the latter, though often a powerful contributor to customer-oriented behaviour, is by no means a requirement for such behaviour nor sufficient in itself to drive this behaviour (Thurao et al., 2003; Thurao, 2004; Hanzae et al., 2011). In contrast, behaviour is what makes customers satisfied and what ultimately determines a perception of high service quality.
3.2 Conceptualization of Customer-Oriented Behaviour of Service Employees (COSE)

Customer-oriented behaviour of service employees (COSE) is conceptualized here as a four dimensional construct, where the dimensions are an employee's motivation to fulfil customer needs, the technical and social skills an employee needs to fulfil customer needs, and the employee's freedom or authority (as perceived by the employee themselves) to make decisions relevant to the fulfilment of customer needs and wishes. This conceptualization is based on the consideration that for an employee to behave in a customer-oriented way (i.e. to fulfil the customer's service-related expectations), all four dimensions must be expressed to a considerable degree. For example, if a highly motivated and skilled service employee feels that she or he is not authorized to behave in a customer-oriented way, then his or her customers will not perceive the service encounter as customer-oriented. It should be noted that the actual degree of expression of each dimension needed in a specific service encounter (in order to produce customer-oriented behaviour) is strongly dependent on contextual factors too.

The four dimensions under consideration i.e. motivation, technical skill, social skill, and self-perceived authority, for the purpose of this study, have been treated as independent (Thurao, 2004; Hanzae et al. 2011) rather than interrelated (Thuaro et al., 2003). Therefore, the extent of COSE is determined by the strength of each single dimension. All four dimensions are influenced by several other constructs included in the model as determinants of COSE. Although there is good reason to believe that relationships also exist between at least some of these COSE determinants such as between role conflict and job satisfaction (Hartline et al., 1996), these possible inter-determinant relationships are excluded from the analysis in order to limit the latter's complexity. Thus, the dimensions of COSE taken into consideration for the proposed model in this study are motivation, technical skill, social skill, and decision making authority.

3.2.1 Motivation: The employee's motivation to behave in a customer-oriented way is seen as a fundamental behavioural construct driving behaviour (Oliver, 1974). Building on Vroom's (1967) process model of motivation, we distinguish between three components. A service employee's motivation is seen as the product of:

➢ the employee's valence of the consequences of customer-oriented service behaviour,
➢ his or her assessment of the probability that he or she is able to produce the required outcome (i.e. instrumentality), and

➢ the worker's assessment of the probability of being rewarded when reaching the required outcome (i.e. expectancy).

The valence component of this conceptualization of motivation represents the employee's subjective assessment of his or her work activity, and is based on both intrinsic and extrinsic incentives associated with goal achievement. The concept of motivation to behave in a customer-oriented way requires the existence of all three components, as non-compensatory inter-component relationships are expected to exist between the three. If an employee is not attracted by the idea of serving customers or the related consequences (e.g. pay, employee of the month award), then he or she will probably not engage in customer-oriented behaviour, even if there is a realistic chance of performing well and receiving monetary or non-monetary rewards (Gwinner, 2005).

3.2.2 Technical and Social Skills: Two basic kinds of customer-orientation skills can be distinguished viz. technical skills and social skills. Though Thurao et al. (2003) represented skill dimension as one with two parts (social skill and technical skill) but Thurau (2004) further proposed that the employee’s social skills and technical skills represent separate dimensions of COSE.

The employee's technical skills refer to the knowledge and those technical or motor skills which a service employee must possess in order to fulfil the customer's needs during the personal interaction process (Argyle, 1967). Such technical skills are essential for customer need fulfilment as the urgent characteristic of service encounters requires the employee to respond instantly to the customer instead of relying on data in knowledge databases, etc.

The social skills of the employee are crucial for customer-oriented behaviour (Thurau et al., 1999). Social skills basically involve the service employee engaging in perspective taking (e.g., Mead, 1934). Perspective taking means that when it comes to developing adequate solutions for a customer’s needs or problems, the employee is able to take on that customer’s perspective. Perspective taking has a visual-physical dimension (i.e. understanding what the customer sees and perceives), a cognitive dimension (i.e. understanding how the customer thinks), and an affective or empathetic dimension (i.e. understanding the customer's feelings).

In telecom sector also, the technical skill is very much required to sort out the technical faults in customer's line or service. The concept of social skills focuses on the service employee's ability to take the customer's perspective during interactions (e.g., Mead, 1934; Flavell et al., 1968). Specifically, such perspective taking can take place visually (i.e. the employee understands what the consumer sees and perceives), cognitively (i.e. the employee understands what the consumer thinks), and emotionally (i.e. the employee understands what the consumer feels) (Flavell et al., 1968). All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfilment.
The situation occurs in telecom companies during the interaction between the service employee and customer at the Customer Service Centre, when customers enquire for suggesting alternatives to satisfy his requirements. Therefore social skills were modelled separately from technical skills to reflect adequately the different theoretical origins and streams of research these two concepts are based on (Thurao, 2004). While technical skills are mainly discussed in the context of work psychology and technical ability, social skills and empathy are most intensively discussed in the educational research context. An employee’s social and technical skills can be similarly high (or low), but that an employee who possesses a high level of social skills must not necessarily have the knowledge or technical skill that is required to sort out the technical fault in the customer services and perform in a customer-oriented way (Thurao, 2004).

3.2.3 Decision Making Authority: In addition to motivation, technical skill, social skill a fourth dimension of the COSE construct is the employee’s self-perceived authority to act in a customer-oriented manner. If an employee has the ability and motivation required to perform in a customer-oriented way, but feels that he or she does not have the legitimization to do so, then his or her behaviour will not be perceived as truly customer oriented by the customer (Thurao, 2004). Self-perceived authority in service people can be understood as the degree of decision-making autonomy a service employee believes he or she has when it comes to dealing with customer issues. The concept of self-perceived authority is connected to the concept of empowerment, which has been discussed quite intensively in the service literature (e.g., Bowen et al., 1995; Spreitzer, 1995). However, although some authors limit empowerment to the authorization of employees (e.g. Conger et al., 1988; Rafiq et al., 1998), the concept is mostly understood in a much broader sense, covering other issues, such as motivation (e.g., VanLooy et al., 1998).

The concept of self-perceived authority is closely-related to, but distinct from, formal or “objective” authority given to an employee by his or her supervisor. The employee’s behaviour is based on his or her own perception and evaluation of “formal authorization”, rather than on the formal authority itself. It is the degree of authority used by the employee that ultimately determines customer orientation.

Consequently, COSE is considered a four-dimensional construct with technical skills, social skills, motivation, and decision-making authority as dimensions. This conceptualization implies that discriminant validity exists between the COSE dimensions (Fornell et al., 1981), with the dimensions all correlating significantly with the overall construct of COSE.

3.3 Hypothesizing COSE from Customer Perspective

On modelling the consequences of COSE on key outcome constructs of service firms, it is assumed that the four COSE dimensions exert an identical directional
impact on the outcome constructs. In the conceptual model shown in Figure 3.1, technical skills, social skills, motivation, and decision-making authority are interpreted as second-order factors that impact customer satisfaction, commitment, and customer retention.

**Fig. 3.1: Conceptual Model of COSE (Customer Perspective)**

Building long-term relationships with customers is considered an essential precondition for the economic survival and success of most service firms today (e.g. Heskett et al., 1994; Berry, 1995). This crucial role of customer retention stems from the increasing costs of acquiring new customers in highly competitive markets and the cost-reducing potential associated with long-term relationships. It is assumed here that COSE bears the potential significantly to influence a service firm's retention rate and therefore the firm's economic success. We distinguish between a direct impact of COSE on customer retention and an indirect impact, with the latter being mediated through customer satisfaction and commitment.
Customer satisfaction is defined as an "overall evaluation of a firm's products [or services]" (Anderson et al., 1997, p. 130). In the marketing literature, satisfaction has been established as a major antecedent of customer retention (Czepiel et al., 1985; Zeithaml et al., 1988; Czepiel, 1990; Klaus, 1995; Price et al., 1995; Hartline et al., 1996; Szymanski et al., 2001; Varca, 2004; Guchait et al., 2011). In the context of relationship marketing, satisfaction is conceptualized as an element of the relationship quality concept (Crosby et al., 1990; Thurau et al., 1997). Drawing from the disconfirmation paradigm of customer satisfaction (e.g. Oliver, 1993), it was postulated that customers have expectations with regard to the behaviour of service employees in interaction situations and that, when these are exceeded, the level of customer satisfaction with the service provider is positively influenced.

Several empirical studies show that it is impossible to maintain a satisfied and committed customer base without satisfied and committed employees (Thurao et al., 2003; Thurao, 2004; Hanzae et al., 2011). About 90 years ago, Strong (1925) emphasized that personal selling strategies should be directed toward securing customer satisfaction as well as purchase orders (Saxe et al., 1982). The links between customer and employee variable have also been depicted by Hesket et al. (1997) within a framework termed "the service profit chain" or "employee-customer profit chain" (Vilares et al., 2003). Research focused on the customer–organization interface invariably incorporates the service provider as a key component (e.g. Czepiel et al., 1985; Zeithaml et al., 1988; Czepiel, 1990; Klaus, 1995; Price et al., 1995; Hartline et al., 1996; Varca, 2004). The employee satisfaction is important factor for increasing job satisfaction and service quality (Antoncic et al., 2011). Any employee who comes in direct or indirect contact with a customer influences CS, customer perceived quality and revenues (Solnet, 2006). The following hypothesis reflects the above:

**H$_{C1}$**: Customer orientation of service employees has a positive influence on customer satisfaction.

While the construct of customer satisfaction focuses on the services and products delivered by the firm, service research has demonstrated that the development of long-term relationships is also influenced by social aspects (Goodwin et al., 1996). Most importantly, the customer may stay with a certain service provider not because of superiority of performance, but because of the commitment he or she
has developed to the service provider and its employees, that can be characterized by elements of emotionality and friendship (Gwinner et al., 1998; Garbarino et al., 1999; Price et al., 1999). In the case of services, such an emotional commitment is based predominantly on the customer's personal familiarity with and affinity to single service employees. Consequently, we presume that the employees' handling of interactions with customers strongly influences the level of commitment a customer develops toward a service provider (Thurau et al., 2002; Thurao 2004; Hanzaee et al. 2011). Following hypothesis were framed on the basis of the above:

Hc2: Customer orientation of service employees has a positive influence on emotional commitment.

In addition to the impact of COSE on satisfaction and emotional commitment, Thurau (2004) also postulated COSE to influence customer retention directly. This direct impact can be argued to exist for two reasons. First, consumers can be expected to return to a service firm where they encountered a high level of COSE because they like the employees and "feel good" about this specific service provider, so that there is no need to switch to a different provider. Second, the customer's behavioural reaction can also be mediated by the customer's trust in the service provider when employees are considered as trustworthy by customers and this judgment is transferred to the service firm in general (e.g. Sirdeshmukh et al., 2002).

There is abundant evidence that, in assessing service delivery, customers attach importance to their personal interactions with service employees. The role of emotions in service delivery has been examined in sufficient detail (Lin et al., 2011). The study by Brown et al. (2002) shows, that COSE has an important role in determining the quality of retail customer service evaluation (Jayawardhena et al., 2011). In some research, the concept of the "part-time marketer" (Gummesson, 1991, p60) suggest that because of the nature of service encounter, all customer-contact employees are, in fact marketers (Solnet, 2006).

For reasons of completeness, a positive direct impact on customer retention is also postulated for customer satisfaction and emotional commitment. In the case of satisfaction, it is argued that a service encounter which fulfils the customer's expectations positively influences the customer's evaluation of the firm in general
- the customer expects similarly beneficial treatment the next time he or she makes use of the respective service (Crosby et al., 1990). Similarly, a consumer values interacting with a partner they feel affectively committed to and tend to prefer such a partner to an alternative to whom they feel no affective commitment (Morgan et al., 1994).

Commitment is considered to be of critical importance in organizational buying behavior and, it leads to important outcomes, and higher motivation among. Commitment is positively related to loyalty and repeated purchases (Chumpitaz et al., 2004). A customer is committed to a service provider, for example, because the provider has proven to be trustworthy and able to offer solutions that successfully support the value generating process of the customer. Thus, to achieve emotional commitment, a company strategy must be customer centered, long-term, and be based on mutual benefits. Long-term business should increase between two parties (Kassim et al., 2006). For reasons of completeness, a positive direct impact on customer retention is also postulated for customer satisfaction and emotional commitment. In the case of satisfaction, it is argued that a service encounter which fulfills the customer's expectations positively influences the customer's evaluation of the firm. The customer expects similarly beneficial treatment the next time he or she makes use of the respective service (Crosby et al., 1990). Similarly, a consumer values interaction with a partner that they feel is committed. Consumers tend to prefer such a partner over an alternative to whom they feel no affective commitment (Morgan et al., 1994; Hanzaee et al., 2011).

For many years customer satisfaction has been a major goal of business organizations, since it has been deemed to affect customer retention and a company's market share (Hansemark et al., 2004). McNaughton et al. (2001, p.991) stated, "marketing orientation theory, no matter the sector in which it is applied, focused on the process whereby marketing orientation created value". Value created through marketing orientation and relationship enablers can facilitates an atmosphere that causes customer to stay (Trasorras et al., 2009). Ranaweera et al. (2003, p.82) added, "It is a held belief that the more satisfied the customers are, the greater is their retention". Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposed measuring satisfaction to manage it effectively (Trasorras et al., 2009). Similarly,
Anderson et al. (1993) found that stated repurchase intentions are strongly related to stated satisfaction across product and service category. Researchers in the professional services tend to remain with the same provider if continually satisfied (Chumpitaz et al., 2004).

Accordingly, the hypotheses are as follows:

\[ H_{C3}: \text{Customer orientation of service employees has a positive direct influence on customer retention.} \]

\[ H_{C4}: \text{Customer satisfaction has a positive direct influence on customer retention.} \]

\[ H_{C5}: \text{Emotional commitment has a positive direct influence on customer retention.} \]

Based on the above theory and conceptualized model, the following hypotheses have also been considered and empirically tested:

\[ H_{C6}: \text{Customer orientation of service employee has a direct and positive influence on motivation.} \]

\[ H_{C7}: \text{Customer orientation of service employee has a direct and positive influence on perceived decision making authority.} \]

\[ H_{C8}: \text{Customer orientation of service employee has a direct and positive influence on technical skills.} \]

\[ H_{C9}: \text{Customer orientation of service employee has a direct and positive influence on social skills.} \]

### 3.4 Hypothesizing COSE from Employee Perspective

The intensity of an employee's motivation to behave in a customer-oriented manner is determined by several constructs which have been discussed in the extant literature (Vroom, 1967; Hackman et al. 1976; Mc Clintock, 1977; Steers et al. 1979; Thomas et al. 1990). All of them have been taken into consideration in this study keeping in mind the fact that no definite determinants have been previously studied or empirically tested with respect to the telecom service industry. Later, on the basis of pilot survey and discussion with the subject experts and factor analysis results, appropriate decision would be taken with respect to
determinants and items with unsatisfactory loadings. The determinants considered for motivation are listed below:

➢ Role Ambiguity
➢ Management Expectation
➢ Role Conflict
➢ Job Satisfaction
➢ Perceived Fairness
➢ Organizational Commitment
➢ Management Commitment to Service quality
➢ External Equity
➢ Employee's Role
➢ Extra Role Customer service
➢ Work Standard
➢ Reward

The above constructs in the context of employee's motivation to behave in a customer-oriented are briefly discussed below.

3.4.1 Role Ambiguity and Management Expectations: Role ambiguity means that the employee has only a vague understanding of what is expected of him or her (Kohli, 1985; King, 1990; Singh, 1993; Reisel, 1997; Boshoff et al., 2000; Knight et al., 2007). A lack of understanding about job responsibilities and knowing what is expected in terms of one's job performance is identified as role ambiguity (Rizzo et al., 1970) or a lack of role clarity (Shepherd et al., 1994). Employees who experience role ambiguity tend to perform at lower levels (Bhuian et al., 2005) than employees who have a clear understanding of job requirements and what is expected of them (Dubinsky et al., 1984; Babin et al., 1998). Experiencing role ambiguity can constrain customer-orientated behavior and, ultimately, profitability (Flaherty et al., 1999). In a study of retail salespeople, Wetzel et al., (2000) found that role ambiguity and a commitment to delivering service quality were negatively related. It seems logical to assume that if salespeople lack an understanding about their authority, job responsibilities, or manner in which their job will be evaluated, their motivation to engage in customer-oriented behavior would be diminished. Clarity of information regarding both the employee's role and management's expectations with regard to the handling of customer requests and problems increases the employee's perception that he or she is able to perform up to expectations (i.e. the instrumentality component of motivation)(Thurao et al., 2003). Role clarity can also be expected to have a positive impact on the valence component of the employee's motivation (Singh, 1993).
3.4.2 Role Conflict: Trying to meet the demands of two or more groups (i.e., customers and managers) at the same time can result in role conflict (Rizzo et al., 1970; Knight et al., 2007). An important consequence of role conflict is its effect on job performance. In a study of salespeople representing various industries, Flaherty et al. (1999) found that role conflict was negatively related to customer-oriented selling, a trait associated with increased job performance. Moreover, employees encountering role conflict may experience psychological withdrawal from the job leading to reduced job performance. (Bettencourt et al., 2003). Results of studies investigating the effects of role conflict on job performance, however, have been inconsistent. For example, some researchers (Lusch et al., 1991; Singh, 1998; Bhuian et al., 2005) found that role conflict had a negative effect on job performance, and others (Dubinsky et al., 1992; Babin et al., 1996) observed that role conflict produced a positive effect on job performance. In fact, Singh (1998) suggested that moderate levels of role conflict could stimulate some people to sell and, thus, increase their job performance. Still, most researchers agree that extreme role conflict erodes job performance (Singh et al., 1994). The related concept of role conflict represents the “incompatibility between one or more roles within an employee’s role set, such that fulfilling one role makes fulfilling the others more difficult” (Weatherly et al., 1993). The absence of role conflict will also contribute to an increased valence of customer-oriented behaviour.

3.4.3 Job Satisfaction: Job satisfaction is one of the most intensively-discussed constructs in organizational behaviour theory (Herzberg et al., 1959; Locke, 1969; Smith et al., 1969; Cranny et al., 1992; Fritzche et al., 2005; Wei-Cheng, 2008; Ali, 2008), and is popularly defined as a “positive emotional state resulting from the appraisal of one’s job as achieving or facilitating the achievement of one’s job values” (Locke, 1969, p. 316). The meaning of job satisfaction varies (Fritzsche et al., 2005), from simply the feelings a worker has about his/her job (Smith et al., 1969) to the following definition: “an affective reaction to a job, that results from the incumbent’s comparison of actual outcomes with those that are desired” (Cranny et al., 1992, p. 1). The theoretical framework for most of the research on job satisfaction can be traced to the pioneering work of Herzberg et al. (1959). The Herzberg theory has often been linked to that of Maslow’s Theory of Hierarchy of Needs. Briefly, this theory suggests that there are higher-order needs and lower-order needs — motivation and hygiene factors. Motivation factors are intrinsic satisfiers that are associated with higher-order needs such as achievement, recognition, responsibility, advancement, etc. Hygiene factors are extrinsic satisfiers that tend to be associated with lower-order needs such as working conditions, pay, status, etc. The presence of extrinsic satisfiers does not lead to true job satisfaction, but their absence can lead to dissatisfaction (Wei-Cheng, 2008). Graham (1982, p. 68) defined Job satisfaction as “the measurement of one’s total feelings and attitudes towards one’s job”. Job satisfaction is the constellation of attitudes about job. Job satisfaction is how employees feel about different aspect of their job. Hoppock (1935, p. 47) defined job satisfaction as “any combination of psychological, physiological, and environmental circumstances that causes a person truthfully to say, ‘I am satisfied with my job’” (Ali, 2008).
3.4.4 Perceived Fairness: A closely related concept is perceived job fairness (or workplace fairness), which is sometimes also seen as a theoretical foundation of satisfaction and which covers the fairness dimensions of internal equity and pay rules, external equity and pay level, job supervision, and work standards (Bettencourt et al., 1997). We postulate that the positive emotional state of job satisfaction influences the valence component of the motivational dimension of COSE, as it supports the intrinsic work valence of the service employee. A result of the employee’s perception of job fairness is that the employee is confident that the supervisor will honour his/her efforts in a satisfactory way, and this leads to an increase in the expectation component of motivation.

3.4.5 Organizational Commitment: The construct of a service employee’s organizational commitment is understood as this employee’s strong belief “in the organization’s goals and values, a willingness to exert considerable effort on behalf of the organization, and a strong desire to remain a member of the organization” (Mowday et al., 1982, p. 27; Sergeant et al., 2000). Organizational commitment helps an employee to understand his or her own role in the company. This regularly leads to an intensified valence as part of the motivation concept, based on an intrinsic desire to live the firm’s values and to contribute to the achievement of the company’s customer-oriented goals.

3.4.6 Management Commitment to Service Quality: In contrast to the determinants mentioned above, which focus on cognitive and emotional aspects of the employee, the management commitment to service quality construct (MCSQ) addresses the activities and attitude of the service provider’s top management as it relates to the employees’ motivations to behave in a customer-oriented way. MCSQ covers such aspects as the conscious selection of quality initiatives, the provision of visible quality leadership, and the placing of resources for adopting and implementing quality initiatives (Hartline et al., 1996). MCSQ is supposed to have an inspirational impact on service employees’ intrinsic valence of customer-oriented behaviour, but it may also increase the employees’ expectations that they will be rewarded for excellent customer service. Both impacts strengthen the employees’ motivation component of COSE.

3.4.7 External Equity and Reward: External equity is the employee’s perception of the conditions and rewards of their employment, compared with those of the employees of other firms. While the Reward system or management usually mean the financial reward on organization gives its employees in return for their labour. While the term, reward system, not only includes material rewards, but also non-material rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (recognition, promotion, praise, achievement responsibility and personal growth) and in many case a system of performance management (Chathoth, 2007). Pay arrangements are central to the cultural initiative as they are the most tangible expression of the working relationship between employer and employee. “Reward Management” is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization.
3.4.8 Employees Role and Extra Role Customer Service: First, role-prescribed customer service is a service provider's expected behaviour derived from implicit norms in the workplace or from explicit obligations as specified in organizational documents such as job description and performance evaluation forms (Brief et al., 1986). These expected customer services include exhibiting common courtesy, demonstrating accurate knowledge of policies and products, addressing customers by name, and greeting and saying “thank you” to customers (Bettencourt et al., 1997). This behavior also improves customer satisfaction, service quality perception, loyalty, and sales performance (Bitner et al., 1990; George, 1991; Keaveney, 1995). Second, extra-role customer service refers to discretionary behavior of contact employees that extends beyond formal role requirements. This means that contact employees “delight” customers by providing “extra attention,” “spontaneous exceptional services,” and “little extras” during the service encounter for customer satisfaction and positive emotional responses (Bitner et al., 1990). This includes specific service encounters in which employees go “out of the way” or “beyond the call” for customers (Bettencourt et al., 1997). Extra-role customer service can be functional by providing customers with advantages, but often dysfunctional by inhibiting organizational efficiency (Brief and Motowidlo, 1986; Lee, 2006).

3.4.9 Work Standard: It is generally agreed that use of Work standards—which play an integral role in Total Quality Management (TQM)—can improve the output consistency, efficiency, and learning rate of a given process (Edelson et al., 1998; Imai, 1986; Monden, 1983; Suzaki, 1993). Even champions of exploration, Levinthal et al., (1993) acknowledged the ability of Work standards to facilitate the accumulation and transfer of knowledge acquisition, leading to variability reduction and organizational effectiveness. Efforts to explain the relationship between the requirements that employees follow Work standards in completing a task—which we will refer to as required Work standards use—and worker intrinsic task motivation have, however, resulted in controversy. Work motivation, job design, and creativity literatures have suggested that Work standards use causes a reduction in autonomy, which hypothetically reduces the sense of having experienced responsibility or self-determination in the task, thus reducing intrinsic task motivation and creativity (see Amabile, 1997; Hackman et al., 1976, 1980; Spreitzer, 1995; Thomas et al., 1990). The operations management (OM) literature, however, has suggested increased worker intrinsic motivation and morale under required Work standards use (Imai, 1986; Monden, 1983; Suzaki, 1993) leading to more meaningful working conditions (Monden, 1983). Adler (1993a, 1993b, 1996, 1999) stated that Work standards use could be either controlling or enabling, and proposed that enabling Work standards use could result in increased self-efficacy beliefs (i.e. the conviction that one is capable to achieve a given goal, see Bandura, 1977) on the part of workers. Rao et al. (1997) found an increase in workers' sense of empowerment (i.e. intrinsic motivation, see Conger et al., 1988) in companies receiving ISO 9000 series certification, which has as its primary goal that all tasks are documented and performed according to Work standards. Both OM and job design theorists have agreed, however, that the motivational implications of Work standards use are moderated by workers'
ability to participate in Work standards development (e.g. Adler, 1993a, 1993b; Edelson et al., 1998; Hackman et al., 1995; Klein, 1989, 1991).

As with motivation, several variables determine the employee's customer-oriented skills. Identifying these determinants is of great practical importance because of the core implications for increasing these skills in employees. In the following, we focus on three skills determinants, namely the employees' learning orientation and their personality and training.

3.4.10 Learning Orientation: In services marketing, a learning orientation is seen in an employee's continual desire to improve and extend his or her skills and knowledge (Kohli et al., 1998). This learning orientation is reflected in increased efforts by the employee to actively expand his or her existing repertoire of technical and social skills, and thus learn new and better ways of interacting with customers. For example, highly learning-oriented service employees will make more use of training opportunities and will do so with more enthusiasm. This ultimately gives them a higher degree of customer-oriented skills.

3.4.11 Personality: Although no final agreement on the concept of personality has been reached, personality can be defined at a rather basic level as "the unique organization of factors which characterize an individual and determine his pattern of interaction with the environment" (Kleinmuntz, 1967, p. 11). In contrast to consumer behaviour, where the predictive validity of personality is largely limited, personality can be thought to play a more important role when it comes to more or less skilled service employees (Bettencourt et al., 2001). This is especially so with social skills, since these are more difficult to acquire than most other skill types. Using a meta-analysis of existing research on personality in the services marketing context, Hurley (1998) identified three basic personality factors: (a) the need for attention and social interaction (extroversion), (b) the need for pleasant and harmonious relations (agreeableness), and (c) the degree to which the world is experienced as threatening and beyond a person's control (adjustment).

3.4.12 Training: In the telecom service firms, in the context of India, a large number of training centres are available which impart technical trainings to their employees regularly (Bharat Sanchar Nigam Limited, 2011).

In the research instrument for employees, it was thought proper to include items related to only one determinant i.e. "training" separately. But while developing items for Technical Skills and Social Skills, both Learning Orientation and Personality determinants were taken care off.

The latter aspect is especially important when looking at the determinants of Decision Making Authority. Thurau (2003) considered four determinants, which it was thought, influenced the degree to which an employee uses the "objective" authority offered to him or her by the firm's management. These determinants moderate the process which transforms formal into self-perceived authority, and
are the organizational structure; trust in the employee’s supervisor, the organization’s culture, and the employee’s personality (already discussed in previous section).

3.4.13 Trust in Supervisor: An employee’s use of authority also depends on his or her evaluation of the supervisor’s trustworthiness. Trust exists if an employee believes his/her supervisor is reliable and has a high degree of integrity (e.g., Moorman et al., 1992). If the employee mistrusts his or her supervisor in the context of the use of formal authority in customer affairs, he or she will simply not use this authority, preferring instead to remain on “safe ground”. Trust is reciprocal; not only must the employee trust that the supervisor will not question his or her use of authority, but the supervisor also has to have confidence in the employee’s decisions. The impact of trust in employee-supervisor relationships on the use of employees’ formal authority has been demonstrated empirically by VanLooy et al. (1998) and Stewart et al. (1995).

3.4.14 Organizational Structure: The use of formal decision-making authority by an employee is determined by existing organizational rules and practices, as well as by institutions and processes. These structural elements must support the use of power by the individual employee, rather than impede this use, or even punish the employee for wielding this power. For example, a hotel employee will probably not use his or her formal authority with regard to customer problems if he or she is obliged to justify each dollar spent on customer compensation (either verbally or by filling out several forms).

3.4.15 Organizational Culture: According to Schneider et al. (1987), service employees are willing to use formal decision-making authority only in a “culture for wellbeing”. Such a culture can represent a frame of reference for service employees, and strengthen his or her belief that making autonomous decisions is valued highly by management.

In the questionnaire for the present study, appropriate items for the dimension ‘Decision Making Authority’ were included. However, care was taken that all the above determinants were covered by these items.

On the basis of above theory, a model was proposed for COSE dimensions and its determinants from employee perspective (Fig.3.2).
Based on the related theory and conceptualized model, the following hypotheses were considered and empirically tested from the employee perspective:

\( H_E1 \): Customer orientation of service employee has a direct and positive influence on motivation.

\( H_E2 \): Customer orientation of service employee has a direct and positive influence on perceived decision making authority.

\( H_E3 \): Customer orientation of service employee has a direct and positive influence on technical skills.

\( H_E4 \): Customer orientation of service employee has a direct and positive influence on social skills.

\( H_E5 \): External Equity has a direct and positive influence on motivation.

\( H_E6 \): Work standard has a direct and positive influence on motivation.

\( H_E7 \): Perceived fairness has a direct and positive influence on motivation.

\( H_E8 \): Reward has a direct and positive influence on motivation.

\( H_E9 \): Training has a direct and positive influence on technical skills.
3.5 Hypothesizing Relationships Based on Organization Type, Employee Category and Demographics

In line with the study objectives, from the perspective of employees and customers of public and private sector telecom service providers, following hypotheses were framed for empirical testing using t-test, ANOVA and chi-square test for both models.

3.5.1 Employee Perspective: Following are the hypotheses based upon public and private sector employees on constructs of the model.

**H**₁ₑₐ₆显著 differences do not exist between the employees of public and private sector companies on the dimension *motivation*.

**H**₂ₑₐ₆显著 differences do not exist between the employees of public and private sector companies on the dimension *decision making authority*.

**H**₃ₑₐ₆显著 differences do not exist between the employees of public and private sector companies on the dimension *social skills*.

**H**₄ₑₐ₆显著 differences do not exist between the employees of public and private sector companies on the dimension *technical skills*.

As the data was collected from two categories of employees, viz. Executive and Non Executive, T-test was employed to find out the differences between responses of above two categories on various constructs of the model. Following hypotheses were considered:

**H**₁ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *external equity*.

**H**₂ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *motivation*.

**H**₃ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *decision making authority*.

**H**₄ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *perceived fairness*.

**H**₅ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *reward*.

**H**₆ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *social skill*.

**H**₇ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *training*.

**H**₈ₑᵦₑ₆显著 differences do not exist between employees belonging to executive and non-executive levels on the dimension *technical skill*.
Significant differences do not exist between employees belonging to executive and non-executive levels on the dimension work standard.

3.5.2 Customer Perspective: Following are the hypotheses based upon public and private sector customers on constructs of the model.

H\textsubscript{1CD} Significant differences do not exist between the customers of public and private sector companies on the dimension customer retention.

H\textsubscript{2CD} Significant differences do not exist between the customers of public and private sector companies on the dimension customer satisfaction.

H\textsubscript{3CD} Significant differences do not exist between the customers of Public and Private sector companies on the dimension decision making authority.

H\textsubscript{4CD} Significant differences do not exist between the customers of Public and Private sector companies on the dimension Emotional Commitment.

H\textsubscript{5CD} Significant differences do not exist between the customers of Public and Private sector companies on the dimension Motivation.

H\textsubscript{6CD} Significant differences do not exist between the customers of Public and Private sector companies on the dimension Social skill.

H\textsubscript{7CD} Significant differences do not exist between the customers of Public and Private sector companies on the dimension Technical Skill.

ANOVA was employed to explore the differences among various constructs of the customer's model based upon the age and education of the customers. Following hypotheses were considered in this context:

H\textsubscript{1CDA} Significant differences do not exist between the customers based on age on the dimension Customer Retention.

H\textsubscript{2CDA} Significant differences do not exist between the customers based on age on the dimension Customer Satisfaction.

H\textsubscript{3CDA} Significant differences do not exist between the customers based on age on the dimension Decision Making Authority.

H\textsubscript{4CDA} Significant differences do not exist between the customers based on age on the dimension Emotional Commitment.

H\textsubscript{5CDA} Significant differences do not exist between the customers based on age on the dimension Motivation.

H\textsubscript{6CDA} Significant differences do not exist between the customers based on age on the dimension Social Skill.

H\textsubscript{7CDA} Significant differences do not exist between the customers based on age on the dimension Technical Skill.

H\textsubscript{1CDE} Significant differences do not exist between the customers based on education on the dimension Customer Retention.

H\textsubscript{2CDE} Significant differences do not exist between the customers based on education on the dimension Customer Satisfaction.

H\textsubscript{3CDE} Significant differences do not exist between the customers based on education on the dimension Decision Making Authority.
**H1**<sub>CDE</sub>: Significant differences do not exist between the customers based on education on the dimension - Emotional Commitment.

**H2**<sub>CDE</sub>: Significant differences do not exist between the customers based on education on the dimension - Motivation.

**H3**<sub>CDE</sub>: Significant differences do not exist between the customers based on education on the dimension - Social Skill.

**H4**<sub>CDE</sub>: Significant differences do not exist between the customers based on education on the dimension - Technical Skill.

Relationships were explored between age of the customer and preferred telecom service provider and between education of the customer and preferred telecom service provider. Following hypotheses were framed in this context:

**H1**<sub>AA</sub>: There is no association between age of the customer and preferred telecom service provider.

**H2**<sub>AE</sub>: There is no association between education of the customer and preferred telecom service provider.

### 3.6 Measurement Items

For measuring the model constructs, in the customer perspective, validated scales were used wherever available. Specifically, for emotional commitment, customer retention, and customer satisfaction, scales from Morgan et al. (1994), Zeithaml et al. (1996), and Thurau et al. (2002), respectively were taken, and based on insights from the pilot survey and discussions with subject experts, were slightly reworded/rephrased to suit objectives of the study. Each of these three constructs was measured using four items. As no validated scales were available in the context of telecom industry for measuring various dimensions of COSE, initially 3-item scales, based on those suggested by Thurao et al. (2004) were employed in the present study.

For measuring the model constructs, from the employee perspective, no validated scales were available. So it was thought proper, to start, with a longer questionnaire by including all the related items available in the literature and also to formulate some items for the determinants for which no previous study is available. Based on the responses received during pilot survey and by conducting a exploratory factor analysis, items with lower loadings were dropped (see Chapter 5 for details). Measurement items used in case of employee perspective, have been adapted from previous studies by Boshoff et al. (1996), Caruana et al. (1998),
Allred (2001), Thurau et al. (2003), Yavas et al. (2003), Malhotra et al. (2004), Thurao et al. (2004), Huang et al. (2006), and Lee et al. (2006), Chathoth, (2007).

However, keeping in mind objectives of the present study, some additional items were also added by the researcher.

A total of 88 statements comprised the item pool for measuring employee perspective while 24 items were originally considered for the customer perspective. The researcher used a 7-point Likert scale in the questionnaire because it is extremely popular for measuring attitudes and is simple to administer (Malhotra, 2005). With the Likert scale, respondents indicate their attitudes by writing, how strongly they agree or disagree with the statement. The scale ranges from '1' for Strongly Agree, '2' for Moderately Agree, '3' for Agree a Little, '4' for Neither Agree Nor Disagree, '5' Disagree a Little, '6' for Moderately Disagree, '7' for Strongly Disagree. But based upon feedback during pre-testing and discussion with subject experts some of the items had to be reworded and refined. Items which did not fare well during subsequent waves of pilot testing and as also those with unsatisfactory factor loadings were dropped (for details please see Chapter 4).

It is to be noted that each multi-item scale considered for the study was factor-analyzed, to evaluate dimensionality; and reliability analysis was performed to determine if each item contributed to scale reliability. Besides, correlational analysis was applied to confirm the validity of the construct. The procedure followed has been explained in detail in Chapter 5.

3.7 Summary

In this chapter, based an extant theories and models of COSE, two research models have been proposed. To verify the two proposed research models, direct path hypotheses have been considered. Structural Equation Modelling (SEM) technique has subsequently been employed to test the proposed hypotheses in relation to the theoretical framework. A detailed explanation of the analytical techniques used to achieve objectives of this study has been provided in the Chapter 4.

*Research instruments used in the pilot study and main study are given in Appendix I.