

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
DEPARTMENT OF MARKETING MANAGEMENT
GRADUATE STUDIES PROGRAM



**EFFECT OF CUSTOMER ORIENTATION OF SERVICE
EMPLOYEES ON CUSTOMER SATISFACTION AND LOYALTY:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

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Addis Ababa

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THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

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**A Research Project Submitted to School of Commerce in partial
fulfillment of the requirements for the Degree of Master of Arts
in Marketing Management**

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BY: Yanet Wubtaye

Approved by the Board of Examiners

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STATEMENT OF DECLARATION

I, Yanet Wubtaye, hereby declare that this Master thesis entitled “The effect of customer orientation of service employees on customer satisfaction and loyalty: The case of Commercial Bank of Ethiopia” has been carried out by me with the guidance and support of my advisor, Rakshit Negi (PhD). This work has not been used by others for any other requirements in any other University. Other research or academic materials used in this study have been duly acknowledged.

Yanet Wubtaye

Signature

Date

LETTER OF CERTIFICATION

This is to certify that Yanet Wubtaye has carried out her Master thesis on the topic entitled “The effect of customer orientation of service employees on customer satisfaction and loyalty: The case of Commercial Bank of Ethiopia”. This work is original in nature and suitable for the award Masters of Arts (MA) in Marketing Management.

Dr. Rakshit Negi

Signature

Date

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Abstract

The main objective of this study is to examine the impact of customer orientation of service employees (measured in four dimensions) on customer satisfaction and loyalty in the case of Commercial Bank of Ethiopia (CBE). In addition to this, the study intended to see the mediating role of customer satisfaction between COSE and customer loyalty. The data used in this study was collected through a self-completed questionnaire, distributed to systematically selected 384 customers of the eight randomly selected CBE branches in Addis Ababa district. Data was analyzed using both descriptive statistics (frequencies and percentages), and inferential statistics (multiple regression analysis). Mean score was used to understand the level of customer orientation of CBE's employees and correlation analysis was used to examine the relationship between the study variables. Then, Sobel test was computed to see the mediating role of customer satisfaction between COSE and customer loyalty. The findings of this research revealed that the employees of the bank exhibit good customer orientation and that there is a positive and significant relationship between customer satisfaction and all the dimensions of COSE. In CBE, the employees' technical skill, motivation, and self-perceived decision making authority does have a significant positive relationship with customer loyalty except for the social skill of the employees which was found to be insignificant in explaining customer loyalty. Further, this study indicates that customer satisfaction mediates the relationship between COSE and customer loyalty. Eventually, the study recommends managers of the bank to focus more on the motivation of employees as a means of overcoming the intense competition that exists in the industry since it contributes the most to both customer satisfaction and loyalty.

Keywords: Customer orientation of service employees, Customer satisfaction, Customer loyalty, Commercial Bank of Ethiopia

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CHAPTER ONE

1. INTRODUCTION

The introductory part deals with background of the study, background of the company, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study, and conceptual definition of terms.

1.1 Background of the study

The banking industry is changing rapidly. Technology, government regulation and increased customer sophistication are forcing this industry to re-evaluate the current business practices (Heidarzadeh, 2011). Service quality in banking has become very important due to competition intensity that exists in the industry. When competition intensifies, and when banks start to offer very similar products and services, it is the employee's customer orientation that can influence the performance of the bank and determine its competitiveness (Heidarzadeh, 2011). Customer orientation of service employees (COSE) transforms the marketing concept into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm which determines customer satisfaction and loyalty (Day & Nedungadi, 1994).

Caused by the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success (Bitner et al., 1990; Bove & Johnson, 2000; Bowen & Schneider, 1985; Sergeant & Frenkel, 2000). Furthermore, it is well established that customer satisfaction and loyalty are heavily dependent on the behaviors of customer-contact personnel. The individual characteristics of known and trusted customer-contact employee have been shown to be of particular importance for satisfied and loyal (repeat) customers. This is especially relevant for customers of the banking sector

because such customers are frequently dealing with complex and intangible services (Maister, 1993 & Teece, 2003).

Conducting banking business needs a relationship-based approach in order to understand what is needed and desired by customers, and regard customers as long-term assets (Barnes, 2003). Fulfilling customers' needs and desires is aimed at retaining them; so a shift in paradigm from product-centric to customer-centric is essential.

Banking business is not only focused on interest rates or the advantages of the products offered, but has shifted towards the concept of customer orientation that must be built and nurtured by the bank and its employees in order to create a satisfied and loyal customer base. Customer orientation is the sufficient understanding of one's target buyers to be able to continuously create superior value for them (Awwad & Agti, 2011). Customer satisfaction is one of the most important issues concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continuous improvement in modern enterprise (Arokiasamy, 2013). The marketing concept suggests that a satisfied buyer is more likely to be loyal (repurchase again) or at least has the intention of repurchasing again, than those who are dissatisfied.

Studies conducted by Kelley (1992), Brown et al. (2002), Donovan et al. (2004), and Hennig-Thurau and Thurau (2003) address the construct of COSE and its impact on service firms' success. While the first two studies focus on the relationship between COSE and employee characteristics such as personality traits, job satisfaction, and organizational commitment, the latter authors have suggested, but not empirically tested, a four-dimensional conceptualization of COSE, distinguishing between the employee's motivation to serve customers, his or her technical skills, his or her social skills, and his or her self-perceived decision-making authority.

This study draws on the conceptualization suggested by Hennig-Thurau and Thurau (2003) and tests a model of COSE dimensions and customer-sided consequences.

The purpose of this study is to examine the relationship between COSE, customer satisfaction, and loyalty and to present an alternative model for understanding why service employees are essential to customer satisfaction and retention.

1.1.1 Background of the company

The history of Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant role in the development of the country. It is a pioneer to introduce modern banking to the country and is the leading African bank with assets of 384.6 billion Birr as of June 30th 2016. It introduced Western Union Money Transfer Services in Ethiopia early in 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, etc. It is also the first bank in Ethiopia to introduce ATM service for local users (<http://www.combanketh.et>).

Currently CBE has more than 13.3 million account holders and 1140 branches stretched across the country. The number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30th 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users). CBE combines a wide capital base with more than 29,000 talented and committed employees (<http://www.combanketh.et>).

CBE plays a catalytic role in the economic progress & development of the country. CBE has a SWIFT bilateral arrangement with more than 700 other banks across the world. It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of

Canada, City Bank, HSBC Bank, etc. CBE has reliable and long-standing relationship with many internationally acclaimed banks throughout the world and currently opened four branches in South Sudan and has been in business since June 2009 (<http://www.combanketh.et>).

1.2 Statement of the Problem

As stated by Daikh (2015), attracting more customers, building long-term relationship with customers, making customers satisfied and trusting, and retaining them is a challenge for a service company. This challenge must be faced by service providers in order to succeed.

In the service delivery context, individual service employees are the last people to implement the firm's marketing effort and the first people to directly interact with the customer (Brown et al., 2002). In other words, service employees actualize the firm's customer orientation at the frontline and at the same time acquire feedback from customers and provide it to management as market intelligence. As such, the firm's ability to be customer-oriented primarily depends on individual service employee's customer orientation.

People who deliver the service are of key importance to both the customers they serve and the organization they represent. Their ability and willingness to serve customers, their manner and, appearance all play a part in determining how satisfied the customer is with the service encounter (Mudie, 2006).

On one hand, they may be the only way that a service differentiates itself. On the other hand, they can also be the reason why people do not come back. In many cases, the source of customer dissatisfaction is in fact, the service employee (Mudie, 2006).

Given the high service encounter between the employee and the customer in the banking sector, the role played by the bank personnel is critical especially for banks in developing countries like Ethiopia, where customers usually interact with bank personnel to take delivery of the service.

Even though customers' perception of the firm depends on their experience of interaction with employees, studies like Robel (2015) focus on customer

orientation of the overall firm rather than customer orientation of the employees. Despite the very importance of customer orientation of service employees, limited studies are conducted on the issue, as far as the reviewed literatures are concerned.

Therefore, to fill the gap the study attempts to examine the effect of customer orientation of service employees on customer satisfaction and loyalty in the context of Commercial Bank of Ethiopia (CBE).

1.3 Research questions

- What role does customer orientation of CBE's employees play in creating a long-term employee-customer relationship?
- What effect does customer orientation of CBE's employees have on customer satisfaction?
- How does COSE dimensions relate to customer loyalty in the case of CBE?

1.4 Objectives of the study

1.4.1 General Objective

The general objective of the study is to examine the effect of COSE on customer satisfaction and loyalty in the context of Commercial Bank of Ethiopia (CBE).

1.4.2 Specific Objectives

- To examine the level of customer orientation of CBE's employees as perceived by its customers.
- To assess the extent to which customer satisfaction and customer loyalty are affected by the dimensions of COSE in the case of CBE.
- To examine the mediating role of customer satisfaction in COSE-Loyalty relationship in the case of CBE.

1.5 Significance of the study

The research findings have practical importance for the management and staff of CBE to know their areas of strength and weakness regarding their customer oriented behavior. It also presents effective suggestions and alternative solutions for management to help them take all the necessary measures to

overcome problems of their respective branches. It may also be used as a base for future research.

1.6 Scope of the study

The study focuses only on customers' perceptions i.e. the study is confined to customers' point of view only. The service firm's or employee's perspective about the subject was not researched. The study was conducted only in Addis Ababa district i.e. other cities in the country were not involved in the research. The study addresses the effect of COSE on customer satisfaction and loyalty in the context of CBE only i.e. other commercial banks in the country were not involved. Also, the study examines the relationship between COSE, customer satisfaction and loyalty. Other measurements (variables) are beyond this study. In addition, the research is confined to quantitative approach only.

1.7 Conceptual definition of terms

Customer orientation of service employees (COSE)

Hennig-Thurau and Thurau (2003, p. 11) define COSE as "the employee's behavior in person-to-person interactions" and suggest a three-dimensional conceptualization of COSE. It is the extent to which the employee's behavior in personal interactions with customers meets those customers' needs.

Technical skill

The employee's technical skill refers to the knowledge and those technical or motor skills which a service employee must possess in order to fulfill the customer's needs during the personal interaction process (Argyle, 1967, p. 67).

Social skill

The concept of social skill refers to the service employee's ability to take the customer's perspective during interactions (Flavell et al., 1968, p. 22).

Self-perceived decision making authority

It is the extent to which service employees feel authorized to decide on issues that concern customers' interests and needs (Bowen & Lawler, 1995, p. 73).

Motivation

It is the employee's self-perception of being able to behave in a customer oriented manner and serve customers to reach the desired outcome (vroom, 1967, p. 18).

Customer satisfaction

It is the comparison between customers' expectation of a company's products or services and their perception of the products' or services' performance (Oliver, 2010, p. 460).

Customer loyalty

Customer loyalty broadly refers to customers' behavior that indicates a desire to better an ongoing relationship with an organization. It is customers' willingness to purchase again from a company, having preference for the company's products or services, or recommending the company to others (Palmatier et al., 2006, p.136).

1.8 Organization of the Study

The study consists of five chapters. The first chapter deals with the introduction part including background of the study, background of the company, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study, and conceptual definition of terms. Chapter two deals with review of related literature. The third chapter is about the research methodology which shows the research design and type, source of data, procedure of data collection, the instrument used for collecting data and finally method of analysis. The fourth chapter deals with data presentation, analysis and interpretation. The last chapter summarizes and concludes important findings of the research and forwards some recommendations. Limitations of the study and areas of future investigation are also indicated in this chapter.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

This chapter presents the various literatures written on the area of COSE, customer satisfaction, and customer loyalty.

2.1 Theoretical Review

2.1.1 Customer orientation

Customer orientation is the sufficient understanding of one's target buyers to be able to continuously create superior value for them (Awwad & Agti, 2011). Customer orientation is viewed as a desire by an employee to help customers meet their needs during the performance of organizational task (Jayawardhena & Farrel, 2011). McEachern and Warnaby (2005) define customer orientation as a component of market orientation that focuses on putting the customers at the center of strategic focus. Nakata and Zhu (2006) assert that customer orientation encompasses the analysis of customers' needs and the responsiveness of an organization to such needs.

Day and Nedungadi (1994) define customer orientation as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm. A customer-oriented culture involves excellence in customer interaction, market and customer familiarity and an emphasis on cooperation. It is the process of putting customers at the heart of an organization that is, having the appropriate vision of customers and their needs; a phenomenon that makes the organization to see itself through the eyes of its customers (Asikhia, 2010).

2.1.2 Customer orientation of service employees (COSE)

It is well established among marketing theorists that firms which focus their activities on the needs of their customers, i.e. behave in a customer-oriented way, perform better than those companies that do not (Donavan et al., 2004). The employees of customer-oriented companies provide better and superior services from the customers' perspective, increasing customer satisfaction and improving the image of the company. Customer orientation appears to have a direct relationship with customer satisfaction (al-alak & alnawas, 2010).

Because of the intangible nature of services and their high level of customer interaction and integration, customer orientation can be expected to play a crucial role in terms of economic success for service companies. Customer oriented companies produce high-quality service from the customers' perspective as compared to that of management's "we know what customers want" attitude (Scheer & Loos, 2002). They put themselves in the shoes of the customers and design the service delivery system to meet customers' needs and expectations. They hold on close to the concept of dedication to the customer.

Customer orientation can be thought of as the behavior and ability of service employees to help and fulfill customers' expectation during the interpersonal interaction with customers (Scheer & Loos, 2002).

Kelley (1992) was among the first researchers to study the construct of COSE. Building on the premise that the customer orientation of a service firm's frontline employees is crucial for business success, he proposed and empirically tested a conceptual framework of COSE determinants, including organizational constructs such as organizational climate and socialization, as well as personal constructs such as motivational effort and direction.

Brown et al. (2002) define COSE as an "individual's tendency or predisposition to meet customer needs in an on-the-job context" and conceptualize it as two-dimensional. According to their thinking, COSE is composed of: a needs

dimension which covers the employee's belief that he or she can fulfill customers' wishes; and an enjoyment dimension which represents the extent to which the employee enjoys interactions with customers. They found that customer orientation is influenced by deeper personality traits and, in turn, influenced worker performance.

In contrast to Brown et al. (2002), Donovan et al. (2004) apply an intra-organizational perspective and consequently consider the employee's organizational commitment and his or her job satisfaction as outcome variables of their structural model. They argue that COSE consists of five dimensions, entitled "need to pamper", "need to read the customer", "need for personal relationship", "need to deliver", and "need to communicate".

Hennig-Thurau and Thurau (2003, p.8) define COSE as "the employee's behavior in person-to-person interactions with customers meets those customers' needs" and suggest a three-dimensional conceptualization of COSE entitled: an employee's customer oriented skills; his or her motivation to serve customers; and his or her self-perceived decision-making authority. Their approach is based on the requirements that must be met by service employees to satisfy customers' needs during employee-customer interaction processes.

In the marketing literature, the impact of a firm's customer orientation on its long-term economic success is largely undisputed. The concept of customer orientation has thus developed into one of the main fields of marketing research. The idea behind customer orientation is that a company has to address the needs and wishes of its customers adequately in order to ensure that they will buy the company's products or services, experience a high degree of satisfaction with the company's goods or services, and then become loyal customers of that company (Hennig-Thurau & Thurau, 2003).

The findings of an empirical study by Hennig-Thurau (2004) for two service contexts illustrate that service employees' level of customer orientation is a key

driver for customers' satisfaction with the service firm, the level of emotional commitment of these customers to the firm, and most importantly, their degree of retention.

Especially in the case of service firms such as banks where there is a high level of interaction between the employee and the customer, the customer's perception of the extent to which the employee is inclined to the fulfillment of the customer's needs provides a significant input to the customer's judgment of the quality of their relationship or the quality of the service in general which leads not only to an increase in customer satisfaction but also to an emotional commitment to the organization and to customer retention (Robel, 2015).

2.1.3 Conceptualizing customer orientation

Customer orientation of service employees (COSE) is conceptualized as a construct having four dimensions as suggested by Hennig-Thurau (2004). These dimensions include technical skills, social skills, motivation and decision-making authority.

The employee's technical skills refer to the knowledge and those technical or motor skills which a service employee must possess in order to fulfill the customer's needs during the personal interaction process (Argyle, 1967). Such technical skills are essential for customers' need fulfillment as the characteristic of service encounters requires the employee to respond instantly to the customer instead of relying on data in knowledge databases, etc. In several service areas, the employee's motor skills are to a large extent identical with the service provided and cannot be substituted by other service components.

The concept of social skill focuses on the service employee's ability to take the customer's perspective during interactions (Flavell et al., 1968). Specifically, such perspective taking can take place visually (i.e. the employee understands what the customer sees and perceives), cognitively (i.e. the employee

understands what the customer thinks), and emotionally (i.e. the employee understands what the customer feels). All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfillment.

An employee's social and technical skills can be similarly high or low, but an employee who possesses a high level of social skills must not necessarily have the knowledge that is required to perform in a customer-oriented way (Hennig-Thurau, 2004).

Regarding the motivation dimension of COSE, Hennig-Thurau (2004) deduce employee's motivation to serve customers from Vroom's (1967) expectancy theory which assumes that people's motivation to exert effort is dependent upon their expectations for success and consists of three elements, namely: a positive valence of customer-oriented behavior and the consequences associated with such behavior on the part of the employee; the employee's self-perception of being able to behave in a customer-oriented way; and his or her expectations of reaching the desired outcome through engaging in such behavior as employee-of-the-month award.

Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior (Hennig-Thurau, 2004).

Finally, the employees' self-perceived decision-making authority as the remaining dimension of COSE corresponds to the extent to which service employees feel authorized to decide on issues that concern customers' interests and needs (Bowen & Lawler, 1995). Self-perceived decision-making authority is related to the empowerment concept intensively discussed in the service literature. As with motivation, decision-making authority is needed in order to transfer an employee's skills and intention to treat customers in a friendly and competent way into actual behavior.

Consequently, COSE is considered a four-dimensional construct with technical skills, social skills, motivation, and decision-making authority as its dimensions.

2.1.4 Service quality in banking sector

In today's competitive environment, service quality is a critical measure of organizational performance that continues to compel the attention of banking institutions and remains at the forefront of services marketing literature and practice (Lasser et al., 2002). The interest is largely driven by the realization that high service quality results in customer satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates (Levesque & McDougall, 1996). It is well established that service quality is heavily dependent on the behaviors of customer-contact personnel. Although many customers do take note of brand and reputation in making their initial choice of a service firm, the individual characteristics of known and trusted customer-contact employees have been shown to be of particular importance for repeat customers (Zeithaml et al., 1996; Teece, 2003). This is especially relevant for the customers of financial services because such customers are frequently dealing with complex intangible services and an asymmetry of knowledge (information) between customers and service providers (Maister, 1993).

2.1.5 Customer satisfaction

There are several definitions of customer satisfaction in the marketing literature. It is generally accepted that satisfaction is a psychological state that results from customer's experience after consumption (Pleshko & Heiens, 1996). According to a widely accepted conceptualization, customer satisfaction is a customer's post-consumption evaluation of a product or a service. This occurs only if the perceived performance of a product or a service meets or exceeds customers' prior expectations (Mittal & Frennea, 2010). Thus, overall

customer satisfaction with a company's offerings is determined by comparison between customers' expectation of the company's products or services and their perception of the products' or services' performance (Oliver, 2010).

Customer satisfaction is one of the most important issues concerning business organizations of all types, which is justified by the customer-oriented philosophy and the principles of continuous improvement in modern enterprise (Arokiasamy, 2013). It is one of the most commonly used customer-oriented metrics by managers because of its generic nature and its universal measurability for all types of products and services (Gupta & Zeithaml, 2006). In service markets, customer satisfaction is often measured as the difference between service expectation and experience. That is, when expectations are met or exceeded, customers report higher levels of satisfaction. Since expectation plays a significant role in customer satisfaction, it is important to create realistic expectations (Jones et al., 2003).

The marketing concept suggests that a satisfied buyer will be more likely to repurchase again, or at least has the intention of repurchasing again than those who are dissatisfied. I.e. the more satisfied customers are, the greater will be their retention (Ranaweera & Praghu, 2003).

Oliver (2006) clarifies his definition of customer satisfaction suggesting some related concepts influencing satisfaction, like the mood of the customers at the time of consumption; the quality of the service elements; value; attitude; disconfirmation between expectations and the actual performance; and loyalty. These concepts are further explained to clarify how they influence customer satisfaction.

The mood of both customers and service providers plays a role in the formation of satisfaction as it may lead to a positive or negative outcome, not directly related to the quality of the service provision (Oliver,2006). In the case of banks, the service provided is characterized with close and repeated interaction

between customers and providers. Thus, mood may play a significant role in the formation of satisfaction.

The quality of a service has a direct cognitive influence on satisfaction formation and refers to the direct assessment that customers make regarding the quality of the different aspects of the service (Oliver, 2006). Value as a concept related to customer satisfaction can be explained as an assessment of the possible outcomes compared to the costs paid by the customers (Oliver, 2006). In the case of CBE, except few services such as foreign and local money transfer, most services provided do not have monetary costs to customers. The attitude in relation to satisfaction formation can be characterized as a stable perception. If a service has a desirable feature, customers form an opinion if they like the service or not (Oliver, 2006). The attitudes are usually formed based on preliminary information about the service and not necessarily after the usage of the service.

Disconfirmation is simply defined as the difference between what was expected from the service and what was actually received (Oliver, 2006). Menget et al. (2008) indicated that the expectancy-disconfirmation model has gained the widest popularity in the academic community. This study also draws on the expectancy-disconfirmation model among the competing customer satisfaction models. The expectancy-disconfirmation paradigm is based on the premise that customers form certain expectations about a product or a service prior to consumption, and these expectations become a standard against which actual performance is compared (Oliver, 1980). According to this model, customer satisfaction is a post-purchase response that occurs as a result of comparing pre-purchase expectations and perceived performance (disconfirmation). In other words, customer satisfaction characterizes the perceived discrepancy between a customer's expectations and the perceived performance of a product or a service that he or she has used.

Pre-purchase expectation refers to the subjective beliefs or desires of a customer about anticipated performance of a product or a service. Disconfirmation refers to the difference between expectation and post-purchase judgment of the customer about the service performance (Parasuraman et al., 1985). When the perceived performance surpasses a customer's pre-purchase expectations, a positive disconfirmation occurs, leading to customer satisfaction. A negative disconfirmation takes place when the customer's expectations are not met after having an experience with the product or service, resulting in customer dissatisfaction and weakening the customer's relationship with the service provider and hence, the firm. In the case where the product or service performs as expected, simple confirmation occurs (Oliver & DeSarbo, 1988).

Customer satisfaction has generally been suggested to contain two such different dimensions; as a transaction-specific evaluation approach; and an overall, cumulative evaluation approach. Transaction-specific evaluation approach views customer satisfaction as a post-choice judgment of a specific purchase occasion (Oliver, 1980). Until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level. An overall (cumulative) evaluation approach is based on the total experience with a product or service over time. According to this approach, customer satisfaction is the final result of all activities carried out during the process of purchase and consumption (Oliver, 1980).

Some researchers like Arokiasamy (2013) and Oliver (1980) suggest that overall satisfaction is more appropriate for conducting analysis since it is capable of aggregating or blending individual satisfaction episodes and is better at predicting consequent behaviors and economic outcomes. Thus, this paper used an overall or cumulative approach to satisfaction.

2.1.6 Customer loyalty

Customer loyalty broadly refers to customers' behavior that indicates a desire to better an ongoing relationship with an organization. It is customers' willingness to purchase again from a company, having preference for the company's products or services, or recommending the company to others (Palmatier et al., 2006). It is customer's desire to remain in a relationship with a company that demonstrates how much a customer is loyal to the company. Loyal customers are often worth the marketing effort, owing to their willingness to buy additional products or services and spread positive word of mouth as well as their reliability as a source of continuous revenues (Zeithaml, Berry & Parasuraman, 1996).

Loyalty is developed over a period of time from a consistent record of meeting, and is very difficult to be achieved. More and more unique ways are adopted to meet the ever changing nature of the service industry. Every organization in the market competes to develop advanced methods to keep on track. Technology, for example affects the service industry since constantly meeting customer satisfaction over a period of time is the only way to achieve customer loyalty (Teich, 1997). Kotler et al. (1999) claim that the cost of attracting a new customer may be five times the cost of keeping a current customer happy.

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer (Ganiyu, Uche & Elizabeth, 2012). Customer Loyalty can be considered as customer's willingness to continue patronizing a firm over a long term, preferably on an exclusive basis, and recommending the firm's products or services to others (Lovelock & Wirtz, 2007).

The most widely accepted definition of customer loyalty is that it is the behavioral outcome of a customer's preference for a particular brand or a

selection of similar brands, over a period of time that is the result of an evaluative decision-making process (Gilmore, 2003). Customer loyalty is not a process that finishes with the customer joining the loyalty program but actually a process that starts with the customer joining the program. As opposed to what the name suggests, it is not something that the customer has to build towards the enterprise, but something that the enterprise must get from the customer (Ganiyu, Uche & Elizabeth, 2012).

The distinctive nature of services, increased role of technology and higher customer involvement in service delivery processes have furthered the importance of customer loyalty in service industries. Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. According to the results of numerous researches published in the relationship marketing literature, a loyal customer may bring many benefits to an organization by increasing organizational profitability and stability (Fillip & Anghel, 2009).

2.2 Empirical Review

As a result of the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success (Bitner et al., 1990; Bove & Johnson, 2000; Bowen & Schneider, 1985; Sergeant & Frenkel, 2000). In other words, service organizations may enhance their profitability upholding customer-oriented employees.

Several empirical studies show that it is impossible to maintain a satisfied and loyal customer base without satisfied and committed employees. Any employee who comes in direct or indirect contact with a customer influences customer satisfaction and thus, the company's revenue (Solnet, 2006). The link between customer and employee variable has also been depicted by Heskett et al. (1997) within a framework termed "employee-customer profit chain". Researches that

focused on the customer-organization interface invariably incorporate the service provider as a key component.

Customers have expectations with regard to the behavior of service employees in interaction situations and when these are met or exceeded, the level of customer satisfaction with the service provider is positively influenced (Hennig-Thurau, 2004). 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 firm and its employees, that can be characterized by elements of emotionality and friendship (Garbarino & Johnson, 1999; Gwinner et al., 1998; Price & Arnould, 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. They presume that the employees' handling of interactions with customers strongly influences the level of commitment a customer develops toward a service provider. At the same time, it is assumed here that the level of satisfaction the customer experiences with the service provided also contributes to the customer's commitment to the service firm, as friendships require at least a minimum of reliability and fulfillment (Hennig-Thurau et al., 2002).

Regardless of what business leaders may be trying to implement in their companies, any employee interacting with customers is in a position to either increase customer satisfaction or put it at risk. Therefore, employees in such positions should have the skills to respond effectively and efficiently to customers' needs (Potter-Bortman, 1994).

The extant marketing literature identifies a positive relationship between customer satisfaction and customer loyalty unless specific settings or conditions exist regarding customers' choice. However, recent studies highlight that constraints or circumstances can exist such that customers' choice or

purchase behavior can be influenced and/or limited. For instance, extreme and significant departures from a positive satisfaction-loyalty association have been demonstrated under monopolistic settings (Agustin & Singh, 2005; Deming, 1986; Kamakura et al., 2002; Oliver, 1999; Seiders et al., 2005; Verhoef, 2003).

Levesque and McDougall (1996) found that the performance of the service provider on core and relational dimensions of service quality was an important driver for customer satisfaction in retail banking. The bank's ability to deliver these benefits on a continuous basis has a significant impact on the level of customer satisfaction. Therefore, bank management has to identify and improve upon factors that can increase customer value. Although customer satisfaction is a necessary prerequisite for building long-term relationship with customers, it is not a sufficient condition for building customer loyalty (Anthanassopoulos, Gounaris & Sathakopoulos, 2001; Selnes, 1993; Bolemer & Ruyter, 1998). Thus, having satisfied customers is not enough to retain them.

Companies with satisfied customers have a good opportunity to convert them into loyal customers who re-patronize the firm over an extended time period. But today's loyal customers may not be tomorrow's loyal buyers because of the highly competitive and dynamic environment in financial institutions (Evans & Lindsay, 1996). Sivadas and Baker-Prewitt (2000) examined that there is an increasing recognition that the ultimate objective of customer satisfaction should be customer loyalty. Fornell et al. (1996) found that high customer satisfaction will result in increased customer loyalty for the firm and that customers will be less prone to overturn to competition. This view was also shared by Anton (1996) who stated that satisfaction is positively associated with repurchase intentions, likelihood of recommending a product or a service, loyalty, and profitability.

2.3 Conceptual Framework and Hypotheses

The conceptual framework of this research shows the various variables under study, their dimensions and measures. The predictor variable is customer orientation of service employees (COSE) while the dependent variables are customer satisfaction and customer loyalty. The independent variable is in turn accounted for the following dimensions; technical skills, social skills, motivation, and self-perceived decision-making authority.

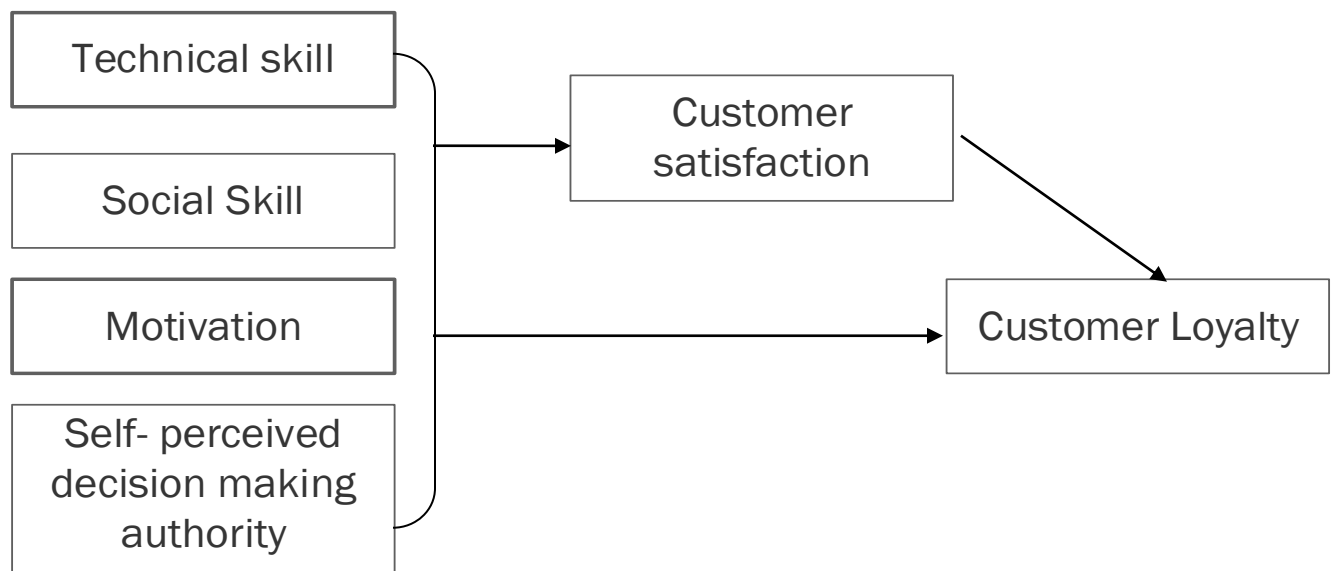


Figure 1 Conceptual framework of the study

(Source: Hennig-Thurau, 2004)

Based on the reviewed literatures of the above empirical studies, the following hypotheses are proposed.

H1: Customer orientation of service employees significantly and positively affects customer satisfaction.

H1a: The technical skill of service employees significantly and positively affects customer satisfaction.

H1b: The social skill of service employees significantly and positively affects customer satisfaction.

H1c: The motivation of service employees significantly and positively affects customer satisfaction.

H1d: The self-perceived decision making authority of service employees significantly and positively affects customer satisfaction.

H2: Customer orientation of service employees significantly and positively affects customer loyalty.

H2a: The technical skill of service employees significantly and positively affects customer loyalty.

H2b: The social skill of service employees significantly and positively affects customer loyalty.

H2c: The motivation of service employees significantly and positively affects customer loyalty.

H2d: The self-perceived decision making authority of service employees significantly and positively affects customer loyalty.

H3: Customer satisfaction mediates the relationship between COSE and customer loyalty.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter highlights the overall methodology adopted for the study. It includes research approach, research design, population and sample size, data collection sources, data collection instruments, data analysis techniques, reliability and validity test, and ethical considerations.

3.1 Research Approach

There are basically two types of research approaches i.e. qualitative and quantitative research approach.

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of the researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (Kothari,2004).

The essence of qualitative research is to identify the characteristics and structure of phenomena and events examined in their natural context. Subsequently, these characteristics are brought together to form a mini theory or a conceptual model. Conducting qualitative research requires an open attitude in order to understand how others experience their situation (Jonker & Pennink, 2010).

In contrast quantitative research involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Kothari, 2004). The essence of quantitative research is to use a theory to frame and thus understand the problem at hand. Its starting point, if not focus, can be to contribute to the development of theory. It is grounded in the basic attitude that knowledge about reality can also be obtained 'through the eyes of the researcher' (Jonker & Pennink, 2010).

In order to describe the effect of COSE dimensions on customer satisfaction and loyalty, and see causality among them, a quantitative research approach

was found fundamental in this study. A quantitative approach is employed to visualize fuller image of the relationship between these variables.

3.2 Research Design

Research design is the conceptual structure within which a research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). Research design is the overall plan for connecting the conceptual research problems to the pertinent empirical research. A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Jonker & Pennink, 2010). There are basically three categories of research designs i.e. exploratory, descriptive and causal/explanatory research.

The main purpose of exploratory study is to formulate a problem for more precise investigation or to develop the working hypotheses from an operational point of view. The major emphasis of such studies is on the discovery of ideas and insights (Kothari, 2004).

Descriptive research is a study that describes what is happening in a market without potentially explaining why it is happening. The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that are relevant to the research question (Williams, 2004). Such research is quantitative, more formal and more structured than exploratory research.

And finally causal study aims at establishing the cause and effect relationship between variables by examining whether one variable causes or determines the value of another variable (Williams, 2004). This design is by far the most formal and structured design.

The research design used in this study includes descriptive design (describing the effect of COSE on customer satisfaction and loyalty) and explanatory design (the researcher also sees causality among these variables).

3.3 Population and Sample size

Population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group, organization, country, object, or any other entity that you wish to draw scientific inferences about (Bhattacharjee, 2012). The target population for this study consists of all the customers of CBE in Addis Ababa. However, in order to manage the study, sample is drawn.

There are four strategies to decide the sample size; census for small population, imitating the sample size of similar studies, applying formulas to calculate the sample size, and using published tables (Narangajavana, 2007). The first strategy is appropriate for a population of 200 or less. It allows collecting data from all subjects, thus eliminating sampling error that occurs because only part of the population is directly contacted. This strategy, however, is impossible when conducting research on a larger population and when cost is a factor. The second strategy, imitating the sample size of similar studies, saves time but has a major drawback of repeating errors that were made in determining the sample size in previous studies. The third strategy allows the researcher to achieve the necessary sample size for a different combination of levels of precision, confidence, and variability of a particular study. The fourth strategy is simply using published tables (Narangajavana, 2007).

To gather the information needed for the research, this study used the formula method to calculate the appropriate sample size. As per Buglear's (2003) guide, 384 questionnaires are appropriate for a population of 100,001-300,000,000 with 95% confidence level and 5% sampling error. This figure is also recommended by scholars (<http://research-advisors.com>).

$$n_0 = \frac{z^2 pq}{e^2}$$

$$n_0 = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2}$$

Sample size= 384

Where n_0 =sample size,

Z= is the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level),

e= is the desired level of precision,

p= is the estimated proportion of an attribute that is present in the population, and

q= is $1-p$.

From the total customers of CBE branches delivering service in Addis Ababa, the researcher distributed only 384 questionnaires, given time and monetary constraints.

3.3.1 Sampling Technique

Sampling is the statistical process of selecting a subset (called a sample) of a population of interest for the purpose of making observations and statistical inferences about that population (Bhattacharjee, 2012). Social science research is generally about inferring patterns of behaviors within specific population. Studying entire population is impossible because of feasibility and cost constraints, and hence, selecting a representative sample from the population of interest for observation and analysis is a must. Further, greater speed, greater scope, and greater accuracy are the other advantages of sampling (Bhattacharjee, 2012). It is extremely important to choose a sample that is truly representative of the population so that the inferences made from the sample can be generalized back to the population of interest.

Basically there are two categories of sampling i.e. probability and non-probability sampling techniques. Probability sampling is a technique in which the chances of each case being selected from the population is known and is

usually equal for all cases (Bhattacharjee, 2012). Simple random sampling, systematic sampling, stratified sampling, cluster sampling are some common probability sampling techniques. Non-probability sampling is a sampling technique in which some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined. Typically, units are selected based on certain non-random criteria, such as quota or convenience (Bhattacharjee, 2012). Convenience sampling, quota sampling, judgment sampling, and snowball sampling are among the most common.

This research employed simple random sampling (lottery method) to select branches of CBE in Addis Ababa district. Since CBE branches in Addis Ababa are divided into four districts, two branches from each district were chosen randomly for this study. Thus, the data was collected by visiting eight randomly selected CBE branches. 384 questionnaires were distributed equally among customers of the chosen eight branches in the four districts i.e. 48 questionnaires were given to customers of each branch.

And for selecting customers, probability sampling technique (systematic sampling) was used.

Table 1 Customer selection technique

Branch name	No. of customers per day on average	No. of questionnaires assigned to each branch	No. of customers divided by the No. of questionnaires	Chosen customer to participate in the study
Nifas S.	1000	48	≈21	Every 21th customer
Ethio C.	700	48	≈15	Every 15th customer
Addisu G.	900	48	≈19	Every 19th customer
Gedam S.	500	48	≈10	Every 10th customer
Ayer T.	620	48	≈13	Every 13th customer
Wolete	300	48	≈6	Every 6th customer
Gotera	748	48	≈16	Every 16th customer
A.A	1200	48	=25	Every 25th customer

3.4 Data collection sources

Primary data are those which are collected afresh and for the first time, and thus happen to be original in character. Primary data is collected first-hand, directly by the researcher him/herself. These are data that the researcher gathers and assembles for the purpose of inquiry at hand, specific information in the area of investigation and pointed to the research objectives (Kothari, 2004).

Secondary data are those which have already been collected by someone else and that have passed through statistical process i.e. data that is already available (Kothari, 2004). When the researcher utilizes secondary data, then he/she has to look into various sources from where he/she can obtain them. In this case he/she is certainly not confronted with the problems that are usually associated with the collection of original data.

In this research, all the necessary information was acquired from primary data sources.

3.5 Data collection Instruments

Questionnaire (survey) containing structured questions about the four dimensions of COSE (technical skills, social skills, motivation, and self-perceived decision making authority) each having three items was adopted from Hennig-Thurau (2002) and put on a five-point Likert scale ranging from “1-strongly disagree” to “5-strongly agree”. Questions about customer satisfaction and loyalty having four and five items respectively were also adopted from the same source. In addition, a section on customers’ personal profile was added to obtain information on their demographics and account types.

3.6 Data Analysis Techniques

All the formal procedures to organize, categorize, edit and code the collected data were followed and interpreted accordingly by using tables, frequencies, and percentages. Correlation analysis was used to examine the relationship between the dependent variables (customer satisfaction and customer loyalty)

and the independent variable (COSE). In this study Pearson's correlation coefficient was used.

Data was analyzed using both descriptive and inferential statistics. Descriptive statistics was used to analyze data in general and for analyzing profile variables of the respondents. Mean score was used to understand the level of customer orientation of service employees, customer satisfaction and loyalty. Whereas inferential statistics was employed for hypothesis testing and investigating research objectives by using multiple regression analysis to determine the effect of COSE dimensions as predictors of customer satisfaction and customer loyalty.

Model specification

$$Y=a+bX_1+cX_2+dX_3+eX_4$$

- Y is the dependent variable - customer satisfaction/customer loyalty.
- X₁, X₂, X₃, and X₄ are technical skills, social skills, motivation, and self-perceived decision making authority respectively. These are the explanatory variables.
- a is the intercept term - it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.
- b, c, d, and e refer to the coefficient of their respective independent variables which measure the change in the mean value of Y per unit change in their respective independent variables.

3.7 Reliability and Validity Test

3.7.1 Reliability

Bryman and Bell (2003) highlight that reliability is concerned with the consistency of measures, thus, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly. The

different types of reliability include test-retest reliability, parallel forms reliability, inter-rater reliability, and internal consistency reliability.

Test-retest reliability is a measure of reliability obtained by administering the same test twice over a period of time to a group of individuals. Parallel forms reliability is a measure of reliability obtained by administering different versions of an assessment tool (both versions must contain items that probe the same construct, skill, knowledge base, etc.) to the same group of individuals. Inter-rater reliability is a measure of reliability used to assess the degree to which different judges or raters agree in their assessment decisions. Frequently used reliability test in business research is internal consistency reliability. It is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. This reliability can be estimated in terms of average inter-item correlation, average item-to-total correlation, and Cronbach's alpha coefficient (Colin & Julie, 2006).

This research used Cronbach's alpha to test the reliability of the questionnaire on a small sample of respondents. The reliability of the survey instrument was pre-tested in a pilot study involving 30 customers. Generally, reliability coefficient of around 0.9 is considered "excellent", while value around 0.8 is considered "very good", value around 0.7 is "adequate" and value of 0.6 is questionable (Kiesi, 2012).

3.7.2 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2004). Bryman and Bell (2003) suggested that the important issue of validity measurement relates to whether measures of concepts really measure the concept. The different types

of validity include face validity, content validity, criterion-related validity, formative validity, and sampling validity.

Face validity ascertains that the measure appears to be assessing the intended construct under study. The stakeholders can easily assess face validity. Although this is not a very scientific type of validity, it may be an essential component in enlisting motivation of stakeholders. Content validity is used to ensure that the measure actually measures what it is intended to measure (i.e. the construct), and not other variables. Using a panel of experts familiar with the construct is a way in which this type of validity can be assessed. The experts can examine the items and decide what that specific item is intended to measure. Criterion-related validity is used to predict future or current performance - it correlates test results with another criterion of interest. Formative validity is used to assess how well a measure is able to provide information to help improve the program under study. Lastly sampling validity (similar to content validity) ensures that the measure covers the broad range of areas within the concept under study. Not everything can be covered, so items need to be sampled from all of the domains. This may need to be completed using a panel of experts to ensure that the content area is adequately sampled (Colin & Julie, 2006).

To assure validity in this research, the measuring instrument was adopted from the related literatures. Sample of the survey instrument was given to two academicians in St. Marry and Unity University colleges for evaluation prior to the final administration. From their responses, the content of the questionnaire is in alignment with the research objectives.

3.8 Ethical considerations

The confidentiality and privacy of the respondents were not violated and anyone who was not interested to participate in the research project was not forced to do so. Destruction of any sort that inhibits the respondents from effectively participating in the research project was avoided. Data was

presented and interpreted in an unbiased manner. No omission of important results and altering data to meet the desired objectives (outcome) occurred.

CHAPTER FOUR

4. RESULT AND DISCUSSION

This chapter presents, analyzes and interprets the data collected from the respondents. It comprises sample and response rate, descriptive analysis, correlation analysis, and regression analysis.

4.1 Sample and response rate

Out of the 384 questionnaires distributed to eight various CBE branches, 364 were returned and 354 were found usable for analysis. The remaining 10 out of the 364 collected questionnaires were found not appropriate for analysis since they exhibit missing responses for more than 10 items. The response rate therefore is 92%.

4.2 Descriptive Analysis

4.2.1 Respondents' profile

This section reveals the respondents demographic profile in terms of their gender, age, educational status, number of service usage, and kind of account.

Among the 354 respondents, 210 were male which accounts for 59.3% of the sample size and the remaining 143 respondents (40.4%) were female. This means that both male and female respondents are fairly represented in the study. In the age category, majority of the respondents (46.9%) fall within the age group of 20 to 30 years followed by 28.8% within the age group of 31 to 40 years. Respondents between the ages of 41-50 years, less than 20 years, and greater than 50 years account for 13.3%, 5.6%, and 5.4% respectively. This means that, it is people between the age of 20 to 30 years who frequently visit CBE's branches for deposits and other services as compared to the other age groups. Respondents with educational level achievement of first degree dominate the sample size accounting for 45.2% followed by 24% of respondents with diploma. Respondents with second degree and above, secondary

education, and primary education account for 13.6%, 9.6%, and 7.6% respectively. The higher number of the respondents with first degree in the survey clearly reflects the nature of CBE's customers in a sense that it is these customer groups who frequently use the bank's services. Out of the 354 respondents, 122 of them have 2-5 years of experience with the bank, 111 have 6-10 years of experience, 74 of them have more than 10 years of experience, and the remaining 47 of the respondents have less than 2 years of experience with the bank. In the type of account section, the majority (63%) has saving account, 23.7% have both saving and current account, and the remaining 13.3% have current account.

In the following table the respondents' demographic profile is presented with their respective frequency of occurrence and percentage.

Table 2 Respondents' Profile

Measure	Category	Frequency	Percentage %
Gender	Male	210	59.3
	Female	143	40.4
	Total	353	99.7
	Missing	1	0.3
	Total	354	100
Age	Less than 20	20	5.6
	20-30	166	46.9
	31-40	102	28.8
	41-50	47	13.3
	Greater than 50	19	5.4
	Total	354	100
Educational status	Primary	27	7.6
	Secondary	34	9.6
	Diploma	85	24
	First degree	160	45.2
	Second degree and above	48	13.6
	Total	354	100
Number of service usage	Less than 2 years	47	13.3
	2-5	122	34.5
	6-10	111	31.4
	More than 10 years	74	20.9
	Total	354	100
kind of Account	Saving	223	63
	Current	47	13.3
	Both	84	23.7
	Total	354	100

(Source: Own survey result, 2017)

4.2.2 Reliability Analysis

Reliability is concerned with the consistency of measures, thus, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly (Bryman & Bell, 2003). This research used Cronbach's alpha to test the reliability of the questionnaire on a small sample of respondents. Table 3 below shows the reliability of the constructs tested using Cronbach's alpha.

Table 3 Reliability Statistics

Construct	Cronbach's alpha	No. of items
Technical skill	0.834	3
Social skill	0.839	3
Motivation	0.755	3
Self-perceived decision-making authority	0.761	3
Customer satisfaction	0.877	4
Customer loyalty	0.931	5

(Source: Own survey result, 2017)

The Cronbach's alpha value for all the constructs shows higher internal consistency since their value is closer to 1.0.

Reliability Statistics

Cronbach's alpha	No. of items
0.863	12

Reliability statistics for the dimensions of COSE with 12 items was found to be 0.863 which indicates that the survey instrument is reliable.

4.2.3 Normality Test

The normality of the population distribution is the basis for making statistical inferences about the sample drawn from the population (Kothari, 2004). Most studies which involve statistical procedure work under the assumption that observations have normal distribution. Any violation of the normality rule may lead to overestimation or underestimation of the inference statistic (Marczyk et al., 2005). In order to examine normality, one has to measure each variable's skewness, which looks at lack of symmetry of distribution, and kurtosis, which looks at whether the data collected, are peak or flat with relation to normal distribution (Marczyk et al., 2005).

Table 4 Normality Test

	Skewness Statistic	Kurtosis Statistic
TS	-.766	.412
SS	-.696	-.070
M	-.446	-.349
DMA	-.154	-.519
CS	.557	.565
CL	-.691	-.099

(Source: Own survey result, 2017)

(Note: TS, SS, M, DMA, CS, and CL are technical skill, social skill, motivation, self-perceived decision-making authority, customer satisfaction, and customer loyalty respectively)

Table 4 above describes the level of skewness and kurtosis for the six constructs, which constitute 21 items. The general rule-of-thumb for the test of normality varies depending on the nature of the research. The common one

mostly suggested mentioned in literatures is for both kurtosis and skewness to be in between -2 and +2 (George & Mallery, 2010). As shown in the above table, the skewness and kurtosis measures for this study are well within that range. Therefore, the data for this study is normally distributed.

4.2.4 The Level of Customer orientation of CBE's Employees

The first objective of the study is to evaluate the level of customer orientation of CBE's employees i.e. their level of technical skill, social skill, motivation, and self-perceived decision-making authority as perceived by customers using the mean score of each dimension.

Table 5 The mean score of customer orientation of CBE's employees

	N	Minimum	Maximum	Mean
COSE	328	1.00	5.00	3.4449
TS	347	1.00	5.00	3.6561
SS	339	1.00	5.00	3.5487
M	339	1.00	5.00	3.4376
DMA	350	1.00	5.00	3.1390
Valid N (listwise)	328			

(Source: Own survey result, 2017)

(Note: COSE, TS, SS, M, and DMA are customer orientation of service employees, technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

The maximum and minimum responses for all variables stated in the above table are 1 and 5 respectively. The mean score value shows the average of all customers' responses on each dimension (www.snapsurvey.com).

The mean score value of the overall level of COSE is 3.44 which falls above the cut of point 3.00. This means employees of the bank exhibit good customer orientation. However, there is mean score variability among the dimensions of

COSE. Technical skill scored the highest with mean value of 3.66 meaning the employees of the bank have a high level of bank service knowledge and technical or motor skills to deliver the core service. Social skill and motivation of the bank’s employees also scored good with mean values of 3.55 and 3.44 respectively as perceived by the respondents. Good social skill means that the employees consider their customers’ perspectives and treat them well. In addition, CBE’s employees have shown good commitment to their job and do their best to fulfill their customers’ needs.

Although the self-perceived decision-making authority dimension scored the lowest of all COSE dimensions, its mean value is 3.14 which is still above the cut of point 3.00. This means CBE’s employees can decide by themselves on customer matters and need not to ask their superior for permission in solving customer problems.

4.2.5 Customer Satisfaction and Customer Loyalty in CBE

The following table displays the mean score of customer satisfaction and customer loyalty to be 3.34 and 3.65 respectively. The mean score of customer loyalty is greater than the mean score of customer satisfaction i.e. customers of the bank have more tendencies to be loyal even though they are not satisfied as such.

Table 6 The mean score of customer satisfaction and customer loyalty

	N	Minimum	Maximum	Mean
CS	352	1.00	5.00	3.3438
CL	346	1.00	5.00	3.6497
Valid N (listwise)	345			

(Source: Own survey result, 2017)

(Note: CS and CL are customer satisfaction and customer loyalty respectively)

4.3 Correlation Analysis

The correlation matrix with the dependent and independent variables allows assessing the strength of the association between the variables of interest i.e. it allows to test the hypotheses (Bryman & Bell, 2003). The level of association as measured by Pearson's correlation coefficient (r) falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. If the correlation result of two variables lies between -1 and 0, the two variables are negatively related, if the correlation result lies between 0 and 1, they are positively related, and if the correlation is 0, this means that there is no relation between the two variables. When $r=+1$, it implies that there is a perfect direct relationship between the variables, when $r=-1$, it implies that there is a perfect negative/inverse relationship between the variables, when r is in between 0.10-0.29, it implies that the variables have weak relationship, when the value of r is in between 0.3-0.49, it implies that the variables have moderate relationship, and when the value of r becomes greater or equal to 0.5, it indicates that the relationship is strong. Correlation is significant at the level 0.01 (1-tailed). The correlation matrix for the overall sample is provided in the table below.

Table 7 Correlation Matrix

	COSE	TS	SS	M	DMA	CS	CL
COSE	1	.853**	.900**	.899**	.825**	.743**	.674**
TS	.853**	1	.702**	.683**	.574**	.566**	.590**
SS	.900**	.702**	1	.786**	.636**	.610**	.587**
M	.899**	.683**	.786**	1	.646**	.679**	.615**
DMA	.825**	.574**	.636**	.646**	1	.596**	.517**
CS	.743**	.566**	.610**	.679**	.596**	1	.649**
CL	.674**	.590**	.587**	.615**	.517**	.649**	1

(Source: Own survey result, 2017)

(Note: COSE, TS, SS, M, DMA, CS, and CL are customer orientation of service employees, technical skill, social skill, motivation, self-perceived decision-making authority, customer satisfaction, and customer loyalty respectively)

The above correlation table displays the relationship between various constructs of the study. The first construct to look at is how customer satisfaction correlates with COSE and its dimensions. Customer satisfaction seems to be highly and positively correlated with all the dimensions of COSE since the r value is greater than 0.50 for each relation. The correlation result of customer satisfaction with technical skill, social skill, motivation, and self-perceived decision-making authority is 0.566, 0.610, 0.679, and 0.596 respectively.

The relationship of customer loyalty with COSE and its dimensions is also shown in the above correlation matrix to be strong and positive. The r value for technical skill, social skill, motivation, and self-perceived decision-making authority is 0.590, 0.587, 0.615, and 0.517 respectively.

Other important relationship to look at is how customer satisfaction and customer loyalty correlate with each other. The association between the two variables is statistically significant and positive since the r value of 0.649 is greater than 0.50. From this it can be said that increased customer satisfaction would result in increased customer loyalty.

4.4 Regression Analysis

4.4.1 Multi-collinearity Analysis

Before running regression, one should check for the problem of multi-collinearity which is present if there is high correlation between some of the independent variables. The study checks this with the variance Inflation Factor (VIF) which calculates the influence of correlation among the independent variables on the precision of regression estimates. The VIF should not exceed 10 and should ideally be close to 1. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variable in the model and is calculated using the formula $1 - R^2$ for each variable. If this value is less than 0.1 it indicates that there is

possibility of multi-collinearity, but if it is greater than 0.1 it means that there is no multi-collinearity problem with in the model.

Table 8 Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
TS	.439	2.278
SS	.312	3.205
M	.322	3.102
DMA	.525	1.906

a. Dependent Variable: CS

(Source: Own survey result, 2017)

(Note: TS, SS, M, and DMA are technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

The above multi-collinearity statistics shows the tolerance value to be greater than 0.1 and VIF value to be significantly below 10. This shows that there is no multi-collinearity problem with in the model.

4.4.2 Multiple Regression of COSE dimensions on Customer Satisfaction

After the study met the regression assumption the next step is to examine the effect of COSE dimensions on customer satisfaction.

Multiple regression analysis is defined as a statistical technique which analyzes the linear relationships between a dependent variable and multiple independent variables by estimating coefficients for the equation for a straight line (Hair et al., 2004).

Table 9 Multiple Regression of COSE on Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 ^a	.558	.552	.70916

a. Predictors: (Constant), TS, SS, M, DMA

(Source: Own survey result, 2017)

The adjusted R^2 value tells us how much of the variation in the dependent variable (customer satisfaction) is explained by the model (the dimensions of COSE). In the above table, the model summary shows that the adjusted R^2 value is 0.552 which means that 55.2% of customer satisfaction in CBE is explained by the variation of the four COSE dimensions.

Table 10 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	203.424	4	50.856	101.123	.000 ^b
Residual	161.435	321	.503		
Total	364.859	325			

a. Dependent Variable: CS

b. Predictors: (Constant), TS, SS, M, DMA

(Source: Own survey result, 2017)

ANOVA tells us whether the model, overall, is acceptable from a statistical perspective i.e. whether the independent variables are in a significantly good degree of prediction of the outcome variable (Hair et al., 2004). As can be seen from the above table, the dimensions of COSE (independent variables) significantly predict the dependent variable (customer satisfaction) with

F=101.123 and sig=0.000. F-test is used to find out overall probability of the relationship between the dependent variable and all the independent variables occurring by chance (Hair et al., 2004). The F-test result of the study is 101.123 with a significance of 0.000 meaning that the probability of these results occurring by chance is less than 0.05 i.e. the variation that is explained by the model is not simply by chance.

While the ANOVA table is a useful test of the model’s ability to explain any variation in the dependent variable, it does not directly address the strength of that relationship (Hair et al., 2004). Table 11 shows the coefficients of the regression line. The sign of the coefficient indicates whether the predicted response increases or decreases when the predictor increases, all other predictors being constant (Hair et al., 2004).

Table 11 Multiple Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.187	.168		1.114	.266
1 TS	.134	.063	.118	2.110	.036
SS	.191	.071	.178	2.684	.008
M	.302	.069	.288	4.409	.000
DMA	.291	.055	.269	5.244	.000

a. Dependent Variable: CS

(Source: Own survey result, 2017)

(Note: TS, SS, M, and DMA are technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

Standardized coefficient (beta value) in the above table indicates the degree of importance of each of COSE dimensions to customer satisfaction. The regression result shows that all the dimensions of COSE positively contribute to customer satisfaction in CBE with motivation being the largest predictor and technical skill being the smallest predictor. The dimensions can be ranked in the following manner on the basis of their contribution to customer satisfaction (degree of prediction of the outcome variable).

1. Motivation, ($\beta=0.288$)
2. Self-perceived decision-making authority, ($\beta=0.269$)
3. Social skill, ($\beta=0.178$)
4. Technical skill, ($\beta=0.118$)

Mathematical Equation

$$CS=0.187+0.118 TS+0.178 SS+0.288 M+0.269 DMA$$

Where CS=Customer satisfaction

TS=Technical skill

M=Motivation

SS=Social skill

DMA=Self-perceived decision-making authority

From the above regression equation, it can be inferred that, an increase in the technical skill dimension by one unit would result in an increase in customer satisfaction by 0.118 unit of value. As the social skill of CBE's employees increases by one unit, customer satisfaction will increase by 0.178 units. The other dimensions also affect customer satisfaction positively with their respective beta values.

Table 12 Summary of Hypothesis Result

Hypotheses	Beta	t	p<0.05	Result
H1a: TS→Customer Satisfaction	.118	2.110	.036	Accepted
H1b: SS→Customer Satisfaction	.178	2.684	.008	Accepted
H1c: M→Customer Satisfaction	.288	4.409	.000	Accepted
H1d: DMA→Customer Satisfaction	.269	5.244	.000	Accepted

(Source: Own survey result, 2017)

(Note: TS, SS, M, and DMA are technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

Hypothesis testing

The above table displays the result of the hypothesis test based on the standardized coefficient (beta value) and P-value to see whether the hypothesis is accepted or rejected.

H1a: The technical skill of service employees significantly and positively affects customer satisfaction.

The technical skill of CBE's employees has a positive and significant effect on customer satisfaction with beta value of 0.118 and p-value of 0.036 which is less than 0.05. Therefore, the study accepts the hypothesis.

H1b: The social skill of service employees significantly and positively affects customer satisfaction.

The social skill of CBE's employees has a positive and significant effect on customer satisfaction with beta value of 0.178 and p-value of 0.008 (p<0.05). Therefore, the study supports the hypothesis.

H1c: The motivation of service employees significantly and positively affects customer satisfaction.

As it is shown in the above table, the motivation of CBE’s employees has a positive effect on customer satisfaction with beta value of 0.288. This dimension also has a significant effect on customer satisfaction (p=0.000). Therefore, the study accepts this hypothesis.

H1d: The self-perceived decision making authority of service employees significantly and positively affects customer satisfaction.

The self-perceived decision making authority of CBE’s employees also has a positive and significant effect on customer satisfaction with beta value of 0.269 and p-value of 0.000. Therefore, the study supports the hypothesis.

4.4.3 Multiple Regression of COSE dimensions on Customer Loyalty

The other objective of the study is to examine the effect of COSE dimensions on customer loyalty.

Table 13 Multiple Regression of COSE on Customer Loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680 ^a	.463	.456	.76178

a. Predictors: (Constant), TS, SS, M, DMA

(Source: Own survey result, 2017)

In the above table, the model summary shows that the adjusted R² value is 0.456 which means that 45.6% of customer loyalty in CBE is explained by the variation of the four COSE dimensions.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	158.417	4	39.604	68.247	.000 ^b
Residual	183.958	317	.580		
Total	342.375	321			

Table 14 ANOVA

a. Dependent Variable: CL

b. Predictors: (Constant), TS, SS, M, DMA

(Source: Own survey result, 2017)

As can be seen from the above table, the dimensions of COSE (independent variables) significantly predict the dependent variable (customer loyalty) with $F=68.247$ and $\text{sig}=0.000$. The F-test result of the study is 68.247 with a significance of 0.000 meaning that the probability of these results occurring by chance is less than 0.05 i.e. the variation that is explained by the model is not simply by chance. The contribution of each dimension can be seen from the results of multiple regressions in the coefficient table below. Table 15 shows the coefficients of the regression line.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.825	.181		4.555	.000
1 TS	.271	.069	.245	3.929	.000
SS	.073	.077	.070	.952	.342
M	.318	.074	.310	4.294	.000
DMA	.157	.060	.149	2.625	.009

Table 15 Multiple Regression Coefficients

a. Dependent Variable: CL

(Source: Own survey result, 2017)

(Note: TS, SS, M, and DMA are technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

The regression result shows that all the dimensions of COSE positively contribute to customer loyalty in CBE with motivation being the largest predictor and social skill being the smallest predictor. The dimensions can be ranked in the following manner on the basis of their contribution to customer loyalty (degree of prediction of the outcome variable).

1. Motivation, ($\beta=0.310$)
2. Technical skill, ($\beta=0.245$)
3. Self-perceived decision-making authority, ($\beta=0.149$)
4. Social skill, ($\beta=0.070$)

Mathematical Equation

$$CL=0.825+0.245 TS+0.070 SS+0.310 M+0.149 DMA$$

Where CL=Customer loyalty

TS=Technical skill

M=Motivation

SS=Social skill

DMA=Self-perceived decision-making authority

From the above regression equation, it can be inferred that, an increase in the technical skill dimension by one unit would result in an increase in customer loyalty by 0.245 unit of value. As the social skill of CBE's employees increases by one unit, customer loyalty will increase by 0.070 units. The other dimensions also affect customer loyalty positively with their respective beta values.

Table 16 Summary of Hypothesis Result

Hypotheses	Beta	t	p<0.05	Result
H2a: TS→Customer Loyalty	.245	3.929	.000	Supported
H2b: SS→Customer Loyalty	.070	.952	.342	Not Supported
H2c: M→Customer Loyalty	.310	4.294	.000	Supported
H2d: DMA→Customer Loyalty	.149	2.625	.009	Supported

(Source: Own survey result, 2017)

(Note: TS, SS, M, and DMA are technical skill, social skill, motivation, and self-perceived decision-making authority respectively)

Hypothesis testing

The above table displays the result of the hypothesis test based on the standardized coefficient (beta value) and P-value to see whether the hypothesis is supported or not.

H2a: The technical skill of service employees significantly and positively affects customer loyalty.

The technical skill of CBE's employees has a positive and significant effect on customer loyalty with beta value of 0.245 and p-value of 0.000 ($p < 0.05$). Therefore, the study supports the hypothesis.

H2b: The social skill of service employees significantly and positively affects customer loyalty.

The social skill of CBE's employees has a positive but insignificant effect on customer loyalty with beta value of 0.070 and p-value of 0.342 which is greater than 0.05. Therefore, the study fails to support the hypothesis.

H2c: The motivation of service employees significantly and positively affects customer loyalty.

As it is shown in the above table, the motivation of CBE's employees has a positive effect on customer loyalty with beta value of 0.310. This dimension also has a significant effect on customer loyalty ($p = 0.000$). Therefore, the study supports this hypothesis.

H2d: The self-perceived decision-making authority of service employees significantly and positively affects customer loyalty.

The self-perceived decision-making authority of CBE's employees also has a positive and significant effect on customer loyalty with beta value of 0.149 and p-value of 0.009 ($p < 0.05$). Therefore, the study supports the hypothesis.

4.4.4 Mediating Role of Customer Satisfaction in COSE-Loyalty Relationship

Furthermore, the indirect influence of customer satisfaction on COSE-Loyalty relationship was also tested using Sobel's (1982) statistics (explicitly testing the significance of the mediation effect). The test checks whether a mediator variable (customer satisfaction) significantly carries the influence of an independent variable (COSE) to a dependent variable (customer loyalty). That is, whether the indirect effect of the independent variable on the dependent variable through the mediator variable is significant.

Table 17 Multiple Regression Coefficients

a. Dependent Variable: CS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.123	.164		.749	.455
COSE	.924	.046	.743	19.980	.000

(Source: Own survey result, 2017)

(Note: COSE is customer orientation of service employees)

Table 18 Multiple Regression Coefficients

a. Dependent Variable: CL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.633	.134		12.154	.000
CS	.602	.038	.649	15.809	.000

(Source: Own survey result, 2017)

(Note: COSE is customer orientation of service employees)

Table 19 Multiple Regression Coefficients

a. Dependent Variable: CL

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.844	.177		4.757	.000
COSE	.817	.050	.674	16.342	.000

(Source: Own survey result, 2017)

(Note: COSE is customer orientation of service employees)

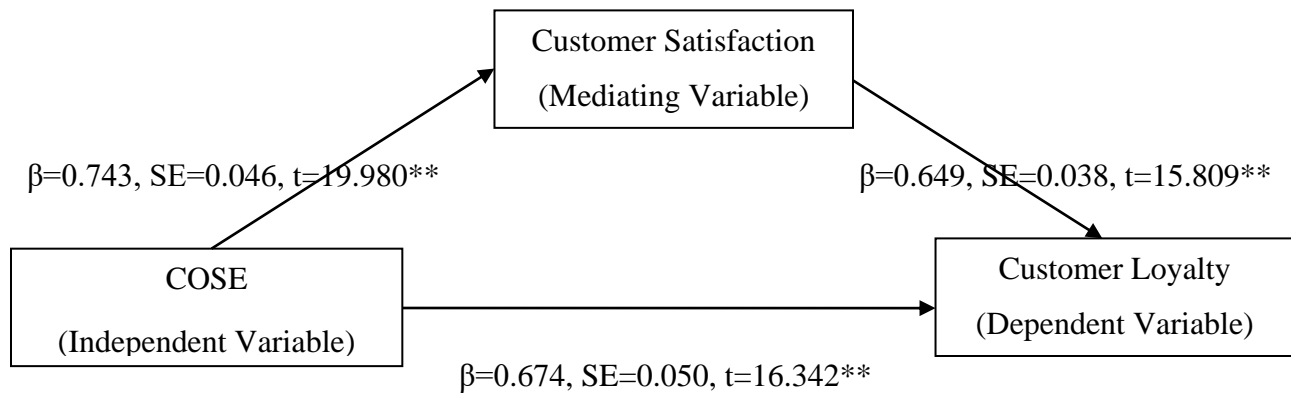


Figure 2 Customer satisfaction mediation model (**Significant at 0.05 level)

Accordingly, the Sobel test statistics appeared to be 11.235 with a significance of 0.000 ($p < 0.05$), which shows that customer satisfaction mediates the influence of COSE on customer loyalty. Therefore, the third hypothesis (**H3**) is supported. Although the direct impact of COSE on customer loyalty is greater ($\beta = 0.674$) than its indirect impact through customer satisfaction ($\beta = 0.649$), there is partial mediation by customer satisfaction in COSE-Loyalty relationship.

CHAPTER FIVE

5. Summary, Conclusion, Recommendation, and Limitation

This chapter summarizes and concludes important findings of the research and forwards some recommendations. Limitations of the study and areas of future investigation are also indicated in this chapter.

5.1 Summary and Discussion of Findings

The study was conducted by distributing 384 questionnaires out of which 354 were found usable for analysis (92% response rate). Cronbach's alpha was computed on 30 questionnaires administered for pilot study to test the reliability of the survey instrument. The result showed overall reliability with 21 items to be 0.904.

The first objective of the study is to examine the level of customer orientation of CBE's employees as perceived by its customers using the mean score of each dimension. The technical skill of the bank's employees scored the highest with mean value of 3.66 followed by social skill and motivation with mean values of 3.55 and 3.44 respectively as perceived by the respondents. The self-perceived decision-making authority dimension scored the lowest of all COSE dimensions with mean value of 3.14. The mean score value of the overall level of COSE is 3.44 which falls above the cut of point 3.00. This means employees of the bank exhibit good customer orientation. Previous studies made by Hailu (2014) and Robel (2015) also found CBE's employees to be customer oriented.

The relationship between the study variables was measured using Pearson's correlation coefficient. The correlation result of customer satisfaction with technical skill, social skill, motivation, and self-perceived decision-making authority is 0.566, 0.610, 0.679, and 0.596 respectively. This means customer satisfaction is highly and positively correlated with all the dimensions of COSE since the r value is greater than 0.50 for each relation. The correlation result of customer loyalty with technical skill, social skill, motivation, and self-perceived

decision-making authority is 0.590, 0.587, 0.615, and 0.517 respectively. This means there is a strong and positive relationship between customer loyalty and all the four dimensions of COSE. Hennig-Thurau and Thurau (2003) also found the relationship between the study variables to be strong and positive. The association between the two dependent variables (customer satisfaction and customer loyalty) is statistically significant and positive with r value of 0.649. This result is also shared by Anton (1996) and Fornell et al. (1996) who stated that satisfaction is positively associated with repurchase intentions, likelihood of recommending a product or a service, and loyalty.

Before running regression, the study checked to see whether there is high correlation between some of the independent variables. The result of the multi-collinearity test shows that there is no multi-collinearity problem with in the model since the tolerance value is greater than 0.1 and the VIF value is significantly below 10.

The second objective of the study is to examine the effect of COSE dimensions on customer satisfaction. The result shows that the adjusted R^2 value is 0.552 which means that 55.2% of customer satisfaction in CBE is explained by the variation of the four dimensions of COSE. The result also shows that the independent variables significantly predict the dependent variable with $F=101.123$ and $sig=0.000$. This means the probability of these results occurring by chance is less than 0.05 i.e. the variation that is explained by the model is not simply by chance.

The extent to which customer satisfaction is affected by the independent variables was examined using beta value. The regression result shows that all the independent variables positively contribute to customer satisfaction in CBE with motivation being the largest predictor ($\beta=0.288$) followed by self-perceived decision-making authority ($\beta=0.269$) and social skill ($\beta=0.178$). Technical skill was found to be the smallest predictor with $\beta=0.118$. This result is also confirmed by other studies (Hailu, 2014 and Robel, 2015).

The most unexpected result of the study was to find technical skill of the bank's employees having the highest mean score value of 3.66, but having the smallest contribution to customer satisfaction ($\beta=0.118$) compared to the other dimensions. The technical skill of CBE's employees will still remain important to deliver the core actual services, even though its existence does not satisfy customers as such, its absence will definitely create dissatisfaction.

The regression result shows that the technical skill, social skill, motivation, and self-perceived decision making authority of CBE's employees have a significant effect on customer satisfaction with p-value of 0.036, 0.008, 0.000, and 0.000 respectively. Therefore, the study accepted all the four hypotheses. However, contrary to this finding, Hailu (2014) found the technical skill of CBE's employees to have insignificant effect on customer satisfaction.

The other objective of the study is to examine the effect of COSE dimensions on customer loyalty. The result shows that the adjusted R^2 value is 0.456 which means that 45.6% of customer loyalty in CBE is explained by the variation of the four COSE dimensions. The result also shows that the independent variables significantly predict the dependent variable with $F=68.247$ and $\text{sig}=0.000$ meaning that the probability of these results occurring by chance is less than 0.05 i.e. the variation that is explained by the model is not simply by chance.

The extent to which customer loyalty is affected by the independent variables was examined using standardized coefficient (beta value). The regression result shows that all the independent variables positively contribute to customer loyalty in CBE with motivation being the largest predictor ($\beta=0.310$) followed by technical skill ($\beta=0.245$) and self-perceived decision-making authority ($\beta=0.149$). Social skill was found to be the smallest predictor with $\beta=0.070$.

Although the social skill of the bank's employees was found to have the second highest mean score value of 3.55, it has the smallest contribution to customer loyalty ($\beta=0.070$) compared to the other dimensions and insignificant effect on

customer loyalty with p-value of 0.342 ($p > 0.05$). Therefore, the study does not support this hypothesis. However, the employees' consideration of their customers' perspectives and their treatment will still remain important, even though its existence does not make customers loyal as such, its absence will definitely repeal customers. Contrary to this finding, Hailu (2014) found the social skill of CBE's employees to have a significant effect on customer loyalty. The regression result shows that the technical skill, motivation, and self-perceived decision making authority of CBE's employees have a significant effect on customer loyalty with p-value of 0.000, 0.000, and 0.009 respectively. Therefore, the study supported all the three hypotheses. This finding is consistent with the results of previous research (Hennig-Thurau and Thurau, 2003; Robel, 2015).

Furthermore, the mediating role of customer satisfaction in COSE-Loyalty relationship was also tested using the Sobel test. Accordingly, the test statistics appeared to be 11.235 with a significance of 0.000 ($p < 0.05$), which shows that customer satisfaction mediates the influence of COSE on customer loyalty. Therefore, the third hypothesis (**H3**) is supported. This finding is also consistent with studies which view customer satisfaction as the mediator for the relationship between customer loyalty and other constructs such as relationship quality, commitment, and retention (Robel, 2015; Thorsten Hennig-Thurau, 2004).

5.2 Conclusion

Among the different models of COSE, this study makes use of the conceptualization suggested by Hennig-Thurau and Thurau (2003) and tests a model of COSE dimensions and customer-sided consequences to formulate the conceptual framework. The study was conducted on customers of CBE in Addis Ababa district. Data was analyzed using both descriptive and inferential statistics. Mean score was used to understand the level of COSE. Correlation analysis and multiple regression analysis were used to determine the effect of COSE dimensions on customer satisfaction and loyalty.

- In CBE, employees of the bank exhibit good customer orientation. The bank's marketing objective has shifted from transactional focus (product-centric) to customer-centric. Creating a long-term employee-customer relationship and maintaining customers has become the major goal of the bank.
- In CBE, the employees' technical skill, social skill, motivation, and self-perceived decision making authority significantly and positively influence customer satisfaction with motivation being the largest contributor and technical skill being the smallest contributor. According to Levesque and McDougall (1996), service employees' level of customer orientation is a key driver for customers' satisfaction with the service firm.
- In CBE, the employees' technical skill, motivation, and self-perceived decision making authority significantly and positively influence customer loyalty with motivation being the largest predictor and social skill being the smallest predictor. Although the employees' social skill is positively related with customer loyalty, it does not significantly affect it.
- Finally, customer satisfaction mediates the relationship between COSE and customer loyalty in CBE.

Overall, results of this study validate the view of marketing scholars' (Bitner et al., 1990; Bove & Johnson, 2000; Bowen & Schneider, 1985; Sergeant & Frenkel, 2000) that a company has to address the needs and wishes of its customers adequately through customer orientation of service employees in order to ensure that they will buy the company's products and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company.

5.3 Recommendations

The findings of this research provide practical implications for managers of the bank who are in charge of customer service management. The managers must put themselves in the shoes of the customers and design the service delivery system from customer's perspective to meet customers' needs and expectations. In other words, the bank should follow a customer-oriented strategy to cope with the challenges in the industry since this can improve customer satisfaction and retention and thus help the firm to adapt in a timely and suitable way to changes in customers' profiles or preferences. Since all the dimensions of COSE positively influence customer satisfaction and loyalty, managers of the bank should bear in mind the following as recommendations while designing the service delivery system.

- Regarding the social and technical skill of employees, aside from hiring qualified workers with ability to consider their customers' perspectives and with bank service knowledge, the company should give training programs to enhance the skills of both new and existent employees.
- Regarding the motivation of employees, managers should always make sure that the employees are encouraged and inspired to perform their job well through various reward schemes such as attractive pay and formal recognition.
- After employees possess sufficient skills and are inspired to behave in customer oriented manner, one thing left as per the finding of this study is empowerment. Managers should avail a working environment where there is flexibility for employees to make decisions on customer matters. This helps to present an immediate solution to customer problems.
- Although all COSE dimensions are important in enhancing customer satisfaction, some are even more important and customers are more sensitive and responsive to some than others. As per the finding of this study, managers should focus more on motivation of the employees since it is the largest predictor of customer satisfaction.

- Regarding customer loyalty, again, the bank should focus more on motivation of the employees since it is the largest predictor of customer loyalty.
- In addition, customer satisfaction and loyalty surveys should also be conducted periodically as the contingency in such type of industries influence the purchase intentions of customers and make them prone to overturn to competition. As most banks are offering the same service and as customers get more sophisticated, the company should regularly monitor and evaluate customer-related measures, and also measure the satisfaction and loyalty rates of customers from time to time.

5.4 Limitations and Directions for future research

Although there are many branches of CBE all over the country, the study is limited to service delivery practices of few branches in Addis Ababa district only. Thus, it would be interesting if other researchers conduct similar studies on a country scale. The study is conducted on the banking sector, specifically in the context of CBE and did not involve the numerously different commercial banks in the country or other service industries. Thus, it would be exciting to see how the results would differ when examining the entire commercial banks in the country or another specific service sector. Also, the study examines the relationship between COSE, customer satisfaction and loyalty. Other measurements (variables) which could have moderated the entire relationship such as personality traits, organizational climate and job satisfaction are not accounted for in the central model. Thus, it would be interesting if other researchers include other important variables in their studies.

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APPENDICES

Survey on customer orientation of service employees, customer satisfaction and loyalty

Dear Participant:

My name is Yanet Wubtaye and I am a graduate student at Addis Ababa University School of Commerce (AAUSC). I am conducting a research on “customer orientation of service employees and its impact on customer satisfaction and loyalty” in partial fulfillment of Master of Arts Degree in Marketing Management. And since you are a customer of Commercial Bank of Ethiopia, I am inviting you to participate in this study by filling in the following questionnaire. The questionnaire is purely for academic purpose and your response will be treated confidentially.

Participation is strictly voluntary and if you choose to participate in this research please read all the instructions carefully then answer all questions as honestly as possible and return the completed questionnaire. Your genuine input is highly important to the analysis.

Thank you for taking the time to assist me in my educational endeavors.

Part 1: Respondent’s Demographic Data

Please indicate your response by putting (√) mark in the box

1. Gender: Male Female

2. Age: Less than 20 20-30 31-40 41-50 Greater than 50

3. Education status:

Primary education Secondary education Diploma First degree Second degree and above

4. How long have you been a customer of this bank?

Less than 2 years 2-5 years 6-10 years More than 10 years

5. What kind of account do you have?

Saving account Business account Both

Part 2: Customer orientation of service employees

Please indicate your response by putting (√) mark for each of the following statement below.

Technical skills	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The employees of Commercial Bank of Ethiopia have a high level of bank service knowledge.					
The employees of Commercial Bank of Ethiopia are experts in their job.					
The employees Commercial Bank of Ethiopia are highly competent.					
Social skills	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The employees of Commercial Bank of Ethiopia have extensive social skills.					
The employees of Commercial Bank of Ethiopia are able to consider their customers' perspective.					
The employees of Commercial Bank of Ethiopia know how to treat a customer well.					
Motivation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The employees of Commercial Bank of Ethiopia show strong commitment to their job.					
The employees of Commercial Bank of Ethiopia do their best to fulfill their customers' needs.					
The employees of Commercial Bank of Ethiopia are always highly motivated.					
Decision-making authority	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The employees of Commercial Bank of Ethiopia are allowed to decide autonomously in customer matters.					
The employees of Commercial Bank of Ethiopia have appropriate room for maneuver in solving customer problems.					
In the case of customers' request, the employees of Commercial Bank of Ethiopia do not need to ask their superior for permission.					

Part 3: Customer satisfaction

Please indicate your response by putting (√) mark for each of the following statement below.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am fully satisfied with Commercial Bank of Ethiopia.					
Commercial Bank of Ethiopia always fulfills my expectations.					
Commercial Bank of Ethiopia has never disappointed me so far.					
My experience with Commercial Bank of Ethiopia is excellent.					

Part 4: Customer loyalty

Please indicate your response by putting (√) mark for each of the following statement below.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
In the future, I will be mostly using Commercial Bank of Ethiopia’s service.					
I am a loyal customer of Commercial Bank of Ethiopia.					
I recommend others to be customers of Commercial Bank of Ethiopia.					
Commercial Bank of Ethiopia is my first choice when it comes to the banking sector.					
I communicate positive things about Commercial Bank of Ethiopia.					

Thank you!

በባንክ ተጠቃሚዎች የሚሞላ መጠይቅ

ጤና ይስጥልኝ!

ያኔት ውብታዬ እባላለሁ፤ በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ትምህርት ቤት የገበያ አመራር የድህረ-ምረቃ ተማሪ ነኝ። የጥናቱ ዋና ዓላማ የኢትዮጵያ ንግድ ባንክ ሠራተኞች ክህሎት፣ ተግባቢነት፣ የሥራ ተነሳሽነት እና የመወሰን ስልጣን በደንበኞች እርካታ እና ታማኝነት ላይ ያለውን ተፅዕኖ ማወቅ ነው።

ለመጠይቁ የሚሰጡት መልስ ሚስጥራዊነቱ ሙሉ በሙሉ የተጠበቀ እና ለትምህርት አገልግሎት ብቻ የሚውል ስለሆነ ያለስጋት ምላሽ ይሰጡ ዘንድ እየጠየኩኝ በተጨማሪም የዳሰሳዉ ዉጤታማነት በእርስዎ ምላሽ ላይ የተመሰረተ በመሆኑ በተቻለ አቅም ለመጠይቁ አግባብነት ያለዉ ምላሽ ይሰጡ ዘንድ በትህትና እጠይቃለሁ።

ውድ ጊዜዎትን ሰዉተዉ ለሚያደርጉልኝ ቀና ትብብር በቅድሚያ አመሰግናለሁ።

ክፍል 1: መሠረታዊ መረጃ

ለሚከተሉት ጥያቄዎች የ (✓) ምልክት በማድረግ ምርጫዎትን ያመልክቱ

1. ፆታ: ወንድ ሴት
2. እድሜ: ከ 20 በታች ከ 20-30 ከ 31-40 ከ 41-50 ከ 50 በላይ
3. የትምህርት ደረጃ:

 የመጀመሪያ ደረጃ ሁለተኛ ደረጃ ዲፕሎማ የመጀመሪያ ዲግሪ

 ሁለተኛ ዲግሪ እና ከዚያ በላይ
4. ለምን ያህል ጊዜ የባንኩ ደንበኛ ሆነዋል?

 ከ 2 ዓመት በታች ከ 2-5 ዓመት ከ 6-10 ዓመት ከ 10 ዓመት በላይ
5. የምን አይነት ሒሳብ ተጠቃሚ ነዎት?

 የቁጠባ ሒሳብ የተንቀሳቃሽ ሒሳብ ሁለቱንም

ክፍል 2: የኢትዮጵያ ንግድ ባንክ ሠራተኞች ክህሎት፣ ተግባባኝነት፣ የሥራ ተነሳሽነት እና የመወሰን ስልጣን

ለሚከተሉት ጥያቄዎች የ (√) ምልክት በማድረግ ምርጫዎትን ያመልክቱ

1-በጣም አልስማማም 2-አልስማማም 3-ገለልተኛ 4-እስማማለሁ እና 5-በጣም እስማማለሁን ያመለክታሉ።

የሠራተኛ ክህሎት	1	2	3	4	5
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ከፍተኛ የባንክ አገልግሎት እዉቀት አላቸው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች በስራቸው ብቁ ባለሙያ ናቸው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች በመስተንግዶአቸው ፈጣን እና ቀልጣፋ ናቸው።					
የሠራተኛ ተግባባኝነት	1	2	3	4	5
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ከፍተኛ የመግባባት ክህሎት አላቸው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች መስተንግዶአቸው የደንበኛን ፍላጎት እና ሁኔታ ከግምት ውስጥ ያስገባ ነው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ደንበኛን በጥሩ ሁኔታ ይንከባከባሉ።					
የሠራተኛ የሥራ ተነሳሽነት	1	2	3	4	5
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ትጉና ታታሪ ሠራተኞች ናቸው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች የደንበኛን ፍላጎት ለማሟላት የተቻላቸውን ሁሉ ያደረጋሉ ።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ሁሌም ከፍተኛ የሥራ ተነሳሽነት ይታይባቸዋል።					
የሠራተኛ የመወሰን ስልጣን	1	2	3	4	5
የኢትዮጵያ ንግድ ባንክ ሠራተኞች የአለቃን ትዕዛዝ ሳይጠብቁ ለደንበኛ ቀልጣፋ አገልግሎት መስጠት ይችላሉ ።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች የደንበኛን ጥያቄ እና ችግር ለመፍታት የሚያስችል በቂ ጊዜና የተመቻቸ ሁኔታ አላቸው።					
የኢትዮጵያ ንግድ ባንክ ሠራተኞች ደንበኛን ማስተናገድን በተመለከተ በራሳቸው የመወሰን ሙሉ ስልጣን አላቸው ።					

ክፍል 3: የኢትዮጵያ ንግድ ባንክ የደንበኛ እርካታ

ለሚከተሉት ጥያቄዎች የ (√) ምልክት በማድረግ ምርጫዎችን ያመልክቱ

1-በጣም አልስማማም 2-አልስማማም 3-ገለልተኛ 4-እስማማለሁ እና 5-በጣም እስማማለሁን ያመለክታሉ።

የደንበኛ እርካታ	1	2	3	4	5
በኢትዮጵያ ንግድ ባንክ አገልግሎት ሙሉ በሙሉ ደስተኛ ነኝ።					
የኢትዮጵያ ንግድ ባንክ ሁሌም የምጠብቀውን (የምፈልገውን) የባንክ አገልግሎት ያሟላልኛል።					
በኢትዮጵያ ንግድ ባንክ አገልግሎት እስካሁን ቅር ተሰኝቼ አላወቅም።					
ከኢትዮጵያ ንግድ ባንክ ጋር ያለኝ ግንኙነት እጅግ በጣም ጥሩ ነው።					

ክፍል 4: የኢትዮጵያ ንግድ ባንክ የደንበኛ ታማኝነት

ለሚከተሉት ጥያቄዎች የ (√) ምልክት በማድረግ ምርጫዎችን ያመልክቱ

1-በጣም አልስማማም 2-አልስማማም 3-ገለልተኛ 4-እስማማለሁ እና 5-በጣም እስማማለሁን ያመለክታሉ።

የደንበኛ ታማኝነት	1	2	3	4	5
ወደፊት የኢትዮጵያ ንግድ ባንክ አገልግሎትን በመጠቀም እቀጥላለሁ።					
የኢትዮጵያ ንግድ ባንክ ታማኝ ደንበኛ ነኝ።					
ለሌሎች የኢትዮጵያ ንግድ ባንክ ደንበኛ እንዲሆኑ እመክራለሁ።					
የኢትዮጵያ ንግድ ባንክ ሁሌም የመጀመሪያ ምርጫዬ ነው።					
ስለኢትዮጵያ ንግድ ባንክ ጥሩ አገልግሎት እና መልካምነት ለሌሎች እናገራለሁ።					

አመሰግናለሁ!!

Annex

Coefficient Correlations^a

Model		Decision_Making_X4	Technical_Skills_X1	Motivation_X3	Social_Skill_X2	
		X4	1			
1	Correlations	Decision_Making_X4	1.000	-.155	-.270	-.137
		Technical_Skills_X1	-.155	1.000	-.301	-.417
		Motivation_X3	-.270	-.301	1.000	-.394
		Social_Skill_X2	-.137	-.417	-.394	1.000
1	Covariances	Decision_Making_X4	.006	-.001	-.002	-.001
		Technical_Skills_X1	-.001	.011	-.003	-.005
		Motivation_X3	-.002	-.003	.011	-.005
		Social_Skill_X2	-.001	-.005	-.005	.013

a. Dependent Variable: Customer_Satisfaction_Y1

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	Technical_Skills_X1	Social_Skill_X2	Motivation_X3	Decision_Making_X4
1	1	4.889	1.000	.00	.00	.00	.00	.00
	2	.044	10.498	.44	.00	.00	.00	.64
	3	.034	11.924	.51	.07	.06	.12	.35
	4	.018	16.603	.04	.54	.02	.73	.01
	5	.014	18.394	.01	.39	.91	.14	.00

a. Dependent Variable: Customer_Satisfaction_Y1

Coefficient Correlations^a

Model		Decision_Makin g_X4	Technical_Skills _X1	Motivation_X3	Social_Skill_X2	
1	Correlations	Decision_Making_X4	1.000	-.157	-.265	-.136
		Technical_Skills_X1	-.157	1.000	-.297	-.422
		Motivation_X3	-.265	-.297	1.000	-.395
		Social_Skill_X2	-.136	-.422	-.395	1.000
	Covariances	Decision_Making_X4	.007	-.001	-.002	-.001
		Technical_Skills_X1	-.001	.012	-.004	-.005
		Motivation_X3	-.002	-.004	.012	-.005
		Social_Skill_X2	-.001	-.005	-.005	.014

a. Dependent Variable: Customer_Loyalty_Y2

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	Technical_Skill _X1	Social_Skill_X2	Motivation_X3	Decision_Maki ng_Authorthy_ X4
1	1	4.879	1.000	.00	.00	.00	.00	.00
	2	.049	9.982	.80	.00	.02	.04	.16
	3	.036	11.691	.05	.04	.08	.10	.84
	4	.021	15.278	.14	.89	.03	.27	.00
	5	.016	17.658	.00	.06	.87	.59	.00

a. Dependent Variable: Customer_Loyalty_Y2