

**THE EFFECT OF CUSTOMER ORIENTATION OF SERVICE
EMPLOYEES ON CUSTOMER SATISFACTION IN SELECTED
PRIVATE BANKS:**



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College of Business and Economics
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PRIVATE BANKS**

**Addis Ababa University College of Business and Economics School of
Commerce Marketing Management Graduate Program Unit**

**A Thesis Submitted To The School Of Graduate Studies of Addis Ababa
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Masters of Arts degree in Marketing Management**

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I, Mahalet H/mariam, hereby declare that this research paper entitled “**The Effect of Customer Orientation of Service Employees on Customer Satisfaction in Selected Private Banks**” is my original work and has not been used by others for any other requirements in any other university and all sources of information in the study have been appropriately acknowledged.

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Rakshit Negi (Ph.D.)

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List of Acronyms

ANOVA	Analysis of Variance
COSE	Customer orientation of service employees
SPSS	Statistical Packages for Social Science
α, β	Coefficients of an Equation

ABSTRACT

The researcher tried to examine the effect of customer orientation of service employees on customer satisfaction in the private banking sector based on the four dimensions of COSE proposed by Hennig (2004) i.e Technical skills, social skills, motivation and perceived decision making authority. A quantitative research design was applied whereby descriptive and explanatory types were selected to describe about COSE and customer satisfaction and to research the causal relationship of COSE to that of customer satisfaction. A sample of 424 individuals that are customers of the selected banks Tier I branches were selected by convenience sampling method and sample data by applying a structured questionnaire written in Amharic. The analysis was performed using descriptive and inferential statistics by using SPSS version 20 software. The finding shows that all dimensions of COSE positively and strongly affect customer satisfaction. Among the dependent variables motivation was found to have the greatest effect on customer satisfaction followed by perceived decision making authority while their mean scores show the lowest among the variables. Therefore, it is advisable for the banks to work more on motivating and developing the decision making capabilities of their employees. In addition, considering the inevitability of the high effect of COSE dimensions on customer satisfaction, banks should bear in mind these factors during recruitment and training of their employees.

Key Words: *Customer orientation of service employees, customer satisfaction, technical skills, social skills, motivation, perceived decision making authority.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Customer orientation is a complex, multidimensional construct which is not easy to understand as it is determined by a number of conditions involving roles of the service (Henning & Thureau, 2003). For a business to remain viable and lucrative in such a challenging environment, maintaining a competitive edge is more important than ever. Recent marketing literature has acknowledged the role of a company's service orientation in achieving a sustainable competitive advantage. This service orientation i.e the relationship and strategy between the company and the customer, is arguably the most important area for a business to study (Keillor et al., 1999).

The idea behind customer orientation - which is closely related to the fundamental thinking behind marketing itself 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 and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company (Hennig, 2004).

Service quality has become essential for the survival of service companies to attract and retain customers in the present day's fiercely competing business world (Levesque & McDougall, 1996). As services are intangible and interactive by their nature, customers often rely on the behavior of service employees when judging the quality of a service (Hennig, 2004). From the customer's viewpoint, the most immediate evidence of service occurs in the service encounter or the "moment of truth" when the customer interacts with a firm, leaving an indelible impression. The term service encounter refers to the face-to-face-interaction between a customer and service provider in a service setting (Lloyd & Luk, 2011).

Hennig (2004) outlined four dimensions of customer oriented service employees and emphasized that all four dimensions are required to a certain degree to enable employees to behave in a customer-oriented manner. These dimensions are technical skills, social skills, motivation, and employees' self-perceived decision-making authority.

In this regard, various important parts of banking sector like operations, service quality, employee satisfaction, customer satisfaction, financing products, efficiency and financial performance are being studied by many researchers to better understand and serve the community at large (Arokiasamy, 2013).

Modern banking in Ethiopia began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt. In the years that followed, the fate of the banks varied with the style of the government regime. In 1931 Bank of Egypt was liquidated and replaced by Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. In 1943, the State Bank of Ethiopia was established. In 1963, the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed (Mauri, 1971). In the period up to 1974, several other financial institutions emerged. Then the shift to Marxist government in 1975 brought several changes to the banking system, and saw the nationalization of private banks and insurance companies. After the fall of the socialist regime in 1991 the financial sector of the country witnessed a major shift of paradigm. Numerous private banks, insurances and micro financial institutions were established (Deribie, 2012). Currently, the number of Ethiopian owned commercial banks has reached nineteen, sixteen private owned and three governments owned. And the national bank of Ethiopia has the mandate to license, supervise and regulate the operations of banks, insurance companies and other financial institutions (www.nbe.gov.et).

This research aims at evaluating how private bank employee's behavior, i.e. technical skill, social skill; motivation and self-perceived decision making authority (as perceived by customers) influence the level of satisfaction of bank's customers. Among the private banks, three are selected to represent the group. These are Awash International Bank S.C., Wegagen Bank S.C. and Addis International Bank S.C.

1.2. Organizational Profile

1.2.1. Awash International Bank S.C.

Awash International Bank S. C. (AIB) was named after the famous AWASH River that plays an important role in the economic and social life of millions of Ethiopians and remains within the territorial boundaries of Ethiopia. Awash International Bank S.C. was established in November 1994 in the new era of private banking in Ethiopia by its 486 founding shareholders. At the end of the previous fiscal year the bank's paid up capital reached Birr 2.2 Billion. Over the past year

the bank envisaged at transformation agenda that has sought to transform its business and operating models in line with its strategic aspiration of becoming one of the top ten private banks in East Africa by the year 2025. In the process of strategy formulation the bank revised its vision and mission statements to “To be the first choice world class bank” and “To provide innovative, competitive and diversified banking services accessible to the society with qualified and dedicated staff in a profitable and socially responsible manner”.

Currently, the bank provides all services rendered by banks such as deposit, credit, international banking, E-banking and money transfer. These services are rendered through 255 branches disseminated all over the country. Out of these, 126 are located in the capital city while the remaining 129 are outside of Addis Ababa. The bank was able to create employment for more than six thousand citizens all over the country (Annual Report, 2016).

1.2.2. Wegagen Bank S.C.

Wegagen Bank S.C is a privately owned share company which started operation on June 11, 1997 with a subscribed capital of Birr 60 million and a paid up capital of Birr 30 million. Its paid up capital by December 31, 2016 has reached Birr 2.5 Billion. The share company was established having a vision of becoming one of the ten most reputable and competent banks in Africa by the year 2025. The services rendered by the bank include Accepting different types of deposits, granting varieties of loan facilities, offer full-fledged international banking services, rendering local and international money transfer services and payment Card services through ATM and POS network. The bank undertakes these activities through its network of 194 branches of which 81 are in Addis Ababa and the remaining 114 are located in other cities and towns of the country. To expand its service coverage, the Bank keeps on opening additional branches both in Addis Ababa and regional towns (wegagen Bank S.C., 2016).

1.2.3. Addis International Bank S.C.

Addis International Bank S.C was established in Addis Ababa licensed by the National Bank of Ethiopia on January 31, 2011. The bank is established by diversified groups of shareholders, Cooperatives, Micro Finance Institutions (MFIs), ‘Iddirs’, other business organizations and individual citizens. The major shareholders of the Bank are Cooperatives and their members. AdIB endeavors to be an inclusive Bank that addresses the financial needs of different income

groups in the country. It designed its operations to penetrate the huge market that host low and middle income people through Cooperatives and Micro Finance Institutions.

The first General Assembly of the bank met on February 14, 2002 (Ethiopian Calendar) in the millennium Hall with shareholder owning Birr 152,723,000 and 106,324,040 subscribed and paid up capital respectively. Out of the total paid up capital 64.32% is owned by corporate shareholders (Cooperatives 48.04%, Share companies 11.13%, 'Iddirs' 3.30%) and the rest 35.69% by individual shareholders. As of June 30, 2016 the total capital of the bank reached Birr 636.5 out of which Birr 516.40 was paid up capital.

As one of the more recent banks to join the sector, it faced fierce competition in resource mobilization. To this end, the bank has been strategically expanding its branch network by increasing its total number of branches to 40 of which 26 are operating in the capital while the remaining 14 are in regional towns. All branches are networked with modern core banking solution to better serve its customers. The bank has created job opportunities for 697 employees out of which 360 are permanent employees while the remaining 337 are outsourced.(Annual Report, 2016)

1.3. Statement of the problem

In the service context, individual service employees are the last people to implement the firm's marketing efforts 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 front line and at the same time acquire feedback from customers and provide it to the management as market intelligence. In many cases, the source of customer dissatisfaction is in fact, the service employee (Mudie et al., 2006). Thus, customer orientation of the service personnel is often regarded as the main determinant of the firm's success (Hennig&Thurau, 2003). An understanding of customer orientation of service employees helps service firms to increase the quality of their service, thereby contributing to an increased degree of customer satisfaction (Heskett et al., 1994).

In the past, the banking industry has grown from few institutions primarily involved in deposit acceptance and trade finance to a complex multi-player market where large number of banks are operating with various technologies, products and services. This in turn results in market which is characterized by stiff competition and little growth in primary demand. Though several strategies have been attempted to retain customers, most of the core products/services in the

banking industry are fairly generic and are easily copied by competitors. This creates a difficulty of competing purely on core services (Awwad & Agti, 2011).

Given the high service encounter between employee and customer in banking sector, the role played by bank personnel is critical (Brown et al, 2002). This is true especially for banks in developing countries like Ethiopia in which customers usually contact with bank personnel to take delivery of bank service. Despite its important position in the value chain, few studies have addressed the construct of (COSE) and its impact. Noteworthy exceptions are the studies by Kelley (1992), Brown et al. (2002), Donavan et al. (2004), and Hennig and Thureau (2003). 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 a four-dimensional conceptualization of customer orientation of service employees, distinguishing between the employee's motivation to serve customers, his or her customer-oriented technical and social skills, and his or herself-perceived decision-making authority.

When looking at studies conducted on the matter in our country, to the best knowledge of the researcher, only a single attempt was made to study the effect of COSE on customer satisfaction and loyalty in the case of Commercial Bank of Ethiopia (Alemayehu, 2013). However, no study has been conducted to examine the importance of COSE dimensions for determining customer satisfaction in the private banking sector. With the stiff competition among private banks to snatch each other's customers by providing the best service, the role played by employees is undeniably high. Since almost similar products are provided by the firms, most customer measurement depends on how the service is provided.

This paper draws on the conceptualization suggested by Hennig-Thureau (2004) and tested a model of COSE dimensions and customer-sided consequence i.e. customer satisfaction on private banks in Ethiopia. In doing so, the current study aims at filling the knowledge gap regarding the significant effect of service employees through focusing on private banks in Ethiopia.

1.4. Research Questions

1.4.1. Main Research Question

- ✚ How does COSE affect Customers satisfaction in private banks in Ethiopia?

1.4.2. Specific Research Questions

- ✚ How does Technical skill of employees affect customer satisfaction in private banks?
- ✚ How does Social skill of employees affect customer satisfaction in private banks in Ethiopia?
- ✚ How does motivation of employees affect customer satisfaction in private banks in Ethiopia?
- ✚ How does perceived decision making authority of employees affect customer satisfaction in private banks in Ethiopia?

1.5. Objectives of the study

1.5.1. General objective

The general objective of the study is to examine the effect of customer orientation of service employees on customer satisfaction in private banks in Ethiopia.

1.5.2. Specific objectives

The specific objectives include:-

- ✚ To investigatetheeffect of technical skills of private banks employees on customer satisfaction.
- ✚ To examine the effect of social skills of private banks employees on customer satisfaction.
- ✚ To find out the effect of motivation of private banks employees on customer satisfaction.
- ✚ To look intothe effect of perceived decision making authority of private banks employees on customer satisfaction.

1.6. Significance of the Study

This study is expected to identify and lead to some conclusions regarding private banks employees challenges with respect to their technical skill ,social skill, motivation and perceived decision making authority in delivering service that meet the customer needs. In addition it will help as a source of reference and a stepping stone in making further study on the area afterwards.Also, it will provide future researchers the opportunity to gain understanding of the topic and then make further study on the area afterwards.

1.7. Delimitation/Scope of the Study

The study populations were customers of the selected three private banks in Ethiopia namely Awash International Bank S.C., Wegagen Bank S.C. and Addis International Bank S.C.The research wasonly conducted in branches located in Addis Ababa.Regarding customer orientation of service employees, this study onlyfocused onthe customers' perception ofbanks employees.

1.8. Limitations

One of the limitations for the current studywas the exclusion of customers outside of Addis Ababa.Secondly,this researchonly used quantitative approach to examiningcustomer orientation of employees and customer satisfaction of private banks in Ethiopia.Hence, the results may not generalize state owned banks.

1.9. Operational or Conceptual Definition of Terms

Customer orientation: - A set of behaviors and a belief that places a priority on customers' interests and continuously creates superior customer value (Deshpandé et al. 1993, p.27).

Technical skills: - refers to the knowledge and motor skills the service employee needs in order to be able to serve customers in a high quality way (Hennig & Thureau, 2002, p.9).

Social skills: -ability to take the customer's perspective during service interactions visually, cognitively, and emotionally, with the customer's perceptions, thoughts, and feelings (Hennig and Thureau, 2004 p.463).

Motivation: - is what actually drives behavior. (Hennig & Thureau, 2003p.23)

Self-perceived authority: -the degree of decision-making autonomy a service employee believes he or she has when it comes to dealing with customer issues (Hennig & Thureau, 2002, p.11).

COSE: -individual's tendency or predisposition to meet customer needs in an on-the-job context (Brown, et.al, 2002 p. 111).

Customer Satisfaction: -is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment. (Oliver, 1997p. 13)

1.10. Organization of the study

This study will be organized into five chapters. Chapter one will contain introduction for the study, statement of the problem, research objectives, hypothesis of the study, significance of the study, scope of the study, brief description of methodology and finally structure or organization of the research. Chapter two will cover the literature review relevant for the study. Chapter three will discuss the methodology that will be employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four will deal with data analysis and findings. Finally, chapter five will contain conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter provides an insight about the theoretical framework, empirical review, conceptual framework and hypothesis of the topic under study.

2.1. Theoretical Review

2.1.1. Marketing concept and Customer orientation

At the end of the 1940s, production efficiencies were regarded as essential for achieving and maintaining a successful and prosperous business activity. In the fifties scholars began to argue that marketers should pay more attention to the customers' needs and wants. This fundamental principle is often referred to as the "marketing concept" and is one of the most important and famous concepts ever developed in marketing literature (Hennig & Hansen, 2000).

The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the paths to sales and profits. Instead of a product-centered —make and sell philosophy, the marketing concept is customer centered, sense and respond philosophy. The job is not to find the right customers for your product but to find the right products for your customers (Armstrong, 2012).

The marketing concept was considered to be a philosophy for conducting business. During the past four decades since the introduction of the marketing concept; customer orientation has been identified as a cornerstone of the theory and practice of marketing management (Jaworski & Kohli, 1993). Customer orientation concept is said to be derived from market orientation concept. Market orientation consists of customer orientation, competitor orientation and intersfunctional coordination, where the latter means coordinated use of the company's resources. Whereas market orientation includes more strategic and general outlines concentrating more on the business knowledge such as business assets, capabilities of business and core competencies of the corporation (Day, 1994). Customer orientation focuses more on defining organizational capabilities as well as human interaction (Becker & Wellins, 1990). The term customer orientation refers to the implementation of a marketing concept (McCarthy & Perreault, 1964).

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 - which is closely related to the fundamental thinking behind marketing itself 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 and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company. Although it is rarely made explicit, customer orientation can be seen as a main fundament of the relationship marketing concept (Hennig & Hansen, 2000).

Customer orientation is the sufficient understanding of target buyers to be able to continuously create superior value for them (Awwad & Agti, 2011). Deshpande et al. (1993, p.27) defined customer orientation as the set of beliefs that puts the customer's interest first, while not excluding those of other stakeholders such as owners, managers and employees, in order to develop a long-term profitable enterprise. In Brady and Cronin's (2001) study, it is implied that customer orientation is the basis for organizational learning which results in superior value attribution and greater customer satisfaction. This means that customer orientation allows firms to acquire and assimilate the information necessary to design and execute marketing strategies that result in more favorable customer outcomes (Slater & Narver, 1995). Since customer orientation is viewed as a desire by an employee to help customers meet their needs during the performance of organizational task, internal customer orientation is a prerequisite of giving good service to external customers. When the existence and importance of internal customer relationships are realized by personnel, it is much easier to change attitudes among employees. Internal customer orientation means having a supportive and open organizational atmosphere, where internal customers are served just as well as external customers are expected to be served (Grönroos, 2001).

Brown and colleagues (2002) found that customer orientation was influenced by deeper personality traits and, in turn, influenced worker performance. This perspective is consistent with traditional views of personality. For example, Pervin and John (1997, p. 4) as cited by Donovan et al (2004) define personality as the "characteristics of the person that account for consistent patterns of feeling, thinking, and behaving". 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. Kotler (2004) emphasizes the need for organizations to move from the level of studying customer segments to shaping separate offers, services and messages to individual customers. Hence such firms may need to collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. And they would hope to achieve profitable growth through expenditures by building high customer lifetime value. He further asserts that the ability of a company to deal with customers, one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software. Nakata and Zhu (2006) assert that customer orientation encompasses the analysis of customers' needs, and responsiveness of organization to such needs. It requires a continuous positive disposition towards meeting customers' exigencies and therefore a high degree of concern for these customers.

Customer orientation as a component of market has its fundamental thrust in pursuit of putting customers at the center of strategic focus (McEachem & Warnaby 2005). Customer oriented culture is natured through regular supply of customer information about their needs so as to be able to design and deliver good products. Nwankwo (1995) put forward a framework for auditing a CO profile, which achieves definition, sensibility, measurement, and implementation. This will allow the organization to see itself through the eyes of the customers.

Apart from having various definitions for the same matter academics and researchers have tried to conceptualize customer orientation. But the vocabulary used in discussing customer orientation is still as multifarious as it was a decade ago, and no consensus has been reached with regard to the conceptual understanding. However, the general construct has led to three concepts as means of how to approach the topic. (Deshpande et al., 1993)

1) Customer Orientation as Cultural and behavioral phenomenon

Day (1994) defines 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 second stream of research sees customer orientation as a behavioral construct. Kohli and Jaworski (1990) define customer orientation as "the organization wide generation of market intelligence, dissemination of the intelligence across departments, and organization wide responsiveness to it". Customer oriented culture is natured through regular supply of customer information about their needs so as to be able to design and

deliver good products. Here, the focus is not on the organization's values and predispositions, but on its activities. However, although rarely mentioned in the literature of customer orientation, both perspectives can actually be linked when the character of organizational culture is seen as a necessary antecedent of related behaviors (Shapiro, 1989).

2) At the organizational level as well as individual level

Furthermore, a firm's customer orientation can be differentiated with regard to the broad range of activities necessary for fulfilling the customers wishes and demands. When it comes to identifying the main drivers of overall - or companywide - customer orientation, organizational structures and processes, as well as employees' activities with regard to customers, play a key role, as do such things as the firm's core goods and services, its logistics and the leadership style within the organization (Slater & Narver, 1995). In the context of organizational structures and processes, a number of authors see the company's information generation and distribution systems, as well as the customer-related decision processes, as critical for the development of a strong customer orientation (Shapiro, 1989; Kohli & Jaworski, 1990; Saxe & Weitz, 1982).

It is interesting to note that the behavior of service employees is often stressed as being crucial for customer satisfaction and a high service quality. The interaction is the service, from the customer's point of view (Bitner et al., 1990). Therefore, the development of a sophisticated understanding of the customer orientation of service employees might help service firms to increase the quality of their service, thereby contributing to an increased degree of customer satisfaction and customer loyalty (Heskett et al., 1994).

3) And from the perspectives of attitudes and behaviors

As an attitude, customer orientation is concerned with service providers placing a high level of importance on fulfilling the needs of their customers. Service providers with a customer-oriented attitude tend to display customer-oriented behaviors and performance. Such behaviors are critical for staff to develop long-term relationships with their customers, and achieve competitive advantage for the organization (Kelley, 1992)

Successful behaviors towards customers start with a motivation to behave in a customer-oriented manner, and this is affected by conditions such as role conflict or ambiguity, job satisfaction, management commitment and organizational commitment. If these

conditions are met, and the employee has the desire to serve customers well, they should feel confident in the desired outcomes of their customer behaviors, believe that they can produce the desired outcome and feel that they will be adequately rewarded for their efforts (Hennig & Thureau, 2003). Therefore, the end level of customer orientation depends on a complex mix and balance of many variables and these contribute towards the ability and tendency to display customer-oriented behaviors, which in turn leads to organizational success and profitability (Grizzle et al., 2009).

Undoubtedly, customer-oriented behaviors and attitudes are desirable but where the service providers' attitude does not genuinely match their behavior, there may be negative consequences for employee and customer well-being and satisfaction (Stock & Hoyer, 2005). This implies that managers need to be aware of the differences between behavior and attitude and consider how organizational standards and internal support may affect employees (Susskind et al., 2003). In essence, service staff's customer orientation is central to a company's ability to be truly market oriented, which is essential for a positive image, trust building and continuing profitability. Customer orientation has a positive impact on developing customer trust, which is associated with customer satisfaction, intentions to recommend and repurchase, as well as limiting switching behavior, which are key considerations for marketing managers (Guenzi & Georges, 2010).

Whether you look the concept of customer orientation either from a cultural or behavioral scope or from organizational or individual perspective or through attitudes and behaviors, they all are bringing different aspects to the subject of matter. It's good to notice that customer orientation is often affected by organizational culture, thus presenting organizational culture as an antecedent of customer orientation (Hennig & Thureau, 2003). As individuals rarely work in isolation, it is reasonable to expect that the organizational conditions have an influence on customer orientation (Gountas et al., 2014).

However, although theory and some empirical research (e.g., Jaworski & Kohli 1993; Narver & Slater 1990) support the assumed or implied relationship between a customer orientation and business performance, the fundamental question as to how a customer orientation influences perceived performance from a customer's perspective. That is, the question how a customer-oriented service firm benefits from its customer focus, either directly or indirectly through its

impact on mediating variables remains unknown. This is a critical gap if managers and researchers are to understand the benefits gained from implementing customer-oriented strategies. (Brady & Cronin, 2001)

2.1.1.1. What are the components of customer orientation?

Customer orientation focuses on defining organizational capabilities as well as human interaction (Becker & Wellins, 1990). According to academic literature (e.g. Slater & Narver, 1995; Deshpandé et al., 1993) customer orientation can only be effective if the firm designs the necessary structures, processes and incentives to make customer oriented values operational. For service firms it means that they have to find the right methods of disseminating the firms' customer oriented values and beliefs so that they inspire customer contact employees to be customer focused. (Kelley, 1992)

Therefore customer orientation construct at an organizational level must consist of standards, support and systems as components for customer orientation. (Susskind et al. 2003)

Organizational standards are comprised of management standards for service delivery and operative standards. Management standards for service delivery include organizational goals and objectives, managerial expectations for job performance and the implicit importance placed on those goals, objectives, and performance demands (Litwin & Stringer, 1968). Operative standards include the process oriented culture in terms of setting operative standards and monitoring the service behavior and processes of sales front people (Susskind et al. 2003).

Support includes both supervisor support and co-worker support and they are known to potentially influence employee productivity and overall organizational performance (Duffy et al., 2002). Supervisor support is defined as the extent to which employees believe their supervisors offer them work-related help in performing their jobs as service workers, and co-worker support as the extent to which employees believe their co-workers provide them with work-related assistance to aid them in carrying out their service-related duties (Susskind et al., 2003).

Systems include the necessary structures, processes and incentives to make the customer oriented values operational in terms of information systems and motivational and incentive systems. The purpose of information systems is to both store and process the customer data to assist the employees and transform that data into customer knowledge in order to enable firms to develop customer-specific strategies and consequently, be customer-oriented. Motivational and incentive

systems are designed to attract, retain and reward personnel for appropriate behaviors and they should advocate market orientation and customer orientation (Grönroos, 2001).

2.1.2. Customer orientation of service employees (COSE)

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 employee level of customer orientation is considered an important leverage for a service firm's economic success (Bove and Johnson, 2002). COSE is defined as the behavior of service employees when serving the needs and wishes of existing and prospect customers. Noteworthy exceptions are the studies by Kelley (1992), Brown et al, (2002), Donovan et al, (2004), and Hening & Thureau (2003). 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 author has suggested, a four-dimensional conceptualization of customer orientation of service employees, distinguished between the employees motivation to serve customers, his or her technical and social skills, and his or her self-perceived decision-making authority. This conceptualization is based on the consideration that for an employee to behave in a customer-oriented way (i.e. to fulfill the customer's service-related expectations), all four dimensions must be expressed to a considerable degree. For example, if a highly motivated and skilled service employee feels that she or he is not authorized to behave in a customer-oriented way, then his or her customers will not perceive the service encounter as customer-oriented (Hening & Thureau, 2003).

i) Technical Skills

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). Motor skills relevant for customer-oriented behavior include those involved in the performance of the core service activity, and can include tangible elements. Although elements of this knowledge can be stored in company databases, those employees who know a lot about the company's service offers and prices, their customers, help lines, product and service compatibility, etc. (and who can readily use the existing knowledge databases) will be better able to satisfy customer needs and wishes (Hennig & Thureau, 2003).

ii) **Social Skills**

The concept of social skills focuses on the service employee's ability to take the customer's perspective during interactions (Mead, 1934). Specifically, such perspective taking can take place visually (i.e. the employee understands what the consumer sees and perceives), cognitively (i.e. the employee understands what the consumer thinks), and emotionally (i.e. the employee understands what the consumer feels). All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfillment (Flavell et al., 1968).

Social skills are modeled separately here from technical skills to reflect adequately the different theoretical origins and streams of research these two concepts are based on. While technical skills are mainly discussed in the context of work psychology, social skills and empathy are most intensively discussed in the educational research context. We believe that an employee's social and technical skills can be similarly high (or low), but that an employee who possesses a high level of social skills must not necessarily have the knowledge that is required to perform in a customer-oriented way (Henning & Thureau, 2003).

iii) **Motivation**

Motivation is what actually drives behavior. A service employee's motivation is seen as the product of (a) the employee's valence of the consequences of customer-oriented service behavior, (b) his or her assessment of the probability that he or she is able to produce the required outcome (i.e. instrumentality), and (c) the worker's assessment of the probability of being rewarded when reaching the required outcome (i.e. expectancy). The valence component of this conceptualization of motivation represents the employee's subjective assessment of his or her work activity, and is based on both intrinsic and extrinsic incentives associated with goal achievement. The concept of motivation to behave in a customer-oriented way requires the existence of all three components, as non-compensatory inter-component relationships are expected to exist between the three. If an employee is not attracted by the idea of serving customers or the related consequences (e.g. pay, employee-of-the-month award), then he or she will probably not engage in customer-oriented behavior, even if there is a realistic chance of performing well and receiving monetary or non-monetary rewards. The intensity of an employee's motivation to behave in a customer-oriented manner is determined by several

constructs. These should be taken into account when a service provider seeks to increase their employees' motivation to behave in a customer-oriented way. These determinants include role conflict and ambiguity, job satisfaction and perceived fairness, organizational commitment, and management commitment to service quality. The impact of these constructs on an employee's motivation to behave in a customer-oriented way is discussed briefly below (Hennig & Thureau, 2003).

- **Role Ambiguity and Role Conflict:**-Role ambiguity means that the employee has only a Vague understanding of what is expected of him or her (Kohli, 1985). Clarity of information regarding both the employee's role and management's expectations with regard to the handling of customer requests and problems increases the employee's perception that he or she is able to perform up to expectations (i.e. the instrumentality component of motivation). Role clarity can also be expected to have a positive impact on the valence component of the employee's motivation (Singh, 1993). The related concept of role conflict represents the "incompatibility between one or more roles within an employee's role set, such that fulfilling one role makes fulfilling the others more difficult". The absence of role conflict will also contribute to an increased valence of customer-oriented behavior (Weatherly & Tansik, 1993).

- **Job Satisfaction and Perceived Fairness:**- Job satisfaction is one of the most intensively-discussed constructs in organizational behavior theory, and is popularly defined as a "positive emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values" (Weatherly & Tansik, 1993). A closely related concept is perceived job fairness (or workplace fairness), which is sometimes also seen as a theoretical foundation of satisfaction and which covers the fairness dimensions of internal equity and pay rules, external equity and pay level, job supervision, and work standards (Bettencourt & Brown, 1997).

- **Organizational Commitment:** - The construct of a service employee's organizational commitment is understood as this employee's strong belief in the organization's goals and values, a willingness to exert considerable effort on behalf of the organization, and a strong desire to remain a member of the organization (Mowday et al., 1982). Organizational commitment helps an employee to understand his or her own role in the company. This regularly leads to an intensified valence as part of the motivation

concept, based on an intrinsic desire to live the firm's values and to contribute to the achievement of the company's customer-oriented goals (Sergeant & Frenkel, 2000).

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

iv) Self-perceived authority

Lastly, to some degree, the service employee should feel authorized to make decisions about issues that concern customers' interests and needs, further evidence of ability to behave in a customer-oriented manner. If an employee has the ability and motivation required to perform in a customer-oriented way, but feels that he or she does not have the legitimization to do so, then his or her behavior will not be perceived as truly customer oriented by the customer. Self-perceived authority in service people can be understood as the degree of decision-making autonomy a service employee believes he or she has when it comes to dealing with customer issues. (Hennig, 2004) The concept of self-perceived authority is connected to the concept of empowerment (Spreitzer, 1995). According to Hennig (2004), the concept of self-perceived authority is closely-related to, but distinct from, formal or "objective" authority given to an employee by his or her supervisor. The employee's behavior is based on his or her own perception and evaluation of "formal authorization", rather than on the formal authority itself. It is the degree of authority used by the employee that ultimately determines customer orientation. The latter aspect is especially important when looking at the determinants of authorization. There are four elements influencing the degree to which an employee uses the "objective" authority offered to him or her by the firm's management. These elements moderate the process which transforms formal into

self-perceived authority, and are the organizational structure; trust in the employee's supervisor, the organization's culture, and the employee's personality.

- **Organizational Structure:** - The use of formal decision-making authority by an employee is determined by existing organizational rules and practices, as well as by institutions and processes. These structural elements must support the use of power by the individual employee, rather than impede this use, or even punish the employee for wielding this power (Hennig, 2004).
- **Trust in Supervisor:** - An employee's use of authority also depends on his or her evaluation of the supervisor's trustworthiness. Trust exists if an employee believes his/her supervisor is reliable and has a high degree of integrity (Moorman et al., 1992). If the employee mistrusts his or her supervisor in the context of the use of formal authority in customer affairs, he or she will simply not use this authority, preferring instead to remain on "safe ground". Trust is reciprocal; not only must the employee trust that the supervisor will not question his or her use of authority, but the supervisor also has to have confidence in the employee's decisions (Hennig, 2004).
- **Organizational Culture:-** According to (Moorman et al., 1992), service employees are willing to use formal decision-making authority only in a "culture for well-being". Such a culture can represent a frame of reference for service employees, and strengthen his or her belief that making autonomous decisions is valued highly by management.
- **Personality:** - Referring to the adjustment dimension of personality identified by Hurley(1998), it can be said that if a service employee is convinced that his or her activities will not influence a customer's state of satisfaction due to some external locus of control, then this employee will probably see no reason to use this authority that formally exists(Spreitzer, 1995).

More than 90 years ago, Strong (1925) emphasized that personal selling strategies should be directed toward securing customer satisfaction as well as purchase orders (Sax and Weitz, 1982). The links between customer and employee variable have also been depicted by Heskett et al, (1997) within a framework termed "the service profit chain" or "employee-customer profit chain" (Vilares and Coelho, 2003). Research focused on the customer-organization interface

invariably incorporates the service provider as a key component (e.g. Czepiel, 1990; Czepiel et al, 1985; Hartline and Ferrell, 1996; Klaus, 1995; Price et al, 1995; Vzrca, 2004).

2.1.3. Customer satisfaction

Customer Satisfaction concept was widely discussed from academics and practitioners in the marketing field. The topic raised interest from 1965 when it was discussed by Cardozo (1965) in his study called —An experimental study of customer effort, expectation and satisfaction. Since then the satisfaction concept was used and defined in many different ways, but the authors still have not agreed on one unified definition. Many definitions exist, but in the marketing literature one of the most commonly used definitions explains that satisfaction is the consumer's fulfillment response. It is a judgment that a product or servicefeature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment.(Oliver, 1980). Satisfaction was considered to be transaction-specific construct which resulted from immediate post purchase judgment or affective reaction. (Oliver, 1993).

This definition was later applied by Parasuraman et al. (1985) giving another widely applied explanation referring to the satisfaction as —fulfillment response to a service.These definitions lead to the notion that customer satisfaction is based on the experience with the service compared with expectations, as well as the outcome of the service and suggest that the satisfaction is derived from all the aspects of service provision and has a process nature.Oliver (1997) clarifies his definition suggesting some related concepts influence satisfaction. Generally, they representeither the affective (liking/pleasure) or cognitive (thinking/judging) components of product andservice experience although some are hybrids of the two.

Within the antecedent categories, moods may play a role in satisfaction formation. These are positive or negative feelings of a largely non-thinking nature, although certain events may have preceded their appearance. Quality, in contrast, is a cognitive judgment that summarizes the exceptionally good (or bad) elements of the product, especially when compared to other direct alternatives or offerings (brands). In a similar vein, value is a judgment that compares the likely outcomes of purchasing to the inputs forgone. Thus, value results when consumers compare what is to be received (e.g., performance) to the acquisition costs (e.g., financial, psychological, effort). Another antecedent concept that is actually a hybrid affective-cognitive judgment is attitude. It is a relatively stable judgment that a product or service has desirable or undesirable

properties. The judgment takes the form of a liking or disliking and is based on many separate evaluations of product features. Whereas moods can emerge as pure feeling states, attitudes result from deliberate processing of (product- or service-related) information. Unlike satisfaction, consumers do not have to experience consumption to have formed an attitude; hence attitudes can exist prior to purchase/usage. Satisfaction, in contrast, is a post-usage phenomenon, is purely experiential, and results from comparative processes. Attitudes do not require comparisons like the mood of the customers at the moment of consumption; the quality of the service elements; value; attitude; disconfirmation between expectations and the actual performance; and loyalty (Oliver, 1999).

Menget al., (2008) indicated that expectancy-disconfirmation model has gained the widest popularity in the academic community. The expectancy-disconfirmation paradigm is based on the premise that customers form certain expectations about a product or 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 the 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 service that he or she has used.

Pre-purchase expectations refer to subjective beliefs or desired wants of a customer about anticipated performance of the product or service. Disconfirmation refers to the differences between these expectations and the post-purchase judgment of the customer about the service performance (Parasuramanetal, 1985). When perceived performance surpasses a customer's pre-purchase expectations, a positive disconfirmation occurs, leading to customer satisfaction and strengthening the customer's attitudes towards the product or service. A negative disconfirmation takes place when the customer's expectations are not met after having an experience with the product or service, resulting in dissatisfaction and weakening the customer's relationship with the service provider. In the case that the product or service performs as expected, simple confirmation occurs (Oliver, 1999).

Customer satisfaction has generally been suggested to contain two such different dimensions as a transaction-specific evaluation approach and an overall, cumulative evaluation approach.

Overall satisfaction can be viewed as a customer's overall satisfaction experiences, relationship-specific, and is gauged as the cumulative post-purchase evaluative judgment of a group of discrete purchase activities or transactions for a particular brand or firm over duration of time (Fornell et al. 1996).

Transaction specific customer satisfaction is viewed as a post-choice evaluation judgment of a specific purchase occasion (Oliver, 1980). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. Of these two formulations of customer satisfaction, overall or cumulative satisfaction is used for this study, since transaction-specific satisfaction conceptualizes customer satisfaction as the outcome of a single transaction. Thus, this transaction-specific satisfaction formulation may be too restrictive – i.e., the transaction specific satisfaction approach has a very limited predictive power (Anderson and Narus 1990; Fornell et al. 1996). This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behavior and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction. (Fornell et al. 1996)

Oliver (1999) maintains that overall satisfaction is more appropriate for an analysis of the satisfaction, inasmuch as the cumulative satisfaction construct is capable of aggregating or blending individual satisfaction episodes. Likewise, the overall satisfaction formulation is better at predicting consequent behaviors and economic outcomes (Johnson et al. 2001)

It is almost well accepted among marketing scientists that there is direct relationship between customers' satisfaction and market shares. It is obvious that satisfied customers not only will come back to the company which was successful in fulfilling their expectations but also may recommend the company's product or service to the other potential customers. Therefore, satisfied customers are basically free advertising agencies for a business, especially in service sector where there is no tangible product for pre-assessment (Anderson et al. 2004).

2.2. Empirical Review

2.2.1. Association between customer orientation of service employees and customer satisfaction.

With the performance of service personnel often constituting a major element of a service per se, the customer orientation of service employees (COSE) is often regarded as a main determinant of service firm's success. When modeling the consequences of COSE on key outcome constructs of service firms, it is assumed that the four COSE dimensions exert an identical directional impact on the outcomes construct. It is impossible to maintain a satisfied and committed customer base without satisfied and committed employees. The links between customer and employee variables have also been depicted by Heskett et al, (1994) within a framework termed "the service profit chain" or "employee-customer profit chain" (Vilares and Coelho, 2003).

On a study conducted by Kambiz, (2011) to measure the effect of COSE on customer satisfaction, customer commitment, customer retention and increasing service quality in Iranian Islamic banking sector the researcher was able to conclude COSE has a direct positive relationship on customer satisfaction and that COSE had significant impact on customer commitment. Customer satisfaction also showed direct and positive impact on customer commitment. However, the path from COSE on customer retention can be seen as only partially. Finally, the impact of customer satisfaction on customer retention, and customer commitment on customer retention were strongly supported.

On another study conducted by Niousha, (2013) for diagnosing Customer Orientation of Service Employees and rapport on customer satisfaction and Future behavior conducted on Banks of North Cyprus, the researcher confirmed that COSE has positive impact on commitment and customer satisfaction while it is also significantly influenced by trust. Both customer satisfaction and commitment also showed positive effect on loyalty.

A study conducted by Reema (2011), on the telecommunication customers of Pakistan to analyze the relationship between the Service Employees attitudes, behavior and the authority that is floated towards them on customer satisfaction, their emotional commitment and customer retention shows that there exists a strong relationship between service employee's and customer satisfaction, their retention and their emotional commitment. This supports the study carried out by Sluss & Ashforth, 2008 & Anaza and Rutherford, 2012. With increase in Customer Satisfaction and Customer's Emotional Commitment, Customer Retention increases positively

and with a greater extent, as supported by the study carried out by Ahearne et al., (2005). The findings of this research support the theory developed by Hennig (2004).

Thus, regardless as to what business leaders may be trying to implement in their companies, any employee interacting with customers is in a position either to increase customer satisfaction and loyalty or put it at risk (Garbarino and Johnson, 1999).

2.2.3. Conceptual framework and research hypothesis

The conceptual framework of this study shows the various studied variables and their dimensions and measures. The predictor variable is customer orientation of service employees (COSE) (input) while the criterion variable is customer satisfaction (output). The customer orientation of service employees (COSE) predictor variable in turn accounted for the following dimension (i) social skill (ii) technical skill (iii) motivation and (iv) Perceived decision making authority.

Components of COSE

Dependent Variables

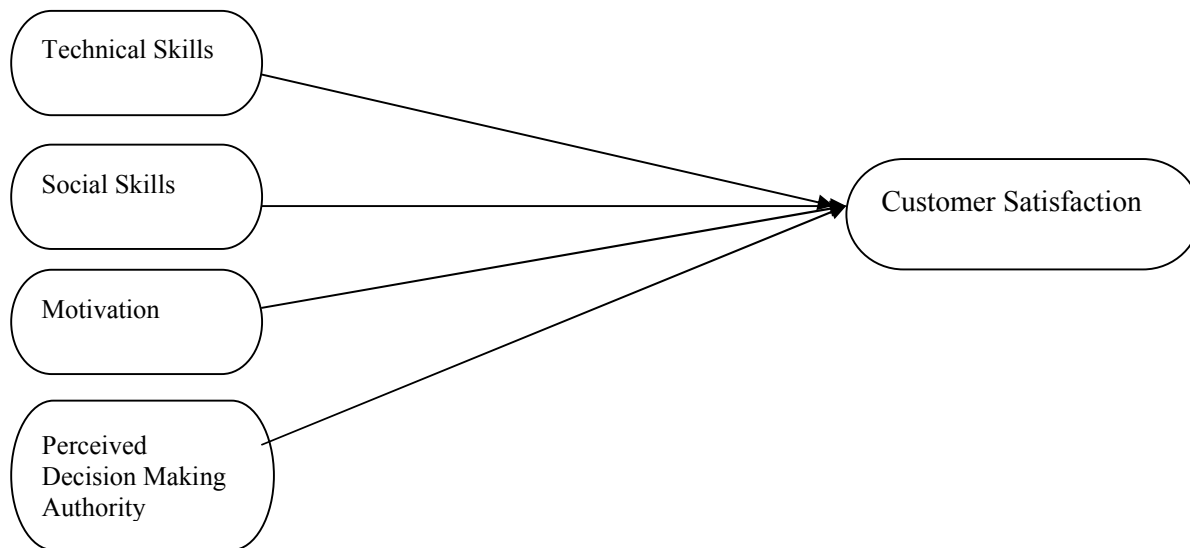


Figure 2.1 Conceptual frame work of the study

2.4. Research hypothesis

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. In other words service organizations may enhance their profitability by

upholding customer oriented employees. Then customers keep long term satisfying relation with service firm. In turn the firm will benefit from life time value of customer repetitive purchase/use (Bitner et al., 1990; Bove and Johnson, 2000). Studies focused on the customer–organization interface invariably incorporate the service provider especially employee who comes in direct or indirect contact with a customer influences customer satisfaction (e.g. Czepiel, 1990; Hartline and Ferrell, 1996; Klaus, 1995; Price et al, 1995; Vavra, 2004). Drawing from the disconfirmation paradigm of customer satisfaction (e.g. Oliver, 1997), the researcher postulate that customers have expectations with regard to the behavior of service employees in interaction situations and that, when these are exceeded, the level of customer satisfaction with the service provider is positively influenced. Considering this, the following hypotheses are drawn.

H1: Technical skill of private bank employees has a significantly positive influence on customer satisfaction.

Garbarino and Johnson, (1999) have demonstrated that the development of long-term relationships is also influenced by social aspects. Most importantly, the customer may stay with a certain service provider not because of superiority of performance, but because of the commitment he or she has developed to the service provider and its employees, that can be characterized by elements of emotionality and friendship. Employees in such position should therefore have the skills to respond effectively and efficiently to customer needs. Based on the above reflection the next hypothesis is formulated:-

H2: Social skill of employees has a significantly positive influence on customer satisfaction. Service employees are regularly under pressure due the unexpected conflicts and challenging interactions with customers, which can affect the performance of employees and result in loss of revenue and extra cost for an organization. Working under unpleasant climate also can result in lack of motivation and increase the risk of making errors in variety of tasks associated to employee role in an organization. There are positive relationships between customer orientation and employee's job satisfaction, performance, motivation, and support for organizational change. Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior (Henning, 2004). Taking this into account the following hypothesis is drawn:-

H3: Motivation of employees has a significantly positive influence on customer satisfaction. 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. Self-perceived decision-making authority is related to the empowerment concept intensively discussed in the services literature (e.g. Bowen and Lawler, 1995; Spreitzer, 1995) which, however, refers to the "objective" authority an employee has been given by the organization, while decision-making authority is seen as a subjective concept. 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 (Henning, 2004).

H4: Perceived decision making authority of employees has significantly positive influence on customer satisfaction

CHAPTER-THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter of the study deals with the study design, the sources and methods of data collection, the techniques of data presentation and analysis and ethical consideration of the study. In addition survey related results of reliability and validity are also discussed in this chapter.

3.1. Research approach

Concerning the design of the research project, the important question is deciding what research approach to adopt, whether deductive, inductive or abductive. The relevance of hypotheses to the study is the main distinctive point between deductive, inductive and abductive approaches. Deductive approach tests the validity of assumptions (or theories/hypotheses) in hand, whereas inductive approach contributes to the emergence of new theories and generalizations. Abductive research, on the other hand, starts with ‘surprising facts’ or ‘puzzles’ and the research process is devoted to their explanation (Bryman & Bell, 2015).

Deductive research approach explores a known theory or phenomenon and tests if that theory is valid in a given circumstances. It has been noted that the deductive approach follows the path of logic most closely. The reasoning starts with a theory and leads to a new hypothesis. This hypothesis is put to the test by confronting it with observations that either lead to a confirmation or a rejection of the hypothesis this in turn introduces a high level of objectiveness in research through external observation so far as the choice of questions and subsequent phrasings (Snieder & Larner,2009).

Putting into consideration the nature of the research problem at hand,it was found to be appropriate to apply deductive research approach. Hence the study examined the previous findings in the literature, and applied the model which was adopted by others within the context of private banksin Ethiopia.

3.2. Research Methods

Based on the questions that will be asked to address the problem and accompanying review of the literature that establishes the importance of the problem and research paradigm, the researcher chooses either the quantitative or qualitative research method (Croswell, 2012).

Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. Qualitative research seeks to describe various aspects about behavior and other factors studied in the social sciences and humanities. In qualitative research data are often in the form of descriptions, not numbers. (Farahadi, 2009)

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of an attribute (Ethridge, 2004).

Quantitative approach was followed for this study as the research aims at identifying the effect of customer orientation of service employees (COSE) on customer satisfaction and test the relation between these variables by collecting quantitative data.

There are three major ways to classify the strategies of doing research using quantitative approach. These are Survey, experimental and case research method. This study used cross-sectional survey because it seeks to obtain the opinion of a population about customer orientation of service employees and customer satisfaction using structured questionnaire.

3.3. Research design

Research design can be described as a general plan about what you will do to answer the research question. It helps to decide upon issues like what, where, how much, by what means, etc., with regard to an enquiry or a research study. Research can be classified as descriptive, explanatory (causal) and exploratory depending on the specific purpose that the research tries to address (Fox & Bayat, 2007).

Descriptive research sets out to describe and to interpret what is. It looks at individuals, groups, institutions, methods and materials in order to describe, compare, contrast, classify, analyze and interpret the entities and the events that constitute the various fields of inquiry. It aims to

describe the state of affairs as it exists (Ethridge, 2004). On the other hand, explanatory (causal) research aims at establishing the cause and effect relationship between variables. The researcher uses the facts or information already available to analyze and make a critical evaluation of the data/information. The third type i.e., exploratory research, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. On the other hand, descriptive research is the attempt to determine, describe or identify what is, while analytical research attempts to establish why it is that way or how it came to be” (Fox & Bayat, 2007).

The study first described about the level of customer orientation of employees and customer satisfaction on private banks in Ethiopia and then tried to see the causality among these variables. So, the study used explanatory research design.

3.4. Population and Sampling

A 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 researcher wanted to measure the customer orientation of private banks’ employees and its effect on customer satisfaction in accordance with COSE model. Thus, the target population for this study will be all customers of Awash International Bank S.C., Wegagen Bank S.C. and Addis International Bank S.C. at Addis Ababa Branches.

3.4.1. Sample size

Saunders et al., (2009) summarized that there were four strategies to decide sample size including (1) census for small populations, (2) imitating a sample size of similar studies, (3) applying formulas to calculate a sample size, and (4) using published tables. Structural equation modeling is a large sample technique. Currently, Awash International Bank S.C. has 497,758 account holding customers while Wegagen Bank S.C. has 236,703 and Addis International Bank S.C. has 15,736 account holding customers at June 30, 2016 at their Addis Ababa Branches. Therefore,

the sample size to this study is determined by using the formula developed by Cochran (1963:75).
Sample size from the customers was calculated as follows:-

$$n_0 = Z^2 pq / e^2$$

Where: n_0 = the sample size

Z^2 = the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level, i.e. 95%)

e = the desired level of precision

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is $1-p$

The value for Z is found in statistical tables which contain the area under the normal curve.

$$n_0 = (1.96)^2 (0.5)(0.5) / (0.05)^2 = 385$$

The above sample size is the representative sample proportion at 95% confidence level and \pm precision when the population is large and unknown.

Since the population for this study is finite, the sample size(n_0) can be adjusted as follows:-

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where n is the sample size and N is population of the study.

$$n = 384.8236384 \approx 385$$

Many researchers add 5-10% to the sample size to compensate for persons that the researcher is unable to contact (Fox & Bayat, 2007). Considering such situations, the number of questionnaires to be distributed would be 424 by adding 10%.

3.4.2. Sampling Design

Sampling provide a range of methods that enable one to reduce the amount of data needed for a study by considering only data from a sub-group rather than all possible elements. There exist two types of sampling: probability, where the chances of each case being selected from the population is known and is usually equal for all cases, and non-probability - sampling where the chances of each case selected from the total population is not known (Saunders et al., 2009, p.

213).For this study Probability sampling design was applied due to the defined and known nature of the population.

Types of probability sampling techniques include simple random sampling, systematic sampling, stratified sampling, cluster sampling and multistage sampling (Fox & Bayat, 2007). In order to reduce sampling error and to insure adequate representation of all groups, stratified sampling technique was used for the current study.

The branches of the three banks are grouped as Tier I, Tier II&TierIII in accordance to different parameter like number of customer, deposit level, foreign currency generation and credit portfolio volume. The researcher used proportional stratified sampling method, to select Tier I branches located in Addis Ababa from each bank.As of June 30,2016 Awash International Bank S.C. had 12 Tier I branches , Wegagen Bank S,C. had 8 Tier I branches, and Addis International Bank had 4Tier I branches.Then convenience sampling method was used to select the respondents since customers who walked into the selected branch and who are willing to fill out the questionnaire were the potential respondents. A total of 424 questionnaires were distributed to customers throughout the selected branches. There were approximately 17 respondents from each branch by distributing the 424 questionnaires equally among the 24 branches which represented the total 266 branches in Addis Ababa.

3.5. Data source

Both primary and secondary sources of data were employed in the study. Primary data was collected by self - administered questionnaire that was distributed to the respondents while the Secondary data was collected from annual reports and website of the banks to identify number and type of branches and number of account holding customers.

3.6. Data collection instruments

The means to collect the primary data was through self-administered questionnaire. The questionnaire had three parts. The first part was regarding the socio-demographic data of the respondents. The second and third part consist of items adopted from Hennig (2004), to measure the four dimensions of COSE and customer satisfaction placed on a five-point Likert- scale ranging from 1—strongly disagree to 5 —strongly agree each.

3.7. Procedures for data collection

The questionnaire was prepared in English. But, for those respondents who do not understand English language, it was presented in Amharic. At the time of approaching volunteers, they were asked with which version of the questionnaire they would be at ease to fill; the English or the Amharic version and then given accordingly.

Prior to actual distribution of the questionnaire, Pilot test was conducted on 30 selected customers of the three banks. Based on their feedback on the comprehensibility of the questions and constructs, minor amendments were made into the wording and the layout of the questionnaire before it was administered to the respondents. According to Zikmund (2003, p.359), a pre testing study provides an opportunity for the researcher to determine whether the respondents have any difficulty understanding the questionnaire.

3.8. Data Analysis Techniques

In order to analyze collected data, in this study, descriptive statistical tools like frequency, percentage and mean were used to interpret the demographic variables of the respondents as well as percentage scores of the measured COSE dimensions. The analysis of data was computed using Statistical Packaging for Social Sciences (SPSS) version 20 software.

Relationship between the dependent variable (customer satisfaction) and independent variable (dimensions of customer orientation of service employees) was examined by using correlation analysis. In this study Pearson's correlation coefficient was used.

Linear multiple regression analysis was applied to determine the effect of independent variable (COSE dimensions) as predictors on the dependent variable (customer satisfaction).

3.9. Reliability and Validity Test

3.9.1. Reliability

Bless and Higson-Smith (1995) 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. 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, (Bhattacharjee, 2012).

For this study Cronbach’s alpha was used to assess the internal consistency of variables in the research instrument. Cronbach’s alpha is a coefficient of reliability used to measure the internal consistency of the scale; it is represented as a number between 0 and 1. According to Zikmund et al., (2010) if the Cronbach’s alpha coefficient is greater than 0.9 it implies excellent, greater than 0.8 is Good, greater than 0.7 is acceptable, greater than 0.6 is questionable, greater than 0.5 is poor, and less than 0.5 is unacceptable. The result of the Cronbach’s alpha for the four dimensions of COSE and customer satisfaction were found to be in the acceptance range i.e. >0.7. The Cronbach’s alpha coefficient of the five dimensions is shown in table 3.1 below.

Table 3.1 Reliability Analysis of the Variables

Variables	Number of items	Cronbach's alpha coefficients
Technical Skill	3	0.79
Social Skill	3	0.72
Motivation	3	0.81
Perceived decision making authority	3	0.72
Customer Satisfaction	4	0.86
Overall Reliability	16	0.93

(Source: Researcher’s survey, 2017)

3.9.2. Validity

Validity on the other hand refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied (Babbie and Mouton, 1998; Bless and Higson-Smith, 1995). To assure validity, questionnaires will be designed on the basis of previous studies questionnaires and review of related literatures. In order to ensure the quality of the research, design content and construct validity of the research will be checked.

According to Kothari (2004) Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using a panel of persons who shall judge how well the measuring instrument meets the standards, but there is no numerical way to express it. Based on this definition, the content

validity was verified by the advisor of this research, who looked into the appropriateness of the questions and the scales of measurement. In addition, a discussion with fellow researcher was another way of checking the appropriateness of the questions.

A measure is said to possess construct validity to the degree that it confirms to predicted correlations with other theoretical propositions. Construct validity is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory. For determining construct validity, we associate a set of other propositions with the results received from using our measurement instrument. If measurements on our devised scale correlate in a predicted way with these other propositions, we can conclude that there is some construct validity (Kothari, 2004). Therefore, in order to test the construct validity, correlation coefficient for the independent and dependent variables were calculated. Furthermore, this study deduced hypothesis from a theory that is relevant to the concept.

3.10. Ethical Considerations

All information gathered from the respondents was treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence information gotten is presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This section of the chapter is dedicated to describe the major finding and analysis of the sample based on the data gathered from the respondents. The analysis of data was computed using Statistical Package for Social Sciences (SPSS) version 20 software. The techniques of analysis used in this study are descriptive (percentage, frequency and mean) and inferential (correlation and regression).

4.1. Data cleaning and editing

Out of 424 questioners distributed to 24 Tier I branches of the three banks, 392 were found usable for analysis which means 92% usable response rate was obtained. The data has been checked in order to identify if there are any outliers from the selected scale of rating ranging from 1 to 5. As per the table annexed (See Appendix 3) all the responses obtained were in between one and five.

4.2. Test of normality of the data

To establish an initial understanding of the collected data running skewness and kurtosis would help to test the normality of the distribution of the data. According to Fieled (2005), normally distributed data assumes that the sampled data are from one or more normally distributed populations. The rationale behind hypotheses testing relies on having normally distributed populations and so if these assumptions are not met then the logic behind hypothesis testing is flawed. Large sample will give rise to small standard errors and so when sample sizes are big, significant values arise from even small deviations from normality for both skewness and Kurtosis. Skewness is the extent to which a distribution of values deviates from symmetry around the mean. Whether the skewness value is 0, positive, or negative reveals information about the shape of the data. As data becomes more symmetrical, its skewness value approaches zero. A value of +/-1 is considered very good for most psychometric uses, but +/-2 is also usually acceptable at $p < 0.05$. (Fieled, 2005).

On the other hand, Kurtosis indicates how the peak and tails of a distribution differ from the normal distribution. Data that follow a normal distribution perfectly have a kurtosis value of 0. Normally distributed data establishes the baseline for kurtosis. Sample kurtosis that significantly deviates from 0 may indicate that the data are not normally distributed (Fieled, 2005). Values for acceptability for psychometric purposes (+/-1 to +/-2) are the same as with skewness.

Table 4.1. Skwness and Kurtosis checking for normality of the data

	N	Skwness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Technical Skill	392	-0.328	.123	-0.485	.246
Motivation	392	-0.630	.123	0.928	.246
Social Skill	392	-0.255	.123	-0.417	.246
Perceived decision making	392	-.641	.123	0.603	.246
Customer Satisfaction	392	-.409	.123	0.254	.246
Valid N (list wise)	392				

(Source: Researcher’s survey, 2017)

As could be observed from the above table, the values for both skiwness and kurtosis of the collected data are within the acceptable range of +/- 1 thus showing that the data is normally distributed.

4.3. Descriptive Analysis

4.3.1. Sample and response rate

Out of the total collected questionnaires, 190 were from Awash International Bank S.C, 139 from Wegagen Bank S.C and the remaining 63 from Addis International Bank S.C. This means, out of the total usable sample data 48.5% are covered by customers of Awash International Bank S.C., 35.4% are customers of Wegagen Bank S.C and 16.1% are customers of Addis International Bank S.C.

4.3.2. Respondents Demographic Profile

The table below depicts the gender, age, educational level and selection of bank of the respondents.

Table 4.2.Profile of Respondents

No.	Measure	Category	Frequency	Percentage
1	Gender	Male	301	76.8
		Female	91	23.2
		Total	392	100
2	Age	>20	69	17.6
		20-29	123	31.5
		30-49	158	40.4
		>50	41	10.5
		Missing	1	0.3
		Total	392	100
3	Education	First Level	52	13.3
		Secondary Level	132	33.8
		Diploma	95	24.4
		First Degree	93	23.8
		Second Degree	17	4.4
		Other	1	0.3
		Total	392	100
4	Selected Bank	Awash International Bank S.C.	190	48.5
		Wegagen Bank S.C.	139	35.5
		Addis International Bank S.C.	63	16.1
		Total	392	100

(Source: Researcher's survey, 2017)

As could be observed from the above table, among the 392 respondents 301 are male which accounts 76.8% of the sample size while the remaining 23.2 %, which is 91 respondents, are female. This shows that there is male dominance among the respondents. The majority of the respondents i.e.40.4% are between the ages of 30-49. The second frequent age group is between 20-29 constituting 31.5% of the respondents. The remaining >20 and 50< age groups constitute only 17.6% & 10.5% respectively. The overall dominance of the respondents falls on the young population. The education level of respondent's accounts first level 13.3%(52), secondary level

33.8% (132), diploma 24.4 % (95), degree 23.8% (93), second degree 4.4%(17) and one respondent i.e 0.3% answered other. Thus, among the given categories the most frequent group of respondents had up to secondary level education followed by diploma and degree educational achievement.

4.3.3. Descriptive statistics of COSE dimensions

In order to analyze the effect of COSE dimensions on satisfaction of customers, measuring the level of performance of private bank's employees with regards to COSE dimensions becomes a pre-requisite. Thus, to evaluate the employees as perceived by customers of the three banks, a total of 12 questions grouped into four dimensions which are: technical skills, social skills, motivation and decision making authority, were prepared. The responses obtained were analyzed by taking, descriptive statistics of mean and standard deviations. The mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. The higher the mean the more the respondents agree with the statement while the lower the mean the more the respondents disagree with the statement. In addition, standard deviation shows the variability of an observed response. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. Below the results obtained are discussed on by one.

A) Technical Skills

According to Henning & Thureau (2003) Technical skills include the knowledge and motor skills the service employee needs in order to be able to interact with the customer in a high quality way. Such technical skills are essential for customer 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. Accordingly, the respondents were asked three questions in relation with the technical skills of private bank employees and their response depicted through mean and standard deviation was as follows:-

Table 4.3 Descriptive analysis: - Technical skills

Variables	Mean	Std Deviation
Employees of the bank have high level of bank service knowledge.	3.65	0.92
The bank's employees are experts in their job	3.88	0.75
Employees of the bank are highly competent.	3.92	0.70
Technical Skill	3.82	0.67

(Source: Researcher's survey, 2017)

As could be observed from the above table, the mean of the questions is above the average scale of 3 and standard deviation of 0.67 which implies that most of the respondents believe private bank employees have above average technical skill.

B) Social Skills

Thurau & Thurau (1999) defined good social skills as employees' consideration to their customer's perspective and treating them well. To measure the social skills of the banks employees, three questions were presented to the respondents for which their respective mean and standard deviation scores are these:-

Table 4.4 Descriptive analysis: - Social Skills

Variables	Mean	Std Deviation
Employees of the bank have extensive social skills.	3.88	0.656
Employees of the bank are able to consider their customers perspective.	3.81	0.82
Employees of the bank know how to treat a customer well.	3.89	0.79
Social Skill	3.92	0.82

(Source: Researcher's survey, 2017)

The above data confirms that the social skill of employees of the banks is good as perceived by their customers with the minimum mean registered being 3.81 well above the average amount.

C) Motivation

The service employee's motivation leads the employee to exert technical and social skills in performing in a customer-oriented fashion (Hennig- Thurau, 2004). Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior (Vroom, 1967). The motivation level of the selected banks employees were measured using three

questions. The following table shows the outcome of responses through mean and standard deviation.

Table 4.5 Descriptive analysis: - Motivation

Variables	Mean	Std Deviation
Employees of the bank show strong commitment to their job.	3.99	0.741
Employees of the bank do their best to fulfill their customers' needs.	3.90	0.85
Employees of the bank are always highly motivated.	3.44	0.92
Motivation	3.78	0.72

(Source: Researcher's survey, 2017)

As has been the case for technical skills and social skills, the respondents perception of the level of motivation of the employees of the three private banks was also above the average rate of three. Most agreed that employees of the banks show strong commitment to their jobs.

D) Perceived Decision Making Authority

Perceived decision-making authority is related to the subjective empowerment concept which service employees feel authorized to decide on issues that concern customers' interests and needs (Bowen & Lawler, 1995). The respondents were requested to rate the decision making authority of the banks employees through three questions and their respective response is shown below:-

Table 4.6 Descriptive analysis: - Perceived decision making authority

Variables	Mean	Std Deviation
Employees of the bank are allowed to decide autonomously in customer matters.	3.8	0.76
Employees of the bank have appropriate room for maneuver in solving customer problems.	3.4	0.90
Employees of the bank do not need to ask their superior for permission in the case of customer requests.	3.2	0.80
Perceived decision making authority	3.48	0.68

(Source: Researcher's survey, 2017)

As could be observed from table 4.6 above, though the mean is low as compared to the other variables, it is still above average showing that most of the respondents perceived the employees as having more than average decision making authority.

Overall the perception of customers with regards to the COSE dimension of employees of private banks is positive with all mean scores being above the cut line of 3.

E) Customer Satisfaction

Previous research seeking to explain customer satisfaction has primarily focused on the customer expectation- disconfirmation paradigm, while for the most part overlooking the interaction between the customer and the provider in determining CS. Marketing theorists have long argued that firms that focus on their customers’ needs are better positioned to achieve long-term success than companies that do not (Deshpande et al, 1993; Kotler, 2000).

In order to test the respondents’ satisfaction with service provided by private banks four items were given for the respondents to answer. Table 4.7 shows the analysis regarding their responses.

Table 4.7 Descriptive analysis: - Customer satisfaction

Variables	Mean	Std Deviation
I am fully satisfied with the bank.	3.93	0.80
It always fulfills my expectations.	3.82	0.79
It has never disappointed me.	2.92	0.93
My experiences with the Bank are excellent.	3.81	0.76
Customer Satisfaction	3.62	0.69

(Source: Researcher’s survey, 2017)

As could be observed from the above table, the respondents’ answers to the three questions produced a mean that is larger than the cutoff point of three. But for the question ‘It has never disappointed me’ the mean became slightly less than the average value. The standard deviation is also high relative to the others showing that there exists variation of opinion between the respondents as compared to the other questions.

4.4. Inferential Statistics

4.4.1. Correlation Analysis

Relationship between the dependent variable (customer satisfaction) and independent variable (dimensions of customer orientation of service employees) were examined by using correlation analysis. The Pearson’s correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dimensions of COSE and customer

satisfaction. Pearson correlation coefficient ranges between -1 and 1, and the further from 0, the stronger the linear association between the variables (Field, 2005). General guidelines of correlations of 0.1 to 0.3 are considered small, correlations of 0.3 to 0.7 are considered moderate, correlations of 0.7 to 0.9 are considered large and correlations of 0.9 to 1.00 are considered to be very large. A positive correlation implies that a high value in one variable is associated with a high value in the other variable and vice versa (Marczyk, Dematteo and Festinger, 2005). Bivariate correlation of a two-tailed test confirm the presence of statistically significant difference at probability level $p < 0.05$ i.e. assuming 95% confidence interval on statistical analysis. The correlation between the constructs is presented in a correlation matrix below:-

Table 4.8: Correlation Analysis

		Technical Skill	Motivation	Social Skill	Perceived decision making authority	Customer Satisfaction
Technical Skill	Pearson Correlation Sig. (2-tailed)	1				
Motivation	Pearson Correlation Sig. (2-tailed)	.568**	1			
Social Skill	Pearson Correlation Sig. (2-tailed)	.690**	.781**	1		
Perceived decision making authority	Pearson Correlation Sig. (2-tailed)	.648**	.803**	.788**	1	
Customer Satisfaction	Pearson Correlation Sig. (2-tailed)	.704**	.814**	.823**	.829**	1

** . Correlation is significant at the 0.01 level (2-tailed)

(Source: Researcher’s survey, 2017)

In all the cases, as the correlation statistics confirms the presence of positive relationships to customer satisfaction which is significant even at the $p < 0.01$ level. From this we can infer that an improvement in any of the COSE dimensions by the bank will result in the increase in customer satisfaction. Moreover, the inter-correlations between COSE dimensions also show a positive and significant relationship. Therefore when the bank makes changes to one COSE dimension the association is likely to positively motivate other COSE dimensions positively too. The highest inter-correlation exists between motivation and perceived decision making authority ($r=0.803$), perceived decision making authority and social skills ($r=0.788$) and motivation and

social skills ($r=0.701$). The relation between technical skills and motivation was moderate among the independent variables with r at 0.568. With this the researcher confirmed that there is a relationship between COSE dimensions and customer satisfaction. This has the implication for the bank to focus on the dimensions with the highest correlation that is perceived decision making authority and social skills. But does not exactly inform the banks on the exact amount of investment they have to make to acquire a desired amount of change in customer satisfaction. Hence, regression analysis was done.

4.4.2 Test for Linear Regression Model Assumptions

Before running regression analysis, important things to identify are the normality, linearity, homoscedasticity of the sample data as well as non-existence of multicollinearity among the independent variables.

4.4.2.1. Normality Assumption

According to the central limit theorem, if the sample data are approximately normal then the sampling distribution too will be normal (Elliott & Woodward, 2007). Normality and other assumptions should be taken seriously, for when these assumptions do not hold, it is impossible to draw accurate and reliable conclusions about reality (Oztuna et al, 2006). Although true normality is considered to be a myth, we can look for normality visually by using histograms or by significance tests, that is, comparing the sample distribution to a normal one (Field, 2009). According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell-shaped. Thus this study implemented graphical methods to test the normality of data. From the Histogram figure (see Appendix 5), it can be noted that the distribution is a normal curve, demonstrating that data witnesses to the normality assumption.

4.4.2.2. Linearity Assumptions

Linear regression does not test whether data is linear. It finds the slope and the intercept assuming that the relationship between the independent and dependent variable can be best explained by a straight line. Normal probability plots were also used to test the normality assumption as shown by the Normal P P-Plot. As can be seen from Appendix 6, the residuals were normally distributed around its mean of zero indicating that the data were normally distributed in consistence with the normal distributions assumptions.

4.4.2.3 Homoscedasticity

This assumption tells us that for each value of the predictors the variance of the error term should be constant. Said in another way, Homoscedasticity is an assumption in regression analysis that the residuals at each level of the predictor variables have similar variances. That is, at each point along any predictor variable, the spread of residuals should be fairly constant. For a basic analysis, we first plot *ZRESID (Y-axis) against *ZPRED (X-axis) on SPSS because this plot is useful to determine whether the assumptions of random errors and homoscedasticity have been met (Field, 2009). The graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero. If there is any sort of curve in this graph, then, the chances are that the data have broken the assumption of linearity (Field, 2009). As can be seen in the scattered plot on Appendix 7, the residuals at each level of explanatory variables look like they are evenly dispersed around zero and that the graph is not something like cone shaped. Therefore, it is safe to say that this study has no homoscedasticity problem.

4.4.2.4. Multicollinearity Test Assumptions

One should check for the problem of multicollinearity which is present if there are high correlations between some of the independent variables before running regression. When two variables are highly correlated, they both communicate essentially similar information. One way to assess multicollinearity is to examine correlations among the independent variables. If a correlation matrix demonstrates correlations of 0.90 or higher among the independent variables, they may be a problem with multicollinearity. Hair et al. (2006) argued that correlation coefficient below 0.90 may not cause serious multicollinearity problem. The study checks this with the Variance Inflation Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one.

Tolerance on the other hand, is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity (Hair et al., 2006). As table 4.9 below shows multicollinearity problem does not

exist between the independent variables. The VIF and tolerance values of the data are depicted in the table below:-

Table 4.9 Multicollinearity

Model I	Colinearity Statistics	
	Tolerance	VIF
Technical Skill	.494	2.026
Motivation	.296	3.379
Social Skill	.273	3.667
Perceived decision making	.273	3.664

(Source: Researcher's survey, 2017)

Table 4.9 shows that the tolerance values of all the independent variables were greater than 0.1 and the VIF values of all the independent variables were less than 10. This indicates that model I was free from multicollinearity.

4.4.2.5. Regression Analysis

Thus, the next step would be to run regression analysis in order to measure how much of the variance in the measure of customer satisfaction is explained by the underlying dimensions of the customer orientation of service employees.

4.10 Model Summery

Model	R	R Square	Adjusted R square	Standard error of the estimate
1	0.896 ^a	0.803	0.801	0.310

(Source: Researcher's survey, 2017)

Once a multiple regression equation has been constructed, one can check how good it is (in terms of predictive ability) by examining the coefficient of determination (R^2). The adjusted R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case the co-efficient of determination adjusted (R^2) was 0.801. This implies that about 80% of the dependent variable (i.e. customer satisfaction) can be

explained by the independent variables (i.e. dimensions of COSE), leaving about 20% to be explained by other exogenous factors. Adjusted R^2 values also indicate the overall effect size of all the independent variables on the dependent variable.

Similarly, the reliability statistics and test table (see Annex 4) shows the overall significance/acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value of (0.001), which is less than $p < 0.05$, the model is found to be significant hence the variation explained by the model is not due to chance.

The strength of each predictor (independent variable) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient. The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

Table 4.11 Regression analysis of COSE dimensions

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.173	.101		-1.712	.088
Technical Skill	.195	.033	.188	5.848	.001
Motivation	.278	.040	.289	6.969	.001
Social Skill	.262	.046	.247	5.723	.001
Perceived decision making authority	.282	.044	.279	6.464	.001

a. Dependent Variable: Customer Satisfaction

(Source: Researcher's survey, 2017)

Model Specification

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \Sigma$$

- ✓ Y is the dependent variable- customer satisfaction
- ✓ X_1, X_2, X_3, X_4 , are the explanatory variables of COSE

- ✓ α 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.
- ✓ $\beta_1, \beta_2, \beta_3$ and β_4 refers to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.
- ✓ Σ is sum of residual error terms.

Thus, the formula for the above table would be:-

$$CS = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \Sigma \dots \dots \dots (1)$$

$$CS = \alpha + \beta_1 TS + \beta_2 MO + \beta_3 SS + \beta_4 PDMA + \Sigma \dots \dots \dots (2)$$

$$CS = -0.173 + 0.188TS + 0.289MO + 0.247SS + 0.279PDM + 0.31$$

Where:-

CS= Customer Satisfaction

TS= Technical Skills

MO= Motivation

SS= Social Skills

PDMA= Perceived decision making authority

From the regression equation and Table 4.11 above it could be observed that all the dimension of customer orientation of service employees positively affects customer satisfaction. Technical skill have beta value 0.188 indicates that increase in technical skill by one unit would result on the outcome variable customer satisfaction increase by 0.188 units of value. Motivation, Social skill, and perceived decision making authority of employees of the bank have also explained customer satisfaction with β value of 0.289, 0.247 and 0.279 respectively. The significance levels are .000 for all dimensions which are all less than 0.05. This indicates a significant relationship between the independent variables and the dependent one. Since, coefficients of the predictor variables are statistically significant at less than five percent; hypotheses related to all four dimensions of COSE were accepted.

Hypothesis Testing and Interpretation of Results

Table 4.12 Summary of the overall outcome of the Research Hypotheses

Hypotheses	Result	Reason
H1: Technical skill of private bank employees has a significantly positive influence on customer satisfaction.	H1:Supported	$\beta= 0.188, p<0.05$
H2: Social skill of private bank employees has a significantly positive influence on customer satisfaction.	H2:Supported	$\beta= 0.247, p<0.05$
H3: Motivation of private bank employees has a significantly positive influence on customer satisfaction.	H3:Supported	$\beta= 0.289, p<0.05$
H4: Perceived decision making authority of private bank employees has a significantly positive influence on customer satisfaction.	H4:Supported	$\beta= 0.279, p<0.05$

(Source: Researcher's survey, 2017)

In general as table 4.12 revealed motivations was the first most significant variable for customers' satisfaction followed by perceived decision making authority. Social skill took the third place and finally technical skills.

Technical Skills and Customer Satisfaction:-Technical skills are essential for customer 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 this study the researcher found that technical skills have strong effect on level of customer satisfaction in the private banking sector. This result is also supported by the study conducted by Hennig (2005). But as compared to the other dimensions of COSE, technical skill of bank employees has the lowest effect on customer satisfaction. This as per the explanation of Hennig & Thureau (2003) is due to customers' expectation that every employee of a firm should at minimum have basic knowledge and technical skill on the service they provide. Hence, though they do not give high

credit for the technical knowledge of employees, the lack of such skill is regarded as highly unsatisfactory.

Social Skills and customer satisfaction: -The service employee's ability to take the customer's perspective during service interactions visually, cognitively, and emotionally which will lead the employee to empathize with the customer's perceptions, thoughts, and feelings is regarded as social skills. The current study has proved the theory developed by Garbarino & Johnson (1999) which demonstrates that the development of long-term relationships is highly influenced by social aspects. This result is also supported by Hennig & Thureau (2004).

Motivation and customer satisfaction: - Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior. Based on the current study, as backed by previous researches conducted by Hennig & Thureau (2004) and Heidarzadeh (2011), motivation is found to have the highest significant effect on level of customer satisfaction.

Perceived decision making authority and customer satisfaction:-If an employee has the ability and motivation required to perform in a customer-oriented way, but feels that he or she does not have the legitimization to do so, then his or her behavior will not be perceived as truly customer oriented by the customers. In this study, the construct applied to measure perceived decision making authority found that the dimension highly affects level of customer satisfaction on private bank customers. This result is supported by the work of Hennig & Thureau (2004) and Heidarzadeh (2011).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter winds up the study undertaken so far by giving insights about summary, conclusions, recommendations and highlighting future research areas for study.

5.1. Summary of major findings

The general objective of the study was to measure the effect of customer orientation of service employees on customer satisfaction. By surveying 392 of customers of selected three private banks in Ethiopia the study was able to analyze the perception private bank customer had toward the customer orientation of banks employees' i.e. technical skill, social skill, motivation and perceive decision making authority and tried to address the level of customer satisfaction. Based on the conceptual frame work and objectives of the study 16 items were provided in a 5 point Likert scale to the respondents.

The collected data was analyzed through descriptive and inferential statistic methods. Descriptive statistical analysis was conducted on the demography of respondents as well as the stated variables. The respondents' demographic composition showed dominancy by male gender wise, age group of 30-49 and educational achievements of secondary school. When having a look into what the respondents replied on the questionnaires, although they gave positive feedback for all the COSE dimensions, questions relating to social skills and technical skills received the highest mean scores while the lowest went to perceived decision making authority. These results imply that out of the five dimensions, private bank customers believe the social and technical skills of employees of the three banks are at good status.

Regarding inferential statistics analysis, Pearsons bivariate correlation was conducted and was found that all the customer orientation measurement dimensions have positive association with customer satisfaction. This result was also supported by previous studies conducted by Niousha(2003) as well as Reema(2011). Perceived decision making authority showed the highest

positive correlation with customer satisfaction($r=0.829$) and motivation demonstrates the second highest positive correlation ($r=0.823$) with customer satisfaction. Whereas, technical skills reveals the least positive correlation with customer satisfaction as compared to the other dimensions ($r=0.704$) and social skill being next to last($r=0.814$). But the level of correlation in all cases was found to be strong at $p<0.01$.

Prior to running regression analysis, normality, linearity, multicolleniourity and homocedasticity of the sample data was checked which confirmed that the data was normally distributed and linear with the histogram showing a bell shaped figure and the P Plot showing the residuals that are normally distributed around its mean of zero. By taking the definition of Hair et al(2006) as reference multicolleniourity test was also run and it was found that all the independent variables have tolerance and VIF values of less than 1 and 10 respectively showing there is no multicolleniourity problem among the variables.

To test the hypothesis, the researcher performed a multiple linear regression analysis which showed the variance explained by the variables was 80% ($r^2= 0.8$) while the remaining 20% came from exogenous factors. Finally, the beta value which explains how much customer satisfaction would increase when there is a one unit increase in the independent variable showed that customer satisfaction was positively affected by COSE dimensions with the highest effect contributed by motivation at 28.9% followed by perceived decision making authority, social skills and technical skills at 27.9%, 24.7% and 18.8% respectively. Hence, the entire proposed hypotheses were accepted as has been the case in previous works of Kambis (2011), Niousha(2013) and Reema(2011) .

5.2. Conclusion

This study was undertaken to examine the effects of COSE dimension on customer satisfaction by basing its model on the work of Hennig-Thurau (2004). Subsequent to proper data analysis, the study successfully ascertained that there is a significant positive relationship between customer orientation of private banks employees and their customers' level of satisfaction. The correlation that exists between the independent variables also suggests that when banks make changes to one COSE dimension the association is likely to positively affect other COSE dimensions positively too. One of the highest inter-correlation exists between motivation and perceived decision making authority ($r=0.8$). Therefore a reduction in the level of decision making authority will result in a considerable and consequent decline in motivation and vice versa. Hence the bank should keep the level of perceived decision making authority of its employees as high as possible to keep them motivated as well as develop their social skills.

The regression model indicated that the four dimensions of COSE (technical skills, social skills, motivation and perceived decision authority) explain 80% of the variance in customer satisfaction. At the beginning of the study it was believed that all the four dimensions of COSE had a positive and significant effect on customer satisfaction. But, after analysis was done it was found that the different dimensions of COSE contribute in different ways to customer satisfaction and that an order exists among the four dimensions. The findings revealed that the dimension which majorly affects customer satisfaction was motivation while the minimum effect came from technical skill. Perceived decision making authority and social skills also affected customer satisfaction at a close range with motivation, showing that the dimensions are more or less intertwined. On the contrary, when looking at the mean scores of the dimensions, perceived decision making authority and motivation scored the least values showing that private banks are not doing well regarding these dimensions. But, the overall mean of customer satisfaction showing mean of 3.6 implies that customers are somewhat satisfied but expected even more from employees leading to the conclusion that private banks have yet to work on improvement of their employees capabilities in consideration of the four dimensions of COSE.

5.3. Recommendations

Based on the above findings the following recommendations can be forwarded:-

- This study has shown the relationship among the COSE dimensions and customer satisfaction in private banks. Since the study confirmed the four dimensions of customer orientation are positively correlated with banks customer satisfaction, the banks should give strong emphasis to all the dimensions in maintaining and improving the service they provide.
- The current shift towards a high competitive market in the banking industry should be a wakeup call for private banks in the country to strive to meet and pass their customer's expectations by utilizing their employees' skills.
- Banks should bear in mind the dimensions of COSE while training of new and existent employees so as to develop their social skills, technical skills, motivation and perceived decision making abilities.
- Among these COSE dimensions, perceived decision making authority showed the highest positive correlation with customer satisfaction and the highest R square result in the current study while the mean score shows the lowest from all the dimensions. Thus, banks should work more on developing the decision making capabilities of their employees.

5.4. Limitations and directions for future research

There is lack of empirical research in the area of customer orientation of service employees and its effects especially in our country's scenario. With this regard the findings of this research will have a significant insight for future researches. In addition, this study used only quantitative data thus; qualitative analysis is needed to investigate the underlying contributing factors to COSE dimensions. Furthermore, this study is limited to the private banking sector by taking three banks. Further study could be conducted by taking more number of banks as well as incorporating public banks and other different service giving sectors.

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Appendices

APPENDIX 1: Questionnaire in English

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

POST GRADUATE PROGRAM

A SURVEY ON MEASURING CUSTOMER ORIENTATION OF SERVICE EMPLOYEES AND ITS EFFECT ON CUSTOMER SATISFACTION

Dear Respondents,

This study is part of a requirement for a Masters Degree in Marketing Management at Addis Ababa University School of Commerce. It has academic purpose only. This questionnaire is designed to measure the effect of customer orientation of employees and its effect on customer satisfaction. Therefore please give an honest answer to all the questions. I assure you that the responses will be treated confidentially. This will only take **less than 5 minutes of your valuable time**. Thank you in advance for your cooperation. (The researcher)

Part One: Personal Information

Instruction:

- No need of writing your name
 - Please circle the appropriate response category from the choices given.
- A. Gender
- | | |
|---------|-----------|
| 1. Male | 2. Female |
|---------|-----------|
- B. Age
- | | |
|--------------------|---------------------------|
| 1. 18-29 years old | 3. 40-49 Years old |
| 2. 30-39 years old | 4. 50 years old and above |
- C. Education Level
- | | | |
|---------------------|------------------------|---------------------------|
| 1. Primary School | 3. Certificate/Diploma | 5. Second degree and more |
| 2. Secondary School | 4. First degree | |

Part Two: Customer Orientation of Service Employees

The following statements relate to your views about the technical skills, social skills, motivation and perceived decision making authority of _____ employees. Please respond by circling the number which best reflects your own perceptions.

5 means you strongly agree that _____ employees have that feature and **1** means you strongly disagree.

- i. You can choose any of the numbers in the middle that represent the employees' capabilities.

No.		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1.	Employees of the bank have high level of bank service knowledge.	1	2	3	4	5
2.	The bank's employees are experts in their job	1	2	3	4	5
3.	Employees of the bank are highly competent.	1	2	3	4	5
4.	Employees of the bank have extensive social skills.	1	2	3	4	5
5.	Employees of the bank are able to consider their customers perspective.	1	2	3	4	5
6.	Employees of the bank know how to treat a customer well.	1	2	3	4	5
7.	Employees of the bank show strong commitment to their job.	1	2	3	4	5
8	Employees of the bank do their best to fulfill their customers' needs.	1	2	3	4	5
9	Employees of the bank are always highly motivated.	1	2	3	4	5
10	Employees of the bank are allowed to decide autonomously in customer matters.	1	2	3	4	5
11	Employees of the bank have appropriate room for maneuver in solving customer problems.	1	2	3	4	5
12	Employees of the bank do not need to ask their superior for permission in the case of customer requests.	1	2	3	4	5

Part Three: Customer Satisfaction

No.		Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1.	I am fully satisfied with the bank.	1	2	3	4	5
2.	It always fulfills my expectations.	1	2	3	4	5
3.	It has never disappointed me.	1	2	3	4	5
4.	My experiences with the Bank are excellent.	1	2	3	4	5

APPENDIX 2: Questionnaire in Amharic አዲስአበባዩኒቨርሲቲ

ንግድ ሥራ ትምህርት ቤት

የገበያ አመራር ድህረ-ምረቃ መርሃ-ግብር

ይህ መጠይቅ በአዲስ አበባ ዩኒቨርሲቲ የንግድ ሥራ ት/ቤት ድህረ-ምረቃ ተማሪዎች ተዘጋጀው። አላማውም የግልባንክ ሥራ ተኞች መስተንግዶ አቸው የደንበኛ ንፍላጎት ያማከለ መሆኑን እና የደንበኛ እርካታ ላይ ያለውን አስተዋፅኦ አመልክቷል።

ለሚጠየቁት ጥያቄ የሚሰጡት መልስ ሚስጥራዊነቱ ሙሉ በሙሉ የተጠበቀ ስለሆነ ያለስጋት ምላሽ ይሰጡ ዘንድ እየጠየኩኝ በተጨማሪም የዚህ ዳሰሳ ውጤታማነት በእርስዎ ምላሽ ላይ የተመሠረተ በመሆኑ በተቻለዎት አቅም ለመጠይቁ አግባብነት ያለው ምላሽ ይሰጡ ዘንድ በትህትና እጠይቃለሁ። ጊዜዎትን ሰውተው ስለሚያደርጉልኝ ቀና ትብብር በቅድሚያ አመሰግናለሁ።

ክፍል 1 - መሠረታዊ መረጃዎች

የ ✓ ምልክት በማድረግ ምርጫዎትን ያመልክቱ።

1. ያታ: ወንድ ሴት
 2. እድሜ: <20 20-29 30-49 50 >
 3. የትምህርት ደረጃ: አንደኛ ደረጃ ሁለተኛ ደረጃ ዲፕሎማ ዲግሪ ሁለተኛ ዲግሪ
- ሌላ

ክፍል 2

ከዚህ በመቀጠል የቀረቡት ዓ.ነገሮች በርስዎ አመለካከት ትክክለኛ ነው ብለው የሚያስቡትን ከ1-5 ካሉት አማራጮች መካከል በማክበብ ምላሽ ይሰጡ። '1' በጣም አልስማማም፣ '2' አልስማማም፣ '3' ገለልተኛ፣ '4' እስማማለሁ እና '5' በጣም እስማማለሁ።

መግለጫ	ተ.ቁ.	መለኪያ መስፈርት ዓ.ነገሮች	የርስዎ ምግባር				
የሥራ ተኞች ክፍሎች	1	የባንኩ ሥራ ተኞች ክፍተኛ የባንክ አገልግሎት እውቀት አላቸው። /ለምሳሌ ለማንኛውም የባንክ አገልግሎት ጥያቄ በቂ መልስ እና ማብራሪያ የመስጠት አቅም አላቸው/።	1	2	3	4	5
	2	የባንኩ ሥራ ተኞች መስተንግዶ አቸው ፈጣን እና ቀልጣፋ ነው። /ለምሳሌ: ለክፍያም ሆነ ለገቢ ብርሲቆጥሩ ኮምፒዩተር ሲጠቀሙ፣ ሲፅፉ፣ ሂሳብ ሲያሰሉ ወዘተ...	1	2	3	4	5

		ፈጣንና ቀልጣፋ ናቸው።					
	3	የባንኩ ሠራተኞች በሥራቸው ብቁ ባለሙያ ናቸው።	1	2	3	4	5
የሠራተኛተግባቢነት	4	የባንኩ ሠራተኞች ከፍተኛ የመግባባት ክህሎት አላቸው።	1	2	3	4	5
	5	የባንኩ ሠራተኞች መስተገንግዶአቸው የደንበኛን ፍላጎት እና ያለበትን ሁኔታ ከግምት ውስጥ ያስገባ ነው።	1	2	3	4	5
	6	የባንኩ ሠራተኞች ደንበኛን በጥሩ ሁኔታ ይንከባከባሉ።	1	2	3	4	5
የሠራተኛየሥራተነሳሽነት	7	የባንኩ ሠራተኞች ትጉና ታታሪ ናቸው።	1	2	3	4	5
	8	የባንኩ ሠራተኞች የደንበኛን ፍላጎት ለማሟላት የተቻላቸውን ሁሉ ያደርጋሉ።	1	2	3	4	5
	9	የባንኩ ሠራተኞች ሁሌም ከፍተኛ የሥራ ተነሳሽነት ይታይባቸዋል።	1	2	3	4	5
የሠራተኛየመወሰንስልጣን	10	የባንኩ ሠራተኞች አለቃቸውን ሳያማክሩ /የአለቃ ትዕዛዝ ሳይጠብቁ/ ለደንበኞች ቀልጣፋ አገልግሎት ይሰጣሉ።	1	2	3	4	5
	11	የባንኩ ሠራተኞች የደንበኞችን ጥያቄ እና ችግር ለመፍታት የሚያስችል በቂ ጊዜና የተመቻቸ ሁኔታ አላቸው።	1	2	3	4	5
	12	የባንኩ ሠራተኞች ደንበኞችን ማስተናገድ በተመለከተ በራሳቸው የመወሰን ሙሉ ስልጣን አላቸው።	1	2	3	4	5
የደንበኛእርካታ	13	በባንኩ አገልግሎት ሙሉ በሙሉ ደስተኛ ነኝ።	1	2	3	4	5
	14	ባንኩ ሁሌም የምጠብቀውን /የምፈልገውን/ የባንክ አገልግሎት ያሟላልኛል።	1	2	3	4	5
	15	በባንኩ አገልግሎት ቅርተሰኝቼ አላውቅም።	1	2	3	4	5
	16	ከባንኩ ጋር ያለኝ ግንኙነት እጅግ በጣም ጥሩ ነው።	1	2	3	4	5

አመሰግናለሁ።

APPENDIX 3: Descriptive Statistics on Min & Max Values

	N	Minimum	Maximum
Technical skills of employees	392	1	5
Technical skills of respondents	392	2	5
Technical skills	390	2	5
Social Skill	391	2	5
SS2	390	2	5
SS3	392	1	5
Motivation	392	1	5
M2	392	1	5
M3	392	1	5
Decision making Authority	390	1	5
PDMA2	390	1	5
PDMA3	391	1	5
Customer Satisfaction	392	1	5
CS2	392	1	5
CS3	392	1	5
CS4	392	1	5
Valid N (listwise)	382		

APPENDIX 4: ANOVA Test

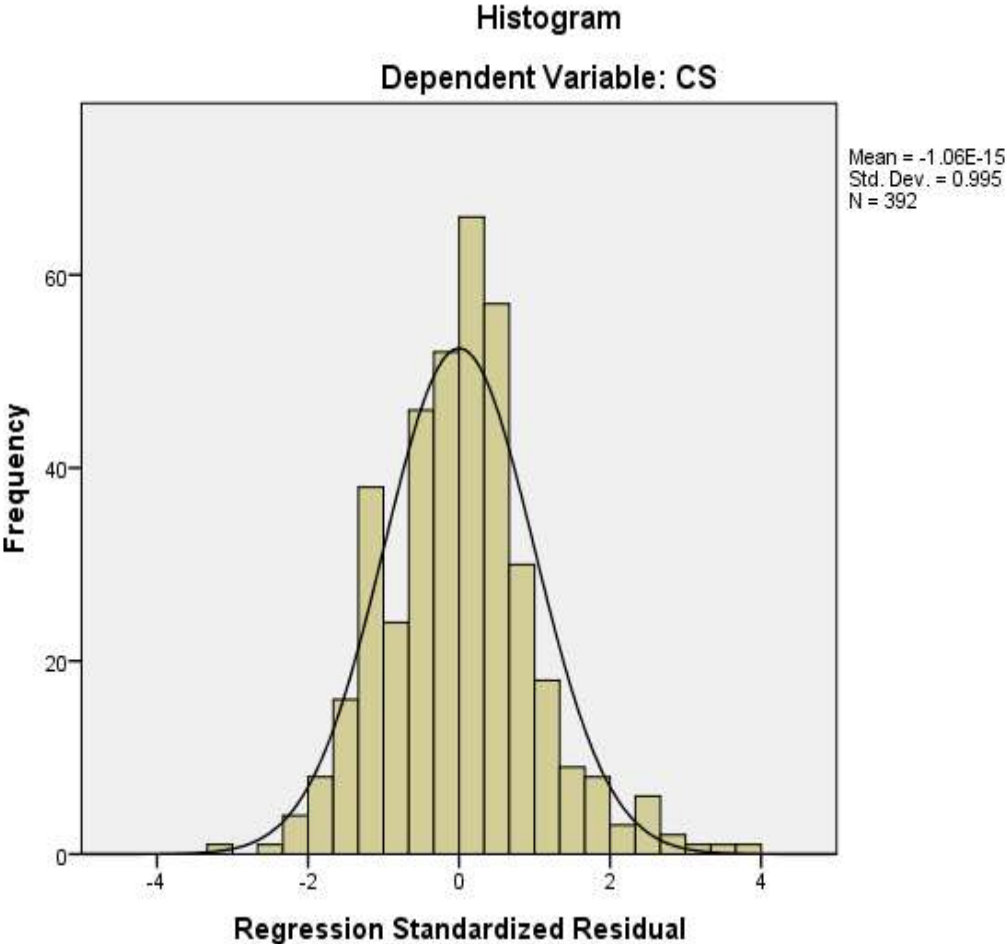
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	151.241	4	37.810	394.214	.000 ^b
Residual	37.118	387	.096		
Total	188.359	391			

a. Dependent Variable: CS

b. Predictors: (Constant), PDM, TS, MO, SS

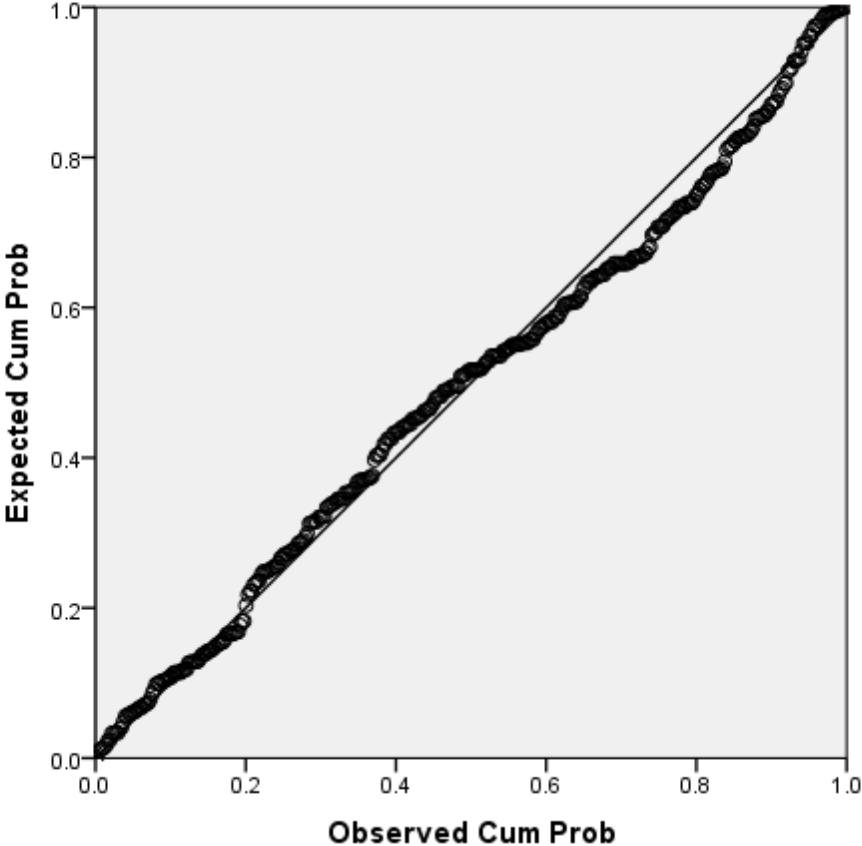
Appendix 5: Histogram for Normality Test of the Data



APPENDIX 6: Normal P- P Plot to Test Normality of the Data

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: CS



Appendix 7: Histogram for Normality Test of the Data

