

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGMENT



**MARKET ORIENTATION AND CUSTOMER SATISFACTION IN BANKING: THE
MEDIATING ROLE OF FRONT LINE EMPLOYEE EXPERTISE IN THE CASE OF
SELECTED COMMERCIAL BANKS**

A Thesis Submitted to Addis Ababa University school of graduate studies presented in partial fulfillment of the requirements for the Degree of Master of Business Administration

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2020

Addis Ababa

Declaration

I hereby declare that the research work titled "**Market orientation and customer satisfaction in banking: The mediating role of front line employee expertise in the case of selected commercial banks**" is my own work. The work has not been presented elsewhere for assessment. Where material has been used from other sources, it has been properly acknowledged. Due references have been provided on all supporting literatures and resources.

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Letter of Certificate

Abel Aragaw has carried out this thesis on the topic “Market orientation and customer satisfaction in banking: The mediating role of front line employee expertise in the case of selected commercial banks” under the supervision of me. This research paper is suitable in partial fulfillment of the requirement for the award of master of business administration in management.

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Market orientation and customer satisfaction in banking:
The mediating role of front line employee expertise in the case of selected
commercial banks

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Abstract

An emerging perspective on market orientation suggests that strategic insights can be gained when firms take into account their customers' view's on the organization's level of market orientation. The study examined the relationship between market orientation and customer satisfaction with the mediating effect of front line employee's expertise from customer's perspective in the case of four commercial banks. A sample of 323 business and premium customers was used in the study. A quantitative research method using modified and structured questionnaires from previous studies that adopt the most widely used MKTOR model developed by Narver and Slater (1990) was employed and multiple regression analysis was conducted to find out the relationship between market orientation and customer satisfaction. Mediation analysis is also carried out using the most recent and increasingly applied bootstrapping approach using Hayes process macro3.4.

The findings of this study revealed that market orientation and its two dimensions: customer and inter-functional components significantly and positively influences the satisfaction of customers and the results are consistent with various previous works in the market-orientation literature. However, competitor orientation was found to be insignificant to influence customer satisfaction. Additionally, the study found that expertise of frontline employees partially mediates the relationship between market orientation and customer satisfaction indicating commercial banks with proper market orientation strategies and expertise front line employees to implement their marketing strategies can increase the satisfaction of their customers.

Finally, the study empirically contributed by introducing and testing frontline employee expertise as a mediating variable in the relationship between market orientation and customer satisfaction in banking.

Keywords: market orientation; customer satisfaction; employee expertise, bank, mediation

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Chapter One

1. Introduction

This chapter establishes the scope of the thesis. It outlines the background to this research, presents the research problems, identifies and formulates the research questions, limitations & delimitation of the study, and discusses the significance of the study.

1.1 Background of the study

Customers are the most crucial and significant sources of creating a sustainable competitive advantage in the market orientation principle (Ansah & Chinomona, 2017; Tirado & Guillén, 2017). Besides creating a competitive advantage, the market orientation would also help companies maximize their profits by satisfying their customers, internal and external (Abidemi et al., 2017; Kasim et al., 2018). Interestingly, the expertise of the service provider plays a key role in developing long-lasting business relationships with customers (Newell et al., 2016).

The Ethiopian banking sector has undergone various changes over the years with the advancement of technology and the changing characteristics of consumers. Consumers' needs are constantly changing and so there is a need for the banking industry to continuously study their consumers and identify their needs and satisfy them. As a result of innovative technology and other global challenges and opportunities in recent times, the banking sector is now go-getting tough to offer better services to their customers. Intense competition among themselves and microfinance institutions due to the similar products and services they offer (Mahmoud et al., 2011). These growing challenges and increasing opportunities have established market orientation, frontline employee expertise, and customer satisfaction constructs as a new firm-level phenomenon that deserves scholarly attention (Tahir and Sabir, 2014; Mahmoud, Blankson, Owusu-Frimpong, Nwankwo & Trang, 2016). In this relationship frontline employee expertise acts as a catalyst between market orientation approaches and customer satisfaction (Tahir and Sabir, 2014).

Even though the Ethiopian banking industry is still in its developmental stage, the emergence of plenty of commercial banks following the liberalization and the adoption of technologies by

those banks creates stiff competition in the banking industry. Many banks are pursuing intensive deposit mobilization strategies to bring non-banking societies to the banks. Low customers switching costs together with a shortage of foreign currency supply for their premium and business customers have made it difficult for the banks to retain their customers and build long term relationships.

Market Orientation can be defined as the application of the marketing concept at an organizational level (Kohli & Jaworski, 1990) that is considered as a business philosophy, an idea, or a policy statement (Barksdale & Darden, 1971; Kohli & Jaworski, 1990; McNamara, 1972). More comprehensive, informative definitions of market orientation were suggested by Kohli and Jaworski (1990), and Narver and Slater (1990). These definitions have been widely-accepted and frequently-cited by marketing scholars throughout the literature. Kohli and Jaworski (1990) offered a formal operational definition of market orientation as follows: "Market orientation is the organization-wide generation of market intelligence about current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it" (p.6).

Narver and Slater (1990) define market orientation as a business culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers." (p.20) Market orientation "consists of three behavioral components – customer orientation, competitor orientation, and inter-functional coordination – and two decision criteria – long-term focus and profitability. Neneh (2016) viewed market orientation as a valuable approach for organizations to deal with market fluctuations effectively and sustain superior business performance.

The expertise of the staff is significant to build up a loyal relationship in business dealings (Bachmann & Zaheer, 2006; Palmatier et al., 2007). Thompson (1962) refers to the front line staff as boundary spanners, meaning they interact with both the customer and the internal functions within the organization, linking the two. Their role is not only to represent the organization and deliver the expected service but also to transfer information, acting as the voice of the company to the customer and the voice of the customer within the company. Front line staff is expected to be friendly, enthusiastic, courteous, empathetic, and sincere at all times. They are expected to display and communicate this through their language, tone of voice, body

language, etc. Bateson and Hoffman (2006) describe the role of boundary spanning employees stating "the public face of a service firm is its contact personnel. Given the high service encounter between employees and customers in the retail banking sector, the role played by bank personnel is critical, especially for banks in developing countries like Ethiopia in which customers usually contact with bank personnel to take delivery of bank service (Hailu, 2014).

1.2 Statement of the problem

Possessing market sensing and customer linking is essential in understanding and satisfying customers (Day, 1994). The marketing literature posits that market orientation captures the essence of market sensing and that being market-oriented enhances customer satisfaction (Jaworski and Kohli, 1993; Slater and Narver, 1994; Kirca, Jayachandran, and Bearden, 2005). According to Krepapa et al. (2006), Desphandé, Farley, and Webster (1993), Steinman et al. (2000), Kahn and Ghouri (2018), because market orientation contains a strong customer focus, a firm can be accurately described as market-oriented only when its customers perceive it as such. Since the creation of superior customer value is a central objective of market orientation any translated benefits of adopting a market orientation should also be recognized and described by the firm's customers in value terms. In this sense, adopting solely a management-defined view of market orientation is one-sided in that it ignores the vital role that customers play in terms of value recognition (Webb et al. (2000), (Kahn and Ghouri, 2018).

The market orientation concept does not require companies to solely focus on external customers only but also emphasize on satisfying the internal customer, employees. Satisfying internal customers is important because satisfied internal customers, employees, would better serve external customers. Relationship management and service provider expertise improvement would act as a catalyst along with a market orientation approach in customer satisfaction (Tahir and Sabir, 2014; Mahmoud et al., 2016).

A plethora of research has been carried out in the developed world analyzing the relationship between market orientation and customer satisfaction but overlooked the mediating effect of frontline employees in this relationship (Mallen, 2017). The focus was mainly on market orientation and firm performance; market orientation and marketing collaboration; market orientation and innovation; market orientation and new product success (Atuahene-Gima, 1996;

Lukas & Ferrell, 2000; Kumar, Subramanian & Strandholm, 2002; Narver, Slater & MacLachlan, 2004; Le Meunier-FitzHugh & Piercy, 2011). Nevertheless, only a few studies have investigated the market orientation practices of banks in developing economies, (Opoku & Essien, 2011). Moreover, in the extant literature customer orientation has typically been measured by self-reports from service employees though customers may not perceive employees to be as customer-oriented as employees perceive themselves to be (Donavan & Hocutt, 2001).

Correspondingly, even though several service marketing researchers acknowledge the important role frontline employees play in achieving customer satisfaction and thereby improving business performance, their contributions are not yet well studied, acknowledged, and compensated. Regardless of this, frontline employees have to utilize their different skills, expertise, and experiences to effectively discharge their boundary spanning responsibility that requires them to be friendly, enthusiastic, courteous, empathetic, and sincere (Hoffman, Bateson, Elliott & Birch, 2006). Bizarrely, they are often the lowest paid and considered to be the least skilled (Mallen, 2017). Moreover, the high service encounter between frontline employees and customers in the retail banking sector signifies how much frontline employee expertise is instrumental in transforming market-oriented initiatives into customer satisfaction. Frontline employee expertise will have a much more important role in a developing financial system where customers prefer to contact employees to get bank services.

In summary, extant literature mainly studied a market orientation from the company's point of (Jaworski and Kohli, 1993; Slater and Narver, 1994; Kirca et al., 2005) and measures customer orientation using service employees self-reports. Besides, though the literature argued employee competency and knowledge play a vital role in ensuring customer satisfaction, they overlooked its mediating effect. The current study therefore, investigated the influence of market orientation approaches on customer satisfaction using frontline employee expertise as a mediating variable with a perspective gained from premium and business bank customers than self-report by service employees.

1.3 Research Questions

This study has the following basic research questions

- a) What are the influences of market orientation on customer satisfaction as perceived by customers of commercial banks in Ethiopia?
- b) What are the mediating effects of front line employee's expertise on the relationship between market orientation and customer satisfaction as perceived by customers of commercial banks in Ethiopia?
- c) What are the influences of market orientation on front line employee's expertise as perceived by customers of commercial banks in Ethiopia?
- d) To what extent the expertise of front line employees affects customer satisfaction as perceived by customers of commercial banks in Ethiopia?

1.4 Objective of the study

1.4.1 General objective of the study

The general objective of the study is to measure the influence of market orientation on customer satisfaction with the mediating effect of front line employee's expertise from customer's perspective by taking in to account their view on the organization's level of market orientation in the case of selected commercial banks located at Addis Ababa area.

1.4.2 Specific objective of the study

- To examine the influences of market orientation on customer satisfaction from the customer's perspective in the Ethiopian banking sector.
- To analyze the mediating effect of front line employee's expertise on the relationship between market orientation and customer satisfaction in the Ethiopian banking sector.
- To investigate the influence of market orientation on bank's frontline employee's expertise from the customer's perspective in the Ethiopian banking sector.

- To examine the extent to which the expertise of front line employees affects customer satisfaction in Ethiopian commercial banks from the customer's perspective.

1.5 Delimitation of the study

This research examined the relationship between market orientation and customer satisfaction of commercial banks in Ethiopia from customers' perspective. Only business and premium customers were included in the study due to their close relationship and better understanding about the internal functions of the banks. From a geographical point of view, it would be an intimidating task to cover the entire commercial bank's customers in Ethiopia due to time and financial constraints so the study is limited to four selected commercial bank customers located in the Addis Ababa area due to limited time and resources constraints, therefore the findings of the study cannot be representative of the overall commercial banks in Ethiopia.

1.6 Limitation of the Study

The scope of this study was limited to the effect of market orientation on customer satisfaction performance mediated by expertise of front line employees. Therefore, other factors which may have an influence on customer satisfaction are outside the scope of this study. The other limitation of the study is that since the researcher used a cross-sectional survey design the data was collected at one point in time, so examining inferences about the causal nature of the relationship in this study might be difficult.

Finally, this study applied only a quantitative approach ignoring qualitative aspects of the market orientation – customer satisfaction relationship in the Ethiopian context. Therefore, issues related to qualitative aspects of market orientation which may require an in-depth qualitative study fall outside the scope of the study.

1.7 Definition of Terms

PROCESS Macro: - a computational procedure for SPSS and SAS that implements moderation or mediation analysis as well as their combination in an integrated conditional process model (Hayes, 2012).

Business and premium customers: - bank customers who frequently visit bank branches to deposit and withdraw large sum of money generated from their business, use various loan facilities and letter of credit services.

1.8 Significance of the study

The study will help commercial banks in Ethiopia to be more responsive to the practice of market orientation by adopting more proactive and innovative approaches in providing tailor-made services to their customers and to narrow the gaps that exist between the banks and customers' evaluations of the company's extent of market orientation. The empirical results may also guide managerial action to improve market orientation and offer practitioners a structured way to go about the implementation of market orientation. It is also expected that the study to identify whether the expertise of front line employees mediates the relationship between market orientation and customer satisfaction so that commercial banks could reassess their perceptions on the roles played by their front line employees regarding the satisfaction of their customers

Finally, the study will serve as a source of information that could be used in academia or future research in the Ethiopian banking industry and will help top management and staff in the banking sector in their quest to improve upon market orientation practices as a prerequisite for customer satisfaction and loyalty.

1.9 Organization of the study

The rest of the paper is organized as follows: The second chapter is focused on the literature reviewed from relevant textbooks, journals, websites, and other referenced sources. It also included the theoretical framework used in the study. The third chapter mainly deals with a description of the research area, sources of data, sample size, and sampling procedure, methodology and data presentation, and analysis used in the study. The fourth chapter shows a detailed analysis of the collected data and finally, the last chapter discussed summary and conclusions drawn from the study, recommendations, and suggestions for future researches.

Chapter Two

Literature Review

2.1 Introduction

This chapter presents the review of related kinds of literature in the area of market orientation, customer satisfaction, and expertise of front line employees to familiarize readers with a better understanding of the subject matter. Theoretical and empirical reviews are reviewed. Finally, the chapter also presents the conceptual framework of the study together with hypotheses formulated.

2.2 Theoretical Review

2.2.1 Market orientation

Market orientation can be defined as being close to customers by knowing what they need, at the same time knowing what competitors are doing and coordinating the activities of your firm to meet the customers' demands (Hunt & Morgan, 1995).

The marketing concept is one of the most significant and popular concepts that has been developed in the marketing literature. Despite the importance of this concept and organization's effort to achieve success through being oriented to their customers, it was not until the 1970s and 1980s that attempts were made to clarify relevant implementation issues (Kotler 1977; Shapiro 1988). Since then, a new perspective for viewing marketing concept and its implementation has emerged within the marketing literature, and this is known as market orientation. Market orientation has, therefore, been visualized as the implementation of the marketing concept.

The conceptualization of the market orientation concept has spanned over several decades (Mahmoud et al., 2011; Opoku & Essien, 2011), and mainly their exist two dimensions. The first dimension is the cultural perspective and the second dimension is the information-based process perspective. The cultural perspective lead by Narver and Slater perceived market orientation as a culture that characterizes an organization's outlook to deliver superior value to its customers continuously. With this perspective, Narver and Slater define market orientation as, 'the culture

that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus superior performance for businesses (Narver & Slater, 1990). To Narver and Slater, the market orientation paradigm consists of three behavioral aspects, thus; customer orientation, competitor orientation, and inter-functional coordination.

Proponents of the information-based process argue that market orientation must be consummated within the organization to put culture into practice effectively. The two major proponents of the information-based perspective of market orientation, Kohli and Jaworski, define market orientation as 'organization-wide generation of market intelligence pertaining to current and future customer needs dissemination of intelligence across the department and organization-wide responsiveness to it.

Market orientation involves information acquisition, dissemination, and integration in the company as well as response and business that value the importance of market information to guide their strategic decision making can be described as market-oriented Jangl (2016). To practice market orientation, the distinct values, functional structures, and processes need to be changed. In today's dynamic business environment not being market-oriented can be very costly to a business and can result to high levels of customer dissatisfaction and expensive response mechanism, maintaining expensive product attributes that are not valued by customers, holding prices too low, constantly investing in promotion and selling activities to win new business to replace that lost to competitors, and lost opportunities to develop new markets from a platform of a secure customer base held in place by sustained service and quality performance (Harris and Piercy, 1997).

2.2.2 Customer satisfaction

According to (Kotler & Keller, 2009) customer satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance or outcome to expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied; if it exceeds expectations, the customer is highly satisfied or delighted.

Khadka & Maharjan, (2017) describe customer satisfaction as a dynamic and relative concept, and only being customer-centric can help companies improve satisfaction and keep customers

truly while improving customer satisfaction, customer expectations should be noticed. Service quality, product quality, and value for money have a direct positive impact on customer satisfaction. In most businesses, the product and its features, functions, reliability, sales activity, and customer support are the most important topics required to meet or exceed the satisfaction of the customers. Satisfied customers usually rebound and buy more. Besides buying more they also work as a network to reach other potential customers by sharing experiences (Hague & Hague 2016.)

Customer satisfaction is influenced by specific product or service features and perceptions of quality. Satisfaction is also influenced by customer's emotional responses, their attributions and their perception of equity (Zeithal & Bitner. 2009). Increased customer satisfaction can provide many benefits to a company like that of customer loyalty, extending the life cycle of a customer expanding the life of merchandise the customer purchase and increases customers positive word of mouth communication. When the customer is satisfied with the product or service of the company, it can make the customer to purchase frequently and to recommend products or services to potential customers. It is impossible for a business organization to grow up in case the company ignores or disregards the needs of customers (Tao 2014).

As a result of intense competition in the banking industry in recent times customer satisfaction has been one of the concerns of commercial banks. Banks are now striving so hard to offer quality services and products in a bid to maintain existing customers and attract and lure new ones as away fighting competition. Customers on the other hand, expect best and superior for their money so they are always combing and scanning around in order to get these best services (Dickson, 2016). Customer satisfaction is the state of mind that customers have about a bank when their expectations have been met or exceeded over lifetime of the service. Clearly defining and understanding customer satisfaction can help any bank to identify opportunities for services innovation and serve as the basis for performance appraisal and reward system (Dsouza et al, 2018).

Customer satisfaction holds a paramount importance in corporate banking because without satisfied and loyal customers, you don't have a business. A single unsatisfied customer can send away more business from your organization than ten highly satisfied customers and banks

believe that customers are the purpose of what they do and they very much depend on customers, they are not the source of a problem and they should never make a wish that customers “should go away” because their future and security will put in jeopardy (Mohsan, 2011).

2.2.3 Customer Perceived Market Orientation

As a result globalization and advancement of the technology business has become very complex and turbulent and customers also highly concern about business practices of the organizations. Rational customers keep eye on business practices of the companies (Gunarathne, 2015). Customer-perceived market orientation also referred to as customer-defined market orientation and it refers to customer attitudes regarding the extent to which an organization engages in market-oriented activities and behavior (Webb, & Pitt, 2003; D. Webb, Webster, & Kreppa, 2000).

The concept of customer perceived market orientation dates back to at least to Drucker's (1954) however, it was not formally proposed until the early 1990s, the philosophy of the concept goes back argument that marketing is not a specialized activity, but rather the whole business seen from customers' perspective. According to this view, customers should be the focus of all of an organization's objectives, and the proponents argue that the level of market orientation of any given organization should always be assessed from the customer's perspective (Kahn and Ghouri, 2018). Thus Deshpande et al. (1993, p.27) have observed the evaluation of how customer-oriented an organization is should come from its customers rather than merely from the company itself". Similarly, Webb et al. (2000, p.102) asserted that: "the adoption of an employee-defined view of market orientation is one-sided and myopic in that it ignores the vital role of customers in terms of value recognition".

While building long-term business relationships, customers may not only evaluate the market orientation level of an organization, probably they are also making expectation about the customer-defined market orientation practices of an organization. Thus, the customer perceives evaluation of customer-defined market orientation for their product/service providers have been appeared to influence customer satisfaction (Kahn and Ghouri, 2018).

According to Steinman et al. (2000), a sufficient level of market orientation is what customers think regarding what it should be. Webb et al. (2000) argue that the customer's perspective on measuring market orientation is more important, that of the organizational point of view that points out only one aspect of the situation and that it can result in a myopic evaluation, thus ignoring the customer role that is crucial to value perception. If the relationship between market orientation and customer satisfaction is measured from a customer's point of view, it becomes more appropriate. A high level of customer defined market orientation will create customer loyalty with a better long-term business performance. Hence, customer-defined market orientation is considered as an important tool to build a long-term relationship with the customer Kiessling, et al., (2016).

In today's competitive business environment, effective customer defined market orientation practices can enable organizations to acquire competitive advantage by providing superior value to customers and companies that effectively implement customer-defined market orientation practices will ensure sustainable benefit through market research activities to determine customer need, using customer information to deliver product/services that are in line with customer requirement, responding quickly to competitor's moves, understanding their competition, share customer information with related staff and all department work together to create superior customer value hence, it contributes to building a long-term relationship with satisfied and loyal customers (Kahn and Ghouri, 2018).

Webb et al. (2000) used Narver and Slater's (1990) market orientation scale to examine the impact of customer perceived market orientation on 'customer satisfaction' and 'service quality'. The study found significant relationships between all three dimensions of market orientation and both 'customer satisfaction' and 'service quality. The strongest effect was found to exist between 'competitor orientation' and 'customer satisfaction' (D.Webb, et al., 2000). In a similar manner, Gounaris et al. (2003) found that customer perceived market orientation had a direct positive impact on service quality in terms of customers' perceptions of the 'physical evidence', 'innovativeness of the bank's product', and 'overall reliability of the bank. Corbitt et al. (2003) also confirmed the relationship between PMO and consumer trust in the e-commerce context when they found that a higher level of market orientation was related to a higher level of trust in e-commerce websites.

2.2.4 Measurement models of market orientation

According to Tomášková (2009) Market orientation is one of the most investigated methods founded on marketing conception. Market orientation comes back in the 90th of the 20th century by workers of Kohli and Jaworski and Narver and Slater. Their studies involved the definition of market orientation, impact market orientation on business performance and customer satisfaction, methods for measurement of market orientation and implementation of the market orientation into managing companies. After the publication of the two different methods for measurement of market orientation, some authors started to raise shortcomings to these methods and many methods have been declared in the previous years. Dursun & Kilic (2017) made a comprehensive examination of the current literature on market orientation and their study reveals that there has been no consensus among scholars on the definition and measurement of market orientation. Marketing scholars have not reached a complete agreement on what constitutes to a market orientation, but a lot of these methods include the knowledge by Kohli and Jaworski (MARKOR) and Narver and Slater (MKTOR).

The first version of MKTOR by Narver and Slater (1990) was included on the three behaviors' components (customer orientation, competitors orientation, and inter-functional coordination) and two decision components (long-lasting and profit). After using Cronbach's alpha coefficient, the two decision components were excluded. MKTOR has 15 items based on a 7-degree Likert scale. Customer orientation includes 6 items, competition orientation contains 5 items, and inter-functional co-ordination has 4 items.

MARKOR by Kohli and Jaworski (1993) contains 20 items based on 5 degrees Likert scale. There are three components too, but the perception of MARKOR is different. The first component measures gaining information (6 items), the second deals with dissemination of the information (5 items) and the last center to two activities – the planned response and the implemented response Tomášková (2009). Langerak (1997) declared that MARKOR, the indicator of validity is not satisfactory and it does not include items about perceptions of customers and distributors. Farrell and Oczkowski (1998) pointed to MARKOR has a difficult evaluation of information dissemination and MARKOR includes only one item for market measurement and most items measured customers. From the statistical viewpoint, MARKOR's

reliability is lower than MKTOR moreover it does not achieve a simple factor structure and also The MARKOR does not measure customers' value too (Pelham & Wilson 1996).

Desphandé and Farley (1998) synthesized and validated the two measure scales: MKTOR, MARKOR, and they came up with "MORTN" composed with ten items and focused more on activities related to customer orientation than the other market orientation's components. Their study shows that the three scales defined above are a complement, comparable and interchangeable.

(Gunarathne, 2015) also developed NEWMKTOR Model that explains how an organization should focus on long term profits based market oriented activities within the target market. In other words, in order to acquire long term profits, an organization should consider customer orientation, competitor orientation, inter-functional coordination and social benefit orientation and his model was confirmed for the first time by applying to the Small and Medium scale manufacturing organizations in Sri Lanka.

2.2.5 Market Orientation in the Banking Sector

The study of market orientation in the banking sector has engaged the attention of researchers in developed countries. Nevertheless, only a few studies have investigated the market orientation practices of banks in developing economies, (Opoku & Essien, 2011). Market orientation is an integral part of the banking business. The strategic move is a key ingredient to torpedoing competitors- marketing orientation practices is one of the key strategists in the modern banking sector that have to be adopted comprehensively if managers want to keep competitors off the bar (Mahmoud et al., 2011).

Market orientation in the banking sector is where employees are committed to continuously and consistently create superior customer value, the concept which leads to a greater competitive advantage, constant scanning and conducting business intelligence about customers and competitors as a key prerequisite to building market orientation (Kohli & Jaworski, 1990; Narver& Slater, 2004).

Nowadays, banks are pursuing proactive policies in the market place, bringing contemporary marketing tasks on to the bank agenda and banks have become increasingly market-oriented

(Howcroft and Durkin, 2003). As a result of the construct of market orientation and different issues related to its conceptualization, measurement, implementation, antecedents, and consequences, have become prominent topics in the banking sector (Slattery and Nellis, 2005; Lancaster and van der Velden, 2004).

2.2.6 Role of Front Line Staff in the Service Industry

According to (Gafar et al., 2018) bank front line employees are considered to be highly skillful and command respect among their peers. However, as important as the roles of employees in a banking institution are, their capabilities and potentiality towards the organizational commitment are often undermined by the management.

The role of front line staff in the service industry has many dimensions. To a customer, they represent the organization- a personification of the brand. Thompson (1962) describes the front line staffs as boundary spanners, meaning they interact with both the customer and the internal functions within the organization, linking the two. Their role is not only to represent the organization and deliver the expected service but also to transfer information, acting as the voice of the company to the customer and the voice of the customer within the company.

The vast majority of academic writing on services marketing will refer to the importance of front line employees, yet they will equally acknowledge that front line staffs are often the lowest paid and considered to be the least skilled within most organizations. Bateson and Hoffman (2006) describe the role of front line employees stating “the public face of a service firm is its contact personnel. Part factory workers, part administrators, part servant- service personnel often perform a complex and difficult job”.

It is evident from Bateson and Hoffman's quote above that the role of a boundary-spanning employee is not an easy one, thus inferring the importance of employee satisfaction and retention. The literature in the area has clearly defined the link between employee satisfaction, customer satisfaction and profit (Wilson et al 2016, Schlesinger et al 2008). While Schlesinger et al. don't suggest a causal relationship in the service profit Chain there is a clear link between the employee and the customer. In many services including the banking industry, a frontline employee might be the only human interaction between the customer and the organization; therefore, the customer's perception of the organization is heavily influenced by the employee's

actions and behaviors. If an employee isn't equipped or empowered to resolve or address the customers query this reflects negatively on the organization.

Front line staff is expected to be friendly, enthusiastic, courteous, empathetic and sincere at all times. They are expected to display and communicate this through their language, tone of voice, body language, etc.

2.2.7 Customer orientation of front line employees

Customer orientation has been referred to as a "marketing concept" philosophy in most previous studies. Thus, this reflects that customer satisfaction is the dominant driving force in all the marketing activities of a firm (Bellaouaied and Gem, 2012). It consists of both "attitudinal" and "behavioral" dispositions of the employees toward helping customers in making their purchasing choices and decisions. Consequent to this, the employees help their firm to satisfy the customers' long-term needs (Thoumrungroje and Racela, 2013; Alamer et al., 2015). It is, however, to conclude that the attitude and behavior disposed of by the employees determine largely their orientation toward the customers.

The services of customer-oriented employees would give customers the feeling or sensation that the product or service offered to them meets their expectations. And such employees would demonstrate flexibility in their service to the customer for the key purpose of not only offering them the best but also satisfying their needs. As a result, it can be realized that a customer-oriented firm is one whose employees demonstrate some kind of customer satisfying behavior and attitude while serving the firm's customers.

According to (Hailu, 2014) customer orientation of front line employees focuses on how customer orientation is executed at the service employee level, as front line worker in the banking service context to behave in customer-oriented way employee technical skills may include the employee's knowledge of bank service and accounting and skills in communicating with the back office, serving customers, managing multiple tasks at a time, calculation, counting money, fast computer typing. Social skills may include perspective-taking, communicating and treating the customer. Finally, the front line employee should have the motivation and perceived decision making to transfer the skills to customer-oriented behavior.

2.2.8 Mediation

Mediation modeling is a powerful analytical tool that can be used to explain the nature of the relationship among three or more variables. In addition to that, it can be used to show how a variable mediates the relationship between levels of intervention and outcome (Baron and Kenny, 1986). Mediation models also explain how an effect occurred by hypothesizing a causal sequence. The basic mediation model is a causal sequence in which the independent dependent variable (X) causes the mediator (M) which in turn causes the dependent variable (Y), therefore explaining how X had its' effect on Y. In general, a Mediation effect is the accounting of the relationship between a predictor variable and an outcome.

Baron and Kenny (1986) defined mediation as —the generative mechanism through which the focal independent variable can influence the dependent variable of interest. According to Wood et al. (2008) mediation occurs when the effects of one variable on another can be explained as a third intervening variable.

“Mediation analysis is a set of statistical procedures used to investigate whether a particular data set exhibits a mediational structure. A mediational structure posits a particular conceptualization of the mechanism through which an independent variable might affect a dependent variable not directly, but rather through an intervening process, captured by the mediator variable” (Iacobucci, 2008, p. 1).

According to (MacKinnon et al.,2007) and Hayes (2013) mediation in its simplest form represents the addition of a third variable to the $X \rightarrow Y$ relation, whereby X causes the mediator, M, and M causes Y, so $X \rightarrow M \rightarrow Y$. Similarly, according to MacKinnon (2008) in a mediation model, the independent variable causes the mediator which then causes the dependent variable. As explained by Wood et al. (2008) there are three general frameworks for testing mediation in the existing approach; these are (i) the causal steps approach, (ii) differences in coefficients and (iii) products of coefficients. According to MacKinnon (2008), mediation tests require that there is a significant relationship between the independent and the dependent variable for mediation to exist. According to him if there is not a significant relationship between two variables then it does not make sense to talk about mediation, but it does make sense to talk about indirect effects.

2.2.8.1 Approaches to Mediation

According to Demming and et al. (2017) in social science researches mainly there are three dominant approaches to examining mediation: the causal steps method proposed by Baron and Kenny (1986), the normal theory approach introduced by Sobel (1986), and the regression-based bootstrapping approach put forth by Preacher and Hayes (2004, 2008). While the first two approaches are often used in conjunction and represent the traditional way of testing for mediation, bootstrapping is a more recent approach in mediation analysis.

Causal steps approach

Causal steps approach (Baron-and-Kenny approach) is proposed by Baron and Kenny (1986) and it was used to be the most influential approach in probing mediation (Kenny 2008). The basic principle of the causal steps approach is that it does not test the indirect effect itself but logically infers mediation from testing all paths of the model separately in four steps (Baron and Kenny 1986). The approach involves analyses of (i) the total effect of X on Y, (ii) the effect of X on M, (iii) the effect of M on Y, and (iv) the direct effect of X on Y. Baron and Kenny (1986) propose that one can only claim mediation if all effects in the first three steps turn out to be significant. Given this prerequisite, one can claim full mediation if the direct effect in the fourth step is non-significant and partial mediation if the direct effect is smaller than the total effect.

Many scholars have criticized the Baron-and-Kenny approach for several reasons. The most critical issues are its lack of power, which means that it often cannot uncover a genuine mediation process as well as its failure to test the indirect effect (Hayes 2013; MacKinnon et al. 2002; Preacher and Hayes 2004, 2008). Also, the requirements for steps (i) and (iv) seem overly restrictive and are unnecessary for establishing mediation (Hayes 2009; Rucker et al. 2011). Due to these limitations, the Baron-and-Kenny approach no longer seems to be recommended (Hayes 2013; MacKinnon et al. 2002).

Normal theory approach

The normal theory approach (Sobel 1982, 1986), also called the Sobel test, addresses one weakness of the Baron-and-Kenny approach by establishing a formal test of the indirect effect. The Sobel test uses logic for the inference of the indirect effect similar to that usually used

for the estimation of direct effects. To conduct the test, one calculates the product of the coefficients a and b , divides this product by an estimate of the standard error of ab , se_{ab} , and compares this empirical z -score to a critical value from the standard normal distribution (Sobel 1982).

Demming and et al. (2017) discussed several methodological variations of the Sobel test; each varying in the way that se_{ab} is estimated. The simplest estimation approach (Baron and Kenny 1986; Sobel 1982), also referred to as first-order delta solution, encompasses the squared coefficients a and b and their squared standard errors.

Bootstrapping approach

Bootstrapping is a non-parametric approach that bypasses the problem of questionable distributional assumptions of traditional techniques and enables an accurate test of the indirect effect even in small samples, Shroter and Bolger (2002), Preacher and Hayes (2008). Importantly, bootstrapping provides more power in detecting indirect effects and does not show a higher type-I-error tendency (i. e., claiming mediation although there is none) than the traditional methods (Hayes and Scharkow, 2013). According to (Preacher and Hayes, 2008), one can easily employ bootstrapping for mediation analysis via macros such as PROCESS and the approach is being applied increasingly.

Bootstrapping relies on the resampling of the data whereby one draws a large number (e. g., 10,000) of new samples of size n with replacement from the original sample. The model parameters are estimated for each new sample, resulting in a large number of estimates for each parameter. The estimates can then be ordered by size to draw a probability density distribution for each path parameter (Preacher and Hayes 2004). Because a non-normal distribution of parameters precludes the calculation of t - and p -values, the significance of the indirect effect ab is inferred from the confidence interval of its bootstrap distribution. If the confidence interval does not include zero, one can be statistically confident that the effect is different from zero. In the basic form, called percentile bootstrap, the confidence interval is determined by two percentile cutoffs of the sampling distribution (e. g., 2.5 % and 97.5 % in the case of $\alpha = .05$) Hayes (2017).

The percentile bootstrap is especially suitable in circumstances where robustness of the estimation is important, such as when samples include potential outliers (Creedon and Hayes 2015) when either the a or b path is large and the other path is zero (Koopman et al. 2015), or when facing small sample size ($n < 50$; Koopman et al. 2015). In the case of larger sample sizes, it is recommendable to use an alternative form called bias-corrected bootstrap. This procedure generally results in slightly more liberal bootstrap confidence intervals because it adjusts the confidence interval for bias in the bootstrap sample distribution. Such bias may result from non-symmetric bootstrap sample distributions and is not accounted for by the percentile bootstrap (Efron and Tibshirani 1993).

The differences across forms of bootstrapping are usually small, but they can sometimes influence the inference. While percentile bootstrapping may be reasonable in adverse situations (such as small sample size), bias-corrected bootstrap today is the standard form in mediation analysis. Although percentile bootstrap and bias-corrected bootstrap differ slightly in their estimates, both outperform the Sobel test and Baron-and-Kenny approach remarkably about statistical power (Hayes and Scharkow 2013) and propensity to type I error (MacKinnon et al. 2002). Hence, among the methods that are commonly used, reliable, and easy to conduct, bootstrapping seems to be the most promising approach for mediation analysis.

2.2.8.2 Complete vs. partial mediation

According to (James & Brett, 1984) when the effect of X on Y decreases to zero with the inclusion of M, perfect mediation is said to have occurred and we call this situation complete mediation. When the effect of X on Y decreases by a nontrivial amount, but not to zero, partial mediation is said to have occurred.

However, contemporary literature on mediation advocates that complete and partial mediation concepts have little value and should be abandoned (Hayes, 2013; Hayes & Rockwood, 2016; Rucker et al., 2011). Full mediation implies that a researcher has completely explained the process by which X influences Y and no additional research is needed to search for further mediators (Hayes & Rockwood, 2016). The reality is that to claim full mediation, one would have to have confidently measured all possible mediators and suppressors without error. Nevertheless, measuring variables without error in social science and business research is practically impossible. Hence, 'one cannot ever claim to have established complete

mediation' (Rucker et al., 2011). Moreover, scholars have recently advocated that claiming a complete mediation would likely discourage researchers from examining other theoretically driven mediators, which in turn can unnecessarily constrain theory development (Hayes, 2009; Rucker et al., 2011). Suffice it to say researchers should avoid using the terms complete and partial mediation when developing a mediation hypothesis or interpreting mediation effects (Hayes, 2013; Hayes & Rockwood, 2016).

2.2.8.3 Bootstrapping using Hayes Process Macro

PROCESS is a computational procedure for SPSS and SAS that implements moderation or mediation analysis as well as their combination in an integrated conditional process model (Hayes, 2012). Using a path analysis framework similar to the approach described by Edwards and Lambert (2007) and Preacher et al. (2007), PROCESS provides many of the capabilities of existing programs and tools while expanding the number and complexity of models that combine moderation and mediation, all in a single, easy-to-use command or (for SPSS) point-and-click interface. In addition to estimating the coefficients of a model using OLS regression (for continuous outcomes) or maximum likelihood logistic regression (for dichotomous dependent variables), PROCESS generates direct and indirect effects in mediation and mediated moderation models, conditional effects in moderation models, and conditional indirect effects in moderated mediation models with a single or multiple mediators.

In mediation models, multiple mediator variables can be specified to operate in parallel (up to 10 mediators) or in sequence (up to 4 mediators chained together). Individual paths in moderated mediation models can be estimated as moderated by one or two variables either additively or multiplicatively. Some models estimated by PROCESS allow up to four moderators and ten mediators simultaneously. Included in the set of models PROCESS can estimate are all models described by Edwards and Lambert (2007), Fairchild and MacKinnon (2009), Preacher and Hayes (2004, 2008), Preacher et al. (2007), Hayes et al. (2011), Hayes and Matthes (2009), Kraemer, Kiernan, Essex, and Kupfer (2008), and Muller et al. (2005), among others.

According to Hayes (2012) one of the strengths of PROCESS as a data analysis tool is the ease by which it allows the data analyst to specify a model and estimate the various effects mediated and moderated in software they already understand and use regularly. But it also makes data

mining and exploration just as easy and it has no features to prevent the analyst from mindlessly reconfiguring a theoretically justified model into something that is theoretically implausible or substantively nonsensical.

2.2.9 Process Macro vs. Structural Equation modelling

SEM method is one of the most important components of applied multivariate statistical analyses. This technique has been employed by many researchers in different fields such as biologists, economists, educationalists, marketing, medical and a variety of other social and behavioral scientists (Anderson & Gerbing, 1988). SEM can be seen as a statistical procedure that takes a confirmatory to the analysis of a structural theory on a given phenomenon (Byrne, 2013). This technique represents two essential concepts: a) that a group of structural (i.e., regression) equations, by considering the measurement error, provide the studied causal processes, and b) that these structural relations can be modeled visually to simplify and facilitate a clearer conceptualization of the theory and studied hypotheses (Roldán & Sánchez-Franco, 2012; Wong, 2013).

Hayes, et al (2017) describes PROCESS as a computational tool — a “macro”—available for SPSS and SAS that simplifies the implementation of mediation, moderation, and conditional process analysis with observed variables. Based on a set of conceptual and statistical diagrams defined by a model number, the user chooses a model preprogrammed into PROCESS corresponding to the model he or she wants to estimate. PROCESS estimates all the path coefficients, standard errors, t- and p-values, confidence intervals, and various other statistics. Except in models that contain only a moderation component, every model that PROCESS estimates requires at least two regression equations. PROCESS uses ordinary least squares regression to estimate the parameters of each of the equations, a common practice in observed variable path analysis. PROCESS estimates each equation separately, meaning that the estimation of the regression parameters in one of the equations has no effect on the estimation of the parameters in any other equations defining the model. Regardless of how many equations are needed, once the PROCESS macro is activated, one line of SPSS or SAS code is all that is required to estimate the model, which makes it a very simple and user-friendly modeling system. SPSS users can also set up the model using a convenient point-and-click interface by installing an optional PROCESS dialog menu into SPSS.

Any SEM program can do path analysis with observed variables as PROCESS does, although most require more code and the skill to write that code than what is required to generate many of the statistics that PROCESS produces automatically. Furthermore, not all SEM programs can generate all of the statistics PROCESS calculates or implement bootstrapping in a way that facilitates inference using those statistics. Although Pek and Hoyle (2016) argue that regression based approaches are not as easily implemented as SEM, Hayes (2017) believes that with PROCESS, the opposite is true. Most researchers will find PROCESS far easier to use than any SEM program. Other than ease of use, one of the more important differences between PROCESS and SEM programs is that SEM solves the entire system of equations simultaneously through iteration, typically using maximum likelihood (ML), rather than estimating the parameters of each equation independently.

However, in terms of model specification and handling of missing data, as well as its ability to account for random measurement error when estimating relevant effects involving latent variables SEM is an attractive choice. But if the latent variable is average of indicators or sum of scores then, technically it isn't a latent variable; it's observed then PROCESS could be used automatically and painlessly (Hayes, 2017).

2.3 Empirical Review

A vast majority of studies of market orientation have focused on the relationship between market orientation and business performance and it has been widely assumed for many years that market orientation is linked better only business performance (Dawes, 2000). Dawes (2000) also noted that the theoretical basis for this expected link was discussed earlier by McKitterick (1957) who highlighted that, in a competitive environment, organizations must be highly cognizant and responsive to customer needs, otherwise rivals will devise products more attuned to those needs and capture their business. Narver and Slater (1990) augmented this view, debating that strong market orientation within a business will enhance the effort to offer superior value to the buyers which will lead to an advantage over competitors and to better profitability.

Okoroafo and Russow (1993) argued that sound marketing practice is an important contributor to performance in economic reform economies. Walker and Ruekert (1987) added to this by saying

that organizational performance can be measured on a variety of dimensions, and no single business approach can be expected to have the same effect on all dimensions.

Hult and Ketchen (2001) assert that market orientation enhances a firm's ability to create and implement new ideas, thus becoming more innovative. Further support comes from Im and Workman (2004) who claim that market orientation enhances the ability of new products to enjoy success, increase market share and sales and achieve profitability and return on investment.

However, Han et al. (1998) report that despite customer orientation being highly significant for organizational innovativeness, competitor orientation and departmental coordination are less significant although still very important components in relatively high environmental uncertainty. In addition the literature reveals that the three components of market orientation are important in facilitating both technical and administrative innovations, when the level of technological turbulence in the business environment is relatively high (Han et al., 1998, and Matear et al., 2004). However, it is also revealing that while the customer orientation component is the dominant factor responsible for the impact of innovativeness and performance, in high market turbulence the inter-functional coordination indicates a significant effect of technical and administrative innovation on performance (Han et al., 1998).

Hadcroft and Jarratt (2007, p. 31) provide further support for other researchers' findings (Kohli and Jaworski, 1990; and Jaworski and Kohli 1993) that market-orientation "may not be an appropriate strategy when market choice is limited or stimulation of short-term profitability is desired" (see Gray et al., 1999). In fact, this provides further support for the researcher's decision to explore the level of market-orientation existing in the financial services sector, which is associated with high competitiveness and market turbulence. Therefore, if the financial services providers need to understand the existing and latent needs of their customers, they need to embark on the process of continuously making changes in order to "achieve unity in values, strategy, structure, systems and culture" (Hadcroft and Jarratt, 2007, p.32).

Dickson, (2016) studied the relationship between market orientation and customer satisfaction of Ecobank and GCB bank in Ghana by taking a sample of 150 managers and employees of the two banks. The study adopted the cross-sectional research design to ascertain whether there exist any association between market orientation and customer satisfaction of the banks. And the study

revealed there is a significant positive relationship between market orientation practice and customer satisfaction in the Ghanaian banking sector.

Even in our country Mulugeta (2015) evaluates the relationship between marketing orientation and business performance commercial banks. The units of analysis used in his study were banks including the 3 public and the 15 private banks which have a service life of at least three years in the industry.

Shadi, et al., (2016) conducted research to investigate the effect of market orientation on customer satisfaction on private school at different levels in Jordan and their researcher found a substantial effect of market orientation on customer satisfaction. Thus, they suggested a practical implication for the organization to assess and monitor market orientation periodically, in order to diagnose which area need improvement and to identify which aspect of market orientation need to be focused.

Most recently Nibras, et al, (2018) examine the relationship between market orientation and customer satisfaction with the mediating effect of service provider expertise in the Iraq banking sector by taking a sample of 385 respondents from the banking sector of Iraq using PLS-SEM model. Their result shows there is a positive and significant relationship between market orientation and service provider expertise. However, their work doesn't specifically identify which components of market orientation are directly and more significantly related to service provider's expertise and also service provider's expertise was provided as a general term involving all service-related employees within the banks.

Rios and Davila (2015), have also found a positive mediating effect of sales force customer orientation as a key and determinant element in an adequate company strategy while measuring the key role of sales people on the banking sector.

Raju et al. (1995) asserted that an increase in market orientation generates pride in belonging to an organization, resulting in higher employee morale and greater organizational commitment, and ensures customer satisfaction which increases repeat purchases and draws new customers to the business. Also, Kohli and Jaworski (1990) suggested some major non-economic consequences of market orientation: employee's organizational commitment, customer satisfaction, and repeat business.

This literature review suggests that customer satisfaction and repeat business are the possible consequences of market orientation. However; very few studies have investigated the market orientation and their relationships. Thus, these non-economic performances should be considered in further study. In this context, Pulendran et al. (2000) argued that, despite a vast body of research on performance, additional study of performance effects is needed to identify the impact of a market-oriented activity on a broader spectrum of performance measures (especially non-economic performance measures). Therefore, in this study, the relationship between market orientation and customer satisfaction with the mediation effect of expertise of front line employees is measured.

2.4 Hypothesis Development

In this study market orientation and its components (customer orientation, competitor orientation and inter-functional coordination) serves as an independent variable which is hypothesized to influence customer satisfaction either directly or indirectly through expertise of front line employees. The other variable in the model that were hypothesized to mediate the relationship between market orientation and customer satisfaction is expertise of front line employees.

2.4.1 Customer orientation and customer satisfaction

The crucial point of market orientation is its customer focus. And to focus on the customer, banks need to understand the customers' entire value chain not just at the immediate stage but as it evolves over time (Mahmoud et al., 2011). The customers' value can be created at any point in the chain by making the customers' either more effective in its institutions or more efficient in its operations. Market-oriented banks, therefore, should understand the cost and revenue dynamics not only at the immediate target customers' but also of all markets beyond.

Many scholars believe customer satisfaction is when customers achieve their purchase expectations. Therefore, it means that if companies want to satisfy their customers' needs and purchase expectations then there is the need for them to focus on being customer and competitor oriented. According to Kotler (2000), organizations or people that adopt the customer-centered approach in doing business are well-placed to detect new prospects, come out with better

strategies, and better serve the target customers. This, therefore, indicates that the betterment and profitability of a firm rest on the firm's ability and capacity to satisfy customer needs.

H1: There is a significant and positive relationship between customer orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.2 Competitor orientation and customer satisfaction

Superior value creation requires that the financial service organizations identify and understand the principal competitors profile- their short term strengths and weaknesses and long term capabilities and strategies so that they can be in a better position to offer superior customer service as a way of creating competitive advantage (Njeru & Kibera, 2014)

Competitor orientation means that a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors (Khomwon & Speece, 2006). Competitors form the second chance for developing the performance of the banks if the evolution of the needs, desires, and preferences of customers imposes new restrictions on banks towards market orientation through competitors, the competitive market and the development of additional benefits that can be achieved by the customers under competitive advantages (Dalbooh, 2014).

Firms that are competitor oriented regularly review their capabilities towards others based on skills, and knowledge of individuals, technical and physical systems, management systems, organizational structures, values, and cultural norms (Mahmoodean et al., 2014). Some researchers consider competitor's orientation as an important part of market's orientation, for example; Hun et al (2000) and Gray et al (1998), Narver and Slater (1990). Competitor's orientation is associated with a wider view of organization towards market features in which it stats working. A unique approach towards customer may lead to an impaired business performance and strategy (Hun et al, 1998). Hence, Wensley and Dee, 1988) have suggested making a balance between organization's attention towards customer and competitors. We believe that banks must identify and recognize long-term weaknesses and strengths, and also long-term capabilities and strategies of their current and future competitors so that they can create superior value to their customers which in turn may leads to better performance and special attention towards customers.

H2: There is a significant and positive relationship between competitor orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.3 Inter-functional coordination and customer satisfaction

Inter-functional coordination is the coordination of all business activities to benefit from customers and other market information to create superior customer value (Narver and Slater, 1990). Developing inter-functional coordination requires bringing experts from different functional areas towards working together in achieving a common goal so that they will provide the optimal combination of customer service and marketing (Kahn and Ghouri, 2018).

The literature suggests three ways to achieve effective inter-functional coordination (Tay and Tay, 2007). First, the performance goals of the functional departments are determined by ability to ensure customer satisfaction. Second, it is the creation of the inter-functional linkage that enables functions to pursue their interests when they cooperate with other functions. The third way is the necessity of the functions to be highly sensitive and responsible to the needs of other functions (Tay and Tay, 2007).

(Tomaskova, 2018) identified Inter-functional coordination as the spirit of a company which could bring many advantages to a company because it is established on the cooperation and coordination all of activities and processes in the company. It also has a positive influence both on the internal environment and external environment it have a positive relationships with customer satisfaction.

H3: There is a significant and positive relationship between inter-functional coordination and customer satisfaction in commercial banks in Ethiopia.

2.4.4 Market orientation and customer satisfaction

A market-oriented organization should do everything possible to satisfy its customers. This is because there is a link between market orientation and customer satisfaction. Kohli and Jaworski (1990) support this link by arguing that market orientation leads to satisfied customers who spread the good word to other potential customers and who keep coming back to the organization. Kotler (1998), also, asserts that market orientation is likely to lead to greater customer satisfaction and repeat purchase.

Customer satisfaction occurs when the perception of product performance matches expectations that are at, or above, the minimum desired performance level. According to Coney et al (2001), satisfaction reduces the level of decision-making the next time the problem is recognized. For instance, a satisfactory purchase is rewarding and encourages one to repeat the same behavior in the future. Satisfied customers are likely to engage in positive word-of-mouth communication about the brand.

(Webb et al., 2000) describes market oriented organization required to continuously understand the desires of their customers thereby modifying their offerings to satisfy those needs. This implies that highly market oriented firms are in a position to meet or exceed their customers' expectations effectively. Furthermore, market oriented organizations are likely to have great attention to offering superior services; which may in turn enhance satisfaction (Kato et al., 2019).

Many previous studies (Webb et al., 2000; O'Cass & Ngo, 2011; Ashour, 2014; Zebal & Quazi, 2011) support the link between market orientation and customer satisfaction. Kirca et al.; (2005) reveal that market orientation enhances customer satisfaction which consequently is likely to improve overall performance. However, the study by Krepapa, Berthon, Webb & Pitt (2000) is distinctive from other studies since it observes the relationship from the viewpoint of the market orientation perception. On the other hand, research by Krepapa et al (2000) reveals that the perceptual gap between organizations and their customers is inversely proportional to customer satisfaction. A number of studies (Schalk, 2008; O' Cass & Ngo, 2011; Ashour, 2014; Zebal & Quazi, 2011) have ignored the perceptions of customers and measures market orientation from companies point of view (Kato et al., 2019). Hence, there is a link between market orientation and customer satisfaction. This leads to the first sets of hypothesis of the study:

H4: There is a significant and positive relationship between market orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.5 Market orientation and expertise of front line employees

Kohli and Jaworski (1990) define market orientation as “the organization-wide generation of market intelligence about current and future customer needs dissemination of the intelligence

across departments, and organization-wide responsiveness to it" and front line employees plays a key role in each of the processes.

The role of front line staff in the service industry has many dimensions. To a customer, they represent the organization- a personification of the brand. Thompson (1962) refers to the front line staff as boundary spanners, meaning they interact with both the customer and the internal functions within the organization, linking the two. Their role is not only to represent the organization and deliver the expected service but also to transfer information, acting as the voice of the company to the customer and the voice of the customer within the company.

The vast majority of academic writing on services marketing will refer to the importance of front line employees, yet they will equally acknowledge that front line staffs are often the lowest paid and considered to be the least skilled within most organizations. Bateson and Hoffman (2006) describe the role of front line employees "the public face of a service firm is its contact personnel. Part factory workers, part administrators, part servant- service personnel often perform a complex and difficult job".

The study by Nibras et al., (2018) indicates market-oriented approach by commercial banks would help them to further improve their expertise and employees with a high level of customer orientation tend to have behaviors that positively provide good service and thus increase customer satisfaction during the process of contacting customers. previous researches by (Bigne et al., 2005; Lai and Cheng, 2005) also found that as employees possess market orientation characteristics, through employees' customer and competitor orientation, companies will obtain more market information and with the coordination and distribution of information between departments, the organization can acquire information on the market in a timely manner, which helps create much more value for customers and thus achieve. On the other hand, Raju et al. (1995) also asserted that an increase in market orientation generates pride in belonging to an organization, resulting in higher employee morale and greater organizational commitment, and ensures customer satisfaction which increases repeat purchases and draws new customers to the business.

H5: There is a significant and positive relationship between market orientation and expertise of front line employees in commercial banks in Ethiopia.

2.4.6 Customer satisfaction and expertise of front line employees

Service provider's competencies and knowledge play a vital role in customer satisfaction, especially for the services sector. Busch and Wilson (1976) claimed buyers' intention is to be long-term, few buyers place more value to competencies of sellers while concerning long-term relationships, the more expert sellers are more likely to attract long-term buyers. However, expertise in the evaluation of sellers' capability, knowledge, exposure, and trustworthiness, the source of credibility powered through buyers' perception of sellers' expertise.

It is evident from Bateson and Hoffman's quote above that the role of a boundary-spanning employee is not an easy one, thus inferring the importance of employee satisfaction and retention. The literature in the area has clearly defined the link between employee satisfaction, customer satisfaction and profit (Wilson et al 2016, Schlesinger et al 2008). While Schlesinger don't suggest a causal relationship in the Service Profit Chain there is a clear link between the employee and the customer. In many services including the banking industry, a frontline employee might be the only human interaction between the customer and the organization; therefore, the customer's perception of the organization is heavily influenced by the employee's actions and behaviors. If an employee isn't equipped or empowered to resolve or address the customers query this reflects negatively on the organization.

Wang, et al., (2017) addresses the increasing importance service provider's expertise in a way that due to the increasing and ever growing demands of customers simply providing similar products with slightly improved quality is no longer sufficient to satisfy them and they now seek unique consumption experiences during service encounters that leave persistent memories in their minds. These memories will be considered by customers as value-added benefits that elicit strong emotional arousal to enrich their life experiences. Therefore, providing stimulating service experiences is suggested to be the new service standard for companies to secure enduring customer relationships and establish customer loyalty. Even though, many organizations make considerable efforts to inform their customers, create added value, and spend considerable time and effort to understand and meet customer needs, these goals would not be achieved without the inclusion of a key factor, the sales force (Cross et al., 2007).

A plethora of studies has also suggested that the perceptions of salespersons' expertise strengthen relationship quality (Palmatier et al., 2006). The nature of banking revolves around financial

consultation, though, service provider expertise specific to consultative capabilities impact significantly on customer's satisfaction. Authors like Brown and Bond (1995), Clow et al. (1996), Montoya-weiss et al. (2003), Spake and Megehee (2010), and Sweeney and Swait (2008) stated that building a trustworthy long-term relationship is beneficial for both, banks and customers. From the bank's perspective, market orientation and better service knowledge will provide benefits like cost reduction, profit enhancement, serve as a barrier to switch, and positive word of mouth. From a customer's perspective, these parameters will serve to satisfy their banking needs, choice reduction, confidence benefits, lower cost/effort, risk reduction, and customized service. Hence, the satisfaction level of customers with an expert service provider will be high compared to the inexperienced or naïve service provider.

H6: There is a significant and positive relationship between the expertise of front line employees and customer satisfaction in commercial banks in Ethiopia.

2.4.7 Market orientation, front line employee's expertise and customer satisfaction

Various researchers conducted by (Dickson, (2016), Mulugeta (2015), Nibras, et al, (2018)) provides evidences on the existences of an indirect relationship between market orientation and customer satisfaction and business performance as much as the existence of a direct relationship between market orientation and customer satisfaction through using business performance, employee satisfaction, innovation and other variables as mediator and they have found significant results on the existence of partial mediation and this leaves the door open for other researchers to investigate other potential mediating variables.

Market orientation in the banking sector is where employees are committed to continuously and consistently create superior customer value, the concept which leads to a greater competitive advantage, constant scanning and conducting business intelligence about customers and competitors as a key prerequisite to building market orientation (Kohli & Jaworski, 1990; Narver & Slater, 2004).

Thompson (1962) refers to the frontline staff as boundary spanners, meaning they interact with both the customer and the internal functions within the organization, linking the two. Their role is not only to represent the organization and deliver the expected service but also to transfer

information, acting as the voice of the company to the customer and the voice of the customer within the company.

Hoffman et al., (2006) describe the role of boundary spanning employees stating “the public face of a service firm is its contact personnel. It is evident from Bateson and Hoffman's quote that the role of a boundary-spanning employee is not an easy one, thus inferring the importance of employee satisfaction and retention. The literature in the area has clearly defined the link between market orientation, employee satisfaction, and customer satisfaction, (Wilson et al 2016).

H7: Expertise of front line employees mediates the relationship between market orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.8 Customer orientation, frontline employee expertise, and customer satisfaction

Customer oriented employees would give customers the feeling or sensation that the product or service offered to them meets their expectations. And such employees would demonstrate flexibility in their service to the customer for the key purpose of not only offering them the best but also satisfying their needs. As a result, it can be realized that a customer-oriented firm is one whose employees demonstrate some kind of customer satisfying behavior and attitude while serving the firm's customers.

The right approach to customer orientation likely facilitates better performance and quality delivery services by employees (Brady & Cronin, 2001). This kind of relationship is maintained when the companies pay much attention to the services they provide, both before and after-sales, and sometimes involves customers' in training (Blankson & Stokes, 2002).

Modern market development bases on strategic issues such as creating a competitive advantage, satisfying customers, analyze competitor's move strengths and weaknesses, social and ethical responsibility, and profitability. To be able to understand the needs, desires and preferences of customer's employees should be seen an integral part in playing a critical role that increases the chances of the commitment and loyalty of customers towards the banking products and increases the degree of satisfaction with the banking administration, employees and banking service.

In many services including the banking industry, a frontline employee might be the only human interaction between the customer and the organization; therefore, the customer's perception of the organization and its subsequent satisfaction is heavily influenced by the employee's actions and behaviors. If an employee isn't well equipped or empowered to resolve or address the customer's query this gets negatively reflected on the organization.

If employees are well-trained and supported to develop the required competencies that equip them to sufficiently and promptly respond to customer needs and wants, such readiness to better serve customers (customer orientation) can ensure better customer satisfaction and development of a long term (Awwad and Agti, 2011).

H8: Expertise of front line employees mediates the relationship between customer orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.9 Competitor orientation, frontline employee expertise, and customer satisfaction

Hunt and Morgan (1995) have suggested that market orientation can only provide a competitive advantage if it is rare among competitors. Therefore, developing a planned orientation to a wider range of stakeholders ought to provide a greater potential for developing a competitive advantage that is rare and difficult to imitate. Slater and Narver (1995) argue that market orientation may not encourage a sufficient willingness for managers to take risks and suggest that it needs to be balanced with entrepreneurial activity, which encourages managers to develop a broader concept of organizational culture that focuses on the firm outwards.

The more hostile the competition the more companies will need to be market-oriented to satisfy customers and improve performance (Greenley & Foxall, 1998). Moreover, Competitive hostility was also found to be a mediator (Narver and Slater, 1990).

H9: Expertise of front line employees mediates the relationship between competitor orientation and customer satisfaction in commercial banks in Ethiopia.

2.4.10 Inter-functional coordination, frontline employee expertise, and customer satisfaction

(Tomaskova, 2018) argues: Market orientation cannot be implemented without inter-functional coordination and its implementation is based on the relation between the philosophy and the goals of the company and the integration of all the activities aimed at obtaining and retaining satisfied customers.

Inter-functional coordination is a very important channel for communication with customers, it helps in communication with employees, and it allows workplace harmonization and cooperation. For this reason, it has a positive effect on gaining competitive advantage and increasing business performance Woodside (2005). It is also an instrument for sharing information, cooperation between departments and coordination of all the activities of a company (e.g., Tay and Tay, 2007)

Employee proficiency mediates inter-functional teamwork orientation and performance (Atuahene-Gima, 1996). The fact that this mediating role of employee proficiency in inter-functional teamwork and performance provides insight on the actual mechanism for transforming inter-functional coordination into superior value for customers, and hence, customer satisfaction (Langerak, Hultink&Robben, 2000).

H10: Expertise of front line employees mediates the relationship between inter-functional coordination and customer satisfaction in commercial banks in Ethiopia.

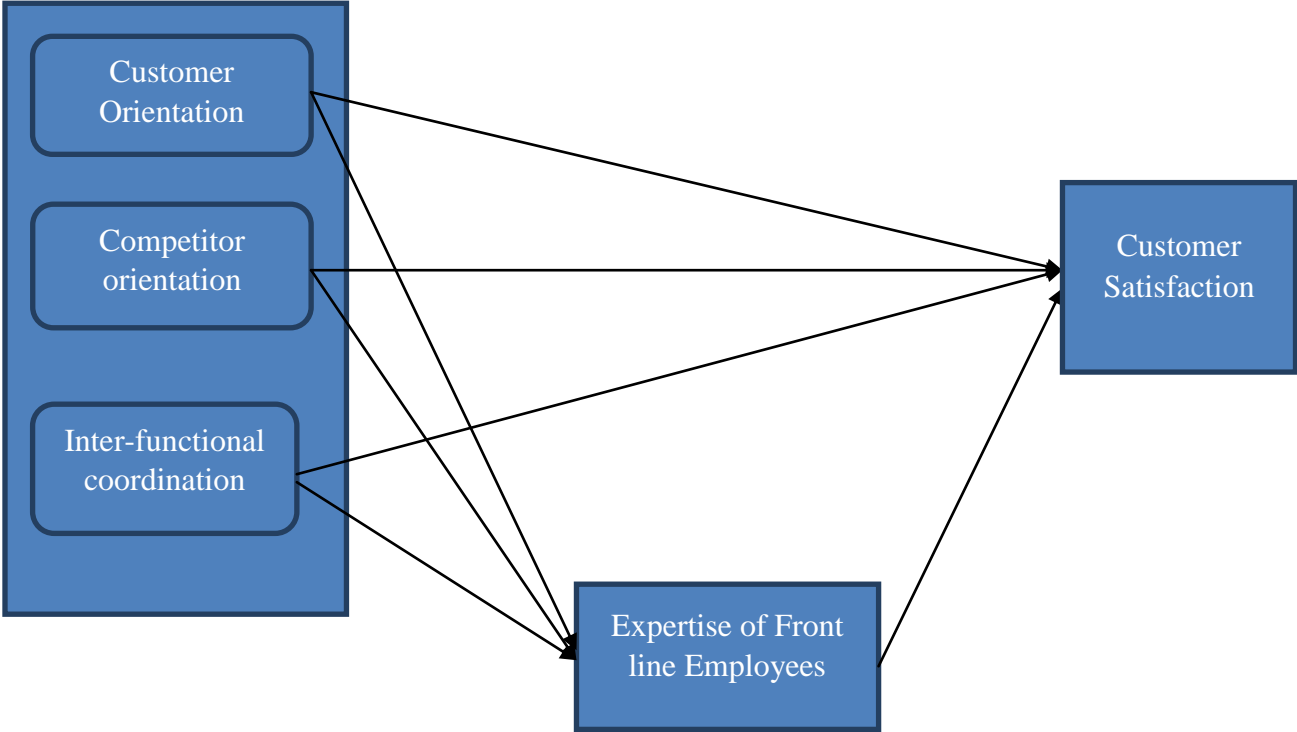
2.5 Conceptual Framework of the study

The available literature review shows that even though most of the time market orientation is measured from the company's point of view being market-oriented enhances customer satisfaction (Jaworski and Kohli, 1993; Slater and Narver, 1994; Kirca, Jayachandran, and Bearden, 2005). The literature also indicates service provider's competencies and knowledge plays a vital role in customer satisfaction, especially for the services sector but, most of the literature that has analyzed market orientation has overlooked the mediating effect of front line employees (Veronica & Miguel, 2015).

Therefore, based on the extant literature review a hypothesized conceptual framework model has been developed for this study. As shown in figure 1 the hypothesized conceptual framework model shows market orientation (independent variable), the expertise of front line employees (the hypothesized mediator) and customer satisfaction (dependent variable).

Figure 2.1 Conceptual Framework

Market Orientation



Chapter Three

Research Methodology

3.1 Introduction

This chapter explains the key aspects of the research methodology that was employed in this study. The chapter begins with a justification of the research approach and design. It then details the quantitative research design including the procedures of the data analysis and ethical considerations.

3.2 Research Approach

Based on the nature of the research problem and 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, qualitative, or mixed research approach (Croswell, 2012).

For this study quantitative methods are used to make it easy the conversion of information obtained into statistical models for general analyses to be made and the research questions to be answered based on the statistical models. A survey research design was used to measure the research variables namely market orientation, expertise of front line employees, and customer satisfaction. For the purpose of data collection, a structured questionnaire was used.

3.3 Research Design

Research design is a plan, a roadmap, and a blueprint strategy of investigation conceived to obtain answers to research questions; it is the heart of any study (Kothari, 2004). Accordingly, the type of research design can be categorized into three: exploratory, descriptive, and explanatory (casual) research design.

Exploratory research might involve a literature search or conducting focus group interviews. The exploration of new phenomena in this way may help the researcher's need for better understanding, may test the feasibility of a more extensive study, or determine the best methods to be used in a subsequent study.

Descriptive Research as its name suggests descriptive research seeks to provide an accurate description of observations of phenomena. The object of the collection of census data is to accurately describe basic information about a national population at a particular point in time.

Explanatory Research looks for explanations of the nature of certain relationships. Hypothesis testing provides an understanding of the relationships that exist between variables. Based on the research questions and its purpose an explanatory research design is used in this study.

3.4 Population and Sampling Techniques

3.4.1 Target Population

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The population in the case of this study is customers of commercial banks in Addis Ababa.

The second step in the sampling is to choose a sampling frame. This is an Accessible section of the target population from where a sample can be drawn. (Anol Bhattacharjee, 2012), the sampling frame of these studies is business and premium customers.

3.4.2 Sampling Design

Sampling provides 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 are known and are usually equal for all cases, and non-probability - sampling where the chances of each case selected from the total population are not known (Saunders et al., 2009, p. 213).

A multi stage sampling design consisting both probability and non-probability sampling were employed, first the researcher categorizes the commercial banks in terms of ownership categories (Government, private and cooperative) then select four banks (commercial bank of Ethiopia, Cooperative bank of oromia, United and Dashen), two from private sector and one from each other categories representing 75% of the current market share using purposive sampling technique. Second, the researcher classifies the customers based on the banks customer classification guidelines and select business and premium customers using stratified sampling

technique, this is because the researcher believes this group of customers visit branches more often to make big withdrawals and deposits for their business, facilitate loan & letter of credit service and in the mean time they communicate with the bank management continuously and have better understanding of the internal functions of the banks, so they are in a better position to access organization phenomena like market orientation. Third, eight branches were selected (two from each) based on convenience and finally, random sampling technique were employed to identify the target respondents.

The researcher applied multi stage sampling design because it's more cost and time effective and it also provides flexibility to choose the sample carefully.

3.4.3 Sample size

Yeamdao Narangajavana (2007) 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. The first strategy 'census' was appropriate for the population of 200 or less. It allowed collecting data from all subjects, thus eliminating sampling error that occurred because only a part of the population was directly contacted. This strategy, however, was impossible when researching a larger population and when the cost was a factor. Secondly, imitating a sample size of similar studies saved time for the current research. Nonetheless, the major drawback was the risk of repeating errors that were made in determining the sample size for another study; however, if the procedure were convincing, they were included. Thirdly, applying the calculation methods for determining a sample size allowed the researcher to achieve the necessary sample size for a different combination of levels of precision, confidence, and variability of a particular study. Fourthly, using published tables saved time for the researcher because calculating many sample sizes for a different given set of criteria was made available. For this study, the researcher has adopted Yamane's, (1967) formula for sample size determination for customers given as:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = Desired sample size

N = Total population size

e = Accepted error limit (0.05) based on 95 percent degrees of confidence.

$$n = \frac{1,386}{1 + 1,386(0.05)^2} = 323 \text{ sample size of the research}$$

However, In case of more complex designs like stratified random samples, one must take into account the variances of subpopulations, strata, or clusters before an estimate of the variability in the population as a whole can be made (Israel, 1992).

Table 3.1 Sample Size determination

No ₂	Banks	Branches	The sub-population of Business & Premium Customers	A sample size of Business & Premium Customers
1	Commercial bank of Ethiopia	T/Haymanot	452	105
		Abakoran	294	69
2	United bank	Bole	106	25
		Mesalemia	84	20
3	Dashen bank	T/Haymanot	142	33
		Kolfe	104	24
4	Cooperative Bank of Oromia	Mesalemia	122	28
		Kolfe	82	19
		Total population and sample size	1,386	323

3.5 Types of Data /sources of data

There are two types of data, primary or secondary types of data. Primary data is the type of data that is gathered when secondary data is not available to answer a specific research problem the researcher seeks to solve. This form of data can be gathered in several ways such as through observations, experiments, surveys, and interviews, depending on the research design/approach adopted for the study (Creswell, 2008).

Secondary data, on the other hand, is essential to include information found within books, journal articles, websites, and catalogs and provides information that may have been collected for other purposes (Creswell, 2008). For this study, primary data is collected from customers through standardized questionnaires.

3.6 Data Collection Instrument/Method

Although there are many measurement models of market orientation that have been developed by different scholars, two extensively used measures of market orientation in the literature are the MARKOR scale developed by Jaworski and Kohli (1993) and the MKTOR scale developed by Narver and Slater (1990). The items measuring market orientation in this study are developed from the most widely used MKTOR model (Customer Orientation, Competitor Orientation, and Inter Functional Coordination) introduced by Slater and Narver in 1993. Even though the two measures have been found theoretically valid and consistent; there are divergent views on the superiority of either of the two scales. Oczkowski and Farrell (1998) reported that MKTOR has a higher level of reliability than MARKOR. And also according to Missaoui YM, et al. (2014) "MKTOR" is the most reliable and valid scale and it has been frequently used in different studies and cultural contexts.

Modified structured questionnaires from previous studies are used to find out the extent to which market orientation components have effects on customer satisfaction among customers of commercial banks with the mediating effect of front line employee's expertise. The questioners for customer perceived expertise of bank front line employees is adopted from Chaoluck, (2016) whom in turn compiled from the works of Stock and Hoyer (2005), Liao and Chuang (2004) and Dabholkar et al. (1996) and treatment of customer satisfaction in this study are in line with the definition of overall or cumulative satisfaction, that is, "an overall evaluation based on the total purchase and consumption experience with a good or service over time" (Anderson, Fornell, and Lehmann 1994, p.54) and the questionnaires are compiled from previous works including various indicators of customer satisfaction.

A pilot test is been conducted on 30 customers and some amendments were made to the original questionnaires by consulting senior and highly experienced bank professionals to make sure the questionnaire measures what we wish to measure.

According to Kumekpor (2002), self-administered questionnaires are less expensive than sending interviewers to the field, especially when respondents are scattered over a wide area. Besides, no interviewer controls the sequence of questions, this allows respondents to skip some questions and come back to them later. Due to this, the respondent would have ample time to reflect over questions before filling in the answers. The advantages of the self-administered questionnaire stated are the reasons for the selection of that tool for the collection of the quantitative data.

3.7 Data analysis method

In carrying out quantitative research there are several software packages for the analysis of quantitative data some of which are broader in scope and user-friendly such as the Stata, E views, and SPSS. Although SPSS may not be the best its user-friendly nature and the mastery of the researcher of the program automatically make it better for the researcher. Therefore the study used SPSS for the analysis, so that the objective of the study, that is “the influence of market orientation on customer satisfaction with the mediating effect of front line employees expertise” will be achieved. Descriptive statistics, regression, and mediation analyses will be carried out to find out the level of relationship between the two variables.

3.7.1. Descriptive analysis

Descriptive statistics such as frequency, percentage, mean, and standard deviation was used to present independent variables and the level of customer satisfaction.

3.7.2 Regression Analysis

Regression is simply the relationship between two variables, in this study, therefore, the dependent variable is customer satisfaction and other(s) market orientation and its components were be used as independents variables and also the expertise of front line employees used as a mediating variable.

In the regression model, the relationship between the dependent variable and the independent variables is expressed as a linear combination of the independent variables plus an error term. Following Greene (2003), the multiple linear regression models are specified as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where: Y = Customer Satisfaction

β_0 = Constant term

X1 = Customer orientation

X2 = Competitor orientation

X3 = Inter-functional coordination

Where the β s are coefficients of independent variables, Xs are column vectors for the independent variables in this case; Customer orientation, Competitor orientation, and Inter-functional coordination, and ϵ is a vector of errors of prediction. The errors are assumed to be normally distributed with an expected value of zero and a common variance.

3.7.3 Mediation Analysis

Mediation modeling is a powerful analytical tool that can be used to explain the nature of the relationship among three or more variables. In addition to that, it can be used to show how a variable mediates the relationship between levels of intervention and outcome (Baron and Kenny, 1986). Mediation models also explain how an effect occurred by hypothesizing a causal sequence. The basic mediation model is a causal sequence in which the independent variable (X) causes the mediator (M) which in turn causes the dependent variable (Y), therefore explaining how X had its' effect on Y. In general, a mediational effect is the accounting of the relationship between a predictor variable and an outcome.

According to (Mumtaz et al; 2018) the central consideration of mediation analysis is that there is a significant relationship between the independent variable (X) and outcome (Y) through the mediator (M). Researchers should follow Preacher and Hayes's (2004, 2008) approach and bootstrap the sampling distribution of the indirect effect. Specifically, bias-corrected bootstrapping is considered a powerful method to detect mediation. A statistically significant indirect effect should be taken as a piece of evidence for mediation (Preacher & Hayes, 2004; Zhao et al., 2010). Additionally, evaluating confidence intervals is another important condition to confirm a mediation effect. If the confidence interval for the indirect effect does not straddle a zero in between, this supports the presence of mediation effect and vice versa. Statistical

programmers such as PROCESS, Smart PLS, Warp PLS, ADANCO, and AMOS help authors to estimate a bootstrap confidence interval for the models with indirect effects.

To undertake mediation test the most recent and increasingly applied bootstrapping approach was used using Hayes PROCESS Macro 3.4. In the mediation model, market orientation was used as the independent variable (x), customer satisfaction was the dependent variable (y) and expertise of front line employees was the mediating variable (M).

A mediator is a third variable that explains how or why a dependent variable is related to an independent variable (Fairchild and McQuillin, 2009). The mediation effect that explains the relationship between two variables can be either a partial mediation or a complete mediation. In this study, partial effect is said to take place if the indirect effect of expertise of their front line employees on customer satisfaction is not totally the same as the direct effect of market orientation on customer satisfaction. The effect of market orientation on customer satisfaction is expected to improve when banks' market orientation strategy is supported by expertise of their front line employees.

Following Baron and Kenny (1986), the mediation model specified as:

$$Y = \beta_0 + B_1X + \epsilon_1$$

$$M = \beta_0 + B_1X + \epsilon_2$$

$$Y = \beta_0 + B_1M + \epsilon_3$$

$$Y = \beta_0 + B_1X + B_2M + \epsilon_4$$

Where: Y= Dependent variable

M = Mediating variable

X = Independent variable

β_0 = Constant term

3.8 Reliability and Validity

3.8.1 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 similarly rate those items is a reflection of internal consistency. This reliability can be estimated in terms of average inter-item correlation, average item-to-total correlation, (Anol Bhattacharjee, 2012).

3.8.2 Validity

The validity, on the other hand, refers to whether an instrument 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 were designed based on previous studies' and review of related pieces of literature. Furthermore, this study deduces a hypothesis from a theory that is relevant to the concept.

3.9 Classical linear regression diagnostic testing

Before applying regression analysis for testing the research hypothesis, the first issue is the test of the assumption of the classical linear regression model (CLRM). The ordinary least squares (OLS) techniques in which differences between the observation and estimation are minimized in terms of the sum of squares. The characteristics of the model and proposed variables stated in this research are not violating the classical assumptions underlying the OLS model. These are checked by testing each assumption.

➤ The Normality Test

One of the diagnostic tests conducted in this study is the normality assumption (i.e. the normality distributed errors). According to Kline (2011), a skewness level with absolute values greater than 3 are regarded as extreme and a kurtosis level with absolute values greater than 8 are described

as extreme. When the acceptable level of skewness (3) and that of kurtosis (8) is violated, it suggests a problem that should be addressed before performing any inferential statistical analysis.

➤ **Heteroskedasticity test**

One of the assumptions of the classical linear regression model (CLRM) is that the disturbance term is homoskedastic; the disturbance term has constant variance. The violation of this assumption (the existence of heteroskedasticity) in the regression results leads to an increase in the variance of the coefficients of the independent variables and therefore, OLS estimators become inefficient. Moreover, it also affects hypothesis testing because neither the t-statistics nor the F-statistics are reliable due to the inflated variance of the coefficients (Asteriou, 2007). Accordingly, the Breush Pagan LM test is used to detect the existence of heteroskedasticity. The null hypothesis of this test describes the error is homoskedastic and the opposite is true for alternative hypotheses.

➤ **Multicollinearity test**

One of the important assumptions of the OLS estimator is that the explanatory variables that affect the dependent should not strongly correlate to each other. As noted by (Verbeek, 2004) if there is strong collinearity among the explanatory variables, it may lead to unreliable estimates with high standard errors and unexpected sign or magnitude. To avoid such a problem test for the existence of a multicollinearity problem is conducted correlation matrix. According to (Asteriou, 2007) if the Correlation matrix among the independent variable is >0.9 indicates the existence of strong multicollinearity.

➤ **Test for autocorrelation**

The problem of serial correlation exists when the assumption of the OLS estimator that, the error terms are not serially correlated is violated. In time-series data the error term is likely to be serially correlated with each other across time. The existence of autocorrelation (serial correlation) leads inefficiency of the OLS estimator; biased and inconsistent estimation of the variance of the regression; R^2 will be overestimated and the t-statistics will higher than the correct one (Asteriou, 2007). Therefore, Durbin Watson (DW) test statistics for detecting autocorrelation is employed.

3.10 Ethical Considerations

Participants of this study were asked for their consent before participating in the study. During the consent process, they have provided with the information regarding the purpose of the study, why and how they are selected to be involved in the study, and what is expected from them and that they can withdraw from the study at any time, also, they have assured about the confidentiality of the information obtained in the course of the study by not using personal identifiers and analyzing the data in aggregates. Also, respondents were not asked to write their names to increase the confidentiality of the information they give.

Chapter Four

Data Analysis and interpretation

4.1 Introduction

This chapter presents the data screening and data cleaning processes needed to prepare the dataset for statistical analysis. The chapter further presents demographic characteristics of the respondents, descriptive statistics, reliability analysis, preliminary tests, correlation analysis, regression analysis, and mediation analysis of front line employee's expertise on the relationship between market orientation and customer satisfaction.

4.2 Data Screening and cleaning

A total of 323 questionnaires were distributed to the respondents and from that 294 (91%) questionnaires' were collected through a self-administered survey and 282 (87%) questionnaires' were properly filled and ready for analysis, then the data were entered into SPSS. The quality of the data entered into SPSS was critically examined to make it ready for statistical analysis. The dataset was rechecked to ensure the accuracy of the data entry. The minimum and maximum data values on each variable related to each case were checked to detect any irregular or unusual data values.

All the data values were accounted for without any missing values in the dataset. During the data collection stage, all the necessary precautions were taken to make sure that the research participants filled in all the items in the questionnaire.

The data cleaning process was carried out to ensure the accuracy and appropriateness of the numerical codes related to each variable and case. In the data cleaning process, it was ensured that each variable had code values that range from 1 to 5 in line with the scales used in the questionnaire. The authenticity of the dataset has been ensured by correcting unusually high data values related to the specific variable and case after referring to the original questionnaire.

4.3 Demographic profile of the respondents

The demographic variables considered by this study are gender, age groups, level of education, and years of service of the respondents. Results from the demographic data of the sampled respondents indicate that 216 male was representing 76.6% and 66 women who accounted for

23.4% from the total of 282 respondents and the result indicate that the majority of the commercial banks business and premium customers are males. In terms of the age group from the customer respondents, 18-24 had a frequency of 68 representing 24.1%, 25-34 had a frequency of 97 representing 34.4%, 35-44 had a frequency of 62 representing 22%,45-54 had a frequency of 36 representing 12.8% and above 55 had the lowest frequency of 19 representing 6.7%. The statistics on gender and age were an illustration of respondent's participation in the study.

Table 4.1 Respondents demographic profile summary

Demographic factor		Frequency	Percentage
Gender	Male	216	76.60%
	Female	66	23.40%
	Total	282	100%
Age of Respondent	18-24	68	24.10%
	25-34	97	34.40%
	35-44	62	22%
	45-54	36	12.80%
	Above 55	19	6.70%
	Total	282	100%
Educational Qualification	High School Completed	11	3.90%
	Diploma	25	8.90%
	Degree	233	82.60%
	Above Master's	13	4.60%
	Total	282	100
Length Of Service with the banks	0-5	206	73%
	10-Jun	45	16%
	15-Nov	25	8.90%
	16-20	2	0.70%
	More than 20	4	1.40%
	Total	282	100

The other demographic profile used was education level of the sampled respondents who completed only high school had a frequency of 11 representing 3.9%, Diploma holders had a

frequency of 25 representing 8.9%, Degree holders had a very high frequency of 233 representing 82.6% and respondents with above master's degree had a frequency of 13 representing 4.6% This also implies that more of the commercial banks premium and business customers have a middle level of education than that of high or low educational qualifications.

Length of service with the banks are also used to profile customers respondents and 0-5 had a very high frequency of 206 representing 73%, 6-10 had a frequency of 45 representing 16%, 11-15 had a frequency of 25 representing 8.9%, 16-20 had a frequency of 2 representing 0.7% and more than 20 had a frequency of 4 representing 1.4% of the total sampled customer respondents. This also implies that many of the commercial banks' business and premium customers have a service experience between 0 and 5 years.

4.4 Descriptive Statistics of the Components of Market Orientation

The table below shows the summary of descriptive statistics of customer's perception of the Ethiopian commercial banks' level of customer orientation, competitor orientation, and inter-functional coordination. The results in the table show that inter-functional coordination had the highest mean score of 4.0833 followed by customer orientation with an overall mean score of 4.0213 and the relatively low overall mean score was recorded by competitor orientation which is 3.5488. This implies that from the customer's point of view commercial banks in Ethiopia are more inter-functionally coordinated, customer-oriented, and relatively less competitor orientated.

Table 4.2 Descriptive statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
Customer Orientation	282	4.0213	0.6495
Competitor Orientation	282	3.5488	0.83334
Inter-functional coordination	282	4.0833	0.76434

Source: Own survey results in 2019

4.5 Reliability test

Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item for instance as shown in the below factor loading table, all the latent variables and their corresponding indicator variables consisted of multi-item questions.

As reported by Gliem and Gliem (2003), a single item question is not reliable to conclude as compared to summated multi-item questions. In this study, market orientation was a latent and exogenous variable that consisted of three indicator variables namely customer orientation, competitor orientation, and inter-functional coordination. Customer orientation consisted of 6 items, competitor orientation initially consisted of 5 items but, to increase its reliability 1 item is been excluded and will be represented by 4 items, and inter-functional coordination consisted of 4 items with an adequate Cronbach's alpha value of 0.705, 0.739 and 0.741 respectively.

Whereas the dependent variable of customer satisfaction is composed of 10 items that are extracted from the modified SERVQUAL model and have an adequate Cronbach's alpha value of 0.758 and finally the mediating variable of expertise of front line employees were consists of 7 items with the Cronbach's alpha value of 0.756. To test the reliability and validity of the study, the study variables were checked using Cronbach's alpha coefficient α . According to Gliem & Gliem (2003), there is no universal agreement as to the lower limit of the coefficient when testing the reliability and validity of a study. While some authors cite a lower limit of 0.70, others cite 0.60, and still, others refer to a lower limit of 0.50 (Hair et al., 1998).

Table 4.3: Reliability Test Results

Components	Number of Items	Overall mean	Cronbach's alpha Coefficient
Dependent variable:			
Customer Satisfaction	10	4.168	0.758
Independent variables			
Customer Orientation	6	4.021	0.705
Competitor Orientation	4	3.548	0.739
Inter-functional coordination	4	4.083	0.741
Mediating Variable			
The expertise of Front Line Employee's	7	3.887	0.756

Source: Own survey results in 2019

For this study, an alpha of 0.70 was taken as the lower limit. The above table indicates the internal consistency of the measurement variables and all variables fall above the cut-off of point 0.70, implying that the constructs are internally consistent (i.e. they measure the same concept).

4.6 Preliminary Tests

Before applying regression analysis for testing the research hypothesis, a preliminary analysis was conducted to verify the assumptions of regressions such as Normality, Homoscedasticity, Multicollinearity, and linearity tests.

4.6.1 Test for Normality

According to the central limit theorem, as long as the sample size is 30 or more; the sampling distribution would tend to be normal irrespective of the population distribution. The sample size used in this study was large enough to satisfy the requirement of normality according to the central limit theorem (Field, 2009). Besides, the 282 sample size represented 23.3% of the population. A 23.3% sample ratio was much greater than the 5% threshold requirement for statistical adequacy to make inferences about the population. Meyer et al. (2005) purported that the larger the sample size used in the study, the more precise and stable the estimates of the population parameter would be for statistical inferences.

Table 4.4: Skewness and kurtosis values of the variables

Statistics							
		Customer Orientation	Competitor Orientation	Inter functional Orientation	Expertise of FLE	Customer Satisfaction	Market Orientation
N	Valid	282	282	282	282	282	282
	Missing	0	0	0	0	0	0
Skewness		-1.366	-0.573	-1.679	-1.216	-2.282	-1.055
Std. Error of Skewness		0.145	0.145	0.145	0.145	0.145	0.145
Kurtosis		1.872	-0.343	3.273	1.972	6.522	1.725
Std. Error of Kurtosis		0.289	0.289	0.289	0.289	0.289	0.289

Source: Survey results in 2019

According to Kline (2011), a skewness level with absolute values greater than 3 are regarded as extreme and a kurtosis level with absolute values greater than 8 are described as extreme. When the acceptable level of skewness (3) and that of kurtosis (8) is violated, it suggests a problem that should be addressed before performing any inferential statistical analysis. The result showed that skewness and kurtosis for all variables lie on the level and the data appeared to be normally related to each of the indicator variables used in the study.

4.6.2 Test for Heteroskedasticity

The second assumption of CLRM states that the variance of the errors is constant, σ^2 this is known as the assumption of homoscedasticity Brooks (2008). If the errors do not have constant variance, they are said to be Heteroskedasticity. In other words, if the residuals of the regression have systematically changing variability over the sample, that is a sign of Heteroskedasticity Brooks (2008). The violation of this assumption results in the OLS estimator inefficient. Hence, to detect the problem of Heteroskedasticity, the Breusch-pagan LM test is used to examine the null hypothesis saying that the error term is homoskedastic and the opposite is true for alternative hypotheses.

Table 4.5 Heteroskedasticity Test: Breusch-Pagan-Godfrey

Breusch-Pagan test statistics and sig-values		
	LM	Sig
BP	4.574	0.206

Source: Survey results in 2019

The decision rule states that, if the p-value of the test is lower than any of the chosen significance levels, i.e., 1%, 5% and 10% it indicates a possible problem of heteroskedasticity; whereas if the p-value of the test is greater than any of the chosen significance levels, i.e., 1%, 5%, and 10% indicate no possible problem of heteroskedasticity. Hence, since the significance value of Breusch-Pagan test 0.206 is greater than any of the chosen significance values there is no evidence of heteroskedasticity.

4.6.3 Test for Multi-Collinearity

According to (Burns & Burns 2008), before running regression, it needs to examine how well the regression model meets linear regression assumptions. One should check for the problem of

Multi-Collinearity which is present if there are high correlations between some of the independent variables. The study checks the regression model 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 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 correlations with other variables are high, suggesting the possibility of Multicollinearity. This also confirms the absence of Multicollinearity according to the Statistics table below.

Table 4.6: Collinearity Statistics

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Customer Orientation	0.597	1.675
	Inter-functional coordination	0.467	2.142
	Expertise of FLE	0.979	1.021
	Market Orientation	0.329	3.042

a. Dependent Variable: Customer Satisfaction

Source: own survey 2019

Test for Autocorrelation is also conducted by using Durbin Watson (DW) test statistics and the model has a DW coefficient of 2.05 which has very little or no signs of the first-degree autocorrelation.

4.7 Correlation analysis

A correlation analysis is also performed to gauge the level of association between components of market orientation, the expertise of front line employees, and customer satisfaction. Correlation analysis helps to find out, if the relationship between variables exists and how strong it is. The Pearson correlation coefficient was used as the data is normally distributed. Correlations of 0.30 are regarded to mention worthy (Cohen, 2000). High correlation coefficients illustrate a higher level of association between the influences.

According to Cohen (2000), the value of Pearson’s correlation is divided into three areas. A correlation coefficient between 0.1 and 0.3 indicates a small correlation, a correlation coefficient between 0.3 and 0.7 indicates a medium correlation, and a correlation coefficient between 0.7 and 1.0 indicates a large correlation. The results are presented below Table.

Table 4.7: Correlation analysis

Correlations							
		Customer Satisfaction	Customer Orientation	Competitor Orientation	Inter-functional coordination	Expertise of FLE	Market Orientation
Pearson Correlation	Customer Satisfaction	1					
	Customer Orientation	0.436*	1				
	Competitor Orientation	0.057	0.038	1			
	Inter-functional coordination	0.296**	0.163*	0.131**	1		
	Expertise of FLE	0.162**	0.095**	0.063	0.110**	1	
	Market Orientation	0.388**	0.560**	0.666*	0.681**	0.138**	1

Source: Survey results in 2019, **. Correlation is significant at the 0.01 level

According to results from the table there exist a significant medium level of correlation between market orientation and its components i.e. inter-functional coordination 0.681, competitor orientation 0.66, and customer orientation 0.56. Also, there is a significant medium level of correlation between market orientation and customer satisfaction. Whereas, the significant correlation between market orientation and customer satisfaction with the expertise of front line employees is relatively low.

4.8 Testing the Research Hypothesis

Each hypothesis proposed empirically tested and discussed in this part. Regression analyses were used to explore the relationship between the components of market orientation and customer satisfaction while testing for the mediation effect of frontline employees' expertise on the relationship between market orientation and customer satisfaction is analyzed by Hayes

bootstrapping approach. The coefficients of determination (R square value), the regression coefficients (Beta coefficient), and the p-values for each of the significant relationships were reported.

4.8.1 Regression Analysis

The standard regression is a multivariate data analysis tool that enables the researcher to relate one or more variables (independent) in a study to another variable (dependent) to establish the relationship that exists between them. It also explains how well a predictor variable contributes to the dependent variable. Taking this study into consideration multiple regression analysis is carried out to measure the influence of various market orientation components i.e. (customer orientation, competitor orientation, inter-functional coordination) on customer satisfaction of premium and business customers of four conveniently selected commercial banks in Ethiopia.

Table 4.8 Regression model summery

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.493 ^a	0.243	0.234	0.44507	0.243	29.691	3	278	0

a. Predictors: (Constant), Inter-functional coordination, Competitor Orientation, Customer Orientation

As we can see from the above table the R-value is 0.493 indicating the overall components of market orientation namely customer orientation, competitor orientation, and inter-functional coordination suggested that there is a moderate effect of these variables on customer satisfaction. The R square (0.243) indicate that 24.3% of the variation of customer satisfaction is explained by the components of market orientation, Indicating that there is a positive relationship between the market orientation and customer satisfaction. This lower R-square value of 24.3% indicates that besides components of market orientation, there are other important variables that lead to overall customer satisfaction in commercial bank's service delivery.

Table 4.9:- Anova Table

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.644	3	5.881	29.691	.000 ^b
	Residual	55.069	278	0.198		
	Total	72.713	281			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Inter-functional coordination, Competitor Orientation, Customer Orientation

Source own survey: - 2019

The above Anova table identifies that the value of F-stat is 29.691 and is significant as the level of significance is less than 5% ($p < 0.01$). This indicates that the overall model was reasonably fit and there was a statistically significant relationship between components of market orientation and customer satisfaction or total market orientation models predicts the customer's satisfaction of commercial banks significantly well as a result, overall the regression model statistically and significantly predicts the outcome variable of customer's satisfaction.

Table 4.10 Regression Result 1

Coefficients ^a						
Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.263	0.223		10.124	0
	Customer Orientation	0.312	0.041	0.398	7.531	0
	Competitor Orientation	0.007	0.032	0.012	0.227	0.82
	Inter-functional coordination	0.153	0.035	0.230	4.311	0

a. Dependent Variable: Customer Satisfaction

Source: own survey 2019

In the above table, the standardized beta coefficients indicated that how and to what extent components of market orientation namely customer orientation, competitor orientation, and inter-functional coordination influence customer satisfaction of a bank. It has been found that customer orientation ($b=.398$, $t= 7.531$ $p<0.001$) significantly and positively influence customer satisfaction. Hypothesis 1 stated that there is a significant and positive relationship between customer orientation and customer satisfaction in commercial banks in Ethiopia. Thus the study result failed to reject hypothesis 1. This finding appears to be similar to existing and empirical studies found in the literature. Research conducted by (Dickson, 2016; Mahmoud et al., 2011; Njeru & Kibera, 2014 and Agarwal et al., 2003) also confirmed the positive effect of customer orientation on customer satisfaction. Besides, customers who believe the company is doing its best to identify and analyze their expressed and latent needs are likely to be satisfied.

The above table also indicates next to customer orientation, inter-functional coordination ($b=.230$, $t=4.311$, $p< 0.001$), significantly and positively influence customer satisfaction. Hence, again we have failed to reject hypothesis 3. This positive relationship is justifiable because if customers of these commercial banks believe all business activities and departments of the banks are coordinated to create superior value for the customers they are likely to be satisfied. Research conducted by (Dickson, 2016; Missaoui et al, 2014) also confirmed this positive relationship.

The study results also revealed competitor orientations are insignificant to influence customer satisfaction of commercial banks in Ethiopia, therefore the null hypothesis of (H2) There is a significant and positive relationship between competitor orientation and customer satisfaction in commercial banks in Ethiopia is been rejected. Akbarov, (2018) also confirmed the insignificant relationship between competitor orientation and customer satisfaction. And his study concludes that competitor orientation has no any explanatory power on customer satisfaction because of the low competitive environment in Azerbaijan banking sector and the common belief among the people of Azerbaijan that competition can lead to monopoly.

On the other hand, it's also contrary to various previously conducted empirical studies like (Dickson, 2016; Missaoui et al, 2014) which claim there is a positive relationship. However, their studies were performed under different cultural setups and focused on bank managers' perceptions of their company's level of market orientation. The result also indicates the customers don't think their satisfaction is going to be affected whether the banks are trying to

identify and understand the short-term strengths and weaknesses and long-term capabilities and strategies of both their key current and potential competitors or not.

Table 4.11 Regression Result 2

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.572	0.229		11.246	0
	Market Orientation	0.411	0.058	0.388	7.035	0

a. Dependent Variable: Customer Satisfaction

Source: own survey 2019

Table 4.9 also indicates market orientation ($b=.388$, $t= 7.035$, $p<0.001$) significantly and positively influence customer satisfaction. Hence, we have failed to reject the null hypothesis of (H4) which states there is a significant and positive relationship between market orientation and customer satisfaction in commercial banks in Ethiopia. Studies like Kato et al. (2019), Ansah and Chinomona (2017), Guo et al. (2017), Jaworski and Kohli (2017), Kasim et al. (2018), Mahmoud et al. (2016), Narver and Slater (1990), Singh and Ranchhod (2004), and Tse et al. (2003) also found a positive and significant relationship between market orientation and customer satisfaction.

4.8.2 Mediation Analysis

Once the model was tested for its fitness with observed data, the contribution of the mediating variable (expertise of front line employees) was examined to explain the relationship between market orientation and customer satisfaction. Estimation of the influence of market orientation on customer satisfaction through the mediation effect of expertise of front line employees was performed by the most recent and increasingly applied bootstrapping approach using Hayes PROCESS Macro (2018).

In the mediation model, market orientation was the independent variable (x), customer satisfaction was the dependent variable (y) and the expertise of front line employees was the

mediating variable (M). To test whether the mediation effect of market orientation on customer satisfaction could be explained by the expertise of front line employees as an intervening variable, some important criteria should be met. First, market orientation (x) should influence customer satisfaction. To ensure this requirement, the total effect (c) was estimated in the model. Second, market orientation (x) should influence the expertise of front line employees, the mediating variable (M). To make sure that this requirement was met, the coefficient 'a' which measured the effect of market orientation on the expertise of front line employees was estimated in the model. Third, the expertise of front line employees which represented the mediating variable (M) should influence customer satisfaction (y). To ensure that this requirement was satisfied, coefficient 'b' which measured the effect of expertise of front line employees on customer satisfaction was estimated in the model. Finally, the indirect effect of market orientation on customer satisfaction was estimated in the mediation model. Therefore, the total effect of market orientation on customer satisfaction (c) was computed in the model.

The below figure 4.1 shows the effect of the independent variable (market orientation) on the mediator variable (expertise of front line employees). And the result revealed that market orientation ($b=0.1962$, $p<0.005$) significantly and positively influences the expertise of front line employees. Hence, we have failed to reject hypothesis H5: which states there is a significant and positive relationship between market orientation and expertise of front line employee commercial banks in Ethiopia The result is similar with previous studies by Nibras et al. (2018), Bigne et al. (2005), Lai and Cheng (2005) and Raju et al. (1995).

The study by Nibras et al., (2018) indicates market-oriented approach by commercial banks would help them to further improve their expertise and employees with a high level of customer orientation tend to have behaviors that positively provide good service and thus increase customer satisfaction during the process of contacting customers.

Figure 4.1:- Mediation Analysis output 1

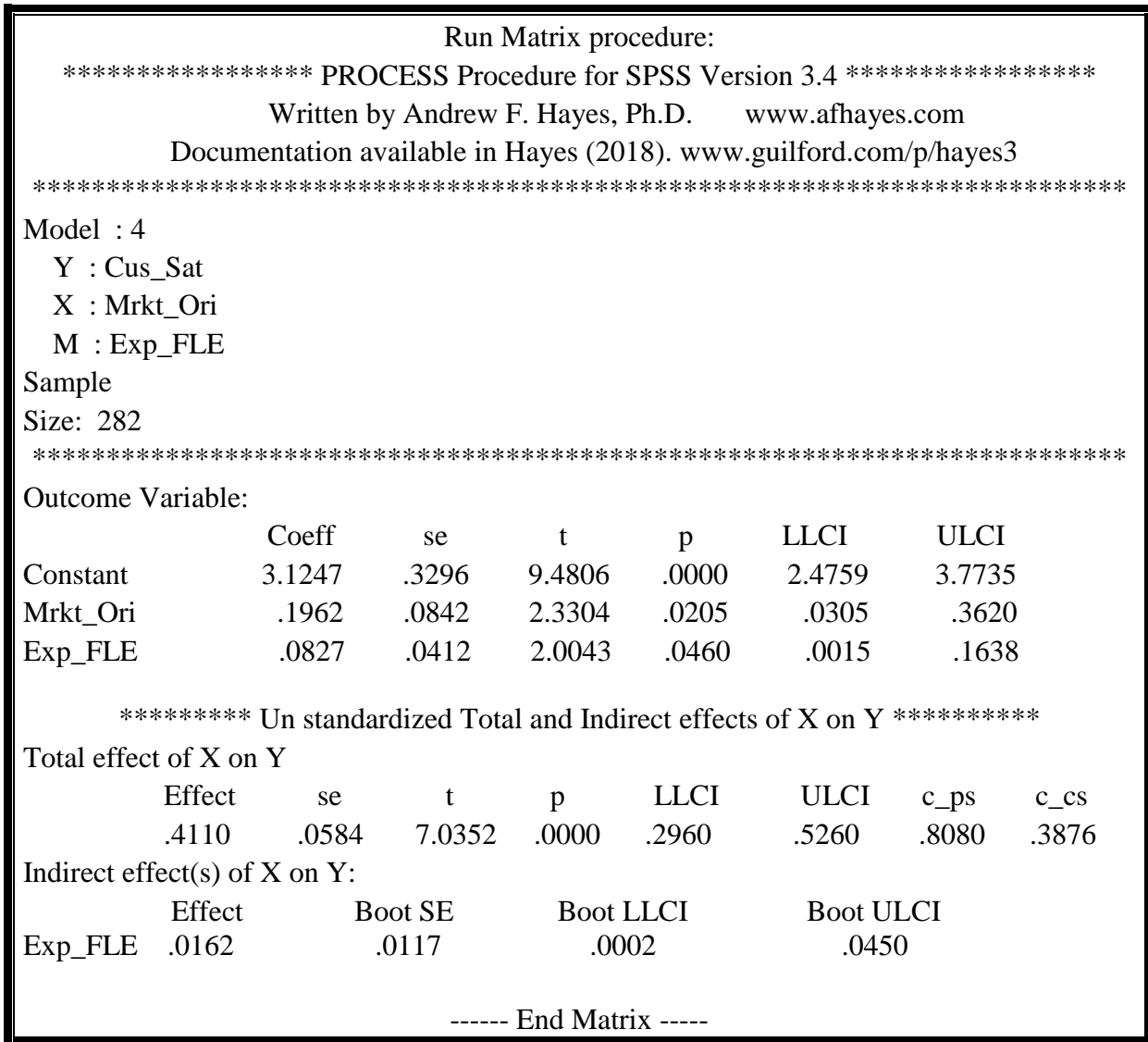
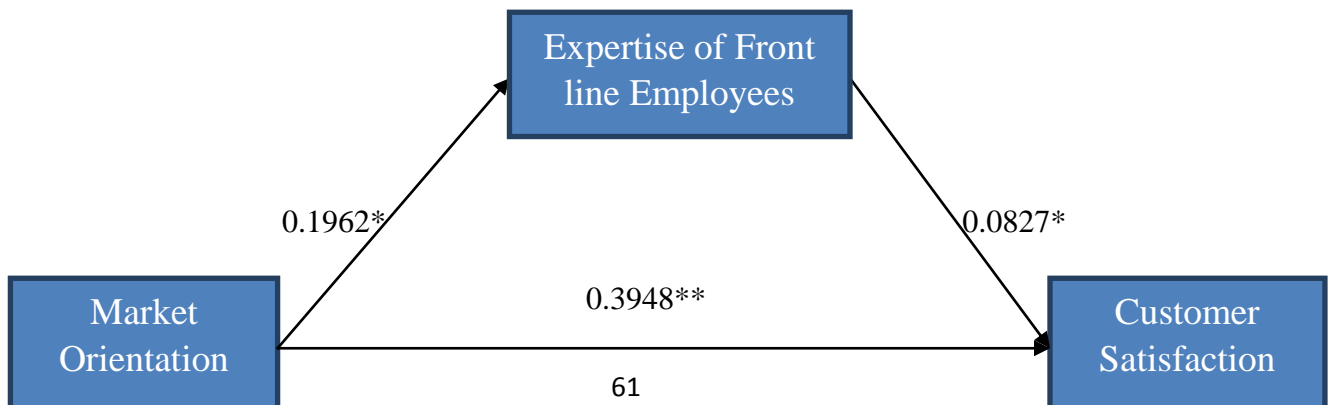


Figure 4.2: Mediation analysis result diagram 1



The above figure also shows the effect of the mediating variable (expertise of front line employees) on the dependent variable (customer satisfaction) and the result revealed that expertise of front line employees ($b=0.0827$, $p<0.005$) significantly and positively influences customer satisfaction. Hence, we have failed to reject hypothesis H6: which states there is a significant and positive relationship between the expertise of front line employees and customer satisfaction in commercial banks in Ethiopia. The finding is consistent with previous studies of expertise on customer satisfaction by Shanka (2012) and Alexandris et al. (2004), Chai et al. (2015), Johnson and Grayson (2005), Macintosh (2007), Moradi et al. (2017), Spake and Megehee (2010), and Sweeney and Swait (2008).

This positive and significant relation is justifiable because a higher level of expertise, especially in the banking service sector, would reduce customer's risk and peace of mind that the company has the necessary capabilities to satisfy my intended needs, thereby, promoting customer satisfaction. Shanka (2012) examined the quality of service offered by private banks in Ethiopia. In that study, assurance, a component of expertise had a positive impact on overall customer satisfaction. Alexandris et al. (2004) tested the customer perception on the employee service quality in a health club and found expertise weakly affected customer satisfaction and they stated that the issue needs further investigation.

Finally, The Un standardized pattern coefficients in the above figure show the direct, indirect, and total effect of the simple mediation analysis on the mediation role of front line employees on the relationship between market orientation and customer satisfaction.

The total effect of the mediation analysis ($b=0.4110$, $p<0.001$) revealed a positive and significant relationship between market orientation and customer satisfaction indicating sound industry knowledge and expertise of the banking sector along with market-oriented services would promote higher customer satisfaction and vice versa.

The indirect effect of market orientation on customer satisfaction through the expertise of front line employees is ($b=0.0162$, $p<0.005$) which is the product of path a and b ($0.1962*0.0827$), the bootstrap confidence interval (CI) is (0.0002 to .0450). As the 95 % confidence interval does not include zero, we can infer there exist a significant mediation. Hence we have also failed to reject the hypothesis H7: which states expertise of front line employees mediates the relationship between market orientation and customer satisfaction in commercial banks in Ethiopia. The

finding of the study is consistent with previous studies by Nibras et al. (2018) and Raju et al. (1995).

Nibras, et al, (2018) examine the relationship between market orientation and customer satisfaction with the mediating effect of service provider expertise in the Iraq banking sector and his study results indicate service provider expertise positively and significantly mediates the relationship between market orientation and customer satisfaction. Raju et al. (1995) also asserted that an increase in market orientation generates pride in belonging to an organization, resulting in higher employee morale and greater organizational commitment, and ensures customer satisfaction which increases repeat purchases and draws new customers to the business.

4.8.2.1 The mediation effect of expertise of front line employees on the individual components of market orientation

From the analysis above we were able to understand the expertise of front line employees tends to significantly and positively mediates the relationship between market orientation and customer satisfaction and here the below figure's exhibit's a mediation result that discusses on the mediation effect of front line employees expertise on the relationship between individual components of market orientation and customer satisfaction.

The below figure exhibit's the indirect effect of the mediation analysis and it is 0.0091, but it's not statistically significant as 0 lies between the bootstrap confidence intervals -0.0019 and .0292, so we can infer there is no significant mediation. Hence the hypothesis H8: expertise of front line employees mediates the relationship between customer orientation and customer satisfaction in commercial banks in Ethiopia is been rejected.

The finding of the study is contrary with (Hailu, 2014) which claims customer-oriented employees have a technical skills that may include the employee's knowledge of bank service and accounting and skills in communicating with the back office, serving customers and managing multiple tasks at a time which in turn improves customer satisfaction. However, his study measures customer orientation of front line employees from their own perspectives and the customers might not perceive customer oriented employees will likely have the required expertise to induce their satisfaction.

Figure 4.3: Mediation Analysis output 2

```

Run MATRIX procedure:
***** PROCESS Procedure for SPSS Version 3.4 *****
      Written by Andrew F. Hayes, Ph.D.   www.afhayes.com
      Documentation available in Hayes (2018). www.guilford.com/p/hayes3
*****
Model : 4
  Y : Cus_Sat
  X : Cust_Ori
  M : Exp_FLE
Sample
Size: 282
      ***** Un standardized Indirect effects of X ON Y *****
      Effect          Boot SE          Boot LLCI          Boot ULCI
Exp_FLE             .0091             .0081             -.0019             .0292

      ***** Analysis notes and errors *****
Level of confidence for all confidence intervals in output: 95.00
Number of bootstrap samples for percentile bootstrap confidence intervals: 10000
      ----- End Matrix -----

```

The regression analysis earlier indicated competitor orientation were insignificant to directly influence customer satisfaction and here again the below figure also indicates the indirect effect of the mediation analysis which is 0.0061, but it's not statistically significant as 0 lies between the bootstrap confidence intervals -0.0036 and 0.0216, so we can infer there is no significant mediation. Therefore the null hypothesis of (H9) expertise of front line employees mediates the relationship between competitor orientation and customer satisfaction in commercial banks in Ethiopia is been rejected.

Figure 4.4: Mediation Analysis output 3

```

Run MATRIX procedure:
***** PROCESS Procedure for SPSS Version 3.4 *****
      Written by Andrew F. Hayes, Ph.D.    www.afhayes.com
      Documentation available in Hayes (2018). www.guilford.com/p/hayes3
*****
Model : 4
  Y : Cus_Sat
  X : Comp_Ori
  M : Exp_FLE
Sample
Size: 282
      ***** Un standardized Indirect effects of X ON Y *****
      Effect      Boot SE      Boot LLCI      Boot ULCI
Exp_FLE      0.0061      .0064      -.0036      .0216

      ***** Analysis notes and errors *****
Level of confidence for all confidence intervals in output: 95.00
Number of bootstrap samples for percentile bootstrap confidence intervals: 10000
      ----- End Matrix -----

```

Lastly, the indirect effect of the mediation analysis on the below figure is 0.0096, but it is also not statistically significant as 0 lies between the bootstrap confidence intervals -0.0002 and 0.0265; so we can infer there is no significant mediation. Hence the hypothesis H10: expertise of front line employees mediates the relationship between inter-functional coordination and customer satisfaction in commercial banks is rejected.

This result is also contrary with previous studies by (Langerak, Hultink & Robben, 2000) and Atuahene-Gima, (1996) who claims the mediating role of employee proficiency in inter-functional teamwork and performance provides insight on the actual mechanism for transforming inter-functional coordination into superior value for customers, and hence, customer satisfaction. However, their studies are focused on self-reports by the service employees and doesn't include customers perspectives. Inter-functional coordination also requires the skill and expertise of all involved employees including back office staffs and expertise of front line employees alone might not mediate the relationships if others are not expertise as well.

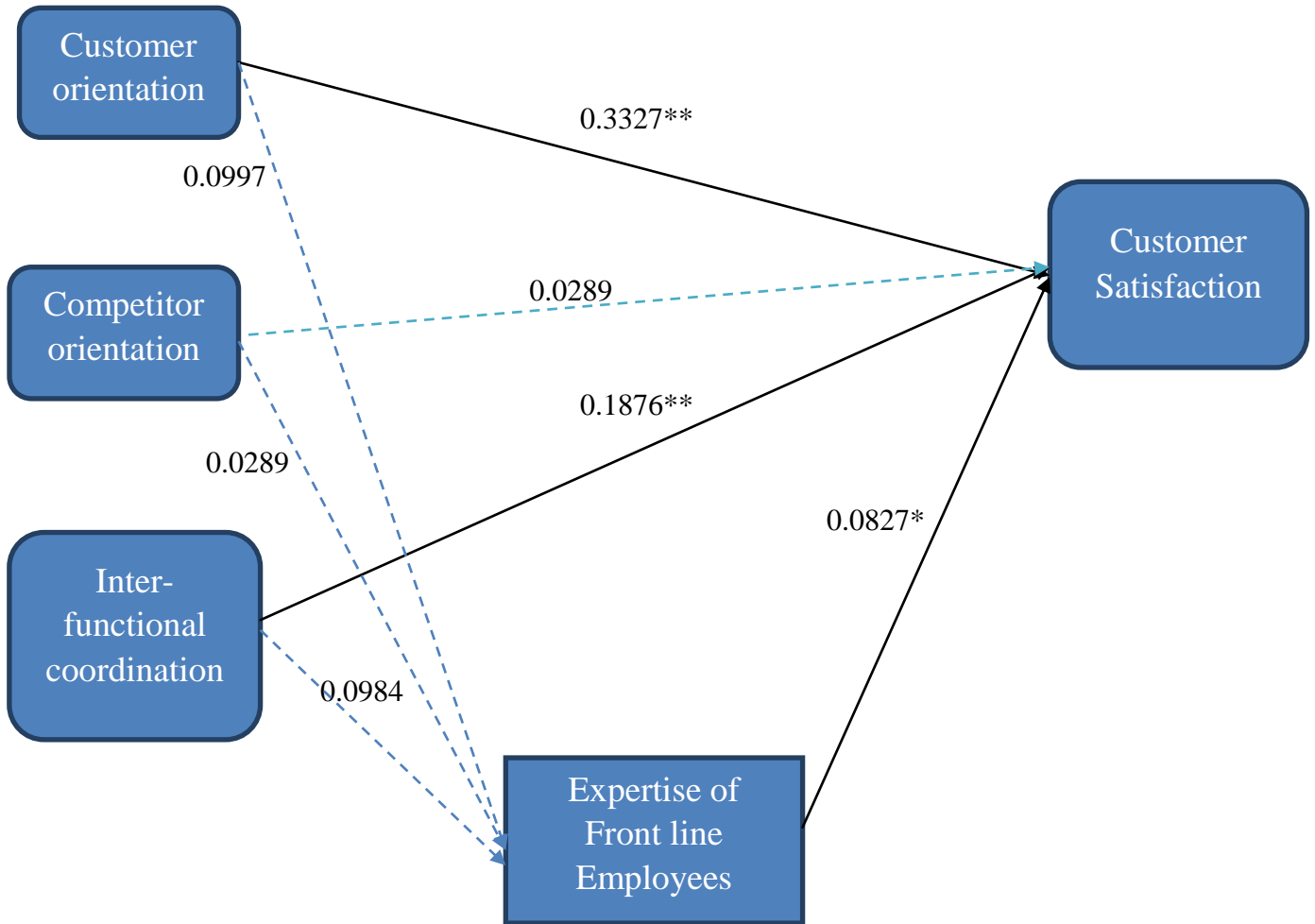
Figure 4.5: Mediation Analysis output 4

```
Run MATRIX procedure:
***** PROCESS Procedure for SPSS Version 3.4 *****
      Written by Andrew F. Hayes, Ph.D.   www.afhayes.com
      Documentation available in Hayes (2018). www.guilford.com/p/hayes3
*****
Model : 4
      Y : Cus_Sat
      X : Intr_fun
      M : Exp_FLE
Sample
Size: 282
      ***** Un standardized Indirect effects of X ON Y *****
      Effect      Boot SE      Boot LLCI      Boot ULCI
Exp_FLE      .0096      .0070      -.0002      .0265

      ***** Analysis notes and errors *****
Level of confidence for all confidence intervals in output: 95.00
Number of bootstrap samples for percentile bootstrap confidence intervals: 10000
      ----- End Matrix -----
```

Figure 4.6: Mediation analysis result diagram 2

Market Orientation



Source: own survey 2019

Chapter Five

Summary of Findings, Conclusions, and Recommendations

5.1 Introduction

The study attempted to identify the relationship with various components of market orientation and customer satisfaction from the customer's perspective by taking into account the customer's view on the organization's level of market orientation. It also tried to provide new empirical evidence on the mediating role of front line employees expertise on the relationship between market orientation and customer satisfaction from customers perspective of commercial banks business and premium customers in the context of Ethiopia which is a developing economy characterized by a limited competition among domestic banks due to the legal prohibition of foreign banks from operating in Ethiopia (Mulugeta, 2015).

This study employed a quantitative research method to explain the extent of impact and relationship that exists between components of market orientation and customer satisfaction from the customer's perspective and it also analyses the mediation role of expertise of front line employees on the relationship between market orientation and customer satisfaction. This last chapter also summarizes the major findings and implications of the study and highlights revelations and lessons drawn from the study which will guide the conclusions to be drawn based on the interpretation of output results of the study and related literature reviewed. This chapter concludes by providing suggestions and recommendations for further research.

5.2 Summary of findings

This study dwells more on customer's perceptions on commercial banks level of market orientation by adopting Narver and Slater MAKTOR model which was aimed at identifying the extent of association and relationship that exist between the constructs of market orientation (customer orientation, competitor orientation, and inter-functional coordination) and customer satisfaction as the dependent variable.

From the three components of market orientation, relatively the highest mean score of 4.0833 is recorded by inter-functional coordination. This shows that business and premium customers of the commercial banks perceive that there is good coordination among all units of the banks and

everyone starting from the frontline service providers are seen as working towards the satisfaction of customer needs, this is followed by customer orientation with an overall mean score of 4.0213 and this also implies that customers believe the bank tailored its products and services to meet their need and wants through its product and services and also collect adequate information about their level of satisfaction as well as their need for new products and services. Meanwhile, competitor orientation tends to show relatively the lowest mean score of 3.5488.

Multiple regression analysis was carried out to test the practice of market orientation and its impact on customer satisfaction and the result of the analysis revealed that except from competitor orientation which was insignificant the other two components of market orientation have a positive and significant relationship with customer satisfaction. Results from the regression analysis also indicate the effect of market orientation on customer satisfaction was observed to be positive and significant.

The mediation analysis also confirmed the expertise of front line employees partially mediates the relationship between market orientation and customer satisfaction. However, the study also revealed the expertise of front line employees failed to mediate the relationship between individual components of market orientation and customer satisfaction.

5.3 Conclusion

The results of the study have revealed that market orientation positively and significantly affects customer satisfaction. Therefore, like other developed countries market orientation is prerequisite for sustainable competitive advantage and customer satisfaction for commercial banks in Ethiopia and this could be a huge insight for the banks because their market orientation activities are been well received by their customers and if they work on increasing their market-oriented activities their customer's satisfaction is likely to improve and they can secure survival, growth, and higher performance.

On the other hand, competitor orientation was found to be insignificant to influence customer satisfaction in commercial banks in Ethiopia. And this implies either the banks don't gather information about their current and prospect competitors or their customer's don't have enough information regarding competitor orientation activities performed by the banks and also the

customers might not think their satisfaction is going to be affected whether the banks are competitor oriented or not.

Effective market oriented approach by commercial banks would help them to further improve their front line employees expertise and employees with a high level of market orientation tend to provide good service for their customers and thus increase customer satisfaction.

Since, the direct effect of market orientation on customer satisfaction is decreased by a nontrivial amount, but not to zero, with the inclusion of the mediator variable we have concluded that partial mediation is said to have occurred (James & Brett, 1984).

The three components of market orientation affect front line employee expertise in a magnitude that it can, in turn, affect customer satisfaction while they are implemented as one dimension construct as Narver and Slater (1990) hypothesized instead of individually.

Finally, we conclude that Ethiopian banks believe there is little to learn from their competitors. This may be because they make a profit without facing fierce competition as the unbanked society in the country is still very large. Second, because the industry is protected from foreign players, there may not be much difference in technology and other strategic assets.

5.4 Recommendations and Suggestions for Further Studies

The study suggests that market orientation plays a very important role in determining customer satisfaction in commercial banks in Ethiopia. Given this, the findings that evolved from the study above, the following recommendations have made in improving the practice of market orientation and customer satisfaction.

This study has significant implications for the Ethiopian financial sector, particularly bank managers, marketers, and policymakers. From a managerial perspective

- Managers, especially top management, need to focus on creating and maintaining a market-oriented corporate culture within their organization. They need to signal to the entire organization their commitment to focus on customer satisfaction, emphasizing that serving customers is the most important aspect of their businesses.

- Even though all components of market orientation are essential in creating a market-oriented company commercial banks in Ethiopia need to give greater emphasis to the customer and inter-functional coordination's, because according to the findings of the study the two are most likely to increase the satisfaction of their customers.
- Marketing managers in commercial banks also should have strived to continually gather market information about their customer's latent and future needs and coordinate their business activities to create superior value to their customers. By doing so they can develop new products they will satisfy the needs of their customers.
- The digital banking industry is not well developed in our country and this has made it mandatory for the customers to visit the bank's branches more often to get banking services; therefore marketers can take this opportunity to gather information from their customers and continually monitor their satisfaction.
- Market orientation is not only a management phenomenon and to be successful it also needs the participation and involvement of all employees, especially front line employees who have direct contact with their customers in their daily service encounter.
- Since the mediation role of frontline employees was found to be vital to the satisfaction of customers commercial banks in Ethiopia should have to recruit genuine and competent frontline employees with a helping mentality, Interpersonal, and listening skills with the ability to sense to both verbal and in verbal cues. They also have to provide suitable training to their front line employees so that they can give efficient service to their customers. According to Phiangdao Chaoluck (2016) Management of customer expectations (Barnes et al., 2013), socialization (Hartline & Jones, 1996), and behavioral and emotional practices (Lemmink & Mattsson, 2012) are examples of training that may enhance the capabilities of front line employees.
- Managers also need to ensure that their performance appraisal system is based on market-linked factors such as customer satisfaction. Finally, managers need to appreciate and implement systematic and regular measures of customer satisfaction and the level of customer service and ensure the dissemination of customer feedback at all levels in the business organization.

From a policymaker's perspective, the banking sector provides resources to accelerate economic growth; hence, customer satisfaction with the banking system would improve banking sector efficiency and effectiveness. Policymakers also need to implement policies to improve the banking sector competencies and soften regulations to improve the competitive environment and innovativeness'.

Finally, In the Ethiopian banking sector which is characterized by limited competition and strict regulation; the study provided new empirical evidence by introducing and testing frontline employee expertise as a mediating variable in the relationship between market orientation and customer satisfaction.

5.5 Limitations and future research

The study was restricted to only four commercial banks located in Addis Ababa city and only from the customer's perspective. However, it would be more appropriate if examining the mediating role of frontline employees on the relationship between market orientation on customer satisfaction from both manager's and customers' point of view and the wider area. So the research findings were bounded in this line. Also, the study applied only a quantitative approach ignoring qualitative aspects. A longitudinal study can also be conducted in the future to test the long term effect of market orientation on customer satisfaction in the Ethiopian banking sector.

A further study can be done by incorporating other groups of customers who are in a qualified position to assess the bank's level of market orientation. The findings will contribute to the general body of knowledge and provide a basis for further development of theory and research particularly in taking into account customer's perspective of the company's level of market-orientation and suggest that strategic insights may be gained when banks take into account their customers' view on the organization's level of market orientation.

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Appendixes

Questionnaire

Addis Ababa University

College of Business and Economics

MBA Program

Dear Participants, the purpose of this questionnaire is to collect data that are important to analyze “Firms Market Orientation and Customer Satisfaction: The Mediating role of Front line Employee’s Expertise in the case of selected Commercial banks in Addis Ababa” and the collected data will be applied for the study of leading to master’s thesis requirement in Business Administration. The information you provide in this questionnaire will be kept confidential and will be utilized only for the purpose of this study. Your genuine response is highly valuable for the achievement of the objectives of this research.

Thank you in advance for your cooperation for filling the questionnaire.

Name of the researcher: Abel Aragaw

Note: kindly put a (√) mark with the option that reflects your level of agreement with the given statement.

Part I

Demographic questions

1. Age : 18-25 26-35 35 -45 45-55 >55
2. Gender : Male Female
3. Educational level: Below high school High school completed
Diploma Degree Masters PhD
4. Marital status: Married Single Divorced Widowed
5. Length of service with the bank in years. _____ Years.

Part II Components of market orientation

S/N	Customer orientation	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The bank Regularly collects information about my needs.	1	2	3	4	5
2	The bank will handle my complaint's well.	1	2	3	4	5
3	The bank consults me to improve quality of their service.	1	2	3	4	5
4	The bank Regularly measures my satisfaction.	1	2	3	4	5
5	The bank looks for more ways to offer me more value.	1	2	3	4	5
6	The bank treats me as a partner.	1	2	3	4	5
Competitor orientation						
1	The bank knows whether competitors are open to complaints by customers.	1	2	3	4	5
2	The bank knows why customers continue using its competitors' products.	1	2	3	4	5
3	The bank monitors me whether I am using competitor's product or not.	1	2	3	4	5
4	The bank understands why customers switch to competitors.	1	2	3	4	5
5	The bank knows the types of products	1	2	3	4	5

and services competitors offer.

Inter-functional coordination

1	There is a good inter-functional coordination by departments in the bank	1	2	3	4	5
2	Everyone starting from the frontline service providers is seen working towards the satisfaction of my needs.	1	2	3	4	5
3	The branches physical layout helps in dissemination of information to the target audience.	1	2	3	4	5
4	The bank demonstrates employee personal involvement in order to make sure my satisfaction.	1	2	3	4	5

Part III Customer perceived Expertise of Front line Employees

S/N	Customer Satisfaction	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The bank Front line service employees have the knowledge about the products/services to answer my questions	1	2	3	4	5
2	The bank Front line service employees provide accurate information's during the service encounter	1	2	3	4	5

3	The bank Front line service employees provide quick and prompt service	1	2	3	4	5
4	The bank Front line service employees are well organized while giving service	1	2	3	4	5
5	The bank Front line service employees tries to discuss my needs with me	1	2	3	4	5
6	The bank Front line service employees tries to give me an accurate expectation of what the product/service will do for me	1	2	3	4	5
7	The bank Front line service employees tries to influence me through information rather than by pressure	1	2	3	4	5

Part IV Customer Satisfaction

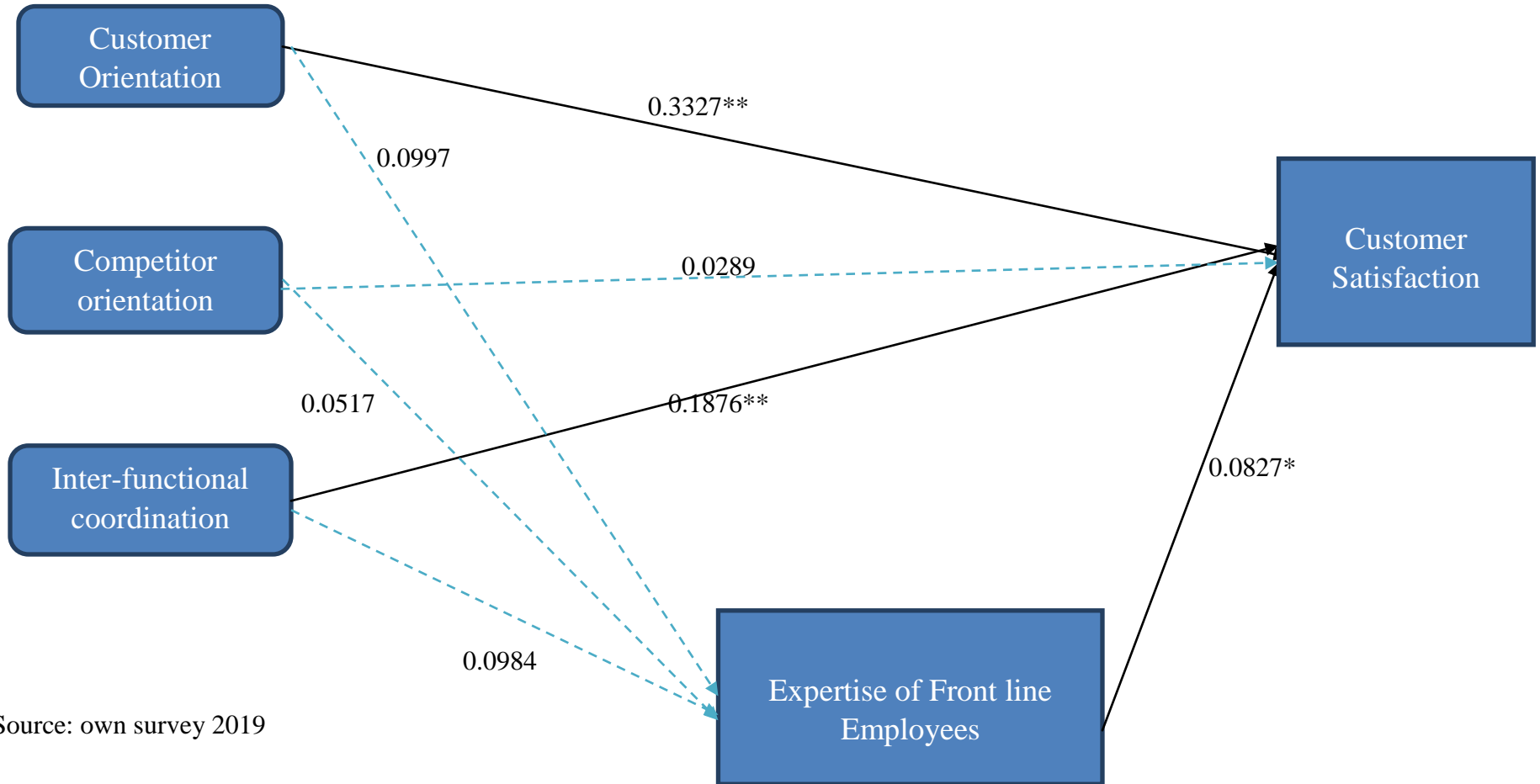
S/N		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The bank keeps its promise while doing something by a certain time.	1	2	3	4	5
2	The bank employees are very appealing and trustworthy.	1	2	3	4	5
3	The staffs are always willing to help customers and never too busy to respond.	1	2	3	4	5
4	The bank gives convenient Services to customers.	1	2	3	4	5

5	The banks operating hours are Convenient to customers.	1	2	3	4	5
6	The bank has full physical facilities and Modern looking equipment's to the satisfaction of its customers.	1	2	3	4	5
7	Over all I am satisfied with the service of bank.	1	2	3	4	5
8	I would continue with the bank in the future.	1	2	3	4	5
9	I would recommend the bank service for others.	1	2	3	4	5
10	Considering the type of bank services the quality of service is excellent.	1	2	3	4	5

Appendix 2

Figure 4.6: Mediation analysis result diagram 2

Market Orientation



Source: own survey 2019