A RELATIONAL STUDY OF CUSTOMER ORIENTATION AMONG BANK EMPLOYEES

Ngui Lee Fong

Bachelor of Business Administration with Honours (Marketing)
2010
A RELATIONAL STUDY OF CUSTOMER ORIENTATION AMONG BANK EMPLOYEES

NGUI LEE FONG

This project is submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration with Honours (Marketing)

Faculty of Economics and Business
UNIVERSITI MALAYSIA SARAWAK
2010
Statement of Originality

The work described in this Final Year Project, entitled “A RELATIONAL STUDY OF CUSTOMER ORIENTATION AMONG BANK EMPLOYEES” is to the best of the author’s knowledge that of the author except where due reference is made.

_________________                                                           ________________
(Date Submitted)                                                               (Students’s Signature)
Ngui Lee Fong
19270
A RELATIONAL STUDY OF CUSTOMER ORIENTATION AMONG BANK EMPLOYEES

ABSTRACT

The objective of this study is to investigate customer service effectiveness and job empowerment of employees as factors influencing the extent of customer-orientation of bank employees in Kuching. The scope of this study is limited to bank employees in different bank branches in Kuching. A total of 376 questionnaires were distributed to the respondents and 225 questionnaires (59.9%) are useable. Methodology employed is descriptive, factor analysis, correlation and regression analysis. Findings show that customer focused, customer oriented service, autonomy and job constraint is found to be the most influential factor explaining the extent of customer orientation of bank employees. Findings also indicate that control variables of higher level of education and the number of years working in current job position have an effect on customer orientation of employees. Theoretical contributions of this study include extending existing literature of customer orientation and human resource literature especially empirical validation of job empowerment as a significant factor in customer orientation. For managers, the findings imply that being customer oriented gives differentiation especially to banking services. This study’s findings also emphasize the importance of employees. Limitation of the study includes a relatively small sample size, a focus only on one industry and no interactive effects are examined. Recommendations for future studies suggest extending this study to other services, other industries, comparative studies and to do a nation-wide study.

Keywords: Customer Orientation, Customer Service Effectiveness, Job Empowerment, Bank Employees.
KAJIAN HUBUNGAN TENTANG KEUTAMAAN PELANGGAN ANTARA PEKERJA-PEKERJA BANK

ABSTRAK


ACKNOWLEDGEMENTS

I would like to take this opportunity to thank the following individuals for their support and encouragement throughout the journey to accomplish this project. Firstly, I am most thankful to my supervisor, Dr. Zorah Abu Kassim, without her experience and guidance, the writing of this paper would be impossible.

Secondly, I wish to thank my family for all of the love, support, encouragement, and resources they have provided supporting my educational pursuits. They have supported me with unconditional love and patience.

Thirdly, I am grateful to all of my friends who also helped me a lot. When I needed assistance, they were the first to come.

Last but not least, I would like to appreciate the entire bank employees for their cooperation and effort in completing the survey questionnaires.
TABLE OF CONTENTS

LIST OF TABLES ......................................................................................... x
LIST OF .............................................................................................. xi
FIGURES ............................................................................................... 

CHAPTER 1: INTRODUCTION 1
1.1 ............................................................................................................. 1
   Introduction......................................................................................... 2
1.2 Background of Study........................................................................ 5
1.2.1 Financial Services Industry......................................................... 6
1.3 Problem ............................................................................................. 7
1.4 Research Objective........................................................................... 8
1.5 Research Questions.......................................................................... 9
1.6 Research Significance...................................................................... 9
1.7 Scope of Study.................................................................................. 1
1.8 Operational Definitions of Key....................................................... 1
**CHAPTER 2: LITERATURE REVIEW**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Introduction</td>
<td>2</td>
</tr>
<tr>
<td>2.2 Epistemology of the Marketing Concept</td>
<td>3</td>
</tr>
<tr>
<td>2.3 Market Orientation Literature</td>
<td>4</td>
</tr>
<tr>
<td>2.4 Resource Based View of the Firm</td>
<td>5</td>
</tr>
<tr>
<td>2.5 Significance of Customer Orientation Culture</td>
<td>6</td>
</tr>
<tr>
<td>2.6 Definitions of Customer Service</td>
<td>7</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>4</td>
</tr>
<tr>
<td>2.6.3 An Example of Customer Services in the Financial Industry</td>
<td>1</td>
</tr>
<tr>
<td>2.7 Definitions of Employee Empowerment</td>
<td>4</td>
</tr>
<tr>
<td>2.7.1 Significance of Employee Empowerment</td>
<td>3</td>
</tr>
<tr>
<td>2.7.2 Outcomes of Employee Empowerment</td>
<td>4</td>
</tr>
<tr>
<td>2.7.3 Risk and Challenge of Employee Empowerment in Organization</td>
<td>5</td>
</tr>
<tr>
<td>2.7.4 Empowerment in the Services Industry</td>
<td>4</td>
</tr>
<tr>
<td>2.8 Theoretical Framework and Hypothesis</td>
<td>6</td>
</tr>
<tr>
<td>2.8.1 Hypotheses</td>
<td>7</td>
</tr>
<tr>
<td>2.9 Summary</td>
<td>4</td>
</tr>
<tr>
<td>CHAPTER 3: RESEARCH METHODOLOGY</td>
<td>8</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>5</td>
</tr>
</tbody>
</table>
3.2 Sample and Procedure................................................................. 2
3.3 Research Instrument and Measures.............................................. 3
3.4 Questionnaire Distribution............................................................ 5
3.5 Statistical Analysis.......................................................................... 6
  3.5.1 Descriptive Statistic................................................................. 5
  3.5.2 Goodness of Measure............................................................... 5
  3.5.2.1 Exploratory Factor Analysis.................................................. 7
  3.5.2.2 Reliability Analysis............................................................... 7
3.5.3 Hypotheses Testing................................................................. 5
  3.5.3.1 Pearson Correlation Analysis................................................. 5
  3.5.3.2 Regression Analysis............................................................ 8
3.6 Summary..................................................................................... 6

CHAPTER 4: FINDINGS
4.1 ...................................................................................................... 5
Introduction........................................................................................................ 6

4.2 Respondents.................................................................................................. 6

Profile.................................................................................................................... 6

4.3 Goodness of Measure...................................................................................... 6

4.3.1 Customer Service Effectiveness................................................................... 9

4.3.2 Employee’s Job Empowerment...................................................................... 9

4.3.3 The Extent of Customer Orientation of Employee......................................... 7

4.4 Pearson Correlation Analysis.......................................................................... 2

4.5 Hypothesis testing.............................................................................................

4.5.1 Customer service effectiveness and employee’s Job Empowerment influencing the Extent of Customer Orientation of Employee.................................................................

4.5.2 Control Variables influencing Customer Orientation of Employee....................

4.5.3 Factors of Customer Service Effectiveness and Employee’s Job Empowerment influencing the Extent of Customer Orientation of Employee..................................................

Employee.............................................................................................................. 7

4.5.3 Factors of Customer Service Effectiveness and Employee’s Job Empowerment influencing the Extent of Customer Orientation of Employee..................................................

Employee.............................................................................................................. 7

4.5.3 Factors of Customer Service Effectiveness and Employee’s Job Empowerment influencing the Extent of Customer Orientation of Employee..................................................

Employee.............................................................................................................. 7
CHAPTER 5: DISCUSSION AND IMPLICATION

5.1 Introduction

5.2 Discussion

5.3 Implications

5.3.1 Theoretical Contribution

5.3.2 Practical Implication

CHAPTER 6: CONCLUSION AND RECOMMENDATION

6.1 Introduction

6.2 Limitation of the Study

6.3 Recommendation for Future Study

REFERENCES
APPENDIX

Appendix A: Research Questionnaire
Appendix B: Frequencies of Respondent’s Profile
Appendix C: Factor Analysis
Appendix D: Correlation Analysis
Appendix E: Regression Analysis

LIST OF TABLES

Table 3.1: Questionnaire Employed in the Study
Table 3.2: Questionnaire Distributed to Bank Employees
Table 4.1: Respondents Profile
Table 4.2: Factor Analysis of Customer Service Effectiveness
Table 4.3: Factor Analysis of Employee’s Job Empowerment
Table 4.4: Factor Analysis for the Extent of Customer Orientation of
Table 4.5: Result of Pearson Correlation Analysis

Table 4.6: Results of Regression Analysis on Control Variables, Customer Service Effectiveness and Employee’s Job Empowerment

Table 4.7: Summary of the Findings of Hypothesis Testing

LIST OF FIGURE

Figure 2.1: Theoretical Framework
CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter includes the background of study, problem statement, objective of the research, research questions, significance of the research, scope of the study and term of reference.

1.2 Background of study

The services sector has registered stable and healthy growth over the year. In the period 1980-2005, the services sector grew on average 8.3 per cent per year (Economic Review, 2005). The contribution of the services sector to gross domestic product (GDP) continued to increase steadily from 40.1 per cent in 1980 (Economic Review, 2005) to 55 per cent in 2008 (MITI Weekly Bulletin, May 2009). The service sector has become a major contributor to the Malaysian economy by contributing 55 percent to Malaysia’s gross domestic product (GDP), of which 47.6 percent was contributed by non-government services such as financial services, insurance; real estate and business services; wholesale and retail trade; hotel and restaurants; transport, storage and communication (MITI Weekly Bulletin, May 2009).

The services sector includes two broad categories which is intermediate services and final services. Intermediate services include several sub-sectors such as transport, storage and communication; financial services, insurance; real estate and
business services. Final services include sub-sectors such as electricity, gas and water; wholesale and retail trade, hotels and restaurants; government services, and other services (Economic review, 2005). Because of the service sector significant contribution to the national economy, the Malaysian government reinforces efforts to develop and promote the service sector with the aims to raise its GDP contribution to 60 percent as targeted in the Third Industrial Master Plan (2006-2020). The Third Industrial Master Plan (2006-2020) has set total investments targeted at RM 687.7 billion during the period to enhance the development of service industry, with investments of RM 45.8 billion annually (MITI Weekly Bulletin, May 2009).

Another significant contribution by the services sector is to provide employment. Total employment in the services sector increased 4.6 per cent per year from 37.4 percent in 1980 (Economic Review, 2005) to 57 percent in 2008 for total employment in this country (MITI Weekly Bulletin, May 2009). Therefore, the service sector account for the majority of employees in the Malaysian economy. Furthermore, for the first quarter of 2009, the services sector account for the highest vacancies of approximately 82,000 jobs available in the economy (Malaysian Economy, 2009). Employment in the financial sector grew 7.9 percent per annum and representing 6.8 percent of total employment in 2005 (Ninth Malaysia Plan, 2006-2010).

1.2.1 Financial Services Industry

Finance services sector continue to play an important role in economically and is a strategic sector as well as a mobiliser of funds of investment in the Ninth
Malaysia Plan (2006-2010). The financial services sector grows at an average 8.1 percent per annum from 2001 until 2005 (Ninth Malaysia Plan, 2006-2010). Financial services sector share to gross domestic product (GDP) increasing from 12.7 percent in 2000 to 15.1 percent in 2005. During the Ninth Malaysia Plan (2006-2010), financial service industry is expected to grow at an average rate of 7 percent per annum with its share of GDP increasing to 15.8 percent by year 2010. The development of strong banking groups due to the consolidation of domestic banking institutions has provided customers with a wide range of competitive, innovative and customized financial products and services (Ninth Malaysia Plan, 2006-2010).

1.3 Problem Statement

Studies done by the Wharton School of Business, University of Pennsylvania have shown that the most effective tool in gaining a loyal customer is by handling a customer’s problem appropriately (Miller, R. K. and Associates, 2009). Therefore, the increasing numbers of customer complaints are of major concerns by today business organizations.

Due to the ever-growing of the service sector, the customer dissatisfaction issues have increased and emphasized on (Helms and Mayo, 2008). Surveys have shown that customers often feel disrespected and mistreated by a number of retailers, airlines, banks, and hotels (University of Michigan Business School, 2001). Customer complaints pose an issue of employees not being customer-oriented especially in service based organizations.
In developed economies for example, in Canada and the USA, customer complaints often include transaction accuracies such as wrong item included in orders, shortchanged or overcharged customers, ‘unprofessional employees’ and poor services received. Transaction accuracies accounted for one-fourth of the more than half of million complaints logged by customer contract centre in fast food franchise restaurants (The Canadian Press, 2007). Many customers complained receiving poor customer service across many industry segments as a constant sore point with many consumers (Miller, R. K. and Associates, 2009).

The damaging effect of customer complaint is that only 4% of satisfied customer posted their feelings on websites/blogs while a higher percentage (15%) of unsatisfied customers would post their comment in the internet (Helms and Mayo, 2008). In Malaysia, the national newspaper (The Star) has its own blog site posting several customer complaints. These customer complaints involve service organizations not responding or giving feedback to customer. For example, in ‘The Star Citizen’s Blog, March 2007’, customers frequently complaint that customers get no response from organization and therefore complaining is a frustrating experience. Besides that, employees in some restaurants will not greet customers when dealing with the customers. Hence, customers are not treated well or not respected.

Many customers complained that service organizations are not effective in handling customer complaints and unable to solve the problems efficiently (The Star Citizen’s Blog, 2008). Furthermore, some customers complaints are on promises given by the organization but were later not fulfilled by the organization (The Star
Citizen’s Blog, 2009) as well as impolite services received (The Star Citizen’s Blog, 2006). Moreover, only a few empirical studies have addressed the construct of customer orientation of service employee (COSE) and its impact on service firm’s success (Brown et al., 2002). Thus, the need to study the extent of customer orientation among bank employees will be of interest to both academicians and practitioners alike in Malaysia.

1.4 Research Objective

The main objective of this study is to determine factors affect the extent of customer-orientation of bank employees.

1.4.1 Specific Objectives

The specific objectives of this study are:

1.4.1.1 To determine factors such as customer service effectiveness will affect the extent of customer-orientation of employees.

1.4.1.2 To determine factors such as job empowerment will affect the extent of customer-orientation of employees.

1.4.1.3 To determine factors of age, highest levels of education, years of working in current position, years of working experiences and counter services experiences will affect the extent of customer orientation of employees.
1.5 Research Questions

This research will attempt to answer the following research questions.

1.5.1 Will factors such as service effectiveness and empowerment affect the extent of customer-orientation of employees?

1.5.2 Will factors of age, highest levels of education, years of working in current position, years of working experiences and counter services experiences affect the extent of customer-orientation of employees?

1.6 Research Significance

The findings of this study should be beneficial firstly to the banking industry. The findings will assist banks to improve the extent of customer-orientation of employees. Improving the level of customer orientation of employees will lead to excellent performance. Research has shown that salespeople who have a stronger customer orientation tend to achieve higher levels of sales performance (Cross et al., 2007).

Secondly, this study should be beneficial to bank employees. The findings of the study should increase employee initiative to be customer-oriented by building awareness in the employee. Thirdly, this study should also encourage managers in organization. The findings of this study should interest managers as customer-orientation of employees will ultimately affect performance of organization. Furthermore, this study should also interest policy makers in tandem with the Ninth Malaysian Plan (2006-2020) as there is increasing emphasis and importance of services industry in Malaysia.
1.7 Scope of study

This study is aimed at investigating factors affect the extent of customer orientation among bank employees in Kuching, Sarawak. Data will be collected through a questionnaire survey. Respondents are bank employees working in different bank branches in Kuching such as Public Bank Berhad, Maybank, CIMB Bank Berhad, and RHB Bank Berhad.

1.8 Operational Definitions of Key Terms

This section defined the important key terms used in this study. These terms include customer orientation, frontline employee, customer service effectiveness, employee empowerment.

1.8.1 Customer orientation is the degree to which employees putting the customer’s interest first and implements strategy by being responsive to customers’ needs and wants (Cross et al., 2007).

1.8.2 Frontline employee is the people who directly interact with the customer such as salesperson, customer service call counter employees, delivery personal and more (Nwankwo, 1995).

1.8.3 Customer service effectiveness is referred to superiority of service delivered by service employees (Cook, 2004).

1.8.4 Employee empowerment is the decision making authority or individual feels able to shape his/her work role and context (Spretizer, 1995).
1.9 Conclusion

The succeeding chapters are arranged in the following manner: Chapter 2 consists of literature review, conceptual framework that will influence the extent of customer of bank employee’s in Kuching, Malaysia. Chapter 3 consists of the research methodology include research design, population, sample, research instrument and the data analysis. Chapter 4 consists of research findings and results. Finally, Chapter 5 consists of discussion of findings and Chapter 6 contains conclusions and the recommendations of the study.
CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

This chapter presents some evidence from previous studies of marketing concept, market orientation, customer orientation, customer orientation of employees, customer service, and employee empowerment. The theoretical framework and hypothesis for this study is included in this chapter.

2.2 Epistemology of the Marketing Concept

Exchange is known as the core of marketing in which involves obtaining a desired product from someone by offering something in return (Kotler, 2000). An exchange normally takes place when two parties agreed on terms that will lead to both parties better off than before, so an exchange is considered as value-creating process. The direct exchange of goods or services for other goods or services, with no money and no third party involved also called as barter exchange system. Later on, monetary transactions take place as a result of the barter systems. Marketers attempt to induce desired responses from targeted party in order to achieve desired outcomes. Hence, marketing is suppose to actualize under an advisable thought out philosophy of effective, efficient and socially responsible (Kotler, 2000).

The marketing philosophy originates from the production concept. Production concept is one of the earliest concepts to be introduced in marketing literature. Production concept prevailed from the time of the industrial revolution.