ANTECEDENTS OF CUSTOMER SERVICE ORIENTATION

Saira Kaleem, Federal URDU University of Arts, Science & Technology, Islamabad, Pakistan. Email: sairamusakaleem@gmail.com
Muhammad Musa Kaleem, Federal URDU University of Arts, Science & Technology, Pakistan. Email: mmusakaleem@ fuuastisb.edu.pk
Hussain Ahmad, Federal URDU University of Arts, Science & Technology, Pakistan. Email: hussainahmad251977@gmail.com

Abstract. Customer service orientation is about knowing customers and willingly responding their expectations. Research efforts are underway to identify antecedents of customer service orientation. This concept is essential for service sector organizations. This study has examined the impact of transactional leadership, transformational leadership and perceived organizational support as antecedents of customer service orientation in the banking sector. Data from 278 respondents was gathered from bank employees in Islamabad, Pakistan. Results have shown a positive and significant impact of all three antecedents on customer service orientation. This study will help banking sector organizations to design policies for enhancing customer service orientation by improving employees’ performance with effective leadership and supportive work environment.

Key words: Customer service orientation (CSO), transformative leadership, transactional leadership, perceived organization support (POS).

Introduction

Constant increasing demand for attracting and retaining customers in the service industry has evolved a new management perspective which gave birth to a customer orientation in order to deal with increased customers’ demands and expectations (Ruekert, 1992). Long and lasting business success is dependent upon organization continuing ability to satisfy customer expectations (Bejou et al., 1998; Grigoroudis & Siskos 2010). The highly competitive banking sector also required to adopt customer orientation philosophy for its long term success and survival (Grigoroudis et al., 2002). Due to the positive correlation between sales targets and profitability, banks have to focus on continuous performance improvement rather than mere adoption of cost minimization strategy. This is often done by increasing bank deposits and investing it for profit in a multiple ways (Pasiouras, 2008; Soteriou & Stavrinides, 1997).
Banks offer attractive customized packages and incentive schemes to attract customers. These attractive offerings in the form of inducements develop personal relationships with customers (Ahearne et al., 2007). Banks also announce competitive incentive schemes on various national and religious occasions. Banks maintain and develop better customer relationships as an essential activity and overall communication strategy (Beltramini, 2000; Dunfee et al., 1999), through these incentive schemes (Ahearne et al., 2007). The aim of this study is to look at these relationships in the banking sector of Pakistan.

**Customer Service Orientation (CSO)**

The concept of CSO is generally found in marketing management literature where customer focus is given central role in organization operations and strategies (Webster, 1988). Customer orientation is a customer focused approach that emphasizes customer satisfaction by keeping customer interests higher among other organization goals while balancing stakeholder interest with it (Deshpande et al., 1993). Customer orientation is about developing customer friendly business strategies by collecting and utilizing customer information (Kohli & Jaworski, 1990; Ruekert, 1992). With the help of customer information, a customer oriented organization culture is formed in order to have a better insight to customer requirements and desires. This results in the form of a reward as increased sales and customer retention (Pelham and Wilson, 1996; Porter, 1985). Research has shown a positive causal effect between customer orientation and performance (Deshpande et al., 1993).

**Transformational and Transactional Leadership**

An organization is a formal and social setup of rationally coordinated activities bordered with its external environment. A person with responsibilities in any affair of the business is usually called a leader (Ekeland, 2005). Organization improves its performance and cope with change through its mandatory effective leadership (Erkutlu, 2008). Bowery (2004) differentiates between personal and organizational aspects in the role of leadership. In a personal capacity, the leader displays personal characteristics, whereas in organizational context a leader uses formal power to manage affairs. Erkutlu (2008) describes leadership as a social and group phenomenon which is involved in pursuit of organizational objective. A leader plays a crucial role in social influence process to achieve organization success.

Management literature has discussed various leadership styles based on different theories. These styles are characterized by individual beliefs, preferences and organizational culture. In this research transformational and
Transactional leadership styles were adopted. Transformational leadership (TRFLDR) style is executed by charisma of personality and shared vision whereas transactional leadership (TRNLDR) describes a transaction between leader and follower (Burns, 1978). TRFLDR remained popular in organization behaviour theories during last three decades. Prior to this, most researchers referred to only TRNLDR as the primary factor of effective leadership performance in organizations. TRFLDR style promotes organizational values and outcomes by using inspiration and motivation of employees. TRNLDR is non charismatic and adopt rewards and punishments philosophy to get things done and view leadership as an economic transaction (Agboli, & Chikwendu, 2006; Bass, 1985). TRNLDR is suited for environment where change is desired and existing situation is depressing and distress. TRNLDR is suited in an organized setup where organization systems are intact (Bass, 1985). TRNLDR rely more on employees’ performance and focus on mistakes and quick response to handle problems. Bass (1985) mentioned that transactional leaders operates with punishments and reward system to control over employee performance in the form of an economic transaction. TRNLDR is based on exchange mechanism and a close liaison between goals and rewards. TRNLDR concept is more like an economic contract where cost-benefit exchange is occurred. Employees are offered benefits in terms of financial gains in return of improved performance (Bass, 1990; MacKenzie et al., 2001). TRFLDR is a display of a personal ability to change and transform individuals. It involves motivating, satisfying employees’ needs and respecting them according to organization needs (Messick & Kramer, 2004; Northouse, 2001).

TRFLDR motivate others by empowerment and shared vision by cultivating the culture of trust and mutual respect in the organization (Agboli, & Chikwendu, 2006). These leaders develops employees’ capacity through challenging job assignments and motivation (Avolio, 1999; Bass, 1998). TRFLDR is not like economic exchange rather it is more like a relational contract of social exchange. In this form, leaders undergo for a psychological contract to get employees' commitment, interest, motivation, through inspirational leadership (Rowold, 2008). Every leader possess and exhibit both styles in one way or the other as both are needed to effectively manage work in different work situations (Conger, 1999; Conger & Kanungo, 1998). Four factors that explain TRFLDR are intellectual stimulation, idealized influence, individual consideration, and inspirational motivation (Avolio, Bass, & Jung, 1997; Sidani, 2007). For idealized influence, leaders focus on developing a common vision and challenging goals. They achieve these goals by motivating employees to do extra efforts beyond their average performance (Dionne, et al., 2004). Leaders behaves as role models and create an environment of respect and trust (Bass & Riggio, 2006). For inspirational motivation, leaders find
ways to educate and motivate employees to develop a strong team spirit among teams. Intellectual stimulation is concerned leaders role in developing an environment of creativity by encouraging employees to find new ways to do their work. Individualized consideration is about individual care and attention towards employees by a leader. In this role, a leader acts like a coach and a mentor (Bass & Riggio, 2006).

Conger and Kanungo (1998) has mentioned three characteristics of a transactional leaders. These are contingent rewards, active and passive management by exception. A contingent reward is a characteristic of a leader in which a leader explains the work to subordinate and offers him rewards for expected performance. Passive management by exception is like an intervention by a leader in case of any problem that his subordinate is not able to handle. Active management by exception is about monitoring and reviewing performance and maintaining quality assurance of work. In both active and passive situations, a leader offers package of rewards and incentives against the good performance (Antonakis et al., 2003; Bass & Avolio, 1995).

**Perceived Organizational Support (POS)**

POS is about the extent of concern which in giving focus to employees work and well-being (Eisenberger et al., 1986). Organizational support theory describes the value of reward to enhance work effort. Reward helps in the development of individual belief regarding concern level by an organization for well-being of employees (Eisenberger et al., 1986). Researchers have operationalized the concept of POS by using supportive leader behaviours and organization environment. Employees make evaluation between their contribution towards organization and perception of concern and treatment organization gives in return. This develops an important internal belief that shape employer-employee relationship. Employees expect that their organization be ready and willing for providing resources to its employees for getting things done in an effective way. This may include provision for training, equipment and necessary staff, etc. This also include job assignments related to employees’ area of interest and training in order to help employee enhancing his skills in that area. Further, employees want a fair evaluation and appraisal based on their environment and organizational constraints that affect their ability to perform. This may include, language barrier, gender, education background and demographic factors, etc. (Eisenberger et al., 1986). Research has revealed that POS is positively related to performance indicators (Eisenberger et al., 1986).
Research Model

Based on the literature review and operationalization of theoretical constructs, following research model has been proposed for this research.

![Research Model Diagram]

*Figure 1: Schematic Diagram of the Study*

Methodology

The current study has adopted a causal research methodology and used cross sectional data collection design for the survey in order to get less bias data (Cresswell, 1998; Sekaran, 2000). This study falls in the field of behavioural research and approach of adapting established measures and scales from existing studies (Carr et al. 2003; Parker et al. 2003; Yang and Pandey 2009), is used. All items were measured on five point Lickert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to rate the extent of respondents agreement or disagreemnt with the statement. For CSO, a 12 item scale adapted from Saxe and Weitz (1982) has been selected. For Transformational Leadership, 10 items were adapted from Bass and Avolio’s (1991) multi factor leadership questionnaire. For Transactional Leadership 5 items were adapted from Bass and Avolio’s (1991) multi factor leadership questionnaire. For Perceived Organizational Support, 12 items scale was adapted from Eisenberger et al. (1986). The total survey items in the final questionnaire were 39, with four variables. First of all, few interviews were conducted from 20 experienced bank employees. These were from HR, operations and support department. This was done in order to develop better understanding about the population under study and to develop a suitable survey items with high face validity. Based on this information, a questionnaire has been developed which was further shown to three educationists and four bankers. Necessary improvements and modifications were carried out based on their recommendations in format, design and wordings of survey questions before sending for real data collection. Wordings of the questionnaire have been made simple wherever possible. Questionnaire was kept in English with its
originality. This process was necessary for improving and ensuring the face and content validity of the instrument (Hulland, 1999; Wright, 1996).

The target population includes bankers who are employees in any bank situated in any sector of Islamabad. Due to a large number of respondents carrying similar work environments, a convenient sampling technique was chosen as random selection of respondent was not possible (Farahman & Mahmoudi, 2012). The renowned banks were selected for data collection. These include HBL, UBL, ABL and MCB NBP, Askari, Meezan and Faisal Bank. Three branches of each bank were selected from different sectors of Islamabad. Sectors include I-10, G-6, F-7, F-8, F-10, I-8. The selection of these sectors was based on the convenience and load of business activity. The final sample was taken from 40 selected bank branches. Minimum of 10 responses were taken from each bank branch in order to have a reasonable sample size for final analysis. A branch manager of each branch was approached for verbal permission to conduct the survey. Later, employees were communicated and were requested for their volunteer participation. The questionnaires were self-administered. All respondents were advised and requested to provide honest response and were assured about their anonymity and confidentiality. Out of 400 distributed survey questionnaires, 310 filled questionnaires were returned with about 77% response rate. After initial scrutiny, about 278, questionnaires were finally selected for analysis. This number is sufficient for inferential statistical analysis (Sekaran, 2000).

Data Analysis

Guidelines given by Churchill (1979) has been followed in order to conduct scale refinement and adaption through reliability and validity analysis. Exploratory factor analysis (EFA) with the varimax rotation was carried out on all four variables with 39 items in order to refine the measurement scale (Hinkin, 1998). Internal consistency was checked by Cronbach’s Alpha coefficient. The values for all variables were found within an acceptable range of > 0.7 showing good reliability of scale (Cortina, 1993; Hair et al., 1998; Nunally & Bernstein, 1994). EFA results (table-1) indicate that Kaiser-Meyer-Olkin’s value for all research variables were greater than 0.7 and were found significant in Bartlett’s test of sphericity. All research variables had eigenvalues larger than 1, and factor loading for each variable was > 0.60 (Hair et al., 1998). Inter-correlation matrix for 39 items showed that inter-correlation for all items within the same construct were found to be greater 0.7, and therefore, supporting the evidence of convergent validity (Trochim, 2006). Inter-correlation between items of different constructs were found < 0.6 and thus supporting evidence for discriminant validity (Churchill, 1979; Kim &
Mueller, 1978; Trochim, 2006). These statistical analyses results based on EFA assured validity and reliability of scales and therefore, data is recommended for further inferential statistical analysis.

Table 1: *Results of EFA Analysis*

<table>
<thead>
<tr>
<th>Measure</th>
<th>No of Items</th>
<th>Factor Loadings</th>
<th>KMO</th>
<th>B. Test of Sphericity</th>
<th>Eigenvalues</th>
<th>Variance Expld</th>
<th>Cronb. Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRFLDR</td>
<td>10</td>
<td>0.81-0.87</td>
<td>0.920</td>
<td>4138.76*</td>
<td>8.072</td>
<td>80.72</td>
<td>0.973</td>
</tr>
<tr>
<td>TRSLDR</td>
<td>5</td>
<td>0.82-0.83</td>
<td>0.917</td>
<td>1423.74*</td>
<td>4.225</td>
<td>84.49</td>
<td>0.954</td>
</tr>
<tr>
<td>POS</td>
<td>12</td>
<td>0.73-0.90</td>
<td>0.970</td>
<td>5089.48*</td>
<td>10</td>
<td>83.38</td>
<td>0.97</td>
</tr>
<tr>
<td>CSO</td>
<td>12</td>
<td>0.79-0.92</td>
<td>0.945</td>
<td>6418.42*</td>
<td>9.937</td>
<td>82.81</td>
<td>0.981</td>
</tr>
<tr>
<td>All Items</td>
<td>32</td>
<td>0.73-0.92</td>
<td>0.959</td>
<td>17299.88*</td>
<td>19.899</td>
<td>83</td>
<td>0.971</td>
</tr>
</tbody>
</table>

* Values are significant at 0.05 level.

Table 2 *Respondents Characteristics*

<table>
<thead>
<tr>
<th>Respondents Characteristics</th>
<th>Category No.</th>
<th>Response Category</th>
<th>Respondents Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Cat-1</td>
<td>Male</td>
<td>178</td>
<td>64%</td>
</tr>
<tr>
<td></td>
<td>Cat-2</td>
<td>Female</td>
<td>100</td>
<td>36%</td>
</tr>
<tr>
<td>Age</td>
<td>Cat-1</td>
<td>Between 18 &amp; 30</td>
<td>60</td>
<td>21.60%</td>
</tr>
<tr>
<td></td>
<td>Cat-2</td>
<td>Between 31 &amp; 45</td>
<td>173</td>
<td>62.20%</td>
</tr>
<tr>
<td></td>
<td>Cat-3</td>
<td>Above</td>
<td>45</td>
<td>16.20%</td>
</tr>
<tr>
<td>Bank Experience</td>
<td>Cat-1</td>
<td>&lt; 5 yrs</td>
<td>83</td>
<td>29.90%</td>
</tr>
<tr>
<td></td>
<td>Cat-2</td>
<td>&gt; 5 &amp; &lt; 15 yrs</td>
<td>155</td>
<td>55.80%</td>
</tr>
<tr>
<td></td>
<td>Cat-3</td>
<td>&gt;.. 15 yrs</td>
<td>40</td>
<td>14.40%</td>
</tr>
</tbody>
</table>

Table 3 *Descriptive Statistics*

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>S. Dev.</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td></td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
</tr>
<tr>
<td>CSO</td>
<td>278</td>
<td>2.7416</td>
<td>1.2897</td>
<td>0.28</td>
<td>0.146</td>
</tr>
<tr>
<td>TRFLDR</td>
<td>278</td>
<td>3.068</td>
<td>1.2457</td>
<td>-0.093</td>
<td>0.146</td>
</tr>
<tr>
<td>TRSLDR</td>
<td>278</td>
<td>2.7482</td>
<td>1.1686</td>
<td>0.201</td>
<td>0.146</td>
</tr>
<tr>
<td>POS</td>
<td>278</td>
<td>3.1835</td>
<td>1.3082</td>
<td>-0.084</td>
<td>0.146</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>278</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4 displays the results of correlation analysis (Hair et al., 1998). The results of correlation between TRFLDR and CSO were found positive with r=.428 and p<001. The results of correlation between TRSLDR and CSO were
found positive with $r=.452$ and $p<.001$. The results of correlation between POS and CSO were found positive with $r=.530$ and $p<.001$.

Table 4: Correlational Analysis: Pearson Correlations Matrix

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSO</td>
<td>2.74</td>
<td>1.29</td>
<td>1.00</td>
</tr>
<tr>
<td>TRFLDR</td>
<td>3.09</td>
<td>1.25</td>
<td>0.43</td>
</tr>
<tr>
<td>TRSLDR</td>
<td>2.75</td>
<td>1.17</td>
<td>0.45**</td>
</tr>
<tr>
<td>POS</td>
<td>3.18</td>
<td>1.31</td>
<td>0.53**</td>
</tr>
</tbody>
</table>

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

Hypothesis Testing

Table 5 below shows results of hypothesis testing. Regression analysis was run to see causal effect between predictors and outcome variable.

Table 5 Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>IV</th>
<th>DV</th>
<th>R</th>
<th>$R^2$</th>
<th>Adj $R^2$</th>
<th>B</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TRFLDR</td>
<td>CSO</td>
<td>.428a</td>
<td>0.18</td>
<td>0.18</td>
<td>0.44</td>
<td>62.05</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>TRSLDR</td>
<td>CSO</td>
<td>.452a</td>
<td>0.21</td>
<td>0.20</td>
<td>0.50</td>
<td>71.02</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>POS</td>
<td>CSO</td>
<td>.530a</td>
<td>0.28</td>
<td>0.28</td>
<td>0.52</td>
<td>107.56</td>
<td>0</td>
</tr>
</tbody>
</table>

H1: There exists positive relationship between TRFLDR and CSO.

Simple regression analysis was carried out to study and investigate how transformational leadership impacts and predicts CSO. Results were found statistically significant with $F = 62.1$, $p<0.001$. Statistics has shown that predicting variable X explains .44% variation in outcome variable Y. Results showed that TRFLDR is positively and significantly associated with CSO. Therefore H1 was supported.

H2: There exist positive relationship between TRSLDR and CSO.

Simple regression analysis was carried out to study and investigate how transactional leadership impacts and predicts CSO. Results were found statistically significant with $F = 71.0$, $p<0.001$. Statistics has shown that predicting variable X explains .499% variation in outcome variable Y. Results showed that TRNLDR is positively and significantly associated with CSO. Therefore H2 was supported.

H3: There exist positive relationship between POS support and CSO.
Simple regression analysis was carried out to study and investigate how perceived organizational support impacts and predicts CSO. Results were found statistically significant with $F = 107.5$, $p > 0.001$. Statistics has shown that predicting variable $X$ explains $0.522\%$ variation in outcome variable $Y$. Results showed that POS is positively and significantly associated with CSO. Therefore, H3 was supported.

**Discussion and Implications**

Employees are essential ingredients in any organization. Organizations must have competent managers as leaders who should have capability to motivate their employees. The study contributes by showing that ability of managers to display their skills as transformational and transactional leaders can help them understand and improve the leader-follower relationship (Gefen et al., 2008; Hegstedt & Markovsky, 1995; Korsgaard et. al., 1995; Leventhal, 1980; Pilliai et. al., 1999; Tyler & Lind, 1992). Findings highlighted that transformational and transactional leadership predicts CSO and are basis for developing leader-follower relationships for improved performance (Bass, 1985; Burns, 1978). Statistically, these findings demonstrate that transformational, transactional leadership and perceived organization support are predictors of CSO. The leader behaviour as transformational and transactional leader generally parallels and supports previous research (Bass & Avolio, 1991; Hater & Bass, 1988; Howell & Avolio, 1993; Kirby et al., 1992; Singer & Singer, 1990).

Employees are essential part of an organization. Organization has to rely on performance of employees for their success. Findings suggest that organizations provide supportive environment and rely on leaders to lead and motivate their employees. A motivated satisfied employees can give better performance and organization strength of satisfying customers can be increased through better CSO. These findings suggest for providing an environment of improved leadership standards in organizations in order to improve employee performance. Transformational and transactional leadership develops followers by giving them empowerment, sense of achievements and make them think in a new perspective (Avolio et al., 1999). This will improve perceptions of employees regarding organizational support and motivation. Besides that, supervisors should provide better care and concern towards employees and take necessary measures to make environment conducive for work. Organization must have to empower and develop employees by increasing their motivation level (Mosadegh & Yarmohammadian, 2006). For this, organization wide policy need to be designed for improving level of commitment, ownership, sense of responsibility and interest of employees towards organization. The findings also suggest that service organization should hire and deploy trained
and capable persons for service and customer care departments and give them training to increase their performance and ability. Proper implementation and designing effective training programs for employees can bring the change in employees’ attitude and performance indicators.

Conclusions

The findings approve that TRFLDR and TRNLDR are key predictors of CSO. These results and findings recommends that leaders’ ability to implement transformational and transactional styles in organization will increase employees’ satisfaction, commitment and motivation. This will lead to sustained organizational competitiveness in the market and success. This research study may be replicated and used for other organization functional areas. POS is used as a subjective measure has also shown positive significant relationship with CSO as with improved leadership, employees’ perception may also improve.

References


Howell, J., & Avolio, B. (1993). Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of


