Abstract

Scholars and business executives have become increasingly interested in the concept of an organizational service orientation. Service excellence is a strategic priority and that service significantly affects the creation of superior value, customer satisfaction, competitive advantage, growth, and profitability. The aim of the study is to explore relationships between organizational service orientation, job satisfaction, customer satisfaction and financial performance in banking industry in Turkey. Hypotheses are developed in due course. Next, hypotheses are tested with data collected from a sample of 745 branch managers and employees of banks operating in Turkey. Using structural equation modelling (SEM), results reveal that service orientation is significantly related to job satisfaction, which in turn impacts customer satisfaction, ultimately leading to higher financial performance. Beside service orientation is directly related to customer satisfaction and also to financial performance. At the end, the research findings are discussed and also managerial implications and future research opportunities are presented.

Keywords: Service orientation, Job satisfaction, Customer satisfaction Business performance, Banking industry

1. Introduction

The service industries make significant contributions to economic and social development worldwide and, emerging markets have also accomplished significant growth in the service sector (Hoang et al., 2010). Most advanced economies are dominated by services, which account for more than 70 per cent of their gross domestic product (Ostrom et al., 2010). Proportion of service industries in Turkey is calculated as about 70 % of the GDP in 2011 (TOBB, 2011). Also, according to Lytle, Hom, and Mokwa (1998, p. 456), "scholars and business executives have become increasingly interested in the concept of an organizational service orientation."

Service orientation is the strategic response of a company to be different from its competitors, and surpass the competition (Lee et al., 1999:59). Firms can achieve the competitive advantage, through discovering the desires of
customers, and delivering superior value to them (Lee et al., 1999:59). Service orientation is best conceptualized as an organizational predisposition; a strategic organizational affinity or preference for service excellence. Service-oriented organizations plan, pro-actively engage in, and reward service giving practices, processes and procedures that reflect the belief that service excellence is a strategic priority and that service significantly affects the creation of superior value, customer satisfaction, competitive advantage, growth, and profitability (Lytle and Timmerman, 2006:136). It is also important to examine a service orientation at the organizational level.

The aim of the study is to explore relationships between organizational service orientation, job satisfaction, customer satisfaction and financial performance in banking industry in Turkey. Banking industry is chosen, hence banking industry is quite appropriate context for examining organizational service orientation construct and also in banks employees can feel the service climate which can be seen a component of organizational climate. In the study, firstly literature regarding service orientation is reviewed. Then, hypotheses are developed in due course. Next, hypotheses are tested with data collected from a sample of 745 branch managers and employees of banks operating in Turkey. At the end, the research findings are discussed and also managerial implications and future research opportunities are presented.

2. Literature Review And Hypotheses

2.1. Service Orientation

An organizational service orientation is defined as an organization-wide embracement of a basic set of relatively enduring organizational policies, practices, and procedures intended to support and reward service-giving behaviours that create and deliver service excellence (Lytle et al., 1998). The term ‘service orientation’ has been generally construed to be an organisational trait concerned primarily with the prevailing attitude toward service demand, execution, and procedure so as to deliver an excellent service. For instance, Dienhart et al. (1990) viewed service orientation as one of the key elements of organisational characteristics responsible for creating a culture which stimulates employees’ actions and rewards the delivery of high quality service. Yoon et al. (2007) have conceptualized service orientation as employees’ attitudes and actions that highly value the creation and delivery of excellent services. It is reported that the service-oriented employee is seen as possessing a helpful, kind, sincere, and cooperative personality (Yoon et al., 2007). Service orientation means the philosophy implied by (or attributed by others to) the policies, procedures, and goals of management (Parkington and Schneider 1979:270). When managers in service organizations establish policies and procedures, and otherwise engage in behaviours that show concern for the organization’s clients, they are service enthusiasts (Schneider, 1980:53). Service orientation is an element of an organization’s climate (Lytle and Timmerman, 2006:137). Climate has been defined as the shared perceptions of employees concerning the practices, procedures, and kinds of behaviours that get rewarded and supported, and expected with regard to customer service and customer service quality. For example, to the extent that employees perceive that they are rewarded for delivering quality service; their organization’s service climate will be stronger (Schneider et al., 1998:151).

Lytle et al. (1998) developed a scale measuring service orientation (hereafter, the SERV*OR scale), which mainly captures service practice, in particular service policies and procedures, instead of organizational belief or value. Although SERV*OR scale does not ignore the importance of individual behaviours, it focuses more on service practice (Luk et.al, 2013:26). The SERV*OR scale contains the ten dimensions in the concept’s domain and which are considered basic ingredients for creating and producing excellent services. These dimensions can be explained as (Saura et.al, 2005:501; Lytle, Hom and Mokwa, 1998:459; Lynn et.al, 2000:284):

Customer treatment: Employee perceptions of how they believe their unit takes care of its customers. Organizations that consistently engage in practices and procedures that get rewarded and supported, and expected with regard to customer service and customer service quality. For example, to the extent that employees perceive that they are rewarded for delivering quality service; their organization’s service climate will be stronger (Schneider et al., 1998:151).

Employee empowerment: Employee perceptions of how empowered (commissioned and authorized) they perceive themselves to be. Empowered employees can make decisions which benefit customers immediately rather than having to delay serving the customer until management permission is obtained.

Servant leadership: Management setting service examples to be followed which reinforce higher service activity by all employees. They or servant-oriented managers are, them more likely employees will be servant-oriented as they
deal with customers. “Servant leaders” set conspicuous service examples rather than simply dictating service policy for the organization.

**Service vision**: Incessantly communicating a service vision for the organization. This vision reinforces the importance of service quality and customer satisfaction in creating superior value for the organization. A “top-down” service vision is important and necessary to instil widespread aspirations of providing quality service among organizational members.

**Service training**: Employee perceptions of how much service training exists in their organization. Successful service encounters are significantly impacted by employee training. Successful service organizations value investment in people as much as investment in technology. Generally, they view technology as a means for supporting the efforts of workers instead of replacing them.

**Service rewards**: Employee perceptions of whether service behaviour is rewarded within their organization. Many scholars and popular writers agree that an important element of service quality is the link between compensation and service performance. Service-driven organizations recognize and reward service accomplishments conspicuously.

**Service failure prevention**: Employee perceptions of the extent to which the organization seeks to prevent service failure from taking hold by designing organized, system-wide preventive systems.

**Service failure recovery**: Employee perceptions of organizational strategies for dealing with existing service problems. If an organization fails to resolve customer problems, they have in fact disappointed the customer twice: once for the initial failure and twice for failing to correct the failure’s cause. Research suggests that immediate and planned responsiveness to service failure can enable an organization to retain as much as 95 percent of its once dissatisfied customers.

**Service technology**: Service. Technological superiority when leveraged for service can help deliver superior customer value.

**Service standards communication**: Employee perceptions of the organization’s ability to communicate what is expected from all employees in terms of service standards, practices, and behaviours. High levels of service quality are attained by organizations that measure, control, and communicate service quality standards.

**2.2. Development of Hypotheses**

Gonzales and Garazo (2006) investigated structural relationships between organizational service orientation, contact employee job satisfaction and citizenship behaviour. Kim et al. (2005) investigated the effect of service orientation on job satisfaction, organizational commitment and intention of leaving in a casual dining chain restaurant. Yavas and Babakus (2010) investigated the relationships between organizational support, customer orientation and work outcomes (organizational commitment and job satisfaction). Caemmerer and Wilson (2011) in their study examined the service orientation discrepancy and job satisfaction. Cha et al. (2000) investigated service orientation discrepancy and job satisfaction in the hospitality industry. Chen (2007) examined relationships among service orientation and job satisfaction in hotel industry in Taiwan. Chung and Schneider (2002) investigated role conflict of customer contact employees and found role conflict of service employees is related to job satisfaction. Beatson et al. (2008) suggested that organizational service orientation increased job satisfaction. Lee et al. (1999) analyzed the mediating roles of service image, job satisfaction and organizational commitment regarding the relationship between service orientation and business performance. Lee et al. (2006) analyzed the structural relationship between empowerment, service training, service reward (dimensions of OSO), job attitudes such as job satisfaction and organizational commitment in Korean hotel employees with structural equation modelling. According to Liang et al. (2010) employees will experience increased levels of motivation, satisfaction and commitment and decreased levels of intention to withdraw from the organization. Lytle and Timmerman (2006) investigated OSO and employee outcomes (organizational commitment, espirit de corps and job satisfaction). Saura et al. (2005) examined the relationships between customer orientation, service orientation and job satisfaction. Chiang and Birtch (2011) examined the mediating role of service quality orientation on reward climate and employee attitudes (job satisfaction and organizational commitment). Sadeghi and Rajaei (2011) investigated the relationship between customer orientation, service orientation and job satisfaction in banking industry. Petrovic and Markovic (2012) investigated the relationship between service orientation and job satisfaction in hotel industry. Hence, the first hypothesis is as follows:
H1: Service orientation will be positively related to employee job satisfaction.

The superior value of a firm can be created and maintained when the firm reflects the “wants and needs of the customers” within the service market (Lee et al., 1999:59). Service oriented organizations plan, pro-actively engage in, and reward service-giving practices, processes and procedures that reflect the belief that service excellence is a strategic priority and that service significantly affects the creation of superior value, customer satisfaction, competitive advantage, growth, and profitability (Lytle and Timmerman, 2006). Urban (2009) in his study examined the relationship between service orientation and customer satisfaction and found significant relations between the variables. Kim (2011) in her study examined the relationships between service orientation, service quality, customer satisfaction and customer loyalty. Data were collected from a chain of casual dining restaurants located in Seoul, Korea. The proposed model indicated that customers’ perceptions of service quality fully mediate the effect of employees’ service orientation on customer satisfaction and that customer satisfaction fully mediates the relationship between customers’ perceptions of service quality and customers’ decision to remain loyal. According to these arguments the following hypothesis is proposed:

H2: Service orientation will be positively related to customer satisfaction.

Though difficult to conceptualize and measure, organizational orientations directly influence organizational performance. An organizational orientation noted in recent literature, service orientation, has been shown to have significant influence on organizational performance (Lytle and Timmerman, 2006:136). Previous studies have posited that an organization’s service orientation is responsible for such organizational performance measures as customer loyalty, customer satisfaction, corporate growth, and profits (Yoon et.al, 2007:379). It has been identified that there is a positively correlated link between service and financial performance in a variety of Western firms (Schneider and Bowen, 1995; Wright et al., 1997). The results of a study conducted with lodging businesses’ managers in Turkey also points out that organizational service orientation have significant impacts on financial indicators of business performance (Kuşluvan and Eren, 2008). Thus following hypothesis is proposed:

H3: Service orientation will be positively related to financial performance.

Marketing literature indicates that employees’ service performance positively impacts customer satisfaction. The quality of interaction between employee and consumer is critical in determining customer satisfaction (Lytle et al., 2006). Uluyol et al. (2011) investigated the relationship between employee job satisfaction and customer satisfaction and their relationship with financial performance. Result of the study reveals that employee job satisfaction impacts customer satisfaction and financial performance. Hence, the following hypothesis is developed:

H4: Employee job satisfaction will be positively related to customer satisfaction.

In many studies, financial performance is enhanced by customer satisfaction and loyalty (Lynn et.al, 2000:289). The satisfaction-profit chain is an useful model to better understand the expected relationship between satisfaction and financial performance (Williams and Naumann, 2011:20). Organizations that respond to the desires and preferences of the customer tend to satisfy customers more than others, resulting in a more successful business performance (Lee et.al, 1999: 60). The general consensus is that higher customer satisfaction leads to higher levels of repurchase intent, customer advocacy, and customer retention. In sum, higher satisfaction and loyalty leads to improved revenue, profitability, and cash flows (Williams and Naumann 2011). For that reason following hypothesis is proposed:

H5: Customer satisfaction will be positively related to financial performance.

3. Methodology

3.1. Research Goal

The aim of the study is to explore relationships between organizational service orientation, job satisfaction, customer satisfaction and financial performance in banking industry in Turkey. To test the propositions, a field survey using structured questionnaires was conducted.
3.2. Sample and Data Collection

Data were collected through face-to-face interviews with managers and employees in banking industry in Turkey. In this way 745 useful questionnaires were obtained.

3.3. Measures

In the study for measuring service orientation, SERV*OR scale developed by Lytle et al. (1998) are used. The scale includes thirty-five questions constituting ten separate dimensions which measure critical organizational "best service practices" necessary for creating and delivering outstanding service quality. Customer satisfaction is measured by a four-item scale developed by Yee et al. (2010). Job satisfaction is measured with three items adapted from by Lee (2004). These constructs are measured using five-point Likert scales ranging from 1=strongly disagree to 5=strongly agree. To measure performance, items adopted from Uzkurt (2002) reflecting subjective financial performance based on perceptions of branches manager and employees are used. They are measured using a five-point Likert Scale ranging from 1= much worse to 5= much better.

3.4. Analyses and Results

Mean values, standard deviations (SD), and correlations are presented in Table 1. Mean values of each construct were calculated by averaging scores of items included in each construct. All constructs are positively correlated with each other. Cronbach’s Alpha (α) values were used to examine the reliability of the scales used in the study, which varies between 0.802 and 0.938. All scales had reliability values over 0.70, indicating that the scales were reliable as seen on the Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>α</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Orientation</td>
<td>3.95</td>
<td>0.48</td>
<td>0.938</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>3.97</td>
<td>0.86</td>
<td>0.876</td>
<td>0.511**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>4.03</td>
<td>0.75</td>
<td>0.802</td>
<td>0.513**</td>
<td>0.367**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td>4.03</td>
<td>0.67</td>
<td>0.869</td>
<td>0.352**</td>
<td>0.235**</td>
<td>0.297**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Significant at the 0.01 level *Significant at the 0.05 level

The hypothesized relationships are tested using structural equation modelling through path analysis by using AMOS. The results indicated good fit of the model. The ratio of chi-square to degrees of freedom ($x^2$/df) = 2.549; GFI= 0.956; CFI = 0.971; TLI = 0.965; NFI= 0.953; RMSEA = 0.046.

![Figure 1. Results of structural model](image)
In order to test the hypotheses, standardized path coefficients between variables are analyzed. Figure 1 summarizes the results of structural model. As seen, there is a significant positive relationship between service orientation and job satisfaction. Hypothesis 1 (H1) is therefore supported ($\beta=0.597$). Relationship between service orientation and customer satisfaction is positive and significant ($\beta=0.548$), then hypothesis 2 (H2) was supported. Service orientation is also positively related with financial performance ($\beta=0.251$), so hypothesis 3 (H3) is supported. Job satisfaction significantly increase customer satisfaction ($\beta=0.137$), hereby hypothesis 4 (H4) is supported. Lastly, results show that there is significant relationship between customer satisfaction and financial performance ($\beta=0.205$) and does support hypothesis 5 (H5).

The strength of associations among variables are examined by the squared multiple correlation coefficient ($R^2$). As seen from Table 2, service orientation explains 36% of the variance of job satisfaction. About 41 percent of variance in customer satisfaction is explained by service orientation and job satisfaction. Furthermore, these variables together explain 17% of the variance in financial performance.

### Table 2. Standardized results of the structural model

<table>
<thead>
<tr>
<th>Paths</th>
<th>$\beta$</th>
<th>$P$</th>
<th>$R^2$</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Service Orientation $\rightarrow$ Job Satisfaction</td>
<td>0.597</td>
<td>0.000</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>H2: Service Orientation $\rightarrow$ Customer Satisfaction</td>
<td>0.548</td>
<td>0.000</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>H3: Service Orientation $\rightarrow$ Financial Performance</td>
<td>0.251</td>
<td>0.000</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>H4: Job Satisfaction $\rightarrow$ Customer Satisfaction</td>
<td>0.137</td>
<td>0.004</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>H5: Customer Satisfaction $\rightarrow$ Financial Performance</td>
<td>0.205</td>
<td>0.000</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td></td>
<td></td>
<td>0.356</td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td></td>
<td></td>
<td>0.408</td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td></td>
<td></td>
<td>0.170</td>
<td></td>
</tr>
</tbody>
</table>

### 4. Conclusion

This survey, which is conducted in banking industry in Turkey, shed light on the relationships among service orientation, job satisfaction, customer satisfaction and financial performance. Hypotheses are tested with data collected from a sample of managers and employees of banks operating in Turkey by using structural equation modelling (SEM). Results reveal that service orientation is significantly related to job satisfaction, which in turn impacts customer satisfaction, ultimately leading to higher financial performance. Beside service orientation is directly related to customer satisfaction and also to financial performance. These findings are mostly consistent with the literature on the effects of service orientation on organizational performance measures such as job satisfaction, customer satisfaction and financial indicators.

Although there are many studies examining the other orientations such as marketing orientation or entrepreneurial orientation in literature, the effect service orientation on organizational performance outcomes is rare, which appreciates this survey. Thus it might be expected that the survey contribute to academic literature on marketing. Beside results may guide executives in service industries for designing service strategies and plans.

However, this survey is conducted in banking industry; findings might not be transferable to all types of industries. Thus, it is recommended that further researches can be conducted in other service industry contexts for the generalizability of findings.

### References


