Effects of Customer Satisfaction on Employee Intrinsic Motivation, Employee Job Performance, Customer Loyalty, Their Intention to Switch and Institution’s Nonfinancial Performance.

Eugene Satson  
(Independent researcher, Ghana)  
Esatson@yahoo.co.uk

Abstract

The success of organizations hinges on the kind of relationships between customers and employees of the said organization. This study harnessed the interactions that exist between productivity, the customer and employee behaviours. The study measured the extent to which the resultant reaction of customer satisfaction could be translated into their intention to remain loyal to the bank or switch to another. Also, customer satisfaction was assessed to view its effect on the employee intrinsic motivation, their job performance and the bank’s non-financial performance. The findings revealed a rejection of three of the hypotheses which predicted positive effect of customer satisfaction on employee performance, customer loyalty and intentions to switch. However, the study revealed an acceptance of the other two hypotheses which suggested a positive effect of customer satisfaction on employee intrinsic motivation and nonfinancial performance.

Keywords: Customer satisfaction, Employee Intrinsic Motivation, Customer Loyalty, Intention to Switch, Employee Performance and Nonfinancial Performance.

INTRODUCTION

The global market keeps expanding with the influx of new business ventures coupled with expansion of already existing ones each day. Customers increasingly get empowered with the establishment of new businesses and these expansions, since they are previewed to diverse options from which to choose from. Therefore, it is imperative for existing organizations and new ones to prioritize the satisfaction of customers in order to make or sustain profit.

Hence this study assesses the effects of customer satisfaction with regards to employee intrinsic motivation, their performance, customer reactions after customer service (their loyalty and intentions to switch to different products or service providers) and nonfinancial performance. The daunting task of satisfying customers involves many challenges, strategies, as well as
implications for its successful implementation. And the study factors all these in its quest to assess the topic under review.

LITERATURE REVIEW

Customer Satisfaction

Customer satisfaction embodies a psychological concept that constitutes affections of pleasure and well-being emanating from obtaining a desired product or service. It is the total evaluation of service performance (Gustaffson et al, 2005). The concept of customer satisfaction has become a central feature in the field of marketing and measurable by affective and cognitive evaluations (Homburg et al, 2006). Today, satisfying customers is a challenge because customers are equipped with a vast source of knowledge through social media and online reviews which have indirectly granted them the purchasing power (Kangogo et al, 2013). It is imperative to assess customer satisfaction by total evaluation of an organization’s product, other than an individual’s assessment of a particular transaction (Fornell et al, 1996). The increasing research on customer satisfaction is because it has become a basic concept used by organizations for increasing customer loyalty, profitability and organizational performance as a whole. Satisfied customers determine the longevity of the business in question, because a single customer who is unsatisfied can send away more potential customers from your institution than ten highly satisfied customers (Mohsan et al. 2011). To achieve customer satisfaction, it is imperative to be proactive in anticipating and recognizing the needs of customers and ways to meet those needs (Dominici et al, 2010).

Intrinsic Motivation

Pinder (1998) defined motivation as “a set of energetic forces that originate both within as well as beyond an individual’s being, to initiate work-related behaviour, and to determine its form, direction, intensity and duration.” It is an emotional trait that propels employees to act in a certain direction to achieve a specific target. Employee motivation encompasses the act of rewarding the employees to accomplish the goals of the organization (Zafar et al, 2014). Intrinsic motivation is the inner force to do something basically for the pleasure of undertaking a particular activity (Deci, 2009). Thus intrinsic motivation is epitomised by all the inward driving forces that propel an individual to perform a task to the expected end. Intrinsic motivation is developed from rewards that
are psychologically induced such as receiving appreciation, positive encouragement and recognition, freedom to use one’s skills, fairness and care for the individual (Muogbo, 2013).

Since the concept of intrinsic motivation hinges on an inherent driving force, the study tries to find out if satisfying a customer ignites that inward feeling of motivation on the part of the employee. This accounts for the study’s first hypothesis:

**H1: Customer satisfaction has a positive impact on employee intrinsic motivation.**

**Employee job performance**

It is the complete measure of how well an employee fits the expectations of the organization (Allen et al, 2003). Job performance concentrates directly on the productivity of employees by measuring numerous segments of acceptable quality made by an employee within a specified period of time McConnell (2003). It is the height of productivity achieved as a result of job related actions and outcomes by employees (Babin and Boles, 1998). Employee job performance should be precisely and concisely spelt out to the employees who are due for that task. Conceptually job performance consist of two parts namely task and contextual performances. The former refers to all the activities related to the job role in question that converts all inputs into outputs. However the latter, contextual performance, utilizes principles, factual knowledge and processes, all of which are linked to situations that require cooperation and assisting and others. It is also made up of organizational activities that are explicitly or implicitly prudent for the organization’s effectiveness. Although it is mostly omitted from job description portfolio for employees, it’s an integral part of the job performance composition (Motowidlo, 2003). Additionally, the success of business depends on employees’ job performance and there is a strong positive relationship between satisfaction of customers and employee performance (Wiley, 2012). This influences the study to assess this position further using hypothesis two:

**H2: Customer satisfaction has a positive impact on employee job performance.**

**Customer Loyalty**

Customer loyalty is the height to which customers demonstrate positive behaviour towards a company or brand, or having a positive behaviour towards the latter or
former. Loyalty is attained through consistent delivery of the highest customer service (Kotler & Armstrong, 2006). There is an increasing trend that sees organizations positioning themselves to be more customer-centric. This involves putting the customers at the heart of the business with regards to total activities and strategies drafted to improve performance. These organizations are probably relying on old logics that it is easier and profitable to deal with existing customers than acquiring new ones. In other words, satisfied customers tend to be loyal to the products and services, coupled with the task of being free advertisers for the organizations in question (Mohsan et al. 2011). Also, customers who get to attain the stature of “loyal customers” of an organization or brand don’t get swayed away by attractive offers from competitors (Rousan et al 2010).

Other researches indicate that a higher level of customer satisfaction translates into higher levels of loyalty from customers (Anderson and Sullivan 1993). This together with earlier positions inform the study’s interest in also assessing customer satisfaction impacts on customer loyalty and accounts for hypothesis three.

H3: Customer satisfaction has a positive impact on customer loyalty.

Intentions to Switch

Situational constraints or marketing influences do not cause customers to exhibit the switching behaviour when they have received services that met their expectations from a particular organization. The target of making customers advocates of the organization without necessarily providing any incentive aside good customer satisfaction is enough to curtail switching. (Oliver, 1997). The efforts to hinder customer switches to other services must include long term goals directed at transcending basic customer satisfaction to establish a bond that would ward off competitors (Clarke, 2001). With respect to the banking industry, the nature of the relationship between customers and products/services providers is the main determinant of customer satisfaction. Hence, this is the underlining factor that determines whether a customer will switch to a different bank or not. This propels the study to measure the relationship of customer satisfaction to intentions to switch (Mohsan et al. 2011).

In order to curb the customers’ intentions to switch, organizations must ensure that the customers are satisfied extremely. Satisfaction of customers do not guarantee that customers would not move to different
services if need arises (Sivadas & Baker-Prewitt, 2000). Factors like competitor offers, pricing or need for variation could account for decisions to overlook a satisfactory service provider, thus putting the customer at the position of power (Bowen & Chen, 2001).

**H4: Customer satisfaction has a positive impact on intention to switch.**

**Nonfinancial performance**

There are so many ways of measuring organizations’ performance or productivity and rightfully so, because performance indicators are subjectively relative to the organization’s definition of performance. For example, the most common type of performance and productivity measures involve the simple or single factor (output ratio to a particular type of input that may typified by each employee’s sales, Griliches & Jorgenson, 1971). Nonfinancial performance combines several concepts such as employee, customer related outcomes and even managerial behaviours (De Cieri et al, 2010). Disagreements exist regarding the relationship between performance and customer satisfaction (Huff et al. 1996). Logically pursuing satisfaction of customers will lead to increase in cost and affect performance to some extent. In economics for example, performance and customer satisfaction relationships depict a negative result (Anderson et al. 1997). The disagreements between customer satisfaction and performance has been narrowed over the years to customer satisfaction and financial performance. And with this notion, some researchers such as Bernhardt et al. (2000) maintain that there exists a positive relationship between the two. Others such as Wiley (1991) suggest that the relationship between the two may not be positive as suggested by others. This and many other reasons inform the study’s decision to use non-financial performance rather than the financial performance.

**H5: Customer satisfaction has a positive impact on an institution’s non-financial performance.**
RESEARCH DESIGN

The scales used in this study were all assessed using a five point likert scale with responses ranging from 1 to 5 with these as correspondence: strongly disagree, disagree, indifferent, agree and strongly agree; or very low, low, neither, high and very high. Intentions to switch, intrinsic motivation, employee performance, non-financial performance, customers’ loyalty and satisfaction scales were made up of three, three, nine, ten, four and three measuring items respectively. The scales have recorded successful measurements with other studies and were found suitable for this study as well. Examples of their usage include: intentions to switch (Bloemer & Ruyter 1998), customer loyalty (Gerrard & Cunningham 1997), customer satisfaction (Anderson & Sullivan 1993), employee job performance (Lau and Lim, 2002) intrinsic motivation (Ajila, 2004) and nonfinancial performance (De Cieri, 2010). However items measuring customer loyalty, intention to switch and customer satisfaction were sourced from Mohsan et al (2011), intrinsic motivation items were sourced from Zafar et al (2014), employee job performance items from Adler and Reid (2008), and nonfinancial performance, Saltson and Özgür (2015).
RESULTS AND FINDINGS

The research randomly sampled 200 hundred customers coupled with 100 employees of the bank. The breakdown of the participants are as follows:

Employees

Out of the 100 randomly sampled employees, 40 were males (40%) and the remaining 60 were females (60%). Also, 30 of the employees represented ages “18-28” (30%), 60 represented ages “29-40” (60%) and 10 represented ages “41years+” (10%). Again 40 people represented employees who had worked for “0-3years” (40%), 35 people covered “4-7years” (35%) and 25 people covered “8years+” (25%).

Customers

The 250 randomly sampled customers had a gender detail of 140 males (56%) and 110 females (44%). Out of the customers, 80 (32%) defined those who were between the ages 18-28,” 120 people (48%) represented “29-40”, while 50 people (20%) catered for those aged ‘45years+.” Further studies showed that 50 of the respondents (20%) represented customers who had been patronizing services of the bank for “0-3years;” 130 people represented customers whose patronage covered “4-7 years” (52%) and “8years+” recorded 70 customers (28%). Additionally, the demographic analysis showed that 168 of these customers who served as respondents were employed (67.2%), 12 were unemployed (4.8%), 18 were retired (7.2%) and 52 were students (20.8%).

Using Cohen (1988) interpretation of correlation as basis (r=.10 to .29 or r=–.10 to –.29 small r=.30 to .49 or r=–.30 to –.4.9 medium r=.50 to 1.0 or r=–.50 to –1.0 large) the table following summarises the correlations between the variables and the reliabilities of the instruments.

<table>
<thead>
<tr>
<th>Measure</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.776</td>
</tr>
<tr>
<td>Intrinsic mot</td>
<td>.658**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.838</td>
</tr>
<tr>
<td>Employee performance</td>
<td>-.002</td>
<td>-.007</td>
<td></td>
<td></td>
<td></td>
<td>.872</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>-.100</td>
<td>-.055</td>
<td>.267**</td>
<td></td>
<td></td>
<td>.820</td>
</tr>
</tbody>
</table>
Regression analyses were used to test all the hypothesis:

Firstly, hypothesis 1 (customer satisfaction has a positive impact on employee intrinsic motivation) is accepted based on the findings. However, hypothesis 2 (customer satisfaction has a positive impact on employee job performance), hypothesis 3 (customer satisfaction has a positive impact on customer loyalty) and hypothesis 4 (customer satisfaction has a positive impact on intention to switch) were rejected as a result of the findings. Additionally, hypothesis 5 (customer satisfaction has a positive impact on an institution’s non-financial performance) was accepted.

Table 2 - Hypotheses summary

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>R²</th>
<th>Ad. R²</th>
<th>F</th>
<th>Beta</th>
<th>t</th>
<th>Sig. (p)</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1</td>
<td>.433</td>
<td>.430</td>
<td>189.101</td>
<td>.658</td>
<td>13.751</td>
<td>.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Hypothesis 2</td>
<td>.000</td>
<td>-.004</td>
<td>.001</td>
<td>-.002</td>
<td>-.027</td>
<td>.987</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hypothesis 3</td>
<td>.010</td>
<td>.006</td>
<td>.2528</td>
<td>-.100</td>
<td>-1.590</td>
<td>.113</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hypothesis 4</td>
<td>.001</td>
<td>-.003</td>
<td>.284</td>
<td>-.034</td>
<td>-.532</td>
<td>.595</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hypothesis 5</td>
<td>.412</td>
<td>.410</td>
<td>173.786</td>
<td>.642</td>
<td>13.183</td>
<td>.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

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

DISCUSSION AND IMPLICATIONS

The results of the study indicate the extent to which customer satisfaction contributes to an organization’s productivity. The rejections of hypotheses two, three and four show that customer satisfaction has no positive impact on employee performance, employee job performance, customer loyalty and intention to switch. Furthermore, the rejections of hypotheses 3 and 4 buttress the position that customers are the most complex concept to deal with, because they are unpredictable and hold so much power. It also goes to suggest that other factors other than customer...
satisfaction, could be the underlying reasons for decisions to remain loyal to an organization or switch to a different organization for products and services. With regards to employee performance, its inability to exhibit significant positive effect shows that the employee’s level of performance relies on other measures other than customer satisfaction alone. However, the acceptance of hypotheses one and five buttress the need to prioritize the satisfaction of customers. The findings indicate that when customers are satisfied with services and products, it increases the employee intrinsic motivation which reflects in the other forms of productivity even if not financial. Nevertheless, non-financial performance is adequate enough to embody all aspects of productivity (Saltson & Özgür, 2015).

**Limitation and conclusion**

The study welcomes other researchers to replicate or improve upon shortcomings found in this study. Future researchers can also measure other dependent variables other than the ones measured in this study, or treat the idea of customer satisfaction as a dependable variable to assess the variables that could generate effects on it. A larger sample size or a case study coupled with a qualitative approach can also birth new perspectives and findings. Additionally, assessing the customer satisfaction with regards to financial performance could go a long way to add to the literature on this field. Nevertheless, these do not render the findings in this research invalid or unreliable.

Customer satisfaction is the medium through which customers can be lured and maintained to keep generating revenue for organizations that have long term goals for their businesses. As revealed in the study, satisfaction of customers serves as a source of motivation for the employees as well, which translates in the nonfinancial performance of the organization. The rejection of some of the hypotheses characterizes the complexities surrounding customer satisfaction and epitomizes the need to research more on this field. It is not enough to generate profit without lining up strategies to sustain the profit generation medium. The key to satisfying customers is to treat them with value like you first met them and to leave a lasting memory in their mind to make them want to come back for more. Customer satisfaction proves to be a key determinant of the longevity of thriving businesses, and serves as the missing ingredient found in the organizations that fold up quickly after market penetration.

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Reference

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APPENDIX- Measuring Items Used in Study
(1) Strongly Disagree (2) Disagree (3) Indifferent (4) Agree (5) Strongly Agree

Customer Satisfaction

- I am satisfied with staff’s response and prompt services provided by my bank. 1 2 3 4 5
- I am satisfied with financial services advice provided by my bank. 1 2 3 4 5
- I am satisfied with products and services offered by my bank. 1 2 3 4 5

Customer Loyalty

- I often tell positive things about my bank to other people. 1 2 3 4 5
- I recommend my family, friends and relatives to do business with my bank. 1 2 3 4 5
- I recommend my bank to someone who seeks financial advice. 1 2 3 4 5
- I shall continue to do more business with my bank. 1 2 3 4 5

Intention to Switch
• I would like to switch to another bank that offers better customer services. 1 2 3 4 5
• I would like to switch to another bank that offers better profit. 1 2 3 4 5
• I would like to switch to another bank that offers a variety of products and services. 1 2 3 4 5

Intrinsic Motivation

• I am happy with my work responsibilities.
• I am happy with the recognition and rewards for my outstanding work and contribution.
• I am appreciated by my boss for any extra work which I do.

Non-financial performance

• There is a high level of employee engagement in our organisation
• The relationship between management and employees in our organisation is positive
• There is a high level of employee morale in our organisation
• Employees in our organisation are satisfied
• There is a co-operative climate among the employees in our organisation
• Our organisation experiences low levels of employee absenteeism
• Our organisation attracts high quality employees
• Customers are satisfied with our organisation’s products/services
• Our organisation produces high quality products/services
• Our organisation has a positive reputation in the community

Employee Job Performance

How would you rate your performance on the following items?

1 Very low, 2 low, 3 neither, 4 high, 5 Very high
(1) Planning for my area of responsibility 1 2 3 4 5
(2) Coordinating my area’s activities 1 2 3 4 5
(3) Evaluating subordinates’ activities 1 2 3 4 5
(4) Investigating issues in my area 1 2 3 4 5
(5) Supervising staff 1 2 3 4 5
(6) Obtaining and maintaining suitable staff 1 2 3 4 5
(7) Negotiating 1 2 3 4 5
(8) Representing the interests of my area 1 2 3 4 5
(9) Overall performance 1 2 3 4 5