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Impact of Firm's Customer Orientation on Performance: The Moderating Role of Interfunctional Coordination and Employee Commitment

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Abstract:

The effect of a firm's strategic orientation, such as customer orientation, on performance has received research attention; however, knowledge regarding its specific effect on the customer-related performance measures is very limited. Most of the previous attempts have focused on developing a direct relationship with a firm's financial performance, which contradicts with the central tenet of customer orientation. In addition, in this context, the role of employees' committed behavior, customer contact time and a firm's emphasis on interfunctional coordination for the efficacy of customer orientation have received little research attention. Drawing on dynamic capability theory and service climate theory, this study addresses how employees and a firm's interfunctional coordination play a key role in the firm's customer orientation to drive its customer-related performance. Based on a sample from the UK's service industry, the findings support the arguments. The findings also offer new insights into the interplay of different strategic orientations and employees' role in driving superior performance through customer orientation.

Key words: Customer orientation, interfunctional coordination, employee commitment

Introduction

The impact of market orientation (MO) on a firm's performance has received significant research attention after the seminal works of Kohli and Jaworski (1990) and Narver and Slater (1990).

A market-oriented firm implements a marketing concept and adopts a business culture to attain sustainable competitive advantage by identifying the needs and wants of the target market, creating superior customer value (Tsiotsou, 2010). Therefore, a market-oriented firm is presumed to achieve its performance goals more successfully than a less market-oriented firm. However, the empirical evidence on the relationship between MO and performance is mixed due to inconsistent findings (Han, Kim, & Srivastava, 1998). Despite the mixed empirical outcomes, owing to its significance, academics' and practitioners' interest in this liaison is still undiminished (Tsiotsou, 2010). Recent research initiatives in MO have evolved around the component-wise approach of examining the effect of MO on performance as with this approach more detailed insights could be gained into the performance effects of MO by focusing on its distinct components instead of moving along 'global' measures of MO (Han et al., 1998; Noble, Sinha, & Kumar, 2002; Sørensen, 2009). Of the three components of MO, customer orientation (CO) plays a relatively larger role in the firm's MO dynamics (Han et al., 1998; Matsuo, 2006; Narver & Slater, 1990). In line with that, marketing researchers posit that a firm's strategic orientation such as, CO provides competitive advantage which has implications for its overall performance (Kim & Ok, 2010; Kirca, Jayachandran, & Bearden, 2005; Macintosh, 2007; Ziggers & Henseler, 2015).

Building on this suggestion, this research examines the effects of a firm's CO over on its customer-related performance with a view to minimizing the research gap in this context. In extant literature, research adopting the component-wise approach to investigate the influence of the three components of MO on performance is very limited (Tsiotsou, 2010). Moreover, the effect of a firm's CO over customer-related performance measures (e.g., service quality, customer retention,

customer satisfaction, customer loyalty, etc.) has received little research attention. Most of the attempts have emphasized developing a direct relationship with a firm's business performance that is dominated by measures of financial performance, new product development, and innovation performance. Furthermore, even when customer-related performance measures are included in the model, they are generally grouped together with other constructs and operationalized as an overall non-financial performance measure, rather than as a separate customer-related performance measure. In addition, the construct was measured by adopting a limited number of items that resulted in an incomprehensive measure of customer-related performance. Theoretically, the immediate impact of a firm's CO is supposed to be realized in the customer-related outcomes that would eventually influence the other performance measures (Guo, 2002; Rapp, Beitelspacher, Schillewaert & Baker, 2012). Therefore, the impact of CO should be examined initially on the customer-related performance measures.

Moreover, there is a limited discussion about the contribution of employees' role and management's interfunctional coordination in implementing a service firm's CO to achieve performance. In addition, in adopting component-wise approaches, most studies are confined to competitor and/or customer orientation, whereas the role of inter-functional coordination is usually disregarded (Tsotsou, 2010). Broadly, the level of a firm's MO is influenced by interfunctional conflict and connectedness (Jaworski & Kohli, 1993). Achieving a firm's CO requires total organizational support and commitment to the customer (Judd, 2003). Therefore, the impact of the firm's CO in achieving firm performance is also influenced by its interfunctional coordination as it provides intelligence about the market and works as an internal function to integrate the bundle of resources present to achieve performance goals (Auh & Menguc, 2005; Eisenhardt & Martin, 2000; Lengler, Sousa, & Marques, 2013; Rapp et al., 2012). Furthermore, employees' committed behavior has also received very little research attention in the process. Employees, either demonstrating employee-level CO or through involvement and committed behavior, play a key role in the

implementation process of CO (Martin, Martin, & Grbac, 1998). Emphasizing the critical role of the employees in CO, Judd (2003) argued that achieving a firm's CO would be difficult if the employees fail to adopt a customer-serving attitude, or misinterpret the fact that the firm has employed them to create value for customers. CO involves employee activities that are based on the concept of marketing solutions to customer problems. Previous studies on employee evaluation have suggested that employees' increased commitment has a positive impact on CO (Strong & Harris, 2004). This research has investigated the influence of employees' committed behavior, customer contact time and a firm's interfunctional coordination in the relationship between the firm's CO and performance.

The study is developed on the theoretical underpinnings of dynamic capability theory and service climate theory. Dynamic capability theory (Teece, Pisano, & Shuen, 1997) offers an important conceptual lens for understanding the sources of a firm's competitive advantage and the processes through which firms develop and configure their strategic resources to effectively respond to changes in the marketplace, develop to accrue value and contribute to superior performance (Thoumrungroje & Racela, 2013; Ziggers & Henseler, 2015). On the other hand, service climate theory (Schneider, White, & Paul, 1998) suggests that employees are key resources in implementing CO to enhance the firm's customer-related performance. In particular, when employees perceive that the firm demonstrates concern for both employees and customers, employees are more likely to provide a quality service to customers (Borucki & Burke, 1999).

The outcome of this study would contribute to the CO literature by offering new insights. First, it empirically examines the impact of firm's CO on the customer-related performance. Second, it is a pioneering attempt to examine the moderating role of employees' committed behavior, customer contact time and firm's interfunctional coordination in strengthening the relationship between its CO and its customer-related performance. Thus, this study would offer responses to earlier research calls to examine the process for strengthening a firm's CO (Tsotsou, 2010; Zhou & Nakata, 2007).

These findings would provide empirical support for the propositions of dynamic capability theory and service climate theory with regard to the significance of a firm's capability development and deployment, which would help the firms to position themselves strongly in the market. The remainder of the manuscript is organized as follows. First, the conceptual background of the study is discussed which leads to the development of the conceptual model and hypotheses. Then the study's detailed methodological approach is explained. After discussing the result, the study concludes with a summary of its implications and scope for further research.

Literature review and hypotheses development

MO is a source of competitive advantage to the firms (Kirca et al., 2005). In extant literature, the concept has received attention from scholars, and its impact has been widely investigated (Lengler et al., 2013). Although there has been a myriad of contributions over the years, the debate around MO has been primarily dominated by propositions made by Narver and Slater (1990) and Kohli and Jaworski (1990). Both of the frameworks have remarkable impacts on the structures of firms and stem from similar principles such as focus on customers, integrating interfunctional activities and response to the changes in the market (Noble et al., 2002). In this study, Narver and Slater's (1990) framework has been used as it explicitly investigated the relationship between the components of MO and firm performance. Furthermore, the concept of MO has been approached in a disaggregated way based on the notion that MO essentially consists of intelligence generation and dissemination related to customers who are the key actors in the market setting, and should remain the central concern of the firm (Lengler et al., 2013; Noble et al., 2002; Sørensen, 2009).

At the organizational level, CO is an integral component of the firm's overall marketing strategy that provides a unifying focus for the activities of the firm and serves as a tool for the implementation of the marketing concept as a business philosophy (Kohli & Jaworski, 1990; Narver & Slater, 1990). A

customer-oriented firm emphasizes the customers' present and future needs and has advanced its abilities with regard to customer sensing and customer responsiveness (Ziggers & Henseler, 2015). A firm with a strong CO could outperform its competitors since it better analyses customer needs, forecasts demand and creates and delivers value in a superior way (Fang et al., 2012; Homburg, Müller, & Klarmann, 2011). In extant literature, several research findings have supported the positive relationship between CO and firm's customer-related performance which is defined as the effectiveness of an organization's marketing activities in achieving better market outcomes such as perceived service quality, customer satisfaction, customer acquisition and retention rate and perceived value (Chang & Zhu, 2011).

The efficacy of a firm's CO is related to and affected by employees' behavioral outcomes (Henning-Thurau, 2004; Jaworski & Kohli, 1993). Empirical studies also lend support to the strong association between the firm's CO and employees' commitment (Karatepe, Yavas, & Babakus, 2007; Kim & Ok, 2010; Paul & Anantharaman, 2003). Employees' committed behavior would affect the development and implementation of the firm's CO by increasing responsiveness to the needs of customers and by building relationship with them (Zhang, 2010). In the service context, employees have frequent interaction with their customers; therefore, the employees' committed behavior and customer contact and interaction time play a critical role in implementing the firm's CO and achieving superior customer-related performance (Chen & Quester, 2006). In addition, a firm's interfunctional coordination is another important factor that facilitates the MO strategy.

Interfunctional coordination refers to a firm's coordinated efforts to integrate its internal resources and knowledge with a view to creating superior value for customers, which typically is not confined to the marketing department (Narver & Slater, 1990). Interfunctional coordination operates as an integrative and collaborative procedure among the various functions of the firms, as their synergistic effects play a critical role in enhancing the firm's capacity to develop customer and competitor orientation (Lengler et al., 2014). Undoubtedly, an integrated focus on customer, competitor,

employees and interfunctional coordination would conceivably lead to improved performance by addressing customer needs, sustaining a competitive advantage, and maximizing interfunctional strengths (Kahn, 2001). This discussion leads to the development of the conceptual framework (figure 1) and the hypothesized relationships which are discussed below.

INSERT FIGURE 1 HERE

Relationship between customer orientation and customer-related performance

Fostering a customer-oriented culture in the firm leads to the creation and maintenance of customer value, which is subsequently converted into satisfaction and loyalty (Narver & Slater, 1990). As a result, a customer-oriented firm will emphasize understanding and satisfying the demands of its target customers, thus achieving a positional advantage over competitors (Zhou, Brown, & Dev, 2009). The notion of positional advantage suggests that greater CO corresponds with higher performance or more rewards from the marketplace (Kohli & Jaworski, 1990; Narver & Slater, 1990). Customer-oriented firms constantly monitor the market to provide essential information to the employees to adapt themselves to the evolving customer needs and provide superior products and solutions. Moreover, firms' CO helps them to convert the market's reactions to product and service offerings which benefit the firm with heightened customer-related performance indicators (Thoumrungroje & Racela, 2013; Zhou & Nakat, 2007). As a result, customers' perception of service quality is heightened, and level of satisfaction increases, which results in higher relationship quality, positive word of mouth and repeat business with the supplier (Macintosh, 2007). Thus, firms with a superior CO may achieve better performance since they have a greater understanding of customers'

expressed and latent needs and how to respond to these needs (Ziggers & Henseler, 2015).

Therefore, it is hypothesized that:

H1. The firm's customer orientation contributes positively to its customer-related performance.

Relationship between employee commitment and customer-related performance

Employees are the direct participants in the implementation process of a firm's marketing concept and play a key role in the delivery of service (Brown, Mowen, Donavan, & Licata, 2002). The employees' attitudes and committed behaviors determine customers' perception of the service quality, satisfaction and emotional commitment to the firm (Henning-Thurau, 2004). In order to build a long lasting relationship with customers firms need a long term committed workforce (Boshoff & Allen 2000). Committed employees value the firm's missions highly, perform their job responsibilities properly and deliver high quality service to customers (Malhotra & Mukherjee, 2004). Customers' perception of service quality and level of satisfaction suffer tremendously when employees are not offering discretionary effort to perform the service above the minimum standard (Zeithaml, Parasuraman & Berry, 1990). Discretionary effort is the level of effort that people could make if they wanted to, above and beyond the minimum required level (Malhotra & Mukherjee, 2004). Such effort from employees is the result of their commitment to the organization (Dietz, Pugh, & Wiley, 2004). Committed employees show a strong desire to get engaged in discretionary efforts which will eventually boost the customer-related performance indicators as evidenced in extant literature (Dietz et al., 2004; Zeithaml et al., 1990). Based on this discussion we can hypothesize:

H2: Employee commitment has a significant positive impact on a firm's customer-related performance.

Employee commitment as moderator

During the implementation process of a firm's CO, employees' committed behaviors play a crucial role. Employees influence the firm's ability to implement overall MO in practice as part of its overall marketing strategy (Harris & Ogbonna, 2001; Martin et al., 1998). In the management literature, there is a wide consensus that employees' support and participation are vital to the successful creation and implementation of CO (Appiah-Adu & Singh, 1998). The development of a customer-oriented culture is reliant on inculcating employee values, while the socialization of new employees would help to maintain the orientation (Harris & Ogbonna, 2001). The customer-oriented firm will actively collect, analyze, and disseminate information about the changing customer demands and prepare its employees to perform accordingly (Ziggers & Henseler, 2015). Employees' behavior is likely to promote the firm's CO since they can outline 'correct' employee inputs in service encounters and link employee behavior to the expected outcomes of customer satisfaction and retention. In a service setting, customers share a direct contact with the employees, which helps them to assess service performance. An employee's effort to implement CO as part of MO has an impact on customer satisfaction (Chen & Quester, 2006). Therefore, employees' committed behavior would reinforce the firm's CO strategy to develop a framework for establishing profitable customer-firm relationships and achieving key performance metrics (Plakoyiannaki, Tzokas, Dimitratos & Saren, 2008). Based on this discussion, it is hypothesized that:

H3: Employees' committed behaviour moderates the relationship between a firm's CO and customer-related performance

Moderating effect of employees' customer contact time

Customer contact time, defined as the time that service employees and customers spend in direct contact during a single transaction, has long been a core attribute of services, as suggested by most of the classification models (Yee, Guo, & Yeung, 2015). In extant literature, it has been recommended by service scholars to operationalize contact time as a separate measure to assess its impact on customer attitudes (Dietz et al., 2004; Yee et al., 2015). The literature on person—situation interaction offers support for this idea suggesting that contact time with customers will have a different influence on the implementation of the firm’s CO strategy, depending on the employees’ involvement (Llonch & Lopez, 2015). An employee brings certain characteristics into a situational context, and the resulting behaviors and responses depend on the interaction of the personal characteristics and situational variables and the firm’s strategic orientation. The level of employee–customer contact in services determines the success of service outcomes. The longer the interaction time, the more time the employee has to understand the customer's exact requirements. Service employees who experience higher levels of CO from the firm will be especially satisfied with and committed to the job, and as a result, they would allocate sufficient time to collect intelligence about the customers and perform well to enhance the firm’s customer-related performance (Donavan, Brown & Mowen, 2004). Therefore, it is expected that employee–customer contact time would demonstrate the employees’ level of engagement for the job and facilitate the firms’ level of CO to achieve performance. Thus, it is suggested that the degree of a firm’s CO will interact with customer-contact time in the following manner:

H4: The positive influence of CO strategy on a firm’s customer-related performance will be stronger when employees’ customer contact time is high than when employees’ customer contact time is low.

Moderating effect of interfunctional coordination

A firm's interfunctional coordination plays a key role in implementing its CO strategy (Lengler et al., 2014). The interfunctional coordination is a critical component as it not only provides intelligence about the market but also works as an internal function to integrate the bundle of resources present in the firm to achieve performance goals fostering CO (Auh & Menguc, 2005; Eisenhardt & Martin, 2000). Moreover, achieving MO is definitely not the responsibility of the only marketing department (Voon, 2006; Kohli & Jaworski, 1990). Firms must be able to quickly respond to the changing demands for which it requires a high level of interfunctional coordination to ensure that all the departments of the firm have staged a coordinated effort (Rapp et al., 2012). In the current age of competitive business environments, departments are urged to share more information, develop joint work, and increase commitment to foster CO (Gatignon & Xuereb, 1997). Interfunctional coordination captures the complimentary capabilities of different functional areas that lead to a better understanding of customers and competitors and that eventually enhance the CO strategy (Auh & Menguc, 2005; Lengler et al., 2014). Moreover, it creates greater customer value through quicker market response and customer satisfaction and therefore enhances performance (Voon, 2006; Laukkanen, Tuominen, Reijonen, & Hirvonen, 2015; Rapp et al., 2012; Tsiotsou, 2010). Heightened interfunctional coordination enhances communication and exchange of market intelligence among the departments, resulting in improved performance. Since both CO and interfunctional coordination are two critical components of a firm's overall MO strategy, these constructs complement each other in achieving the firm's goal. Therefore, a firm with a higher level of interfunctional coordination is expected to moderate the CO strategy in achieving the firm's customer performance goal (Guo & Wang, 2015). Based on the discussion it can be hypothesized that:

H5: The positive influence of CO strategy on a firm's customer-related performance will be stronger when interfunctional coordination is high than when interfunctional coordination is low.

Empirical study

Sample characteristics and procedure

To investigate the hypotheses of this study, survey data were collected online from firms operating in service industries of the UK. Adopting the single informant approach, all the data were generated from the middle to senior managers representing different functions of the firm such as marketing, HR, operations and strategy. The final field work was carried out through a professional research agency due to the difficulty in accessing to the potential respondents (Bao, Fong, Landry, & Zhou, 2015). The agency strictly followed the guidelines of ESOMAR (essential organisation for encouraging, advancing and elevating market research worldwide) to maintain transparency in its overall data collection work. The survey link, with an invitation email, was sent to 1000 randomly chosen participants. A reminder email was sent after seven days to boost up the response rate. To encourage responses, the participants were offered incentive along with a summary copy of the results (Bao et al., 2015). Altogether, 470 participants completed the survey and after the clean-up the final sample consisted of 435 responses with a usable response rate of 43.5%. The useable response rate was within the expected response rate for surveys directed at middle to top managers (Slotegraaf & Dickson, 2004). Those respondents who gave the same response to a series of questions and had a standard deviation of less than 0.50 were eliminated (Loughry, Ohland, & Moore, 2007). Moreover, the database was rigorously checked through to eliminate the cases with an unusually short completion time (Marescaux, De Winne, & Sels, 2012). Table 1 delineates the sample characteristics.

INSERT TABLE 1 HERE

Development of the questionnaire and measures

In this study, all the operationalizations were adapted from extant literature that comprised reflective indicators, as presented in Table 2. Both CO and interfunctional coordination scales were adapted from the MO scale of Narver and Slater (1990). The primary reason to subscribe the Narver and Slater (1990) conceptualizations was that it emphasized on organization's strategic capabilities that positively influenced the development of the firm's capability of managing durable relationships with stakeholders (Rapp et al., 2010). Employee commitment was measured with seven items which were adapted from the scale developed by Jawroski and Kohli (1993). Through this scale, the managers rated the employees' level of commitment, dedication in achieving the customer-oriented objectives. The customer-related performance was measured with items adapted from previous performance related scales from the literature (Fang, Chang, Ou, & Chou, 2013; Morgan, Vrorhies & Mason, 2009). All the constructs were measured using subjective measure which is a common practice in strategy-related research when objective data are unavailable (Thoumrungroje & Racela, 2013). All these items were measured using 7-point Likert-scale anchored with, 1="strongly disagree" and 7= "strongly agree". Following Donovan et al. (2004), the customer contact time was measured with a continuous scale (ranging from 0% to 100%) that asked the respondents what proportion of their time they spent in contact with customers.

To validate the measurement instrument and to ensure the suitability of the survey administration, two pilot tests and two pretests were conducted. The first pilot test (n=63) was carried out with the full time students enrolled in a leading international MBA programme in the UK. Second pilot test

(n=22) was conducted with the senior-level managers of different multinational organizations. The pilot tests offered some valuable insights concerning the justification for and the, wording, and syntax of the items as well as the structure and layout of the questionnaire. Furthermore, before the final field work was launched, two Pretests (n=97 and n=91) were conducted over the senior-level managers of the firms operating in service industries of the UK which suggested no major modifications.

INSERT TABLE 2 HERE

Results

For analyzing the survey data, structural equation modelling was applied using AMOS 22. In this study, non-response bias was tested by performing t-test on the early and late response groups and no significant differences were found (Armstrong & Overton, 1977). In addition, results of multiple t-tests showed that the responses were invariant irrespective of industry type, job position and size of the organization. In order to reduce potential common method variance (CMV), the researcher used well-established scales, proximally separated measures of predictors, and ensured the respondents' anonymity (Podsakoff, MacKenzie, & Podsakoff, 2012). The potential problem of the common method bias was also handled through two methods: Harman's one-factor test (Podsakoff & Organ, 1986) and use of a marker variable (Lindell & Whitney, 2001). The Harman's one-factor test result showed that none of the factors accounted for the majority of covariance among items. Following the guideline of Lindell and Whitney (2001), the common method bias was tested using a marker variable in the model using a diagnostic technique (Wei, McIntyre, & Soparnot, 2015). This test provided empirical support for the argument that the relationships among the constructs in this

model were not inflated by CMV as the level of significance of correlation among the constructs in Table 3 were unaffected after the adjustment (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). In addition, with a view to minimize the problem of self-generated validity several measures were adopted such as counter-balancing the items, randomizing the order of the items, and placing the criterion variables between demographic variables (Caligiuri, Phillips, Lazarova, Tarique, & Burgi, , 2001; Podsakoff et al., 2003).

Tests of measurements

Confirmatory factor analysis (CFA) was conducted to assess the convergent validity and reliability of the constructs. The measurement model showed an acceptable fit with the data; CMIN/DF= 2.20 ($X^2 = 627.80$, $df=285$), $p=0.00$, GFI= 0.90, AGFI=0.88, CFI= 0.96, TLI=0.95 and RMSEA= 0.05. In addition, to assess convergent validity, Cronbach's alpha, average variance extracted (AVE), factor loadings and composite reliability were evaluated. In the measurement model all of the items were within acceptable range (between 0.62 and 0.90) and loaded significantly ($p<.001$) on their respective constructs, as depicted in table 2 (Anderson & Gerbing, 1988). The Cronbach's alphas of constructs ranged from 0.87 to 0.95, showing evidence of good reliability. The composite reliabilities (CR) for all constructs exceeded 0.70, and all average variances extracted (AVE) were higher than the recommended level of 0.50 (Hair, Hult, Ringle, & Sarstedt, 2014). To establish discriminant validity, three approaches were adopted (Chin, 1998; Hair, Sarstedt, Ringle, & Mena, 2012). First, the patterns of item-to-item correlations, item-to-total correlation, and alpha-if-item-deleted that there were no visible issues to report (Anderson & Gerbing, 1988). Second, using Fornell and Larcker's (1981) criterion between-construct correlations were estimated which demonstrated that the construct's AVE was greater than the square of its largest correlation with any construct (Hair et al., 2014). Third, the inspection of cross-loadings revealed suitable loadings patterns as suggested by Chin (1998). Each item loaded higher on its respective construct than on any other construct across

the rows and down the column. Table 3 provides a summary of descriptive statistics, factor correlations, reliability and validity analysis.

INSERT TABLE 3 HERE

Hypothesis testing

The structural model was evaluated on the basis of the R^2 values for the dependent construct, t-statistics and significance level of the structural path coefficients. The structural model coefficient results for the main effects model, as shown in Table 4, demonstrate that firm's CO has a positive association with customer-related performance ($\beta=0.34$, $p<.001$) and employee commitment positively enhances firm's customer-related performance ($\beta=0.60$, $p<.001$). Therefore, hypotheses 1 and 2 are supported. The R^2 value for customer-related performance is 0.61 (adjusted R^2 : 0.60). H3 was assessed through model 2 which showed that the interaction effect is made up of CO and employee commitment. The moderation effect was examined using the product-indicator approach where all the predictor and moderator variables were standardized before creating the moderator terms. In addition, the R^2 of both the models were compared and assessed by the Cohen effect size (f^2) formula (Cohen, 1988).

INSERT TABLE 4 HERE

The coefficients of the simple effects of CO and employee commitment, as estimated in Model 2, resemble the respective direct effects obtained for Model 1. H3 is supported as the interaction term of employee commitment and CO has a positive ($\beta=0.21$) and significant effect ($p<.001$). The inclusion of the interaction term has increased the R^2 value by 0.04 to a value of 0.65 (adjusted R^2 : 0.63). Following the Cohen's effect size formula the size of the interaction effect (f^2) is thus 0.07, which can be regarded as small but substantial (Chin, Marcolin, & Newsted, 2003). A small effect size (f^2) does not necessarily suggest an unimportant effect (Wilson, 2010). Limayem, Hirt, and Chin (2001) argued that 'If there is a likelihood of occurrence for the extreme moderating conditions and the resulting beta changes are meaningful, then it is important to take these situations into account' (p. 281). Using standard practices (Aiken & West, 1991), the interaction is plotted in Fig. 2 which indicates that, with the prevalence of employee commitment, the greatest impact on firm's customer-related performance comes when firm has adopted a stronger CO strategy.

INSERT FIGURE 2 HERE

Multi group moderation analysis

To examine the moderating effect of interfunctional coordination, multigroup moderation was adopted. Earlier research suggested that firm's interfunctional coordination exerts no direct significant impact on firm performance more specifically on customer-related performance (Lengler et al., 2014; Tsiotsou, 2010). Moreover, in this study, the objective was to investigate how the firm's CO influences its customer-related performance with the degree of interfunctional coordination prevalent in the firm. Therefore, in order to examine the hypotheses 4 and 5, using K-means clustering procedure, the employees' customer contact time and firm's interfunctional coordination are divided in two groups. For the clustering procedure, the items of interfunctional coordination,

presented in table 2, are summated (Hirvonen & Laukkanen, 2014). The mean and SD for the two groups of interfunctional coordination are, low group (n=152, mean= 4.54 and SD=1.15) and high group (n=283, mean= 5.68 and SD=0.60). The mean and SD for the two groups of customer contact time are, low group (n=191, mean=25.13, SD=14.37) and high group (n=244 mean=67.1, SD=14.70).

Prior to the moderation test, following the relevant literature (Hirvonen & Laukkanen, 2014; Wei et al., 2015), measurement invariance was addressed in order to ensure the equivalence of measurement instruments across the groups of the moderator. For this purpose, at first, configural invariance was freely estimated in the model simultaneously for both groups of the moderating variable without introducing any constraints. Next, metric invariance was assessed by constraining factor loadings equivalent across the two groups through chi-square difference test as suggested by Hair, Black, Babin, and Anderson (2010). To accept the constrained model over its less constrained counterpart, statistically insignificant results are to be found. Finally, factor variance invariance was examined by constraining factor variances equal across groups while still holding factor loadings constrained across groups (Hirvonen & Laukkanen, 2014). Using the configural model as a baseline, acceptable fit of the configural invariance model was determined ($\chi^2 = 931.60$, $df=570$, $p<0.01$, $RMSEA= 0.037$, $CFI= 0.96$, $GFI=0.88$). The chi-square difference test of full metric invariance became nonsignificant ($p>0.10$) in support of full metric invariance ($\Delta\chi^2= 11.38$, $\Delta df= 11$, $p >0.05$). Following similar procedure the factor invariance was established ($\Delta\chi^2= 5.57$, $\Delta df= 6$, $p >0.05$).

The moderation test was executed developing two models, in the first one, all the paths were constrained in the two groups to be equal and in the second one the paths between CO, employee commitment and customer-related performance were allowed to vary across groups. Results of the test of moderation of employee's customer contact time indicate that the impact of CO on customer-related performance was statistically stronger for the high contact group than for the low contact group ($\Delta\chi^2= 33.654$, $\Delta df= 19$, $p <0.05$; high-contact group path coefficient = 0.40 low-

contact group path coefficient = 0.27) with the fully unconstrained model showed acceptable fit indices ($\chi^2=882.65$, $df=381$, $GFI=0.89$, $CFI=0.92$, $RMSEA=0.06$). This result supports H4 suggesting that the positive influence of firm's CO strategy on customer-related performance is stronger when employees' customer contact time is high than when employees' customer contact time is low. Furthermore, with regard to the moderating impact of interfunctional coordination two models were developed as well where the fully unconstrained model had $\chi^2 = 673.9$ ($df= 359$), with the fit indices as $GFI=0.88$, $CFI=0.93$, $RMSEA=0.05$. The Chi-square difference test ($\Delta\chi^2= 43.26$, $\Delta df= 20$, $p <.001$) indicate that impact of CO over the customer-related performance was statistically stronger for the higher group than for the lower group (high group path coefficient = 0.54 low group path coefficient = 0.32). Thus, this result is supporting H5 indicating that the positive influence of CO strategy on firm's customer-related performance is stronger when interfunctional coordination is high than when interfunctional coordination is low. Following Alteren and Tudoran (2015), result of this analyses is delineated in figure 3 and figure 4.

INSERT FIGURE 3 HERE

INSERT FIGURE 4 HERE

Post hoc analysis

Although it was not hypothesized in the study, post hoc analysis was carried out with a view to examine the efficacy of the firm's CO strategy in enhancing firm performance in various contexts.

Drawing upon previous studies on firm's CO, it was examined whether firm size, age of the firm and industry demonstrated any influence over the hypothesised theoretical linkages (Alteren & Tudoran, 2015; Bao et al., 2015; Rod & Ashill, 2015; Ziggers & Henseler, 2015). The firm size has been determined through number of employees, where firm with less than 100 employees is stratified as small (n=151), 101 to 500 employees as medium (n=75) and more than 500 employees is large (n=209) (Hooley, Greenley, Cadogan, & Fahy, 2005). Regarding the age of the firm, the firms are separated into two groups considering 10 years of operation as the segregating point. The rationale for considering firm age as a moderating variable is that firms over the period develop the culture of CO. Based on UK Standard Industrial Classification Code, the service firms are categorized as financial and insurance service provider (n=62), retail and wholesale service provider (n=62), professional service provider (n=57), information and telecom service provider (n=56) and accommodation, food and health service firms (n=49). Other firms which do not belong to any of the above groups were categorized as miscellaneous (n=149).

To examine the effect of these variables, two models were developed— in the first one, all the paths were constrained in all the groups to be equal and in the second one, the paths between CO, employee commitment and customer-related performance were allowed to vary across groups. Results suggest that, with respect to the size of the firm, the firm's CO strategy has differential effect over its customer-related performance ($\Delta X^2 = 37.09$, $\Delta df = 19$, $p < .01$) with maximum effect demonstrated in case of medium sized firms (path coefficient; small=0.24, medium=0.45 and large=0.31). The fully unconstrained model had fit indices as $X^2 = 836.04$, $df = 390$, $GFI = 0.89$, $CFI = 0.91$, $RMSEA = 0.054$. However, with regard to the category of the service industries and age of the firms, the model remains invariant. Therefore, the effect of firm's CO strategy over performance does not vary for various service industries and with the degree of firm's age.

Discussion

In extant literature, MO has received substantial research attention, although it has resulted in some inconsistent findings about the effect of its components on performance (Tsiotsou, 2010). In this research, an attempt has been made to delve deep into the relationship between CO and a firm's customer-related performance with a view to settling literature inconsistencies and the role of employees and firm's interfunctional coordination in shaping the relation. This is pioneering research into the literature that has adopted a disaggregated approach for studying MO by treating its components as separate constructs exhibiting direct and moderating effects on performance. Of the three components, CO plays the most important role in a firm's market orientation dynamics (Han et al., 1998; Matsuo, 2006; Narver & Slater, 1990). CO, as the firm's strategic orientation, provides competitive advantage which has important implications for its overall performance (Kirca et al., 2005; Tsiotsou, 2010; Ziggers & Henseler, 2015). These premises provide the primary objective of this study, which is to understand to what extent a service firm's CO influences its customer-related performance. In addition, the study also has an aim of examining the role of management's interfunctional coordination and employees' role in enhancing the relationship between a firm's CO and performance. The empirical findings presented in this paper indicate important insights into the significance of CO and its influence on service performance. A valuable contribution of this study is the identification of employees' role and firm's interfunctional coordination in enhancing the interrelationships between CO and customer-related performance. Moreover, post hoc analysis indicates that the outcome of this study is generalizable to other service industries.

As noted earlier, the significance of CO lies in the fact that it functions as the starting point for other processes, such as obtaining real-time rich information, gaining knowledge of customers, and understanding and satisfying customer needs, which can be used to coordinate its employees and supply base to serve the customers better (Kirca et al., 2005). Although all the components of MO contribute (directly or indirectly) to performance, they do not demonstrate equal or similar types of

effects. The findings of this study corroborate with previous investigations that have reported that CO has a strong effect on performance; whereas no effects for competitor orientation and interfunctional coordination were found (Tsiotsou, 2010; Ziggers & Henseler, 2015). Individually, every component, as a separate construct, behaves in a unique way whereas its interdependence with the other components results in a synergetic mechanism that allows the implementation of the marketing concept and consequently influences performance which has been presented in this study. Another important contribution of the study is the customer-related performance construct which has presented a comprehensive assessment of the customer's perception of the firm's service delivery in terms of quality, satisfaction, loyalty, customer feedback, acquisition and retention of customers, and developing new products. Earlier measurements presented a partial view of the customer-based outcomes by not reporting relevant indicators at the same time.

A major contribution of the study is the role of employees in enhancing the relationship between a firm's CO and customer-related performance. The findings of this study suggest that employees' committed behavior is instrumental in enhancing the firm's performance. Committed employees contribute to the firm's success by upholding the firm's missions and performing their job responsibilities properly (Malhotra & Mukherjee, 2004). Moreover, committed employees get engaged in discretionary efforts, therefore enhancing customers' perception of value, satisfaction, and loyalty. The significance of employee commitment lies in the fact that it enables the firm to sense the changes in the market, adopt a customer-oriented attitude and create and deliver value to customers. In addition, employees' involvement in the firm's marketing activities is pervasive in the MO concept and plays a significant role in the successful implementation of customer-oriented culture (Martin et al., 1998). A firm's CO and employee-level CO are strongly intertwined and are significantly related to employees' committed behavior (Ifie, 2014). In the service context, the firms are moving beyond their traditional view of employees with a view to capitalizing on "people-power" as a distinctive element of the marketing mix, which helps them to become customer-

oriented, to gain a competitive advantage and to deliver customer value (Homburg et al., 2011; Judd, 2003). As the findings of this study suggest, a service firm's CO has strong implications for its performance which is enhanced after the relationship is being moderated by the behavior of the firm's people factor.

Another important contribution to the CO literature is the role of customer contact time in enhancing the relationship between a firm's CO and customer-related performance. Employee customer contact is an important mechanism for linking employees' perceptions of service climate to customer attitudes that results in customer satisfaction (Dietz et al., 2004). As it was predicted, a firm's CO and customer contact time interact to predict customer-related performance; CO has a stronger influence on the performance outcomes when employees spend more time contacting and interacting with customers. The results suggest that the positive influence of CO on certain performance outcomes is stronger for service workers that spend more time in direct contact with customers than for workers who spend less time for this purpose. Thus, this research establishes boundaries on the influence of CO on performance outcomes.

Another critical contribution of this study is the moderating effect of interfunctional coordination in the relationship between a firm's CO and performance. This finding emphasizes the significance of interfunctional coordination not only as a distinct and crucial component of MO but also as a linchpin between the other two components and eventually an indirect determinant of service performance. A firm's level of MO is influenced by interdepartmental conflict and connectedness (Jaworski & Kohli, 1993). Previous studies have established interfunctional coordination as an antecedent of firm's a strategic choices, such as customer orientation (Auh & Menguc, 2005). Interfunctional coordination integrates the efforts of various departments to create superior value for customers, which typically includes more than the marketing department (Narver & Slater, 1990). As a result, employees from different departments communicate and perform to achieve

goals thus enhancing their problem-solving capabilities and responsiveness to customers and markets. The coordinated use of the information generated by various departments about the market will reinforce the firm's capability to be more customer-oriented (Lengler et al., 2014).

As presented earlier in this study, a firm's CO exerts a positive impact over on performance. However, emphasizing only CO will not lead to optimal degrees of performance but an increase in interfunctional coordination will foster the effect of CO to boost performance (Gatignon & Xuereb, 1997; Tsiotsou, 2010). Even though two firms launch marketing programs based on the same level of CO, the difference in the extent of interfunctional coordination will have an impact on the success (Guo & Wang, 2015). Previous studies suggested that interfunctional coordination exerts a moderating effect on the relationship between an organization's strategic orientation and performance (Gatignon & Xuereb, 1997; Guo & Wang, 2015). The result of this study supports this view in the service sector by showing that interfunctional coordination is a strong moderating variable. Therefore, this study contributes to the extant literature of marketing by suggesting that the positive influence of CO strategy on a firm's customer-related performance will be stronger when interfunctional coordination is high than when interfunctional coordination is low.

Managerial implications

The findings of this study have some implications for practitioners. This research provides initial guidance to accomplish a firm's objective to implement a marketing concept that is instrumental in achieving long-term business success. The managers could use the outcome of this study as a roadmap in implementing the CO and achieving superior service performance. Therefore, it may

work as a guide in the implementation of the marketing concept by assisting in its initiation and further development. In the current age of competition, a service firm is expected to be customer-oriented; however, many firms fail to implement and sustain this orientation since they underestimate the difficulties inherent in directing focus from internal to external concerns and fail to emphasize the role of employees and interfunctional coordination throughout the process. A foremost implication of this study is that a firm's CO strategy would help the firm in enhancing customers' perception of service quality and satisfaction which subsequently would result in loyalty. In addition, a firm's CO also helps in attracting and retaining customers. With regard to enhancing a firm's customer-related performance, employees' committed behavior also plays a key role. Since the effect of a firm's CO strategy over customer-related performance is reinforced through the employees' committed behavior and customer contact and interaction time, practitioners should ensure that the employees demonstrate commitment and allocate adequate time for contacting and interacting with the customers while the firms adopt a CO strategy.

As a construct, a firm's CO strategy does not work independently; rather, as the study finding suggests, its effect on performance is reinforced if the management also establishes and maintains interfunctional coordination. To achieve superior performance, earlier connotations have disregarded the significance of interfunctional coordination while emphasizing either customer and/or competitor orientation (Gatignon & Xuereb, 1997). However, relying only on customer-oriented decision making, the firm may not achieve optimal results, and it may lead to strategic inefficiencies resulting in adopting a defensive and reactive position (Tsiotsou, 2010). This research finding clearly suggests that management can increase the efficacy of its CO strategy by not ignoring interfunctional coordination while adopting the marketing concept to accomplish an optimal degree of service performance. In addition, this research would help the practitioner comprehend the interdependence of CO and interfunctional coordination, facilitate their implementation and synchronize their activities with a view to achieve a desired level of market orientation and boost

performance. This study would also suggest that services firms equally focus on the collection and dissemination of market intelligence across all departments and coordinate actions to develop an optimal degree of strategic integration and improve customer-related performance.

Limitations and future studies

While this study contributes to the literature of MO, it has limitations that warrant its findings which remain to be addressed by future research. The outcome of this study should be read in the context of the industry and sample size. Results could probably be useful to analyze the relationship among the constructs under investigation; however, it might not be generalized beyond the scope of service industry. Another limitation of this work could originate from the use of a single informant. The managers, as respondents, are certainly knowledgeable respondents; however, they could only report their perceptions and opinions of the employees' commitment and the firm's performance in a subjective way. Despite such limitations, this study provides some direction for further research. Future studies could be replicated in other industries to expand the examined relationships and provide further validation of the proposed model—more specifically, studies could be conducted with the aim of isolating within-industry variation by adopting a single-industry approach; however, this could clearly prevent the generalization of the findings. Moreover, further research can be conducted by considering the co-alignment perspectives such as technological orientation, competitive intensity as well as including financial performance measures. It would also be interesting to investigate the effect of other employee-related behaviors such as engagement, motivation and organizational support.

Overall, in this research, the synergetic nature of the components of MO prevails as the required internal mechanism for the optimal adaptation of a market-driven culture as well as for increasing the service firm's customer-related performance. Therefore, the present study also contributes to

the service literature as limited research on MO components and their link to performance has been initiated in the context of services firms given the rapid growth of services over the last four decades. Thus, this is one of the few investigations that would assist in filling the existing knowledge gap in the relation between CO and performance in the services industry.

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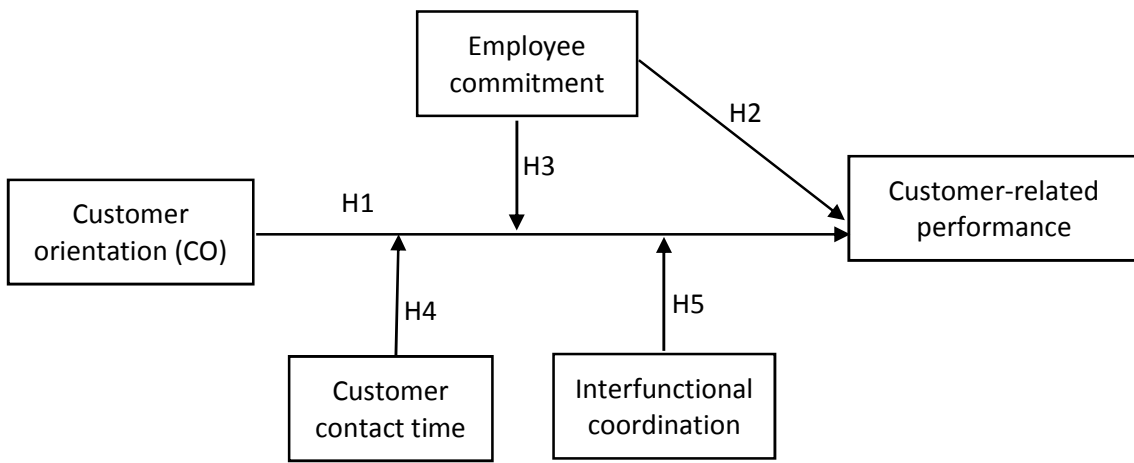


Figure 1: Conceptual model

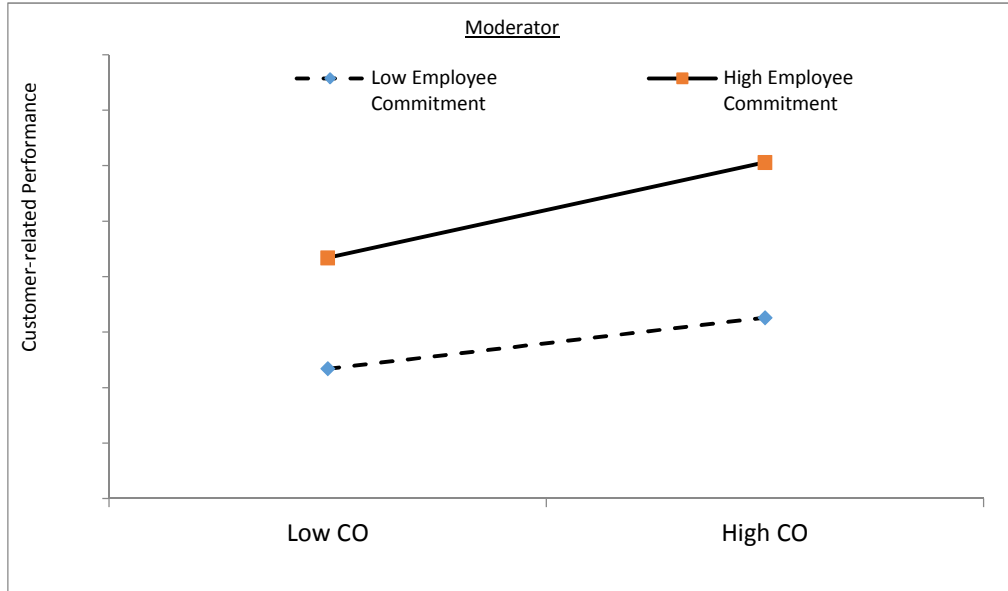


Figure 2: Employee commitment strengthens the positive relationship between firm's CO and Customer-related Performance

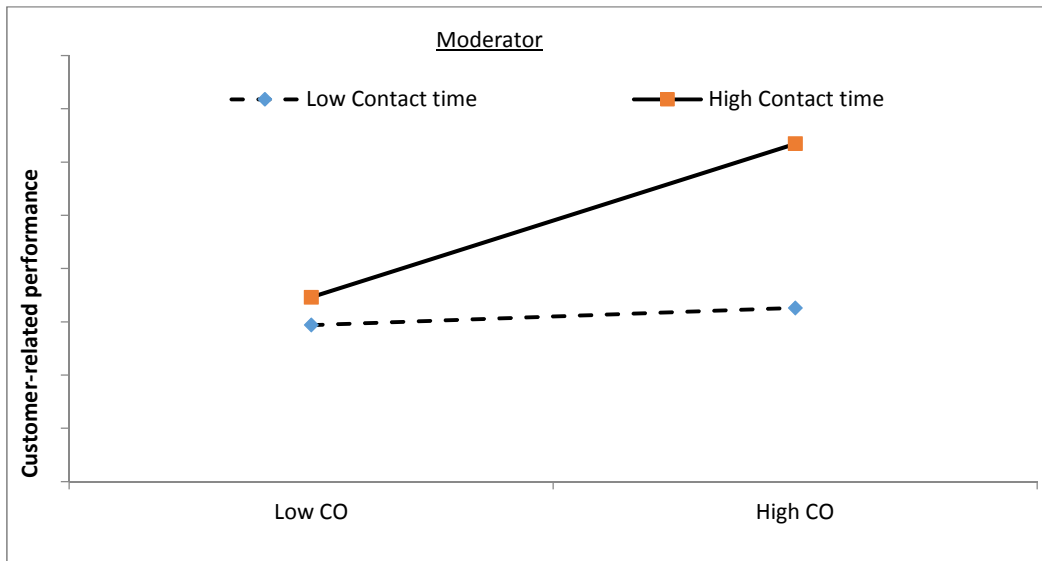


Figure 3: Contact time strengthens the positive relationship between CO and Customer-related performance.

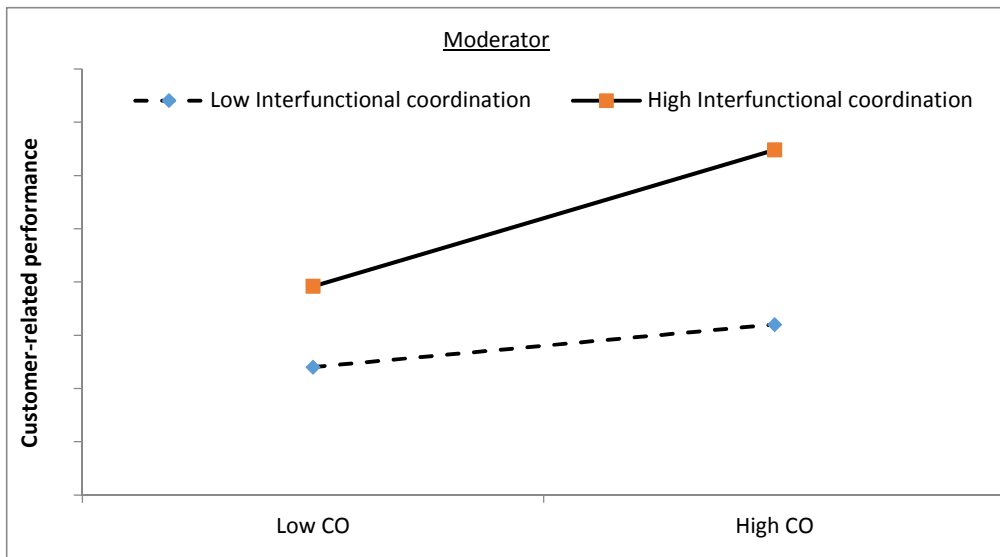


Figure 4: Interfunctional coordination strengthens the positive relationship between CO and Customer-related performance.

List of Tables

Table 1. Sample characteristics.

		Frequency	Percent
Industry	Accommodation, food and health services	49	11.17
	Financial and Insurance services	62	14.22
	Transportation, telecom and Information services	56	12.90
	Professional, scientific and technical activities	57	13.10
	Retail wholesale services	62	14.20
	Miscellaneous	149	34.41
	Total	435	100
Departments	Marketing, Sales and Strategy	172	39.40
	Finance	120	27.50
	HR and Operations	143	33.10
	Total	435	100
Job Position	Manager	181	41.50
	Senior Manager	102	23.60
	Director and Managing Director	51	11.70
	President and Vice-president	37	8.40
	Other senior roles	64	14.80
	Total	435	100
Number of Employees	Less than 100	152	34.90
	100 to 500	75	17.20
	501 to 10,000	127	29.10
	More than 10,000	81	18.80
	Total	435	100

Table 2: Operationalization of the items and factor loadings

Code	Item	Loading***
Customer Orientation ($\alpha=0.87$, $CR=0.90$)		
CsO1	Our business objectives are driven primarily by customer satisfaction.	0.718
CsO2	We constantly monitor our level of commitment and orientation to serve customer's needs.	0.758
CsO3	Our strategy for competitive advantage is based on our understanding of customer's needs.	0.788
CsO4	Our strategies are driven by our beliefs about how we can create greater value for customers.	0.776
CsO5	We frequently measure customer satisfaction in a systematic way.	0.621
CsO6	We pay close attention to our after-sales service.	0.761
Employee Commitment ($\alpha=0.95$, $CR=0.954$)		
EmC1	Our staff feel as though their future is intimately linked to that of the company.	0.781
EmC2	Our staff would be happy to make personal sacrifices if it were important for the company's well-being.	0.760
EmC3	The bonds between the company and our staff are strong.	0.908
EmC4	In general, our staff feel proud to work for the company.	0.852
EmC5	Our staff often go above and beyond the call of duty to ensure the company's well-being.	0.730

EmC6	Our staff have strong commitment to the company.	0.898
EmC7	It is clear that our staff are fond of the company.	0.911
Customer Performance ($\alpha=0.92$, CR=0.90)		
CP1	Our company often improves products and services, based on customers' comments.	0.748
CP2	Our customers think we are better than competitors in implementing new ideas.	0.736
CP3	Our company is generally better than competitors in developing new products and services.	0.669
CP4	Our company provides good service quality.	0.803
CP5	Our customers overall satisfaction with our products and services is high.	0.828
CP6	Our customers' loyalty is high.	0.762
CP7	Our company is good at attracting new customers.	0.651
CP8	Our company's customer retention rate is high.	0.716
Interfunctional coordination ($\alpha=0.86$, CR=0.90)		
InO 1	Our managers discuss how everyone in our firm can contribute to creating customer value.	0.781
InO 2	We communicate information about our good and bad customer experiences across all departments.	0.751
InO 3	Our top managers from every function regularly visit our current and prospective customers.	0.613
InO 4	All of our business functions and departments are responsive to one another's needs and requests.	0.781
InO 5	All of our departments are integrated in serving the needs of our target markets.	0.809

*Note: *** $p < .001$*

Table 3. Descriptive statistics and correlation analysis

Variables	Mean	Stand. Dev	AVE	Correlation			
				1	2	3	4
1. Customer orientation	5.10	0.81	0.6163	<i>0.79</i>			
2. Customer-related performance	4.97	0.86	0.6085	0.48	<i>0.78</i>		
3. Employee commitment	4.58	1.02	0.7462	0.51	0.47	<i>0.86</i>	
4. Interfunctional coordination	4.98	1.12	0.6451	0.61	0.34	0.43	<i>0.80</i>

Note: Diagonal (italicized) elements are square roots of the AVE

Table 4: Result of structural model

Relationship	Model 1 (Main model)		Model 2 (Interaction effect)	
	Coeff.	t value	Coeff.	t value
H1: Customer orientation → Customer-related performance	0.34	10.02***	0.35	11.44***
H2: Employee commitment → Customer-related performance	0.60	17.53***	0.64	20.05***
H3: Interaction of Employee commitment and Customer orientation → Customer-related performance			0.21	6.67***
R ²	0.61		0.65	

Note: *** $p < 0.001$ (two-tailed)