

# Customer Focused Organizational Climate And Customer Loyalty In Housing Finance Institutions

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**Abstract**— Organizational climate is a topic of increasing interest in the management literature. The shared perceptions, feelings and attitudes of organisational members have about the fundamental elements of the organization reflect the established norms and values related to organisation's culture and influence individuals' behaviour positively or negatively. Customer focused organisational climate is an important factor influencing the customer loyalty of an organization. The purpose of this paper is to find out the impact of Customer Focused Organisational Climate on Customer loyalty of Housing Finance Institutions, particularly the Commercial Banks and Housing Finance Companies providing Housing finance in Kerala, a federal state of India. The perceptions of customers about employee attitude, customer services and simplicity of doing business with the organization are studied to know how effectively these factors are leading to Customer Loyalty of select Housing Finance Institutions. A structured questionnaire was administered among customers of these selected Housing Finance Institutions. Data obtained from ninety respondents were analysed using statistical tools with the help of SPSS software. Findings of the study revealed that Customer Focused Organisational Climate has a significant effect on building Customer Loyalty. Inferences obtained from this study will help the Commercial Banks and Housing Finance Companies in Kerala to understand the customer perception about their employee attitude, services and simplicity of doing business transactions with these Housing Finance Institutions and to fine tune their strategies to improve the levels of customer satisfaction and loyalty.

**Keywords**—Commercial Banks, Customer Focused Organisational Climate, Customer Loyalty, Housing Finance Companies.

## I. INTRODUCTION

**C**USTOMER focused organizational climate plays an important role in the Customer Relationship Management practices of an organization. It represents the shared beliefs and values among organisation's employees regarding the organisation's focus on customer value and customer key to success [1]. In every business organization, employees are the building blocks of Customer Relationships [2]. The organization is represented by its employees. Every time customer makes an interaction with the employees, he makes a judgement about the organization. These kind of judgments based on a number of customer service interactions leads to

customer satisfaction or dissatisfaction. Customer satisfaction in the long run will lead to customer loyalty. Customer Focused organizational climate is not only limited to employees of the organisation, but also includes fair customer services and simplicity of doing business with the organization.

This study is conducted among select Housing Finance providers of Kerala state in India, especially among Commercial Banks and Housing Finance Companies. This paper tries to describe the relationship between customer focused organizational climate and customer loyalty among select Housing Finance providers of Kerala state, which is a federal state of India.

## II. LITERATURE REVIEW

The success of Customer Relationship Management depends largely on an organisation climate. Organisational Climate reflects shared beliefs and values in an organization in terms of its systems, practices and leadership style [3]. Ja-Shen Chen, 2009 [4] in his study stated that organizational climate is the 'feeling in the air' that one gets from walking around an organisation. It shapes an organisation's focus on customers. According to Schneider et al., 2000 [4], Organisational Climate is an internal environment for employees which will ultimately influence customer's experiences.

It is necessary for each organization to have people, People mean those who manage business process and make connections within the organization and make relations with customers [5]. Making a long term successful relationship with customers depends on the feeling the employees would make in customers towards the organization [6]. Along with customer friendly attitude of employees, customer services providing by the organization is also important. Some researchers have argued that the level of service fairness have a positive effect on perceived outcomes [7]. Customers seldom attempts to obtain the best services, but instead seek fair services and consistent treatment. Unfair treatment is a crucial factor leading to customer complaints [8]. Customers evaluate service not only using personal standers ie, tangibles, reliability, responsiveness, assurance and empathy but also through principles of distributive, procedural, interpersonal and informational fairness [9]. Satisfaction with the delivered services has been suggested and empirically documented as affecting the customer decision to continue a relationship [10],

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[11], [12], [13], [14]. Procedural easiness, ie, simplicity of doing business with the organization is also a factor determining the satisfaction of the customer. When customers are satisfied, the tendency to leave the organization and negative word of mouth will reduce greatly, and which in turn leads to customer loyalty. There are many studies which proved that satisfaction plays an important role in obtaining customer loyalty [15].

### III. OBJECTIVES OF THE STUDY

It is a well known fact that, customer oriented organization will have a competitive edge over its competitors. Customers today expect quick service in an easy way with a smile. To boost, it is essential to focus on customer retention and build up customer satisfaction. Customer satisfaction may leads to higher customer retention, higher customer loyalty and lower customer switching. Loyalty can be defined as a commitment to continue to do business with an organisation on an ongoing basis [16]. A loyal customer will generate more revenue than a customer who quit the relationship. Objectives of this study includes identifying major variables influencing the Customer focused organizational climate of Housing Finance Institutions; how effectively these factors are leading to Customer Loyalty of Housing Finance Institutions and establishing the association existing between Customer focused organisational climate and customer loyalty of select Housing Finance Institutions.

### IV. VARIABLES IDENTIFIED FOR THE STUDY

To conduct this study, three major variables are taken into consideration. They are perception of customers about employee attitude, Customer services provided and simplicity of doing business with the organization.

*i. Customer friendly employees:* It is through the employees, the customer is interacting with the organization. Customer makes perception about the organization based on the attitude and behaviour of employees. The attitude of employees should be in such a way that it should attract and retain customers to the organization. To check the customer perception about attitude of employees, variables like 'care given by the employees to customers'; 'the level of motivation and the amount of training of employees'; 'employee's response to customer requests and services provided'; 'employee's cordialness to customers'; and employee's willingness to help customers' are taken into consideration.

*ii. Customer services:* In the Organisational Climate, Customer Focused services provided by the organization are seem to be an important factor affecting the customer loyalty. With regard to customer services provided by the organisation, factors such 'customer perception about providing customer convenience at customer touch points'; 'frequent delighting of customers'; 'providing timely and reliable information'; 'showing customer need based approach' etc are included.

*iii. Simplicity of doing business:* As far as a housing finance institution is concerned, this factor is considered to be a vital one. Regarding the simplicity of doing business with the organization, factors such as 'customer perception about

easiness of organization systems'; 'flexibility of the system to adapt to customer's changing needs and wants'; 'simplicity and transparency of business process'; 'convenience of operating hours of the organization'; 'adequacy of physical facility'; 'documentation procedure'; 'processing time' etc. were studied.

### V. METHODOLOGY AND MODEL

The questionnaire was prepared with focus on factors such as customer friendly employees; customer services provided; and simplicity of doing business with the organization. A five point scale: (i) strongly agree, (ii) agree, (iii) uncertain, (iv) disagree, and (v) strongly disagree was used to collect customer data regarding their perception. Four Banks from among the Commercial Banks (One each from SBI and associate Banks, Scheduled Banks, Regional Rural Banks and from Private Banks) and two Housing Finance Companies were selected based on the number of customers availed Housing Loan. The data for the study were collected through a structured questionnaire from 90 customers of these selected Banks and Housing Finance Companies located in three districts (Trivandrum, Ernakulum and Kozhikode) of Kerala state. Judgment sampling was used for identifying respondents. Before finalising the questionnaire, it was tested by collecting data from 18 customers of the above mentioned Commercial Banks and Housing Finance Companies. The reliability of the questionnaire was checked using Cronbach's coefficient of alpha. The alpha values were above 0.720, that showed that the questionnaire is a reliable one. Data were analysed using statistical tools such as Karl Pearson's coefficient of correlation and multiple regression.

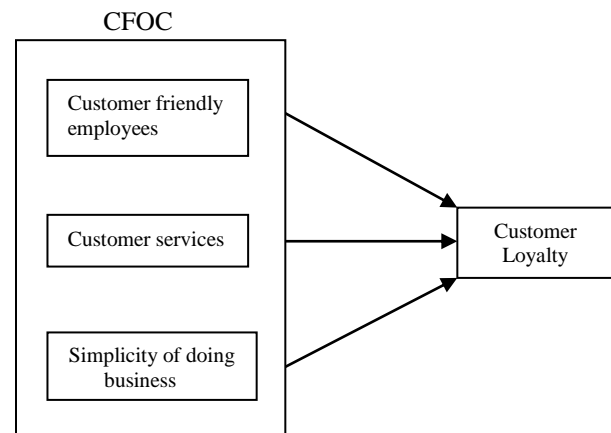


Fig. 1 Relation Between Customer Focused Organizational Climate And Customer Loyalty In Housing Finance Institutions

### VI. ANALYSIS AND FINDINGS

The data collected through the survey were analysed using SPSS software. Analysis and its results are given below.

**TABLE I**  
THE TABLE SHOWING CORRELATION BETWEEN CUSTOMER FOCUSED ORGANISATIONAL CLIMATE AND ITS VARIABLES WITH CUSTOMER LOYALTY

Correlations						
		Customer focused org.climate	Customer Loyalty	Customer friendly employees	Customer services	Simplicity of doing business
Customer focused org.climate	Pearson Correlation	1	.765**	.753**	.926**	.874**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	90	90	90	90	90
Customer Loyalty	Pearson Correlation	.765**	1	.521*	.791**	.740**
	Sig. (2-tailed)	.000		.036	.000	.000
	N	90	90	90	90	90
Customer friendly employees	Pearson Correlation	.753**	.521*	1	.718**	.728**
	Sig. (2-tailed)	.000	.036		.000	.000
	N	90	90	90	90	90
Customer services	Pearson Correlation	.926**	.791**	.718**	1	.731**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	90	90	90	90	90
Simplicity of doing business	Pearson Correlation	.874**	.740**	.728**	.731**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	90	90	90	90	90

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Survey data

In the table we can see that, value of Pearson’s correlation co-efficient for customer focused organizational climate is 0.765. This indicates that there is significant association exist between customer focused organizational climate and customer loyalty. Thus it can be inferred that, a change in relationship marketing activity will make a positively significant change in the loyalty of customers. Then we establish the correlation between customer focused organizational climate and its variables with customer loyalty. It can be seen that the ‘r’ values for customer friendly employees, customer services and simplicity of doing business are 0.521, 0.791 and 0.740 respectively. This means that, there exists a strong relationship between different variables of customer focused organizational climate and customer loyalty. Hence we can conclude that, a change in each of these variables of customer focused organizational climate can make a positively significant change in the loyalty of customers.

**TABLE II**  
THE TABLE SHOWING MULTIPLE REGRESSION ANALYSIS BETWEEN CUSTOMER LOYALTY AND CUSTOMER FOCUSED ORGANIZATIONAL CLIMATE

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.253	5.418		-.969	.335
	Customer focused org.climate	.110	.105	.174	1.047	.298

a. Dependent Variable: Customer Loyalty

Source: Survey data

The regression coefficient for relationship marketing is 0.174. Thus we can infer that there exists a positive relationship between customer focused organizational climate and customer loyalty. Customer loyalty can be improved by changing the customer focused organizational climate.

**TABLE III**  
THE TABLE SHOWING MULTIPLE REGRESSION ANALYSIS BETWEEN CUSTOMER LOYALTY AND VARIABLES OF CUSTOMER FOCUSED ORGANIZATIONAL CLIMATE

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.580	5.765		-1.141	.257
	Customer friendly employees	.150	.235	.073	.636	.526
	Customer services	.041	.237	.027	.173	.863
	Simplicity of doing business	.0643	.209	.046	-3.080	.003

a. Dependent Variable: Customer Loyalty

Source: Survey data

In the table, the regression coefficient is highest for customer friendly employees with 0.073. So we can infer that customer loyalty can be improved by focusing more on inculcating customer friendly attitude in employees. Other variables also have a positive impact on customer loyalty.

## VII. MANAGERIAL IMPLICATIONS

The study revealed that customer focused organizational climate in Housing Finance Institutions have a greater impact on building customer loyalty. Findings of this study will help the Housing Finance Institutions to understand the customer perception about their organizational climate. It is evident from the study that customer friendly employees, customer services and simplicity of doing business with the organisation are important components of customer focused organizational climate and each of these components is significantly correlated with customer loyalty. Since the regression coefficient is high for customer friendly employees, we can improve customer loyalty by focusing on customer friendly attitude of employees of Housing Finance Institutions. The out come of this study will help the Housing Finance Institutions to formulate strategies concentrating on customer focused organizational climate of the organisation and can achieve competitive advantage over other Housing Finance Institutions. By this way, the Housing Finance Institutions can improve the level of their customer satisfaction and loyalty.

## VIII. SCOPE FOR FURTHER RESEARCH

This study was conducted giving importance to customer focused organisational climate and its components, such as customer friendly employees, customer services provided and simplicity of doing business with the Housing Finance Institutions. There are other factors like knowledge management; building customer trust; developing competence; commitment to customers; customer interaction and conflict handling, technological advancements; etc and their impact on customer loyalty can be studied while conducting studies in the future period of time. In this study, limited numbers of samples were taken in to consideration.

## IX. CONCLUSION

Organisational climate is of foremost importance in Housing Finance Institutions. To be successful, it is essential to have a customer focused organizational climate in every Housing Finance Institution. This study has pointed out the impact of customer focused organizational climate on the customer loyalty of selected Housing Finance Institutions of Kerala. The need to understand the customer perception about the Housing Finance Institution's organizational climate is revealed through this study. It is manifested through the study that, customer friendly employees, customer services provided and simplicity of doing business with the organisation would help the Housing Finance Institutions to create a customer focused organizational climate in their organisation and this in turn leads to providing expected services to customers and then to customer loyalty. The study will be useful for formulating strategies regarding customer focused organizational climate of Housing Finance Institutions.

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