

# Study of Relationship between Customer Focus and Organizational Performance in the Telecommunication Organizations of Pakistan

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## Abstract

Quality culture and performance of the organizations has become matter of concentration and interest for the researchers and practitioners from last few decades. The purpose of this study was to explore the relationship between quality culture and organizational performance with mediating effect of competitive advantage and moderating effect of human resource. It has been observed that telecommunication companies of Pakistan are facing tough contest and no empirical research has been known to be conducted in Pakistan within the context of quality culture, organizational performance with a mediating effect of competitive advantage and a moderating effect of human resource. The literature review has exposed seven characteristics of quality culture like; employee involvement, senior management leadership, effect of CEO, supplier partnership, customer focus, teamwork, and open corporate culture. 500 questionnaires were circulated in telecommunication companies and 250 received back of which 207 were valid. To examine the validity and reliability of data collected, different statistical techniques and tools have been applied like; Cronbach's alpha, factor analysis, Pearson correlation, and multiple regression. Results of these statistical techniques have revealed that there is positive and significant association between independent variable (quality culture) and dependent variable (organizational performance). Mediating variable (competitive advantage) also shown reliable connection but moderating variable (human resource) has not created optimistic results.

**Keywords:** Quality culture, customer focus, organizational performance, competitive advantage.

## INTRODUCTION

Customer focus is one of the most important factors in enhancement of performance of the organizations. Fuentes et al., (2006) stated that customer focus that in an organization's executing the major values of TQM, both actions and functions are planned and carry out with the propose of gathering the requirements of customers, which also decide their values. So there is need to measure service quality of these mobile and land-line companies and customers of these companies are satisfied with services provided. The conversion of set of inputs, which can consist of actions, methods and operations into the desired outputs, which assure the customer's requirements and expectations. ([www.dti.gov.uk/quality/tqm](http://www.dti.gov.uk/quality/tqm)). Exemplary customer service is one of the main distinguishing features for achieving competitive advantage (Kombo, 2013).

Arumugam and Mojtahedzadeh (2011) thought that at the moment gaining competition has become issue of knowing customer's desires, considering all this phenomena companies have recognized that the customers have become the preliminary point rather than the end point in any successful business. Chang (2009) pointed out that customer focus is the foundation law and idea of TQM because quality effort comes of customer's requirements and ends with customer's recognition. Top level managers essentially maintain premium relations with their bonafide customers. Usually, the intention of all the organizations must be accomplishment of doing business on the basis of well established parameters and that achievement is exposed through customer recognized supremacy of company's products and services (Paliska, Pavletic, & Sokovic, 2007).

It is very ordinary observation of customer focusing that customers always desire to use anything new as well as every next time, so according to this the telecommunication organizations must have innovative strategies about satisfaction of the customers. As customer's requirements and expectations change, organizations are required to constantly improve and manage their products and services (Santos et al., 1996). From results of this hypothesis and above discussion it could be concluded that customer focus has major influence in performance of telecommunication companies. The information collected from customers assist to map and categorize for future services of telecommunication organizations. Service quality can be defined as how best an organization assures the requirements of its customers, and how much customers become satisfied with telecommunication organization's service (Chakrabarty, 2006).

## LITERATURE REVIEW

Customer focus is a fundamental to the TQM philosophy of management for the continuous improvement of products and services of quality in order to achieve higher level of organizational performance and competitive advantage (Ashraf, Jaffri, Sharif, & Khan, 2012). Day by day the competition is increasing between telecommunication companies of Pakistan. Kuo et al., (2009) said that organizations depend on the creation of a quality culture of attaining the business intensity through satisfaction of the employees as well as customers and

the basic purpose of TQM is to gratifying the customers and is articulated by the organization's attempts to grasp current and forthcoming customer wants, and meet customer's necessities in the course of designing and delivering quality products and service.

Customers focused planning is the key contributor in improving the performance of an organization. At present, trend in telecommunication sector of Pakistan that is to spread out more and more business, but little concentration is paying on the customer focused strategies. Consequently by opening more branches, more is need to focus on customers. Said, Hui, Taylor, & Othman (2009) believed that total quality management (TQM), the significance of analyzing the queries and objections of customers, getting and loosing the customers, is one of the major perspective. The philosophy of TQM believes that eventual success of organizations to satisfying and fulfilling the requirements of their customers (Temtime, & Solomon, 2002). Not meeting the expectations of customers can devastate an organization (Ortner, 2000). At this moment, not only the organizations intend to satisfy and please their customers but they attempt to do this more efficiently and effectively than their competitors and in this competition to attain their goals (Azzam, 2014).

About the Malcolm Baldrige (National Quality Award). (Aurelis) The Malcolm Baldrige National quality award came into existence in 1987 under the supervision of Congress. This award can be awarded into following five categories; manufacturing, services, small business, education, and health care. This is the model, adopted by Baldrige award to understand overall system or to judge or criteria for the selection of Malcolm Baldrige National quality award, which is basically consist on main seven steps.

Organizations that win the award undergo with tough examination process in three stages. Stage one involves an independent interview by a team of 7 to 10 examiners. Stage two involves consensus scoring and identification of strengths and weaknesses for all seven categories. And stage three involves a week-long site visit by a team of examiners who work to verify processes and results and to clarify aspect of the organization's system for performance excellence. Basically there are three steps including in this process.

To provide higher service quality; telecommunication companies must examine the degree of customer's sensitivity and panorama towards service quality (Loke, Taiwo, Salim, & Downe, 2011). To communicate more appropriately with the customers, continuous interactions with the customers are necessary in order to continue with relationship building activities over the long term. All this whole mechanism needs new and latest ways of interaction with the customers in the form of email, SMS and high technology communication devices (Berndt, Herbst, & Roux, 2005). These are the following questions that will be asked in terms of customers (internal and external);

Who are my customers?

What are their true needs and expectations?

How do or can, I find out what these are?

How can I measure my ability to meet their needs and expectations?

Do I have the capability to meet their needs and expectations?

Do I continually meet their needs and expectations?

How do I monitor changes in their needs and expectations? ([www.dti.gov.uk/quality/tqm](http://www.dti.gov.uk/quality/tqm)).

### **Organizational performance: the dependent variable**

Organizational performance has been the most essential concern for every organization. It has been extremely important for managers to be acquainted with; which aspects influence the performance of organizations in order to take proper steps to initiate them (Abu-Jarad et al., 2010). Basically there are different factors which affect the performance of a particular organization. Mostly it is found in Pakistani telecommunication organization, there exists bureaucratic way of managing the employees due to which performance of an organizations is lacking behind. The capability of organizations to utilize it human resources professionally contribute towards attaining it objectives and better organizational performance (Draft, 2000). Causes of failure of quality culture is bureau-tic way of managing the organizations and other factors are leadership styles, power centralization, resistance to change, inter departmental conflicts and behavioral problems (Khan, 2006).

### **METHODOLOGY**

Validity can be evaluated through content and construct validity. Again construct validity analyzed through convergent and discriminant validity. Convergent validity used factor analysis technique and discriminate validity was measured through pairwise correlation. The research methodology means the research procedure; an approach to proceed for solves a specific problem (Leedy, 1993).

### **Extent of researcher interference with the study**

The researcher had minimal interference with the employees of particular organizations. The only interest of researcher was, the participants fill the questionnaires of his thesis, other than this there was not any other interest and interference by researcher.

### Unit of analysis

According to Sekaran & Bougie (2010) the level of accumulation of data collected throughout later data analysis stage is called the unit of analysis. When the population is very large and spread over very large areas and the researcher does not has access to cover all the population then the researcher uses the sample technique. In which the researcher takes some percentage of whole population by using the sampling technique, the researcher also has economical advantages in many ways. The unit of analysis in this study will be the individuals.

### Data collection method and tool

In this study the tool for data collection, the questionnaire has been used. The questionnaire has been divided into two major sections. First section consists on demographic and personal information about individuals. Open ended questions have the demerit of quantifying the responses. Some problems and topics are posed by open-ended response questions and answers are asked to answer in his or her own words, conferred (Zikmund, 2003). According to Sekaran & Bougie (2010) a questionnaire is a set of questions to collect data form respondents by giving them certain options to choose, that helps in defining the variables of interest at the analysis stage. Some open ended questions were also included at later stage excluded because respondents were not interested to fill.

Second section consists on 5-point likert scale and includes the questions regarding to two main frameworks of study i.e. quality culture and organizational performance. On the basis of extensive study of these two frameworks two more variables are added i.e. human resource (HR) and competitive advantage (CA). The questions were also included related to human resource and competitive advantage in the end of second stage. As by Sekaran and Bougie (2010) online surveys are administered more easily using the advanced computer technologies. Some questioners were also sent through an email in different cities, where personal approach was not possible.

### Analysis method

For analyzing the data, the SPSS 18 (version) has been used.

### Targeted population

It refers to a group of elements of interest used in inferential process. The specific group of people, events or things of concern from which the researcher wants to get some result is labeled as targeted population (Sekaran & Bougie, 2010). Population for this research is telecommunication companies of Pakistan which includes 5 mobile companies and 2 land-line companies. 5 mobile companies are Mobilink, Ufone, Telenor, Zong and Warid as well as 2 land line companies are PTCL (Pakistan Telecommunication Company limited) and SCO. All the mobile companies belong to private sector and SCO belongs to Government of Pakistan working under the supervision of Ministry of Information Technology (IT) and functioning in northern areas especially in Kashmir and Gilgit Baltistan. Where PTCL was initially government owned but some years back it was purchased by group of Abu-Dubai. Now PTCL has also belongs to private sector of Pakistan. All the 500 questionnaires were distributed to respondents by hand by visiting their head and sub offices. For researcher, where personal visits were impossible on those locations of relevant organizations, the questionnaires were sent through email.

### Sampling method

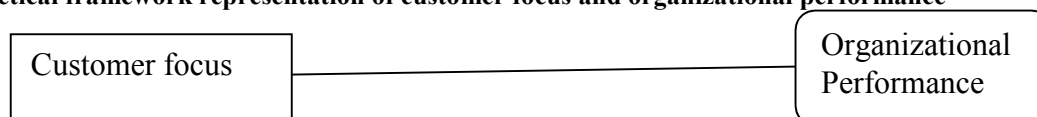
In this study convenience sampling technique was adopted. It is very easy and convenient way for data collection. Convenience sampling is obtaining by group of people who are mostly and easily accessible (Zikmund, 2003).

### Framework of the study

#### Customer focus and organizational performance

Through extensive study of literature review of customer focus and organizational performance, customer focus has been taken as independent variable and organizational performance has been taken as dependent variable. In the figure given below, theoretical framework had been illustrated.

#### Theoretical framework representation of customer focus and organizational performance



### Hypothesis development

H1: Organizational performance increases as a result of increase in customer focus.

H0: Organizational performance does not increase as a result of increase in customer focus.

## DATA ANALYSIS

Table

*Results of factor analysis of customer focus*

Items code	Items	Factor components	
		Factor 1	Factor 2
CF1	The customer requirements are considered as the basis for quality and innovation	.802	-
CF2	Your company actively seeks ways to improve the primary product (or services) in order to achieve greater customer satisfaction	.875	-
CF3	Most employees realize that the real purpose of their existence is “service to customers”	.830	-
CF4	The service of your organization is reliable, responsive and empathetic to customers	.805	-
CF5	Our company collects extensive complaints information from customers	Exclude	-
CF6	Our company conducts a customer satisfaction survey every year	Exclude	-
CF7	Our company always conducts market research for collecting suggestions for improving our products	.647	-
CF8	Our company has develop a program to maintain good customer communications	Exclude	-
CF9	Quality-related customers complaints are treated with top priority	.710	-
CF10	The sold products (or services) are provided with warranty	Exclude	-

The factors have been rotated and extracted at once to improve the values of the components with varimax using Kaiser normalization and communalities are revealing the proportion of variance that a factor in contributing in the explanation of specific variable. The output of KMO test is 0.869 which is exceptionally good and Bartlett’s test is also significant at 0.000, which fulfills the requirements of factor analysis.

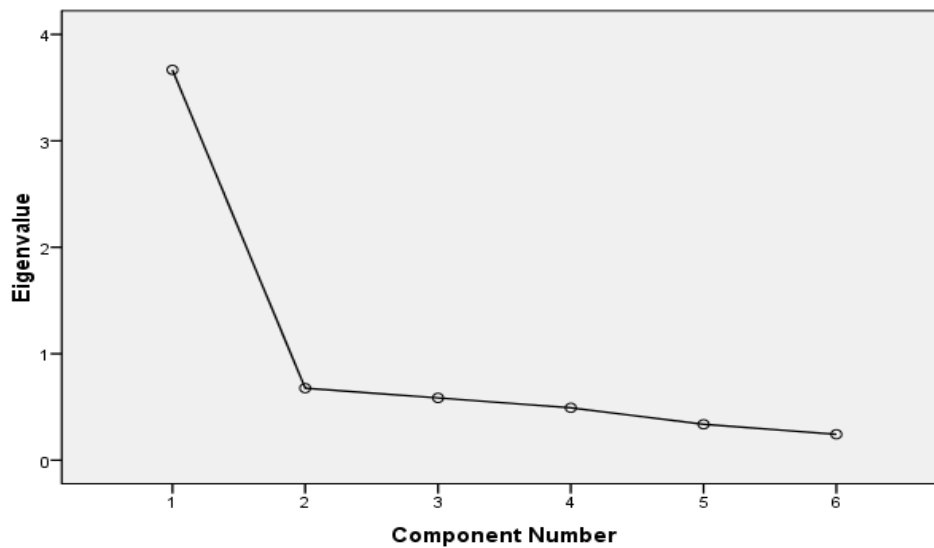
Table

*CF total variance explained*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.667	61.124	61.124	3.667	61.124	61.124
2	.676	11.272	72.396			
3	.585	9.746	82.142			
4	.492	8.197	90.339			
5	.337	5.614	95.954			
6	.243	4.046	100.000			

In this case only eigenvalue 3.667 taken for cumulative variance 61.124, which is above from acceptable range.

**Scree Plot**



Figure

*Scree plot of customer focus*

## HYPOTHESIS TESTING

### Effect of customer focus on organizational performance

#### Analysis of prerequisites

All the prerequisites for regression analysis have been calculated. To fulfill the requirements of these prerequisites Durbin-Watson and Levenes tests have been performed. The value of Durbin-Watson test is 1.663 which is in the acceptable range. In this hypothesis the tolerance value is 1 and variance inflation factor (VIF) is also 1, which means results are within the ranges and there is no multicollinearity.

Table

*Customer focus correlations*

		OP	CF
Pearson Correlation	OP	1.000	.739
	CF	.739	1.000

N=207, Significant at \*p<0.05, \*\*p<0.01level (1-tailed)

Predictor: Customer Focus (CF)

Dependent Variable: Organizational Performance (OP)

The correlation between customer focus and organizational performance was calculated, which was also found to be positive and significant ( $r = 0.739$ ,  $p < 0.01$ ,  $N = 207$ ), where 1% probability the correlation caused by chance (Table 5-35). The independent variable (customer focus) was regressed by the dependent variable (organizational performance) and regression coefficient was found to be 0.739, which is significant at  $p < 0.01$  as well. The value of R square changed 0.547 indicates that almost 55% variance in organizational performance is explained by customer focus. Customer focus explained 51.827 significant variance in the organizational performance and 43.006 considered as unexplained variance Based on the regression analysis the regression equation for this relationship is estimated as under:

#### Equation

*Relationship between customer focus and organizational performance*

$$OP = 0.990 + 0.630 (CF)$$

Table  
*Customer focus coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.990	.098		10.141	.000
CF_AFA	.630	.040	.739	15.718	.000

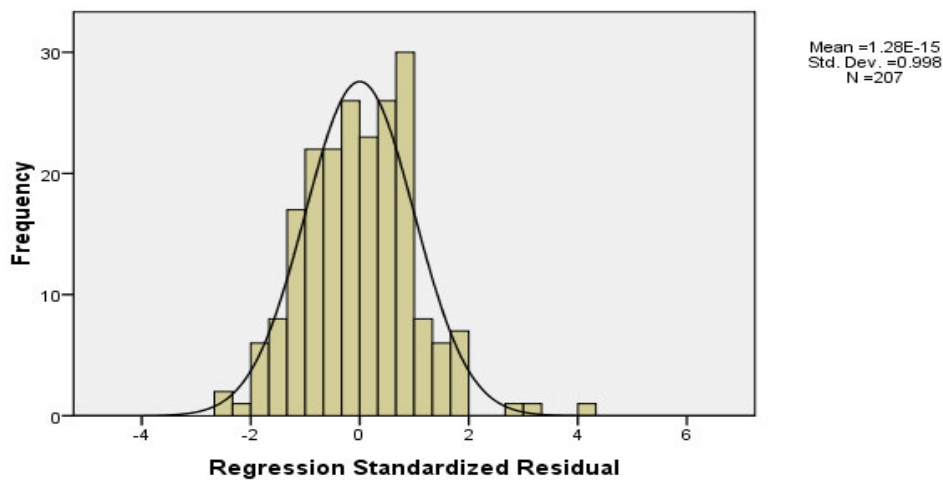
Predictor: Customer Focus (CF)

Dependent Variable: Organizational Performance (OP)

Model Summary:  $R = 0.739$ ,  $R^2 = 0.547$ ,  $Adj. R^2 = 0.544$ ,  $\Delta R^2 = 0.547$ ,  $S.E. = 0.458$ ,  
 $F(1, 205) = 247.049$ ,  $p < 0.000$

The  $\beta$  (beta) value of 0.739 indicated that contribution of customer focus in explaining organizational performance which is also significant at  $p < 0.01$  (Table 5-36). These all results shown that customer focus has positively and significantly related to the organizational performance. The results signifying that customer focus has better impact on the performance of telecommunication companies and telecommunication companies can obtain magnificent advantages by focusing on this dimension. These findings clearly representing that customer focus has positive and significant affect on telecommunication companies.

**Dependent Variable: OP**

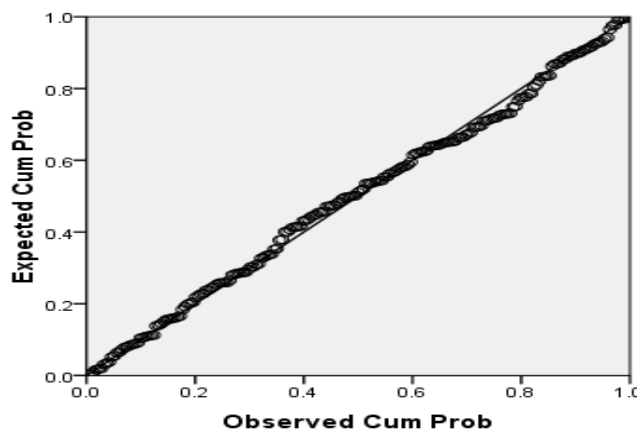


Figure

*Graphical representation*

**Normal P-P Plot of Regression Standardized Residual**

**Dependent Variable: OP**



Figure

*P-P plot*

## RESULTS AND DISCUSSIONS

This hypothesis of customer focus and performance of telecommunication companies supported with positive results and explored that customer focus had good contribution in the performance of the telecommunication organizations. The results represented that an overall significant model ( $R=0.739$ ,  $\Delta R^2 = 0.547$ ,  $F(1,205) = 247.049$ ,  $p<0.01$ ). The results also indicated that customer focus could result into 63.0% incremental change in performance of telecommunication companies as a result of 1% change in customer focus.

This is the most fundamental facet of the quality culture to increase the performance of telecommunication companies as well as to achieve competitive edge. The needs of customers and their satisfaction have always to be kept in mind by all employees and top management. It is compulsory to identify these needs and their level of satisfaction. If telecommunication organizations have huge number of potential customers then organization make strong and superior position in the market. The set of beliefs and behaviors practiced by the employees that must be translated into organizational activities and these are reflected on the finish product and services consequently felt by the customers (Riwo-Abudho, Njanja, & Ochieng, 2013).

There is demanding job for HR departments that how to deal with cultural discrepancies. Telecommunication organizations considered customer satisfaction as individual's observations about products and services. The organization should need to match customer's expectations with their satisfaction. The results shown that customer focus contributed almost 74% in the improvement and enhancement of performance of telecommunication companies of Pakistan and results also confirmed that customer focus has great influence in determining the performance of telecommunication companies. Pleasure the customer's should be key focus of telecommunication organizations keeping in the vision of these customer focused strategies, customer relationship management (CRM) has evolved in management philosophy in which organization construct and retain good relations with their customers. Customers evaluate quality based on following characteristics like tangible, reliability, responsiveness, assurance and empathy (Green, Chakrabarty, & Whitten, 2007). The employees must be skilled how to convince their customers and to sort out their tribulations of customers must be considered as organizational internal problems. Because if on one occasion customer will become disgruntled, then it will be very intricate to retain the bona-fide customers. Durable and strong relations with customers are considered as valuable foundation which could lead towards competitive advantage; these relationships must be manage and sustained carefully (Jouali, & Chakor, 2013).

This study also proved that by focusing customer's needs and increasing the culture of responsive customer service within the telecommunication organizations, top-management can improve customer loyalty this guarantee survival of telecommunication organizations. It is important that top managers inquire how each bit of information can effect in developments. Set up a means for ensuring that customer persuade diplomacy and collected information considered as key performance indicator. Companies who are able to respond and react to unpredictable and changeable marketplace permanently fulfill customers demand and gain enterprise's goals are considered to be agile (Ebrahimpour, Salarifar, & Asiaei, 2012). This will help to telecommunication organizations to retain and acquire customers and lastly, top level management should develop channels to interact with the customers. When telecommunication organizations get to distinguish which customers are beneficial and which ones that might turn into advantageous in future. The needs and demands of customers are changing more rapidly than ever before. The customers are most at threat when they judge their explicit expectations are not being met. To stay in this competition, telecommunication organizations need to produce continuous valuable things for their customers (Ahmad, Shahzad, Waheed, & Khan, 2014).

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