

## HOW EMPLOYEE TRUSTWORTHY BEHAVIORS INTERACT TO EMOTIONALLY BOND SERVICE CUSTOMERS

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### ABSTRACT

Customer relationship management (CRM) vendors have created hardware and software solutions which allow firms to better capture information and activities that help manage the firm-customer relationship. However, there is growing recognition that CRM involves more than the implementation of sophisticated technology and also requires a deeper understanding of firm processes and capabilities. The present study contributes to relational marketing research by exploring the integration of subprocesses critical to high quality business-to-business relationships. Specifically, we examine the interaction of front-line employee behaviors that influence customer satisfaction and affective commitment. Survey data from 103 business bank customers was analyzed with hierarchical regression analysis. Results find that the perception of employee benevolence interacts with perceptions associated with employee problem solving to moderate the relationship between employee problem solving and bank customer satisfaction. Specifically, when perceived employee benevolence is high, employee problem solving has a strong positive effect on bank customer satisfaction. Further, consistent with predictions, customer satisfaction mediates the effect of employee behavior on bank customer affective commitment. Conceptual and managerial implications for strategically bonding customers are discussed.

### INTRODUCTION

Over the last twenty years, there has been a strong and growing interest in the concept of relationship marketing. The dynamics of today's business environment have resulted in diverse organizations across a host of service industries attempting to strengthen their understanding and operationalization of firm-customer relationships (Boulding et al. 2005; Ndubisi 2007). For example, in the financial services industry, increasing customer sophistication due to

information availability, rising expectations, increasing competitor activity to influence customer switching, and technology integration in service processes have made the provision and delivery of services with a customer relationship focus particularly challenging (Lewis and Soureli 2006).

Customer relationship management (CRM) vendors in attempting to capitalize on these issues have created hardware and software solutions which allow firms to better manage the capture of information and activities that comprise the management of the firm-customer relationship. CRM implementation has been linked to customer satisfaction, retention, and profitability (Ryals 2005; Srinivasan and Moorman 2005; Jayachandran et al. 2005). While this trend has clearly led to the development of proven CRM practices that enhance service firm performance, there is growing recognition that CRM involves more than the implementation of sophisticated technology and also includes the deeper understanding of the CRM-service firm "fit," more specifically, how CRM is integrated with firm processes and capabilities (Boulding et al. 2005).

The present study contributes to relational marketing research by exploring the integration of subprocesses critical to high quality business-to-business relationships. While there is recognition that front-line employees can play a significant role in CRM processes, there is much to be learned about how services can better utilize these critical resources in creating emotionally bonded customers.

Specifically, we examine front-line employee behaviors that work through customer satisfaction and influence affective commitment for business bank customers. This research was conceived to address imperatives identified by satisfaction researchers which hold implications for better CRM outcomes. As noted in the Twenty-Fifth Anniversary Edition of the *Journal of Consumer Satisfaction/Dissatisfaction & Complaining Behavior*, there is a need for

researchers to better bridge the researcher-manager “gap” as well as address intervening variables particularly those emotionally-related variables such as social bonding and commitment (Davidow 2012). Further, Perkins (2012) notes the need for more realistic samples as opposed to the overreliance on student samples.

To these ends this research was developed with a regional bank’s management team who is interested in developing actionable research results to drive a strategy based on high value customer service as opposed to price-based competition. We examine moderating and mediating relationships associated with employee behaviors (problem solving and benevolence) which are susceptible to managerial intervention as a means of emotionally bonding business customers beyond satisfaction. Lastly, we utilize respondents who represent business customers of banks, an underrepresented sector for service research.

#### FINANCIAL SERVICES, CRM, AND RELATIONSHIP MARKETING

The financial services sector has seen dramatic changes consisting of deregulation and intense competition. Many banks, in an attempt to increase customer retention and loyalty have introduced new products and services (Meidan 1996). However, such innovations are often easy to imitate and do not contribute to long-term competitive advantage and, as a result, have spawned calls for bank strategies to focus on less tangible, less easy to imitate aspects of services (Bloemer et al. 1998). Paralleling this recognition in financial services is the broader conceptualization of CRM to encompass not only implementation of specific technology applications but the more holistic approach of managing relationships as part of value creation (Payne and Frow 2005). Work by Jayachandran and colleagues (2005) reinforce this perspective as their research showed that companies with good relational processes obtained good performance. As such, Boulding and colleagues (2005) conclude that given the importance of the integration of relational processes and subprocesses to CRM success, future CRM research should focus on examining the behavior and interaction of critical processes (or subprocesses). Consistent with this view is the new Service-Dominant logic that is grounded in the notion of collaborative processes where exchange partners engage in co-creation of value through reciprocal resource

integration (Lusch et al. 2007). Thus, this form of co-creation implies interactively doing things *with* the customer rather than doing things *to* the customer and is closely related to conceptions of “value-in-use” and “customer experience” (Lusch et al. 2007).

The cornerstone of relational processes is where service employees interact with customers. As a consequence, the very embodiment of relational marketing is when employees exhibit customer-oriented behaviors (Brady and Cronin 2001). This is particularly critical in service environments characterized by intangibility and inseparability where employee behavior is one of the most conspicuously experienced facets of the service (Mahajan et al.1994; Webster 1988). The service literature is strong with its pronouncement that front-line employees largely determine customer perceptions of their service experience (Brady and Cronin 2001; Babin and Boles 1998).

#### FRONT-LINE EMPLOYEE BEHAVIOR AND CUSTOMER SATISFACTION AND AFFECTIVE COMMITMENT

The evaluation of service is inextricably tied to the front-line employees that customers interact with in service encounters (Gronroos 1990). Indeed, the behaviors of employees can impact customers' assessment of the quality of such a service (Bitner et al. 1990; Wall and Berry 2007). Hartline and Ferrell (1996) suggest that the employee-customer relationship is the most important determinant of service quality. Beyond impacting service quality, perceptions of service employees have also been found to impact customer satisfaction, customer commitment to the firm, and customer retention and as such are key drivers of a firm's success (Hennig-Thurau, 2004). What specific employee behaviors play a role in important relational outcomes?

Gummesson (1987) identified two dimensions of firm-customer relationships – professional relations and social relations. Professional relations consist of the technical competence of the provider while social relations capture the nature of the social interaction with the provider. Similarly, Hennig-Thurau (2004) conceptualizes the skill dimensions of the customer orientation of service employees to include technical and social skills. Among employees' skills, social skills were found to have the strongest influence on satisfaction and commitment.

The dimensions of service quality also appear to coalesce around these “technical” and “social” aspects of service personnel as they include: reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1988). With respect to banking services, such service quality dimensions as competence and responsiveness, competence and customer-orientedness, and reliability and the service interaction have been identified and their relationship to satisfaction explored (Rai 2009; Pal and Choudhury 2009; Arora et al. 2011).

Through an integration of agency theory that views relational exchanges as interactions between principals and agents and trust perspectives that incorporate psychological approaches to relationships, Singh and Sirdeshmukh (2000) posit differential effects for two dimensions of trust - competence and benevolence - in influencing satisfaction and loyalty in relational encounters. Finally, the Service-Dominant logic (Lusch et al. 2007) posits dynamic resources such as skills and knowledge acting in combination with other resources (often in complementary fashion) to produce not only tangible but experiential benefits for a relational partner. Lusch et al. (2007) note the importance of a particular competence - collaborative competence - given the integrative nature of service provision and the need to learn and adapt in dynamic environments.

Based on the conceptualizations outlined above as well as the context of our research, business customers of banks, we focused on front-line employee behaviors that relate to more “technical” and “social” aspects of relational exchange. We use the employee problem solving and benevolence dimensions identified by Sirdeshmukh et al.’s (2002) dimensions of “trustworthy behaviors” of employees in their work addressing trust, value, and loyalty in service industries. These dimensions are behavioral in nature and serve to operationalize (externalize) underlying employee orientation toward the consumer. It is recognized that conceptions of trust in the literature have included such dimensions as ability, competence, problem solving, integrity, and benevolence. In consultation with management of the focal bank, employee problem solving and benevolence were deemed most critical in servicing small business customers. Customer perceptions of employee problem solving relate to employee ability to anticipate and resolve problems that may arise during and after service exchanges. Problem solving was viewed as more appropriate for capturing

“technical” employee behavior rather than competence or ability dimensions given small business customer dependence on banks for not only external funding but business advisory services as well. Given the nature of small business customers’ needs and related banking services, problems inevitably arise over the course of interactions. For example, credit availability and terms –loan interest rates and collateral requirements, in addition to advisory services related to planning, marketing, and operations all require an iterative process of reciprocal information and expertise sharing in order to develop unique problem solutions (Berger and Udell 2002; Goland et al. 2013). The work of Sirdeshmukh and colleagues (2002) among others support the notion that problem solving behaviors are a unique aspect of service relational exchanges. Indeed, lack of responsiveness of service personnel in addressing problems during service delivery is a major cause of dissatisfaction (Hart et al. 1990).

Customer perceptions of employee benevolence recognize employee willingness to honor the consumer’s interest. Front-line personnel behavior that demonstrate they have the consumer’s best interest at heart has been found to be a major determinant of consumer trust in the service provider (Hess 1995) and future investment in the relationship (Smith and Barclay 1997). In the bank-small business relationship, the concept of relationship lending, where interactions involve not only the use of “hard” data but are also supplemented with “soft” information based on the quality of the relationship, play an important role in value-creating exchanges (Berger and Udell 2002). When customers perceive that employees are benevolent, that is, employees respect and value them and are concerned with their needs, this may lead to a particular class of relational outcomes akin to interpersonal bonds (Celuch et al. 2015).

While research supports the potential utility of assessing front-line employee trustworthy behaviors in service industries (Sirdeshmukh et al. 2002) and banking contexts in particular (Shainessh 2012), questions remain about the nature of their influence on important relational outcomes. Specifically, what is the role of employee problem solving and benevolence in influencing satisfaction and commitment?

Dirks and Ferrin (2001) highlight many studies that have examined the role of trust (or aspects of trust) as a mediator of relational

antecedents and outcomes. For example, Caceres and Paparoidamis (2007) and Kantzperger and Kunz (2010) suggest trust (dimensions) mediate the relationship between satisfaction and loyalty. However, earlier work by Singh and Sirdeshmukh (2000) suggest that trust dimensions (competence and benevolence) can operate both pre-purchase and post-purchase and as mediators and moderators. In their conception, depending on the nature of the research question, aspects of trust can be viewed as important antecedents of satisfaction and/or viewed as important antecedents of loyalty. Overall, owing to the salience of trust in relational exchanges, they view the role of trust as more complex than previously recognized.

Given that trust has been typically treated as a mediator in most studies, Singh and Sirdeshmukh (2000) and Dirks and Ferrin (2001) raise the possibility that trust (aspects) may play a role as a moderator in relational processes. If this is true, aspects of trust may alter the way we think about relationships among antecedents of satisfaction, commitment and other relational outcomes. Further, the work of Scheer (2012) in business-to-business contexts specifically raises the issue that facets of trust might interact to affect relational dynamics. Specifically, of relevance to the present research, she posits that aspects of partner trust (integrity, benevolence, and competence) interact to influence intermediate relational outcomes.

Based on the foregoing discussion, we propose that within the context of banking services for business customers, customer perceptions of employee problem solving will be positively related to customer satisfaction. However, the relationship between problem solving and satisfaction should be stronger when perceptions of employee benevolence are higher. Bank employee problem solving that occurs in dealing with business customers are likely to be viewed by customers as an expected requirement of the job or part of the core service and therefore based on the bank's self-interest to keep their business. In contrast, the employee expression of benevolence (caring) is likely to be viewed by customers as "above and beyond" business requirements. It is associated with how the service is delivered and more of an expression of the bank's concern with the customer's interests. When these "above and beyond" benevolence perceptions are combined with the required problem solving or the core service associated with business banking, the

evaluation of the service should be enhanced. Thus, it is not the main effects of problem solving and/or benevolence that are important in understanding satisfaction but their combined effect. We formally hypothesize that:

H1: Customer perceptions of employee problem solving will interact with (be moderated by) customer perceptions of employee benevolence to influence customer satisfaction (such that the impact of employee problem solving on satisfaction will be stronger when employee benevolence is higher).

Customer satisfaction is a good starting point for building service loyalty. However, it does not guarantee it, as satisfied customers will switch banks (Nordman 2004). Indeed, Salegna and Goodwin (2005) conceive of repeat purchase behavior, satisfaction, and emotional commitment to collectively embody loyalty to a service provider. Thus, it is important that relational marketing efforts link customer satisfaction to affective commitment as this would implicate satisfaction in the creation of truly loyal customers.

Given that the goal of relationship marketing is to create mutually beneficial exchanges and interactions that bond the customer to a firm, companies desire true loyalty behaviors that include exclusive purchasing behavior (Liu 2007) where the company not only gets all of the customer's business but also referral behavior (Dean 2007). These loyalty behaviors are the type motivated not by constraints or habit but by emotional bonds formed between the company (or its representatives) and the customer (e.g., Zhang and Bloemer 2008; Wang 2002; Dean 2007). The bonds that unite buyer and seller together are the foundation of relationship marketing (Roberts, Varkie, and Brodie 2003). The emotional bond is a necessary element for sustainable relational exchanges (Wu 2011). This bond is manifested by affective commitment, which is defined as a customer's attachment to or identification with an organization (Auh, Bell, McLeod, and Shih 2007, p. 362; Meyer and Allen 1991). Johnson et al. (2001), in work on the National Consumer Satisfaction Index, found that satisfaction had a large effect on affective commitment across a number of services including banks. So, if satisfaction is a linking mechanism to affective commitment, exactly what and how does it serve to link relational antecedents to affective commitment?

We propose that within the context of banking services for business customers, owing to the salience of front-line employee behaviors in relationship development and maintenance, the interaction of employee problem solving and benevolence behaviors should work through customer satisfaction to positively influence affective commitment, the very foundation of true loyalty. Therefore, we hypothesize that:

H2: The interaction of perceived employee problem solving and benevolence will work through (be mediated by) satisfaction to influence customer affective commitment (please refer to Figure 1).

## METHOD

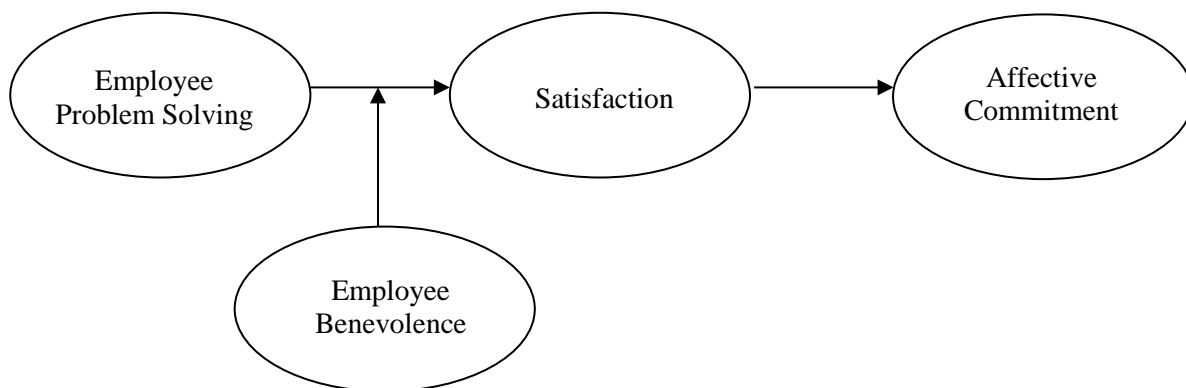
### Sample and Procedure

The sampling frame was small businesses within a 50 mile geographic radius of a mid-sized Midwestern city. We used the Small Business Administration's classification of firms with fewer than 500 full-time employees to represent small businesses. First, we included all 160 of the focal bank's small business customers. Next, to increase the geographic representation and generalizability of the sample, we identified approximately 3,500 potential firms that

were not customers of the bank from available local data bases. We excluded banks and firms with more than 500 employees and further eliminated any firms for which we could not identify a current contact individual as the owner or manager. As a result, this list was parsed to approximately 2,400 contact individuals. The final non-customer sample was selected by choosing every third contact on the list until a total of 800 was reached.

Potential participants were mailed a survey form and a postage paid reply envelope. A total of 103 usable responses were received for a response rate of approximately 11%. This response rate was consistent across customer and noncustomer samples. The response rate is consistent with response rates in the business-to-business sector with no pre-notification or follow-up contact. As a check for non-response bias, mean scores for the constructs under investigation in this study were compared for early vs. later respondents. No differences were observed across groups on any of the four constructs examined in this study (*p*-values ranged from .51 to .77). All respondents were offered the option to receive a summary of the research findings upon completion of the survey.

FIGURE 1  
HYPOTHESIZED MODERATING AND MEDIATING RELATIONSHIPS



Most respondents were middle aged business persons with 55% between the ages of 51 and 65 years old and 24% between the ages of 36 and 50 years old. Respondents represented small businesses with most (44%) reporting less than 10 employees and 40% reporting between 10 and 50 employees. Firms tended to fall into three business categories: services, retail, and construction. In general, these small businesses had “stood the test of time” and had been in operation for at least 4 years. Approximately 15% of the small businesses had worked with their bank for less than 5 years with another 35% having been a customer of their bank between 5 and 10 years.

## Measures

The questionnaire included measures of customer perceptions related to employee problem solving and employee benevolence, satisfaction with the bank, and affective commitment to the bank, and demographic descriptors. All measures were developed from a review of relevant literature in addition to addressing practical considerations in consultation with the focal client bank (i.e., tradeoffs regarding survey content, item wording, survey length, etc.) as they had direct knowledge of the industry. Table 1 includes a complete description of construct items.

**TABLE 1**  
**RESULTS OF CONVERGENT AND DISCRIMINANT ANALYSIS**

Constructs and Items	Standardized Coefficient
<b>Employee Problem Solving</b> ( <i>scaled: strongly disagree/strongly agree</i> ) <i>Cronbach's Alpha = .92; composite reliability = .93; AVE = .81</i>	
In general, my bank's employees...	
Take care of any kind of problem without hesitating	.83
Appear approachable and eager to help customers and each other.	.94
Go out of their way to help customers.	.93
<b>Employee Benevolence</b> ( <i>scaled: strongly disagree/strongly agree</i> ) <i>Items correlation = .87</i>	
In general, my bank's employees...	
Show concern for customers' specific needs.	.91
Treat customers with respect.	.96
<b>Satisfaction</b> ( <i>scaled: strongly disagree/strongly agree</i> ) <i>Items correlation = .57</i>	
As compared to other banking alternatives...	
I am satisfied with the services I receive as a customer.	.89
I am satisfied with the convenience of my bank.	.46
<b>Affective Commitment</b> ( <i>scaled: strongly disagree/strongly agree</i> ) <i>Cronbach's Alpha = .94; composite reliability = .93; AVE = .69</i>	
Overall...	
I am proud to be associated with my bank.	.92
I enjoy discussing my bank with people outside of it.	.85
I really care about the fate of my bank.	.84
My values are similar to my bank's values.	.82
If something went wrong, I would give my bank another chance.	.65
I really care about my bank's long term success.	.83
I plan to remain a customer because I feel connected to my bank.	.91

Note: All standardized coefficients are significant at  $p < .05$ .

*Perceived employee behavior – problem solving and benevolence.* Employee behavior assessed customer perceptions relating to the extent that the employees of the bank engaged in certain behaviors. The problem solving construct was made up of three, seven-point items relating to employee responsiveness and helpfulness in problem solving. The benevolence construct was made up of two, seven-point items assessing employees showing concern for and treating customers with respect. These measures were adapted from Sirdeshmukh, Singh, and Sabol's (2002) dimensions of "trustworthy behaviors" of employees.

*Perceived satisfaction and affective commitment.* Satisfaction consisted of two seven-point items assessing customer satisfaction with the bank's services and convenience. Beyond aspects of services such as competence and assurance, convenience has been identified as a critical importance of bank services (Lewis 1991; Manrai and Manrai 2007; Kumar et al. 2010). This is particularly relevant for small business customers of banks who value convenience in location and operating hours in their banks as transactions are typically face-to-face in nature. Further, convenience (extended hours on a Saturday) could act as a signaling mechanism that the bank is customer-oriented. Following the work of Levesque, et al. (1996) we also utilize a measure of general satisfaction to capture an evaluation based on multiple interactions. Affective commitment assessed customer feelings for and emotional attachment to the bank, with measures adapted from Garbarino and Johnson (1999) and Verhoef (2003). The construct was made up of seven, seven-point

items, relating to a customer's pride, caring, attachment, and values similarity to their bank.

## RESULTS

The purpose of this study is to test for mediated moderation; that is, that the effect of employee problem solving varies across levels of employee benevolence to influence affective commitment and that the effect is mediated by satisfaction. As a precursor to analyses, reliability, convergent validity, and discriminant validity were assessed for all multi-item measures. For multi-item measures (including three or more items), reliabilities (Cronbach's Alpha and composite reliability) were above .90 and average variance extracted (AVE's) were above .60 which are greater than recommended thresholds (Fornell and Larcker 1981). Note that benevolence and satisfaction are two item measures with items correlated at .87 and .57, respectively. Confirmatory factor analysis (AMOS 18) also supports the convergent validity of measures as observed indicators were all statistically significant ( $p < .05$ ) for their corresponding factors. Measurement model fit statistics  $\chi^2(67) = 118.36$ ,  $p < .01$ , NNFI = .92, CFI = .97, RMSEA = .08 suggest that the observed indicators are representative of constructs with the combination of NNFI, CFI, and RMSEA consistent with fit index standards recommended for good fitting models (Bagozzi and Yi 2012), particularly for small sample sizes with a small number of observed variables (Hu and Bentler 1999; Hair et al. 2006). Table 1 presents reliabilities and results of convergent and discriminant analysis for measures used in this study.

TABLE 2  
DESCRIPTIVE STATISTICS AND CORRELATIONS FOR CONSTRUCTS

	Mean	Standard Deviation	X1	X2	X3	X4
X1 Problem Solving	5.8	1.10				
X2 Benevolence	6.0	1.09	.88**			
X3 Satisfaction	5.9	1.07	.57**	.61**		
X4 Affective Commitment	5.4	1.33	.73**	.75**	.61**	

\*\* Correlation is significant at the .01 level.

With respect to discriminant validity, the amount of variance extracted for each construct is greater than the squared correlation between constructs except for one instance – the squared correlation between employee problem solving and benevolence which is not surprising given that they are components of employee trustworthy behavior. Overall, these results provide support for the discriminant validity of the construct measures (Fornell and Larcker 1981). Summated scores of the multi-item scales were used to address the research hypotheses. Table 2 provides the means, standard deviations, and correlations.

Hierarchical regression analysis, involving a series of models increasing in complexity, was used as a means of testing the hypothesized moderating and mediating relationships (Cohen and Cohen 1983). In the first series of models, to test the moderating effect of benevolence, problem solving, problem solving and benevolence, and finally problem solving, benevolence, and the interaction term (problem solving x benevolence) are entered as predictors of satisfaction. To test for mediation, these same series of variables are entered predicting affective commitment. Finally, for the last model, satisfaction is entered as an additional predictor of affective commitment.

**TABLE 3**  
**HIERARCHICAL REGRESSION ANALYSES TESTING THE MODERATING EFFECT OF BENEVOLENCE AND THE MEDIATING EFFECT OF SATISFACTION ON PROBLEM SOLVING AND AFFECTIVE COMMITMENT**

	Standardized Coefficient	Adjusted R <sup>2</sup>	R <sup>2</sup> Change	VIF
<b><u>Moderation Test Predicting Satisfaction</u></b>				
<b><u>(step and variables)</u></b>				
Problem Solving	.55**	.30**		
Problem Solving	.08			
Benevolence	.52**	.35**	.05**	4.93
Problem Solving	-.76*			
Benevolence	-.07			
Problem Solving X Benevolence	1.42*	.39**	.04*	57.01
<b><u>Mediation Test Predicting Affective Commitment</u></b>				
<b><u>(step and variables)</u></b>				
Problem Solving	-.26			
Benevolence	.05			
Problem Solving X Benevolence	.95*	.55**		57.01
Problem Solving	-.08			
Benevolence	.07			
Problem Solving X Benevolence	.60			
Satisfaction	.24**	.59**	.04*	1.63

Note: \* p < .05; \*\* p < .01



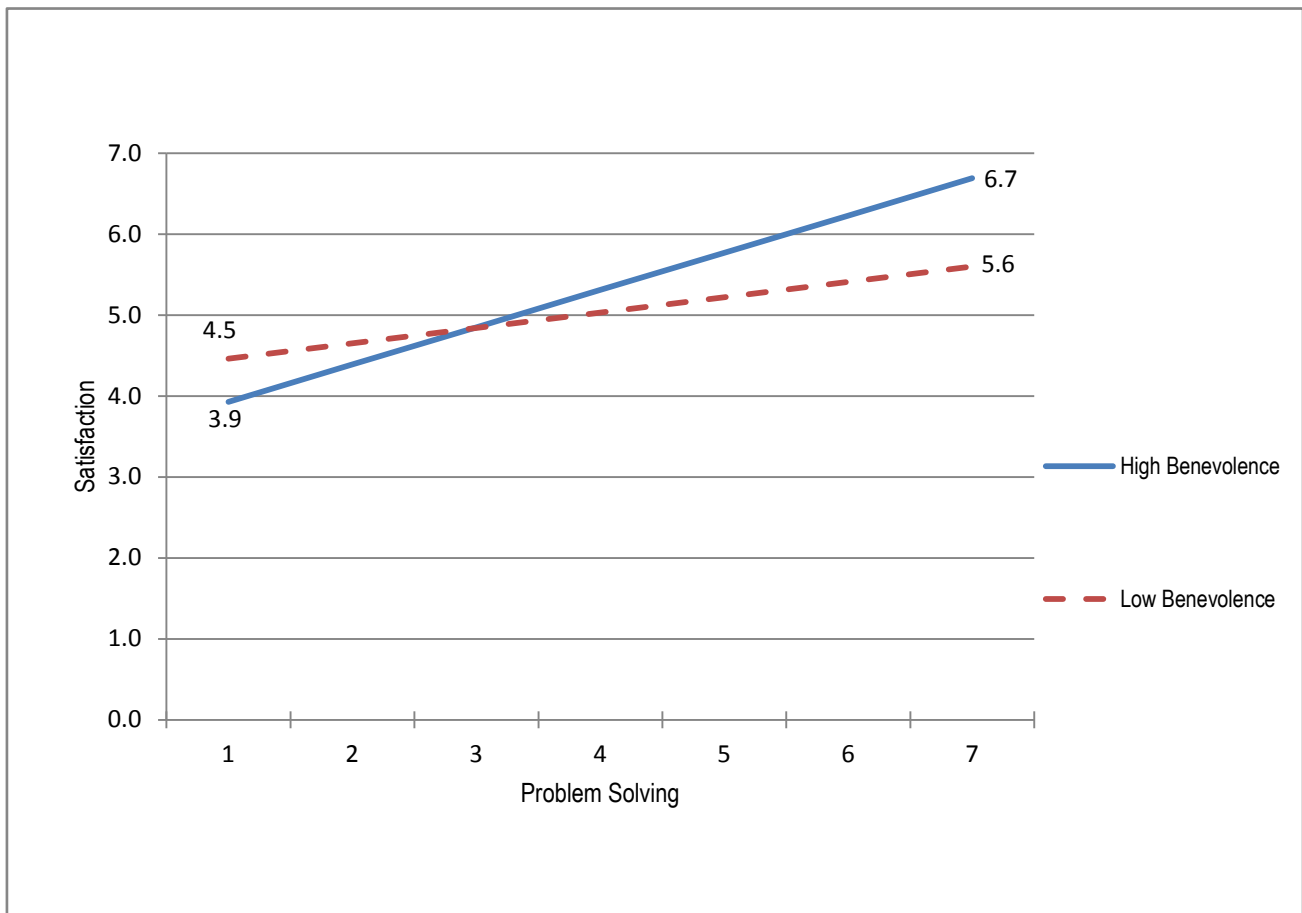
We first examine the moderating role of benevolence (H1). In the first steps, problem solving and then problem solving and benevolence are entered as predictors of satisfaction. While not the focus of this study, we first examine main effects to establish baseline models in order to observe model change statistics when the interaction term is added to main effects (Frazier et al. 2004). In the last step, to test the moderating effect of benevolence, the interaction term (problem solving x benevolence) is added to the model. Mean centering was not employed, as evidence suggests that there is no advantage to mean centering in terms of addressing collinearity issues or the stability of estimates (Echambadi and Hess 2007).

Table 3 presents results of the hierarchical regression analyses. Predictions receive support given that the interaction term significantly explains an additional amount of variance in satisfaction ( $R^2$  change = .04, significant at  $p < .05$  level), after controlling for the direct effects of problem solving and benevolence. This effect compares favorably with

common ranges ( $R^2$  changes .02-.03) reported for moderator effects in non-experimental studies (Champoux and Peters 1987).

As a precaution, variance inflation factors (VIF's) were examined to assess the effects of collinearity among the independent variables, particularly when the interaction term is a function of the other independent variables. Note that the VIF for the interaction term is above the recommended 10.0 cutoff (Hair et al. 2006). As a further check, the authors also utilized the two-step procedure identifying condition indices above 30, and for any such indices, identifying multiple constructs with variance proportions above 90 percent. The condition index for the interaction term was over 80. However, the proportion of variance accounted for by this term did not exceed .90 for two or more variables (Hair et al. 2006). Thus, a collinearity problem is not indicated. Taken together, results support the prediction of moderation, that is, the effect of problem solving on satisfaction varies across levels of benevolence.

FIGURE 2  
INTERACTIVE EFFECTS OF PROBLEM SOLVING AND BENEVOLENCE ON SATISFACTION



To identify the nature of the interaction, slopes are plotted for individuals one standard deviation above the mean (Mean = 6.9) and for individuals one standard deviation below the mean (Mean = 4.6) for benevolence. Figure 2 displays the interaction effect on satisfaction. As expected, for customers perceiving high employee benevolence, perceptions of greater employee problem solving had a relatively strong effect on customer satisfaction ( $F=3.79$ ,  $p = .05$ ). In contrast, problem solving perceptions do not have this effect on satisfaction when benevolence perceptions are low ( $F=0.88$ ,  $p = .36$ ). This observed interaction effect is notable in that recommended sample sizes to detect interaction effects are much greater ( $n = 300-400$ ) than the sample size of the present study. As such, the ability to detect a “true” effect is greatly reduced with the bias toward not finding an effect when one exists. Thus, finding an effect in the present study, leads to the interpretation that it must be a relatively large effect (Frazier et al. 2004).

With respect to H2, in order to test whether satisfaction mediates the effect of employee problem solving and benevolence on affective commitment, three conditions must be met. 1. The problem solving x benevolence interaction has a significant effect on satisfaction ( $p < .05$ ). 2. The problem solving x benevolence interaction should also have a significant effect on affective commitment ( $p < .05$ ). 3. As compared to condition #2, the impact of the interaction term on affective commitment should significantly diminish when satisfaction is included in a regression model with employee behavior predicting commitment (with the standardized coefficient decreasing from .95 ( $p < .05$ ) to .60 (ns) (Baron and Kenny 1986).

As noted earlier, the problem solving x benevolence interaction has a significant effect on satisfaction, thus, condition #1 is met. The interaction also significantly influences affective commitment, thus, condition #2 is met. Lastly, the influence of the problem solving x benevolence interaction is significantly diminished (with the standardized coefficient changing from significant to nonsignificant) when satisfaction is included in the regression model predicting commitment, meeting condition #3. Thus, consistent with predictions, satisfaction is found to mediate the relationship between problem solving and benevolence and affective commitment (please refer to Table 3).

As with the moderation analysis, variance inflation factors (VIF's) were examined to assess the effects of collinearity. As with the prior analysis, the VIF for the interaction term is above the recommended 10.0 cutoff (Hair et al. 2006). We again utilized the two-step procedure identifying condition indices above 30, and for any such indices, identifying multiple constructs with variance proportions above 90 percent. The condition index for the interaction term was over 80. However, the proportion of variance accounted for by this term did not exceed .90 for two or more variables (Hair et al. 2006). Thus, collinearity is not indicated.

In summary, the perception of employee benevolence is found to interact with perceptions associated with employee problem solving to moderate the relationship between employee problem solving and bank customer satisfaction. Specifically, when perceived employee benevolence is high, employee problem solving has a strong positive effect on bank customer satisfaction. In contrast, when perceived employee benevolence is low, employee problem solving does not have as strong an effect on bank customer satisfaction. Further, consistent with predictions, customer satisfaction mediates the effect of employee behavior (perceived problem solving and benevolence) on bank customer affective commitment.

## DISCUSSION

The financial services sector has been grappling with how to best respond to dynamism in its environment. Many banks, in an attempt to increase customer loyalty, have introduced new products and services yet these are often easy to imitate and do not contribute to long-term, sustainable competitive advantage. To this end, CRM is evolving to incorporate the integration of relational processes and subprocesses to enhance effectiveness (Boulding et al. 2005).

The present research aims to address issues related to a more nuanced exploration of customer relationship dynamics in the services sector. Specifically, we examine the interaction of front-line employee behaviors that impact customer satisfaction and affective commitment for business bank customers. In doing so the study addresses satisfaction research imperatives such as the need for research which bridges the researcher-manager “gap,” the inclusion of intervening variables that influence emotional bonding, and the use of a

business customer as opposed to student sample (Davidow 2012; Perkins 2012).

Results of the research suggest that it is the combined influence of bank employee problem solving and benevolence that influences business customer satisfaction. Further, business customer satisfaction mediates the effect of employee behavior on affective commitment. These findings contribute to the extant theoretical and managerial literature in several ways.

The present findings extend thinking in the relationship marketing arena. As noted by Fournier et al. (1998), relationship marketing theory has powerful potential that has not been fully realized. By exploring interactions among arguably the most important entity in services - employee behavior - we hope to shed light on relational dynamics that contributes to satisfied and committed customers. We also address the relationship management call to investigate the interaction of critical processes (or subprocesses) (Boulding et al. 2005). To our knowledge, this study is the first time these constructs have been examined in this way. Our findings imply that, in a business-to-business financial services context, while improving aspects of employee problem solving positively contribute to satisfaction, if problem solving is combined with benevolence it can contribute to even stronger satisfaction, and perhaps delight. Thus, the way an employee approaches problem solving, that is, with care and concern, can augment the impact of their problem solving skills. Clearly, we support the significance of "professional" skills and "social" skills in professional services and that their *interaction* is important. This research raises issues about the nature of other potential moderating relationships in the antecedent-satisfaction-commitment-loyalty chain.

Another contribution of the research relates to the exploration of satisfaction as a mediator of employee behavior on affective commitment. Some research considers satisfaction as a more *immediate* antecedent to affective commitment (Johnson et al. 2000) while others consider it a more *intermediate* antecedent (Goodwin and Selegna 2005) while still others say it depends on the nature of the relationship (Garbarino and Johnson 1999). In the context of the present research, we find satisfaction to mediate the relationship between employee behavior and affective commitment. Recall that researchers have been increasingly interested in understanding the dynamics of true loyalty since it can greatly extend the effectiveness and efficiency of relationship marketing

efforts. Although many studies use repeat purchase behavior as a proxy for loyalty behavior, inertia can explain this type of loyalty behavior (Wu 2011; Huang and Yu 1999). Affective commitment has been shown to lead to exclusive purchase behavior (Walz et al. 2012; Wang 2002), as well as advocacy (Melancon et al. 2011). Thus, in the present business-to-business context, satisfaction is viewed as playing a critical role in the development of truly loyal customers.

Findings of this research offer managerial value in that core and relational service components can both be used to improve service satisfaction and commitment. Attention should be paid to recruitment, selection, and training of front-line service providers. First, the benevolence aspect of employee service is closely allied with empathic behavior which is predominantly associated with empathy as a personality trait (Bettencourt et al. 2001). Therefore, it behooves service providers interested in this capacity of employees to recruit and select the "right" individuals who are able to genuinely relate to customers and express caring and concern. Further, training with respect to the application of knowledge and procedures as well as continuous education should ensure that the "right" employees are able to confidently address a range of potential problems in order to positively impact satisfaction. However, note that hiring "professionally" experienced individuals without the concomitant customer benevolence orientation could be shortsighted in terms of developing truly loyal customers.

Of further managerial relevance in increasing attention to the recruitment and selection of individuals who can manifest benevolence is the signaling of positive intent in operating in the best interest of the customer. Such signaling and subsequent bonding has been identified as a powerful source of competitive advantage. Such emotional bonding is likely to create high switching costs associated with locating another relational partner through which emotional bonding can be built (Barney and Hansen 1994). Note that switching costs are usually associated with calculative commitment rather than affective commitment. However, Saporito et al. (2002) found given strong relational bonds, calculative or economic bonding had no additional effect on bank switching behavior. As such, the present research broadens our view of the employee behavior-satisfaction-affective commitment chain to one of greater strategic significance in supplanting economic or calculus-based switching costs given

that it is more unique and harder to emulate (Saparito et al. 2002).

Another managerial implication of hiring boundary spanning service employees for benevolence is that this dimension of employee behavior signals a deeper motivation of how they want to treat and relate to others. Such customer-based (concern and respect-based) motivation also translates to employee-based motivation. As noted by Donovan et al. (2004) this type of motivation not only tends to contribute to employees who tend to thrive in high-contact service environments in satisfying customers but also to more satisfied and committed employees who engage in positive organizational citizenship behavior. As such, this motivation can be viewed as an important non-salary-based driver of employee organizational commitment.

Another managerial implication tied to the significance of employee benevolence is associated with service recovery. In most service environments, service delivery problems will occur. Front-line employees frequently are the “first responders” to customer complaints. In one study, 65% of complaints were addressed to front-line employees (Tax et al. 1998). Tax and colleagues (1998) found interactional justice to interact with distributive justice in customer evaluation of complaint handling. That is, outcomes delivered by rude employees appeared less valuable to customers. It stands to reason that more benevolent employees will be more successful in service recovery than less benevolent employees given the greater potential to impact interactional justice.

This study has several limitations which can be addressed in future research. The application of constructs, measures, and results across relational exchange contexts is sometimes inappropriate (Sirdeshmukh et al. 2002); therefore, care should be taken, and these results should be considered in their context and applied to studies investigating similar business-to-business contexts. Another limitation is this study’s cross-sectional, single-source measurement design; however, future longitudinal research could assess how these relationships hold over the life of a customer-service relationship. It is important to note that common methods variance is not likely to account for interaction effects, a focus of this research, as method variance should increase

correlations consistently between construct measures (Aiken and West 1991).

As with all research, additional constructs and measures could be included. For example, Salegna and Goodwin (2005) define true service loyalty as consisting of satisfaction, emotional commitment, and repeat purchase behavior. While the present study includes constructs related to satisfaction and emotional commitment, future research could build on this thinking and include actual behavior. Further, Ganesh et al. (2000) found that customers who switched services are significantly different in terms of relational outcomes than customers who do not. As such, prior switching behavior would be an interesting moderator to explore in future research. How findings identified in the present research might relate to small business customers in relationships with multiple banks could also prove interesting. Additional dimensions of trust or trustworthy behaviors such as integrity and competence could also be incorporated into future research to examine potential interactions.

Of course, construct measures used in the present study were adapted from existing measures in concert with bank management input. The assessment of satisfaction as related to services and convenience with the potential for convenience to be interpreted in multiple ways (i.e., hours and or location) perhaps accounts for the low coefficient for this item in the measurement model. Although measures follow the practice of prior research, future research could develop more fine-grained approaches which would provide greater diagnostic value for management. However, there is a tradeoff in developing more specific (i.e., longer) assessments of customer perceptions in that survey length can negatively impact response rate. Additionally, future research could also include perceptions from both customers and employees that could help better validate customer perceptions.

In conclusion, while there is still much to be learned about how services can create emotionally bonded customers, the interaction of front-line employee behaviors can have a significant role in the process. The present study contributes to relational marketing research by exploring the integration of subprocesses critical to high quality business-to-business relationships.

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