

## **Customer Orientation and Firm Performance with Reference to Licensed Commercial Banks in Galle District: Proposals for Improvements**

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### **Introduction**

Most markets are moving towards a more market and customer oriented approach as customers have become more knowledgeable and required more variety and better quality of the products. Accordingly, customer orientation is the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, employees in order to develop a long term profitable enterprise (Deshpande *et al.*, 1993). Taylor (2007), illustrates that marketing is not about providing products and services, it is essentially about providing changing benefits to the changing needs and demands of customers.

The financial system in Sri Lanka is one of the rapidly booming sectors in the economy. It is comprised with different aspects and different financial institutions. Banking industry is playing a vital role in the Sri Lankan financial system and the foremost division within the banking industry is Licensed Commercial Banks (LCBs) (Central Bank, Sri Lanka, 2009).

LCBs is the single most important category of the financial institutions in the banking sector in terms of asset base and the magnitude of services provided. However, in case of facing the huge competition within the industry, the companies have been introducing new systems and innovative approaches to attract customers.

In case of providing the services to the customers, the service should be offered in such a way that it is fast, efficient and friendly. The company should be able to identify the customer needs and wants clearly and fulfill them satisfactorily at the right time. Companies should be able to build up healthy relationships with their customers by being customer oriented and this has become an essential matter of conducting the business today. Accordingly, in the modern business environment, customer is considered as the king and therefore customer orientation in business practices has been a dominant strategy in the business field. This has been identified as a major tool in the modern context of business so as to beat the competition.

With such a background, the major objective of this study was to examine the relationship between customer orientation and firm performance in LCBs Sector. In addition, the second objective was to demonstrate the strategies that can be used by LCBs sector to improve the firm performances through customer orientation.

### **Methodology**

The sample of this study comprised with the 09 LCBs in the Galle district and main focus was given to domestic LCBs. Stratified sampling was carried out using the most valued brands identified in the Brand Annual 2010 as the sample.

Both secondary data and primary data were used and a structured questionnaire with five-point-Likert Scale, developed by the researcher was used for primary data collection. Forty five (45) respondents were included in the sample.

Secondary data was gathered from journal articles, web sites and other published documents of the banks. Data analysis was primarily based on descriptive analysis,

correlation coefficients and regression analysis. Accordingly, customer orientation was measured in terms of customer analysis and customer responsiveness. Firm performance was measured in terms of four constructs namely, return on assets (ROA), return on investments (ROI), sales growth, market share position. The regression model established was as follows.

$$FP = \beta_0 + \beta_1CO + k \quad \text{where, FP = Firm Performance, CO = Customer Orientation}$$

Accordingly, the testing hypothesis was the following.

H<sub>1</sub>: There is a relationship between customer orientation and firm performance

### Results and discussion

As depicted in the Table 1, there is a statistically significant positive correlation (0.795) between customer orientation and firm performance.

Table 1. Correlation coefficient

Variable	Pearson correlation	Sig.
CO and FP	0.795	0.010

Source: SPSS output based on Field survey (2010) data

The results of the regression analysis can be summarized as follows in the Table 2, 3 and 4.

Table 2. Regression model summary

Figure	Value
R	0.795
R Square	0.632
Adjusted R Square	0.580
Std. Error of the Estimate	0.29802

Source: SPSS output based on Field survey (2010) data

Table 3. Coefficients

Model	B	Standard error	t-value	p-value
Constant	-2.613	1.957	-1.335	0.224
CO	1.555	0.448	3.468	0.010

Source: SPSS output based on Field survey (2010) data

Table 4. Model summary for linear regression analysis

Model	df	Mean Square	F value	P value
Regression	1	1.068	12..028	0.010
Residual	7	0.089		
Total	8			

Source: SPSS output based on Field survey (2010) data

In accordance with the Table 2, the  $R^2$  of the model is 0.632 and which explains that 63% of the variation in the dependent variable of Firm Performance is being explained by the independent variable of Customer Orientation. Further, Table 4 implies that the model is statistically significant at the 0.010 level and accordingly, fitted regression model can be stated as follows by referring to the Table 3 above.

$$FP = -2.613 + 1.555CO + k$$

The results prove that there is a statistically significant relationship between customer orientation and firm performance.

When the constructs of customer orientation are separately considered, both customer analysis (0.792) and customer responsiveness (0.749) were having statistically significant high positive correlation with overall firm performance.

### Conclusions

The final results revealed that there is a high positive and significant relationship between overall customer orientation and overall firm performance. What it implies is that the higher the firm's customer orientation higher the firm performance. By referring to the higher positive correlation of the two constructs of customer orientation, it can be concluded that organizations should consider the both factors simultaneously in deciding a customer oriented strategies.

### References

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