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AN ASSESSMENT OF THE ACTIVITIES OF AN INSTITUTION FROM A CUSTOMER PERSPECTIVE: A RELATIONSHIP MARKETING APPROACH

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ABSTRACT: The importance of the relationship between an institution and its constituents is examined through establishing a model of exchange relationship's three key important constructs (satisfaction, trust, and commitment) which is adopted from the Customer Relationship Marketing/Management (CRM) concept. These three key constructs have been viewed as essential ingredients for successful long-term relationship in private sector CRM. The model is tested using data from the Building and Construction Authority (BCA) of Singapore. The result shows that trust-commitment plays more important role in the registered companies (constituents) of BCA than the role of satisfaction on the programs offered by BCA. Understanding the impact of the mediating variables on outcome behaviors can lead to more participation and survival of the institution.

KEYWORDS: Satisfaction, Trust, Commitment, Statutory Body, Relationship Marketing

1. INTRODUCTION

The centrality of trust and commitment to successful long-term relationship has been well documented in the business environment. There are evidences from several industries, such as automobile tire retailers [1], nonprofit professional theatre [2], internal organization [3], and external organization [4] in what it is called Customer Relationship Marketing or Customer Relationship Management (CRM). The CRM discussion in private sector is to optimize the relationships in grabbing the loyalty of the customer and profitable for the company [5]. However, there is increasing interest on the application of CRM in the public sector and citizen psychology is a research area that can help the public sector to gain the understanding of "customer orientation" [5]. There is no research focused on institutionalization. Only Gruen [6] have researched on the membership behavior of a professional association. However, their research is limited to the commitment aspect only, neglecting other issues related to success such as satisfaction and trust. Therefore, the importance of satisfaction and trust to the success of an institution is addressed here. Hewson [7] proposed a working definition of CRM in the private sector as 'to maximize the value of customers to the organization by efficient acquisition, retention and penetration of customers'. Regarding the public sector, he proposed the working definition of CRM as 'to improve levels of services to citizens whilst optimizing cost to serve.'

2. HYPOTHESES AND THE VARIABLES

As the key component is relationship quality, there are three key composite relationship constructs that influence relationship outcomes. They are satisfaction [8], trust and commitment [9]. Trust and commitment normally proceeds after the satisfaction of the customer in consumer products [10].

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Researches on relationship building have been done in the areas of human resource development [11], consumer products marketing [8], business environment [4], and also membership of non-profit organizations [12], [6].

A similarity among the researches is that satisfaction, trust and commitment on the companies' products/services are the mediating constructs. However, there is no research indicating the preferences of the institution's constituents towards the programs/activities offered by the institution. Therefore, the hypotheses of this research are:

H₁: For the registered companies of BCA, satisfaction mediates the relationships between the programs/services and future intentions.

H₂: For the registered companies of BCA, trust and commitment mediates the relationship between the programs/services and future intentions.

H₃: For the registered companies of BCA, trust and commitment play more important role than satisfaction in mediating the relationship between the programs/services and future intentions.

Satisfaction. There are hundreds of researches into satisfaction. Studies have ranged from job satisfaction of employees that can lead to more commitment to the company [3], up to the satisfaction of the customers on a product that affect behavioral outcomes [9]. Customer satisfaction is described as the full meeting of one's expectations and it is the attitude of the customer towards a product/service after it has been used. Therefore, overall satisfaction is defined as an overall evaluation based on the total consumption experience derived by summing the satisfaction with various facets of the organization [13].

Trust. Trust is a key construct in most models of long-term business as well as personal relationships, and it is viewed as an essential ingredient for successful relationships [1], [2]. Trust might be viewed as confidence in the exchange partner's reliability and integrity, or even in the honesty of the other party as an individual [14]. However, trust in an organization is emphasized here as confidence in the quality and reliability of the various facets of the organization.

Commitment. Trust and commitment are viewed as essential ingredients for successful long-term relationship. Commitment measures the extent to which values and goals are congruent with those of the organization [15] or enduring desire to maintain a valued relationship [16]. By adopting from organization theory, several components of commitment are used here (instrumental, attitudinal, and psychological components) to describe the commitment of the institution's constituents [17].

Products/services. It is obvious that products play an important role in satisfying the customer. People will normally compare their expectation and perception on the quality of goods (in manufacturing industry) and services (in the service industry). This gap will create satisfaction and dissatisfaction in the customer. Analogous to the private sector, the product of the institution is the program that it delivers which will be consumed by its constituents. This program is widely defined as those actions/activities; outputs (goods or services) delivered by the institute in translating the value to its external environment. In this case, the government body has produced some programs/actions that support the goals of the establishment of the body, such as training, consultancy and advisory services, promoting career of locals, etc. Miles and Neale [19] have proposed four goals and action plans that show the government body's role. They are (1) Better understanding of the industry: general industry promotion, influencing policy and investment decisions, undertaking research, (2) Encouraging national construction capability: development of local construction capability, improving the regulatory framework, and training and management development, (3) Improving the performance of the industry: promoting construction management as a discipline, promoting computer-based

management information systems, and consultancy and advisory services, and (4) Strengthening the institution: creating national and international linkages.

Future Intentions. Zeithaml [20] reviewed the future behavioral intentions of customers towards an organization. Satisfied customers normally have intentions to repurchase, retain membership [6], cooperate [1], or even participate and donate their resources to organizations [2], [6]. The institution is similar to a professional association where there is no rule that forces people to join the organization. The future intentions of retention, participation, and coproduction are chosen in this research.

Reflective scales have been used to measure all the variables and same 7-Likert scale has been used for all constructs ranging from (1) 'strongly disagree' to (7) 'strongly agree.'

3. MODEL

To test the hypotheses, two models were established by inserting the three relationship components as mediating construct in the relationship between the agency's programs and companies' future intentions. The first model describes the role of satisfaction as the mediator in the relationships. A path was linked between variable Satisfaction and Future intentions. There is no any path from other variables to variable Future intentions. Meanwhile, model 2 describes the role of trust and commitment as the mediator in the relationships. Two paths were linked variable Trust and Commitment to the variable Future intentions. The first model is called Satisfaction (S) model and the second model is called Trust-Commitment (TC) model.

Then, all the measurements of the antecedents were factor analyzed and the result went into four components. They are: Program 1 focused on the dissemination of industry's information (construction performance and trend), Program 2 focused on promoting the industry (BCA's achievement and seminars), Program 3 focused on the supporting the industry (BCA's influence on the industry's regulation), and Program 4 focused on the creating network (international marketing). It is linked to the mediator based on the hypotheses. They are linked to the mediator based on the described hypotheses above.

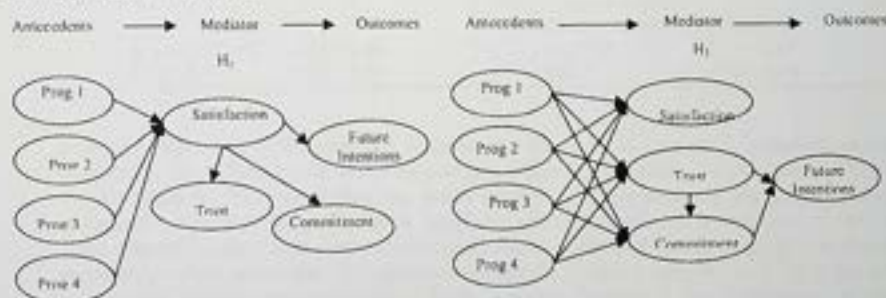


Figure 1 the Satisfaction Model

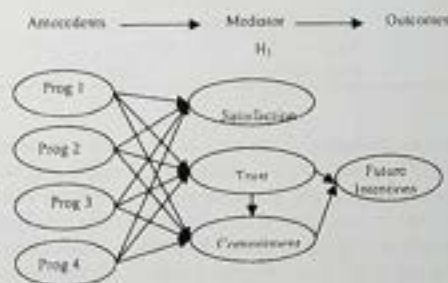


Figure 2 the Trust-Commitment Model

4. METHOD

A package comprising a self-administered questionnaire, introductory letters, and stamp-attached reply envelopes was sent to all the registered companies in grade A and B. Besides that, half of the companies were visited directly. Only 48 out of 214 registered companies returned the questionnaires. However, only 36 completed questionnaires were usable (16.82%). From the total responses, 17 companies are registered under grade A (47.2%) and 19 companies are registered under grade B (52.78%). There were variations in company age (≤ 5 years establishment, 5.56%; 6-10 years

establishment, 11.11%; > 10 years establishment, 83.33%), and length of registration with BCA (< 5 years registered, 11.11%; 6-10 years registered, 25.0%; > 10 years registered, 63.89%). The job positions of respondents vary from top-level management (26.11%), through middle-level management (38.89%), to low-level management (25%). Their working experiences also vary (< 5 years experience, 25.0%; 6-10 years experience, 33.33%; > 10 years experience, 41.67%).

5. RESULTS AND DISCUSSION

The proposed models (figure 1 and figure 2) were tested using LISREL 8.50 and the results show that both models gave almost the same fit of indexes (see Table 1) with both Comparative Fit Index (CFI) values are more than 0.90 and Goodness of Fit Index (GFI) values of 0.68 and 0.69 for S and TC models respectively. GFI is to measure how much better the model fits as compared to no model at all and CFI is to measure them model fits as compared to a baseline model (null model). Meanwhile, both models have the same value of Parsimony Normed Fit Index (PNFI) which is used for comparing two models in the sense of their parsimony. In comparing the models, it is shown that TC model is better than S model since the final result of TC model supports several path effects from precursor to the mediating variables. There is no significant path effect from precursor to the mediating variables in S model. Therefore, it is concluded that Trust and Commitment play more important role in the registered companies of BCA towards the offered programs/services and Satisfaction does not mediate the registered companies' future intention from the offered programs/services.

Table 1 Parameters Estimates for both models

Satisfaction (S) Model		Trust-Commitment (TC) Model	
Paths	Estimates	Paths	Estimates
No significant paths		Direct Effects	
		Program 2 → Satisfaction	0.73 ^a
		Program 1 → Trust	0.59 ^b
		Program 3 → Trust	0.37 ^a
		Program 3 → Commitment	-0.64 ^b
		Trust → Future Intentions	0.78 ^a
		Commitment → Future Intentions	0.37 ^a
$\chi^2_{(11)} = 157.98$	GFI = 0.69	$\chi^2_{(11)} = 157.98$	GFI = 0.69
CFI = 0.91	PNFI = 0.60	CFI = 0.91	PNFI = 0.60

From the final result of TC model, it is shown that the variable Program 1 influences variable Trust moderately and influences variable Commitment negatively. It means that the industry's information dissemination by BCA (including the result of the BCA's researches) has gained the registered companies' trust but the information itself has created negative commitment in the registered companies to conduct such joint research with BCA. Variable Program 2 influences variable Trust moderately which mean that the registered companies satisfied with the way BCA promoting the construction industry and encouraging them. Variable Program 3 has moderately influenced the variables Trust and negative influence on Commitment. It means that the registered companies trust the BCA as the country's construction regulating agency but they do not have commitment to support BCA in producing regulations. Meanwhile, variable Program 4 does not have any significant influence on the three mediating variables since more than half of the surveyed registered companies do not consider any international networks opportunity by registering with BCA.

On the other side of the model, mediator variables (Trust and Commitment) play an important role towards the outcome variables. Registered companies have strong trust and moderate commitment to participate in the programs/services offered by BCA. The result shows that commitment does not have significant influence from trust. As it seems that it does not confirm the widely accepted trust-

commitment theory, however, it also does not violated this social exchange theory since the path is supported by less significant coefficient.

As explained above, Trust plays the most influential role in this relationship which is shown by two of the moderate significant direct effects from the antecedent Program1 and Program 3 towards the mediator (Trust). It is clear indeed that there is support for the theory that trust is one of the most salient factors for effectiveness of any social group in the present complex social organization [21] and there is also support that trust has an important role in public administration [22] and in influencing institutional accomplishment [23].

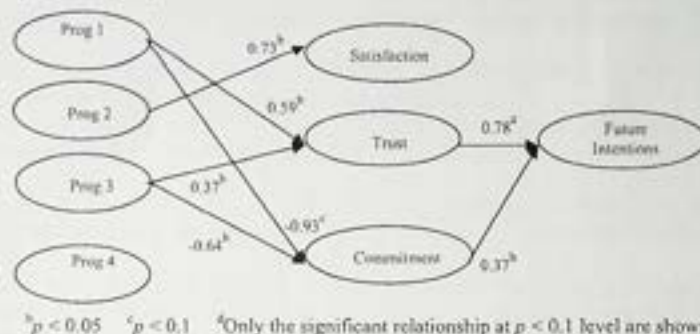


Figure 3 Final Result of Trust-Commitment Model

Studying the relationship of satisfaction, trust, and commitment as key mediating variables is critical to institution building. The mediating variables included can provide better understanding on the impact of the antecedents towards the behavior intentions of the constituents, especially in the institution building theory. For managers in the Construction Industry Development Board, developing these three important ingredients is important not only for constituents' retention strategy, but also for more participation and contribution to the organization itself.

6. CONCLUSION

The importance of satisfaction, trust, and commitment in the society has been emphasized. After comparing the satisfaction model and the trust-commitment model, it is shown that trust and commitment constructs have played important roles in influencing the behavior of the institution's constituents to participate in the programs offered by the institution. The need for relationship marketing in an institution devoted to industry development stems from the changing dynamics of the environment and its requirements for the development of the industry in facing globalization. By understanding this commitment-trust theory in a Construction Industry Development Board, we can nurture it by (1) providing program/products that benefit the registered companies or contribute to improving the industry's efficiency; (2) continuing to share the high values that are believed to be the drivers for the development of the industry; and (3) maintaining high service quality of the contact person/staff of the institution. Further evaluation and replication on this theory and model are strongly encouraged for the institution building discipline and practices.

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