

The importance of Customer Focus for Organizational Performance: a Study Focus to an Information and Communication Technology Company based in Indonesia

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Abstract

Information and Communication Technology (ICT) companies are critical to the economic growth in the developing country such as Indonesia. The essence of customer focus is to develop strategies and to establish lasting and profitable relationships with the customers. The purpose of this paper is to examine the influence between the organizational customer orientation, the customer relationship practices, and the organizational outcomes. This research was a quantitative study, with the sampling frame of the study consists of 150 customers of the ICT company in Eastern Indonesia. The structured online questionnaires were used to obtain data from respondents. Data obtained was analyzed through exploratory and the confirmatory factor analyses, while the hypothesized relationships were determined through regression analyses using SMART-PLS. The current study contributes to the literature by examining the customer focus influence to organizational outcomes. It is found that the organizational customer orientation influence customer relationship practices positively and significantly which subsequently influence to production performance and customer satisfaction as well. However, the interesting part found in this study that customer satisfaction is not directly influence to financial performance of the organization. While production performance has positive and significant influence to customer satisfaction and financial performance of the organization.

Keywords

Organizational Customer Orientation, Customer Relationship Practice, Financial Performance, Production Performance, Customer Satisfaction

1. Introduction

The Information and Communication Technology (ICT) industry is an industry that is growing rapidly in recent times (Dewi and Wulansari 2021; Stanley et al. 2018) including in Indonesia, it marked by increment in internet user for personal and business usage. Industry 4.0 is massively using artificial intelligence, big data, and internet of things and affected in many activities namely economy, social, cultural, political, and environmental (Aminah and Saksono 2021). Based to data Badan Pusat Statistik (*Telecommunication Statistic in Indonesia, 2020*), stated that the growth of internet technology users in Indonesia until 2020 was 53.73 % of the total population of Indonesia. Therefore, the improvement of the ICT industry because the role of all parties, not only the government but the private sectors as well.

The current research confirmed that ICT effect positive on firm performance (Bayo-Moriones and Lera-López 2007). It is essential for company to maintain competitive edge in market environment by providing organization customer orientation. The previous research demonstrated significant relationship between customer orientation and firm performance and customer orientation is essential for the organization to understand the customers and improve sales growth (Ziggers and Henseler 2016).

The ICT company in Indonesia is facing manage challenges in keeping customer loyalty, limited infrastructures, and in optimization the service and market penetration. It is essential for organization to do excellent customer service and built tight relationship with customer and create loyalty. According to Grönroos (2017), the customer relationships practice is vital for organization to get competitive advantages. In the new millennium, the successful implementation

of customer relationship will create benefits to the organization such as business growth, sales, and customer retention (Debnath et al. 2016).

This research continues the previous research conducted by Cai (2009). In this research, the main focus is to examine the customer orientation strategy affect towards the financial performance of ICT company in Indonesia with mediating variables such as customer relationship practice, production performance and customer satisfaction. The researchers are interested to explore the construct in ICT service industry in Indonesia.

2. Literature Review

2.1 Organizational Customer Orientation and Customer Relationship Practice

Customer Orientation defined as a belief that put the customer's first and follow by stakeholders' interest in order for long-term organization (Deshpandé et al. 1993). Customer orientation is organization's strategy that understand the customers (Yang and Zhang 2018). Customer orientation strategy able to solve customer's inquiry and provide better services (Babakus et al. 2017). Organization customer orientation defined as the organization to focus in meet the customer's expectation by offering high quality services (Moosavi 2014). Organizational Customer Orientation is the first requirement to establish customer relationship practice. The previous study conducted by Soltani et al. (2018), showed positive relationship between organization customer orientation to the successful customer relationship. Thus, the hypothesis 1 in this research as following below:

H1: Organizational Customer Orientation is positively related to Customer Relationship Practice

2.2 Production Performance

In an ICT company, the best way to measure the production performance is to use an appropriate Key Performance Indicator (KPI). The KPI indicators able to help the organization to achieve the expected goals in profitability and efficiency way. The indicators that use in KPI such as profit, cost, resources, and late job count percentage. The previous study by Mamun et al. (2018) stated that consumer engagement positively affected the organization's performance. Thus, the hypothesis 2 in this research such as:

H2: Customer Relationship Practice is positively related to Production Performance

2.3 Customer Satisfaction

Customer satisfaction is vital to the organization for long term business objectives. With the customer satisfaction, the organization able to have metrics to measure the loyalties of customers and ensure the business continuity. The literatures show that there is no universal method to measure the customer satisfaction as the measurement of customer satisfaction more to the exploratory rather than in exact science (Gilbert, G. R., and Veloutsou 2006). The relationship between Production Performance and Customer Satisfaction resulted positive relationship (Beckers et al. 2017).

Thus, the hypothesis 3 and 4 in this research such as:

H3: Customer Relationship Practice is positively related to Customer Satisfaction

H4: Production Performance is positively related to Customer Satisfaction

2.4 Financial Performance

Financial performance is one of achievement that is vital to the organization (Figure 1). Various activities need to support to achieve the financial performance for organization's sustainability. Previous research by Eklof et al. (2020) and Cai (2009), found that customer satisfaction and production performance positively related to the financial performance.

Thus, the hypothesis 5 and 6 in this research such as:

H5: Production Performance is positively related to Financial Performance

H6: Customer satisfaction is positively related to Financial Performance

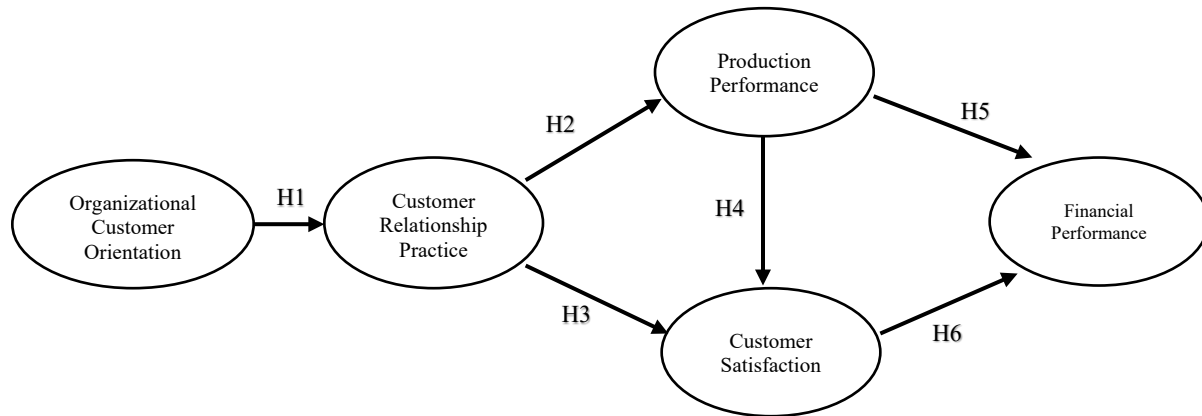


Figure 1. Research Model

3. Methods

In this research, it used a quantitative approach with survey method through distributed questionnaires to customers of ICT company in Eastern Indonesia. The researchers measured the research instrument by a Likert Scale at intervals 1 to 5, range on 1 = strongly disagree, and 5 = strongly agree.

The method used in this research was Structural Equation Model Partial Least Square (SEM-PLS) as this method able to be used in various study such as management information system (Joseph and Marnewick 2021), education management (Boubker et al. 2021), and marketing management (Low et al. 2021). In order to support the literature review, the researchers also obtained data from the previous researches, scientific literatures and books.

4. Data Collection

There were twenty-five questionnaires constructed from variables used. In total of the respondents, there were 150 customers of ICT company in areas such as Sulawesi, Maluku and Papua island in Eastern Indonesia.

5. Results and Discussion

5.1 Demographic Respondents

In total there were 150 respondents who were the customers of an ICT company in Eastern Indonesia and to be analyzed in this research. Table 1 presents the demographic of respondents.

Table 1. Demographic Respondents

Measurement Items	Frequency	%
Area Demographic of Respondents		
Sulawesi	101	67%
Maluku	22	15%
Papua	27	18%
Respondents' Business Segmentation		
Government	54	36%
Services	67	45%
Manufacture and Mining	29	19%

Source: Primary Data, 2021

5.2 Outer and Inner Model

As first action, the constructs and the indicator need to be analyzed under outer model measurement (Figure 2). The measurements such as convergent validity, discriminant validity, and internal reliability (Cronbach Alpha and the Composite Reliability). The Convergent validity met the requirement if the loading factor value of each indicator

indicated more than 0.7 and the Average Variance Extracted (AVE) value was more than 0.5, while the Cronbach Alpha and Composite Reliability values should be 0.7 or higher (Hair et al. 2019). In Table 2 presents the loading factors (LF) values for each indicator more than 0.7 and the AVE value for each construct are more than 0.5. This condition confirmed that each construct has good and valid. In addition, the Cronbach Alpha (CA) and Composite Reliability (CR) values were more than 0.7. Those values stated that each construct in the research model has satisfactory internal reliability (Table 2).

Table 2. Descriptive Statistic and Outer Model

Variable	Item	Mean	LF	AVE	CR	CA
Organizational Customer Orientation (OCO)	OCO1	4.813	0.757	0.713	0.925	0.898
	OCO2	4.667	0.909			
	OCO3	4.640	0.788			
	OCO4	4.587	0.883			
	OCO5	4.600	0.874			
Customer Relationship Practice (CRP)	CRP1	4.460	0.735	0.766	0.913	0.880
	CRP2	4.607	0.851			
	CRP3	4.700	0.839			
	CRP4	4.547	0.800			
	CRP5	4.747	0.813			
Production Performance (PP)	PP1	4.600	0.924	0.779	0.946	0.928
	PP2	4.460	0.862			
	PP3	4.620	0.807			
	PP4	4.640	0.881			
	PP5	4.513	0.934			
Customer Satisfaction (CS)	CS1	4.593	0.862	0.729	0.930	0.906
	CS2	4.620	0.793			
	CS3	4.500	0.811			
	CS4	4.607	0.850			
	CS5	4.627	0.945			
Financial Performance (FP)	FP1	4.587	0.942	0.743	0.935	0.912
	FP2	4.547	0.823			
	FP3	4.527	0.942			
	FP4	4.633	0.829			
	FP5	4.640	0.760			

Source: Primary Data, 2021

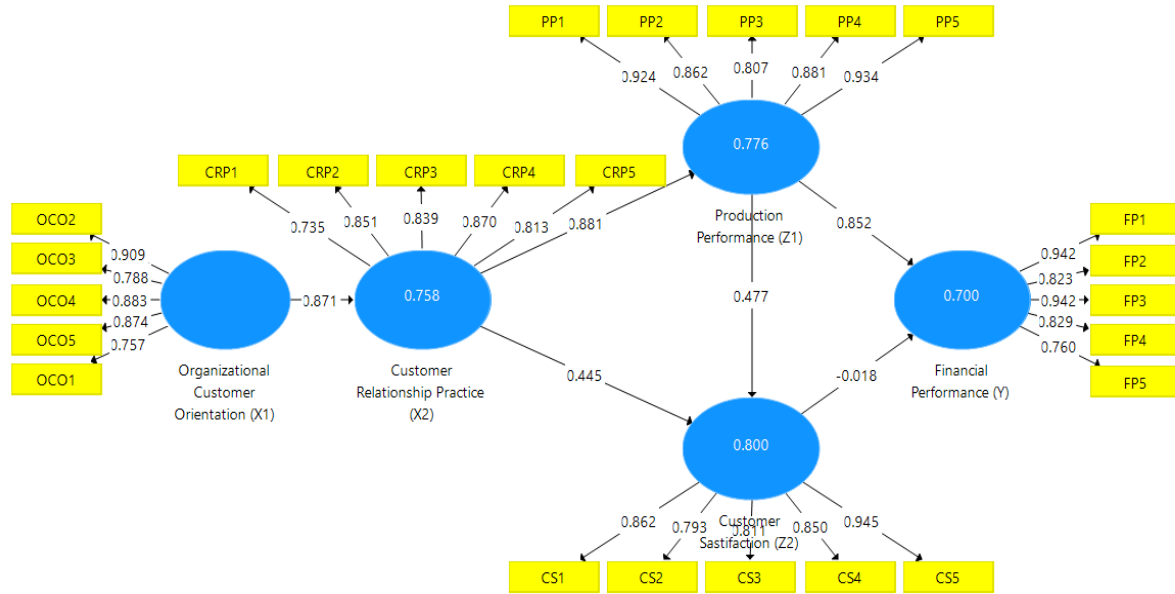


Figure 2. Outer Model Path Diagram

5.3 Determinant Coefficient

Based on the results in Table 3, stated the R-square value for all latent variables were more than 0.67, meaning that each variable has high influence to the endogenous variable.

Table 3. R-Square

Latent Variables	R-Square	Criterion
Customer Relationship Practice	0.758	High
Production Performance	0.776	High
Customer Satisfaction	0.800	High
Financial Performance	0.700	High

Source: Primary Data, 2021

5.4 Effect Size (F-Square)

Table 4. F-Square

Latent Variables	R-Square	Criterion
OCO > CRP	3.135	Strong
CRP > CS	0.222	Moderate
CRP > CP	3.471	Strong
CS > FP	0.000	Weak
PP > CS	0.255	Moderate
PP > FP	0.593	Strong

Source: Primary Data, 2021

Based on Table 4 shown there were 3 strong paths relationship, 2 moderate paths and 1 weak path.

Table 5. Hypotheses Testing

Hypotheses	B	T-Value	P-Value	Result
OCO > CRP	0.026	33.635	0.000	Supported and significant
CRP > PP	0.023	37.702	0.000	Supported and significant
CRP > CS	0.127	3.493	0.001	Supported and significant
PP > CS	0.134	3.570	0.000	Supported and significant
PP > FP	0.111	7.662	0.000	Supported and significant
CS > FP	0.089	0.202	0.804	Not Supported and significant

Source: Primary Data, 2021

Based on the hypotheses testing in Table 5, T-statistic of variable Organizational Customer Orientation against variable Customer Relationship Practice of 33.635 > t-table 1.96 shows value of 0.026 which indicates that positive and significant relationship between these variables. Variable Customer Relationship Practice towards variable Production Performance with value 37.702 > t-table 1.96 shows value of 0.023 which indicates that positive and significant relationship. While variable Customer Relationship Practice against variable Customer Satisfaction of 3.493 < t-table 1.96 shows value of 0.127 which indicates that not significant relationship between these two variables. Variable Production Performance against Customer Satisfaction value of 3.570 > t-table 1.96 shows 0.134 which indicates a positive and significant relationship. Variable Production Performance against variable Financial Performance of 7.662 > t-table 1.96 shows value of 0.111 which indicates positive and significance relationship between these variables. Variable Customer Satisfaction against variable Financial Performance of 0.202 < t-table 1.96 shows 0.089 which indicates no relationship of these variables. Based on the result, shown that Customer Relationship Practice is the most important predictor to the Production Performance especially in ICT company. Even the customer satisfied to the performance, but it will not directly to affect the Financial Performance (Figure 3).

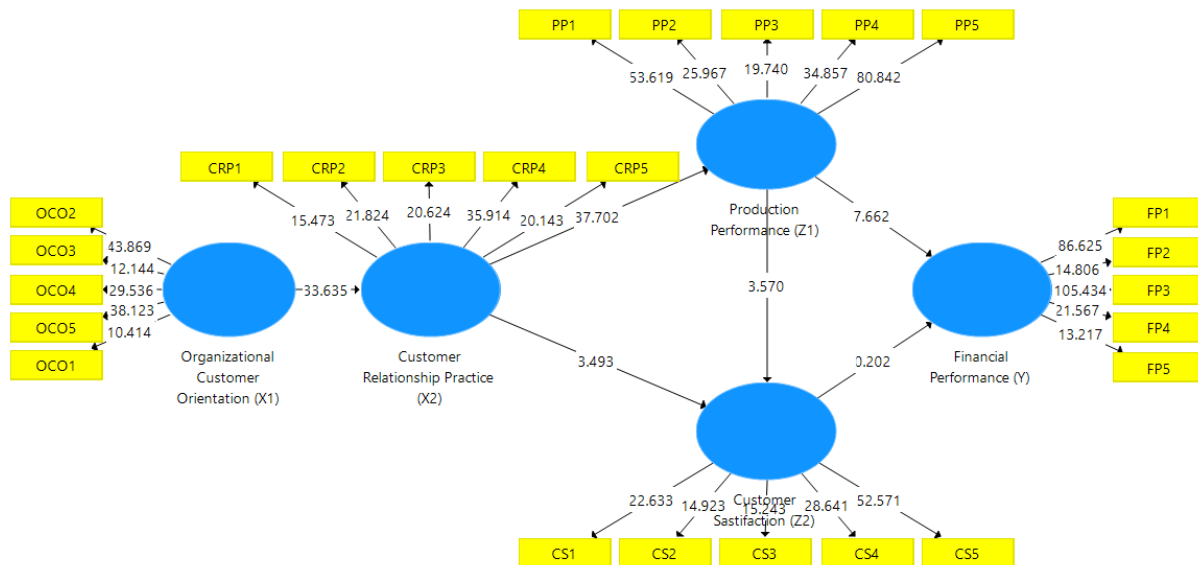


Figure 3. Inner Model Path Diagram

6. Conclusion

The result of hypothesis 1 which Organizational Customer Orientation was positively affected Customer Relationship Practice and this result was in line with the previous research done by Mokhtaran and Komeilian (2016). The hypothesis 2 which Customer Relationship Practice was positively affected Production Performance and this result was in line with previous research done by Dekoulou and Trivellas (2017). The hypothesis 3 which Customer Relationship Practice was positively affected Customer Satisfaction and this result was in line with previous research by Bennett and Molisani (2020). While for the hypothesis 4 which Production Performance was positively affected to Customer Satisfaction and this result was in line with previous research done by Abdallah et al. (2016). Then for the

hypothesis 5 which Production Performance was positively affected the Financial performance and this result was in line with previous research done by Farish et al. (2017). The hypothesis 6 which Customer Satisfaction was not affected the Financial Performance and this result was in line with previous research done by Cai (2009).

The research has some limitations and for future recommendation, the other researchers may explore to other context of organizations. The limitation of this research used data collected from an ICT company's customer in Eastern side Indonesia and limited to the variables. In the future, we suggest other researchers to examine in other company or industry with varieties of respondents and to add other variable control or moderating variables.

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