HUMAN RESOURCES MANAGEMENT ORIENTED TO CUSTOMER LOYALTY EXPRESSION IN LITHUANIAN ORGANIZATIONS

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Abstract
One way to differentiate organization in today’s knowledge-based economy field, human resources management oriented to employees and more specifically – to the promotion of their loyalty, thus ensuring the growth of customer loyalty is analysed in this paper. Theoretical assumptions of human resources management orientation to customer loyalty promotion and results of empirical survey are presented. Results of this survey show that main activities applied to promote customer loyalty were adaptation, selection and compensation together with protection.

KEY WORDS: customer, customer loyalty, customer loyalty promotion, human resources, human resources management.

Introduction
There is no doubt in the usefulness and importance of loyalty in the modern business world (Zikienė, 2010; Smith et al., 2004; Sum, Hui, 2007; Yim, Tse, Chan, 2008; Chen, Mau, 2009; Hamidizadeh, Ghamkhari, 2009). Modern realia encourage organizations not to concentrate on short-term and single transactions but to create long-term and close relations with customers and to try to achieve their loyalty. Therefore, the construct of customer loyalty – a combination of repeated purchasing and positive view of a product / organization – becomes one of the most important goals of service and manufacturing organizations (Irfan, Mohsin, Yousaf, 2009).

Customers value organization and its products depending on how they are treated by employees who they communicate to. Human resources, as a competitive advantage that is the most difficult to copy, represent organizational identity and form attitudes of external shareholders (Herstein, Zvilling, 2010). However, in scientific discourse the role of human resources in the promotion of customer loyalty is barely examined, only separate studies are observed. The fact that in some sectors (e.g., automobile, real estate) during transactions customers communicate directly to human resources and assess their performance encourages taking a closer look on the influence of human resources management to the development of customer loyalty. If customers are properly serviced they will be positively set towards the organization, and this positive disposition forms the loyalty of attitude. Thus, one of the ways to differ-
entiate organization in today’s knowledge-based economy field could be human resources management oriented to employees and, more specifically, to the promotion of their loyalty, hereby ensuring the growth of customer loyalty.

Particular aspects of customer loyalty were analyzed through the prism of human resources management activities by a reasonably large number of researchers abroad (Schneider, 1994; Graf, 2007; Palmatier, Scheer, Steenkamp, 2007; Ulrich, Brockbank, 2007; Yim, Tse, Chan, 2008; Si, Wei, Li, 2008; Chen, Mau, 2009; Herstein, Zvilling, 2010 et al.) but a lot of theoretical findings remained the empirically unsubstantiated isolated facts. In Lithuanian academic discourse this problem also does not have such conceptual maturity and status as other fields of interest. The lack of human resources management oriented to customer loyalty mature paradigm inspired authors to examine theoretical assumptions of human resources management oriented to customer loyalty promotion and to conduct the research of expression of human resources management oriented to customer loyalty promotion in Lithuania.

Academic problem is formulated by the question: how common is human resources management oriented to customer loyalty in Lithuanian organizations?

Object of the research – human resources management oriented to customer loyalty.

Main goal – to diagnose characteristics of expression of human resources management oriented to customer loyalty promotion in Lithuanian organizations.

The following tasks are set for the implementation of prescheduled goal: 1) to analyze conceptual assumptions of human resources management oriented to the promotion of customer loyalty; 2) to assess human resources management oriented to customer loyalty expression in Lithuanian organizations.

Research methods. The article has been prepared by applying general qualitative and quantitative research methods (systematic analysis of academic literature, logical comparative analysis and synthesis, generalization, questionnaire surveys, statistical analysis). A set of SPSS statistical analysis software was used for the survey data processing.

1. Conceptual assumptions of human resources management oriented to the promotion of customer loyalty

In order to produce value, human resources management must be directed not only inward, i.e., to employees, but also outward – i.e., to place an emphasis on customers (Roberts, Hirsch, 2005; Ferrazzi, Gatti, 2007; Ulrich, Brockbank, 2007), and its goal, according to A. Graf (2007), is to fulfill the expectations of specific market segments. Academic society (Schneider, 1994; Si, Wei, Li, 2008) calls this management strategic human resources management.

According to researchers (Yim, Tse, Chan, 2008), the advantage of human resources management orientation to customer loyalty development manifests itself in the aspect of profitability growth since this kind of management generates surplus value by encouraging customers to spread positive recommendations to their friends / acquaintances and to react more reasonably to price increase, reducing the cost of employee qualification improvement and even employee fluctuation. However, in princi-
ple orientation of human resources management to customer loyalty poses a threat of customers becoming loyal not to the organization, but to employees who provide services to them (Palmatier, Scheer, Steenkamp, 2007; Yim, Tse, Chan, 2008).

In order to illustrate how human resources management determines customer loyalty, a general scheme of human resources management orientation to customer loyalty promotion, which is grounded by the following assumptions, was designed (see Figure 1):

- nine classic activities of human resources management (work analysis, human resources planning, recruitment, selection, adaptation (orientation), assessment, training and development, movement management, compensation and protection), which are directed to the promotion of employee loyalty and customer involvement into human resources management, are distinguished in theoretical model;
- direction of human resources management activities to the promotion of employee loyalty and customer involvement into human resources management develops customer loyalty;
- there may be intermutual relations between human resources management activities, employee loyalty promotion and customer involvement into human resources management;
- promotion of employee loyalty and customer involvement into human resources management in turn may influence one another.

Fig. 1. General scheme of human resources management orientation to the promotion of customer loyalty (prepared by authors)
In long-term periods fulfilment of customer expectations is determined by their compatibility with human resources capabilities, expectations and requirements (Graf, 2007). One of the means to do this is to involve individual customers or their groups into work analysis process. When selecting the customers who are to be involved in this process, the accent shifts to the selection of suitable customers. In principle, probably it would be the most expedient to follow the opinion and experience of the most profitable customers. Upon integration of customers into work analysis, both parties concerned about the appropriate services – human resources and customers – are provided with an opportunity to understand which tasks, skills and expectations are attributed to each position.

In the practice of various world organizations it is common to develop flexible human resources plans, where it is provided how many and which workers it is planned to employ (Pugh, 2002). When planning human resources, it is also expedient to take into consideration customers’ opinions on service or call centre, or other personnel sufficiency, which is found out by organizing customer researches.

Customer expectations satisfying employees are enlisted using human resources recruitment activity substantiated by emphasizing the organizational values – customers, maintaining relations with them, developing customer loyalty, etc. This way organization calls the attention of those candidates who are familiar with those values. It should be indicated, that the values of operational staff in general, according to scientists (Pham, Le, 2010), make significant influence to customer loyalty.

In order to select suitable employees, it is suggested to treat potential candidates as customers and to estimate if the position, which the person aims to take, corresponds to their needs and expectations in respect of the job itself, workplace and co-workers. Only when position meets employee’s expectations, it is possible to expect that employee will be satisfied with their job position and will remain loyal to organization. However, it is essential to consider not only employee’s expectations – organization’s needs and expectations are also important. In order to develop customer loyalty, during the selection of potential employees emphasis must be placed not only on general knowledge, but also on specialty knowledge and gathered information about organization and its products. Thus, it would be rational to employ a worker who’s loyalty is useful to organization. Additionally, C. Y. Sum and C. L. Hui (2007) recommend

- to find out how long a potential employee has been working at the previous workplace;
- if values of a potential employee correspond to the values declared by organization;
- to evaluate reliability, responsibility and empathy of a potential employee.

When adapting human resources, it would be relevant to let them know how important human resources are to organization and what possible positive / negative influence they may have on customers. Also it is essential to provide an employee with thorough information about organization’s products and services. It would also be useful to introduce them to organization’s culture – the entirety of provisions, beliefs, expectations, norms, views and habits characteristic only to its members (Zaka-
The mentioned requirements are presupposed by the close connection of actual knowledge of employees and customers: it is believed that the more information employees have about organization’s products, the more information they will render to customers. It is also recommended to introduce employees to the importance of ethical provision of services, since, according to M. F. Chen and L. H. Mau (2009), ethical provision of services is one of the factors, determining customer loyalty.

In scientific discourse of western countries (Herstein, Zvilling, 2010) there can be found reasonable suggestions to encourage employees to make and maintain eye contact with a customer and to create the impression that they are always welcome in organization. It is recommended to address a customer by their name and to ask them several questions (about their occupation, marital status and economical situation), helping to find out information, which would bring a customer closer to organization. While communicating with a customer, an employee is suggested to nod their head sometimes and to maintain eye contact not only with the interlocutor, but also with a potential customer standing beside. R. Herstein and M. Zvilling (2010) name one more requirement applicable to employees: not only the attending staff should greet customers, but also everyone who encounter the customer in one or another way. Personal experience of the article authors gives evidence that in Lithuanian organization this perception is not always implemented, sometimes even the attending staff does not make a greeting, without even speaking about the other means of showing interest.

The assessment of human resources is most commonly substantiated by internal management’s, co-workers’ or personal assessment, and the assessment of external individuals (for example, customers) is usually not included. In order to orient human resources management to customers, such a decision would be appropriate, since customers are able to evaluate the criterion of customer-oriented activity the most objectively. According to A. Garf (2007), assessment should involve broad spectrum of assessment indexes: emotional and communicational competences, internal readiness, customers’ confidence in employees, etc. In addition, it is necessary to define assessment means, methods, frequency, assessment object and time specifically.

Development of human resources, according to B. Melnikas (2006), is a very important modernization direction of today’s society, expressing orientation to priorities of intellectualization, ability to react to changes which become more and more rapid, tolerance, adaptivity and competitive ability in the conditions of new challenges. Qualification of human resources, as P. Zakarevičius (2006) indicates, is imperfect; it does not correspond to modern requirements.

Human resources training and development should be oriented to indirect employee introduction to customers: employees have to know who and why buy and consume organization’s products (Ulrich, Brockbank, 2005) and how to provide services to customers ethically (Chen, Mau, 2009). Knowledge about organization’s products is especially important since competence in this field is an important factor determining customer loyalty (Devrani, 2009; Jamal, Anastasiadou, 2009; Ndubisi et al., 2009). Such knowledge directs employees to perform actions developing customer loyalty. Should it be expected that an employee would be loyal to organization, it is essential
to develop communication with customers and complaint management skills. D. Ulrich and W. Brockbank (2005) present rather attractive suggestion – to include customers in some trainings, but authors do not detail this suggestion.

Employee movement management direction to the promotion of employee loyalty is presupposed by the fact that a loyal employee will be better in listening out to customer’s needs, more creative in trouble elimination and will rarely consider the termination of employment relations. According to scientists (Lockwood, 2007; Watkins, 2004; Tremayne, 2009; Kusari et al., 2005; Sharman, 2004; Schneider, White, Paul, 1998; Salanova, Agut, 2005), employee loyalty is closely linked to customer loyalty since employees tend to treat customers the same, as employees are treated inside the organization. Therefore supporters of inner marketing keep the assumption that the more employees are committed to the product (or even to the whole sales process) which they are selling, and the more they are loyal to organization, the greater is probability that a customer will receive perfect service. However, there is no empirical confirmation of this assumption so far.

Employees are more responsible in performing their functions when their value to organization and possible impact on customers is reminded. Organization, aiming to stimulate employee loyalty and to increase customer loyalty this way, should try to make with the help of human resources compensation and protection activity its employees feel that they are suitable for the organization, make them know what is expected from them and what is their contribution to implementation of organizational goals. Customer attitudes, views and intentions are influenced by experiences of human resources in organization – if they do not feel valued, customers are also not going to feel that way. This link was empirically confirmed by J. Hwang and L. Wen (2009), who conducted the research on the mutual connection between propriety of hotel staff salary and customer loyalty. The research conducted by authors showed that customers, who think that employees are not properly appraised in terms of remuneration, tend to be less loyal in the future.

The conducted analysis of assumptions of theoretical human resources management orientation to customer loyalty promotion and the prepared general scheme of application of this concept in organization allows suggesting that human resources management oriented to customer loyalty could become the catalyst of organizational success.

2. The research methodology of human resources management orientation to the promotion of customer loyalty

In order to establish the expression of human resources management oriented to customer loyalty in Lithuanian organizations, an empirical research has been conducted. A model prepared by the authors turned into the foundation for the conducted research of human resources management orientation to the promotion of customer loyalty.

Research hypothesis: human resources management oriented to the promotion of customer loyalty is poorly applied in Lithuanian organizations.
Data collection method. A method of collection of sociological information – a questionnaire survey – was used for the verification of stated hypothesis.

Research instrument. Research questionnaire was composed of four parts: 1) introductory; 2) demographical 3) diagnostic 4) conclusive. In the research questionnaire close-end questions prevail according to presentation form.

Research selection. Size of the analyzed population – public and private institutions of Lithuania (according to the data of Lithuanian Statistics, 83201 economic entities carried on businesses in Lithuania in the beginning of 2010 (Lietuvos statistikos departamentas, 2010)). Research respondents – top, middle and lower-level managers and organizations personnel department employees from Lithuanian public and private institutions. Paniott formula was used in order to establish sample size (Kardelis, 2005). Selection bias limit of 5 percent, which is the maximum allowed in social researches, was chosen as the extent of bias, and it was established that the number of cases in cross-section should be 398.

Organization of the research and data analysis. Starting from October 1 until December 31, 2010 potential respondents were distributed with 630 questionnaires in total, 408 of which were returned (questionnaire return quota – 64.76 percent).

Results analysis of quantitative research was conducted by using statistical analysis data package SPSS 14.0 and Microsoft Excel application.

3. Analysis of the research results of expression of human resources management oriented to the promotion of customer loyalty in Lithuanian organizations

Analysis of the research results of expression of human resources management oriented to customer loyalty in Lithuanian organizations is started with the evaluation of demographic respondents’ characteristics.

A bit higher number of female managers / personnel department employees (56.62 percent) than male (43.38 percent) participated in the research. When assessing the distribution of respondents according to educational level, it is visible that the sample is not symmetrical: the core of the sample was composed of individuals who had acquired higher education (72.79 percent). Comparative proportion of participants who had lower education was noticeably smaller. Respondents have been working in their represented organizations for 5.6 years in average.

Upon asking the respondents in what environment operates an organization, it was established that according to activity sector variable the largest number of organizations (22.55 percent) operates in the field of construction. A little less than one fifth of respondents under study represented educational organizations (19.85 percent). The remaining percentage rates were divided between automobile, electronics, industrial equipment, metal processing, plastics, timber and paper, textile, education and other sectors. The average number of employees in organizations represented by respondents is 19.2 employees.

In order to establish the importance of loyal customers, expediently working human resources, loyal employees and human resources management fulfilling customer
expectations in Lithuanian organizations, average evaluation (in points) of those factors was calculated (see Figure 2). The results of conducted research of expression of human resources management oriented to customer loyalty show that in Lithuanian organizations high significance is obtained by human resources, expediency and purposefulness of their work (4.75 points out of 5 possible) and their loyalty (4.83 points out of 5 possible). Human resources management fulfilling customer expectations did not receive such a high average evaluation – 4.33 points (out of 5 possible). Such characteristic, as customer loyalty, was not accepted very positively in an analyzed population. This is revealed by the obtained distribution of measured attribute, where on the scale of 1 to 5 points the average is 4.08 points. Still, taking into considering the fact, that answers were recorded on a 6-point Likert scale (range of 0-5 points was provided for the factor evaluation), it is possible to presume that all factors are very important.

Organization can develop customer loyalty by applying loyalty programmes, encouraging employee loyalty, improving quality of service provision to customers, providing privileges to its customers, orienting human resources management to customer loyalty promotion and by other means. The distribution of research participants’ answers to the question “How the organization develops customer loyalty?” shows that in Lithuanian organizations the improvement of quality of service provision systematically repeats itself as the most popular method of customer loyalty promotion (25.98 percent) (see Figure 3). Loyal employees are better at hearing out customers’ needs; they are more creative in elimination of occurring problems and rarely consider the termination of employment relations. Those advantages are recognized by many Lithuanian organizations; therefore, they use them for the promotion of customer loyalty (20.83 percent). The provision of privileges also appears between the means of loyalty promotion (16.42 percent). 15.44 percent of respondents indicated that in their represented organizations human resources management is used for the development of customer loyalty. Traditional sales promotion element constituent of marketing complex – loyalty programmes – appeared in empirical distribution more rarely (13.73 percent). In principle, this may be explained by a large number of public sector
organization representatives participating in a research. Other means of customer loyalty promotion are used even less frequently (7.60 percent).

<table>
<thead>
<tr>
<th>Means of Customer Loyalty Development</th>
<th>Percentage</th>
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<tr>
<td>by orienting human resources management to the promotion of customer loyalty</td>
<td>15.44%</td>
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<tr>
<td>by promoting employee loyalty</td>
<td>20.83%</td>
</tr>
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<td>by providing privileges to its customers</td>
<td>16.42%</td>
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<tr>
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<tr>
<td>by improving the quality of service provision to customers</td>
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</tr>
<tr>
<td>other</td>
<td>7.60%</td>
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Fig. 3. Distribution of research participants according to the means of development of customer loyalty practised in represented organizations, in percent

Structured expectations are the main determinant, which encourages customers not only to buy the product once, but also to keep buying it in the future. Should the work of human resources not correspond to customer expectations, even the most effective marketing efforts, which are meant to create the positive impression about the organization and its products to customers, may become meaningless. After asking representatives of Lithuanian private and public sector organizations if human resources work in an organization met customer expectations it was established that the majority of respondents thinks that those expectations are partially met (64.22 percent). 21.32 percent of research participants think that the work of human resources meets customer expectations. However, this is only organization representatives’ opinion; it is likely, that the other concerned party – customers – would provide somewhat different results. 4.41 percent of respondents evaluated the work of human resources negatively, and the remaining 10.05 percent chose the answer „I do not know“.

It should be indicated, that although in some organizations work of human resources does not meet customer expectations, nevertheless, in the analyzed population of organizations an assumption about the significant influence of expectations on the management of human resources in organization became clear; this answer was indicated by 51.72 percent of research participants (see Figure 4). 42.40 percent of respondents think that customer expectations have significant influence on human resources management. The importance of customer expectations was not valued only by 1.23 percent of representatives of Lithuanian organizations participating in the research.
In the analyzed population of organizational representatives positive attitudes towards the promotion of human resources management oriented to customer loyalty prevailed: according to more than a half of research participants (64.71 percent) it is reasonable to promote customer loyalty via human resources management. However, this result should not be given much prominence, since only 15.44 percent of economic entities are susceptible to the employment of this ideology.

When analyzing the distribution of data according to the expedience of promotion of customer loyalty via human resources management we observe that slightly more than one fourth of research participants (25.25 percent) think that this method of promotion of customer loyalty is maybe expedient. More critical of this question are only 6.13 percent of research participants. The remaining respondents did not have an opinion regarding this question (3.92 percent). Such distribution of respondent answers shows that in many Lithuanian organizations there are still doubts regarding the expedience of employment of human resources management oriented to customer loyalty promotion.

In order to determine the expression of orientation of separate human resources management activities to the promotion of customer loyalty, average evaluation (in points) for each activity was calculated (see Figure 5). When estimating the expression of orientation of separate human resources management activities to customer loyalty promotion it should be brought to notice that the majority attempts to promote customer loyalty are made via adaptation (3.54 points out of 5 possible), selection (3.50 points) and compensation together with protection (3.42 points) activities. It should be indicated that such activities as human resources training and development, circulation management and planning are the most poorly oriented to the promotion of customer loyalty in Lithuanian organizations. Rather low average score of separate activities only confirm the position, expressed by respondents, that other means – improvement of service provision quality and the development of employee loyalty - are more commonly used for the promotion of customer loyalty.
Conducted explorations allow stating that human resources management oriented to customer loyalty is not an entirely new concept in Lithuanian public and private sector organizations. However, the situation is rather pessimistic, because attempts to employ the solutions of human resources management orientation to the promotion of customer loyalty are not integrated – only some traditional activities of human resources management are actively oriented to the promotion of customer loyalty. It is assumable that relatively low evaluations of expression of separate human resources management functions were also determined by the novelty of a concept of human resources management oriented to customer loyalty (as it was mentioned, in Lithuanian scientific base only single studies of this subject were noticed). This allows making an assumption that upon the deeper integration of human resources management oriented to customer loyalty ideology in special literature, organizations will become more competent in this field and will orient separate human resources management activities to customer loyalty more actively. This presupposes the need to confirm / contradict this assumption in the future.

Conclusions

On the grounds of theoretical insights of customer loyalty promotion via human resources management and conducted research of expression of human resources management oriented to customer loyalty the following conclusions are formulated:

1. In order to orient human resources management to the promotion of customer loyalty the maximum attention should be rendered to classic human resources activities. The direction of those activities to customer loyalty promotion and customer engagement into human resources management would also develop customer loyalty. Adaptation of the prepared general scheme of orientation of human resources management to customer loy-
ally promotion should be substantiated by purposeful orientation of each human resources management activity to the promotion of customer loyalty.

2. The research of expression of human resources management oriented to customer loyalty in Lithuanian organizations showed that this management is not an entirely new concept in Lithuanian public and private sector organizations. However, the decisions to apply solutions of human resources management orientation to customer loyalty promotion are not comprehensive (only some of human resources management activities are actively, but still insufficiently, oriented to the promotion of customer loyalty); the majority of attempts to promote customer loyalty are made via activities of adaptation, selection and compensation together with protection. The research hypothesis was confirmed: human resources management oriented to the promotion of customer loyalty is insufficiently applied. Upon the fulfilment of the research of expression of human resources management oriented to customer loyalty in Lithuanian organizations, a need to investigate the reasons of un-orientation of human resources management to the promotion of customer loyalty and the possibilities to eliminate this problem in the future emerged.

References


