

# Frontline employees' engagement and business performance: the mediating role of customer-oriented behaviors

Frontline employees' engagement

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## Abstract

**Purpose** – Within the retail banking sector, the customer-centric business model has become an important and new business trend in recent years. The enhancement of the frontline service employees' engagement and their customer-oriented behaviors are among the key factors affecting business performance (BP) in this sector of the banking industry. The purpose of this paper is to improve management decisions to enhance BP through examining the relationship between the frontline employees' engagement and BP while taking into account the mediating effect of customer-oriented behaviors on this relationship.

**Design/methodology/approach** – A quantitative approach was adopted to conduct the present study, and the respondents were sampled from a large commercial bank in Iran using a structured questionnaire. Overall, 50 branch managers and 90 frontline employees were selected using random sampling. A confirmatory factor analysis was conducted to ascertain the validity and reliability of the observed items and a structural equation model was used for testing the proposed hypotheses and research framework.

**Findings** – The findings showed that customer-oriented behaviors mediated the relationship between the frontline employees' engagement and bank's branches' BP. Higher levels of the frontline employees' engagement enhance the customer-oriented behaviors. It was revealed that the frontline employees are engaged in their job and organization. Moreover, the engaged frontline employees listen carefully to customers, the customer's problem is important to them and they complete their tasks precisely for customers. It has been confirmed that customer-oriented behaviors enhance branches' BP. The bank frontline employees' engagement and customer-oriented behaviors, in turn, affected the bank's branches' financial performance, process performance and employee performance compared with the bank's key competitors.

**Research limitations/implications** – This study highlights the value of empirically establishing how employee customer-oriented behaviors are affected by employee engagement as an integrative construct bringing together BP.

**Practical implications** – This study can help improve BP by increasing the frontline employees' engagement and their customer-oriented behaviors. This study suggests that organizations using the findings of this study could effectively assess their frontline employees' engagement and their customer-oriented behaviors and then plan for improving them.

**Social implications** – This study offers a customer-oriented initiative as a social responsibility to be considered by retail banks. In light of the social exchange theory, the banks valuing customer-oriented can provide employees with knowledge, skills, values and support to develop motivation and abilities to demonstrate customer-oriented organizational citizenship behaviors.

**Originality/value** – Previous studies demonstrated that the employees' engagement affects their customer-oriented behaviors. In addition, studies have referred to the effect of employees' customer-oriented behaviors on BP. However, to the best of the knowledge, key questions regarding how the employees' engagement at the branch level fosters customer-oriented behaviors and, in turn, the bank's branches' BP,



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remain unanswered. Hence, this study contributes to the investigation of the mediating role of the frontline employees' customer-oriented behaviors in the relationship between their engagement and branches' BP in the retail banking sector.

**Keywords** Performance, Engagement, Frontline employee, Customer-oriented behaviors

**Paper type** Research paper

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## 1. Introduction

Today's competitive environment challenges the traditional view of the employee – organization relationship, particularly, the level of performance expected from employees and the need to achieve more with less. According to the “positive psychology” approach (Seligman and Csikszentmihalyi, 2000), organizational researchers have recently applied the lens of positive organizational behavior to review important research questions. One trend of research that has attracted ever increasing interest is the variable of employee engagement (Halbesleben *et al.*, 2009). The concept of employee engagement, characterized by high energy and deep commitment, has been introduced into the literature as a new means of redefining the employee – organization relationship (Eldor and Harpaz, 2016). Engaged employees have strong motivation and commitment, are interested in continuing their involvement with the organization and even do activities beyond their specified and regular duties to organizations' success (Sakovska, 2012).

Zang *et al.* (2020) demonstrated that the Chinese firms' performance rises as they become more customer-oriented. Thus, it is important to motivate salespeople, who manage the firms' customer relationships, to effectively develop customer-oriented sales behaviors. Chen and Pang (2019) studied selected branches of a chain restaurant in Northern Taiwan and demonstrated that increasing the strength of frontline service employees' work engagement is a key factor affecting business profitability, and an in-depth investigation of the antecedents and outcomes of such work engagement has become a critical issue in research on service industries. For instance, some studies have demonstrated that employee engagement leads to business performance (BP) such as profit and customer share (Gallup, 2013; Richman, 2006; Sakovska, 2012; Zhou *et al.*, 2007). Boston Consulting Group's (BCG) (2012) researchers argue that many banks have recently built considerable movements in their level of customer responsiveness. For example, retail banks today face significant challenges to growth and profitability. The economic challenge has damaged consumer confidence in the banking industry. Today, it can be argued that consumer, market and structural industry trends have created a burning platform that is forcing retail banks to “jump” to win back the hearts and minds of their customers (Maguire *et al.*, 2012). Therefore, responding to customer needs more effectively than competitors is clearly an important competitive leverage (Reychav and Weisberg, 2009). Research indicates that just 5% more effort to keep profitable customers will increase 25%-95% profitability of companies in different industries (Oliver, 1999). Gunasekare's (2016) study on human factors of service quality of retail banking in Sri Lanka indicates banks that deliver services with high quality to customers will obtain more income and experience higher customer satisfaction (Gunasekare, 2016).

Retail banking remains an essential part of the financial services industry. According to Deloitte (2019), the increasing pressure from a low-yield environment and the potential for an economic slowdown could negatively impact earnings, especially for retail banks. These banks may continue to increase their fee-based income and focus on cost management. While the sector has recovered from the financial crisis, the growth picture globally is mixed. Banks are seeing a return to pre-crisis levels of revenue growth, but economic,

demographic, competitive and technological changes will continue to impose pressure through the end of the decade. As a result, retail banks will need to get creative to sustain profitability. [BCG \(2019\)](#) forecasts an annual rise of 4.2% in global retail banking revenues, as well as an annual rise of 4.6% in the Middle East and Africa retail banking revenues between 2018 and the end of 2025.

Regardless of business fundamentals, retail banking consumers around the world want the same thing: superior and consistent customer experience in branches ([Deloitte, 2019](#)). [Soteriou and Stavrinides \(1997\)](#) explained that a retail banks' overall performance is influenced by its branches' BP. PwC retail banking 2020 survey indicates 61% of bank executives believe that a customer-centric business model is "very important," and 75% of banks are making investments in this area (this pattern is consistent globally). Yet only 17% feel "very prepared." In the emerging markets (e.g. Asia-Pacific and Middle East and Africa markets), executives report that there is much more focus on customer need identification (64%) to help create that enhanced customer experience ([Garvey et al., 2014](#)). According to the Central Bank of Iran (CBI) (2018), Iran's banking sector has faced serious financial upheavals, a sense of great uncertainty, major instability in the foreign exchange market and economic challenges such as increasing inflation and unemployment. In spite of short-term economic accomplishments such as economic growth and inflation containment in 2017/2018, in this context, the strengthening of financial and capital market institutions and instruments for a better intermediation process, the financing of large companies and sound banking sector reforms are required for long-term sustainment of achievements on the inflation front and the further bolstering of financial stability so that financial resources are better conducted toward productive activities and employment generation ([Central Bank of the Islamic Republic of Iran \(CBI\), 2018](#)).

In these situations and aligned with global trends in retail banking ([BCG, 2019](#); [Deloitte, 2019](#)), the main goal of customer-centric retail banking is to gain revenue, profit and customer engagement by providing the proper financial services, products and solutions for solving customers problems. In other words, the goal selected by customer-centric retail banks for profitability, retaining existing valuable customers and attracting new customers is implemented more effective through the high quality of relationships between customers and frontline employees ([Grigoroudis et al., 2013](#)).

According to broaden-and-build theory ([Fredrickson, 2001](#)), positive emotions broaden individuals' attention and thinking, which, in turn, enables them to build personal resources (including physical, intellectual, social and psychological behaviors) that help them will devote more effort to work, respond positively to obstacles and challenges and apply many methods to achieve their goals. [Pugh \(2001\)](#) indicated that the display of positive emotions by those bank employees who are in direct contact with customers improves customer perceptions of service quality. Moreover, Loveman's (1998) study in Midwest Regional Bank in the USA indicated that, according to the service-profit chain theory, growth and profitability stem from employees' positive emotions, their customer-oriented behaviors and customer engagement. In this study, it is also found that higher customer engagement levels lead to increased cross selling and profitability at branch levels ([Loveman, 1998](#)).

Prior studies have shown that employees' engagement affects their customer-oriented behaviors ([Hennig-Thurau, 2004](#); [Zablah et al., 2012](#)). [Hennig-Thurau and Thurau \(2003\)](#) suggest that an employee can only behave in a fully customer-oriented sense if she is engaged and enabled to treat customers according to their needs. In addition, several studies have referred to the effect of employees' customer-oriented behaviors on BP ([Chu et al., 2016](#); [Korschum et al., 2014](#); [Kiessling et al., 2016](#); [Maurya et al., 2015](#); [Zang et al., 2020](#); [Zhou et al., 2007](#)). According to Kelley

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(1992), customer orientation of a service firms' frontline employees is crucial for the business success.

Although scholars have paid considerable attention to customer-oriented behaviors (Franke and Park, 2006; Homburg *et al.*, 2011; McFarland *et al.*, 2016; Miao and Wang, 2016), little is known regarding the role that salespeople customer-oriented behaviors might play as a link between frontline employees' engagement and BP (Zang *et al.*, 2020). It is also worth pointing out that there are other studies that examined customer-oriented behavior as a mediating variable, which is a link between other organizational factors such as employee satisfaction, organizational commitment, job performance and sales performance of frontline employees (Korschun *et al.*, 2014; Zablah *et al.*, 2016; Zang *et al.*, 2020).

Furthermore, while previous studies have indicated that employees' engagement is a vital concept that affects organizational effectiveness and competitiveness (Kang and Sung, 2017; Loveman, 1998), its effects on BP at the store/branch level through customer-oriented behaviors are yet to be clarified (Zang *et al.*, 2020). In other words, to the best of our knowledge, key questions regarding how frontline employees' engagement fosters employees' customer-oriented behaviors, and, in turn, affects branch-level BP, remain unanswered. Accordingly, the present study assesses whether and how employees' customer-oriented behaviors mediate the relation between employees' engagement and branch-level BP. In addition to bridging the research gap noted above, this study has several other contributions. First, the findings of this study are important for the banking industry as the sector faces increasing competitive challenges in a high-growth market. These challenges include the ability to attract, engage and retain a high-performance workforce, attract new customers, deepen their customer relationships and enhance customer service. Second, we argue that frontline employees become engaged in their work when they believe that their employers offer them opportunities for involvement in decisions and actions that affect their jobs. Third, this study will acknowledge the critical role of employee engagement as a motivator for banks' frontline employees to demonstrate their customer-oriented behaviors in the process of service delivery to customers. Finally, the results provide practical suggestions for branch managers, which help them increase branch-level BP through improved frontline employee engagement and customer-oriented behaviors.

This study is structured as follows: First, we will review the theoretical background and develop research hypotheses. Second, the research methodology and findings are discussed and finally, the study is concluded with the theoretical, as well as the practical implications, limitations and future research studies.

## 2. Literature review and hypothesis development

Although research on engagement was well-established within the psychology field, very few HRM researchers around the world were working on the topic (Truss *et al.*, 2013). Employee engagement has been a hot topic within both the academic and practitioner domains (Albrecht, 2012). Employee engagement is a key enabler to the retention of talents (Bhatnagar, 2007). Employee engagement explains personal preferences in work (Chang, 2016). Kahn (1990) originally defined personal engagement as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally, during role performances" (p. 694). Employee engagement refers to employee satisfaction, enthusiasm and engagement in a workplace (Harter *et al.*, 2002). In addition, Saks (2006) defines employee engagement as employees' job engagement and organizational engagement. Job engagement refers to positive perceptions of employees about their work. Organizational engagement means positive perceptions of employees about their organization. In recent years, as companies

have begun recognizing the importance of engaged employees for direct business outcomes such as good performance, innovation and productivity, employee engagement has emerged as a vital concept that affects organizational effectiveness and competitiveness (Kang and Sung, 2017).

Customer-orientation is an important strategy for the organization and it shows the organizations' strategic position in relation to its customers (Wang *et al.*, 2016). Verma and Jayasimha (2014) believe customer-orientation is as a set of beliefs that put customer interest first to develop a long term profitable business. In addition to, they define it as an employees' tendency or predisposition to meet customer needs in an on-the-job context. According to Anaza and Rutherford (2012), engaged employees will display customer-oriented behaviors within an organization. For instance, Towers Perrin-ISR (2006, as cited in MacLeod and Clarke, 2009) found that:

78 % of highly engaged public servant reported that they believe they can have an impact on public service delivery or customer service against only 29 % of the disengaged" (p 12).

Employees' customer orientation means the development of long-term relationships with customers and it is a key factor for impacting on BP (kasemsap, 2017).

Zang *et al.* (2020) categorize customer-oriented behaviors into two kinds, namely, functional and relational. Functional customer-oriented behaviors refer to those task-related behaviors that facilitate a customers' ability to make satisfactory purchasing decisions, while relational customer-oriented behaviors aim to develop a personal relationship with customers. In this study, customer-oriented behaviors are defined as a set of frontline employees' behaviors demonstrating a high focus on identifying the customers' needs and problems, delivering the desired product and/or service solutions better than what the competitors do, thus ensuring customer engagement (Franke and Park, 2006; Wang, 2015).

According to a BCG research (Maguire *et al.*, 2012), retail banks that take a customer-centricity approach possess certain characteristics. For example, they concentrate on creating a comfortable and enjoyable banking experience. The employees focus on the emotional benefits of joining and on the way the bank delivers highly personalized, friendly services. "We are just like you and we are here to help" might be an appropriate customer orientation slogan. These banks strive to be perceived as rooted in the local community, a positive contributor to society and able to help customers find the financial products and services they need in a very supportive way. The staff focus on building deep relationships by concentrating on the clients' long-term financial needs and aspirations. Moreover, these banks strive to be known for putting the customer first through honest advise. They focus on providing an accessible, easy and fast experience. All channels – branch, call center, online, mobile and ATM – foster natural pathways for customers to carry out research, choose products, make inquiries and resolve problems.

BP is used as one important dependent variable in organizational studies (Nigam *et al.*, 2011; Leal-Rodríguez *et al.*, 2018). BP can contain several measures such as faster growth, profitability, employee satisfaction, customer satisfaction and quality level. The BP is a multi-dimensional concept that examines the company's position in compared to its key competitors (López-Nicolás and Meroño-Cerdán, 2011). In the retail banking, the concept of BP at the branch level refers to measures such as operational cost minimization, attracting and retaining new customers, managing costs, providing quality services, customer attrition rate, the branch's waiting time and the percentage of sales and service (Duthoit *et al.*, 2011; Grigoroudis *et al.*, 2013). López-Nicolás and Meroño-Cerdán (2011) used a comprehensive model of BP includes internal performance, financial performance and process performance subjective indicators. In the following section, we will explain the theoretical justification of

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relationships between the frontline employees' engagement, customer-oriented behaviors and BP.

### *2.1 Frontline employees' engagement and business performance*

Employee engagement is one of human resources (HR) perceptual results that will affect BP (Korn Ferry, 2016). Gupta and Sharma (2016) explored how to make highly engaged employees responsible for high organizational performance (employee intent to stay, low turnover, productivity, profitability, safety and customer loyalty, health and well-being). Moreover, Truss *et al.* (2013) reviewed high levels of engagement are associated with high levels of performance, citizenship behavior and individual well-being. Other studies (Gallup, 2013; Harter *et al.*, 2002; Richman, 2006) have indicated that employee engagement predicts BP such as customer satisfaction and profitability and earning per share. Moreover, the survey findings of Harvard Business Review (2013) analytic services among best in class companies showed they saw engagement as an extremely important priority. This group of companies – called “high prioritizers” in the study – are effectively using metrics and shared some best practices for tying engagement to BP.

Chen and Peng (2019) have pointed that more engaged frontline service employees will win customers' accolades for their service performance. Furthermore, increasing the frontline service employees' work engagement is a key factor affecting business profitability. The employees' work engagement has become a critical topic in research on service industries such as the banking sector. The banking industry is a highly service-oriented sector where frontline employees communicate directly with the customers. This makes it indispensable for frontline employees to be empowered and engaged in the banking. For retail banks to provide quality customer service, the executives have to provide employees with an appropriate level of autonomy and engagement in their responses to the many issues that may arise during service encounters. Thus, frontline employees feel greater levels of responsibility and motivation, resulting in improved BP (Yoo and Jung, 2019).

The research of Al-dalahmeh *et al.* (2018) in the banking industry showed working in an environment that facilitates engagement allows employees to excel in their work and trying to contribute to business objectives, which finally results in high performance. Caplan (2013) suggested that employee engagement builds a good place to work, reduces turnover and produces better financial results. Unengaged employees, on the other hand, demonstrate poor customer service. They do not care about the success of the organization (Shmailan, 2016). Jha and Kumar (2016) suggested that an engaged employee is someone who understands the role in the business strategy and has a strong emotional commitment for the organization and improves competitiveness. Accordingly, we propose the following hypothesis:

*H1.* Frontline employee engagement is positively related to BP at the branch level.

### *2.2 Frontline employee engagement and customer-oriented behaviors*

To deliver better service quality to customer, the role of engaged front line employees is vital in today's competitive business environment (Chen and Peng, 2019; Yoo and Jung, 2019). According to broaden-and-build theory (Fredrickson, 2001), engaged employees are more prepared to identify problems of customers and deliver effective solutions to them, and this is a means for retaining valuable customers (Hennig-Thurau, 2004). Employees' engagement have a positive effect on how employees deliver best service to customers (Menguc *et al.*, 2013; Mwebaza, 2013).

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Harter *et al.* (2002) reported that employee engagement is positively associated with customer loyalty. Customer-oriented employees have more motivation and commitment to spend extra time and effort on caring for their customers (Eldor and Harpaz, 2016).

The positive behavior of employees in service delivery can increase the perceived value in minds of customers (Zameer *et al.*, 2018). In financial services organizations, the customer experience and employee behavior are vital factors, and can significantly enhance organizational outcomes (Chang, 2016). Studies show that many characteristics and behaviors of the employee in the service encounter influence the customer (Söderlund, 2018). In relational contexts, incentivizing frontline employees to engage customers is an enabler for increasing frontline employee and customer results (Zablah *et al.*, 2016). When frontline employees are more engaged, they experience a positive affect that is expressively communicated to customers, which results in improving the affective status of those customers (Hur *et al.*, 2015). In addition, Chen and Peng (2019) argued that more employee engaged will deliver superior customer service. Frontline employees can strongly contribute to service firms' economic success by having a customer-oriented approach in personal interactions with customers (Hennig-Thurau, 2004). Based on the above discussions, we propose the following hypothesis:

- H2. Frontline employee engagement is positively related to employees' customer-oriented behaviors.

### *2.3 Frontline employee customer-oriented behaviors and business performance*

Amongst business academics and practitioners, customer orientation has been identified as a key for building effective business relationships with its market and a vital enabler for business success (kasemsap, 2017; Loveman, 1998; Towers Perrin-ISR, 2006). For instance, Brnnback (1999) suggested that customer orientation is the core of business success. Moreover, Neneh (2018) indicated that customer orientation had a significant positive association with firm performance. Furthermore, to achieve organizational success, employees must be able to take a high level of responsibility to their customers (Anaza and Rutherford, 2012). Identifying customer needs and delivering value added services are known as a determinant in the success or failure of companies (Yong Ahn *et al.*, 2003). Williams (1998) explained that customer orientation is a strong predictor of performance in individual and organizational levels such as profitability and organizational commitment. Wang *et al.* (2016) indicate that customer orientation positively affects service innovativeness in service firms.

Chu *et al.* (2016) findings showed there were significant and positive relationships between the customer-oriented strategy and BP. They suggested the BP can be improved by identifying the right target customers, understanding the customers' needs and delivering high value-added services, to continually create superior value for the customers. With regard to the service – profit chain (Heskett *et al.*, 1997), employees with high levels of job engagement are more likely to provide better service for customers, which results in better financial performance for the company (Hur *et al.*, 2015). Based on the above discussions, we propose the following hypothesis:

- H3. Employees' customer-oriented behaviors are positively related to BP at the branch level.

### 2.4 The mediating effect of customer-oriented behaviors

A significant amount of the studies have acknowledged the importance of the relationship between employees, customers and BP (Heskett *et al.*, 1997). Recently, many impact-based studies in related literature has emerged such as Chu *et al.* (2016), Kang and Sung (2017), Kiessling *et al.* (2016), Kasemsap (2017), Al-dalahmeh *et al.* (2018), Neneh (2018), Zameer *et al.* (2018) and Chen and Peng (2019). The purpose of these research studies is to identify those organizational elements as described by employees that correlate to critically important organizational results such as employee engagement, service quality, customer satisfaction and BP. As suggested by the service-profit chain, if employees feel that the firm takes good care of them, they are, in return, likely to take time to provide better service to meet and/or exceed customers' expectations. This is likely to lead to higher BP (Koys, 2003; Chi and Gursoy, 2009).

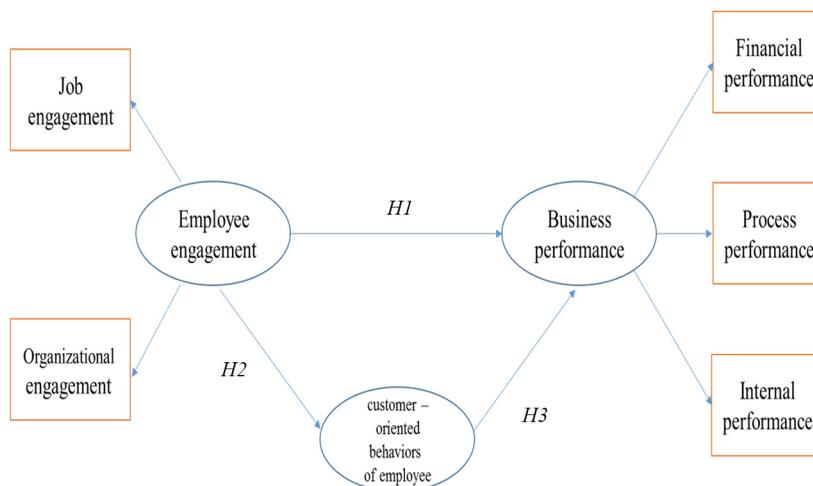
As suggested by the preceding discussion, *H2* states that employee engagement will be positively related to customer-oriented behaviors and *H3* states that customer-oriented behaviors will be positively related to BP. These two hypotheses link employees' engagement with their customer-oriented behaviors, and customer-oriented behaviors with BP. This means that the relationship between frontline employee engagement and BP is hypothesized to be indirect. Therefore, customer-oriented behaviors play the role of an intermediate variable to mediate the relationships between the independent variable of employee engagement and the dependent variable of BP. Based on the above discussions, we propose the following hypothesis:

*H4.* Customer-oriented behaviors will mediate the relationship between frontline employee engagement and BP at the branch level.

According to the above literature review, we developed the research conceptual model (Figure 1).

### 3. Research method

This study is a quantitative and confirmatory research. Overall, our study duration was six months in 2019:



**Figure 1.**  
Research model

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### 3.1 Sampling, data collection and statistical method

The questionnaire was developed based on literature. Its items were scored on the basis of a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Previous studies have found that a five-point scale is readily comprehensible to the respondents, enables them to express their views and increases the response rate and the quality along with reducing respondents' "frustration level" (Buttle, 1996; Martin, 1986).

The questionnaire was pre-tested with a few experienced academics and practitioners to increase the face validity of the research instrument. Two academics and two practitioners were selected for the purpose of pretesting. The academics who participated in this stage were from the banks' HR and organization consultants. In addition, the practitioners were from the banks' top managers including the chief planning and research officer and chief human resources officer. The purpose of the pretesting reported in the current paper was to assess how well the items were understood and interpreted to provide insights into the general quality of the formatting and face validity of the measure (Hilton, 2017; Willis, 2005). Respondents were asked to examine the wording of each scale item for clarity and meaning and to suggest areas of improvement. The consensus of the respondent panel with respect to both the constructs and items suggested that the measurement scales had adequate face validity. The revised questionnaire was given to an HR researcher and professor for feedback and comments.

Data for this study were collected from a retail banks' full-services branches in Tehran, Iran. The reason for the selection of this bank for the study was threefold:

- selecting and implementing a customer-centric business strategy in the bank;
- reorganizing based on the target customer segments (consumer, business, private and corporate customers); and
- Achieving the first rank in customer-centricity in Iran's financial services sector for seven consecutive years.

In addition, the reason for the selection of the branches was that they piloted the implementation of a customer-centric retail banking business strategy. The key characteristics of studied branches include utilitarian sales and service support, one-stop banking, a full range of services and one-on-one staff interaction.

The sampling frame was a listing of target contacts obtained from the directory of the planning and organizing department of the bank as a strategic center for the banks' branches' information and maintenance of relevant databases. We selected 73 related branches from this directory using a convenience sampling technique. The convenience sampling (also known as availability sampling) is a non-probability sampling method that relies on data collection from population members who are conveniently available to participate in the study (Dörnyei, 2007). Non-probability sampling was used because this method causes the least interference to the operation of branches. To encourage these branches to become involved in our research, we made a commitment to preserve the confidentiality of the subjects' personal information and to provide a summary of research conclusions in the end. As a result, 50 branches agreed to participate in this study. Hence, the sample size was 50 that is 50 branches were chosen to be in the sample.

The data were organized at the branch level for analysis. The branches employees' engagement and customer-oriented behaviors are individual-level constructs, reported by frontline employees. Frontline employees were defined as those who in their work role have daily or regular contact with customers (Slatten and Mehmetoglu, 2011). They are responsible for marketing and selling products and services to retail customers. On the basis

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of this criterion, we included only those working as front-desk clerks (including the branches' loan officers and tellers) in studied branches as participants. Moreover, branch BP is a group (branch) level construct, reported by branches managers. We chose line managers (branch managers in our study) as the key informant because they have a better sense of the firms' performance, and are central to explaining key business results (Wooldridge *et al.*, 2008).

A total of 500 questionnaires were sent out to the full-services branches in the bank with the permission of the banks' chief planning and research officer. Then, we invited branch managers to assist in collecting the data. A phone call was made to each of the branch managers to help increase the response rate. For each branch manager, we mailed a survey pack containing an introductory letter and 10 questionnaires. Each pack contained nine frontline employee surveys and one survey for the branch manager. Employee surveys were distributed to a randomly selected nine employees who had more than three years of sales experience. Inside the survey pack, each branch received a set of the following items – the opinion instrument, postage paid envelopes and a cover letter encouraging participation and stating the purpose of the survey along with its intended use. To facilitate accurate responses, anonymity was guaranteed to all respondents. Respondents were instructed to fill out the surveys, put them in envelopes and seal them to assure confidentiality. Because of constraints imposed by the participating branches, we were prohibited from directly contacting the employees. As a result, we relied on the branch managers to distribute the employee surveys. However, we asked the branch managers to distribute the survey across a range of employees and all questionnaires were returned to the authors by the banks' chief planning and research officer.

As a result, we collected 200 questionnaires from all of the 50 branch managers after 3 weeks. However, 60 employees' questionnaires were removed because of the application of cleaning procedures (Hair *et al.*, 2005). As missing data normally occurs when a respondent fails to complete all items in a questionnaire (Cavana *et al.*, 2001; Hair *et al.*, 2015), incomplete questionnaires containing one or more missing items were excluded from the data set. These removals resulted in 140 valid observations (including from all 50 branch managers and 90 frontline employees) for a response rate of 28%. One possible explanation for previous low response rates might be the pace of business life in the branches, which is so frantic that the bank branch's employees and manager must focus on doing their daily works, having little time remaining for response to questionnaires. In addition, the response rate is similar to some recent studies (Chand, 2010; Melton and Hartline, 2015) that have been challenged by the recent trends of declining response rates to all types of surveys (Cook *et al.*, 2000).

After collecting the data of employee engagement, customer-oriented behaviors and BP from each branch, a summated measure for each employee engagement and customer-oriented behaviors variable (question) was created for each branch. For example, from branch "A," five usable employee engagement and customer-oriented behaviors surveys were received. First, a summated measure for question one of the employee engagement survey questionnaire was created by averaging all five responses to question one. The same procedure was used to calculate the summated score for each employee engagement and customer-oriented behaviors items until a summated score was created for every single item (question) on employee engagement and customer-oriented behaviors survey questionnaires. Afterward, summated scores for each employee engagement and customer-oriented behaviors variables (questions) and the BP data provided by the management of the branch "A" were entered in a single data file yielding a single line presenting the summated responses for branch "A." The same procedure was repeated for each branch. Results from each branch were added to the data file. Summated scores for employee

engagement and customer-oriented behaviors were used because it enables researchers to minimize, to some extent, the measurement error inherent in all measured variables.

Justification for aggregation is provided by the study of [Schneider and Bowen \(1985\)](#), who suggested that similarity within settings is to be expected; to test for the suitability of aggregation, one needs to determine if there is agreement within settings. More specifically, [Schneider and Reichers \(1983\)](#) indicated that people in work settings tend to agree rather than disagree. Justification for aggregation is provided by the demonstration of agreement within settings rather than differences across groups ([George, 1990](#)). Moreover, as this study summated individual data into branch/unit level data through a cross-level data transformation, it was necessary to ensure that individual ratings are reasonably stable within each unit set ([Chen \*et al.\*, 1993](#); [Chen and Pang, 2019](#); [Chi and Gursoy, 2009](#)). Therefore, the estimate of within-group inter-rater reliability for multiple-item scales was assessed by using the interclass correlation coefficient to make sure that individual ratings are reasonably stable within each unit/branch set and to test whether there is consistency across employee perceptions ([James \*et al.\*, 1984](#)). This reliability is interpreted similar to other reliability coefficients. A value of 0.70 or higher indicates a good level of within-group inter-rater reliability ([George and Bettenhausen, 1990](#)). Findings indicated acceptable inter-rater reliability coefficients for both employee engagement and customer-oriented behaviors constructs; 0.802 and 0.71, respectively.

Data analysis was performed using confirmatory factorial analysis. Moreover, SPSS 22.0® was used to perform statistical analyzes, and the partial least squares (PLS) method was used through SmartPLS 2.0® to assess the psychometric properties. Partial least squares structural equation modeling (PLS-SEM) is a variance-based SEM technique that has been used to model latent variables, specifically composites and the relationships between them ([Henseler, 2017](#)). We chose this method because it makes fewer assumptions regarding the underlying data distribution, and the required sample size is smaller compared to covariance-based SEM ([Kuechler \*et al.\*, 2009](#)). Because of these advantages, PLS-based SEM is being widely used to analyze survey data ([Gefen and Straub, 2005](#); [Kuechler \*et al.\*, 2009](#); [Verhagen and Dolen, 2009](#)).

PLS path analysis allows to evaluate mediation model and tests mediation hypothesis, using the bootstrapping method ([Hayes, 2009](#)). As a result, the study uses the bootstrapping method to test mediation, i.e. the importance of indirect effects. Bootstrapping is a non-parametric re-sampling procedure for the analysis of mediation. It imposes no assumptions about the distribution of variables or the distribution of the sample and can be applied to small sample sizes with more confidence. Therefore, this approach is perfectly fit for the PLS-SEM method ([Hair \*et al.\*, 2014](#); [Nitzl \*et al.\*, 2016](#)). Authors like [MacKinnon \*et al.\* \(2004\)](#) have proven that this method leads to higher performance and higher levels of statistical power than traditional ways of testing mediation hypotheses such as the Sobel test ([Sobel, 1982](#)), which requires a normal distribution of indirect effects in the sample along with other problems that prevent its application with PLS. [Figure 1](#) (research model) expresses the total effect of frontline employee engagement (a) on BP (b) as the sum of direct and indirect effects. The estimation of the latter uses the product of path coefficients in the mediation chain. Thus:  $c = c' + ab$ ; where the latter is the indirect effect and  $c'$  is the direct effect of frontline employee engagement on BP (*HI*) that controls the employees' customer-orientated behaviors mediating variable.

### 3.2 Measures

This study used an 11-item scale based on the work of [Saks \(2006\)](#) to measure frontline employee engagement. This scale has two dimensions, namely, job engagement and

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organizational engagement. For example, items included “I really throw myself into my job,” “sometimes I am so into my job that I lose track of time” and “being a member of this organization is exhilarating for me.”

We used a five-item scale to measure employees’ customer-orientated behaviors (Anaza and Rutherford, 2012) – for example, items included “I always listen carefully to customers,” “every customers’ problem is important to me” and “I always complete my task precisely for customers.”

BP at the branch (group) level was based on the scale proposed by (López-Nicolás and Meroño-Cerdán (2011)). This 10-item scale has 3 dimensions include financial performance, process performance and internal performance. The financial dimension in performance focuses on the financial perspective proposed in the balanced score card (BSC) by Kaplan and Norton (1996). The process dimension in our measure of performance combines customer and internal perspectives of the BSC. Finally, our internal dimension of performance refers to the learning and growth perspective of the BSC. For example, items included in comparison to key competitors, this branch “is growing faster,” “is more profitable” and “provides higher quality products.”

Previous studies have found that subjective and objective measures of performance are closely correlated (Anderson *et al.*, 1994; Becker and Gerhart, 1996; Chand and Katou, 2007; Chand, 2010; Cho *et al.*, 2006; Loveman, 1998) that were measured under the philosophy of a perceived rating of the organizations’ performance (Appendix – Survey Questionnaire).

## 4. Analysis and results

### 4.1 Descriptive statistics

Descriptive analyzes were conducted to provide information about the demographic characteristics of sample, including age, education and gender. The total number of the participants was 140. The age of participants ranged from 20 to 65 years old. The gender makeup of the sample was 72% male and 28% female. With regard to level of education, 5% of respondents had a high school degree or less, 23% had a two-year high diploma, 52% had a bachelors’ degree and 20% had a post-graduate degree or above. The job titles of the sample were 64% frontline employees and 36% branch manager. The characteristics of the participants are shown in Table 1.

The two items in the employee engagement scale with the highest average scores indicate job engagement (sometimes I am so into my job that I lose track of time; I am highly engaged in this job). On the other hand, there are the two items in the employee engagement scale with the lowest average scores (This job is all consuming; I am totally into it; I am really not into the “goings-on” in this organization(R)). These scores show that the frontline employees’ job engagement is higher than their organizational engagement in the studied branches of the bank.

In addition, the item “I always complete my task precisely for customers” in the frontline employees’ customer-oriented behaviors scale has the highest average score. Of course, all items in this scale have a higher than average score. The scores of this scale show that the frontline employees’ customer-oriented behaviors do not have high scores in the studied branches of the bank.

Moreover, there are the two items in the BP scale with the lower than average scores (in compared with key competitors, our branch is more profitable; in compared with key competitors, our branch has more satisfied employees). These results indicate this bank has not good performance in key performance indicators such as employee satisfaction and profitability in compared with its key competitors. However, there are the two items in this scale with the highest average scores (in compared with key competitors, our branch has

Characteristics	Frequency	(%)
<i>Age (years)</i>	10	7
20-29	70	50
30-39	40	29
40-49	20	14
50 and over		
<i>Education</i>	6	4
High school or less	32	23
High diploma	73	52
Bachelor	29	21
Masters and above		
<i>Gender</i>		
Women	40	29
Men	100	71
<i>Organizational tenure (in years)</i>		
<10	10	7
Oct-20	110	79
21-30	20	14
<i>Jobs</i>		
Branch(line)manager:	50	36
Frontline employees:	90	64

**Table 1.** Demographic characteristics of the respondents ( $n = 140$ )

more qualified employees; in compared with key competitors, our branch has more creative and innovative employees). These scores show that employees believe that there are more qualified, creative and innovative employees in this bank in compared with key competitors. Such findings are consistent with the literature (Chu *et al.*, 2016; Eldor and Harpaz, 2016; Hur *et al.*, 2015; Jha and Kumar, 2016; Neneh, 2018; Wang *et al.*, 2016).

#### 4.2 Validity and reliability

To measure the constructs' internal consistency we used Cronbach's  $\alpha$  and composite reliability (CR) (Hair *et al.*, 2005, 2011). As Table 2 shows, the CR values range from 0.838 to 0.957; whereas Cronbach's  $\alpha$ s are within an acceptable range from 0.711 to 0.944. Assessment of convergent and discriminant validity determines the validation of the measurement model. Convergent validity of the scales is contingent on the fulfillment of three criteria (Fornell and Larker, 1981; Hair *et al.*, 1998):

- all indicator loadings should exceed 0.65;
- composite reliabilities should exceed 0.8; and
- the average variance extracted (AVE) for each construct should exceed 0.5.

As Table 3 shows, all the indicator loadings are above the recommended threshold. All of them are significant with  $p < 0.001$ . Moreover, as Table 2 shows, the CR values range from 0.838 to 0.957 and the AVE ranges from 0.588 to 0.818. Thus, all three conditions for convergent validity hold. To evaluate discriminant validity, Fornell and Larker (1981) suggest that the square root of the AVE of a latent variable should be greater than the correlations between the rest of the latent variables. As Table 2 shows, discriminant validity

**Table 2.**  
Composite reliability,  
AVE, Cronbach's  $\alpha$ ,  
squared root of the  
AVE and construct  
correlations

Construct	AVE	Cronbach's $\alpha$	CR	Correlation between constructs										
				1	2	3	4	5	6	7	8			
1-Business performance	0.6067	0.9259	0.9384	<i>0.778</i>										
2-Customer -oriented behaviors	0.818	0.9448	0.9574	0.493	<i>0.904</i>									
3-Employee engagement	0.5885	0.9276	0.9394	0.318	0.283	<i>0.767</i>								
4-Financial performance	0.634	0.7113	0.8386	0.652	0.365	0.132	<i>0.796</i>							
5-Internal performance	0.7397	0.824	0.895	0.698	0.531	0.422	0.624	<i>0.860</i>						
6-Job engagement	0.6694	0.8762	0.9099	0.350	0.135	0.709	0.176	0.432	<i>0.818</i>					
7- Organization engagement	0.6954	0.9107	0.9314	0.245	0.349	0.701	0.075	0.353	0.725	<i>0.833</i>				
8-Process performance	0.7791	0.9039	0.9335	0.965	0.446	0.288	0.770	0.811	0.323	0.217	<i>0.882</i>			

**Notes:** The squared root of the AVE is along the diagonal in italic. AVE (average variance extracted); CR (composite reliability)

Constructs		Items	Minimum	Maximum	Mean	SD	Standardized loading
Employee engagement	Job engagement (JE)	JE1	1	5	3.7214	1.05304	0.8097
		JE2	1	5	4.0929	1.00285	0.7754
		JE3	1	5	3.3786	1.35958	0.868
		JE4	1	5	3.4929	1.25518	0.7834
		JE5	1	5	4.0143	0.92126	0.8503
	Organization engagement (OE)	OE1	1	5	3.7143	0.99846	0.867
		OE2	1	5	3.4714	1.08914	0.8802
		OE3	1	5	2.7786	1.23538	0.7821
		OE4	1	5	3.6214	1.03512	0.8889
Customer-oriented behaviors (COB)	COB1	1	5	3.5929	1.09213	0.8871	
	COB2	1	5	3.4714	1.21999	0.6762	
	COB3	1	5	3.4000	1.24542	0.8902	
	COB4	1	5	3.7071	1.04913	0.9302	
	COB5	1	5	3.6857	1.01843	0.9069	
Business performance	Financial performance (FP)	FP1	1	5	3.7071	1.02835	0.8793
		FP2	1	5	3.9143	0.96325	0.9147
		FP3	1	5	2.9357	1.16428	0.7958
	Process performance (PP)	PP1	1	5	2.7571	1.15598	0.7844
		PP2	1	5	3.4857	1.19040	0.8083
		PP3	1	5	3.1929	1.04500	0.8139
		PP4	1	5	2.9643	1.08893	0.9191
	Internal performance (IP)	IP1	1	5	3.0500	1.04106	0.9554
		IP2	1	5	3.2714	1.19256	0.8344
		IP3	1	5	2.9000	1.31565	0.8374
					3.7714	1.15268	0.8599
					3.6714	1.04876	0.8823

**Table 3.**  
Means, SD and factor loadings

**Note:** Standard deviation (SD)

holds for the model, as the square root of the AVE for each construct is greater than the correlations between the variables that form the construct.

The diagonal elements (in bold) are the square roots of the variance between the constructs and their measures (AVE). Off-diagonal elements are the correlations between the constructs. Prior to the hypotheses testing, cross validation (CV)-communality and -redundancy indices assess the quality of the structural model. The mean of the CV-communality indices confirms the global quality of the structural model if the indices are positive for all the blocks, taking into account the measurement model as a whole. In addition, the CV-redundancy index offers a metric to evaluate the quality of each structural equation. This index should be positive for all endogenous constructs (Tenenhaus *et al.*, 2008). For this study, the model demonstrates adequate predictive validity and fit, as all the latent variables have positive values for CV-redundancy and -communality indexes (Table 4).

#### 4.3 Hypotheses testing

After analyzing the quality of the structural equation, the next step is to test the relations between all constructs. For a much stronger test, the hypotheses are tested using SEM. SEM is a multi-variate statistical process that allows testing of the full model of frontline employee engagement, customer-oriented behaviors and BP by using several latent

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variables and multiple indicators. This study adopted a two-step approach to use SEM, first evaluation of a measurement model to test the validity of indicators and then evaluating the full structural model. Figure 2 shows the results of the structural model analysis.

Table 5 shows the decomposition of effects (total, direct and indirect). The results of the statistical model offer support for H1–H4.

Four hypotheses were proposed to examine the direct and indirect impact of frontline employee engagement and customer-oriented behaviors on BP, the direct relationships between frontline employee engagement and customer-oriented behaviors and the mediating effect of customer-oriented behaviors on the indirect relationship between frontline employee engagement and BP.

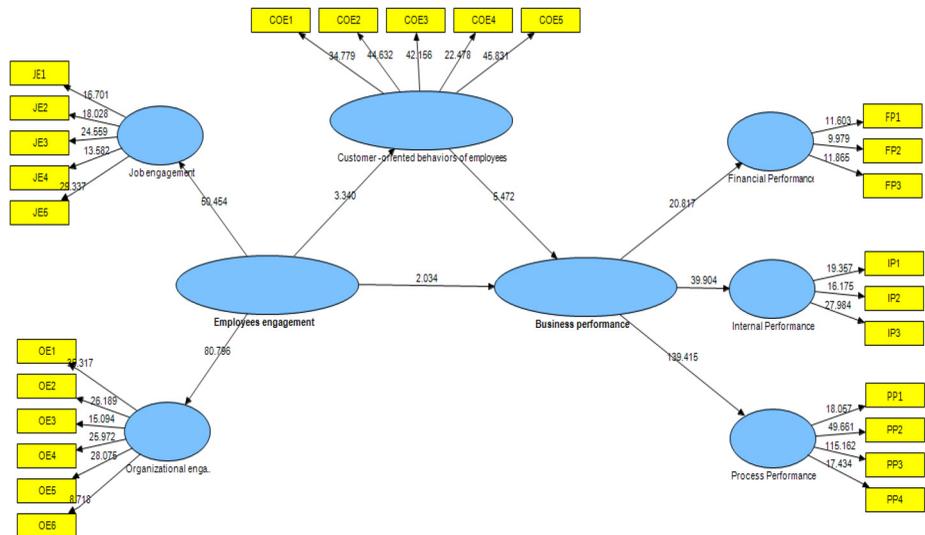
The H1 proposed a significant direct relationship between frontline employee engagement and BP. This hypothesis was supported. Diamantopoulos and Siguaw (2000) classify path coefficients that are below 0.30 as (causing) moderate (effects), from 0.30 to 0.60 as strong and above 0.60 as very strong. Therefore, employee engagement demonstrates a

**Table 4.**  
Quality of structural equation

Constructs	CV-communality	CV-redundancy
Business performance	0.606	0.167
Customer-oriented behaviors	0.818	0.062
Employees engagement	0.589	0.589
Financial performance	0.000	0.448
Internal performance	0.740	0.595
Job engagement	0.669	0.548
Organizational engagement	0.695	0.618
Process performance	0.779	0.725

**Note:** CV (convergent validity).

**Figure 2.**  
Results of the structural model (*t-values* > 1.96 represent significance level  $p < 0.01$ ); job engagement (JE), organizational engagement (OE), customer-oriented behaviors of employee (COE), financial performance (FP), internal performance (IP) and process performance (PP)



positive and significant effect on BP (path coefficient = 0.19,  $p < 0.01$ ). The more a bank increases employee engagement, the better its BP. The second hypothesis, which proposed that there is a significant direct relationship between frontline employee engagement and customer-oriented behaviors, was supported (path coefficient = 0.28  $p < 0.01$ ). It means that employee engagement has a positive and significant effect on employees' customer-oriented behaviors. Hence, *H2* receives empirical support from the data. The more a bank increases employee engagement, the better its customer-oriented behaviors.

The *H3* that proposed a direct positive relationship between employees' customer-oriented behaviors and BP (path coefficient = 0.43,  $p < 0.01$ ) was supported. The more a bank reinforces employees' customer-oriented behaviors, the better its BP.

The *H4* that proposed an indirect impact of employee engagement on BP through reinforcing employees' customer-oriented behaviors (path coefficient = 0.138,  $p < 0.001$ ) was supported.

Overall, our hypothesized research model was supported. The total effects on BP are 0.438 for customer-oriented behaviors and 0.317 for employee engagement (considering both direct and indirect effects). Furthermore, a total of 0.278 of the variance of BP is explained by employee engagement and customer-oriented behaviors together; in addition, 0.080 of the variance of customer-oriented behaviors is explained by employee engagement.

## 5. Discussion

This study provides several valuable implications. The following sections explain key implications in this research.

### 5.1 Theoretical implications

Employee engagement has recently been viewed as an effective practice in HR area for creating value for both employee and customer in a competitive environment. From a theoretical perspective, the contribution of this study is the investigation of relationships between employee engagement, customer orientation and BP. The results of this study confirmed the relationships between employee engagement, customer-oriented behaviors and BP.

The first result showed employee engagement has a significant and positive effect on BP. This result is aligned with prior studies (Harter *et al.*, 2002; Richman, 2006). Employee engagement is found to be an important factor in increasing BP in this study. This indicates that enhancement of the frontline employees' job and organizational engagement leads to an increased level of BP. The second result in this study indicated the effect of the frontline employees' engagement on their customer-oriented behaviors. This finding is consistent with previous studies (Hennig-Thurau, 2004; Zablah *et al.*, 2012). This indicates engaged

Paths	Standardized coefficients ( <i>t</i> -values)			Results
	Total effects	Direct effects	Indirect effects	
<i>H1</i> EE → BP	0.317 (3.564)**	0.193 (2.034)**	0.138 (2.778)**	Supported
<i>H2</i> EE → COB	0.283 (3.340)**	0.283 (3.340)**	–	Supported
<i>H3</i> COB → BP	0.438 (5.472)**	0.438 (5.472)**	–	Supported
<i>H4</i> EE → COB → BP	0.138 (2.778)**	–	0.138 (2.778)**	Supported

**Notes:** \* $p < 0.01$ ; \*\* $p < 0.001$ ; Employee engagement (EE), customer-oriented behavior (COB), business performance (BP)

**Table 5.**  
Test results for *H1–H4*

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frontline employees are more prepared to identify problems and worries of bank customers and deliver specific solutions for them, and this is a means for retaining key customers' satisfaction. The third result of this study showed the effect of the frontline employees' customer-oriented behaviors on BP. This finding is consistent with previous studies (Chu *et al.*, 2016; Kiessling *et al.*, 2016; Korschun *et al.*, 2014; Maurya *et al.*, 2015; Zhou *et al.*, 2007). This indicates that the success of a business has a direct relationship with the relationship quality of frontline employees and customers. The fourth result of this study indicated that the frontline employees' customer-oriented behaviors mediate the relationship between employee engagement and BP. This shows the more frontline employees have job and organizational engagement, the more they demonstrate customer-oriented behaviors, which, in turn, positively affects BP.

Finally, it seems that a multi-level analytical framework is suitable for highlighting the impact of individuals' cognition, attitude and behavior on an organizations' sub-unit or group-level factors (Kozlowski and Klein, 2000; Wieseke *et al.*, 2008). Furthermore, the key methodological implication of this study was focusing on what has been neglected in the previous studies: the previous research has not focused on the multi-level mediating process between the individual-level frontline employees' engagement and the branch-level BP in the banking sector. By combining the perspective of positive organizational behavior with the broaden-and-build theory (Fredrickson, 2001) based on employee engagement and applying them to multi-level analysis, the current study has yielded new understandings of how the individual-level frontline employees' engagement and customer-orientation behaviors can impact branch-level BP.

### *5.2 Practical implications*

The results of the present study have important managerial implications. The first and most important implication is that to encourage customer-oriented behaviors amongst frontline employees should increase employee engagement. Managers should be committed to recognizing employees' efforts and providing them with appropriate and fair rewards and recognition programs based on organizational policies. Such policies would improve sales employees' performance through enhancing engagement level of the employees (Rai *et al.*, 2018). Moreover, retail banking managers should invest in engaging customer-contact employees for acquisition and retention of more key customers. Building customer-centric culture is an effective approach that seems to be useful to show and enforce customer-oriented behaviors in a bank. There are five steps to create and sustain right culture (Ulrich *et al.*, 2009):

- (1) Defining customer-centric culture: Senior leaders begin to define the banks' ideal culture by asking aligning to the question, "what are the top 3 things we want to be known for by our best customers in the future?"
- (2) Creating and communicating an intellectual agenda by executives throughout the bank.
- (3) Instilling a behavioral agenda to show the extent to which all employees behave consistently with the desired culture. Employee behavioral engagement increases when behaviors are aligned with the desired culture, when employees are empowered to act consistently with customer expectations or when employees are encouraged to offer ideas on how to make the new culture real to them.
- (4) Design and deliver key processes and structures such as staffing, training, promotion, measurement, compensation, organization design, information

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management, physical arrangements and leadership development. These activities should reinforce that employee actions align with customer expectations.

- (5) Define and implement a leadership brand: Leadership brand occurs when leaders inside a bank behave consistently with customer expectations outside the bank. Leadership brand occurs when leaders successfully transfer their own customer-centric behaviors to employees and embed them in employees throughout the bank.

Moreover, banks should focus on increasing their frontline employees' engagement. The first action is to select competent leaders. The leaders in all bank organizational levels should be aware of their responsibilities for employee engagement. They should be open and approachable, coach their employees to discuss and agree on smart work and developmental objective, focus on providing positive feedback to employees, develop employees' strengths and enhance employees' well-being.

This study has a social implication. According to the social exchange theory (SET) (Blau, 1964), social life is a series of sequential transactions between two or more parties such as those between employees and organizations. SET posits that employees may respond positively to positive initiating actions and negatively to negative initiating actions, demonstrating reciprocating responses (Cropanzano, and Mitchell, 2005; Cropanzano *et al.*, 2017). In the current global economic situation and regardless of business outcomes, retail banking consumers around the world want the same thing: superior and consistent customer experience in branches (Deloitte, 2019). Customer trust is at an all-time low, and they want their banks to be more socially responsible. They are also concerned about privacy and security, as more of their personal information and financial life migrates online (Garvey *et al.*, 2014). Customer-oriented initiative as a corporate social responsibility (CSR) is considered by retail banks (Pomeroy and Dolnicar, 2006). In light of the SET, frontline employees who perceive their banks as committed to CSR initiatives may reciprocate with greater engagement. Furthermore, these banks with other-oriented values in general and customer-oriented values in particular can provide employees with resources (knowledge, skills, values and support) to develop motivation and abilities to demonstrate customer-oriented organizational citizenship behaviors, thus enhancing customer service excellence (Luu *et al.*, 2019).

### *5.3 Limitations and future research*

Though we make important contributions to the current literature, our study still has some limitations. The following aspects are this study's limitations. First, this study used a perceptual indicator to measure bank performance. Objective performance indicators are unavailable as most of the firms are not publicly listed and are reluctant to provide financial performance data for research purposes. Although perceptual data introduce limitations through increased measurement error and the potential for common method bias, it is not unprecedented to use them to measure firm performance. A longitudinal research design could be used in future studies. For instance, longitudinal performance data should be collected to better understand the effect of time on employee engagement, and customer-oriented behaviors on performance. The second limitation is that we collected the data from the retail banking sector in Iran. It is possible that this developing market has many different characteristics that are not seen in the developed markets. Therefore, our conclusions may not be applicable to other countries. Researchers may test our model under different cultural contexts to see whether the findings of this study are generalizable. Third, the surveys' low response rate is nevertheless a potential limitation. To validate the results

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of the study and increase the sample size, future research could focus on a wider range of industry's retail banks or other retail establishments; i.e. restaurants, department stores, etc. This is essential for continuous advancement of the body of knowledge on frontline employee engagement, customer-oriented behaviors and BP. Finally, this study stems from the fact that all the data used for this study were collected from the branches' employees and managers only. Although employees will be able to assess some of the study's variables, it might be questioned whether this remains true for the customer-oriented behaviors dimension. In any case, future research that uses data from both customers and employees would help to validate the findings reported here.

## 6. Conclusion

The results of this study have important implications for banks in today's banking industry dynamic and competitive environment. This study contributes to effectively implement an outside-in HR strategy by considering the effect of employees' engagement on employees' customer-oriented behaviors. It is a necessity that today's banks focus on building customer-centric culture. Understanding the relationship between employees' engagement, customer-centric behaviors and BP will transform competitive organizations. By promoting employee engagement, leaders will be able to improve productivity, reduce turnover, retain profitable customers and increase your bottom line. Thus, assessing the frontline employees' engagement, apply the effective ways to improve engagement, identify customer-oriented behaviors and develop frontline employees and reward them for these behaviors known as important determinants in the bank success or failure in the banking industry competitive environment.

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Variables	Dimensions	Items	Reliability
Employee engagement Saks (2006)	Job engagement (JE)	JE1. I really throw myself into my job	Cronbach's $\alpha = 0.82$
		JE2. Sometimes I am so into my job that I lose track of time	
		JE3. This job is all consuming, I am totally into it	
		JE4. My mind often wanders and I think of other things when doing my job (R)	
		JE5. I am highly engaged in this job	
		JE6. I am highly engaged in this job	
Customer-oriented behavior (COB) Anaza and Rutherford (2012)	Organizational engagement (OE)	OE1. Being a member of this organization is very captivating	Cronbach's $\alpha = 0.90$
		OE2. One of the most exciting things for me is getting involved with things happening in this organization	
		OE3. I am really not into the "goings-on" in this organization (R)	
		OE4. Being a member of this organization makes me come "alive"	
		OE5. Being a member of this organization is exhilarating for me	
		OE6. I am highly engaged in this organization.	
Business performance López-Nicolás and Meroño-Cerdán (2011)	Compared with key competitors, this branch...	COB1. I always listen carefully to customers	Cronbach's $\alpha = 0.82$
		COB2. I make every customer feel like he/she is the only customer	
		COB3. Every customers' problem is important to me	
		COB4. I give individual attention to each customer	
		COB5. I always complete my task precisely for customers	
Business performance López-Nicolás and Meroño-Cerdán (2011)	Financial performance (FP)	FP1. is growing faster	Cronbach's $\alpha = 0.736$
		FP2. is more profitable	
		FP3. achieves higher customer satisfaction	
Business performance López-Nicolás and Meroño-Cerdán (2011)	Process performance (PP)	PP1. provides higher quality products	Cronbach's $\alpha = 0.677$
		PP2. is more efficient in using resources	
		PP3. has internal processes oriented to quality	
Business performance López-Nicolás and Meroño-Cerdán (2011)	Internal performance (IP)	PP4. delivers orders quickly	Cronbach's $\alpha = 0.745$
		IP1. has more satisfied employees	
		IP2. has more qualified employees	
		IP3. has more creative and innovative employees	

**Table A1.**  
Variables, dimensions and questions in questionnaire

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MRR

### **About the authors**

Behrooz Ghlichlee, PhD, is an Assistant Professor of HRM in the University of Shahid Beheshti. His research, articles and books focus on human resource practices, leadership development and organization. He has also consulted on these topics with many companies. Behrooz Ghlichlee is the corresponding author and can be contacted at: [b\\_ghlichlee@sbu.ac.ir](mailto:b_ghlichlee@sbu.ac.ir)

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