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Employee and customer perceptions: Their relationship to organisational performance in a franchise system

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Abstract

Purpose - *The purpose of this study is to investigate, within a franchise system, relationships between organisational climate, customer satisfaction (measured directly and indirectly) and two measures of organisational performance (customer post purchase behavioural intentions and net sales).*

Design/methodology/approach - *Nineteen units of a coffee franchise system were investigated. Data were collected from employees and customers via respondent-completion surveys. Net sales data were provided by the master franchisee. Hypotheses were tested using multiple linear regression and correlation analyses.*

Findings - *Significant relationships were found between organisational climate, customer satisfaction and customer post purchase behavioural intentions. Net sales, however, were not related to customer satisfaction. In contrast to previous studies no correlation was found between direct and indirect measures of customer satisfaction.*

Research limitations/implications - *This study was limited to one coffee franchise group's activities in one culturally homogeneous country. Further research involving a variety of franchised operations across a range of geographic/cultural contexts would provide more generalisable results.*

Key words: *Organisational Climate; Customer Satisfaction; Franchise; Human Resource Management*

Introduction

The dynamics of small businesses are frequently misunderstood (Holliday 1995). As a consequence of their very size, such businesses are characterised by idiosyncracies that have largely gone unnoticed in the literature (Riggs & Bracker 1986) and there has been little research conducted on human resource management in Australian small firms (Bartram 2005). All too often theories that may be applicable to big business are not relevant to small businesses, with little consideration given to the psychological as well as the cultural nuances that are distinctive to them (Holliday 1995). Consequently, many human resource management techniques appropriate for large enterprises have limited value in small businesses (Holliday 1995). Nevertheless, a key human resource management issue, the need to obtain and retain skilled employees, is central to the success of businesses of any scale (Holliday 1995; Riggs & Bracker 1986). There is compelling evidence that an organisation's human resource management and its organisational climate significantly influence the attitudes and behaviours of employees (Brown & Leigh 1996; Carr et al. 2003; Ostroff 1993) and impacts upon service and consequent customer satisfaction (Johnson 1996; Payne & Webber 2006).

Profit, represented as net return on investment, often fails to reflect customer perceptions or account for their future purchase intentions. Customer satisfaction, has been proposed as a 'softer' indicator of organisational performance (Parasuraman, Berry & Zeithaml 1991), and has been shown to have a strong positive influence on customers' post purchase intentions and behaviour (Cooil et al. 2007; Spinks 2009; Zeithaml, Berry & Parasuraman 1996). Many small to medium sized businesses use regular measurements of customer satisfaction to gauge the success of service performance (Cooil et al. 2007). Often though, the gathering of direct customer responses is a far from simple matter: it is potentially very time consuming and expensive for researchers and/or management and when executed through methods such as comment cards from existing customers, the sample is often biased and of limited value (Davidson et al. 2002).

The focus of this study is on the service setting where frontline employees have direct contact with customers and thus are considered a key factor in customers' evaluations of the organisation's performance (Bitner 1990; Marinova, Ye & Singh 2008; Westbrook 1981, 1987). Given this interaction, it is highly likely that customer satisfaction with the service will be correlated with employee perceptions of customer satisfaction (Davidson et al. 2002; Manning, Davidson & Manning 2005; Schneider & Bowen 1985) and that employee perceptions might, therefore, provide a valid and more readily obtained substitutes for direct reports of customer satisfaction.

Whilst much attention has been given to organisational climate, customer satisfaction, and organisational performance in a wide range of organisations, only a relatively modest amount of work has attempted to study all three within a single study. When this is the case the research has been within large organisations (e.g. Cooil et al. 2009; Davidson et al. 2002; Gelade & Young 2005). This study presents the first investigation of organisational climate, customer satisfaction, and organisational performance within units of a franchise system. The relationship between direct reports of customers' satisfaction and employee perceptions thereof is also investigated.

Literature review

Organisational climate may be defined as the aggregation of individual 'worker's perceptions of [their] objective work situation, including the characteristics of the organization [they] work for and the nature of [their] relationships with other people' in that workplace (Churchill, Ford & Walker 1976, p. 324). It is the employees' global perception of

their organisation (Schneider & Snyder 1975) and the ‘psychological landscape’ in which they operate. Organisational climate exerts a profound influence on attitudes and behaviour of employees (Ostroff 1993; Sowinski, Fortmann & Lezotte 2008).

Climate is of particular importance to service organisations where there are close interactions between customers and employees as it will shape the employee role in these encounters (Payne & Webber 2006; Schneider & White 2004; Schneider, White & Paul 1998). Kerr and Jermier (1978) assert organisational climate effectively operates as a management surrogate in service provision, and Schneider (1973) describes the quality of service provision as an extension of the climate management creates. As service management is unable to directly control the delivery of its product (Lovelock, Patterson & Walker 2004), it needs to introduce management initiatives and to champion them to facilitate an organisational culture that values good customer service. Therefore, the quality of climate is inextricably linked to the quality of service and the consequent degree of satisfaction experienced by the customer (Davidson et al. 2002; Johnson 1996; Schneider & Bowen 1985).

Perceptions of an individual employee provide their psychological climate in the workplace (James & Jones 1976). Organisational climate is a characteristic of a workgroup or organisation and is represented via the aggregation of the perceptions of individual employees (Davidson et al. 2001; Kozlowski & Doherty 1989). The climate construct has been the subject of a very great deal of enquiry (Cooil et al. 2009) and the Psychological Climate Questionnaire (PCQ) of James and Jones (1976), has been referred to as ‘the most adequate approach ... to date’ for the measurement of perceptions of the workplace environment (Ryder & Southey 1990, p. 47). Adaptations of that measure have been used in a number of studies (e.g. Davidson et al. 2001; Manning et al. 2005; Ryder & Southey 1990).

An issue arises, however, where measures of organisational climate are to be related to organisational variables such as customer satisfaction and financial performance. The former are produced by way of the aggregation of individual employee perceptions, whilst the latter are ascertained at the organisational level and it is not always clear as to whether the individual or the organisation is the appropriate level of analysis (Guion 1973). Furthermore, employee scores exist in numbers sufficient to allow multivariate procedures; organisational level scores generally do not (Tabachnick & Fidell 2001). A solution to this dilemma is provided by Cameron (1983). Each individual whose response is input to produce the organisational climate measure is assigned that organisation’s relevant performance measures and thus analyses may be undertaken at both individual and organisational levels.

Customer satisfaction is regarded as a central concept in marketing research (Churchill & Suprenant 1982; Homburg, Koschate & Hoyer 2006; Luo & Homburg 2007; Oliver 1999). ‘It is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post purchase phenomena such as repeat purchase and brand loyalty’ (Churchill & Suprenant 1982, p. 491; Olsen, Wilcox & Olsson 2005). The importance of the concept is demonstrated by its inclusion in the marketing concept that views profits as generated by way of the satisfaction of consumer needs and wants. Unsurprisingly, it is this hypothesised role of satisfaction in producing the crucial organisational performance goal of profitability that has catalysed efforts to understand and measure the construct (Churchill & Suprenant 1982).

A number of studies (e.g. Pfaff 1977 as cited in Churchill & Suprenant 1982; Oliver 1993, 1997) endorse the view that satisfaction arises as a consequence of both cognitive and affective evaluations accruing from a number of service encounters (Homburg, Koschate & Hoyer 2005). A sensitive instrument for the measurement of customer satisfaction would, therefore, comprise cognitive, affective and experiential items. Despite this, a body of

research endorses the practice of simply asking respondents for their overall satisfaction by way of a single item measure (Kekre, Krishnan & Srinivasan 1995; LaBarbera & Mazursky 1983; Mittal, Ross & Baldasare 1998), and there is evidence that, along with an instrument designed to furnish information about cognitive, affective and experiential factors contributing to satisfaction, the inclusion of an overall satisfaction item might prove of value (Spinks 2009; Spinks, Lawley & Richins 2005).

There are often difficulties in obtaining objective and reliable direct reports of satisfaction from the customer and some researchers suggest the use of indirect reports of customer satisfaction reported by service employees (Davidson et al. 2002). At least within the banking industry empirical tests have found strong support for this claim with significant positive correlations between customer and employee perceptions of general levels of service offered in bank branches ($r = .67$, Schneider, Parkington & Buxton 1980; and $r = .63$, Schneider & Bowen 1985). In light of the literature noted above, the following hypotheses may be proposed:

H1: A significant positive relationship is predicted between *Organisational Climate* and *Employee Perception of Customer Satisfaction*

H2: A significant positive relationship is predicted between *Organisational Climate* and *Customer Satisfaction*.

H3: A significant positive relationship is predicted between *Customer Satisfaction* and *Employee Perception of Customer Satisfaction*.

Customer satisfaction has been linked to a number of 'bottom line' measures including; revenue (e.g. Cooil et al. 2009; Davidson et al. 2002), profitability (e.g. Moorman & Rust 1999) and return on assets (e.g. Rust, Moorman & Dickson 2002) are amongst indices on offer. However, Parasuraman et al. (1991) note that an organisation's performance should be measured by 'results that are broader than financial measures alone' (p. 336). They call for customer-based performance measures as well as financial to be used in order to demonstrate fully the impact of customer satisfaction. Under ideal circumstances, customer post purchase behaviours would be measured, it is rarely possible. Consequently, much research investigates customer post purchase behavioural intentions (e.g. Spinks 2009). Zeithaml et al. (1996) provide examples of favourable behavioural intentions including:

Saying positive things about [a] company to others ... recommending [a] company or service to others ... and remaining loyal to [a] company. [Loyalty to a given firm may be indicated for example by] expressing a preference for [it] over others, or by continuing to purchase from it (p. 34).

Performance measures of interest to this research comprise customer post purchase behavioural intentions and the financial performance measure, net sales. Consequently, the following hypotheses are proposed:

H4: A significant positive relationship is predicted between *Employee Perception of Customer Satisfaction* and *Customer Post Purchase Behavioural Intentions*.

H5: A significant positive relationship is predicted between *Employee Perception of Customer Satisfaction* and *Net Sales*.

H6: A significant positive relationship is predicted between *Customer Satisfaction* and *Customer Post Purchase Behavioural Intentions*.

H7: A significant positive relationship is predicted between *Customer Satisfaction* and *Net Sales*.

Research method

A survey questionnaire was deemed to be an efficient primary data collection mechanism with which to accomplish research objectives (Malhotra 2007). Established and validated scales measuring organisational climate, performance and customer satisfaction were used. Two questionnaires were used: first, a seventy-one-item instrument to investigate employee demographic characteristics (9 items), organisational climate (7 dimensions comprising 58 items adapted from Davidson et al. 2001, $\alpha = .959$) and employee perception of customer satisfaction (4 items adapted from Spinks 2009, $\alpha = .96$), and second, a thirteen-item instrument to investigate customer demographic characteristics (5 items), customer satisfaction (4 items adapted from Spinks 2009, $\alpha = .96$) and customer post purchase behavioural intentions (4 items adapted from Spinks 2009, $\alpha = .95$). Secondary data, in the form of net sales, were used in order to investigate financial performance.

Nineteen franchised units (cafes), located throughout the North and South Islands of New Zealand were investigated. Given the system's operations are geographically dispersed, the simplest means for gathering data from employees was via a respondent-completion mail-out survey. Customer data were gathered by way of a respondent-completion questionnaire distributed individually to customers at 16 locations. Customers were selected via convenience sampling. One hundred questionnaires, of which 98 were useable, were collected from a total of 126 employees, representing a response rate of 77.7 per cent. A total of 465 customer questionnaires was collected.

Results

The customer data file initially comprised 465 cases (customer questionnaires collected across cafe locations 1 – 16) consisting of individual customer responses to customer satisfaction ($\alpha = .94$), post purchase behavioural intentions ($\alpha = .94$) and demographic items. In relation to both the customer satisfaction and post purchase behavioural intentions variables, however, ten cases exhibiting Mahalanobis distance scores in excess of $\chi^2 = 13.816$ were excluded from analyses (Manning & Munro 2007), reducing the customer sample size to 455.

Analyses of demographic variables show that the majority of respondents (63.7%, $n = 296$) were female. The largest age categories of the sample were 21 – 30 years (24.1%, $n = 112$) and 41 – 50 years (21.5%, $n = 100$) and nearly half the respondents (46.2%, $n = 215$) showed repeat patronage of 'More than three times'. A cross tabulation analysis of age and number of visits revealed that the 41-50 year age group was the largest segment in relation to number of visits 'More than three times' (54.0%, $n = 54$), followed by the 31-40 year age group (51.6%, $n = 47$). The largest age group indicating their visit as 'First time here' was 'Over 60 years' (52.5%, $n = 31$), followed by the age group segment 21 – 30 years (30.6%, $n = 34$). The 'Over 60 years' age group segment, however, was the smallest segment in relation to number of visits 'More than three times' (23.7%, $n = 14$). The most frequently occurring scores for income were 'Less than \$300/week' (22.4%, $n = 104$) and '\$500 to \$699/week' (17.0%, $n = 79$). A cross tabulation analysis of age and income revealed, perhaps unsurprisingly, that the largest age group segment in respect of level of income being 'Less than \$300/week' was 15 – 20 years (68.4%, $n = 26$), followed by 21 – 30 years (29.2%, $n = 31$). The largest age segment in relation to level of income being '\$500 to \$699/week' was 51 – 60 years (24.5%, $n = 13$). Most first time visitors indicated an income level of '\$300 to \$499/week'. With respect to residence, as expected, the most frequently occurring scores were locals from 'Auckland' (53.5%, $n = 249$), 'Wellington' (16.1%, $n = 75$) and

'Christchurch' (15.3%, $n = 71$). Of the overseas visitors, the majority were from Australia (2.8%, $n = 13$).

As commonly occurs (Danaher & Haddrell 1996), the distribution of scores for customer satisfaction and post purchase behavioural intentions when measured by direct report were negatively skewed with values of $-.86$ ($z = -7.58$) and $-.76$ ($z = -6.57$) respectively. Using the criteria presented by Tabachnick and Fidell (2001) for samples of less than 300, the skew was considered significant for each variable as it exceeds an absolute value of 2.58 ($p < .01$). Kurtosis was significant for customer satisfaction ($z = -3.004$) but not for post purchase behavioural intentions ($z = -2.113$). In both cases the significant values for skew were the result of a ceiling effect as a consequence of the large numbers of respondents selecting the higher scores of 6 and 7 on a seven-point Likert-type scale. It is not possible to fix a problem with skew which is due to a ceiling effect by using transformation because there will exist still a large number of respondents with the same extreme score (Manning & Munro 2007). By the same token, there is no remedy to apply if a distribution displays significant levels of kurtosis (Manning & Munro 2007). Accordingly, these two variables were not transformed.

The employee file initially comprised 98 cases (employee questionnaires collected across cafe locations 1 – 19) that were later, subsequent to data preparation procedures, reduced to 96. This file initially contained individual employee responses to seven dimensions of organisational climate: leader facilitation and support; professional and organisational esprit; conflict and ambiguity; regulations, organisation and pressure; job variety, challenge and autonomy; workgroup cooperation, friendliness and warmth and job standards (Cronbach alpha scores ranged from .65 to .92), employee perception of customer satisfaction ($\alpha = 0.92$) and employee demographic items.

Analyses of demographic variables show that 77 respondents (78.6%) indicated they were female, 20 respondents (20.4%) indicated they were male and one participant failed to identify their gender. The largest age categories of the sample were 15 – 20 years (51%, $n = 50$) and 21 – 30 years (46.9%, $n = 46$). The most frequently chosen categories as regards 'Education' was 'Undergraduate Degree' (29.6%, $n = 29$), followed by 'Senior Certificate' (20.4%, $n = 20$). A cross tabulation analysis in relation to age and education reveals that the largest age segment falling into 'Senior Certificate' is, as one might expect, 15 – 20 years (30.0%, $n = 15$) and the largest age segment falling into 'Undergraduate Degree' is 21 – 30 years (44.4%, $n = 20$). Also noteworthy is that nine respondents (18.0%) aged between 15 – 20 years selected 'Undergraduate Degree' in relation to their level of education and five respondents (11.1%) aged 21 – 30 years selected 'Senior Certificate' as regards their level of education. This is indicative, for the 15 – 20 year age segment at least, that a number of these employees may in fact be in the process of completing, or may have only just completed their undergraduate degree. Of interest also is that five (11.1%) 21 – 30 year respondents selected 'Post graduate diploma or degree' regarding education level attained.

The most frequently chosen category for organisational tenure and mode of employment was '1- 2 years' (34.7%, $n = 34$), followed by 'Less than 6 months' (33.7%, $n = 33$) and 'Full-time' (51%, $n = 50$), followed by 'Part-time' (43.9%, $n = 43$) respectively. Accordingly, therefore, the most frequently chosen categories as regards hours worked per week were '36 - 40' (20.4%, $n = 20$) followed by '41 - 45' (13.3%, $n = 13$), '46 - 50' (1%, $n = 1$), '51+' (1%, $n = 1$), '26 - 30' (5.1%, $n = 5$) and '21 - 25' (14.3%, $n = 14$). A cross tabulation analysis in relation to age and organisational tenure revealed that the shortest tenures were held by those 15 to 20 years (40.0%, $n = 20$) followed by 21 – 30 years (28.3%, $n = 13$). Only three employees had worked longer than two years, but were still tenured for less than 4 years.

Because of issues relating to levels of measurement, for each employee, a score was also assigned for customer satisfaction, post purchase behavioural intentions and net sales simply by assigning to that individual the score for the cafe in which he or she worked. This procedure followed that of Cameron (1983) and Davidson et al. (2002) and enabled analyses of all variables to be conducted at the individual employee level.

The franchise file, the last file to be created, comprised 19 cases (cafes). In the franchise file, for each of the 19 cases, were seven *average* organisational climate dimension scores, an *average* employee perception of customer satisfaction score and a net sales score. To enable analyses of the employee level organisational climate and employee perception of customer satisfaction composite variables at the franchise level, the average of each of the seven organisational climate composite variable scores and the average of employee perception of customer satisfaction scores were calculated for employees according to the cafe in which they worked. This process follows the procedures of Davidson et al. (2002) to effectively yield cafe level data able to be applied meaningfully to the franchise file. In a similar process, for cases 1 – 16 (cafes for which customer level data had been gathered) an *average* customer satisfaction score and an *average* post purchase intentions score was also assigned to each cafe.

In relation to the franchise level organisational climate variables: leader facilitation and support ($M = 5.29$, $SD = .48$), professional and organisational esprit ($M = 1.30$, $SD = .11$), conflict and ambiguity ($M = 5.25$, $SD = .45$), job variety, challenge and autonomy ($M = 5.00$, $SD = .52$), workgroup cooperation, friendliness and warmth ($M = 1.37$, $SD = .14$) and job standards ($M = 5.00$, $SD = .37$) employee perceptions were positive, indicative of a relatively sound overall organisational climate. A low mean score for the variable regulations, organisation and pressure ($M = 4.12$, $SD = .72$) did not run counter to this. The variable relates to negative aspects of the workplace environment and therefore a low score reflects the fact that employees did not in fact perceive their work environment in a negative light. A high mean score on the overall variable employee perception of customer satisfaction ($M = 5.53$, $SD = .49$) indicated that employees are of the opinion that customers are satisfied, and indeed, this was reflected in the mean score for customer satisfaction ($M = 5.72$, $SD = .27$) where customers themselves indicated quite a high level of satisfaction. In a similar fashion, customer post purchase behavioural intentions ($M = 5.27$, $SD = .35$) reflects also, by way of reported agreement in relation to favourable post purchase behavioural intentions, the high level of satisfaction reported by customers. The mean score for the ratio scale variable net sales was indicative of mean net sales of \$121,258.20 over a three month period.

Multiple Linear Regression (MLR) using the seven dimensions of organisational climate as predictors of employee perception of customer satisfaction is an appropriate analysis at the employee level ($n = 96$) where the number of cases meets the criteria of a sample size ratio of 5:1 of cases to predictor variables (Tabachnick & Fidell 2001). However, it is not appropriate at the franchise level ($n = 19$). Consequently, for tests conducted at the franchise level, it is necessary to apply a series of Pearson product-moment (Pearson r) correlations to evaluate individual relationships. Analyses are presented under their respective hypotheses:

H1: A significant positive relationship is predicted between *Organisational Climate and Employee Perception of Customer Satisfaction*.

Employee level. A Standard MLR performed between employee perception of customer satisfaction as the dependent variable and the seven dimensions of organisational climate as independent variables found that the multiple correlation coefficient ($R = .60$) was significantly different from zero, $F(7,87) = 7.076$, $p < .05$, and that 31.2% of the variation in the dependent variable was explained by the set of independent variables

(adjusted $R^2 = .312$). At the employee level, Hypothesis 1 is therefore supported. Conflict and ambiguity, $sr^2 = -.031$, $t = 2.058$, $p < .05$, was found to significantly and uniquely contribute to the prediction of employee perception of customer satisfaction. The remaining 6 organisational climate dimensions did not provide any significant unique contribution to prediction.

Franchise level. A Pearson r analysis was performed between each of the seven dimensions of organisational climate and employee perception of customer satisfaction for cafes 1 – 19. A significant positive correlation was found between employee perception of customer satisfaction and the climate dimensions: professional and organisational esprit ($r = .558$, $p < .05$) with 31.1% of the variance explained; conflict and ambiguity ($r = .650$, $p < .05$) with 42.2% of the variance explained; and job standards and ($r = .585$, $p < .05$) with 34.2% of the variance explained. No significant correlations were found between employee perception of customer satisfaction and the organisational climate dimensions leader facilitation and support, regulations, organisation and pressure, job, variety, challenge and autonomy, workgroup cooperation friendliness and warmth.

H2: A significant positive relationship is predicted between *Organisational Climate and Customer Satisfaction*.

Employee level. A Standard MLR was performed between customer satisfaction as the dependent variable and the seven dimensions of organisational climate as independent variables. The multiple correlation coefficient ($R = .49$) was significantly different from zero, $F(7,71) = 3.273$, $p < .05$, and 16.9% of the variation in the dependent variable was explained by the set of independent variables (adjusted $R^2 = .169$). At the employee level, Hypothesis 2 is therefore supported. Regulations, organisation and pressure, $sr^2 = -.125$, $t = -3.427$, $p < .05$, was found to significantly and uniquely contribute to the prediction of customer satisfaction. However, the remaining six organisational climate dimensions were found not to provide any significant unique contribution to prediction.

Franchise level. A significant negative correlation was found between regulations, organisation and pressure and customer satisfaction ($r = -.520$, $p < .05$) with 27.0% of the variance in customer satisfaction being explained by regulations, organisation and pressure. No significant correlations were found between the remaining organisational climate dimensions and customer satisfaction.

H3: A significant relationship is predicted between *Customer Satisfaction and Employee Perception of Customer Satisfaction*.

Employee level. No significant correlation was found between customer satisfaction and employee perception of customer satisfaction, $r = -.149$, $p > .05$. At the employee level of analysis, Hypothesis 3 is therefore not supported.

Franchise level. No significant correlation was found between customer satisfaction and employee perception of customer satisfaction for cafes 1 – 19, $r = -.270$, $p > .05$. At the franchise level of analysis, Hypothesis 3 is therefore not supported.

H4: A significant positive relationship is predicted between *Employee Perception of Customer Satisfaction and Customer Post Purchase Behavioural Intentions*.

Employee level. No significant correlation was found between employee perception of customer satisfaction and customer post purchase behavioural intentions, $r = -.118$, $p > .05$. At the employee level of analysis, Hypothesis 4 is therefore not supported.

Franchise level. No significant correlation was found between employee perception of customer satisfaction and customer post purchase behavioural intentions for cafes 1 – 19, $r = -.185$, $p = >.05$. At the franchise level of analysis, Hypothesis 4 therefore not supported.

H5: A significant positive relationship is predicted between *Employee Perception of Customer Satisfaction and Net Sales*.

Employee level. No significant correlation was found between employee perception of customer satisfaction and net sales, $r = .174$, $p > .05$. At the employee level of analysis, Hypothesis 5 is therefore not supported.

Franchise level. No significant correlation was found between employee perception of customer satisfaction and net sales for cafes 1 – 19, $r = .224$, $p = >.05$. At the franchise level of analysis, Hypothesis 5 is therefore not supported.

H6: A significant positive relationship is predicted between *Customer Satisfaction and Customer Post Purchase Behavioural Intentions*.

Employee level. A significant positive correlation was found between customer satisfaction and customer post purchase behavioural intentions, $r = .950$, $p < .05$, with 90.2% of the variance in customer post purchase behavioural intentions explained by customer satisfaction. At the employee level of analysis, Hypothesis 6 is therefore supported.

Franchise level. A significant positive correlation was found between customer satisfaction and customer post purchase behavioural intentions for cafes 1 – 19, $r = .965$, $p < .05$, with 93.1% of the variance in customer post purchase behavioural intentions being explained by customer satisfaction. At the franchise level of analysis, Hypothesis 6 is therefore supported.

H7: A significant positive relationship is predicted between *Customer Satisfaction and Net Sales*.

Employee level. No significant correlation was found between customer satisfaction and net sales, $r = -.032$, $p > .05$. At the employee level of analysis, Hypothesis 7 is therefore not supported.

Franchise level. No significant correlation was found between customer satisfaction and net sales for cafes 1 – 19, $r = .049$, $p = > .05$. At the franchise level of analysis, Hypothesis 7 is therefore not supported.

A summary of hypothesis tests undertaken at both the employee and franchise levels of analysis is presented in Table 1.

Table 1.Summary Results of Analyses Conducted at the Employee Level ($n = 96$) and Franchise Level of Analysis ($n = 19$)

Relationship (Hypothesis) Tested	R , r , or sr_i	Sig	% of Variance	Relationship Supported/ Not supported
Employee Level of Analysis				
H1: OC and EPCS ($n = 96$)	$R = .60^{**}$	.000	31.2%	1. Supported
H1a: LF&S and EPCS ($n = 96$)	$sr_i = .148$	.088	2.1%	1a. Not supported
H1b: P&OE and EPCS ($n = 96$)	$sr_i = .043$	.613	0.1%	1b. Not supported
H1c: C&A and EPCS ($n = 96$)	$sr_i = .176^*$	.043	3.1%	1c. Supported
H1d: RO&P and EPCS ($n = 96$)	$sr_i = -.021$	.802	0.0%	1d. Not supported
H1e: JVC&A and EPCS ($n = 96$)	$sr_i = -.072$	.401	0.5%	1e. Not supported
H1f: WCF&W and EPCS ($n = 96$)	$sr_i = .058$	.497	0.3%	1f. Not supported
H1g: JS and EPCS ($n = 96$)	$sr_i = .140$	.106	1.9%	1g. Not supported
H2: OC and CS ($n = 81$)	$R = .49^{**}$	.005	16.9%	2. Supported
H2a: LF&S and CS ($n = 81$)	$sr_i = .038$	.710	0.1%	2a. Not supported
H2b: P&OE and CS ($n = 81$)	$sr_i = .103$	.320	1.0%	2b. Not supported
H2c: C&A and CS ($n = 81$)	$sr_i = .194$	.064	3.7%	2c. Not supported
H2d: RO&P and CS ($n = 81$)	$sr_i = -.354^{**}$	.001	12.5%	2d. Supported
H2e: JVC&A and CS ($n = 81$)	$sr_i = .114$	.272	1.2%	2e. Not supported
H2f: WCF&W and CS ($n = 81$)	$sr_i = -.177$	.091	3.1%	2f. Not supported
H2g: JS and CS ($n = 81$)	$sr_i = .205$	.051	4.2%	2g. Not supported
H3: CS and EPCS ($n = 80$)	$r = -.149$	.187	2.2%	3. Not supported
H4: EPCS and CPPBI ($n = 80$)	$r = -.118$	.297	1.3 %	4. Not supported
H5: EPCS and NS ($n = 96$)	$r = .174$	.090	3.0 %	5. Not supported
H6: CS and CPPBI ($n = 81$)	$r = .950^{**}$	.000	90.2%	6. Supported
H7: CS and NS ($n = 81$)	$r = -.032$	.776	0.1 %	7. Not supported
Franchise Level of Analysis				
H1a: LF&S and EPCS ($n = 19$)	$r = .392$	.097	15.3 %	1a. Not supported
H1b: P&OE and EPCS ($n = 19$)	$r = .558^*$	.013	31.1 %	1b. Supported
H1c: C&A and EPCS ($n = 19$)	$r = .650^{**}$	.003	42.2%	1c. Supported
H1d: RO&P and EPCS ($n = 19$)	$r = -.122$	.619	1.4 %	1d. Not supported
H1e: JVC&A and EPCS ($n = 19$)	$r = .330$	.618	10.8%	1e. Not supported
H1f: WCF&W and EPCS ($n = 19$)	$r = .382$	.106	14.5%	1f. Not supported
H1g: JS and EPCS ($n = 19$)	$r = .585^{**}$	.009	34.2%	1g. Supported
H2a: LF&S and CS ($n = 16$)	$r = -.270$	.312	7.2 %	2a. Not supported
H2b: P&OE and CS ($n = 16$)	$r = -.154$	.570	1.2 %	2b. Not supported
H2c: C&A and CS ($n = 16$)	$r = -.345$	.191	11.9%	2c. Not supported
H2d: RO&P and CS ($n = 16$)	$r = -.520^*$	.039	27.0%	2d. Supported
H2e: JVC&A and CS ($n = 16$)	$r = -.199$	.460	3.9 %	2e. Not supported
H2f: WCF&W and CS ($n = 16$)	$r = -.111$	.683	0.8 %	2f. Not supported
H2g: JS and CS ($n = 16$)	$r = -.018$	.948	-	2g. Not supported
H3: CS and EPCS ($n = 16$)	$r = -.270$	.311	7.2%	3. Not supported
H4: EPCS and CPPBI ($n = 16$)	$r = -.185$	.492	3.4 %	4. Not supported
H5: EPCS and NS ($n = 19$)	$r = .224$	.357	5.0 %	5. Not supported
H6: CS and CPPBI ($n = 16$)	$r = .965^{**}$	.000	93.1%	6. Supported
H7: CS and NS ($n = 16$)	$r = .049$	.858	0.2 %	7. Not supported

* $p < .05$, ** $p < .01$

OC = Organisational Climate

LF&S = Leader Facilitation and Support

P&OE = Professional and Organisational Esprit

C&A = Conflict and Ambiguity

RO&P = Regulations, Organisation and Pressure

JVC&A = Job Variety, Challenge and Autonomy

WCF&W = Workgroup Cooperation, Friendliness and Warmth

JS = Job Standards

EPCS = Employee Perception of Customer Satisfaction

CS = Average Customer Satisfaction

CPPBI = Average Customer Post Purchase Behavioural Intentions

NS = Net Sales

 R = multiple correlation coefficient sr_i = semipartial correlation coefficient r = Pearson product-moment correlation

Discussion

This study represented the first investigation within a multi-unit franchise system of the links between organisational climate, customer satisfaction (measured directly and indirectly) and financial performance. Significant relationships between organisational climate, and both customer satisfaction and customer post purchase behavioural intentions were found. Organisational climate was found to explain 31.2 per cent of the variance in employee perception of customer satisfaction and 16.9 per cent of the variation in customer satisfaction.

Findings reported here from a franchise system show some consistency with climate research in large non-franchise organisations. Manning et al. (2005), for example, in an employee level analysis of data from large hotels, found both professional and organisational esprit and conflict and ambiguity provided significant unique contributions to prediction of employee perception of customer satisfaction. Here, the dimension conflict and ambiguity also provided a significant unique contribution to the prediction of employee perception of customer satisfaction. In contrast, the analysis did not find any unique contribution to prediction by professional and organisational esprit. However, correlation analyses at the franchise level found that, along with conflict and ambiguity (42.2%), and job standards (34.2%), this dimension was significantly correlated with employee perception of customer satisfaction (31.1%). In the current study, whether at the individual employee level or organisational level of analysis, the dimensions most strongly related to employee perception of customer satisfaction were professional and organisational esprit and conflict and ambiguity. The implication is that as employees' pride in their workplace and confidence in the effectiveness and justness of its operational mechanisms rises, so also will employee perception of customer satisfaction. It is noteworthy that the third, and last, dimension to be significantly correlated with employee perception of customer satisfaction was job standards. This particular variable reflects the perception of the degree of skill required and exacting standards demanded in the performance of the job.

At the employee level of analysis, the climate dimension regulations, organisation and pressure provided a significant unique contribution to the prediction of direct measures of customer satisfaction and at the franchise level of analysis explained a significant proportion (27%) of the variation in customer satisfaction. Of possible relevance here is the observation of Schneider and Bowen (1985) that customer 'perceptions, attitudes and intentions seem to be affected by what the employees experience, both in their specific role as service employees and in their more general role as organizational employees' (p. 430). The current study finds that as the workplace comes to be characterised by inefficiency, poor communication and excessive regulation, customer satisfaction declines. This echoes the findings of Davidson et al. (2002), relating regulations, organisation and pressure to their indirect measure of customer satisfaction variable.

Regarding the customer based outcome of satisfaction, the current research yielded results consistent with findings in non-franchise systems. At the employee level of analysis a significant positive correlation was found between customer satisfaction and customer post purchase behavioural intentions – with 90.2 per cent of the variance explained. Similarly, at the franchise level of analysis, 93.1 per cent of the variance in customer post purchase behavioural intentions was explained by customer satisfaction. These findings are consistent with those of Spinks (2009) and constitute powerful evidence that the post purchase behaviours of satisfied customers will reflect the behavioural intentions identified by Zeithaml et al. (1996). In contrast, there was no significant relationship between employee perception of customer satisfaction and customer post purchase behavioural intentions.

Despite several studies relying upon a correspondence between employee perception of customer satisfaction and direct reports from customers (e.g. Davidson et al. 2002), this study failed to find any such. This failure may reflect the fact that the original studies providing justification for the expected relationship (e.g. Schneider & Bowen 1985) concerned themselves not with satisfaction as such, but rather with quality of service. Though related, the two constructs are not identical and therefore what is true of one may not be true of the other. A further possible inference is that the conditions conducive to the sharing of insights or attitudes during the service encounter, which in other kinds of service operations lead to a congruence of employee and customer perceptions, simply do not exist in an operation of this kind. There seldom occurs any of the requisite 'blurring' of identities Schneider and Bowen propose as the prerequisite for the relationship to be produced. Given this fact, it might not be surprising that no link was found between employee perception of customer satisfaction and customer post purchase behavioural intentions.

The current research did not find any significant link between financial performance and either employee perception of customer satisfaction or direct reports of, customer satisfaction and financial performance. This was true at both the employee and franchise level of analysis. Such findings in relation to employee perception of customer satisfaction and financial performance are in contrast to those of Davidson et al. (2002). In regards to customer satisfaction and financial performance a possible explanation exists in the level of involvement attributable to this purchase category. Low involvement coupled with widespread competition will dilute any impact that satisfaction might otherwise have upon post purchase factors (inclusive of financial performance). As regards the relationship between employee perception of customer satisfaction and financial performance, given that there is no significant link between customer satisfaction and financial performance, it is not surprising that none was found to exist.

Perhaps inevitably, the study has certain limitations that need to be acknowledged. An obvious one was that it was not possible to gather customer responses from all 19 cafe locations; nor, indeed from any of the outlets, was it practicable to seek responses from 'take-away' customers. As well, convenience sampling in relation to customers has inherent in the procedure the possibility that the respondents are not representative of the customer population; yet no other method seemed feasible. The cross sectional design of the current study is another and perhaps more significant limitation. Finally, this study was limited to one coffee franchise group's activities in one culturally homogeneous country.

The current research findings have a number of serious implications for private stakeholders (master franchisees and franchisees). This study, for example, suggests employee perceptions of customer satisfaction do not constitute a reliable measure of customer satisfaction. Consequently, in future research endeavours, direct measures of satisfaction should be sought. Arguably of greater significance is the fact that customer satisfaction was not in fact a precursor of financial wellbeing. Therefore, it would be wise for stakeholders to consider and if need be, address, other factors presumably contributing to profitability such as marketing communications, cost reduction (Rust et al. 2002) location and convenience (Jones, Mothersbaugh & Beatty 2003). In light of the foregoing, a number of areas for possible further research suggest themselves. First, the finding that financial performance is not significantly linked to customer satisfaction suggests that it would be worthwhile investigating whether links exist between financial outcomes and other factors such as marketing communications, cost reduction (Rust et al. 2002), location and convenience (Jones et al. 2003). Second, further work needs to be undertaken to elucidate the relationship between employee perceptions of customer satisfaction and direct measures of customer satisfaction. Third, replication of the research reported here elsewhere and involving a variety of franchised operations across a range of geographic/cultural contexts, might also prove worthwhile in order to generalise findings.

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