

ANALYZING THE EFFECT OF CUSTOMERS' SATISFACTION ON ORGANIZATIONAL PERFORMANCE IN PROCUREMENT MANAGEMENT AND GOODS AFFAIRS OF NATIONAL IRANIAN SOUTH OILFIELDS COMPANY – AHVAZ

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ABSTRACT

Customer satisfaction is encountered one of the most important duties and priorities of companies' management by management experts and they have taken account the need for stable and permanent obligation of top managers to customer satisfaction as the main precondition of success. Therefore; this study has been done with the aim of analyzing the effect of customer satisfaction on organizational performance. Statistical population of the research consists of 600 people of experts and managers of goods unit procurement management of Ahvaz south oilfields, and 234 of them were selected as a sample by using Krejcie& Morgan table and simple randomly sampling method. The present research method is considered applicable based on objective, and in terms of the way of collecting data is considered descriptive research and in terms of relationship between research variables is considered causative and specifically is based on structural equation modeling. In order to measure variables of research the questionnaire (customer satisfaction and organizational performance) and statistical analysis methods have been applied by using SPSS.18 and LISREL.8.5 software. The results of questionnaire analysis indicated that customer satisfaction (and its magnitude) has positive and significant effect on organizational performance.

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KEY WORDS

Customer satisfaction, organizational performance, supplies management of goods unit of south oilfields- Ahvaz.

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INTRODUCTION

One of the major changes was taken place in the last decade of the twentieth century for improvement of organizational performance, was recognition of customer satisfaction measurement as one of the main requirements and elements of management systems in organizations. A lot of efforts have been taken place today to improve performance tools and expand the customer-oriented attitude by researchers, experts and managers of commercial organizations indicates that customer satisfaction is considered now as one of the most important factors in determining the success of organizations in business and profitability affair. Customer satisfaction is encountered as one of the most important duties and priorities of companies' management by management experts and they have taken account the need for stable and permanent obligation of top managers for customer satisfaction as a main precondition of success. One of the important requirements in the development of organizations and companies is that to place customer and his satisfaction in priority of their objectives and activities. Full recognition of customer, give him or her priority, offering quality services are considered as the success guarantee factors in today's business market. Therefore, creating and implementing systems for measuring and surveillance of customer satisfaction are considered the basic needs of today's organizations as the most important factor for improving performance of organizations [1]. Customer: customer is a natural or legal person we offer to him or her goods and services directly and indirectly. Satisfaction: satisfaction can be achieved by our different understanding between customer expectations and actual performance of product or organization. [1], defined customer satisfaction as a degree to provide actual performance of a company and customer expectations. In Katler's view if performance of company provide customer's expectations, customer have a sense of satisfaction otherwise he will be given dissatisfaction [2]. [3] define customer satisfaction as a feeling or attitude of a customer to a product or services after using it. The two researchers state that customer satisfaction is the main result of marketing activity acts as a relationship between different stages of consumer purchase behavior. For example, if customers are satisfied by special services, they will more probably repeat their purchase. Satisfied customers probably talk to others about

their experiences, consequently they are engaged to positive word of mouth (oral-verbal) advertising. In contrast, unhappy customers will probably cut their ties with the company and will engage in negative word of mouth advertising. In addition, behaviors such as purchase repetition and word of mouth advertising directly affect a company's survival and profitability. Customer satisfaction is the result of the customer's perception during a deal or valuable relationship so that the price is equal to the ratio of quality of done services to price and costs of customer. The following definition of customer satisfaction is accepted by many of experts: Customer satisfaction is a result obtained from customer pre-purchase comparison of expected performance with real-perceived performance and the cost which is paid. By looking at the views of customers' satisfaction we find out at least twenty definitions about satisfaction have been presented by social sciences researchers and psychology researchers during last thirty years that here are three main factors in all these definitions and it can provide a basis for a comprehensive definition of satisfaction. These factors include:

- 1- Customer satisfaction is a feeling reaction (emotional) or a state of mutual understanding and recognition.
- 2- Customer satisfaction is a response to specific focus on the expectations of production and experience to use of services or consumption and the like.
- 3- Customer satisfaction is a reaction that occurs in a period of time. For example, after the first selection or on the basis of successive and accumulated experiences and so on and so forth.

Another group of open-minded researchers believe that customer satisfaction doesn't only refer to their expectations, but rather it is important to pay attention to his or her needs especially basic needs, such as safety requirements, respect and justice. Because needs are defer from expectations. Expectations are awareness, specific, short-term and superficial; while needs is unawareness, general, deep and long-term as long as they have not been achieved. When expectations are not met, he will become despair and dissatisfied, but when the basic requirements are not provided he will tend to become angry or even become exasperated. If the customer is not satisfied he will not be happy, but if you do not provide his needs you will lose him. Therefore, customer satisfaction means: full supply of needs, and his demands just at the same time and the same way that he wants. In the view of organizations, customer satisfaction is the result of a three-part system which includes: performances (processes) of institute; the employees of institute who are provider of product or service; customer expectations. The effectiveness of this three-part system depended on the appropriate integration of these parts with each other. Common area among these three parts indicates the customer satisfaction [3]. In spite of widespread recognition of the importance of customer satisfaction for long-term success of the organization, whether this variable could have an impact on organizational performance or not has not widely been discussed in the literature related to these issues. To investigate these issues, we have to answer the fundamental question:

- 1- What is the effect of customer satisfaction on organizational performance?

MATERIALS AND METHODS

Theoretical framework of research

In this part of paper the literature review and history of research about customers' satisfaction and organizational performance will be discussed.

Customers' satisfaction

Customer satisfaction is known as one of the main obligations of management systems in all institutions, therefore; the majority of efforts are being done today in order to promote and development of customer-oriented culture by researchers, experts and managers of organizations, all indicate now that customer satisfaction in everyone's opinion is considered as the most important factors in determining the success of organizations, even in organizations with monopoly nature because the lack of competition, the realization to focus on customer has attracted the attention of the managers of these organizations. Evaluation and identification of customer satisfaction and measuring customers' satisfaction is important for the reason that finally the level of customer satisfaction determines the success or failure of organizations. If performance of organization is always lower than customer expectations, customers will depart from organization and organization finally go to bankruptcy, subsequently the organizations that have higher levels of customer satisfaction, are always stronger and more successful in the long term, the best return on investment are customers. Customer satisfaction is one of the basic concepts of evaluation being followed by many businesses; customers' satisfaction is measured regularly and periodically after any structural changes [3]. In relation to the concept of customer satisfaction, various definitions have been proposed by theorists of marketing. [4], defines customer satisfaction as a degree to provide actual performance of a company and customer expectations. In Katler's view if performance of company provide customer's expectations, customers have sense of satisfaction otherwise they will be given dissatisfaction. define customer satisfaction as a feeling or attitude of a customer to a product or services after using it. The two researchers state that customer satisfaction is the main result of marketing activity, acts as a relationship between different stages of consumer

purchase behavior. For example, if customers are satisfied by special services, they will more probably repeat their purchase. Satisfied customers probably talk with others about their experiences as well; consequently they are engaged to positive word of mouth (oral-verbal) advertising. In contrast, dissatisfied customers will probably cut their ties with the company and will engage in negative word of mouth advertising. In addition, behaviors such as purchase repetition and word of mouth advertising directly affect the survival and profitability of a company. [4] believe that: customer satisfaction is the result of the customer's perception during a deal or valuable relationship so that the price is equal to the ratio of quality of services to price and costs of customer. To measure customer satisfaction in the service sector, several models have been proposed. One of the most popular and most practical of these models is "Sevqual" model was proposed by American scientists, "Parasuraman", "Zeithaml" and "Berry" in 1980 and then it has been modified. This model has five dimensions: reliability, responsiveness, assurance, empathy and tangibles. This model has been used to analyzing the customers' satisfaction in many organizations and industries and its reliability has been confirmed [4].

- 1- Reliability: the ability to perform the promised service to customer in accurate, reliable and continuous manner.
- 2- Responsiveness: the willingness to help customers and providing prompt timely services.
- 3- Assurance: this index indicates the ability and competence of personnel to convey a sense of trust and confidence to customer service.
- 4- Empathy: this index means the provision of caring, individualized attention to customers.
- 5- Tangibles: this index includes all equipment, facilities, public space of organization, appearance of employees and finally communication materials.

Organizational performance

Today's world especially organizations' world, is changing continuously and tremendously and all aspects of the organizations from internal environment to external environment, from human to non-human factors, etc. are changing all from one state to another with eye catching acceleration. Performance is one of the most important structures being discussed in management researches and undoubtedly is considered as the most important measure criterion of success in commercial companies. Performance is a wide concept that embraces whatever produced by company as well as the areas are interacted with them [5]. In most organizations in the world managers and organizational leaders are always seeking for improve and betterment of their organizations' performance. Organization's performance is a wide combination of both nontangible reception, such as increasing organizational knowledge, and tangible and objective receptions such as financial and economic outcomes [6]. Performance literary means situation or quality of function, therefore; organizational performance is a general structure refers to the way that organizational operation work [7]. The most famous definition of performance proposed by [7]: "explanation process of quality and efficiency of past actions". Based on this definition, performance is divided into two components: 1) efficiency that describes the way of using resources by organization in manufacturing the services or productions, it means the relationship between the real and ideal combination of inputs to produce specific outputs; and 2) effectiveness that describes the degree to achieve organizational goals.

Research model and hypotheses

[Figure-2] shows the conceptual model of research proposed based on theoretical principles. This model shows the impact of customer satisfaction on organizational performance [Figure-1].

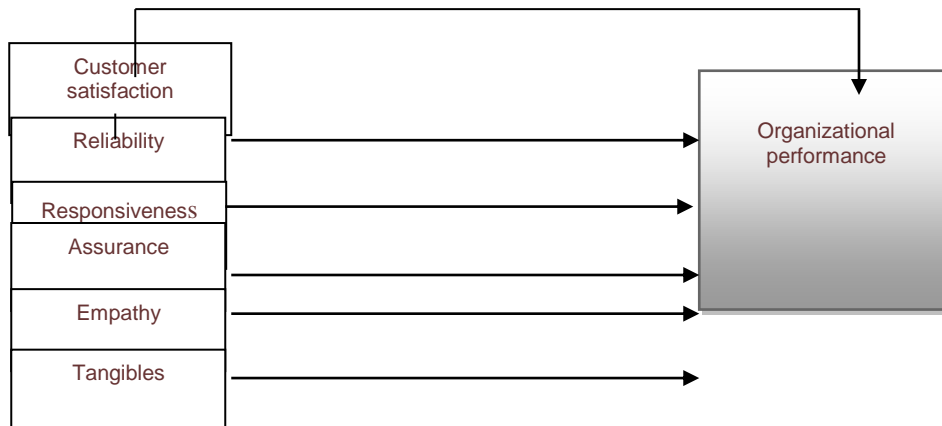


Fig. 2. conceptual model of research (it has been made)

Research Hypotheses

Customers' satisfaction has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz.

Subhypotheses

Subhypothesis 1: Reliability has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz.

Subhypothesis 2: Responsiveness has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz.

Subhypothesis 3: Assurance has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz

Subhypothesis 4: Empathy has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz.

Subhypothesis 5: Tangibles has positive and significant effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz

Research Method

The present research is based on applied objective, an in term of the way of collecting data is considered as descriptive researches, and in terms of the relation between research variables is a kind of causative research. Statistical population of the research consists of 600 people of experts and managers of procurement management of goods unit of south oilfields- Ahvaz; by using Krejcie and Morgan table, simple randomly sampling method, 234 of them were selected as a sample. In order to measure customer satisfaction and organizational performance, standard questionnaire, [8] were respectively applied. 305 questionnaires were distributed totally and 290 valid questionnaires were collected from respondents. The questions of questionnaire are divided into two categories of general and specialized questions; that are based on five-point Likert scale (very low, low, medium, high and very high). In order to determine the reliability of mentioned questionnaires, Cronbach's alpha method was also applied by using statistical software SPSS.18. In [Table-1] the number of items offered for measuring every variable and Cronbach's alpha coefficient for each variable has been determined [Table-1].

Table: 1. Explanation of variable, dimensions and instrument reliability of research measurement

Variable	Reliability coefficient	Number of items
Customers' satisfaction	0/799	2
Organizational performance	0/907	6

As is shown in above [Table-1], Cronbach's alpha coefficient indicates reliability and validity of research tools. In order to test the validity of questions two content validity and factorial validity were used as well. To test the validity of the questionnaire content the opinions of some specialists, academics' professors and experts were used; and finally we were assured that the questionnaire measures the same characteristics of researchers. Factorial validity test of questionnaire was also done by confirmatory factor analysis and by using LISREL software. Looking at the results of LISREL in [Table-3] we observe that both measuring models provide the mentioned conditions and are appropriate models. These results totally indicate the proper reliability and validity of questionnaires of the research.

RESULTS AND DISCUSSION

Description of sample demographic

84.9% of respondents were men and 15.1 percent of them were women. The maximum percentage of respondents was experts with 91.6 percent. 20.9 percent of respondents are fallen in the group with 25 to 40 years old, 53.8 percent of respondents in the group with 41 to 50 years old and finally 25.3 percent of respondents in the group with 51 and over years old. The largest number of respondents is respondents with a bachelor's degree (40.9 percent). The largest number of respondents is employees from 21 to 30 years of service (33.8%) [Table-2].

Table: 2. Descriptive findings of variables of interest

variable	Average	Standard deviation	T-Test Significant	Confidence interval of difference %95	
				Lower	Higher
Reliability	3.1627	.63754	.000	.0789	.2464
Responsiveness	3.3233	.76595	.000	.2227	.4240
Assurance	3.0722	.72199	.135	-.0226	.1671
Empathy	3.1911	.79435	.000	.0868	.2955
Tangibles	4.0300	.79123	.000	.9261	1.1339
Customer satisfaction	3.3559	.43926	.000	.2982	.4136
Organizational performance	3.2274	.80949	.000	.1211	.3338

As shown in [Table- 2], given to scale which is five-point Likert scale and the average is number of 3 and also t-test significance in all cases, it was cleared that acquired average of variables of interest and its dimensions is greater than number 3. There is only assurance dimension with mean condition in this [Table- 2].

Analyzing measurement models

In this part of the paper the results of confirmatory factor analysis of measuring models and also the result of research hypotheses test will be discussed by using LISREL statistical software. It is necessary to ensure the accuracy of measurement models in structural equation modeling. Therefore, following the results of confirmatory factor analysis, measurement models of research variables are provided [Table- 3].

Table: 3. Comparison of measurement models

measurement model	confirmatory factorial analysis type	χ^2	Df	χ^2/df	p-value	RMSEA	GFI	AGFI
customer satisfaction model	second time	230.53	204	1.12	0/09800	0.024	0/91	0/90
organizational performance model	first time	32.75	19	1.68	0/0015	0.039	0/95	0/90

As shown in [Table -3], the results of confirmatory factor analysis of measurement models of customer satisfaction and organizational performance indicate that the main indexes of all latent variables fitness are placed in an appropriate and acceptable scope. In other words conceptual models of research are in accordance with the observed data to a large extent.

Results from research hypotheses test

After to do confirmatory factorial analysis and identification of latent variables, in this part we will test the research hypotheses by doing appropriate analysis. To do hypotheses test the structural equation model and Lisrel software has been used. For implementing the structural equation model to test the main hypothesis of research at first output of software indicates the suitability of the fitted structural model ($\chi^2/df=1/84$; RMSEA=0/046; GFI=0/92; AGFI=0/91; NFI=0/96; NNFI=0/98; CFI=0/98). In other words, observed data is in accordance with the research conceptual model to a large extent. [Figure-2]

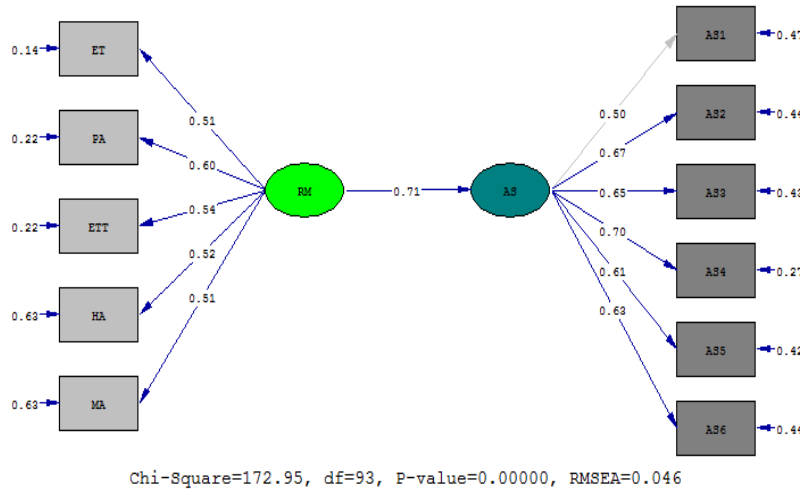


Fig: 2. Structural model of research to test main hypothesis in the state of standard estimate

In [Figure-2] significant coefficients and parameters obtained from research structural model have been shown as well [Figure-3].

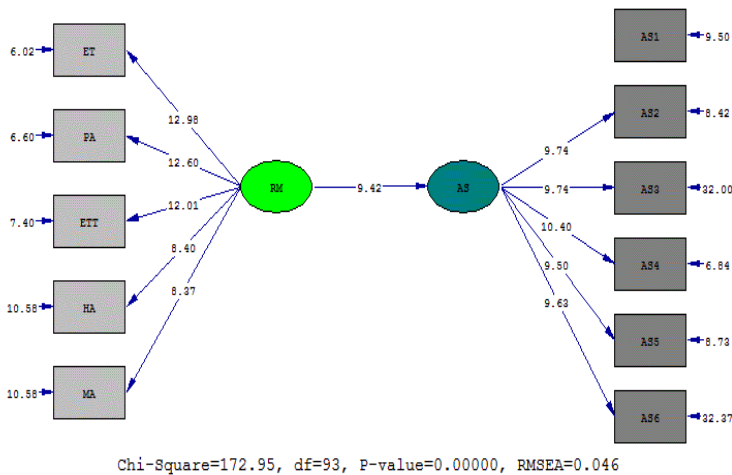


Fig: 3. Significant numbers of research structural model coefficients for testing main hypothesis

The results of structural equations model show that customer satisfaction has effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz. ($t=9.42$; $\beta=0.71$). Therefore, the null hypothesis is rejected and main hypothesis is confirmed.

Results of sub hypotheses test

To do the structural equation model for sub hypotheses test of research at first output of software also indicates the suitability of the fitted structural model ($\chi^2/df = 1/37$; RMSEA=0/41; GFI=0/92; AGFI=0/90; NFI=0/95; NNFI=0/97; CFI=0/98). In other words, observed data is in accordance with conceptual model of research to a large extent [Table-4].

Table: 4. Results of sub hypotheses test

Hypothesis	Independent variable	Dependent variable	Path coefficient	Significance number	Test result
Mainhypothesis	Customer satisfaction	Organizational	0/71	9.42	It was

		performance			confirmed
Subhypothesis 1	Reliability	Organizational performance	0/61	8.14	It was confirmed
Subhypothesis 2	Responsiveness	Organizational performance	0/73	9.28	It was confirmed
Subhypothesis 3	Assurance	Organizational performance	0/68	8.15	It was confirmed
Subhypothesis 4	Empathy	Organizational performance	0/93	9.37	It was confirmed
Subhypothesis 5	Tangibles	Organizational performance	0/52	7.00	It was confirmed

The results of structural equations model show that dimensions of reliability (with effect coefficient 0.61), responsiveness (with effect coefficient 0.73), assurance (with effect coefficient 0.68), empathy (with effect coefficient 0.93) and tangibles (with effect coefficient 0.52) have effect on organizational performance in procurement management and goods affairs of national Iranian south oilfields company–Ahvaz. Therefore, null hypothesis is rejected and all hypotheses of research are confirmed.

CONCLUSION

This research has been analyzed the effect of customers’ satisfaction on organizational performance by using Sevqual model framework.

The results from structural relations among research variables are shown in table 4 and diagram 1&2.

–Findings of research indicate the confirmation of main hypothesis with path coefficient 0/71 and significance number 9/42. Given that t-statistic is equal to 9.42 and is greater than 1.96 therefore, customers’ satisfaction has significant effect on organizational performance. On the other hand standard estimate coefficient is equal to 0/71 that shows the effect is positive and significant.

–Findings of research indicate the confirmation of first subhypothesis with path coefficient 0/61 and significance number 8/14. Given that t-statistic is equal to 8.14 and is greater than 1.96 therefore, it has significant effect on organizational performance after reliability. In other words standard estimate coefficient is equal to 0/61 that shows the effect is positive and significant. The result indicates that reliability has an effect on organizational performance. In other word, when this company in providing services to its customers, giving them promise that they do it correctly and exactly, the fulfillment of this promise by the company creates a sense of confidence and also the space of trust.

–Findings of research indicate the confirmation of second sub hypothesis with path coefficient 0/73 and significance number 9/28. Given that t-statistic is equal to 9.28 and is greater than 1.96 therefore, next the responsiveness it has significant effect on organizational performance. On the other hand standard estimate coefficient is equal to 0/73 that shows the effect is positive and significant. The results indicate that responsiveness has an effect on organizational performance. Therefore, we can conclude that serving timely services to customer and also responsiveness and company sensitiveness to quality of performed services to customers can directly have effect on organizational performance.

–Findings of research indicate the confirmation of third sub hypothesis with path coefficient 0/68 and significance number 8/15. Given that t-statistic is equal to 8.15 and is greater than 1.96 therefore, next the assurance it has significant effect on organizational performance. On the other hand, standard estimate coefficient is equal to 0/68 that shows the effect is positive and significant. Results state that the competence and ability of company’s employees to convey a sense of trust and confidence is high.

–Findings of research indicate the confirmation of fourth sub hypothesis with path coefficient 0/93 and significance number 9/37. Given that t-statistic is equal to 9.37 and is greater than 1.96 therefore, next the empathy it has significant effect on organizational performance. On the other hand, standard estimate coefficient is equal to 0/93 that shows the effect is positive and significant. Results show that empathy has effect on organizational

performance. Then we can say appropriate dealing with different behaviors of customers create satisfaction among them and this satisfaction cause to optimum performance in company.

–Findings of research indicate the confirmation of fifth sub hypothesis with path coefficient 0/52 and significance number 7/00. Given that t-statistic is equal to 7.00 and this number is greater than 1.96 therefore, next tangibles it has significant effect on organizational performance. On the other hand, standard estimate coefficient is equal to 0/52 that shows the effect is positive and significant. Results show that tangibles have an effect on organizational performance. We can say that all equipment, facilities, public space of the company, appearance of employees and finally communication materials through which services are provided will have a direct effect on customer satisfaction and organizational performance. Positive impact of customer satisfaction on organizational performance in this study is in accordance with previous researches findings. For example, (Jeh-Nan and Hung, 2015) reached to the conclusion in their study that organizations have to invest on customer satisfaction and customer loyalty for better performance. [8] Reached to the conclusion in his study that two factors of responsiveness and respect have an effect on customers' satisfaction and leads to effectiveness inside the organization. [8] Reached to the conclusion in his study that four dimensions of Servqual model affects the quality of services. [9] Reached to the conclusion in his study that customer satisfaction is one of the ways to increase capabilities of organizational agility. [10] Stated that there is a direct relationship between customer satisfaction and organizational performance. [11] stated based on obtained results that there is a significant relationship between quality of services with customer satisfaction and performance.

Evaluation and identification of customer satisfaction and measuring customer satisfaction is important for the reason that the level of customer satisfaction at last determines the success or failure of organizations. If performance of organization be always lower than customer expectations, customers will depart from organization and organization finally go to bank rruptcy. Certainly, organizations with higher levels of customer satisfaction are always stronger and more successful in long term. Customer satisfaction as the most important index in definition of the quality of productions and services is considered as an essential needs of today's organizations. A responsive authority to solve customers' problems; identification the hidden needs and customers' expectations and expand the scope of company's services; training and encourage of employees in order to good relation with customers and solve problems of customers; establishing systems to measure customer satisfaction and honoring the clients; hearing the views of customers and applying it in work process in order to cooperate in company's activities; improve informational and communicational systems of organization; creating group coherence and changing the attitude of employees to provide services to customer and client as much as possible; provide feedback on the quality of employees' work are suggestions have been provided for more effectiveness of customers' satisfaction on organizational performance.

CONFLICT OF INTEREST

There is no conflict of interest

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