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The Correlation between the Degree of Customer Satisfaction and Turnover, an Approach to Managerial Flexibility

Constantin BRAN¹

Abstract

Paying attention to customer satisfaction is a measure that denotes managerial and organizational flexibility. The most valuable feedback on the quality of services or products distributed on the market can be provided by customers. This research has analyzed whether there is a correlation between customer satisfaction and turnover as a result of implementing feed-back received from clients, an expression of manifestation of managerial flexibility. The conclusion is that the turnover level remains the best indicator of customer satisfaction, and the rapid adaptation of the organization to customer requirements has a positive effect on both sides.

Keywords: *managerial flexibility; customer satisfaction; adaptive organization; flexible organization; turnover; strategic management.*

1. Introduction

Organizations make considerable efforts to adapt to the needs of the market. To address this, companies pay special attention to their customers' preferences.

This type of organizational behavior is part of the managerial flexibility, as adjusting to a client's needs implies flexibility at decision-making level and resource allocation. Managers are bound to “transform” the organization in the way the client wants while considering the benefits of the company that result from this type of business to consumer relation.

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At the same time, in the business and academic environment, the idea of a link between customer satisfaction and the size of an organization's revenue has been theorized, but the validity of such arguments has not always been tested.

2. Problem Statement

Managerial flexibility refers to the manager's ability to make effective decisions with a controlled risk in a short period of time and to generate revenue and profit for the organization.

Managers' decisions can also be analyzed from the perspective of the effectiveness of the results obtained from their implementation. The effects of the decisions (the results) are objectively reflected in the perception of the clients and denote the organization's ability to respond promptly to their needs.

Thus, the attention paid to customer satisfaction denotes the existence of a certain standard of managerial flexibility in the company. [1].

In the literature, the term "managerial flexibility" means adaptation to the turbulent environment, the ability to decide flexibly, the flexible manner in which investments are made [2], flexibility in motivating human resources [3], technological flexibility, value and organizational flexibility [4], the ability to negotiate etc [5].

Customer satisfaction is a must for the survival and good functioning of the organization [6]. Preserving current clients and increasing the number of potential clients implies a good knowledge of consumer behavior, as well as a thorough research, through specific methods, of the market where the company operates.

Also, customer satisfaction involves maintaining a constant feedback (fig.1) offering services and products in line with their expectations [7].

Particular attention should be paid to encouraging customer loyalty [8], namely the development of CSR (corporate social responsibility) projects [9].

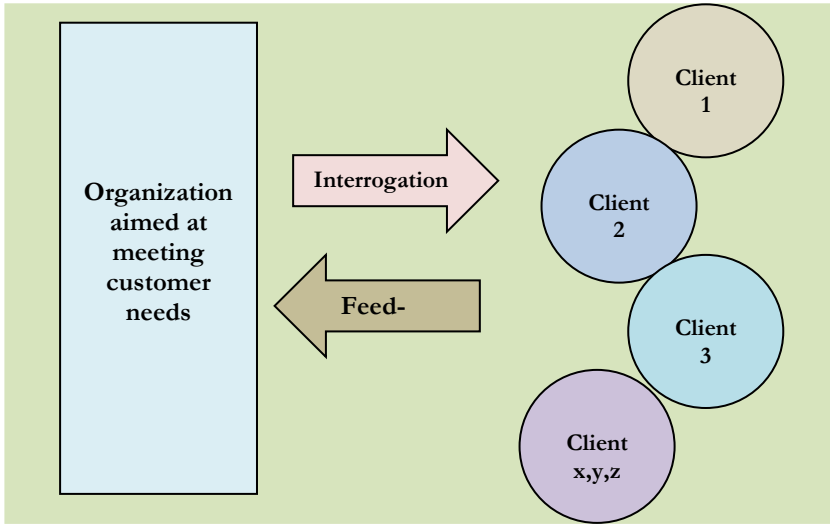


Fig.1. Feedback between the organization and its customers on meeting their needs (author's contribution)

Income size is proportional not only to managerial capacity and capability, to the organization's strategy but also to the risk assumed by decision-makers (fig.2).

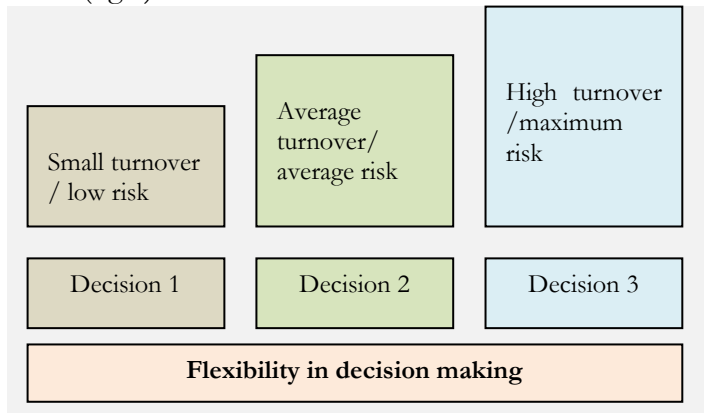


Fig. 2. Correlation of management decisions with risk and turnover (author's contribution)

The turnover is a major goal of any organization and does not always target only the financial side. The relationship between turnover and customer satisfaction has been the subject of diverse research such as:

service quality, the psychological capital and the policies of the organization [10], human resources [11], consumer and organizational behavior [12].

3. Aims of the research

The objective of the research was to establish whether there is a correlation between the degree of satisfaction of the corporate customers of the SoftIdeaCom and their registered turnover.

The research has also focused on identifying current trends in the company, with a predilection on the impact of turnover on customer satisfaction.

The company's management decided to address a simple, mail-based survey to customers about the degree of satisfaction about their collaboration.

The company has as its object the selling of educational software licenses and its aim is to increase the number of products sold and to diversify its portfolio of clients mainly formed of legal entities, market segment to which its products are directly addressed.

From the content of the questionnaire, from a wider range of questions, the company's general manager was particularly interested in the customer's answers to a single question he considered the most valuable:

"On a scale of 1 to 5, how satisfied are you about the way in which the needs of your organization have been met by our company?"

125 clients (83.33%) out of the 150 clients of the organization answered the survey.

4. Research Methods

4.1. The methods used in the research are::

- The online survey;
- One-Way ANOVA (Single-factor analysis of variance).

4.2. Period of the research: 01 August – 31 October 2017.

These methods and working tools have made it possible to measure the existence of a certain degree of managerial flexibility cultivated through specific decisions at the organization level. After collecting the data, SoftIdea decides to divide customers into 3 categories, according to their turnover, to better identify the target of the products.

Thus, the respondent companies were classified as follows:

- small turnover, up to 100,000 euros per year,

- an average turnover between 200,000 and 500,000 annually;
- a high turnover, over 500,000 euros / year.

5. Findings

In the following table, we present descriptive statistics of the survey, the indicators broken down by groups:

N = the number of respondents assigned to each category;

M = the means of the dependent variable;

Std. Deviation = standard deviation,

Std. Error = the standard deviation of its sampling distribution;

95% Confidence Interval for Mean = the confidence interval for the group means in the total population, along with the minimum and maximum values that the dependent variable recorded for each group level.

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Small turnover	48	3,6458	1,17581	,16971	3,3044	3,9873	1,00	5,00
Average turnover	45	3,4222	1,13796	,16964	3,0803	3,7641	1,00	5,00
High turnover	32	3,7813	1,31332	,23216	3,3077	4,2548	1,00	5,00
Total	125	3,6000	1,19812	,10716	3,3879	3,8121	1,00	5,00

From the data in table no. 1, it is found that companies with a high turnover have, on average, the highest degree of satisfaction from with the collaboration with the company (average score - 3.78).

Then there are the companies with a small turnover (3.64), while the most dissatisfied are the companies with average turnover (3.42).

We also find that the differences between maximum and minimum levels of satisfaction are the greatest for the large companies (3.3 - 3.25) and the smallest in the small companies (3.3-3.98).

It also shows from the table that the means are relatively homogeneous, as well as the standard deviations, which means that the variation in the degree of satisfaction among the groups is not very different depending on the turnover.

In order to confirm this conclusion, we also present the ANOVA table of variance:

Table 2. Analysis of variance ANOVA (SPSS Statistics)							
		Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	(Combined)	2,574	2	1,287	,895	,411	
	Linear Term	Unweighted	,352	1	,352	,245	,622
		Weighted	,166	1	,166	,116	,734
		Deviation	2,408	1	2,408	1,675	,198
Within Groups		175,426	122	1,438			
Total		178,000	124				

The table 2 shows the variation in the levels of satisfaction between and within the groups (small, medium, high turnover).

By reporting the sum of squares to the degrees of freedom corresponding to each variant (df) we obtain the Mean Square figures.

By the ratio between the Mean Square values, we obtain F, necessary for the ANOVA test.

6. Discussions

The model presented in this research is useful for worldwide organizations wishing to improve their business relationships with clients and to facilitate management decision-making in challenging situations.

The model is particularly applicable to project based and Business Process Outsourcing companies.

It is also a useful method for the researchers in the management field who want to assess the evolution of the link between turnover and customer satisfaction at certain time intervals for a particular organization.

It can be expanded for researches at market and regional level to explore current patterns and predict future trends.

7. Conclusions

This model is relevant for changing the paradigm in terms of old successful models that when used without careful scrutiny (or detailed study) could take an unexpected turn in a large business.

Generally, it is considered that turnover counts and correlates with the success of an organization (high income, high profit, etc.), which is true in some proportion. In this case, the study showed the exception, that paradigms can be overturned.

For this research, the company's products had a wide addressability to all categories of corporate clients, which made the flexibility degree of the management and the organization to be increased.

In this research, The F value, 0.895 is compared to the F value in the Fisher distribution table. In this case for a significance threshold of 0.05, and $df = 2$ respectively $df = 122$ degrees of freedom, **the critical value in the table is 3.07.**

As, $F_{calc} < F_{critical}$, this means $0.895 < 3.07$ and we conclude that, in the present case, **turnover DOES NOT significantly affect the degree of customer satisfaction of the collaboration between the parties.**

However, the turnover level remains the best indicator of customer satisfaction, and the rapid adaptation of the organization to customer requirements has a beneficial effect to both sides.

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