

## Investigating the effect of ethical norms on customers' commitment and relationship quality

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**Abstract:** Ethical norms and relationship quality are two very important factors in attracting the clients' satisfaction and preserving them in long-term; as a result it is an essential issue to be investigated and examined in the organizations. Moral behavior of the organizations has a fundamental role in formulating and preserving long-term relationships between the organization and clients. The research model is based on the variables including client satisfaction, ethical norms, commitment and quality of relationship. Clients of Melli bank in Isfahan include the statistical population of the study among which 100 clients are selected using simple random sampling method. This is an applied, descriptive-correlation research and the required data are collected using questionnaires. The collected data are analyzed using LISREL software through structural equation modeling tests and confirmatory factor analysis. The findings of research indicate that clients' satisfaction has a direct effect on the quality of relationship with clients, and the relationship between the relationship quality and the commitment is confirmed. Moreover, it is found that the relationship between ethical norms and quality of relationship with client is significant.

**Key words:** *Client satisfaction; Ethical norms; Relationship quality; Commitment*

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### 1. Introduction

Nowadays, the importance of moral principles is as one of the invisible assets of organizations which come from years of attempt and successful relationship with the clients. Technological progress and competitive market in every field of production and service makes customers as the principle capital of any firm and organization; thus, it is necessary for them to introduce themselves properly to their clients in order to create an essential appropriate structure and this will not be accomplished without presenting satisfactory services. In this agitated atmosphere with rapid changes, the firms have had to change their reaction mode toward the market, in a way that more attention is put on the clients/customers and relationships and less on the products, to have long-term visions and to move toward defensive marketing strategies rather than invasive ones. Attracting and preserving the customers has become more complicated than before due to the development of information and communication at the international level which gives the opportunity to compare the services of various institutions. As a result, the society today has become more sensitive toward the activities of institutions than before; and particularly reacts to the unethical acts. Unethical behavior in the institutions leads to undesired advertisement and

urges service providers to consider principles of ethics in their transactions in order to achieve success and sustainability of their organization.

Ethical norms and relationship quality are important issues for the organizations and their lack causes in effect a major problem in any organization. Because, if the principles of ethics do not be present in the services provided for the client, the client dissatisfaction from one hand and negligence of ethics by the employees on the other hand, will bring economic loss to the organization. The method of interaction between service provider and the client is one of the most important determining factors in clients understanding of the organization. As an intangible phenomenon, clients often rely on the behavior of service providers to judge the quality of product, thus, proper behavior of service providers is a significant leverage for successful service providing firms (Thorsten, 2004).

In the new era, the rise of completion leads the managers to look for new ways to make their services different than their rivals and also to attract and preserve customers. One of the most efficient ways is enhancing the quality of relationship with the customers (Haryati and Nelson, 2010).

Achieving sales is not just an attempt, but it is an event of a much bigger attempt to construct and preserve long-term relationships with customers and having sales in the future. If the attention is only given to the product quality and not to the customer demands, their loyalty will vanish rapidly (Gounaris, 2005). Most of the research scholars believe that

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building and enhancing long-term relationship with customer leads to positive output for the firm, as a result, better understanding of the relationship with customer is conceived as a way for organizations' success (Jones and Gavin, 2010). Discussion on the ethical norms and customer relationship quality has many complexities. Regarding the above, the present research is trying to answer the question that "whether ethical norms and customer satisfaction has any effect on the commitment and quality of relationship with the customers?"

## 2. Materials and methods

### 2.1. Relationship quality

In the realm of marketing, the relationship quality between seller and customer is a meaningful structure and this relationship has long been studied by various former researches. Quality is an important condition for long-term success of interactional relations (Song et al, 2011). Quality defines the relationship as a collection of intangible values which are in line with the goals of services or products and leads to a predictable interaction between the seller and the customer (Ndubisi, 2013).

Trust will lead to the development and growth of flexible structures which will provide the ground for positive expectations and demands. In fact, trust increases the satisfaction of people and creates a positive tendency in people to stay in a relationship (Abosag, 2013). The relationship quality is more significant than other key features and reflects the general nature of the relationship of the transactions between seller and customer. In general, researchers define the relationship quality as a suitable degree of relationship for fulfilling the demands of the customer involved in that relationship (Naoui, 2010). While there is various understandings of relationship quality, but based on the consensus, the key dimensions of relationship quality is determined as a high level of trust, commitment and satisfaction (McDonnell, 2011).

### 2.2. Customer satisfaction

Customer satisfaction is accepted widely by the researchers as a predictive factor of behavioral variables. Client satisfaction is in fact the positive evaluation and pleasant feeling that the customer receives after having a product or service, the main goal of organizations is to realize the needs and demands of customers and presenting strategies which lead to the satisfaction of customer (Naoui, 2010). The service cost due to the satisfaction and loyalty of customer is five to six times less than the cost of attraction and providing service for new customers (Negi and Ketem, 2013). Moreover, most of individual marketing technics must increase customer's satisfaction. Through creation of a positive environment and eliminating risky factors in

the interaction behavior of seller and customer, the relationships will be able to move forward, hence, when the customer have satisfaction from their relationship with the customer, they tend to have long-term relationship (Tiang, 2007). Customer satisfaction is the general attitude or feeling of a customer toward a product or service after using it. Accordingly, the first hypothesis is proposed as follows:

**H01:** customer satisfaction has a significant effect on the quality of relationship with customers.

### 2.3. Ethical norms

Norms build cooperation among individuals. Macneil (1980) considers norms as the orthodox conduct which aligns the individuals in a group. The term norm is polynomial; however, it is only utilized here as the behavioral framework, which is more or less static, that the behaviors recourse to them in their quantitative and qualitative nature (Ott, 2009). Paying attention to genuine ethical values brings about increase of customer satisfaction, building trust, increasing motivation, attracting financial resources, human resources and competitive merits (Ndubisi, 2014). Researchers' new findings contribute to a deeper understanding of ethical decision making process. Their studies are based on the theories related to ethical decision making, personal ethical values, ethics intensity, situational factors, ethical philosophy and cultural values (Robertson, 2010). In general terms, ethics is attributed to a set of ethical norms, values or principles which guide people behavior which in its both negative and positive modes lead to creation of mental description and ethical judgment by the consumers (Brunk, 2011). Regarding the findings of previous research, the second hypothesis is proposed as follows:

**H02:** ethical norms have a significant effect on the quality of relationship with customers.

### 2.4. Commitment

The way a customer expresses her feeling toward a certain brand or company is transferred repetitively to others as a positive feeling. Thus this aspect of feeling that efficient commitment creates will convert into a strong loyalty (Cater, 2010). Commitment is usually the result of customer cooperation with seller and leads to increasing the earning. Researchers identified commitment as a key factor for determining high quality relationships (McDonnell, 2011). In general, commitment is an important outcome of good relationship interaction. Hence, commitment is not only an important criterion to keep good long-term relationship but indicates the enthusiasm of customers to stay with the same seller. Commitment is a vital variable in measuring the relationship, especially when it comes to long-term relationships (Tiang, 2007).

Commitment is introduced as another key variable effective in relational marketing. The commitments done by each party is an important index which demonstrates the relationship quality and will bring about more valuable relationships in the future. Furthermore, previous research shows that the parties of a transaction will be more committed to it when they show stronger goals toward developing and continuing their relationship. Commitment is necessary for expanding transactions and shows the highest level of successful interactions (Sivarak, 2011). Reaching a better understanding of the relationship quality is important for several reasons: first, relationship quality provides an instrument for diagnosing the problems, establishing and preserving relationships with customers; it can be used as an efficient solution for problems. Second, the relationship quality can compress systematically a wide area of relationships structure in a conceptual and real framework. Third, relationship quality is considered as a key element for customer support and a basic part of information in decision making process for prices and investments (Kim et al, 2014).

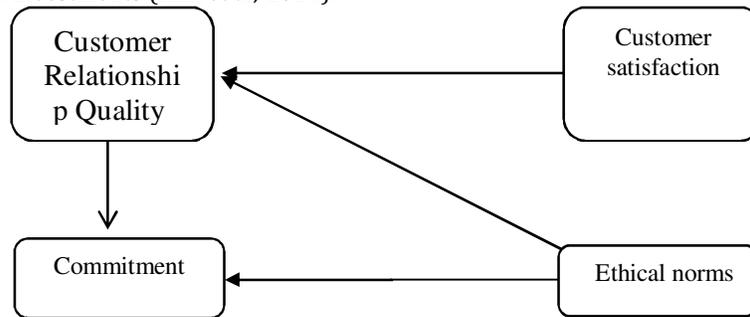
Recently, relationship quality is announced higher than commitment and trust, as the first primary construct (Ulaga and Eggert, 2004) and affects them.

Besides, the theory of equality is a theory which helps people to realize better the way ethical norms effect commitment and relationship quality. When feeling of inequality is created in the individual, it will result in feeling dissatisfaction, offense, unrighteousness, or even involvement; the individual is then stimulated by these to eliminate inequality or to return balance and according to the degree that the individual expects imbalance, the tendency to decrease tension in the inequality exists (Ndubisi, 2014). As a result, the following hypotheses are proposed:

**H03:** the quality of relationship with customer has a significant effect on commitment.

**H04:** ethical norms have a significant effect on customers' commitment.

**2.5. Research conceptual model**



**Fig. 1:** Research conceptual model (Adjei and Clark, 2010; Liu et al, 2011)

**3. Research methodology**

The present research is applied in terms of nature of problem and research goals. In terms of data collection method, this research is a descriptive correlation study. The data collection method is a combination of library and field data. Through library resources the related literature is gathered and the instrument of questionnaire is used to gather data. Research population includes all clients of Bank Melli branches in Isfahan city. Using simple

random selection, 100 clients were selected as the sample which included 44 male and 56 female clients (44%male, 56%female), 53 were single and 47 were married (53% and 47% respectively). Their age group was identified as 21clients were under 25 years, 59 clients 25-35 years and 20 clients were 35-45 years. The demographic features of the studied sample showed that a wide range of individuals were studied. Table 1 represents the demographic features of 100 respondents.

Table 1: demographic features

Demographic variable		percentage	Demographic variable		percentage
sex	Male	44	Marital statuses	Single	53
	female	56		married	47
Education	Associate degree	5	age	Under 25	21
	Bachelor degree	33		25-35	59
	Master degree	62		35-45	20

**3.1. Validity and Reliability of the questionnaire**

The research model is formed based on variables of ethical norms, customer satisfaction, commitment, relationship quality. The questionnaire includes 38

questions with answers ranging on a Likert scale (completely agree=1, to completely disagree=5). The formal validity of the questionnaire is confirmed by several experts including university professors, bank specialists and researchers, so that any kind of vagueness is removed and the intended criteria are

evaluated. In order to determine the reliability, Cronbach's alpha coefficient was used, where the alpha coefficient for the whole questionnaire was estimated 0.936 using SPSS 18 software. Hence, the questionnaire is reliable. Table 2 represents the values for Cronbach's alpha and the number of questions related to the variables.

**Table 2:** The reliability test using Cronbach's alpha coefficient

Research variable	questions	Number of questions	Cronbach's alpha
Ethical norms(EN)	1-5	5	0.700
Relationship quality (RQ)	6-28	23	0.900
Commitment (C)	29-34	6	0.882
Satisfaction (S)	35-38	4	0.866
Total questionnaire	-	38	0.936

**3.2. Data analysis method**

Research findings are analyzed through examining the models measuring exogenous variables (satisfaction and ethical norms) and indigenous variables (relationship quality and commitment) by confirmatory factor analysis method and confirming the relationship between the variables by path analysis through structural equation models in LISREL statistical software.

**4. Findings**

**4.1. Models measuring research variables**

It is necessary to assure the accuracy of measuring model before starting the hypotheses test. To the number of observed variables, measuring equations are presented. Regarding the measuring models of variables, all variables had t-statistics bigger than 96.1 and their determinant coefficient was also acceptable. As a result, none of the items (questions) were excluded. Now, the model is examined.

**4.2. Confirming the model**

In general, while working in LISREL program, each of the obtained indexes does not denote the fitness or unfitness of model, but all of them must be evaluated and interpreted altogether for determining fitness. Several criteria are used here.

As you can see the value of  $\chi^2$  to the degree of freedom is equal to 1.64 and lower than 3 which is a suitable value. The low value of this index indicates the small difference among research conceptual model with observed data. Also, the value of RMSEA is 0.08 and lower than 0.1. In addition to  $\chi^2$ , as the value of RMSEA is lower, the model has a more

suitable fitness. Indexes (NFI – NNFI – IFI – CFI) all are bigger than 0.9 and (GFI –AGFI) are close to 0.8. As a result, the model shows a good fitness and thus it is confirmed.

**Table 3:** examination of fitness indexes

Index	value
K2	1062.82
Degree of freedom	650
K2 to degree of freedom	1.64
RMSEA	0.80
GFI	0.84
AGFI	0.79
NFI	0.90
NNFI	0.93
IFI	0.94
CFI	0.94

**4.3. Research Structural Models (Path analysis)**

After conducting confirmatory factor analysis, in this part research hypotheses are tested using structural analysis. We used structural equation modeling technique for testing the research hypothesis. The structural models are presented in the following figure.

Figure 2 shows the general structural model and the numbers on the path include the standard coefficients and the numbers inside parentheses shows the t-statistics or meaningful numbers which regarding the t-statistics of those paths bigger than 1.96, it can be said that satisfaction and ethical norms have impacts on relationship quality variable, while this variable (RQ) has a significant effect on commitment. The standard coefficients of research model, as well as the t-statistics for every path are summarized in table 4.

Regarding table 4 it is shown that coefficient of determination for RQ variable is estimated as 0.57 and indicates that satisfaction and ethical norm variables together could only explain 57% of changes of relationship quality. Considering the value of standard coefficient and t-statistics it can be said that the effect of satisfaction compared to ethical norms has been more effective on RQ. Moreover, the coefficient of determination for commitment variable is estimated 0.75 and shows that RQ and ethical norms together could explain only 75% of changes of commitment variable. Regarding the t-statistics it can be said that the effect of relationship quality on commitment was meaningful, but the ethical norms had no significant effect.

**4.4. Testing research hypotheses**

After evaluating and confirming the model, the hypotheses were tested regarding the model.

**H01:** customer satisfaction has a significant effect on the quality of relationship with customers.

Regarding the values presented in table 4, the absolute value for t-statistics for satisfaction path to relationship quality is 4.00 and bigger than 1.96; hence, satisfaction has significant effect on relationship quality and the effect value is 0.57 and positive (direct), i.e. with increasing satisfaction, the level of relationship quality increases too.

Regarding the values presented in table 4, the absolute value for t-statistics for ethical norms path to relationship quality is 2.95 and bigger than 1.96; hence, ethical norms have a significant effect on relationship quality and the effect value is 0.37 and positive (direct), in other words, with increasing the consideration of ethical norms, the level of relationship quality increases too.

**H02:** ethical norms have a significant effect on the quality of relationship with customers.

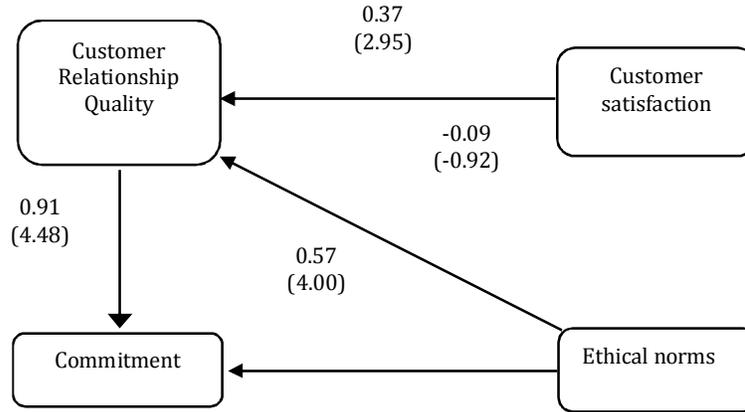


Fig. 2: research structural model

Table 4: standard coefficients, coefficient of determination, t-statistics

Paths	Standard coefficient	t-statistics	Coefficient of determination
Customer satisfaction=relationship quality	0.57	4.00	0.57
Ethical norms=relationship quality	0.37	2.95	
Relationship quality=commitment	0.91	4.48	0.75
Ethical norms=commitment	-0.09	-0.92	

**H03:** the quality of relationship with customer has a significant effect on commitment.

relationship quality but also affects their commitment through this quality.

Regarding the values presented in table 4, the absolute value for t-statistics for relationship quality path to commitment is 4.48 and bigger than 1.96; hence, relationship quality has a significant effect on commitment and the effect value is 0.91 and positive (direct), i.e. with enhancing relationship quality, the level of commitment increases too.

Table 5: The result of testing research hypotheses

**H04:** ethical norms have a significant effect on customers' commitment.

hypothesis	result
<b>H01:</b> customer satisfaction has a significant effect on relationship quality.	Accepted
<b>H02:</b> ethical norms have a significant effect on relationship quality.	Accepted
<b>H03:</b> the relationship quality has a significant effect on commitment.	Accepted
<b>H04:</b> ethical norms have a significant effect on customers' commitment.	Rejected

Regarding table 1-2, the absolute value of t-statistics for ethical norms path to commitment is 0.92 and lower than 1.96, i.e. ethical norms have no significant effect on commitment.

**5. Conclusion and practical suggestions**

Moreover, it was found that customer satisfaction brings about relationship quality and customer loyalty. It can be concluded that people consider ethics in their decisions. Thus, it is rational to take for granted that ethical norms of service providers have impacts on the quality and commitment expected in a relationship. According to the analysis of research data, research authors present their suggestions as following:

Most of the previous researchers agree that ethical norms and behaviors have a strong effect on the conditions and power of marketing relationships and relationship quality. In general term, failure in relationship quality is the outcome of staff inability to provide standard services as expected by the customers. The present research shows that ethical norms of service providers not only increases the

-according to the confirmation of customer satisfaction on relationship quality it is suggested

that Melli bank preserves and enhances customer satisfaction through providing better quality services and improves the relationship quality between customers and service providers. The result of this hypothesis is consistent with findings of kerazbi et al (1990).

-due to the confirmation of effect of ethical norms on relationship quality of clients of Isfahan Melli banks, it is suggested that Melli bank increases the norms related to the costs and methods of informing, norms related to the information and norms related to the advertisement, honesty and accuracy in order to improve relationship quality.

-due to the confirmation of effect of relationship quality on commitment it is suggested that managers of Bank Melli branches in Isfahan improve the relationship quality through customers' satisfaction by improvement of service quality and also increasing ethical norms, enhancing the internal spaces of building regarding light, standard air conditioners, and suitable official furniture; as a result, the commitment of clients increases considerably. Hence, for optimal use of its abilities to maximize the clients' satisfaction and commitment in the competitive market, it is suggested to Melli bank to design an evaluative system of client satisfaction and commitment and create an efficient motivation in the bank staff to attract the maximum commitment and satisfaction of their clients. The behavior and politeness of bank staff toward clients, as well as their neat appearance, use of modern technologies and equipment, availability of information, and ordered documents in Melli bank branches of Isfahan, presenting quick service to bank clients, are points which must be paid enough attention to them. This finding is consistent with researches of Baron and Kenny (1986), and Jiao, Linch and Chen (2010).

- Due to reject the effect of ethical norms on commitments it is suggested that Melli bank increases the commitment of clients through establishing and developing ethical norms by creating regulations and its culture; so as to preserve its current clients.

## 6. Research limitations

In the process of conducting the scientific research, there are conditions outside the control and will of researcher which might affect potentially the research results and its generalizability. The present research has been no exception, regarding the following issues:

-due to cultural, social, psychological, demographic and geographic differences, the present research repeated elsewhere might result differently.

-the other limitation refers to sample and population of the study. The present findings are only attributed to a small part of Melli bank clients of Isfahan city. Definitely, the viewpoint of other clients and in other cities will contribute a lot to our

findings. Unfortunately, due to the extent of study, it was not possible to perform this.

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