

**The Relationship between Rewards and Recognition,  
Service-Oriented Organizational Citizenship Behaviour,  
and Customer Satisfaction**

by

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## **AUTHOR'S DECLARATION**

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

## **Abstract**

It is widely acknowledged that employees with positive attitudes towards their leaders and working environment can contribute to significant organizational outcomes; which can include customer satisfaction, loyalty, and increased profits. Employee's service-oriented behaviour has been extensively proposed in literature as the result of a multiple set of organizational variables. However, limited empirical research has explored the links between the behaviour and attitudes of front line employees that lead to constructive service. Based on a sample of 4,220 employees from a well-known Canadian charter bank, this study empirically examined the relationships between rewards and recognition, perceived organizational support (POS), and leader-member exchange (LMX) and its effect on employee's service oriented organizational citizenship behaviours (COBs). In addition, a theoretical analysis of the relationship between service oriented behaviour, customer satisfaction, and increased company performance explains the importance of empirically investigating the observed relationships. The results provided support for the claim that perceived organizational support and leader-member exchange mediate the relationship between rewards and recognition and service-oriented organizational citizenship behaviours (service COB, loyalty COB, and participation COB) when different sources of rewards and recognition are in effect (e.g., from manger, non-manager, and understanding of system). This study is relevant to the management of service industries that depend on front-line employees to deliver quality service, and to clarify the environmental and situational aspects that influence employee's service behaviours. These factors are crucial in face-to-face interactions which can result in business profit or loses.

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## **Dedication**

I would like to dedicate this thesis to Nayibe Figueroa, my wife, and to Gustavo Wilches and Ruth Alzate, my parents. Nayibe's love, care and commitment played a crucial role during the last 4 years, especially during the last year when my personal circumstances interfered tremendously with my academic goals. She had so much courage and faith that was able to turn the harsh moments into learning experiences that we can laugh at today. My parents always were there to provide comfort, and guidance through this marvelous process, sharing their own experience in obtaining a degree from another Country. I would also like to acknowledge the support of my friends Fernando Reyes, and Diana Figueroa who were always ready to provide support in many vital aspects during these years.

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## Chapter 1 Introduction

Customer satisfaction is critical in the service industries, and banks are no exception. Rewards and recognition are often used to encourage good service behavior from employees. However, challenges may arise since not every type of necessary behavior can be predicted, and therefore cannot be contracted for ex-ante. They also cannot be directly reinforced by incentives because they frequently change. Research has repeatedly shown that service quality is related to customer satisfaction and retention, while customer satisfaction is positively correlated with companies' higher profits. (Gronroos 1985; Gronroos 1990; Gronroos 1996; Johnson 1996; Oliver, Rust et al. 1997; Krishnan, Ramaswamy et al. 1999; MacKenzie, Podsakoff et al. 1999; Parasuraman and Grewal 2000; Babakus, Yavas et al. 2003; Bell, Auh et al. 2005; Salanova, Agut et al. 2005; Anderson 2006).

While research findings offer valuable insight regarding the service profit chain (Heskett, Jones et al. 1994), there are also a particular set of behaviours engaged by frontline employees. These behaviours impact a customer's perception of the service encounter and their evaluation of service quality, which is called service-oriented citizenship behaviours (COBs) (Bettencourt 2004; Bettencourt, Brown et al. 2005; Payne and Webber 2006). COBs are voluntary and discretionary behaviours that are not prescribed by the contracted role. They also go above and beyond the expectations of the organization and the customer (MacKenzie, Podsakoff et al. 1998).

In the service industry the employees who are the primary interface between the organization and the customers are referred to as “front-line employees”, “boundary spanning employees” or “customer contact employees” because they manage and sustain relationships with the customers. They are the initial link, and sometimes the only contact the customer has with the organization. Therefore, front-line employee’s behaviour can greatly impact the customers’ impression of the service encounter (Payne and Webber 2006).

Although people purchase products (e.g., loans, credit cards, etc.) from a bank, banking is fundamentally a service industry. Beyond having the necessary knowledge to handle required transactions, front line branch employees must engage in positive service behaviours that certainly fulfill customers’ requirements. Front line employees must also have the ability to respond creatively as new and potentially difficult service opportunities arise. This creates a challenge for branch management in knowing how to create positive service behaviors that cannot be specified in advance, increase their occurrence, boost the frequency of such behaviour, engage employees in these positive behaviours, and maintain this behaviour over time.

Since all of the necessary behaviors cannot be specified in advance, this makes the traditional “do this, get that” incentive system insufficient to creating the behaviors that will lead to high levels of customer satisfaction. Organizational behavior research has shown that if employees hold a positive attitude regarding their organization and their direct manager, then service oriented behaviors are much more likely to be forthcoming

(Payne and Webber 2006). The challenge for management is to discover ways to encourage positive employee attitudes.

Service firms allocate billions of dollars on incentives and benefits every year to boost crucial employee service related behaviours, and organizational performance. For example, the financial institution under study invested 10 million dollars in 2008 (Confidential source) on its rewards and recognition program. However, if these programs are optimal, this disbursement of money can achieve higher return on investment. Reward and recognition programs that aim to increase employee positive organizational attitudes, in contrast to directly targeting behaviour, can save millions of dollars to service firms.

This research is primarily concerned with the effect that rewards and recognition have on the attitudes that result from the quality of the relationships employee-firm and employee-manager, and how boosting these relationships increases the incidence of employees' service oriented behavior that translates in superior company outcomes, and customer satisfaction and loyalty.

## **1. 1 Theoretical Positioning**

Human resources and management literature expose which service behaviours are crucial for the organization and which behaviours are part of the contracted role. These are discretionary behaviours that are a result of some managerial practices and organizational and environmental conditions. For example, literature on citizenship behaviour, initiated by Organ (1988), and subsequently developed and refined with the work of Podsakoff

and Makenzy, VanDyne, and others, provides a theoretical framework to the advancement of the OCB construct, which will be explained in detail in the next sections.

Theoretical and empirical research studies conducted in the last decades extensively support the claim that there are relationships between service quality, service perceptions, customer satisfaction, and company outcomes (Schneider, Parkington et al. 1980). Since service quality and service perceptions are a major concern for marketing and service scholars, the reasons behind the causes of service behaviours (e.g., human resource practices and policies) that lead to service quality can be found in management and human resources literature. For example, in the human resources literature it is argued that climate for service leads to positive organizational performance (Lytle, Hom et al. 1998). Recently, a number of studies have appeared exploring the antecedents of a service climate of which service climate components are critical for its achievement (Johnson 1996; Reinartz, Krafft et al. 2004; Chiou and Droge 2006; Johnson, Herrmann et al. 2006). These concepts will be expanded upon and explained in the next chapter.

Because service organizations are concerned with the types of behaviors that are crucial for service employees when representing the organization, it is important to understand which are the antecedents and what are the mechanisms that cause such behavior to be possible in service encounters. Some scholars have proposed antecedents of service behavior concepts such as perceived organizational support, leader-member exchange, technology and equipment, job motivation and leadership management (Bettencourt 2004; Payne and Webber 2006). However, the impact of rewards and recognition on

employee attitudes and behavior is under-investigated. The exploration of these antecedents and mechanisms under natural settings, using empirical data is pertinent to the advancement of organizational behaviour, and managerial practices that procure for the human resources best practices.

## **1.2 Practical Positioning**

In today's complex global marketplace, service employees performing at an acceptable level are no longer adequate to maintain a firm's market positioning. If a firm's objective is to improve its competitive advantage and gain new customers, employees performing at satisfactory levels mandated by management or by the contracted functional and psychological description of the job are no longer adequate. Effective performance of front-line employees does not appear to be sufficient enough to achieve customer satisfaction. Therefore, managers should encourage employees to "go above and beyond" standard job-task descriptions by showing support, distributing fair and consistent rewards and recognition, and ensuring that employees understand that the incentive system can be to their pro if they engage in discretionary service behaviours.

Research supports the notion that the incidence of employees' discretionary behaviour is highly associated with the behaviour of their leader, the level of supportiveness of the leader, and that it is contingent on rewards or punishment that transformational leaders presuppose (Podsakoff and MacKenzie 1997). Therefore, managers of service firms are then responsible for encouraging employee's behaviour through the provision of support, and fair and consistent rewards and recognition.

Leaders -or managers who understand how to make correct use of rewards and recognition -who understand that employee's positive attitudes and resultant behaviour greatly depend upon their unit leader can stimulate the exact functioning of the unit to maintain and exceed the levels of customer satisfaction necessary to obtain positive organizational outcomes.

### **1.3 Research Objectives**

After careful revision of the literature on the topics pertinent to the research variables, and exploration of the practical significance, and epistemological value, this thesis objectives are to unfold in the following chapters. I will start with the description of the main problem, followed by a list of specific objectives that will enable a clear orientation to accomplish the here proposed exploration of the mechanisms underlying this paradigmatic functioning of behaviour – attitude – behaviour model.

The main problem -- How is the relationship between service employees' perceptions of rewards and recognition, and their influence on service oriented citizenship behaviour? Is this relationship a consequence of a direct effect of rewards and recognition over the desired behaviour, or is it indirect, that is, mediated by some other attitudinal variables (e.g., Perceived organizational support POS, and leader-member exchange LMX)? The model behaviour – attitude – behaviour suggests that there is not a direct effect, and that rewards and recognition have a greater impact on OCBs working through POS and LMX.



## *Objectives*

- Explore how rewards and recognition are perceived by service employees and how they affect the relationship employee-manager, and the relationship employee-firm using qualitative and quantitative methods.
- Conduct an exploratory phase to learn more about service organizations and to develop a behavioural questionnaire of rewards and recognition that allows to accomplish the objectives.
- Capture a large sample size within an organization as an initial stage for future investigation.
- Validate the questionnaire using thematic analysis, experts ratings, and EFA.
- Understand what are the critical organizational attitudes and behaviours that lead to employees' “above and beyond” behaviour.
- Test the relationship between rewards and recognition over COBs (Direct)
- Test the mediation effects of POS and LMX between perceptions of rewards and recognition, and COBs.
- Expand the theoretical knowledge of rewards and recognition, POS, LMX and COBs using empirical data from a service organization.

## **1. 4 Plan for Research**

Using a sample of 4,220 employees from a Canadian chartered bank, empirical evidence was gathered to test the proposed hypotheses. Results from the Baron and Kenny (1988) method of regression analyses to test mediation indicated that three types of service-oriented organizational citizenship behaviors (loyalty, participation and service delivery)

(COBs) were, in most instances, indirect consequences of rewards and recognition. The detailed statistics, analysis, results and discussion are presented in chapters 5 and 6. These findings have theoretical and managerial relevance. Firms that use incentive programs can adjust the impact of rewards and recognition on employee's attitudes and behavior if managers at all levels of the organization are trained on how to deliver rewards and recognition and support their employees. The efficacy and efficiency of incentive or rewards and recognition programs in the service industry, particularly the banking industry, is then determined by a number of factors that practitioners need to learn and adopt.

This thesis is organized in the following manner. Chapter 2, Literature review, presents the current literature related to the constructs considered. Chapter 3, Model and Hypotheses, presents a synthesis of the theory reviewed to explain the proposed hypotheses. Chapter 4, Methodology, details data collection and the methods used to test the hypotheses. In chapter 5, I present the results of statistical analyses, including exploratory factor analyses, regression analysis, and mediation analyses for the variables and factors under study. Chapter 6 comprises the limitations and future directions of the current research. Chapter 7 offers a conclusion to the findings of the present investigation.

## **Chapter 2 Literature Review**

To address the relations involving the concepts summarized in this thesis, it is necessary to discuss some relevant and related frameworks from different academic disciplines. Marketing, consumer behaviour, and service literature present research on service quality, customer satisfaction and loyalty. They explain why the expectations customers have regarding service quality impact the firm's profitability, and how the behaviour of service employees can lead to customer's satisfaction. Research on organizational behaviour, particularly on service climate and internal marketing, outline the current definitions and directions of coordinating marketing strategy with human resources management strategy. This produces different organizational outcomes and, more specifically, "service quality."

Organizational citizenship behaviour literature discusses the current categorization of OCBs, why organizational citizenship behaviours are considered extra-role behaviours, and which types of customer-oriented OCBs explain how the employees of a service organization are affected by certain attitudes and behaviour. The current literature on OCBs is also critical in understanding the evolution of the conceptualization of the construct, and its recent empirical applications. The literature on perceived organizational support provides a rationale as to why employees of a company with valued contributions are inclined to "go above and beyond" their role expectations. The literature on leader-member exchange sheds some light on how a unit leader's behaviour can influence variations in individual and team performance, as well as organizational outcomes. The

literature pertaining to rewards and recognition supports the definition and conceptualization of “rewards and recognition”, the differentiation between rewards and recognition, and the need to tie both concepts into practical treatments and organizational interventions. It also provides support for the claim that different sources that distribute rewards and recognition can be identified within the boundaries of the organization.

## **2.1 Service Quality and Customer Satisfaction**

Parasuraman, Zeithaml and Berry (1985) argue that “knowledge about good’s quality” is not a sufficient parameter to fully capture what service quality entails. Instead, they propose that services have three main characteristics: intangibility, heterogeneity, and inseparability. *Intangibility*: services are intangible, as opposed to goods, which are objects susceptible to being counted, measured, stored, and tested before delivery, etc. On the other hand, services are not palpable but are related to the execution of a complex series of behaviours. *Heterogeneity*: services are heterogeneous because their exact replication is not attainable. An individual’s performance depends on multiple factors that are out of one’s control, and so, what the company expects to deliver to a customer is not exactly what the employee is delivering to the customer. *Inseparability*: many services are consumed at the same time they are produced—therefore, customer participation and input become important factors in determining the quality of the service performance.

The importance of front-line employee’s service behaviours is demonstrated by the organizational outcomes that are a consequence of these behaviours. The summary offered in Table 1 is a description of the theoretical and empirical findings of the research

conducted in the last decades on the links between service quality, service perceptions, customer satisfaction, and company outcomes. Empirical studies supporting the relationship between perceptions of service quality and customer satisfaction began with (Schneider, Parkington et al. 1980), who tested the link between employee perceptions of the service climate and customer reports of satisfaction in 23 branches of a large US banking corporation. They found a significant correlation between customer satisfaction and overall service quality. Johnson (1996) conducted an extensive study using data from a large U.S. bank, surveying 538 employees and 7,944 customers from 57 branches, resulting in empirical support for the link between customer satisfaction and service perceptions. In a recent meta-analysis, Harter, Schmidt, and Hayes (2002) showed that the relationship between employee satisfaction, customer satisfaction, productivity, employee turnover, and accidents is significant enough to have practical applications and is of value to business outcomes.

The divergence between goods and services (intangible/tangible) and the quality of the process of customers dynamically participating in the delivery of a service encounter have led researchers to assert that organizations can facilitate service delivery by establishing excellent practices and by rewarding quality service behaviour (Schneider, Parkington et al. 1980; Schneider and Bowen 1985; Schneider, Wheeler et al. 1992). Such conceptualizations have led to suggest that superior quality delivery is based on satisfying customers as much as possible through the provision of satisfaction to employees. However, no study has attempted to measure the directional effects of rewards and recognition on the specifics of the service delivery processes.

The existing empirical and theoretical research on service quality and customer satisfaction provides ample support for the claim that customers of an organization who perceive superior service quality are more satisfied customers. They are therefore more likely to repurchase services and products in future occasions, remain loyal to the company, and recommend the organization to other customers through a word of mouth process.

Customer satisfaction leads to customer's positive evaluation of the service received, and post consumption attitudes and loyalty intentions are linked to better company outcomes (Anderson, 2006; Gronroos, 1984). Research has repeatedly shown that service organizations that achieve high levels of customer satisfaction improve customer retention and profitability (Zeithaml, 2000; Bowen and Ford, 2002). Therefore, it is important for organizations to focus their efforts on providing superior service quality, and align all their policies and practices towards this objective (Berry, Zeithaml et al. 1990; Schneider, Wheeler et al. 1992).

**TABLE 1**

**Service Quality and Customers Loyalty**

<i>Topic</i>	<i>Research</i>	<i>Research Finding</i>
<b>Offensive effects of Service quality</b>	Phillips, Chang, and Buzzell (1983)	Using the Profit Impact of Marketing Strategies (PIMS) database, found that superior quality enhances business performance via market position.
	Buzzell and Gale (1987)	Using the PIMS database, found that perceived quality translates into higher-than normal market share growth.
	Jacobson and Aaker (1987)	Using the PIMS database, found that product quality is positively associated with higher market share and the ability to charge a higher price.
	Gale (1992)	Businesses in the top quintile of relative service quality on average realize an 8 percent higher price than their competitors.
<b>Defensive effects of service quality</b>	Kordupleski, Rust, and Zahorik (1993) Peters (1988)	Showed the linkages between product quality, service quality, and market share. Selling costs for existing customers are much lower (on average 20% as much) as selling to new customers (from U.S. Department of Customer Affairs Study).
	Fornell and Wernerfelt (1987)	Examined the impact of complaint-handling programs on customer retention and concluded that marketing resources are better spent on keeping existing customers than getting new ones.
	Fornell and Wernerfelt (1988)	Developed a formula for the market share gains associated with complaint management in a differentiated oligopoly, thereby demonstrating that complaint management can be effective for customer retention.
	Reichheld and Sasser (1990)	Identified four intermediate variables (cost, increased purchases, price premiums, word of mouth) that increased with retention, leading to higher profits. Provided evidence from multiple companies in different industries to document the relationship between retention and profits, reporting that customer loyalty can produce profit increases from 25 to 85

	Rose (1990)	percent.  In the credit card industry, found that profit on services purchased by a 10-year customer were on average three times greater than for a 5-year customer.
	Anderson and Sullivan (1993) Rust and Zahorik (1993)	Found a positive relationship between customer retention and profits. Demonstrated the relationship between customer satisfaction and customer retention in a retail bank setting.
	Fornell (1992)	Documented the aggregate financial implications of customer satisfaction in a Swedish study, finding a significant relationship between customer satisfaction and increased loyalty of customers, reduced price elasticities, lower transaction costs in providing the service to the customer.
	Danaher and Rust (1996a, 1996b)	Demonstrated empirically that service quality affects initial customer attraction through word-of-mouth communication. Service quality affected "likeliness to recommend," which affected customer attraction. While advertising also had an impact on attraction, customer usage rates were driven by service quality rather than by advertising.
	Hallowell (1996)	Documented that customer satisfaction is significantly related to customer loyalty in a bank setting and that loyalty is related to profitability in seven of eight regressions conducted.
	Heskett, Sasser, and Schlesinger (1997)	Conceptualized the "service-profit chain" and demonstrated that customer defections have a stronger impact on a company's profits than economies of scale, market share, unit costs and other factors.
	Rucci, Kirn, and Quinn (1998)	Using a system of measurements called Total Performance Indicators involving customer satisfaction, employee satisfaction, and profits, documented a turnaround at Sears from 1992 to 1993. Sales increased by 9 percent and 1-year shareholder return increased by 56 percent. These profit increases were linked to customer and employee satisfaction increases.
<b>Perceptions of</b>	Reichheld (1996b)	"Very satisfied" customers were six times



<p><b>service quality and behavioral intentions</b></p>	<p>Cronin and Taylor (1992)</p> <p>Anderson and Sullivan (1993)</p> <p>Woodside, Frey, and Daley (1989)</p> <p>Parasuraman, Zeithaml, and Berry (1988); Zeithaml, Berry, and Parasuraman (1996)</p>	<p>more likely to repurchase Xerox equipment than satisfied customers.</p> <p>Found a positive correlation between service quality and purchase intentions.</p> <p>Found that stated repurchase intention is strongly related to stated satisfaction across product categories.</p> <p>Found a significant association between overall patient satisfaction and intent to choose a focal hospital again.</p> <p>Found a positive and significant relationship between customers perceptions of service quality, and (1) their willingness to recommend the company and (2) their purchase intentions.</p>
<p><b>Perceptions of service quality and behavioral intentions</b></p>	<p>Boulding, Kalra, Staelin, Zeithaml (1992, 1993)</p> <p>McLaughlin (1993)</p> <p>Richardson, Dick, and Jain (1994)</p> <p>Bolton and Drew (1991a, 1991b)</p>	<p>Found a positive correlation between service quality and a two-item measure of repurchase intentions and willingness to recommend. Found a positive correlation between service quality and behavioral intentions including saying positive things about a university, planning to contribute money to the class pledge upon graduation, and planning to recommend the school to employers as a place from which to recruit.</p> <p>Found that the intent to repurchase a Toyota increased from a base of 37 percent to 45 percent with a positive sales experience, from 37 percent to 79 percent with a positive service experience, and from 37 percent to 91 percent with both positive sales and service experiences.</p> <p>Perceived quality affects purchase intentions significantly.</p> <p>Demonstrated the behavioral implications of customer satisfaction of telephone customers.</p>
<p><b>Key drivers of service quality, customer retention, and profits</b></p>	<p>Fitzerald and Erdmann (1992)</p> <p>Rust and Zahorik (1993)</p>	<p>Estimated the impact of continuous improvement on profits in 280 automotive suppliers. Found a 17 percent average increase in profits during a 2- to 3-year period.</p> <p>Explored the diminishing returns and market share implications of quality expenditures.</p>

	Mann and Kehoe (1994)	Found that delegated or voluntary teams were particularly effective for improving performance of employees and that statistical process control was particularly effective for improving processes.
	Hauser, Simester, and Wernerfelt (1995)	Demonstrated analytically the financial implications of using customer satisfaction in employee incentive systems.
	Rust, Zahorik, and Keiningham (1995)	Provided a framework for examining the impact of service quality improvements on profits and used a simulation to demonstrate the impact on profits. Showed that behavioral impact stemming from service quality leads to improved profitability and other financial outcomes.
	Ittner and Larcker (1997)	Explored the cross-sectional association between process management techniques and profit measures: return on assets and return on sales. Found that long-term partnerships with suppliers and customers are associated with higher performance. Other techniques, such as statistical process control, process capability studies, and cycle time analysis, vary by industry and are not universally related to return on assets and return on sales.

Source: Zeithaml (2000)

In summary, customer satisfaction is a critical outcome of the service delivery process. In the service sector, as noted earlier, service is delivered through interactions between frontline employees and customers. Therefore, service behaviours are a critical aspect for service firms that want to retain their customers and acquire new ones. The next section exposes the idea that it is necessary for the achievement of customer satisfaction to provide conditions for employees to be satisfied. Two main perspectives (internal marketing and service climate) that consider employee satisfaction as a pre-requisite to customer satisfaction are presented and discussed, as well as the current empirical evidence that supports this claim.

## **2.2 Employee Service Behaviour**

The argument that content or happy employees can efficiently transfer services to satisfy the customers of a company has two parallel perspectives. The organizational behaviour scholars explore a *service climate* (Schneider and Bowen 1993; Schneider, White et al. 1998; Schneider, Ehrhart et al. 2005); while marketing literature explores a concept known as *internal marketing* (IM) (Baker and Sinkula 1999; Deshpande and Farley 1999; Gounaris 2006).

### **2.2.1 Service Climate**

Service climate studies can be characterised as conceptual or descriptive studies of an organizational climate that uses service as the context. They empirically examine the links between the service climate and organizational performance (Lytle, Hom et al. 1998). Recently, a number of studies have appeared exploring the antecedents of a service climate of which service climate components are critical for its achievement (Johnson 1996; Reinartz, Krafft et al. 2004; Chiou and Droge 2006; Johnson, Herrmann et al. 2006).

The service and marketing literature provide theoretical support for the assertion that there is a positive correlation between customer perceptions of service quality, and employee perceptions of the service climate (Schneider and Bowen 1993; Ryan, Schmit et al. 1996; Bettencourt, Brown et al. 2005; Gelade and Young 2005). Schneider and Bowen (1995), suggest that human resource practices are to be targeted in satisfying not only customers, but also the employees of an organization. Satisfied employees deliver

excellent services to customers, with their behaviour being a reflection of their beliefs and attitudes. However, for this relation to exist, the organization must be supportive and serve the employees who serve the end-customer (Schneider and Bowen 1985; Schneider, Wheeler et al. 1992). Schneider, White, and Paul (1998), define a climate for service as that which “refers to employee’s perceptions of the practices, procedures and behaviours that get rewarded, supported, and expected with regard to customer service and customer service quality” (p. 151).

Schneider and Bowen (1995) were the first to identify some of the key pieces that influence an organizational service climate. The researchers suggested that the first step is to determine the conditions of the market through the measurement of customer satisfaction and customer expectations about service. This data should then be shared with employees so plans can be made to ensure service delivery. The second step involves hiring and training personnel who are able to deliver quality service, and then rewarding attitudes and performances that demonstrate excellence in the delivery process. The authors also consider technology and equipment as fundamental to the service climate; ultimately, they propose that human resources, marketing, and management should all work together to create a service firm.

Johnson identified a series of dimensions that were closely correlated with customer satisfaction and the service climate. The dimensions explored in this empirical study were service strategy; seeking information; evaluating service performance; service training and support; service rewards and recognition; service orientation and

commitment; sales and service relationship; and service systems, policies, and procedures (Johnson 1996). Johnson argued that information seeking, training, and rewards and recognition were closely correlated with overall levels of customer satisfaction. This suggested that these dimensions were interrelated, and that the relationship in one variable would likely not be as strong if the other factors were not present. This study is the first to emphasize the theme of rewards and recognition as a necessary determinant of the tendencies of employee service behaviour.

### **2. 2. 2 Internal Marketing**

Internal marketing (IM), as a term, was first introduced in the literature by Berry et. al. (1976), when they suggested that in order to satisfy a company's customers, the organization must first satisfy its personnel's needs. Internal marketing views employees as internal customers, and jobs as internal products that satisfy the needs and wants of the internal customers, while still addressing the objectives of the organization (Berry, 1981).

Internal marketing advocates the use of a marketing perspective for managing the human resources of an organization, building on specific pillars that one could refer to as the internal marketing-mix components. This strategy resembles the 4 P's approach to positioning a product in the external market: price, product, place, and promotion (Gounaris 2006). The relationships between employer and employee, and the exchanges that these relationships entail, allow organizations to modify their existing marketing tools and techniques, and apply them to the internal environment of the organization (Lings and Greenley 2005).

Gronroos (1983) stresses that internal marketing is about developing motivated and customer-conscious employees at all levels, attenuating hierarchies, and minimising departmental barriers. Internal marketing acts as a mechanism that integrates the functions of an organization, bringing together all employees in an effort to meet the external market targets of the organization. Gronroos also states that organizations need to implement a marketing-like approach in order to motivate their employees, and to direct them to being customer and sales-oriented—“internal marketing of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like approach and by applying marketing like activities internally” (Gronroos, 1985, p. 42).

Despite a great deal of confusion in the literature in terms of defining internal marketing, outlining what it is supposed to do, and who is supposed to do it, there is a common emphasis on *motivating and satisfying the internal customers of the organization*. Internal marketing essentially seeks to identify and satisfy the needs and wants of employees before the organization can satisfy the needs of external customers (Lings 2004).

In summary, internal marketing claims that in the external market, customers exchange cash for goods and services. In the internal market, employees exchange time, energy, and value for money (Sasser and Arbeit, 1976). Existing work on internal marketing is significant at the descriptive level, however few organizations use internal marketing in practice. This is perhaps due to the absence of a unified conceptualization that facilitates

its implementation. According to Gounaris (2006) the *internal marketing* concept is puzzling in its application; therefore, the relationships between rewards and recognition, perceive organizational support, leader-member exchange and service oriented behaviours can be more beneficial for theoretical development, and practical implications.

## **2. 3 Rewards and Recognition**

In a competitive market, where service companies are progressively more concerned about high quality service delivery, in order to attract new customers and retain the existing ones, it is not surprising that the use of incentives and reward programs are techniques for motivating employees to strive beyond contracted job tasks. It is surprising however, that there is limited academic applied research on the mechanisms that elicit such behaviours. Haworth and Levy (2001) using empirical data, submits that instrumentality of rewards impact OCBs; however, the relationships between rewards and recognition, employee's perceptions and attitudes towards the organization and front-line employee service behaviours all remain to be investigated.

Reward and recognition programs are implemented to increase employee productivity and performance, generally over a short time period as a mechanism to evoke desirable employee behaviour. In general, incentive programs deal with rewards that aim to increase specific behaviours (Stajkovic and Luthans 2003; Peterson and Luthans 2006). However, rewards and recognition not only impact specific behaviour, but they also can effect employees attitudes towards the organization and their unit leaders or supervisors.

Frontline employee's well-being, commitment, and positive perceptions regarding the organization and their managers can impact their behaviour (Salanova, Agut et al. 2005; Salanova, Grau et al. 2005). Likewise, rewards and recognition can affect those levels of commitment, attitudes and perceptions necessary to build-up a positive service tone. In addition to the impact of rewards and recognition on service behaviours, it is also pertinent to explore the effect of the different sources of rewards and recognition (e.g., managerial, non-managerial) on employee's organizational attitudes and behaviours. In addition, the employee's perceptions of the style in which rewards and recognition are distributed within the social working environment (e.g., employee's understanding of the incentive system) must also be examined.

Employee's job performance is not entirely based on pay or incentives. Incentives motivate performance (Stajkovic and Luthans 2001). However, employees also have social exchange needs, and often base their commitment to the organization on their perception of how committed the organization is to them (Eisenberger, Huntington et al. 1986; Eisenberger, Cummings et al. 1997; Stajkovic and Luthans 1997). Therefore, organizations can demonstrate how valuable employees are through the use of rewards and recognition. Employees who receive a tangible incentive from the organization as a symbol for their fine performance can feel appreciated and valued and are likely to respond favourably to the organization in the future.

Since employee's behaviour is also influenced by social exchange needs and other factors apart from their regular compensation, rewards and social recognition cannot be related



to pay. On the contrary, successful rewards and recognition are dependent on behaviour, must be instrumental and must be close in time to the desired response (Stajkovic and Luthans 1997).

Recognition and rewards are believed to modify attitude and behavior. However, an individual's perceptions and values may vary depending on the efficacy of the tangible reward or the social recognition, the appearance of the reward or recognition, and the source and manner from whom it is delivered. Rewards attempt to alter behaviour through the use of an external tangible incentive. This translates into the expectation of obtaining something in exchange for an action; it is related to the expectation of valuable material exchange that is a consequence of instrumental behaviour (Vroom 1964). The behavioural control depends on external variables and the effect is diminished or even extinguished if reinforcement is absent. That is when incentives are not instrumental to behavior and usually undermine intrinsic motivation (Deci, Koestner et al. 1999).

The terms positive reinforcement, reinforcer, and incentive are distinctly conceptualized in the literature (Stajkovic and Luthans 2003). Positive reinforcement places emphasis on the consequence of a response or behavior. A reinforcer is anything that increases the probability of that response to occur, and an incentive is something that an individual wants or desires. Rewards are externally controlling variables of behaviour due to their property to announce anticipated future benefits to individuals expecting them (Bandura 1977). These terms all share the characteristic of generating and maintaining certain behaviours through individual's expectation of the attainment of something valuable.

It is common knowledge that the provision of incentives can modify human behaviour. Rewards can increase the likelihood of a behaviour to occur over time, if the reward is delivered contingent upon the specific behaviour (Luthans 2002). However, recognition is an important motivator of behaviour beyond any rewards associated with it. There is empirical evidence for the use of verbal recognition to enhance intrinsic motivation (Deci, Koestner et al. 1999). It is important that employees feel valued by the organization since it leads to lower turnover, improved task behaviour and the increased incidence of citizenship behaviours (Rhoades, Eisenberger et al. 2001). Recent research showed that feedback and positive social reinforcement delivered by managers led to increased performance (from a mean of 64% to 95%), and financial profit in a fast food chain (Wiesman 2007).

Building on cognitive evaluation theory (Deci, 1975), it can also be argued that social reinforcement or recognition would lead to the prediction and enhanced feelings of competence. In turn, this would be reflected in increased intrinsic motivation, while negative social reinforcement would result in increased perceptions of incompetence and thus decrease intrinsic motivation (Shanab, Peterson et al. 1981).

Even though recognition is important in organizations, it is not sufficient in and of itself and must be accompanied by rewards. If rewards are provided without recognition, employees can become saturated with these physical items causing them to lose their significance. Over time, this will reduce the reward's ability to trigger specific behaviour. Past research has shown that the combination of verbal feedback and a financial incentives can have a great impact on performance in service settings (Cook and Dixon 2005).

In addition, recognition serves as a powerful signal that physical rewards are to follow. Therefore, recognition gives an individual the power to predict upcoming events such as promotions or pay raises. In addition, social consequences to performance can become predictors of future rewards which, also strengthens employee's behaviour (Bandura 1986; Stajkovic and Luthans 2003). Even though recognition must hold a place in a firm's inventory, recognition is dependent on the frequency of rewards to preserve its motivational effects overtime.

Rewards and recognition can increase desired attitudes and behaviours. However, the person who delivers those rewards or social recognition is a central issue. Rewards and recognition mainly come from management and non-management sources.

### **2. 3. 1 Recognition from Managers**

Managers of business units or branches can provide positive feedback to employees about the process of acquiring service-oriented behaviours, or demonstrate through example the behaviour that is efficient and relevant. In addition, they have the discretionary power to use monetary rewards and/or social recognition to alter and control behaviour. Employees and managers can engage in productive interactions that can lead to increased performance. Therefore, managers can focus on recognizing employees organizationally functional behaviours by making them public, giving proper and timely feedback, going out and celebrating, writing a thank-you card, or simply verbalizing their appreciation. Leaders pay systematic attention to measurement and control of particular behaviours (e.g., smiling, or calling clients by their names), and include these detailed behaviours in their performance evaluations (George et al, 1999). However, if managers want to exceed

organizational goals, they can benefit greatly through rewarding and recognizing creative and propitious service behaviours that go beyond the descriptions of the contracted role. Managers understanding of the appropriate use and effectiveness of a rewards and recognition program is crucial. For rewards and recognition to be successful in regulating attitudes and behaviour, they must be consistent, immediate, and adequate. Managers are in charge of overseeing that these conditions apply in the daily operations of their business unit.

### **2.3.2 Recognition from Non-managerial sources**

Manager's control over the budget and social status of the members of their unit permit them to allocate and distribute significant amounts of rewards and recognition to their unit members. However, there are other sources that can supply rewards and recognition. For example, recognition from peers involves the acknowledgment of behaviours, attitudes, and emotions that individuals display through verbal feedback as a means of supporting co-worker's efforts (Gagne 2003). Recognition can be public, and also regulated by management. Peers can suggest managers to recognize their colleagues; this process usually takes place through formal channels. However, recognition from peers might be delivered through informal meetings or social events that take place in or outside organizational settings, but with a high social significance.

Recognition can also come from customers. Frontline employees that represent the company control the level of service provided to customers (Crosby, Evans et al. 1990). Customers, on the other hand, recognize good service with a reciprocation process. Satisfied customers can demonstrate their gratitude and feelings of pleasure with gifts,

cards, flowers, chocolates, writing letters to the manager congratulating the specific employee by their name, and by acknowledging the extra-effort made when the task is accomplished efficiently.

### **2. 3. 3 Employees Understanding Of the System**

Empirical research has demonstrated the association between reward-contingency perceptions and performance outcomes (Kuvaas 2006). The perception employees have for the manner in which rewards and recognition are delivered by management and the organization can greatly impact their attitudes and consequently their behaviour.

Understanding how the incentive system operates leads to the expectation to receive rewards and recognition in exchange for service behaviour, making behaviour instrumental to rewards or social reinforcement.

If employees feel that the system is inconsistent, that the behaviours are not immediately followed by either social recognition or material rewards, or that the rewards are not sufficiently significant, they may not be able to learn to predict -and therefore control-the occurrence of rewards and recognition in their environment. This ultimately makes the system ineffective or even fail.

## **2. 4 Organizational Citizenship Behaviours**

This section provides definitions offered in the literature on organizational citizenship behaviours, the current state of the OCB construct, and how relevant organizational citizenship behaviours can be for a service organization.

There are a vast number of published studies on organizational citizenship behaviour in the marketing and human resources literature over the last decade (Organ 1997; Podsakoff, MacKenzie et al. 2000; Bettencourt, Brown et al. 2005; Groth 2005; Payne and Webber 2006). They explore the antecedents and consequences of OCBs and in particular, the relationship between OCBs and superior service delivery (Bettencourt, Gwinner et al. 2001; Bettencourt 2004; Bettencourt, Brown et al. 2005).

Organizational citizenship behaviour appeared in the literature as a promising concept due to its potential to explain organizational behaviour that is analogous to task behaviour, and that maintain the organizational functioning over expected levels (Hampton and Hampton 2004). Organizational citizenship behaviour was initially defined as “individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization,” (Organ 1988, p4). However, this definition has been challenged by some researchers who claim that it is difficult to establish what is prescribed by the formal job requirements, and what is expected from the employee (Van Dyne, Graham et al. 1994; Bettencourt, Gwinner et al. 2001; LePine, Erez et al. 2002). In other words, how we should determine what is in-role behaviour, and what is extra-role behaviour (Bell and Menguc 2002). This is particularly the case with employees in the service sector that interact with customers and have to frequently adjust their behaviours according to the situational alterations that their job (in-role) requires (Castro, Armario et al. 2004).

OCB's initial definition is also problematic in that it prevents research on its antecedents related to contextual and situational factors. Podsakoff and MacKenzie (1993) sustain that the context in which OCBs occur is a key determinant of the type of OCB exhibited, and the continuation of this OCB in the future. According to Organ (1988), OCBs cannot be rewarded, recognized or punished, and are presupposed to be purely discretionary. In other words, employees are not penalized for not performing OCBs, and would have the freedom to perform OCBs when they are happy or restrict them when they feel unhappy. According to this logic, the original definition blocks the behavioural outcomes-benefit relationship, and limits the construct to a merely spontaneous type of behaviour.

However, it follows that employees who are happy with the organization and their supervisor will be more likely to perform OCBs. Employees who perform OCBs will be rewarded and recognized, thus leading to more positive employee-firm and employee-manager attitudes. These positive attitudes will result in a greater number of happy employees that will perceive the OCBs as beneficial in the acquisition of desired outcomes. A number of studies suggest that it is only when employees believe their manager will fairly reward and recognize organizational citizenship behaviours that such behaviours will be displayed and sustained over time (Allen and Rush 1998; Hui, Lam et al. 2000; Haworth and Levy 2001).

Organ (1988) originally classified OCBs into five dimensions: altruism, courtesy, conscientiousness, sportsmanship, and civic virtue. Altruism is a discretionary behaviour that is related to voluntarily helping other members of the organization to accomplish

relevant tasks and solve problems in the organization. For example, helping a new employee serve a customer, and instructing him/her in rapidly entering information into the company database, without inconveniencing the customer or delaying the transaction. Conscientiousness involves discretionary behaviour that goes well beyond the least amount of duties required by the contracted role. For example, not wasting time or organizational resources, staying late to help with a project, volunteering to coordinate activities, or adhering to the rules of the organization. Civic virtue is behaviour that indicates a “willingness to participate responsibly in the life of the organization,” (Bell and Menguc 2002). This means that employees are engaged with the organization and show an interest in improving organizational processes and efficiency by suggesting alternate ways to accomplish such success (Yoon and Suh 2003). Sportsmanship is behaviour that relates to demonstrating tolerance and refraining from complaining or creating grievance in the organizational working environment (Organ 1988). Finally, courtesy is a set of behaviours that help prevent work-related problems with other members of the organization by taking action to avoid conflict when one’s decisions and commitments affect others (MacKenzie, Podsakoff et al. 1999).

OCB has been measured using two different approaches. First, researchers exploring and identifying its predictors used a general overall measure of OCBs (Van Dyne and LePine, 1998), while others correlated the predictors to all or some of the offered dimensions (Organ 1988). These two different approaches, as suggested by LePine and Johnson (2002), raise a question with regards to what is the most appropriate definition of OCB. This recent debate has emerged in the literature with discussions on whether or not OCBs



are role-prescribed or if they are outside contractual job descriptions in service related organizations (Payne and Webber 2006); (Bettencourt, Gwinner et al. 2001). Employees of service organizations, particularly front-line employees, are constantly expected to go above and beyond their duties to satisfy their customers. Therefore, citizenship behaviours that are oriented towards the customer and/or the service encounter can play a significant role in the service interaction process.

The importance of the OCB concept in the literature is unquestionable because it provides understanding of individual initiative and cooperation which benefit the organization directly or indirectly (Podsakoff and MacKenzie 1997). However, there are some other issues that have been addressed by scholars (Van Dyne, Graham et al. 1994; Allen and Rush 1998; Podsakoff, MacKenzie et al. 2000; Eisenberger, Armeli et al. 2001; LePine, Erez et al. 2002; Aselage and Eisenberger 2003; Baruch, O'Creevy et al. 2004). For example, one issue is deciding which kind of behaviours should be classified as OCBs. That is, as mentioned earlier, if it is even possible to make a clear distinction between in-role and extra-role behaviour, and if the employee does go above and beyond their job description, are these the same behaviours expected by the company or supervisor as part of the employee's performance evaluation process. The OCB's original dimensions are overlapping, and not all dimensions can be classified as OCBs. Also, there is theoretical confusion in obtaining a consensus on what should be regarded as an OCB, and a clear approach is absent in providing a specific operational definition of this construct for future theoretical and empirical development (Koster and Sanders 2006).

To overcome the difficulty of the definition of OCB as a construct in the literature, and to solve the dilemma of viewing OCBs as extra-role behaviours—or a combination of both in-role and extra-role behaviours (Van Dyne, Graham et al. 1994)—some authors have developed empirical and theoretical frameworks to integrate the constructs and dimensions of Organizational Citizenship Behaviour, and to classify relevant and similar behaviours that are difficult to distinguish from the original construct (Bolino, Turnley et al. 2004). VanDyne et. al. (1994), suggest that one way to overcome this problem is to not make a distinction between in-role and extra-role behaviours, but to classify all positive behaviours that are organizationally relevant and functional as OCBs (Koster and Sanders 2006).

If OCBs are behaviours that are relevant to the benefit of the organization, OCBs then enhance organizational effectiveness, and consequently the research that has emerged in the last several years has attempted to identify a number of different antecedents. These include subordinate characteristics such as consciousness, agreeableness, and affectivity; task characteristics; organizational characteristics; and leader behaviour, such as supportiveness, contingent rewards or punishment, and transformational leadership (Podsakoff and MacKenzie 1997).

Some research findings, as mentioned earlier, have not been consistent with the assumption that extra-role behaviours are not rewarded by leaders or organizations. For example, Pond et. al. (1997), suggest that supervisors not only expect subordinates to demonstrate extra-role behaviours, but in fact they allocate and distribute rewards

contingent with the extra-effort or extra-activities that subordinates undertake. In many occasions, extra-role behaviour is part of the job and is rewarded accordingly (Koster and Sanders 2006). In addition, some research has shown that employees are more likely to display extra-role behaviours when those behaviours signal an opportunity for obtaining rewards (Pond, Nacoste et al. 1997).

Based on whether the behaviour is explicitly described in the job functions, is explicitly rewarded or punished, is trained, or impacts unit effectiveness, Podsakoff and MacKenzy (1993) suggest that there are different forms of extra-role behaviour—for example, customer-oriented citizenship behaviours (COBs). Front line employees may show service oriented behaviours that are in-role behaviours. However if, for example, a front line employee displays helpful behaviour directed towards the customer, one can regard these behaviours as COBs.

Only a few researchers have attempted to empirically test the impact of customer-oriented citizenship behaviours on service quality and customer loyalty (Bettencourt, Gwinner et al. 2001; Susskind, Kacmar et al. 2003; Payne and Webber 2006).

Bettencourt et. al. (2001) argue that, “service companies have special requirements on dimensions related to dealing with customers and representing the organization to outsiders,” (Bettencourt, Gwinner et al. 2001). The authors identified three OCBs that are related to customer service organizations. The first dimension is loyalty OCBs, where boundary spanner employees act as outsiders, with regards to the organization, to promote the organization’s services, products, and image. This provides a link between

the external environment, and the internal adjustment to the customer's expectations and suggestions. Second, service employee's participation OCBs or "taking individual initiative, especially in communications, to improve service delivery by the organization, coworkers, and oneself," (p. 30). And third, service delivery OCBs that are related to the level of conscientiousness service employees require to perform their roles, attending to customers' needs, and displaying reliable and courteous behaviour.

Bettencourt et al. (2001) also propose that Perceived Organizational Support (POS), is a predictor of customer-oriented OCBs. They found in two empirical studies support that POS is a key predictor of service oriented OCBs. These findings provide evidence that different antecedents exist for distinct types of OCBs. Behavioural and predispositional factors can influence some OCBs, whereas attitudes can influence others (Bettencourt, Gwinner et al. 2001).

Payne and Webber (2006), drawing on Bettencourt et. al.'s (2001) proposed hypotheses, found that employee attitudes relate significantly to service-oriented OCBs. "Customer contact employees are valuable commodities to the service organization," (Payne and Webber 2006), and consequently they must be carefully managed and provided with the necessary support to satisfy the organization's customers. Rewards and recognition can influence employee's behavioural intentions to provide service that culminate in customer satisfaction and perceived service quality. Frontline employees perceive support from different sources (Susskind, Kacmar et al. 2003). Susskind et. al. (2003) showed that co-worker and supervisor support mediate the effect that standards for service have

on customer orientation. Nonetheless, co-worker support also has an impact because it is important to have a group of peers to assist in the service delivery process.

This research bases its hypotheses on the OCB dimensions offered by Bettencourt et. al. (2001): loyalty-oriented OCBs, participatory OCBs, and service delivery OCBs.

Empirical research supports a positive correlation between situational factors, POS, LMX, customer-oriented OCBs and service quality perceptions (Bettencourt, Gwinner et al. 2001; Bell and Menguc 2002; Payne and Webber 2006). Therefore, it is fundamental to add empirical evidence to these proposed relationships.

## **2. 5 Perceived Organizational Support**

Eisenberger, Fasolo, and Davis-LaMastro (1990) propose that employees form global beliefs concerning their organization's commitment to them. Employees form these beliefs in order to meet their individual needs for approval, affiliation, and esteem. As well, they are formed as a means of determining the organization's readiness to reward their efforts, which increases the individual's involvement and identification with the organization. Eisenberger et. al. (1986) defined perceived organizational support, based on economic and affective interpretations of organizational commitment and social exchange theory (Blau 1964) as, "employees global beliefs concerning the extent to which the organization values their contributions and cares about their well-being," (Eisenberger, Huntington et al. 1986).

Many theorists have studied the consequences of POS, with varying conclusions. For example, Rhoades, Eisenberger, and Armeli (2001), suggest that affective commitment

(an employee's emotional bond to their organization) is a consequence of POS.

Employees that are affectively committed to their organization generally express a sense of belonging and identification with their organization. This leads to increased involvement in the organization, a willingness to strive towards the organization's goals, and a desire to stay with the organization. Research results suggest that favourable work conditions increase POS and affective commitment, which in turn decreases employee withdrawal behaviour. POS strengthens an employee's affective commitment and performance through a reciprocation process (Eisenberger, et al., 2001).

Numerous theorists have made conclusions about the positive effects of POS on employee attendance, job performance, innovation, commitment, and trust in the organization.

Eisenberger, Fasolo, and Davis-LaMastro (1990) found that the effects of POS on employees include: conscientious attitude when carrying out conventional job responsibilities, expressed affective and calculative involvements in the organization, and innovation on behalf of the organization. The results of their studies show POS's effects on employee absenteeism, organization loyalty, reward expectations, and suggestions for organizational improvements.

Eisenberger, Fasolo, and Davis-LaMastro (1990) revealed that employees with the lowest POS were absent twice as often as employees with the highest degree of POS.

Additionally, employees with high POS demonstrated higher rewards expectations—these employees reasonably expected that their personal efforts would produce material (pay and promotion) and social rewards (recognition). Therefore it is of significant importance,

managerially and theoretically, to elucidate the necessary environmental (work setting) conditions that trigger these expectations.

Whitener (2001) also found how POS can positively affect an employee's trust and commitment to the organization. The relationship between POS and commitment to the organization was stronger when the organization offered a higher equity of rewards—and employees felt a stronger trust in management when the organization conducted performance appraisals (Whitener, 2001). The results of Whitener's study are consistent with social exchange theory, and imply a reciprocal relationship between perceptions of the organizations commitment to its employees and employee's commitment to the organization.

Employees that feel valued and cared for by the organization provide more constructive suggestions for improving the organization than employees with lower POS (Eisenberger, Fasolo et al. 1990). Employees with high POS also more often demonstrate behaviour that can be described as “above and beyond” their normal job description. In other words, if we consider that “constructive suggestions” are some form of service and participation COBs that improve the organizations outcomes and goals, then POS can be an antecedent of COBs. In addition, following this logic, if rewards and recognition lead to higher levels of POS, we can expect that the perception employees have with respect to fair rewards and recognition programs will result in more positive employee-firm relationships, which in turn will result in more COBs.

The level of POS can cause different employee attitudes and behavior, that enhance the likelihood of employees displaying OCBs in favor of the organization. The causes of

these levels of POS remain to be studied in more depth. According to Rhoades and Eisenberger (2002) there are three primary ways in which the organization can demonstrate favorable treatment to its employees: 1) through supervisor support 2) through rewards and good job conditions and 3) through fair policies and practices.

Employee's views of how an organization fairly carries out different activities, procedures and policies may impact how the employee perceives the organization. Ample research supports the notion that the employee's perception of fairness influences the employee's perceived organizational support (Moorman 1991; Motowidlo, Borman et al. 1997). According to Greenberg (1990), organizational justice is divided into distributive justice and procedural justice.

Procedural justice refers to the perception of how fair rules and procedures of the organization are determined to be (Moorman et al., 1998). Distributive justice refers to how fair the employee perceives the allocation of these rules and procedures to be (Price and Mueller, 1986). Fairness is a crucial aspect of employee's perception of the rules of the organization, and how the organization distributes rewards and recognition across its units and unit members. Moorman (1991) found that distributive justice is an antecedent to POS, and also that POS fully mediates the relationship between distributive justice and organizational citizenship behavior. In this line of thinking, the perception of fairness employees have in regards to rewards and recognition can be a factor to consider when testing for attitudes and behaviors that are antecedents of POS, LMX, and OCBs.



## **2.6 Leader Member Exchange**

Supervisor support is a concept closely related to organizational support; however, these two concepts are unique and can cause different attitudes, behaviours, and consequences for desired performance (Wayne, Shore et al. 2002). “Just as employees form global perceptions concerning their valuation by the organization, they develop general views concerning the degree to which supervisors value their contributions and care about their well-being,” (Rhoades and Eisenberger 2002). An employee’s favourable or unfavourable perception about a supervisor’s orientation towards their well-being is an indication of their perceived organizational support. This link between a leader’s perception and organizational perception is due to the fact that supervisors act as agents of the organization and have control over performance and evaluation measures of performance (Eisenberger, Huntington et al. 1986).

Wayne, Shore, Bommer and Tetrick (2002) proposed and empirically tested a model of antecedents and consequences of POS and leader-member-exchange (LMX). The authors proposed that specific types of rewards influence POS and LMX, which in turn facilitate organizational citizenship behaviours, organizational commitment, and performance ratings. Consistent with the findings of Podsakoff et. al. (1984) on contingent leader rewards, and also consistent with the literature on leadership, employees respond more positively to supervisors who administer contingent rewards and/or punishment compared to the lower performance of employees who do not receive contingent rewards.

Bishop, Dow, and Burroughs' (2000) research identifies similarities in organizational commitment and team commitment. They found that organizational commitment is related to extra role behaviour, job performance, and lower turnover. Team commitment is also linked to extra-role behaviour and team performance, but not to turnover. These findings reveal that employees often distinguish between organizational support and team support, and they typically respond to the support they receive. Employees direct their attitudes and behaviour toward the entity that provided the support. Employee reaction differs based on who provides the support, and who they are more committed to—the co-worker, or the manager/supervisor that represents the organization. It is important to note that support can come from more than one source (the organization or a leader) and have more than one target (individual and/or a team). Different sources of support elicit diverse beneficial outcomes (Howes, et al. 2000).

There is reported evidence that LMX relationships vary in terms of the amount of material goods, information, and support exchanged between superiors and subordinates; the greater the perceived value of the tangible and intangible commodities exchanged, the higher the quality of the LMX relationship (Wayne, Shore et al. 1997). The foundation for these constructive relationships includes supervisor's noticing and recognizing positive employee behaviours in a consistent and timely manner. Therefore, recognition and rewards can be crucial in facilitating positive relationships (high LMX) between the employee and their managers.

The norm of reciprocity, in terms of leader-member-exchange, suggests that when one party provides non-mandated benefits to another party, reciprocity should come into play. In a relationship where the leader provides employees with rewards and privileges (e.g., recognition), employees may engage in behaviours that directly benefit the leader, and which go above and beyond normal role expectations (Wayne, Shore et al. 1997). Employees benefiting from high quality relationships with their immediate manager appear to engage in customer-oriented OCBs and perform at higher levels that benefit the organization and customers (Wayne et al., 2002).

### **Chapter 3 Hypotheses**

In service organizations an individual's performance will vary depending on multiple factors that are out of systematic and instrumental control. These results depend on creativity and innovation of the service employee. The importance of front-line employee's service behavior is demonstrated by the organizational outcomes that are a consequence of these behaviors. These behavioral exchanges occur between service employees and customers of the service organization, and it is precisely through these exchanges that the service is provided to the customer. Therefore, service employee's behavior is responsible for the level of satisfaction of every single customer of the organization, especially in the case of front-line employees, whom interact directly with customers.

As was summarized in the literature review, customer satisfaction leads to customer's repurchase intentions, and post consumption attitudes and loyalty are linked to better company outcomes (Anderson, 2006; Gronroos, 1984). Service organizations that achieve high levels of customer satisfaction improve customer retention and profitability (Gronroos 1984; Hartline and Ferrell 1996; Parasuraman 1997; Bearden, Malhotra et al. 1998; Cronin, Brady et al. 2000; Rust and Oliver 2000; Zeithaml 2000; Bowen and Ford 2002; Homburg, Hoyer et al. 2002; Olsen 2002; Babakus, Yavas et al. 2003; Babakus, Bienstock et al. 2004; Castro, Armario et al. 2004; de Jong, de Ruyter et al. 2004; Bell, Auh et al. 2005; Anderson 2006; Payne and Webber 2006). Therefore, it is important for organizations to focus their efforts on aligning all their policies and practices towards

increasing positive service behaviours that deliver high levels of customer satisfaction (Berry, Zeithaml et al. 1990; Schneider, Wheeler et al. 1992).

The main purpose of this research is to explain how rewards and recognition impact the attitudes of service employees towards their organization, manager, and working environment. As well, explain the resultant behaviour of such positive attitudes will be. Therefore, the proposed relationships were empirically tested.

Service oriented behavior cannot be totally contracted by the organization. Service behavior is unique, as mentioned earlier. Every transaction with a customer is different, and every customer has different and sensitive expectations (Bettencourt, Brown et al. 2005). The service encounter can't be forecasted precisely, there is a need to increase the orientation of front-line employees to behaviors that deliver satisfaction. Increasing creativity and empowering employees through rewards and recognition can deliver desirable outcomes.

Service employee's encounters with customers are very complex because they involve different situations that are not particularly or explicitly defined in an operation manual. They have to be addressed by the service provider at specific points in time, where not all circumstances and behaviors can be precisely anticipated. Service personnel cannot predict customer's requests or complaints, but they can learn to display creative and innovative behavior that helps the customer, thus increasing customer satisfaction and service performance.

It seems very simple to classify all the behaviors that enhance customer satisfaction as service behaviour. However, there are some distinctions between what can be imposed as part of the job and what is voluntary of the employee (Bettencourt 2004). In addition, I found from the semi-structured interviews that employees and managers could surely make a distinction in their daily activities. Even more, employees seem to recognize that they do not deserve to be rewarded for doing their job. On the contrary, they link extra-effort and creativity with rewards and recognition. We can impose an employee to smile to the customers, call them by their names, be efficient when there is a lineup, and be courteous all the time. However, when trying to impose these behaviors, the probability of occurrence is decreased because the behavior would have an adverse consequence. In addition, not all service behaviors can be predicted, or “contracted” ex ante. Behavioural contracts can diminish employee’s creativity on service behaviours. Therefore, service oriented behavior can be elicited through the use of rewards and recognition that increment and strengthen the relationships between the firm and the employees; and the managers and the employees.

### **3.1 Relationships Between Employee-Firm and Employee-Manager**

The employee-firm relationship and the employee-manager relationship will lead to a company’s outcomes and in this case, to customer satisfaction through employees service oriented behaviors (Bettencourt, Gwinner et al. 2001; Bettencourt, Brown et al. 2005).

The question and challenge for management is how to increase these positive relationships that are essential to eliciting the desired service behaviors. As was discussed earlier, rewards and recognition can trigger attitude and behavior. However,

these actions will not be triggered through repetitive schedules, as they are difficult to mechanize, define, and predict with exactitude. Nor can these behaviors be replicated precisely in the future.

Rewards and recognition not only can be used for exceptional employees, but can also trigger extra effort behavior and increase its likelihood. Rewards and recognition can trigger this behavior when used considering that positive attitudes trigger beneficial employee outcomes. Reinforcing the relationships between manager-employee and firm-employee can lead to these desired outcomes (Podsakoff and MacKenzie 1997).

The perception employees have regarding the dispersion of consistent rewards and recognition is significant to its correct functioning. Fairness and consistency are fundamental aspects of all personal relationships. Therefore, if rewards and recognition pertain to increase the employee-employer (POS) and employee-manager (LMX) relationships, the personal aspect of these interactions has to be maintained and procured.

Supervisors not only expect subordinates to demonstrate service behaviors, but in fact they allocate and distribute rewards contingent with the extra-effort or extra-activities that subordinates undertake (Podsakoff, Bommer et al. 2006). In many occasions, as mentioned earlier, extra-effort behavior is not well defined by employees in words, but is very well recognized by employees and managers. It is also considered a voluntary part of the job; and therefore should be rewarded accordingly (MacKenzie, Podsakoff et al. 1998). In addition, research has found that employees are more likely to display service

behaviors when those behaviors lead to receiving rewards from their managers as means of appreciation (Johnson 1996). Similarly, we anticipate that employees expect recognition because recognition improves the relationship with the manager and the firm.

Behavior that is explicitly defined can be unambiguously reinforced with a traditional incentive system (Luthans 2002). Because it cannot be explicitly defined, service oriented behavior requires a degree of creativity and innovation, and its reinforcement depends on the mediation of the positive perceptions employees develop toward the firm and their managers. For example, say an employee succeeding with an “extra effort” is recognized by a peer, then subsequently by the manager. The recognition comes from a colleague initially, but in reality, the source of recognition is the manager because he/she authorizes and gives the reward. The employee perceives that they are valued by the manager and by their coworker. The relationship between manager-employee is strengthened by generating positive attitudes and thus, similar behavior is likely to be repeated in the future to satisfy a customer. The manager or the organization could not have prescribed this service-oriented behavior in advance, but it can be rewarded or recognized to trigger similar behavior in future occasions.

When employees receive recognition from managers that they appreciate or perceive as sources of personal and social gratification, the positive attitudes increase. On the contrary, if the employee-manager relationship is weak, recognition may not have valuable meaning and may create a negative perception and attitude, and weaken the likelihood of the employee’s future extra-efforts. Organizations and/or managers who



allocate rewards and give recognition may possibly reinforce these relationships.

### **3.2 Relationship with the firm**

The relationship an employee and a firm hold is not merely based on monetary exchanges for labor; the firm is a source of other non-material goods and benefits. Employees receive material items such as pay and benefits from the organization, but these are relatively impersonal. However, the firm is also a provider of social and emotional resources such as respect, empowerment, and recognition. These generate a feeling of personal value. Therefore, the emphasis that a firm places on either these impersonal or personal values can trigger distinctive attitudinal and behavioral outcomes (Dyer 1975; Emerson 1976; Bachrach, Bendoly et al. 2001).

At a cost-effective level of this relationship, employees expect a cheque every other week as an exchange for contracted basic behaviors. These are behaviors that are prescribed by the role for which employees are contracted, and outline specific and detailed tasks that must be accomplished in order to receive their regular income. However, at the more personal level, employees expect other types of exchanges in order to feel that they are a fundamental part of the organization where the social and personal aspects are more valued (Adams 1965). Employee's working behaviors may exceed regular performance due to a sense of belonging and the feeling of being an essential element of the organization.

The perceptions that employees form with respect to the degree of social value that a firm holds for its employees generates positive or negative attitudes. If an employee has a positive attitude about the firm, he or she will be more likely to engage in behaviors that favor the organization as a mechanism of exchange between what the company is giving to him/her, thereby aligning the behavior with the company's goals (Eisenberger, Fasolo et al. 1990). Employees are more likely to complete their tasks on time, be absent less often even with a strong and justifiable reason, and wear the t-shirt of the company, thereby assisting the firm's growth. They will also be more likely to contribute extra effort, by helping their colleagues, managers, and teams; stay late; take brochures home to study; and praise the organization with their friends and family (Eisenberger, Huntington et al. 1986). These positive attitudes can be generated and maintained, for example, through employee's beliefs that the organization fairly distributes and allocates rewards and recognition when favourable behavior for the organization occurs (Podsakoff and MacKenzie 1997).

As outlined in the literature review, employees with high POS demonstrated higher rewards expectations—these employees reasonably expected that their personal efforts would produce material (pay and promotion) and social rewards (recognition) (Eisenberger, Cummings et al. 1997; Moorman, Blakely et al. 1998). Service behavior that cannot be so easily defined, specified, detailed or contracted can be triggered by positive employee-employer relationships (Bettencourt, Gwinner et al. 2001; Payne and Webber 2006). Employees who perceive that the organization values their additional effort in providing customers with high quality service behaviors are more likely to find

ways not only to maintain, but also improve these behaviors. (Eisenberger, Fasolo, and Davis-LaMastro, 1990)

Higher levels of perceived organization support are driven by the positive actions that a firm takes towards an employee. This includes fair and valued rewards systems and a positive relationship with managers and supervisors (Eisenberger, Fasolo et al. 1990; Bettencourt 2004). Therefore, it is proposed that specific sources of rewards and recognition (e.g. from manager, non-manger, etc.), and consistency of the system will lead to higher levels of perceived organizational support.

***Hypothesis 1A:** Employee's positive perceptions of rewards and recognition (from manager) will be positively related to higher levels of POS*

***Hypothesis 1B:** Employee's positive perceptions of rewards and recognition (from non- managerial sources) will not be related to POS*

***Hypothesis 1C:** Employee's positive perceptions of rewards and recognition (understanding of system) will be positively related to higher levels of POS*

Employees that feel valued and cared for by the organization provide more constructive suggestions for improving the organization than employees with lower POS (Eisenberger, Fasolo et al. 1990). Employees with high POS also demonstrate more behavior that can be described as “above and beyond” their normal job description.

***Hypothesis 2:** POS is positively related to employees' service-oriented COBs (loyalty, participatory, and service delivery)*

### **3.3 Relationship with the Manager**

The relationship of an employee with his or her supervisor is critical, as the unit managers or team leaders are often the first initial contact an employee has with the organization. Managers have power over resources, control over the duties an employee must carry out, and the authority to evaluate employee's performance. More importantly, managers distribute rewards and recognition directly to the employees, which contributes significantly to the perceptions that employees form about the firm and their leaders.

Employees who have a strong and constructive relationship with their manager will be more likely to have positive opinions and attitudes in regards to this manager. In the same manner that a strong employee-employer relationship can lead to a company's profit, positive attitudes towards a unit or team leader can also lead to the same outcome. Nevertheless, it might not be necessary to have a beneficial relationship with the firm to have a constructive relationship with the manager or supervisor (Wayne, Shore et al. 2002). Branch employee's service oriented behaviors that lead to customer satisfaction can benefit the overall organization, and may be triggered by the employees' belief that their manager or supervisor will repay this behavior with a more personal and profitable relationship (Babakus, Yavas et al. 2003).

A constructive relationship with a manager can increase the likelihood of employee's service oriented behaviors. This employee-supervisor relationship can also lead to, in the long run, a functional employee-firm relationship. This is because the managerial level usually represents the firm in many aspects, creating an interpersonal atmosphere and

providing gainful employee outcomes (George, Sleeth et al. 1999; Podsakoff, Bommer et al. 2006). However, the foundation for such constructive relationships is built when supervisors notice and recognize employees' extraordinary responses, consistently and immediately. Therefore, recognition and rewards are crucial in facilitating positive employee- manager relationships (Wayne, Shore et al. 1997).

As delineated in the literature review LMX relationships vary in terms of the amount of material goods, information, and support exchanged between superiors and subordinates. The greater the perceived value of the tangible and intangible commodities exchanged, the higher the quality of the LMX relationship," (Wayne, Shore et al. 1997).

The foundation for such constructive relationships is based on supervisors noticing and recognizing positive employee behaviour in a consistent and timely manner. Therefore, recognition and rewards can be crucial in facilitating positive relationships (high LMX) between the employee and their managers (Keller and Szilagyí 1976; Furukawa 1986; Gardner, Avolio et al. 2005).

***Hypothesis 3A:*** *Employee's positive perceptions of rewards and recognition (from manager) will be positively related to higher levels of leader-member-exchange (LMX).*

***Hypothesis 3B:*** *Employee's positive perceptions of rewards and recognition (from non- managerial sources) will not be related to leader-member-exchange (LMX).*

***Hypothesis 3C:*** *Employees positive perceptions of rewards and recognition (understanding of system) will be positively related to higher levels of leader-member-exchange (LMX).*

The norm of reciprocity, in terms of leader-member-exchange, implies that when one party provides non-mandated benefits to another party, reciprocity should come into play. In a relationship where the leader provides employees with rewards and privileges (e.g., recognition), employees may engage in behaviours that directly benefit the leader and of which go above and beyond normal role expectations (Wayne, Shore et al. 1997). Employees benefiting from high quality relationships with their immediate manager appear to engage in customer-oriented OCBs and perform at impressive levels that benefit the organization and customers (Wayne et al., 2002).

***Hypothesis 4:*** *Higher levels of LMX lead to employee's service-oriented COBs (loyalty, participatory, and service delivery)*

If employee's behaviour can be influenced by employee-manager and employee-firm relationships, it follows that these relationships are influenced by the appropriate rewards and recognition system. Behavioural modification, in the short term, can be obtained through the use of instrumental control, or the manipulation of employee expectations. However, to obtain better levels of certain behaviours, or to maintain the behaviour over time, it is necessary to alter behaviour through attitudinal change. Therefore, POS and

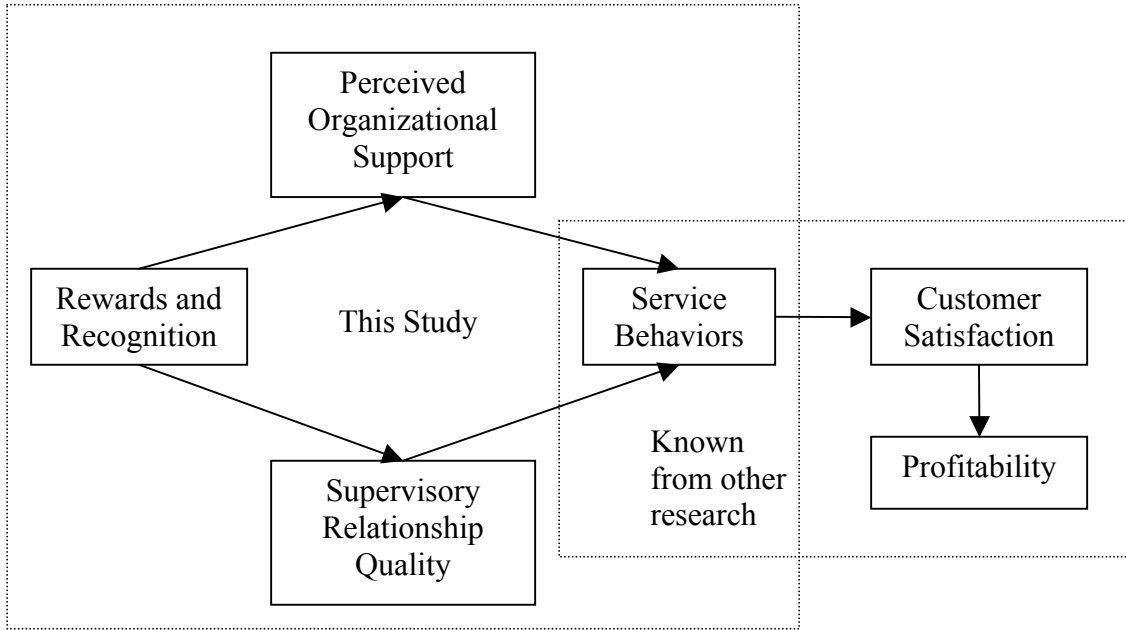
LMX mediate the relationship between rewards and recognition and employees service oriented behaviour (Podsakoff, Bommer et al. 2006).

***Hypothesis 5:** POS and LMX will mediate the relationship between Employees positive perceptions of rewards and recognition (manager and understanding of system) and employee's service-oriented COBs (loyalty, participatory, and service delivery).*

Rewards and recognition positively impact employee's customer service behaviors through a positive manager-employee relationship and a positive firm-employee relationship. Rewards and recognition also impact employee's customer service behaviors. The proposed relationships between these variables can be appreciated in the following Figure 1. The left box gives details on the variables subject to empirical testing, and the right box emphasizes the importance of organizational outcomes obtained through employee's customer service oriented citizenship behaviours. This is explained theoretically in the literature review.

Figure 1

Relationship between rewards and recognition and customer satisfaction





## **Chapter 4 Methodology**

### **4.1. The Population**

An online survey was conducted using 4,220 employees of a large Canadian financial institution. The financial institution has more than 60,000 employees, with operations in many countries worldwide. About 15,000 of those employees occupy managerial positions, and thousands of these employees deal directly with customers in a daily basis. In Canada, the bank has thousands of branches, more than 400 investment planners, more than one thousand financial planners, many insurance agents and mortgage specialists, and a significant number of customer service representatives.

### **4.2. The Sample**

The survey was hosted on a University of Waterloo server to ensure confidentiality, the anonymity of the respondents, and to diminish any socially desirable responses. While reactivity is a common weakness of survey implementation (Babbie, 1990), anonymity and confidentiality of the responses was emphasized to reduce the risk of reactivity of the surveyed items. Also, an incentive was offer to whom decided to complete the survey. Incentives are a useful resource to increase response rates, and research has shown that offering an incentive diminishes any bias associated to preferences for the theme under investigation, the incentive shadows the subject matter of the survey eliminating any bias associated with it (Couper and Miller 2008).

Using the Internet to administer questionnaires has a number of advantages, for both the researchers and the respondents. This method is convenient because of the flexibility of

the delivery medium allows for the customization of information exposed to the subjects under study, allows for varying conditions across groups when needed, and allows systematic comparisons . It reduces the level of error in the data entry process, and permits control over skip-patterns, thus making the survey instructions easy to understand for respondents. This control also helps to compute the information directly into a server, reducing error when recording responses, compared to pen and pencil methods (Kreuter, Presser et al. 2008).

The responses received summed 4,220 in total: 1915 were from sales associates (responsible for selling products such as loans), 1593 from service employees (tellers), and 712 from other employees (e.g. support, IT, etc.). Participation in the survey made them eligible to enter a draw for 500 Reward Performance Points from the company's reward plan. The survey included 59 questions regarding the variables of interest as well as four questions regarding location, tenure, role, and level. Respondents chose to participate voluntarily in the study by clicking a link, to the survey, placed on the bank's website.

The survey measured attitudes and behavior engaged by branch managers and employees of the bank. This will be detailed in the next section. Employees were asked 63 questions about their relationship with their immediate manager, how valued they felt by the organization, their observation of behaviors in the branch, and their perceptions of attitudes about the firm and superiors. The measures of rewards and recognition, POS, and LMX were self-reports at the individual level. The survey also asked all employees the extent to which specific customer oriented service behaviors were displayed in their branch; that is employees' reports of COB behaviors seen in others. This technique

permits contrast the information in order to diminish any common method bias effects in the responses from self-reports on branch employees' COBs. Common method bias can affect the results of the research by gathering information from a common source of variance. Therefore, two different measure types were applied in the questionnaire design (Podsakoff, MacKenzie et al. 2003). Finally, in order to fully control for all other potential causes of these attitudinal changes and behavioural perceptions, the survey measured how the employees perceive justice in the organization.

#### **4. 2. 1 Response Rate**

The respondents of the web survey may not be representative of the population under study, and sometimes this non-response bias can affect and invalidate research results. Therefore it is amply recommended to report response rates, and to calculate the non-response error that would allow for more accurate estimates of the sample distribution, and variable testing (Werner, Praxedes et al. 2007). However, there are some cases where there is not possible to report the non-response rate because it is unknown (Couper and Miller 2008). To deal with this possible non-response bias effect, I employed a splitting sample technique, dividing the response cases into early respondents and late respondents, and comparing the distribution of the two samples. To testing for difference in variance and error of the two samples, I used an ANOVA. Results of the ANOVA can be observed in Appendix E. There were no significant differences in any of the variables (POS, LMX, rewards and recognition, COB Loyalty, Participation and Service Delivery) between the two groups. Therefore, it is safe to conclude that the sample represents the population under investigation.

### **4. 3. Measurement Instruments**

Perceived organizational support was measured using a short version of the Survey of Perceived Organizational Support, which consists of eight items developed by (Eisenberger, Fasolo et al. 1990). The POS original scale consisted of 36 items, and was developed by (Eisenberger, Huntington et al. 1986). Applications of the shorter version have found the scale high in internal validity. Responses were gathered on a 5-point likert type scale with 1 = strongly disagree, and 5 = strongly agree (Appendix D).

Leader-Member Exchange was measured using the modified scale by (Wayne, Shore et al. 2002), taken from the seven-items scale reported by Scandura and Graen (1984) (Appendix D).

Loyalty OCB's, Service Delivery OCB's, and Participation OCB's were measured using the sixteen-items scale developed by (Bettencourt, Gwinner et al. 2001). These two scales were also measured on the same likert-type scale anchored on strongly disagree and strongly agree. Since distributive and procedural justice are known antecedents to POS and LMX, we measured them using scale questions from Colquitt et al (2000) (Appendix D).

I did not find an appropriate survey to measure employee perceptions of rewards and recognition under this type of scenario; therefore an initial qualitative exploratory phase was conducted to develop a behavioral questionnaire on rewards and recognition for the banking industry. In order to accomplish this exploratory part, a qualitative approach was taken as an initial phase of the research. In addition, this exploratory phase educated

the researchers on different aspects of the banking industry, the organizational functioning of a bank branch, and also the perceptions employees have regarding incentive system and extra-role behaviors.

#### **4. 4 Qualitative Methods and Questionnaire Design**

To design the rewards and recognition questions, and to learn more about the service institution, and service employees of a financial corporation, I conducted a qualitative research phase. I observed the individuals in their natural settings (Across different branches). The individuals were working in their natural environments, while the researchers observed the normal day to day functioning of service employees interacting with customers, and conducting business transactions in their operational units.

Qualitative research methodology is a scientific method used by researchers whenever there is phenomenon about which little is known or one wishes to obtain more, or new in-depth insight to the problems in question (Babbie 2001). Field research is specially appropriate for the study of those behaviors and attitudes that need to be explore in a social context, within their natural setting, “as opposed to the somewhat artificial settings of experiments and surveys” (Babbie, 2001, p. 275). There are a multiplicity of qualitative methods that allow the researcher to go to the field and collect all the data as possible for later scrutiny and conclusions. The qualitative methodology chosen in this particular research is a case study in that it can be exploratory, explanatory or descriptive and it also considers the complexity and dynamic qualities of the social world.

There is little consensus about what constitutes a case and it is broadly used. For example, a case can be a point in time rather than a particular group of people (Gerring 2007). However, the essential characteristic of a case study is its limitation to particular instances of something under study (Babbie 2001).

A case study involves systematically gathering enough information about a particular person, social setting, event, or group to permit the researcher to effectively understand how it operates or functions. This methodology is the most suitable to accomplish the research objectives of the qualitative phase. It permits the use of different techniques to get the correct data to explore these complex issues, and contributes to the understanding of human behavior in organizational settings (Berg 2008). This first stage of the research provided the necessary background and information, about the unit of analysis, one of the 5 top banks of Canada, to develop a survey to quantitatively test our proposed hypotheses.

#### **4. 4. 1 Unit of Analysis**

This research regards as “unit of analysis”, employees of local branches of a major bank of Canada, in the cities of Kitchener and Waterloo. As mentioned, the financial institution is one of the largest in Canada and one of the six largest banks in North America. I performed twenty-four in-depth semi-structured interviews in eight local branches of the financial institution in the Kitchener-Waterloo region. There were three types of employees interviewed: 7 Account Managers, 8 Senior Account Managers, and 9 Customer Service Representatives. The initial contact was with the Branch Manager, who identified three interviewees per branch in a voluntary manner. The researchers conducted the interviews over a period of two weeks, visiting the interviewees at their

place of work, thus having ample opportunity to observe as well as get a feeling for each of the branch's environments and climates. The interviews followed a predetermined schedule which received full approval from the Ethics Research Office at the University of Waterloo (Appendix A). Interviews were also recorded in a digital format for data transcription and coding.

#### **4. 4. 2 Interview Technique**

Qualitative interviews differ from the survey questions in that there is not a particular set of questions that must follow a set of predetermined words to be asked in a definite order. The interviews allow the researchers to dig out information as the interview prospers (Babbie, 2001). During the interviewing process it is necessary to create an appropriate climate for informational exchanges and individuals' predisposition to reach the highest possible level of disclosure (Berg, 2008).

There are at least three mayor categories of interview techniques identified in the literature, the standardized interviews, the semi-standardized interviews, and un-standardized interviews. The standardized interview uses a rigid format of questioning that is formally structured and follows a predetermine schedule. The order and words of the scheduled questions do not vary across subjects, and it is presumed to be understood by all the interviewees in the same manner, eliciting thoughts, opinions, and attitudes about the issues under study (Berg, 2008).

The un-standardized interview compared to the rigid format of the standardized interview technique, does not follow an interviewing schedule or predetermine assumptions. It is a good complement of a field observation when the researcher needs to explore additional information about phenomena to which there is little advance knowledge (Berg, 2008).

The semi-standardized interview follows between the two other techniques, and it involves a number of predetermined questions. It also follows a schedule and order to ask respondents about a topic. This type of interview contains a predetermined number of questions to be asked in a consistent order, nonetheless using a probing schedule that will serve as a vehicle for more in-depth analysis.

During the interviewing process, I created an appropriate climate for information exchange and guaranteed anonymity by interviewing them in a private location separate from other employees (Berg, 2008). The semi-standardized interview involved a number of predetermined questions. It also followed a schedule and particular order in asking respondents about a topic. However, we followed a probing schedule (e.g. adding “anything else?” after each of the interviewees’ responses) that served as a vehicle for more in-depth opinions and exploration.

#### **4. 4. 3 Thematic Analysis**

Thematic analysis is “any technique for making inferences by systematically and identifying categories or themes in the message (Holsty, 1968). All forms of data that can be translated into text are susceptible to be classified if one follows the rules called “criteria of selection” previous to the actual analysis of the collected data. The criteria for



selection must be exhaustive to consider every single variation of the recorded messages and must be rigidly and consistently applied (Berg, 2008).

Thematic analysis methodology falls between the quantitative survey and the qualitative interview, and is a formal procedure for classifying information. Thematic analysis is a technique that involves classifying data in particular themes and developing categories of interest to analyze the resultant records (Schneider, Wheeler et al. 1992). In the categorization process the interviewees' comments are rated, and then coded for exploratory or descriptive analysis.

#### **4. 4. 4 Qualitative Data Analysis and Questionnaire Applicability**

The information collected and obtained in the qualitative phase was transcribed from the digital records into written documents that facilitated its analysis, and categorization (Berg, 2001). Themes that were explored included: the types of rewards and recognition that employees identify, differentiation between them, employee perceptions of consistency of rewards and recognition, and fairness in the distribution of rewards and recognition. Also, the sources of rewards and recognition that were identified by employees were inspected through the use of thematic analysis. The responses collected in the interviews, and subsequently analyzed by 2 researchers, resulted in the development of 14 behavioural questions. These were included in the survey that can be seen in Appendix D.

#### 4.4.5 Behavioural Categories

The interviewees were offered and assured confidentiality and their answers were pulled using a probing schedule to be able to obtain unbiased information that would be suitable for further analysis (Appendix C). Some of the responses that the researchers use to classify the qualitative data into categories to further develop the rewards are recognition scale can be seen in figure 2.

**Figure 2**  
**Interviewees Sample Answers and Themes**

<b>Categories</b>	<b>Interviewees' Responses</b>
<p><b>1. Types of behaviour that lead to rewards or recognition</b></p>	<p><i>"I don't think I should be recognized for doing my job ... right ... is when I go above and beyond that I get 100 pints or a gift certificate.... when I had a good number of referrals this week or ... I did a good sale to a customer. Its when I do something valuable for the customer and its shared in the meeting like a success story or something you know...!"</i></p>
<p><b>2. Recognition and rewards come from Manager, supervisor, headquarters, upper level management, customers, peers, and others</b></p>	<p><i>"Well I do like recognition, you know, sometimes, well we do stuff like that. We recognize people. Like we do the ten point thing, like the ribbon thing. We give everybody, we recognize their hard work, oh thank you for helping me with that and if you collect points then its pretty good! Yeah! I guess with the team, people recognize their part, their hard work and the manager keep on...and we put it all together. So its not just the manager that is recognizing us, its also the team. We all do it but, on a different level. The team will recognize us like individuals and the manager will recognize us individually what they see from the week achievements... "</i></p>
<p><b>3. Recognition is different than rewards or points</b></p>	<p><i>"I think for the most part sometimes as you know yup its sort of hard to get to everything when it should perhaps yeah like it might take two weeks for you know maybe the good things you have done throughout the previous two weeks to come through um I think they try to um use the point system to encourage good behavior here, so you know they might give away 100 points for somebody going through a text book or something or</i></p>
<p><b>4. Catalogue of points system has a good selection of items</b></p>	<p><i>"I think for the most part sometimes as you know yup its sort of hard to get to everything when it should perhaps yeah like it might take two weeks for you know maybe the good things you have done throughout the previous two weeks to come through um I think they try to um use the point system to encourage good behavior here, so you know they might give away 100 points for somebody going through a text book or something or</i></p>

<p><b>5. Fair rewards</b></p> <p><b>6. Consistent rewards</b></p> <p><b>7. Preference for recognition with no tangible rewards and vice versa</b></p> <p><b>8. I like recognition and rewards</b></p> <p><b>9. Recognition is provided timely and close to the behavior</b></p> <p><b>10. Points are fair and consistent</b></p> <p><b>11. Task behaviour is different than extra-role</b></p> <p><b>12. Employees and managers differentiate and identify above and beyond” behaviour</b></p> <p><b>13. Rewards are received for going “above and beyond” not for doing my job</b></p>	<p><i>something like that just to encourage the good behaviour you know I don't know that everybody sees that as reason to continue to go on a good path cause sometimes it's a personal thing they just think some people will just expect things they don't consider it a gift so it really depends on ..”</i></p> <p><i>“I think when you're doing your monthlys, we have a monthly where we go through and talk about what we did throughout the month, its documented then I think on an annual basis on our performance management documents your good behaviours would be documented there on the quarterly nominations, obviously the examples are included in the body of that nomination so um so its documented one way or another, maybe not all of it, but certainly all the really really good things are and I hang on to them personally you know not everybody does. Certainly management has it in a folder somewhere mmhmm..”</i></p> <p><i>“Recognition can be anything from a letter to a gift certificate to just a handshake saying job well done without anything else being attached to it. So what I mean by that is if someone say you are doing a fantastic job, keep up the good work. That is recognition. It's you are doing a fantastic job. You are doing good work. However, there are a list of thing that you need to improve upon to get me to the next level, its thanks but... “</i></p> <p><i>“ As long as you are recognized for something that you do, the staff, the manager and everyone in the branch, area manager, everyone. I think it is more from, now that I think about it, the area manager will be more important because they are the one that will congratulate, not just the branch but everybody, all the branches and everything in the region.”</i></p> <p><i>“They recognize you with, we have the points, if you have done something that they feel in their eyes or another co worker has recognized you. We do huddles and they recognize you. Sometimes you don't even think that you have done something special but obviously to someone else it may seem that way. So they do do that on a regular basis, you know, if you have gone over and above and it could be something simple like doing something for somebody that is sick. They thank you for it. It just makes you feel appreciated.”</i></p> <p><i>“Well they send notes out to the area people like the area manager. They recognize you along that way and other managers send you a note saying great job, you know, this is great, you have done this, you have recognized that, again doing an overall performance. Pretty much, that is what I have seen... “</i></p>
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The categories developed by the researchers were validated and translated into questions. The categories and the questions were inspected carefully by an expert in

rewards and recognitions, the National Manager of Rewards and Recognition of a financial institution. Once the questionnaire items were developed, they were inspected by this expert again to eliminate or modify items that appear ambiguous or that respondents would not be able to understand. The previous categories were the foundation to develop the behavioural Questionnaire that was included in the final survey to measure all the variables in question.

## Chapter 5 Results of Data Analysis

### 5.1 Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) was performed to assess the inter-item correlations of the constructs under study, in order to determine the number of dimension that the developed scale contain; find the number of predictors of the dependent variables; and test the reliability of each variable. The EFA pertains to reducing the data to a smaller number of items that explains the variability of a psychological construct combined in a smaller number of factor scores. An EFA on the reward and recognition scale was performed, using principal component analysis, and the rotation method (Varimax, with Kaiser normalization). From this analysis, after 6 iterations, it was found that 12 out of the original 14 questions asked had reliable factor loadings on individual components. Two questions were dropped from further analysis, question 7, “How frequently is recognition provided without a tangible reward (e.g. points)”, and question 11, “I am happy about the selection of items in the Bank Performance catalogues”. The factor scores were computed again, and it was found that three factors accounted for approximately 70% of the variance, and named these three constructs “employee understanding of system” ( $\alpha = .70$ ), “manager recognition” ( $\alpha = .89$ ), and “non-manager recognition” ( $\alpha = .77$ ). The full factor analysis, and validity measures can be found in Table 1. Given the strength of the analysis, it can be stressed that these are reliable scales to measure the latent variables regarding rewards and recognition behaviour.

**TABLE 2**

**Rewards and Recognition and Factor Loadings**

	<b>Manager</b> $\alpha = .89$	<b>Non-Manger</b> $\alpha = .77$	<b>Understanding</b> $\alpha = .70$
When I receive recognition from unit management, it is usually in a form that I like	<b>.605</b>	.044	.248
My manager recognizes good behaviour in a timely manner	<b>.788</b>	.144	.107
Recognition is given in a fair and consistent manner	<b>.830</b>	.130	.163
Points are awarded in a fair and consistent manner	<b>.791</b>	.097	.226
Recognition by my work unit management is given fairly and consistently	<b>.847</b>	.132	.197
When I perform “above and beyond”, I am rewarded by unit management	<b>.686</b>	.379	-.005
How frequently is recognition provided without a tangible reward (e.g. points)	<b>.616</b>	.313	-.009
When I perform “above and beyond”, I am recognized directly by my peers	.385	<b>.701</b>	-.007
When I perform “above and beyond”, I am recognized by my customers (note: this can be direct or via a discussion with unit management)	-.070	<b>.712</b>	.109
When I perform “above and beyond”, I am recognized by my peers via a request to unit management	.418	<b>.700</b>	-.002
I understand the types of behaviour that lead to receiving recognition	.137	.067	<b>.851</b>
I understand the types of behaviour that leads to a reward	.224	.025	<b>.840</b>
Eigenvalues	5.198	1.462	1.039
Cumulative Variance	35.54%	50.56%	64.15%

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization

Preliminary to the factor analysis conducted on the rewards and recognition questions, I tested discriminant validity of the total scale items, and found that the item loaded on 10 initial factors that explained the correlations between the constructs. These factors corresponded to the number of variables under study (POS, LMX, PJ, DJ, Loyalty COB, participation COB, Service COB, and the reward and recognition subscales).

In addition, since the scales used to measure Service Oriented OCBs have not been widely verified in the literature, an Factor Analysis was also performed for these questions. In this analysis, only one question had a loading under 0.5 on all components, therefore this question was dropped from further analysis, question 53, “The employees of this work unit have a positive attitude at work,”. Three factors with five items each accounted for 73% of the total variance, identifying correctly the dimensions proposed by Betancourt et al (2001), service OCB  $\alpha = .90$ , loyalty OCB  $\alpha = .88$ , and participation OCB  $\alpha = .93$ . The final full analysis for these questions, after dropping the factor with low reliability, can be seen in Table 3.

Finally, we tested the reliability of the scales previously used in much research and found good convergent validity. Perceived Organizational Support ( $\alpha = .88$ ), LMX ( $\alpha = .92$ ), Distributive Justice ( $\alpha = .95$ ), Procedural Justice ( $\alpha = .93$ ). These results all suggest that these questions accessed the latent constructs in consideration correctly.

**TABLE 3**

**Service Oriented Citizenship Behaviours and Factor Loadings**

	COB-1 Service $\alpha = .90$	COB-2 Loyalty $\alpha = .88$	COB-3 Participation $\alpha = .93$
The employees of this work unit follow customer service guidelines with extreme care	<b>.793</b>	.320	.186
The employees of this work unit conscientiously follow guidelines for customer promotions	<b>.733</b>	.352	.205
The employees of this work unit follow up in a timely manner to customer requests and problems	<b>.812</b>	.202	.190
The employees of this work unit perform duties with few mistakes	<b>.672</b>	.187	.292
The employees of this work unit regardless of circumstances, are courteous and respectful to customers	<b>.735</b>	.214	.240
The employees of this work unit tell outsiders this is a good place to work	.152	<b>.816</b>	.305
The employees of this work unit say good things about the organization to others	.208	<b>.859</b>	.278
The employees of this work unit generate favorable goodwill for organization	.288	<b>.826</b>	.278
The employees of this work unit encourage friends and family to use organization products and services	.358	<b>.764</b>	.199
The employees of this work unit actively promote organization products and services	.454	<b>.687</b>	.179
The employees of this work unit encourage co-workers to contribute ideas and suggestions for service improvement	.423	.312	<b>.674</b>
The employees of this work unit contribute ideas for customer promotions and communications	.363	.236	<b>.742</b>
The employees of this work unit make constructive suggestions for service improvement	.396	.225	<b>.778</b>
The employees of this work unit present to others creative solutions to customer problems	.454	.210	<b>.730</b>
The employees of this work unit take home training materials	-.045	.235	<b>.632</b>
Eigenvalues	8.279	1.423	1.173
Cumulative Variance	55.19%	64.68%	72.50%

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization



## 5.2 Multiple Regression Analysis

Since the key hypothesis deals with service behaviour in the branch, the data set was reduced to only those employees reporting sales or service as their role in the bank. The respondents, who were employees with a supporting, administrative or other role (720 employees), were dropped out from the analyses. This resulted in a reduced sample size of 3,508. I used mediation analysis as recommended by (Baron and Kenny 1986) to test the hypotheses. The first step was to test for a direct relationship between customer oriented COBs (service, loyalty and participation), and rewards and recognition behaviours. As can be seen in columns 2, 4, and 6 in Table 3 (Direct), all three sets of recognition behaviour have significantly positive effects on all three categories of COBs in the bank branches, all  $p < .001$ .

**Table 4**  
**Regression Analyses**

	Dependent Variable					
	Service COB		Loyalty COB		Participation COB	
	Direct (2)	Indirect (Mediated) (3)	Direct (4)	Indirect (Mediated) (5)	Direct (6)	Indirect (Mediated) (7)
Understand the System	.15*** (.02)	.10*** (.02)	.19*** (.02)	.08*** (.02)	.11*** (.02)	.03 (.02)
Manger Recognition	.16*** (.02)	.02 (.02)	.33*** (.02)	.06* (.02)	.26*** (.02)	.06** (.02)
Non-Manager Recognition	.03* (.01)	.04** (.01)	.02† (.01)	.03** (.01)	.10*** (.02)	.11*** (.01)
LMX		.17*** (.02)		.18*** (.02)		.24*** (.03)
POS		.16*** (.02)		.32*** (.02)		.23*** (.03)
r <sup>2</sup>	.10	.14	.18	.28	.15	.21
Change in r <sup>2</sup>		.04 ***		.11***		.06***
F	102.7***	91.9***	219.4***	235.1***	176.3***	153.8***

Unstandardized coefficients, Standard Error in parentheses

†p < .10, \*p < .05, \*\*p < .01, \*\*\*p < .001

I hypothesized that rewards and recognition behaviour was predominantly indirect, working through POS and LMX. To test this step one establishes a direct relationship between the rewards and recognition variables, and OCBs variables. This is shown in Table 4 as outlined above. Next, a relationship between the proposed mediators, perceive organizational support and leader member exchange, and the independent variables (rewards and recognition) needs to be established. Table 5 shows these results, with some of the independent variables significantly contributing to LMX and POS. The final requirement for mediation is that the proposed mediators are significantly related to the dependent variable (COBs) and that the inclusion of these variables causes the

coefficients to be reduced (partial mediation) or eliminated (full mediation). This analysis is shown in columns 3, 5, and 7 of Table 4 (Indirect).

**Table 5**  
**Proposed Mediator Regression**

	Mediator Variable	
	Perceived Organizational Support	Leader-Member Exchange
Understand the System	.15*** (.01)	.10*** (.01)
Manager Recognition	.33*** (.01)	.32*** (.01)
Non-Manager Recognition	-.01 (.01)	-.05*** (.01)
Distributive Justice	.09*** (.01)	-.04** (.01)
Procedural Justice	.14*** (.01)	.20*** (.01)
$r^2$	.49	.35
$F$	154.7***	317.4***

Unstandardized coefficients, Standard error in parentheses  
 $\dagger p < .10$ , \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

In order to test if the number of years that employees have with the bank had an effect on the variables included in the previous analysis, I also tested this condition. The first step was to test for a direct relationship between POS and LMX, and rewards and recognition behaviours (manager, non-manager, and understanding of the system). As can be seen in columns 2, and 4 in Table 6 (Direct), only 2 sets of recognition behaviour (manager and understanding of system) continue to have significantly positive effects on POS and LMX,  $p < .001$ . For rewards and recognition behavior from non-managerial sources, there is no effect,  $p > .05$

**Table 6**  
**Regression Analyses**

	Dependent Variable					
	Service COB		Loyalty COB		Participation COB	
	Direct (2)	Indirect (Mediated) (3)	Direct (4)	Indirect (Mediated) (5)	Direct (6)	Indirect (Mediated) (7)
Understand the System	.12*** (.02)	.07*** (.02)	.198*** (.02)	.07*** (.02)	.09*** (.02)	.2 (.02)
Manger Recognition	.16*** (.02)	.02 (.02)	.33*** (.02)	.05* (.02)	.26*** (.02)	.06** (.02)
Non- Manager Recognition	.03* (.01)	.04** (.01)	.02† (.01)	.03** (.01)	.10*** (.02)	.10*** (.01)
LMX		.16*** (.02)		.18*** (.02)		.24*** (.03)
POS		.16*** (.02)		.32*** (.02)		.23*** (.03)
Ternure	.007*** (.001)	.06*** (.001)	.002† (.001)	-.07*** (.001)	.005*** (.001)	.003*** (.001)
r <sup>2</sup>	.101	.140	.18	.28	.15	.21
F	102.7***	91.9***	219.4***	235.1***	176.3***	153.8***

Unstandardized coefficients, Standard Error in parentheses  
†p < .10, \*p < .05, \*\*p < .01, \*\*\*p < .001

Next, a relationship between the proposed mediators, employee tenure, and the independent variables (rewards and recognition) needs to be established. The participation COB and service COB increase both with respect to the number of years that employees are in the bank. However, for loyalty COBs there are not significant differences controlling for the tenure variable. The more an employee stays with the bank, the more service and participation is likely to occur.

## Chapter 6 Discussion

The results of this study clearly show that rewards and recognition in a service environment are positively related to changes in employee's attitude and behaviour that may improve customer satisfaction. Each sub category of behaviour is treated separately to facilitate the following analysis, recommendations, and conclusions. The results of this study contribute to the human resources and organizational behaviour literature, and can be classified as follow:

1. The perceptions employees have regarding rewards and recognition increase the incidence of service oriented-organizational citizenship behaviour (loyalty COBs, service COBs and participation COBs). This relationship is not direct, it is mediated, or in other words it works through POS and LMX as an indirect effect of rewards and recognition over COBs.
2. Rewards and recognition increase the likelihood of a given form of citizenship behaviour (e.g. Service-Oriented OCBs); however, there are some factors that are important in the correct distribution and allocation of rewards and recognition. This includes the source of a reward and/or recognition, and the level of understanding that employees have about the rewards system, the perception of fairness, contingency, and immediacy.
3. The levels of both POS and LMX are positively correlated with employees' perceptions of rewards and recognition (from manager, non-manager, and understanding of system). Also the relationships between employee-firm, and employee-manager are related to the increment of the perceptions employees have

about service oriented citizenship behaviours (Loyalty COBs, service COBs and participation COBs) that occur in their branch.

4. Rewards and recognition are important antecedents of both POS, and LMX.

**Table 7**  
**Hypotheses Analyses**

<b>Hypothesis</b>	<b>Result</b>
<p><b>Hypothesis 1A:</b> Employee’s perceptions of rewards and recognition (from manager) will be positively related to higher levels of POS</p>	<p><b>Supported</b> Employee’s perceptions of rewards and recognition from manager significantly increased the levels of POS</p>
<p><b>Hypothesis 1B:</b> Employee’s perceptions of rewards and recognition (from non-managerial sources) will not be related to higher levels of POS</p>	<p><b>Supported</b> Employee’s perceptions of rewards and recognition from non-manager had no significant effect on the levels of POS</p>
<p><b>Hypothesis 1C:</b> Employee’s perceptions of rewards and recognition (understanding of system) will be positively related to higher levels of POS</p>	<p><b>Supported</b> Understanding of the system significantly impacted the levels of POS</p>
<p><b>Hypothesis 2:</b> POS is positively related to employee’s</p>	<p><b>Supported</b> POS significantly lead to higher levels of</p>

service-oriented OCBs (loyalty, participatory, and service delivery)	COBs (loyalty, participatory, and service delivery)
<b>Hypothesis 3A:</b> Employee's perceptions of rewards and recognition (from manager) will be positively related to higher levels of Leader-Member-Exchange (LMX).	<b>Supported</b> Employee's perceptions of rewards and recognition from manager significantly impacted the levels of LMX
<b>Hypothesis 3B:</b> Employee's perceptions of rewards and recognition (from non-managerial sources) will not be related to Leader-Member-Exchange (LMX).	<b>Supported</b> Employee's perceptions of rewards and recognition from non-manager had no effect on LMX
<b>Hypothesis 3C:</b> Employees' perceptions of Rewards and recognition (understanding of system) will be positively related to higher levels of Leader-Member-Exchange (LMX).	<b>Supported</b> Employee's understanding of the system is significantly related to higher levels of LMX
<b>Hypothesis 4:</b> Higher levels of LMX will be positively related to employee's service-oriented OCBs (loyalty, participatory, and service delivery).	<b>Supported</b> Employees higher reported levels of LMX lead to more COBs
<b>Hypothesis 5:</b> POS and LMX will mediate	<b>Supported</b>

<p>the relationship between Employee's perceptions of Rewards and recognition and service-oriented OCBs (loyalty, participatory, and service delivery).</p>	<p>Employee's perceptions of rewards and recognition</p> <p>The COBs and rewards and recognition relationship was higher in the indirect models (working through POS and LMX).</p> <p>The beta scores were higher, and the significance decreases or became insignificant, giving ample support for this claim.</p>
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The results of this study primarily show that there is a relationship between rewards and recognition (manager, non-manager, and understanding of system), and employees service-oriented COBs (service, loyalty, and participation). However, this relationship is not direct. Service oriented behaviour is more likely to occur if the organizational attitudes are present. The quality of the relationships employee-firm and employee-manager are the crux of the impact of rewards and recognition on employees' service-oriented citizenship behaviors (Service delivery, participation and loyalty).

Haworth and Levy (2001) submit that the original definition of OCBs did not allow rewards and recognition to be included as antecedents of COBs, in research on the topic, because the behaviors had to be purely discretionary and neither rewarded nor punished by the formal reward system. However, future studies can benefit from the claim that OCBs are discretionary, but that are more likely than task behaviors to be rewarded or recognized by the formal reward system. I found that rewards and recognition impact



extra-role behaviour, although positive organizational attitudes (POS and LMX) enhance and are central in this correlation.

These research results are also consistent with the Podsakoff, Bommer et al (2006) , and Posdakoff and Mackenzie (1994) findings on contextual factors such as manager allocation of fair and consistent rewards that increase and sustain OCBs. It was found that rewards and recognition indeed lead to increases on service-oriented citizenship behaviors of service employees.

These findings are beneficial to both academics and practitioners. They provide additional support for the claim that contingent, fair, and consistent rewards and recognition increase positive employee's attitudes and behavior relevant and functional to accomplish company outcomes. Practitioners may use these findings for training and development of parallel behaviours to task performance such as service-oriented OCBs. Managers can promote and foster unit's performance by taking advantage of rewarding and recognizing desired behavior when seen in a consistent manner.

In order for rewards and recognition to be effective in the modification of behavior and attitudes, as mentioned earlier, research has consistently showed that fair, and consistent rewards are relevant factors. However, employee's perceptions of fairness and consistency are dependent on the perception employees have about who is delivering the rewards or recognition, and how the rewards system works - that is if behavior is contingent to rewards and/or recognition. Employee knowledge of the behaviors that lead to rewards and/or recognition, and the sources of those rewards and recognition are the crux of an incentive system that seeks to modify attitudes and behaviors. This study

provides ample support for the theoretical standpoint that different sources of rewards and recognitions (Manager and Non-manager), and understanding of the system lead to variations in the employees perceptions of POS and LMX. For example, “recognition from managers” and “understanding of the system” leads to positive organizational attitudes, in this case, both to POS, and LMX (Table 4); while “rewards and recognition from non-manager” is negatively related to LMX, and has also a negative effect on POS (Table 4). Therefore, for managerial practices, it is also crucial to determine the sources of rewards and recognition that an organization can benefit from, in order to foster certain attitudes or behaviors on its employees, and to disseminate a correct understanding of the incentive system across all employees of the organization.

In order to facilitate this argument, I start by discussing the relationship shown between a clear understanding of the system of rewards and recognition. As shown in table four, higher levels of understanding lead to higher levels of both POS ( $\beta = .15, t = 10.8, p < .001$ ) and LMX ( $\beta = .10, t = 6.4, p < .001$ ). This is not surprising, as we would expect that the more informed an employee feels about their circumstances, the more valued they feel by their manager and their organization. In the direct model regressions in Table 3 (columns 2, 4, and 6), higher levels of understanding are significantly related to service COBs, loyalty COBs, and participation COBs. These relationships are mediated by the addition of LMX and POS to the model, partially in the case of service and loyalty COBs, and fully in the case of participation COBs.

The next analysis I discuss is that regarding non-manager recognition, or in other words, recognition from clients and peers. First note that it is not a significant predictor of POS. This makes sense, since if recognition is not coming from the manager (the face of the

organization), then it should not affect employees beliefs regarding the level of support the firm places on him or her. Next note that the effect on LMX is actually negative ( $\beta = -.05, t = 5.04, p < .001$ ). This is more surprising, although the situation may be that when an employee receives more recognition from someone other than their boss, it may be a sign that their boss is providing less. While this is clearly speculation, testing this using multiple interaction effects is beyond the scope of this research.

Looking at column 4 of Table 3, the only reliably significant effect for non-manager recognition comes in the case of participation COBs. This makes sense, because participation has to do with helping behaviours directed towards customers and peers. Since non-manager recognition is sourced from these individuals, I believe that this should be the strongest effect, as it is. Any mediation analysis for non-manager recognition should be approached suspiciously, due to the insignificant effect that it has on POS and the oddly behaved impact on LMX. In fact, looking across all three types of COBs, there are no significant changes in the regression coefficients between the direct and indirect models. I therefore conclude that the effect of non-manager recognition on COBs is only direct.

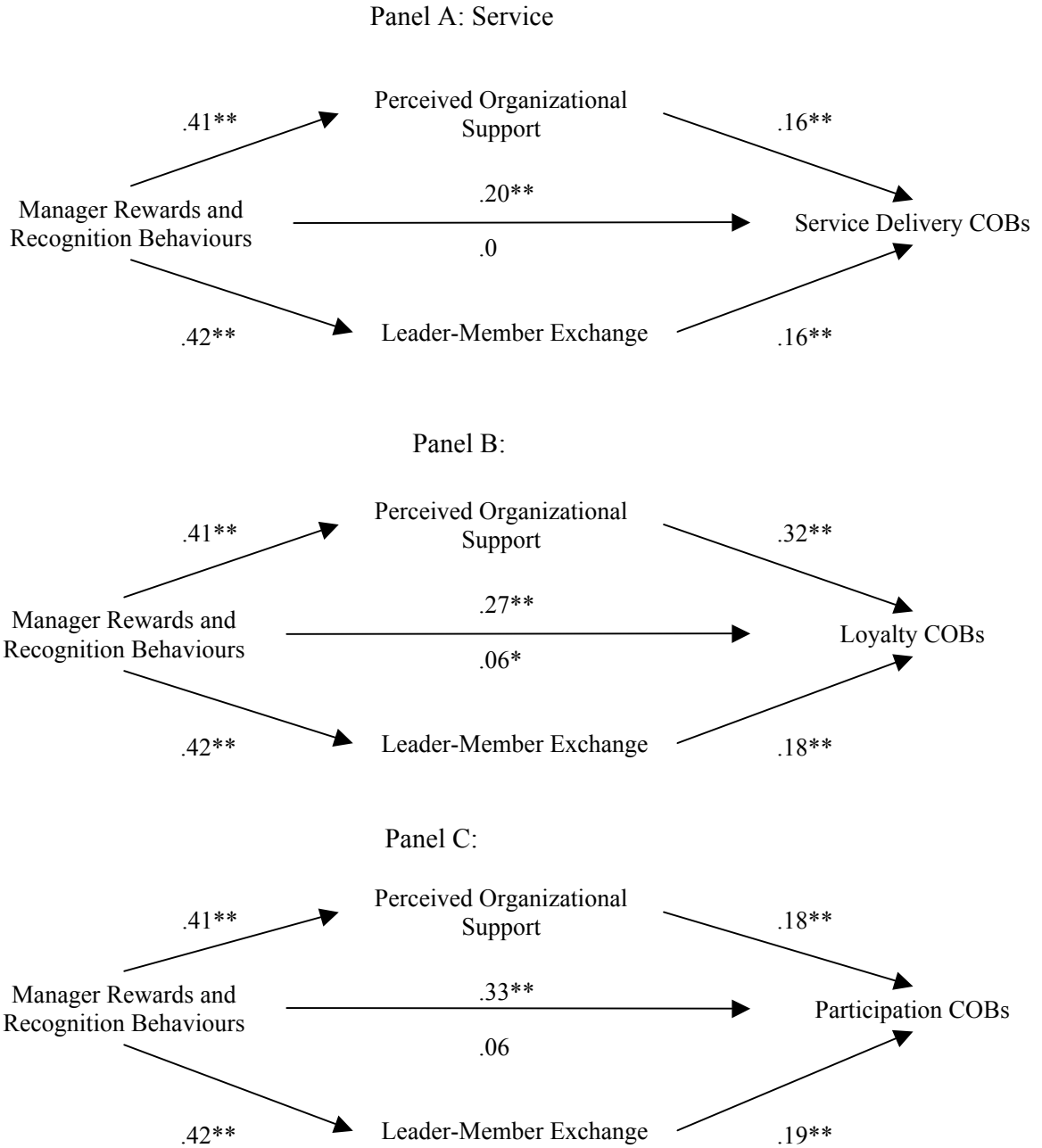
Finally, we turn to manager recognition behaviour. Across all three types of citizenship behaviour (service delivery, loyalty, and participation), this variable has the largest direct effect. In addition, the mediation analysis for this variable works as predicted, mostly through its effects on POS and LMX. In all three mediated models (columns 3, 5, and 7), the regression coefficient is significantly reduced, and in the case of service delivery OCBs, becomes insignificant. The mediation analysis works as well, because of the large

and significant coefficients on POS ( $\beta = .33, t = 23.4, p < .001$ ) and LMX ( $\beta = .32, t = 21.1, p < .001$ ).

I consider this the largest contribution to the research; the fact that manager rewards and recognition behaviour do lead to large increases in customer oriented citizenship behaviours. These effects are mediated, as predicted in the hypotheses, by POS and LMX. The effects of manager behaviour on service OCBs can be seen visually in Figure 2. The effect of rewards and recognition is stronger on POS and LMX compared to the effect of these intermediate variables on COBs. This is because employees have other ways to reciprocate. Service oriented organizational citizenship behaviour is part of employees' behaviour; however, there are other classes of behaviour that can be studied, and classified, and that would be beneficial to the manager, and the organization.

**Figure 3.**

**Manager Recognition on Customer Oriented Behaviours**



This research empirically demonstrates that service employees are valuable commodities to a service firm. These individuals should be trained not only on servicing the customer, but on how the rewards system works by giving the necessary rewards and recognition

when servicing their customer with optional behaviors not contracted by the service organization. In addition, employee's positive attitudes about the firm and their managers, POS and LMX, should be rewarded and recognized with the aim to reinforce them, and obtain beneficial organizational outcomes through them.

This research provides additional support, and it is consistent with previous research on discretionary actions from part of the organization as an indication that the organization values its employees and cares for their well-being (Eisenberger, Huntington et al. 1986). Employees that understand the reward system and perceive that rewards and recognition are supplied by managerial sources affect the level of perceived organizational support. However, rewards and recognition that come from non-manager, that is from peers or customers, as mentioned earlier, do not affect the relationship employee-firm, and therefore are not an important antecedent of POS.

POS is considered a key predictor of organizational citizenship behavior. Based on the idea that POS is a key predictor of OCB, Betancourt et al (2001) found that POS specifically is an antecedent of loyalty COBs, but was not an antecedent of service COBs, neither participation COBs. This research provides additional support for POS as an antecedent of loyalty COBs, but contrasts with Betancourt et al (2001) in that POS predicted also service and participation COBs.

Similarly to attitudinal changes about the firm, it was found that rewards and recognition from a manager, and understanding of the system impacted the employee-manager relationship or LMX. These are the employees who feel valued by their boss, are valuable to the organization and its outcomes. Conversely, rewards and recognition from non-

manager (peers and customers) have a negative effect on the perception employees have of how much their unit leader or manager value their actions and contributions to the organization. This is logical, because it is expected that only rewards and recognition that come from the manager, and the understanding of the system will impact levels of LMX on employees of the organization. Rewards and recognition from peers or customers may positively impact employee behavior towards the customer, but not the relationships employee-firm and employee-manager.

If the sources of rewards and recognition and understanding of the system may impact the levels of POS and LMX in a differing manner, changes of employee's attitudes are of practical relevance in the design and implementation of reward and recognition programs. In the long term, manager and firm behaviors lead to employee's attitudes, which in turn lead to employee's behavioral alterations that benefit the organization and its customers.

An additional relevant construct that is very closed to POS and LMX is organizational justice. Organizational justice is a construct that involves the perception of fairness of procedures and practices of the organization. Procedural justice refers to the perception of how fair the rules and procedures of the organization are determined (Moorman et al., 1998). Distributive justice refers to how fair the employee perceives the allocation of these rules and procedures (Price and Mueller, 1986). Fairness is a crucial aspect of an employee's perception about the rules of the organization, and how the organization distributes rewards and recognition across its units and unit members. The crux of the argument is that, on one hand, employees are more inclined to certain attitudes if they

understand the reward system, and the sources of those rewards and recognition.

However, they have to believe that the procedures used by the organization are fair and their leaders are just. Therefore I included these two measures in the data analysis, to control for any variations of the rewards and recognition direct effect on POS and LMX.

I found partial support for distributive justice as a mediator for the relationship between rewards and recognition (manager, and understanding of the system), and POS. However, there is not a significant relationship between rewards and recognition from peers and customers and the perception of fair treatment employees have with respect to the organization. On the other hand, the perception of fairness regarding rewards and recognition and organizational processes, impact LMX (Table 5) when the rewards and recognition are distributed by the manager, and when employees understand the system. However, there is a negative indirect effect between the perception of fairness and LMX (Table 6). This result suggests that the more employees that receive rewards and recognition from sources other than their manager, the more likely are to perceive that the manager is treating employees with less fairness. Therefore, organizations should strive to canalize all rewards and recognition via manager or organization.

## **6.1 Generalizability and Limitations**

This study has a number of limitations that are typical of empirical or exploratory studies run under natural conditions. The results obtained here provide ample support to establish correlations among variables. However, more controlled research is needed to provide claims of causality across the variables under study. The collected data, particularly the answers to the behavioural questions, is an excellent start point to our understanding of



rewards and recognition and its affect on attitude and behaviour. Rewards and recognition affect the relationship between employees and their leaders, and between the employees and their organization. Also, and more essentially, these relationships seem to be instigating employee's discretionary behaviours that "go above and beyond" their prescribed duties, which helps the firm succeed in satisfying its customers.

The first limitation of the study is that in conducting one survey in one point in time, there is only chance to obtain correlations among the variables under study. However, in order to establish causality, and to have a more accurate information about the effect (direct or indirect) between the independent and dependent variables and the directionality if these relations, a longitudinal study is appropriate.

Second, the setting where the research was conducted is also a limitation for the external validity of the study the financial industry. Since this research pretended to provide evidence for the claim that recognition and rewards relates to perceived organizational support and leader member exchange, which in turn facilitate that employees display service oriented organizational citizenship behaviours, the results have to be carefully examined because the financial industry is a special case when considering customer care and satisfaction. Money is a sensitive issue, and banks are not dealing with just any services, they are dealing with their clients money. It is fundamental to expand this research to other service industries, in order to generalize the findings.

Third, the behavioural questionnaire developed to measure rewards and recognition behaviour can be tested in different settings in order to validate this measure within the nomological network. It could be tested in other banks, the hospitality industry, or any other service with employees that have a unit supervisor firm and requires front-line employees to attend customers. The questionnaire will benefit from external validity, replicating it in the banking industry and across other service industries.

Additionally, there are a number of other variables that can be considered in this line of research. Research using other samples should include other types of measures for service oriented organizational citizenship behaviours, for example, civic virtue (Payne and Webber 2006). More research is needed to expand on the study of organizational attitudes that impact OCB, and other possible predictors (MacKenzie, Podsakoff et al. 1998). Other variables to consider as antecedents to OCBs can include different types of rewards and recognition as well as the question of whether or not rewards alone act more effectively than recognition or vice versa.

Finally, longitudinal research is needed to determine a real casual inference for the relationships hypothesized in this manuscript. Although the design of this research was not longitudinal, the data collected was randomly, and it was across all branches of the financial institution. This gives different employees opportunity to participate in the survey, and diminished a desirability bias by reducing the number of respondents who like the organization to participate in the survey. The number of respondents was representative, and included member with different ranks, tenure, and roles.

## **Chapter 7 Conclusion**

Rewards and recognition were found to be important elements for a service firm to enhance employee-firm and employee-manager relationships. The results imply that higher levels of POS and LMX influenced the presence of three types service oriented citizenship behaviours (loyalty, participation, and service delivery) in a Canadian charter bank. However, the manner in which rewards and recognition are given and the sources that they originate from are key aspects in the mechanism that triggers discretionary behaviours. Rewards and recognition can come from managers, peers, supervisors, customers or upper level management, and also can impact behaviour and attitudes in diverse situational modes.

The source of rewards and recognition is not the only variable playing an important factor in the efficacy of an incentive system. Understanding the system, and the perception of employees regarding the fairness of the tangible and intangible aspects of an incentive system, are also critical variables for employees to effectively develop positive attitudes and behaviours. Furthermore, the level of consistency, and the impartial manner in which employees perceive rewards and/or recognition, stimulate higher levels of POS, LMX and COBs.

Since rewards and recognition come from managers and other sources, it is crucial for organizations to understand how this mechanism works. Therefore, applying these results in order to train managers and supervisors on how to deliver rewards and recognition consistently and according to employee's anticipation is vital. Because rewards and

recognition trigger higher levels of POS and LMX, and in turn POS and LMX trigger COBs, managers and organizations shall reward not only discretionary behaviour when seen in a consistent manner, but reward and recognize positive attitudes that increase the relationships between the employees, their managers, their peers, and the organization. It is also important to take into account that managers, at the unit level, represent the firm, represent how fair the firm is to its employees, and are the motor of control for a contingent and consistent rewards program.

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## Appendices

### Appendix A - Interviews Questionnaire

#### General Environment

How do you feel about working at the bank?

What's the best part?

What's the worst part?

How do you feel about working in this branch?

What's the best part?

What's the worst part?

How are relations between managers and other staff in this branch? (Any thing else???)

How much contact do you personally have with headquarters? (Any thing else???)

Have you been generally happy or unhappy with those encounters? (Any thing else???)

How would you describe the atmosphere at the branch? (Any thing else???)

How would you describe the atmosphere at the organization level? (Any thing else???)

#### Customer Satisfaction:

Do you think customers are happy about the service they receive at this branch?? (Any thing else???)

What do you think are the things that customers appreciate the most when they come to the branch? (Any thing else???)

What particular behaviours from you or your colleagues, do you think customers appreciate? (Any thing else???)

Are there any suggestions you can think of for improvement? (Any thing else???)

Rewards and Recognition:

What does recognition mean to you? What constitutes recognition? (Any thing else???)

What kinds of recognition behaviour do your managers engage in? (Any thing else???)

Which are the ones you like best? (Any thing else???)

Which are the ones you like least? (Any thing else???)

How do you feel when your work is recognized by your manager?  
(Any thing else???)

How would you like your managers to recognize your work?  
(Any thing else???)

What kinds of recognition behavior do your customers engage in? (Any thing else???)

Which are the ones you like best? (Any thing else???)

Which are the ones you like least? (Any thing else???)

How do you feel when your work is recognized by the customers?  
(Any thing else???)

How would you like your customers to recognize your work?  
(Any thing else???)

What kinds of recognition behaviour do your colleagues engage in? (Any thing else???)

Which are the ones you like best? (Any thing else???)

Which are the ones you like least? (Any thing else???)

How do you feel when your work is appreciated by your coworkers?  
(Any thing else???)

How would you like your colleagues to recognize your work?  
(Any thing else???)

What kinds of recognition behaviour does bank headquarters engage in?  
(Any thing else???)

Which are the ones you like best? (Any thing else???)

Which are the ones you like least? (Any thing else???)

How do you feel when your work is appreciated by headquarters?  
(Any thing else???)

How would you like bank headquarters to recognize your work?  
(Any thing else???)

Anything you would like to say about the bank's rewards and recognition system?  
(Any thing else???)

## Appendix B - Recruitment Letter

University of Waterloo

Date

This letter is an invitation to consider participating in a study I am conducting as part of my Ph.D. degree in the Department of Management Sciences at the University of Waterloo under the supervision of Professor Scott Jeffrey. I would like to provide you with more information about this project and what your involvement would entail if you decide to take part. The purpose of this research is to explore the influence of rewards and recognition on client satisfaction.

Participation in this study is voluntary. It will involve an interview of approximately 60 minutes in length. You may decline to answer any of the interview questions if you so wish. Further, you may decide to end the interview at any time. With your permission, the interview will be digitally-recorded to facilitate collection of information, and later transcribed for analysis. Shortly after the interview has been completed, I will send you a copy of the transcript to give you an opportunity to confirm the accuracy of our conversation and to add or clarify any points that you wish. All information you provide will be completely confidential. Your name will not appear in any thesis or report resulting from this study, however, with your permission anonymous quotations may be used. Data collected during this study will be retained for an unlimited period in a locked office on the University of Waterloo campus. Only researchers associated with this project will have access. There are no known or anticipated risks to you as a participant in this study. Your voluntary participation in the study will not have any impact on your employment at bank.

If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please contact me at 519-342-0340 or by email at [gwilches@engmail.uwaterloo.ca](mailto:gwilches@engmail.uwaterloo.ca). You can also contact my supervisor, Professor Scott Jeffrey) at 519-888-4567 ext. 35907 or email [sajeffre@engmail.uwaterloo.ca](mailto:sajeffre@engmail.uwaterloo.ca).

I would like to assure you that this study has been reviewed and received ethics clearance through the Office of Research Ethics at the University of Waterloo. However, the final decision about participation is yours. If you have any comments or concerns resulting from your participation in this study, please contact Dr. Susan Sykes of this office at 519-888-4567 Ext. 36005.

I hope that the results of my study will be of benefit to those organizations directly involved in the study, other organizations not directly involved in the study, as well as to the broader research community.

I very much look forward to speaking with you and thank you in advance for your assistance in this project.

Yours Sincerely,

Guillermo Wilches

## Appendix C – Consent Form

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### CONSENT FORM

I have read the information presented in the information letter about a study being conducted by Dr. Scott Jeffrey and Guillermo Wilches of the Department of Management Sciences at the University of Waterloo. I have had the opportunity to ask any questions related to this study, to receive satisfactory answers to my questions, and any additional details I wanted.

I am aware that my interview will be recorded to ensure an accurate recording of my responses.

I am also aware that excerpts from the interview may be included in the thesis and/or publications to come from this research, with the understanding that the quotations will be anonymous.

I was informed that I may withdraw my consent at any time without penalty by advising the researcher.

This project has been reviewed by, and received ethics clearance through, the Office of Research Ethics at the University of Waterloo. I was informed that if I have any comments or concerns resulting from my participation in this study, I may contact the Director, Office of Research Ethics at 519-888-4567 ext. 36005.

With full knowledge of all foregoing, I agree, of my own free will, to participate in this study.

YES  NO

I agree to have my interview tape recorded.

YES  NO

I agree to the use of anonymous quotations in any thesis or publication that comes of this research.

YES  NO

Participant Name: \_\_\_\_\_ (Please print)

Participant Signature: \_\_\_\_\_

Witness Name: \_\_\_\_\_ (Please print)

Witness Signature: \_\_\_\_\_

Date: \_\_\_\_\_



## Appendix D – Designed Questionnaire (first 14 behavioural items)

### Online Survey

*Please take your time in answering these questions. Your input is very important to the researchers. We want to be able to determine exactly what types of recognition and rewards behavior Bank employees like. Please remember that your responses are confidential.*

Please enter your 5-digit transit number:

Please select the role you have at Bank

Sales	Service	Support	Other
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Please select your level at Bank:

PL 12	
PL 11	
PL 10	
PL 09	
PL 08	
PL 07	
PL 06	
PL 05	
PL 04	
PL 03	
Other	

Please enter your tenure with Bank in years  
 (If less than one year, enter 0, 1 to 2 years, enter 1, etc.)

*For the following questions, please click the appropriate button for your response.*

### **Rewards and Recognition Questions**

1. When I perform “above and beyond”, I am rewarded by unit management.

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
--------------------------	--------------------------------	---------------------------	----------------------------	------------------------

2. I understand the types of behavior that lead to receiving recognition

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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3. When I perform “above and beyond”, I am recognized directly by my peers.

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
--------------------------	--------------------------------	---------------------------	----------------------------	------------------------

4. When I perform “above and beyond”, I am recognized by my peers via a request to unit management.

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
--------------------------	--------------------------------	---------------------------	----------------------------	------------------------

5. When I perform “above and beyond”, I am recognized by my customers (note: this can be direct or via a discussion with unit management).

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
-----------------------	--------------------------	------------------------	-------------------------	---------------------

6 When I perform “above and beyond”, I am recognized by my higher levels of BANK management (e.g. RVP, etc.).

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
-----------------------	--------------------------	------------------------	-------------------------	---------------------

7. How frequently is recognition provided without a tangible reward (e.g. points).

Not Frequently Enough	Almost Frequently Enough	About the Right amount	A little too frequently	Much too Frequently
-----------------------	--------------------------	------------------------	-------------------------	---------------------

8. When I receive recognition from unit management, it is usually in a form that:

I Strongly Dislike	I Dislike	Is “OK”	I Like	I Strongly Like
--------------------	-----------	---------	--------	-----------------

9. My manager recognizes good behavior in a timely manner.

Never/Almost Never	Infrequently	Some of the Time	Most of the Time	All of the Time
--------------------	--------------	------------------	------------------	-----------------

10. Recognition by my work unit management is given fairly and consistently

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

11. I am happy about the selection of items in the Bank Performance catalogues

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

12. I understand the types of behavior that lead to receiving rewards (e.g. points)

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

13. Points are awarded in a fair and consistent manner.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

14. Recognition is given in a fair and consistent manner.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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15. BANK shows little concern for me.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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16. BANK values my contributions to the company's well-being.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

17. BANK really cares about my well-being.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

18. BANK takes pride in my accomplishments.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

19. BANK strongly considers my goals and values.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

20. BANK is willing to help me if I need a special favour (e.g. leaving early, taking longer breaks, etc.).

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

21. I like my manager very much as a person.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

22. My manager is the type of person one would like to have as a friend.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

23. My manager is a lot of fun to work with.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

24. My manager generally defends my work actions to a superior, even without complete knowledge of the issue in question.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

25. My manager would come to my defense if I were “verbally attacked” by others.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

26. My manager would defend me to others in BANK if I made an honest mistake.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

27. I perform work-related tasks for my manager that go beyond what is specified in my job description.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

28. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
-------------------	----------	--------------------------------------	-------	----------------

29. I do not mind working my hardest for my manager.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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30. I am impressed with my manager's knowledge of his/her job.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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31. I respect my manager's knowledge of and competence on the job.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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32. I admire my manager's professional skills.

Strongly Disagree	Disagree	Neither Agree nor Disagree (neutral)	Agree	Strongly Agree
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*The following questions refer to your work outcomes (e.g. pay, promotion, bonuses, scheduling, etc.).*

*To what extent:*

33. Does your work outcome reflect the effort (e.g. pay, promotion, bonuses, scheduling, etc.) you have put into your work?

To a small Extent 1	2	3	4	To a large extent 5
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34. Is your work outcome (e.g. pay, promotion, bonuses, scheduling, etc.) appropriate for the work you have completed?

To a small Extent 1	2	3	4	To a large extent 5
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35. Does your work outcome (e.g. pay, promotion, bonuses, scheduling, etc.) reflect what you have contributed to BANK?

To a small Extent 1	2	3	4	To a large extent 5
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36. Is your work outcome (e.g. pay, promotion, bonuses, scheduling, etc.) justified, given your performance?

To a small Extent 1	2	3	4	To a large extent 5
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*The following items refer to the procedures used (e.g. the decision making process regarding pay, promotions, scheduling, etc.) to arrive at those outcomes.*

*To what extent:*

37. Have you been able to express your views and feelings during those procedures?

To a small Extent 1	2	3	4	To a large extent 5
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38. Have you had influence of the outcome arrived at by those procedures?

To a small Extent 1	2	3	4	To a large extent 5
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39. Have those procedures been applied consistently?

To a small Extent 1	2	3	4	To a large extent 5
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40. Have those procedures been free of bias?

To a small Extent 1	2	3	4	To a large extent 5
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41. Have those procedures been based on accurate information?

To a small Extent 1	2	3	4	To a large extent 5
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42. Have you been able to appeal the outcome arrived at by those procedures?

To a small Extent 1	2	3	4	To a large extent 5
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43. Have those procedures upheld ethical and moral standards?

To a small Extent 1	2	3	4	To a large extent 5
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*For the following questions, if you work at more than one work unit (e.g. branch), please think about the unit you work at most frequently.*

*To what extent are the following behaviors exhibited by employees of this work unit?*

44. The employees of this work unit tell outsiders this is a good place to work.

To a small Extent 1	2	3	4	To a large extent 5
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45. The employees of this work unit say good things about BANK to others.

To a small Extent 1	2	3	4	To a large extent 5
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46. The employees of this work unit generate favourable goodwill for BANK.

To a small Extent 1	2	3	4	To a large extent 5
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47. The employees of this work unit encourage friends and family to use BANK's products and services.

To a small Extent 1	2	3	4	To a large extent 5
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48. The employees of this work unit actively promote BANK's products and services.

To a small Extent 1	2	3	4	To a large extent 5
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49. The employees of this work unit follow customer service guidelines with extreme care.

To a small Extent 1	2	3	4	To a large extent 5
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50. The employees of this work unit conscientiously follow guidelines for customer promotions.

To a small Extent 1	2	3	4	To a large extent 5
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51. The employees of this work unit follow up in a timely manner to customer requests and problems.

To a small Extent 1	2	3	4	To a large extent 5
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52. The employees of this work unit perform duties with few mistakes.

To a small Extent 1	2	3	4	To a large extent 5
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53. The employees of this work unit have a positive attitude at work.

To a small Extent 1	2	3	4	To a large extent 5
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54. The employees of this work unit regardless of circumstances, are courteous and respectful to customers.

To a small Extent 1	2	3	4	To a large extent 5
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55. The employees of this work unit encourage co-workers to contribute ideas and suggestions for service improvement.

To a small Extent 1	2	3	4	To a large extent 5
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56. The employees of this work unit contribute ideas for customer promotions and communications.

To a small Extent 1	2	3	4	To a large extent 5
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57. The employees of this work unit make constructive suggestions for service improvement.

To a small Extent 1	2	3	4	To a large extent 5
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58. The employees of this work unit present to others creative solutions to customer problems.

To a small Extent 1	2	3	4	To a large extent 5
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59. The employees of this work unit take home training materials.

To a small Extent 1	2	3	4	To a large extent 5
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*Thank you very much for your time on this survey. When you click submit, you will be taken to a page where you will be asked to enter your employee number. This will be kept separately from your answers to this survey. Your employee number will only be used for the draw and to notify you if you have won.*

## Appendix E – Early Respondents Vs. Late Respondents ANOVA

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
No Missing Values	24.731	.000	564.359	3199	.000	.996	.002	.993	1.000
			564.535	1600.000	.000	.996	.002	.993	1.000
LMX	.266	.606	-.836	3030	.403	-.02039	.02438	-.06820	.02742
			-.836	3029.343	.403	-.02039	.02438	-.06820	.02743
POS	4.230	.040	.564	3101	.573	.01446	.02565	-.03585	.06476
			.564	3093.673	.573	.01446	.02565	-.03584	.06475
OCB (Loyalty)	1.917	.166	-1.450	3053	.147	-.04608	.03179	-.10841	.01625
			-1.449	3048.568	.147	-.04608	.03179	-.10842	.01626
OCB (Service)	.653	.419	.000	3007	1.000	.00001	.02624	-.05143	.05145
			.000	3006.946	1.000	.00001	.02623	-.05143	.05145
OCBs (Participation)	1.401	.237	-1.378	2837	.168	-.03504	.02543	-.08490	.01482
			-1.379	2836.963	.168	-.03504	.02542	-.08488	.01480
Rewards and Recog	.638	.425	-.581	3011	.561	-.01639	.02821	-.07169	.03891
			-.581	3009.069	.561	-.01639	.02821	-.07170	.03892