

The Mediation Effect of Learning Culture towards the Relationship between Customer Complaints Management and Internal Effectiveness of Voluntary Organizations

Nurul Hidayana Mohd Noor*

Universiti Teknologi MARA, Negeri Sembilan, Malaysia

Email: nurulhidayana@yahoo.com

Mohd Awang Idris

Universiti Malaya, Malaysia

Siti Hajar Abu Bakar

Universiti Malaya, Malaysia

Abstract

Organizational effectiveness remains a debatable subject for organizational scholars and practitioners. However, there is lack of focus on this topic in the context of voluntary organizations. We address this matter by presenting a causal path model to examine the mediating effect of learning culture on the relationship between customer complaints management and organizational internal effectiveness. Using 285 survey responses collected from the employees of Malaysian voluntary organizations, we first found that both customer complaints management and learning culture had a direct effect on internal effectiveness. Second, learning culture partially mediated the relationship between customer complaints management and internal effectiveness. The present study delivers the evidence on the applicability of customer complaints management and learning culture to the management of voluntary organizations in facilitating them to become more internally effective. Our study also adds value to previous literature by providing evidence and viewpoint from the voluntary organizations context and Malaysian nonprofit setting.

Keywords: Customer complaints management, learning culture, internal effectiveness, mediation effect, voluntary organizations

Introduction

Voluntary organizations are bodies that are mainly motivated to pursue various important roles such as providing humanitarian relief, promoting the interest of poor, protecting environment, or empowering community. With these important roles, they also face unpredictable externalities and complicated management issues as compare to for-profit organizations (Schwenger et al., 2014). For instance, they do not possess strong management basis like for-profit organizations and they also face shift competition to secure resources such as fund, labour, clients, volunteers, or public support. Furthermore, many studies have discovered that Malaysian voluntary organizations are also subjected with weak internal effectiveness. For instance, Othman and Ali (2014) discovered that most of Malaysian NPOs are facing several internal weaknesses such as lack of competencies, lack of external support, limited funding, and poor accountability management.

To address these problems, a body of literature has provided discussion on the enablers of organizational effectiveness of voluntary organizations and accountability has been recognized as a noticeable enabler (Tucker & Parker, 2013). Complaints management is a part of accountability instrument and a plethora of research has exposed that effective complaints management could deliver a substantial impact to the organizational effectiveness (Brewer, 2007; Estelami, 2000; Filip, 2013; Hermel, 2006; Hussein et al., 2016). For example, based on a case study of restaurant chain, Hsiao et al. (2016) found that complaints act as valuable information that can increase business profitability and provide long-term benefits to the organization.

Recognizing this matter, the objective of this study is to examine the influence of complaints management on voluntary organizations internal effectiveness. This is important since there is paucity of studies on this subject and based on the analyses from previous literature, too much attention has been put on for-profit organizations but rarely in voluntary organizations context. In Malaysia, there is no operating standard for voluntary organizations to govern them in managing their customer complaints and feedback (Registrar of Societies of Malaysia, 2012). Therefore, some voluntary organizations have implemented their in-house accountability mechanisms to ensure that they are operating with the highest level of integrity. As a result, standardization in legal management has yet not been achieved.

In addition, although the direct effect of complaints management and organizational effectiveness are well-documented, only few researchers have explored how the mediation factor and other contextual factors affect customer complaints management and effectiveness relationship. Therefore, we also aim to extend current academic literatures on organizational effectiveness studies by examining the mediation effect of learning culture. Learning culture can be defined as the presence of attitudes, values, and practices that support and boost learning process within the organization which could help to increase the organizational effectiveness (Hung et al., 2011). Therefore, we departed this study from previous research by proposing a causal path model since past research have heavily examined the direct effect relationships and this could not explain the real relationships that occur among variables.

Literature Review

The Influence of Complaints Mechanism upon Internal Effectiveness and Learning Culture

Complaints management is one way how organization can react to their environment. Estelami's (2000) study revealed that organizations that are work in a limited competition or having high market influence, pay less consideration to the customer complaints. However, for voluntary organizations, customer complaints are essential as an enabler for the service enhancement since they are fronting with tremendous competitive environment (Lewis & Kanji, 2009). There is a substantial body of empirical research that provides support for the notion that customer complaints management improves organizational performance and its internal effectiveness. The organization that is effective in managing complaints demonstrates the commitment to openness and commitment to fulfill their customer satisfaction (Brewer, 2007). Without customer feedback, organizations are not aware of their problems and this could affect their organizational effectiveness (Hermel, 2006). In examining the effectiveness of complaint management system, Filip (2013) found that customer complaint management acts as a signaling channel that needs to be alerted by the organization. Complaints also must be considered as one indicator of organizational performance and an effective service recovery strategy to improve organizational internal processes. Complaints management also can be a potential source of learning and this can prevent mistakes from being repeated in the future (Hsieh et al., 2005). For instance, Vos et al.' (2008) study discovered that complaints management process is a learning process in which the use of online customer feedback system

will encourage information exchange and knowledge sharing during the complaints handling process. As a result, it creates learning opportunities within the organization. Thus, based on the discussion, we propose these following hypotheses:

- H1. There is a significant correlation between customer complaints management and internal effectiveness of Malaysian voluntary organizations
- H2. There is a significant correlation between customer complaints management and learning culture

The Influence of Learning Culture upon Internal Effectiveness

In particular, learning is “the ongoing processes and integrated systems that facilitate individuals and team’s ability to learn, grow, and change as a result of organizational experiences” (Russ-Eft *et al.*, 1997, p. 268). Learning culture supports the effectiveness of the organization because it improves the process of managing organizational knowledge (Schmitz *et al.*, 2014), improve innovation capability (Hung *et al.*, 2011), improve organizational profitability and market growth (Song & Kolb, 2012), support continuous improvement (Derrick-Mills *et al.*, 2014), and help to strengthen organizational competitive position (Nevis *et al.*, 1995). For instance, Hussein *et al.*’ (2016) study discovered that learning culture associated with organizational performance and organizational innovativeness of the Public Institution of Higher Education in Malaysia. Therefore, it is not surprising that learning culture is important in creating value for the organization. Thus, we propose that:

- H3. There is a significant correlation between learning culture and internal effectiveness of Malaysian voluntary organizations

The Mediation Effect of Learning Culture

In proposing the mediation effect of learning culture, we discovered that some research has focused in examining the mediation role of learning culture. For instance, based on the survey data from 448 managers, Cooper *et al.*’ (2016) study revealed that learning culture acts as the intervening factor between knowledge management, human capital, and organizational performance. On the other hand, Raj and Srivastava’ (2013) study found that learning culture mediates the relationships between clan, adhocracy, market culture, human resource practices, and organizational innovativeness. Again, although previous studies have suggested that learning culture may act as the mediating factor, empirical research has rarely been conducted to test its indirect effect. In addition, the study on the mediating effect of learning culture on the relationship between customer complaints management and internal effectiveness has yet to be explored. Therefore, we put hypothesis as follows:

- H4. Learning culture mediates the relationship between customer complaints management and internal effectiveness of Malaysian voluntary organizations

Using the mediation model, the research model of this study is presented in Figure 1.

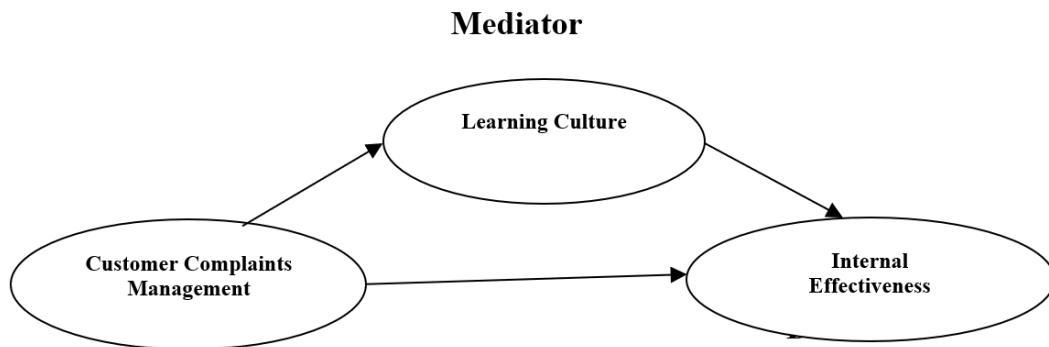


Figure 1: Hypothesized Research Model

Method

Data Collection and the Sample

Drawn on a quantitative research design, we employed a structured survey which is designed to evaluate the perception of the employees on a defined statement of 24 questions. In this study, we focused on the employees who work with registered voluntary organizations under Registrar of Society of Malaysia. A total of 350 copies of the questionnaire complied for this study was randomly distributed to respondents, and 285 copies were returned, giving a return rate of 81.4%. The sample profiles were interpreted as follows: (1) 157 (55.1%) were male and 128 (44.9%) were female, (2) aged 30 and above group accounts for 170 (59.6%) and aged below 30 group accounts for 115 (40.4%), (3) 222 (77.9%) were married and 63 (22.1%) were single, (4) 245 (86%) had attained undergraduate qualification and 11 (3.9%) had attained postgraduate qualification, and (5) full-time employees account for 139 (48.8%) and part-time employees account for 146 (51.2%).

Measurement

A self-administered questionnaire was deployed, and measurements of the constructs were adopted based on the previous scale. Customer complaints management scale comprised six measurement items scale (i.e., 1 = *Poor* and 5 = *Very Good*) which is adapted from Mango's (2010) customer accountability scale. Next, five measurement items from study conducted by Lee and Choi (2003) were selected to measure learning culture. The Likert scale ranged from 1 (*Strongly Disagree*) to 5 (*Strongly Agree*). Then, the scale used for measuring internal effectiveness was developed by Espirito (2001) which suited for the context of voluntary organizations. It consists of thirteen items and the respondents need to evaluate the statement based on Likert scale which 1 indicating "*Poor*" and 4 indicating "*Excellent*". The Cronbach's alpha coefficient values for the variables were as follows: (1) customer complaints management (0.70), (2) learning culture (0.80), and (3) internal effectiveness (0.80). These results were determined to be good according to Nunnally's (1987) criterion (>0.60).

Analytical Approach

Structural Equation Modeling (SEM) approach was used to examine the proposed model. In this study, data were analyzed using AMOS 18 software. Following the recommendations from the previous researchers, two-stage analytical procedures were conducted (Hair *et al.*, 2010). In the first stage, model fit of the proposed model were examined through confirmatory factor analysis. As suggested by Hair *et al.* (2010) and Holmes-Smith and Coote (2006), four fit

indexes were used for this study. These include: (1) RMSEA (Root Mean Square Error of Approximation) (<0.08), (2) CFI (Comparative Fix Index) (>0.90), (3) TLI (Tucker-Lewis Index) (>0.90), and (4) Chisq/df (Chi Square/Degree of Freedom) (<5). In evaluating the validity and reliability of the constructs, Fornell and Larcker (1981) suggest that all item loadings should be significant and exceed 0.70. Then, both composite reliability and average variance extracted should exceed 0.70. Finally, discriminant validity is examined by looking at the square root of the average variance extracted (Fornell & Larcker, 1981). Discriminant validity shows the extent to which a construct is truly distinct from other constructs (Hair *et al.*, 2010). In the second stage, structural model was used to test the proposed hypotheses. To demonstrate the mediating effect, Baron and Kenny' (1986) assumptions were used.

Findings

Measurement Model

Based on the confirmatory factor analysis, the results of the fitness indexes meet the requirement level (RMSEA= 0.073, CFI= 0.860, TLI=0.830, and Chisq/df=4.250). As shown in Table 1, composite reliability values were ranged from 0.95 to 0.99 and average variance extracted values were ranged from 0.79 to 0.94, and these indicated that acceptable measures were achieved (Fornell & Larcker, 1981).

Table 1: Factor Loadings, Composite Reliability, and Average Variance Extracted

Construct/Measure	Item Loading	Composite Reliability	Average Variance Extracted
Customer Complaints		0.99	0.87
CC1	0.95		
CC2	0.99		
CC3	0.99		
CC4	0.89		
CC5	0.84		
CC6	0.94		
Learning Culture		0.95	0.79
LC1	0.97		
LC2	0.98		
LC3	0.94		
LC4	0.79		
LC5	0.75		
Internal Effectiveness		0.99	0.94
IE1	0.94		
IE2	0.97		
IE3	0.99		
IE4	0.99		
IE5	0.98		
IE6	0.96		
IE7	0.98		
IE8	0.97		
IE9	0.95		
IE10	0.97		
IE11	0.99		
IE12	0.97		
IE13	0.97		

Then, all factor loadings on the specified factor were significant at the 0.001 level. Next, discriminant validity is achieved when a diagonal value in bold is higher than the values in its row and column and based on discriminant validity results (see Table 2) this study fulfilled this assumption (Fornell & Larcker, 1981).

Table 2: Correlations and Square Root of Average Variance Extracted Values

Construct	1	2	3
1) Customer Complaints Management	0.93		
2) Learning Culture	0.61	0.89	
3) Internal Effectiveness	0.59	0.13	0.97

Note. $N=285$; Values in boldface are the square root of AVE and others are correlations.

Hypothesized Model

Based on structural model analysis, there were significant direct effect of customer complaints management ($\beta=0.48$; $p=0.000$) and learning culture ($\beta=0.11$; $p=0.05$) on organizational internal effectiveness. Then, we also found that there was a significant direct effect of customer complaints management on learning culture ($\beta=0.56$; $p=0.000$). Therefore, H1, H2, and H3 hypotheses were supported. Next, based on Baron and Kenny' (1986) assumptions, learning culture has proven to be a partial mediator between customer complaints management and internal effectiveness relationship since direct effect between customer complaints management and internal effectiveness is still significant and reduced ($\beta=0.48$; $p=0.000$). Therefore, H4 was supported. The findings appear to indicate that without learning culture, customer complaints management still can have its own effect towards internal effectiveness; however, the impact can be enhanced through learning culture.

Discussion

Essentially, the purpose of this study is to evaluate the mediation effect of learning culture on the relationship between customer complaints management and internal effectiveness of Malaysian voluntary organizations. The presence of both customer complaints management and learning culture on the internal effectiveness is consistent with previous researches (e.g., Estelami, 2000; Filip, 2013; Hussein et al., 2016; Nevis et al., 1995; Russ-Eft et al., 1997). Next, the confirmation that learning culture partially mediates the relationship between customer complaints management and internal effectiveness provides a clear interpretation of how this mechanism relates to the organizational internal effectiveness through a causal path model. The mediation effect of learning culture was also consistent with the previous studies such as Cooper et al.' (2016) and Raj and Srivastava' (2013) studies.

This means that even though customer complaints management could provide direct impacts on internal effectiveness, voluntary organizations can enhance the impact if they consider the role of learning culture within the process. Learning culture covers all efforts to understand and to respond to the internal and external environment and it also ensures effective and efficient use of organizational resources (Britton, 2005; Chetley & Vincent, 2003). A body of knowledge also indicated that an effective communication within (i.e., internal communication channel) and outside organization (i.e., customer feedback and complaints) can nurture learning culture within the organization (Martínez-León & Martínez-García, 2011; Rebelo & Gomes, 2011). Therefore, the impact of complaints management could be channelled with the interaction with learning culture. Moreover, voluntary organizations usually are operating based on open systems model which they need to interact with their external environment in

order to attract important resources such potential donor or funder as well as to maintain its internal effectiveness. Therefore, complaints management could as the input for the organization, while learning culture is a part of process that could help to transform the input into the intended output which in this case, the output is internal effectiveness. Therefore, we can conclude that the variables are interrelated to each other.

As managerial implications, clearly, more attention must be paid to support both complaints management and learning culture. First, to reinforce customer complaints management, voluntary organizations need to continuously focus on several strategic approaches such information dissemination, regular monitoring, research on beneficiaries' feedback, feedback encouragement, and learning programs. World Vision, for instance, has created a Community Complaints Fact Sheet to improve its complaint management system. The purpose of the fact sheet is to encourage their staff to view the complaints as a feedback for the improvement (Jabry, 2008). In addition, Bennett and Savani's (2011) study on the examination of the application of complaints mechanism among voluntary organizations has discovered that a strategic approach of formal complaints system tends to be prevalent in organizations that are characterized by learning, listening, and client orientation. Therefore, the leaders should inculcate strong ethical culture throughout their organization (e.g., training, empowerment, and strengthen the existing regulation and procedure) (Keating & Frumkin, 2003). Poor attitudes and behaviors or lack of professionalism in managing customer complaints could affect work performance that leads to the reduction in client satisfaction (Appels et al., 2006). On the other hand, in promoting learning culture, we suggest the leaders to create an environment and structure that could promote learning culture. For instance, empower the employees to try new ideas and ensure that new ideas are properly applied to the job to add value to the employee's work (Tobin, 1998). In addition, Rebelo and Gomes' (2011) study in assessing the relationship between some variables (i.e., organizational structure, organizational dimension and age, human resource characteristics, external environment, strategy, and quality) and learning culture revealed that a flexible structure and highly educated employees could act as facilitators of the development of learning culture.

Conclusion

Fundamentally, the main contribution of this study is to explain the impact of learning culture as a mediator towards the relationship between customer complaints management and internal effectiveness. This study also provides a novel contribution to the growing literature of voluntary organizations studies, particularly for developing countries such Malaysia. Furthermore, the findings also have provided several meaningful managerial implications. Yet, there are some limitations in interpreting these findings that need to be addressed by future research. First, the sample frame of this study focused only on the employees representing voluntary organizations located in Klang Valley area, Malaysia. Thus, the generalizability of this study to other locations is unknown. Nonetheless, future research should focus on other locations or countries. Second, this study is cross-sectional, and no conclusions can be drawn about the direction of causality in this research. The adoption of longitudinal study approach could help to explain the causality of the study. Third, this study only considers the impact of customer complaints management and learning culture on internal effectiveness. Future research could link those variables with external outcomes such as funding attraction, volunteer support, organizational reputation, and others. In addition, future research also could include some controlling variables such as size, maturity, and location within our research model which could deliver more valid and valuable results. Finally, to enhance our understanding, perhaps a qualitative study or a mixed method research could provide in-depth knowledge on the study context.

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