

When Does Customer Participation Matter?
The Role of Customer Empowerment in the Customer Participation–Satisfaction Link

Seiyoung Auh

Professor of Marketing
Thunderbird School of Global Management
Research Faculty, Center for Service Leadership, Arizona State University
1 Global Place, Glendale, AZ, 85306, U.S.A.
Tel: (602) 978-7296
E-mail: seiyoung.auh@thunderbird.asu.edu

Bulent Menguc

Professor of Marketing
Kadir Has University
Faculty of Management
Kadir Has Caddesi Cibali / Istanbul 34083, TURKEY
Tel: +90-(0)-212-533-6532
Email: bulent.menguc@khas.edu.tr
&
International Research Fellow
University of Leeds
Leeds University Business School
Marketing Division
Leeds LS2 9JT, U.K.

Constantine S. Katsikeas

Associate Dean (Faculty)
Arnold Ziff Research Chair in Marketing & International Management
Leeds University Business School
Maurice Keyworth Building
University of Leeds
Leeds LS2 9JT, U.K.
Tel: +44 (0) 113-343-2624
Email: csk@lubs.leeds.ac.uk

Yeon Sung Jung

Assistant Professor of Marketing
Business Administration
Dankook University
126, Juk-jeon, Su-ji, Yong-in, Gyeong-gi, 448-701, South Korea
031-8005-3410
Tel: 82 031 8005 3410
Email: jys1836@dankook.ac.kr

**When Does Customer Participation Matter?
The Role of Customer Empowerment in the Customer Participation–Satisfaction Link**

Abstract

The customer participation literature has established benefits to customers such as economic and relational value or participation enjoyment as reasons why participation results in customer satisfaction. In this paper, a different perspective is taken by introducing the concept of customer empowerment, captured as a benefit in terms of the worth and impact that customer participation provides to the organization, as a reason why customer participation leads to more satisfied customers. A broader set of moderators that moves beyond customer characteristics to social, task, and structural aspects of participation is also employed. Dyadic data (matched pairs between customers and employees) from a multi-wave design and a three-level multi-level model in which customers are nested within employees, who are, in turn, nested within branches, are used to examine how customer participation affects customer satisfaction through customers' perceptions that participation offers worth and impact to the organization. Findings also show that participation results in more empowerment when customers desire less social bonding with employees, receive more participation feedback, employees are less customer oriented, and participation is less formalized. Implications for advancing customer participation research are discussed along with actionable steps for reaping the benefits of customer participation.

Keywords: customer participation, customer empowerment, social bonding, feedback, customer orientation

Customer participation (CP) is an effective form of customer engagement widely used by organizations (e.g., Harmeling et al. 2017; Pansari and Kumar 2017; Venkatesan 2017). From a strategic perspective, organizations rely on CP to draw customers closer to the brand (e.g., Fang, Palmatier, and Grewal 2011). For example, HSBC invites customers who have Expat and Premier bank accounts to participate in further improving service offerings and the delivery process. HSBC encourages customer engagement through participation by stating:

“We believe that your input is key to improve and develop our products and services . . . we sincerely want to hear from you. We will then do our best to make relevant improvements and aim to improve our products and/or services further” (HSBC 2012).

CP varies widely from requiring customers’ mere physical presence or information provision, to customers as active co-producers (Bitner et al. 1997; Hsieh, Yen, and Chin 2003). Drawing on the service dominant logic of marketing (Vargo and Lusch 2004), we define CP as customers’ involvement in the service co-creation and delivery process by their engagement in sharing information, making suggestions, informing personal needs, and participating in decision-making processes (Chan, Yim, and Lam 2010). This definition underscores that CP is a behavioral construct with a utilitarian focus that captures customers’ investment in time, effort, and decision-making in improving service delivery processes and outcomes (e.g., Auh et al. 2007; Haumann et al. 2015).

Although CP has increasingly received attention from marketing scholars over the years, our understanding of CP is limited in two important ways, which we identify as critical gaps that have yet to be addressed. First, the extant marketing literature maintains that CP results in positive outcomes (e.g., customer satisfaction) to customers because CP leads to *customer-related* benefits, such as economic and relational value (Chan et al. 2010) and participation enjoyment (Yim, Chan, and Lam 2012). Given that CP involves an interactive process between

customers and employees (Ramani and Kumar 2008; Vargo and Lusch 2004), it is important to capture customers' perceptions of the benefits of CP to the *organization*, a gap that has yet to receive scholarly attention.

Second, we recognize in the CP literature that contingency factors, which are few and far between, have mainly focused on customer characteristics (e.g., customers' self-efficacy, customer readiness, etc.) despite CP involving an interactive exchange process between two parties. What are missing from the literature are relational, task-based, and structural contingencies, elements that are not directly associated with the customer per se, but can nonetheless shape the consequences of CP.

The main purpose of this study is to fill these two gaps in the CP literature. In relation to the first gap, we propose customer empowerment as a link between CP and customer satisfaction. We expand Ramani and Kumar's (2008) work on customer empowerment and define customer empowerment in terms of two dimensions: (a) the extent to which CP provides *worth* to the organization and (b) the degree to which CP makes an *impact* on the organization. As a departure from previous work in the CP literature that has taken a customer-centric approach (i.e., how CP benefits the customer) to why CP works, this study centers on customer empowerment to capture the degree to which customers perceive that CP adds worth and makes a tangible impact on service outcomes and the delivery process (i.e., how CP benefits the organization). This distinction regarding the "specificity" of focus is important because CP involves dual parties that benefit from the interaction. By taking into consideration that CP is a "co-creation process" (Vargo and Lusch 2004), customer empowerment shifts the focus from how CP helps the customer to how CP assists the organization.

Regarding the second gap, we broaden the scope of contingency factors beyond customer characteristics to relational, task-based, and structural boundary conditions that shape when CP is more or less effective. CP is a socially, task, and structurally driven process that involves interaction with employees. Therefore, it is critical to understand the contingent outcome of CP from a “relational” lens. Further, because CP is typically viewed as voluntary, helpful, and discretionary (Bettencourt 1997; Eisingerich, Auh, and Merlo 2014), we submit that a “task” and “structural” lens can also enrich our understanding of the contingency effects of CP. For example, relational (e.g., social bonding with an employee), task-based (e.g., customer orientation of an employee), and structural (e.g., formalization of CP process) contingency factors have yet to receive scholarly attention in the literature, which has led to an overly narrow view of moderators that are chiefly focused on the cognitive states of customers. Consequently, this limited view provides a partial and incomplete picture of when CP works, hindering the theoretical and practical progression of CP research.

Against the above backdrop, this study contributes to the customer engagement literature in general (Kumar and Pansari 2016) and CP literature in particular in the following ways. First, by introducing customer empowerment, we advance CP research beyond “CP benefiting the customer” to “CP benefiting the organization” as an explanation of CP’s effectiveness. This study delineates the process by which CP influences customer satisfaction through customer empowerment by capturing customers’ perceptions of how CP provides worth and makes an impact on the organization (e.g., Kumar, Bhagwhat, and Zhang 2016).

Second, we develop and test a contingency model of the CP-customer empowerment relationship. Drawing on contingency theory (e.g., Weitz 1981; Zeithaml, Varadarajan, and Zeithaml 1988), we are guided by three types of contingencies: relational, task-based, and

structural. For the relational condition, we focus on the importance of customers' *social bonding* with an employee and *CP feedback* from an employee. For the task-based contingency, we capture customers' perceptions of an employee's *customer orientation*. For the structural condition, we study the *formalization* of the CP process. Our research underscores the view that CP affects customer satisfaction through customer empowerment when certain conditions are met. CP will influence how satisfied customers are because they feel more empowered when the customer orientation of the employee, importance of social bonding with the employee, feedback on CP from the employee, and formalization of CP do not undermine the positive effect of CP.

In the sections to follow, we introduce our conceptual framework, including CP and customer empowerment. To test our hypotheses, we employ a multi-wave study design and develop a three-level multi-level model in which customers are nested within service employees, who, in turn, are nested within branches using matched data of customers and service employees from the financial services industry. We conclude with theoretical and practical implications for advancing CP research.

Conceptual Background

Customer Participation as a Form of Engagement

Customer engagement, defined as customers' interaction and connection with an organization that goes beyond mere purchase behavior through its development of emotional and psychological relationships, has garnered increasing attention from the academic and practitioner communities (Brodie et al. 2011; Harmeling et al. 2017; Kumar and Pansari 2016; Pansari and Kumar 2017; Vivek, Beatty, and Morgan 2012). A key reason behind the increasing interest in customer engagement among academics and managers is due to its relevance to relationship marketing or more specifically to customer relationship management practices (Kumar,

Bhagwhat, and Zhang 2016; Kumar et al. 2010; Verhoef, Reinartz, and Krafft 2010). As a bridge between academia and business practice, the Marketing Science Institute (MSI) has called customer engagement a key research priority (MSI 2010). MSI regards customer engagement as “customers’ behavioral manifestation toward a brand or firm beyond purchase” (MSI 2010, p. 4).

We argue that CP is a form of engagement because CP captures the proactive role of customers as partial employees (Mills and Morris 1986) who take on the role of co-creators of value (Vargo and Lusch 2004). The locus of core competencies is shifting from companies to enhanced networks that include customers (Prahalad and Ramaswamy 2000). In the best seller *In Search of Excellence*, Peters and Waterman (1982, p. 156-157) argue, “no existing management theory helps much in explaining the role of the customer in the prototypical excellent company.” However, we submit that CP can partially address the interplay between customers and employees and how the changing role of customers can be leveraged as the “next frontier in competitive advantage effectiveness” (Bendapudi and Leone 2003, p. 14). Nevertheless, it has long been discussed how customers need to be managed as human resources by inviting them into the creation and delivery of services in organizations (Bowen 1986) as a means of increasing productivity (Lovelock and Young 1979) and increasing the customer intensiveness of service operations (Gartner and Reissman 1974).

Customer participation implies a shift in power balance from employees to customers as customers increasingly take on more control in the employee-customer relationship by providing input in the form of information and feedback. Ramani and Kumar (2008) point to the emerging relevance and significance of customer empowerment as firms need to position customers as strategic partners in the development and maintenance of interactions with customers. In this study, as we explain subsequently, we extend the literature on CP to include customer

empowerment, a critical construct that reflects the changing role of customers that has received limited attention, despite its relevance (Vargo and Lusch 2004). Next, we further discuss and develop the construct of customer empowerment and its relationship to CP.

Customer Empowerment

The core tenant of our conceptualization of customer empowerment draws from the community psychology literature (e.g., Speer et al. 2013; Zimmerman et al. 1992) and is based on the argument that participation is inherently a part of empowerment. In essence, empowerment is a “process by which individuals gain mastery or control over their own lives and ... participation in the life of their community” (Zimmerman and Rappaport 1988, p. 726). The concept of empowerment has found its place in a variety of disciplines. In the healthcare management literature, patient empowerment has been conceptualized and empirically validated as a construct that also includes patient participation (Ouschan, Sweeney, and Johnson 2000). The organizational psychology literature is well established on employee empowerment, which denotes a psychological state that reflects an intrinsic motivation to work due to a sense of autonomy and ability to perform meaningful tasks that can make an impact (Spreitzer 1995; Thomas and Velthouse 1990).

In marketing, Ramani and Kumar (2008) introduced the concept of customer empowerment as one of the dimensions of interaction orientation. They defined customer empowerment as “the extent to which a firm provides its customers avenues to (1) connect with the firm and actively shape the nature of transactions and (2) connect and collaborate with each other by sharing information; praise; criticism; suggestions; and ideas about its products, services, and policies (p. 28).” Customer empowerment plays a pivotal function as customers’ roles shift from a passive receiver to an active participant in the creation and delivery of services.

Customers will want to feel that they are in control and that through participation, their involvement is worthy and impactful in shaping the process and outcome of services.

We extend Ramani and Kumar's (2008) conceptualization of customer empowerment to the context of CP. Drawing from the community psychology literature (e.g., Zimmerman et al. 1992), we capture customer empowerment with two dimensions: perceived worth and perceived impact. Accordingly, we define customer empowerment as a higher order construct that reflects the degree to which customers perceive that their participation is *worthy* and *impactful* to organizations. *CP worth* is defined as the degree to which customers perceive that the organization cares, appreciates, and respects customers' opinions and input in improving the service process and delivery. *CP impact* refers to the extent to which customers perceive that participation makes a difference and benefits the organization. When customers sense that participation is perceived to be worthy and is making a positive difference in enhancing the service process and experience, we posit that customers will feel empowered. Therefore, customer empowerment reflects customers' perceptions of how CP is appreciated and beneficial to the organization.

Although we live in an era of empowerment where customers have more say and clout, especially with the elevated status of customers in the service-centered business model, customer empowerment has surprisingly received neither theoretical nor empirical attention (see Ramani and Kumar 2008 for an exception). To fill this gap, our study takes initial attempts to introduce customer empowerment into the marketing literature in the context of CP.

Proposed Model and Hypotheses

Our conceptual model (Figure 1) articulates the process by which CP influences customer satisfaction through customer empowerment and the contingencies that lie between CP and

empowerment. We chose customer satisfaction as our dependent variable because we wanted to make our study comparable to many CP studies that have used customer satisfaction as a consequence of CP (Chan et al. 2010; Dong et al. 2014; Yim et al. 2012; Haumann et al. 2015).

[Insert Figure 1 here]

We introduce customer empowerment as a focal mediator into the CP literature. In addition to the mediating role of customer empowerment, our model contributes to the CP literature by carving out the boundaries regarding the positive effect of CP. Although prior studies have studied the boundary conditions of CP's effectiveness (e.g., Dong et al. 2015; Yim et al. 2012), the implications are rather limited because the moderators have primarily been confined to the attitudes customers have towards participation (e.g., ability, role identification, self-efficacy, participation benefit to customers). We expand the scope of moderators to capture a more complete picture of the interactions between customers and employees.

In addition to consulting contingency theory (e.g., Hofer 1975; Weitz 1981), we also conducted pretest interviews with customers to help us hone in on a set of moderators. During these pretest interviews, we were advised by three factors that are particularly relevant and well suited to determine how customers feel about their participation efforts: (a) relationship with the employee, (b) treatment received by the employee, and (c) knowledge about how CP is being used. These three elements guided us to focus on four moderators that can be captured by three categories: *relational* (e.g., customer's desire for social bonding with an employee and feedback on CP from an employee), *task-based* (e.g., employee's customer orientation), and *structural* (e.g., CP formalization).

Mediating Role of Customer Empowerment (Worth and Impact of CP)

According to the community psychology literature (e.g., Speer et al. 2013; Zimmerman et

al. 1992), citizen participation elevates a sense of empowerment. People feel more empowered when they participate because they understand that their voice will be heard and appreciated, leading them to believe that they can shape the future (Zimmerman and Rappaport 1988). Our prediction that empowerment will mediate the relationship between CP and customer satisfaction is consistent with the notion of learned hopefulness (Zimmerman 1990). According to learned hopefulness, as individuals gain control and mastery over their lives by utilizing skills sets and knowledge, they become more content and less alienated from the community to which they belong because they sense more empowerment. Therefore, the following predictions can be made: (a) participation is an avenue through which individuals become more hopeful about prospects by having a greater sense of control and belief that positive impact can take place and (b) through participation, more empowerment is perceived (Rappaport 1987). Therefore, we posit that empowerment is a direct consequence of learned hopefulness and that participation facilitates hopefulness in individuals, leading to a state of satisfaction and well-being.

Research has shown that when customers are able to create economic and relational value through participation, they are more satisfied (Chan et al. 2010). We build on this finding and submit that as customers become actively involved in creating value, they will sense that their participation is making a positive impact and is valued by the organization, and will therefore experience greater customer satisfaction. We propose that CP will result in higher customer satisfaction through empowerment because customers are able to validate that their involvement is worthy to the organization and is making a difference in improving the service process and outcome. Therefore, we propose the following:

H1: Customer empowerment, in the form of (a) perceived worth and (b) perceived impact, mediates the relationship between CP and customer satisfaction.

Contingency Effects

We draw on contingency theory (Weitz 1981; Zeithaml et al. 1988) to categorize the four moderators into three groups: relational, task-based, and structural. Contingency theory has been used successfully in various marketing contexts, including marketing strategy (Atuahene-Gima and Murray 2004) and salesperson effectiveness (Weitz 1981), to show that the outcomes of employee behavior and strategic action are not universal but depend on internal and external factors. By adopting contingency theory to CP, we advance the view of CP from a deterministic approach to a contingency perspective, thereby enriching and broadening the theoretical and practical ramifications of CP research. We use a ‘fit as moderation’ argument, which states, “[T]he fit between the predictor and the moderator is the primary determinant of the criterion variable” (Venkatraman 1989, p. 424), to derive the interaction hypotheses. The core premise for the interaction hypotheses is that customer empowerment is enhanced (diminished) when a customer perceives fit (misfit) between participation and the context (relational, task-based, and structural) in which CP takes place.

Relational Contingencies

Customers’ Social Bonding with the Employee. The relationship marketing literature indicates that customers seek social benefits with employees (Gwinner, Gremler, and Bitner 1998). We define social bonding as the degree to which a customer desires to engage in a personal relationship with an employee (Grayson 2007; Rodríguez and Wilson 2002). Social bonding captures the personal connection dimension of the rapport concept (Gremler and Gwinner 2000). Social bonding represents two parties that are closely linked based on an interpersonal affinity that results from positive interpersonal and social relationships (Jones, Taylor, and Bansal 2008). Wilson (1995, p. 339) asserts social bonding as “the degree of mutual

personal friendship and liking shared by the buyer and seller.” Relationships that are grounded in social bonding are affective, emotional, and friendship-based, and take the relationship to a personal level. Therefore, in the case of social bonding between a customer and an employee, the customer views the employee as a friend and the relationship based on social exchange rather than the typical calculative economic exchange that governs transaction provisions (Heide and Wathne 2006; Price and Arnould 1999).

Building on the above nature of social bonding, we posit the interaction between CP and social bonding on customer empowerment to be negative. This suggests that customers will perceive more empowerment from CP when their desire for social bonding is low than high, implying that customers’ emphasis on friendship and personal relationship can diminish rather than increase feelings of empowerment from CP (Grayson 2007). Multiple studies have shown that trying to mix friendship with business relationships can create role conflict and hinder relationship development and business growth (e.g., Beatty et al. 1996; Halpern 1996; Price and Arnould 1999). Therefore, due to the dark side of friendship in business transactions (Grayson 2007; Price and Arnould 1999), when customers place less importance on personal relationships with employees, the impact of CP on empowerment will be stronger because interpersonal relationships will interfere less with how CP is perceived. Customers with less focus on personal relationships are more calculative and utilitarian oriented, and show more interest in economic benefits that deliver instrumental value, which increases CP’s impact on empowerment. For such customers, CP’s effect on the worth and impact of CP will be elevated because there will be less misfit between interest in personal relationships and the emphasis placed on calculative economic exchanges (i.e., utilitarian focus) that entail CP. Based on the preceding arguments, we propose the following:

- H2:** Social bonding negatively moderates the CP–customer empowerment relationship such that:
- (a) CP results in more perceived impact when a customer has a low (vs. high) level of social bonding.
 - (b) CP results in more perceived worth when a customer has a low (vs. high) level of social bonding.

Employees' Developmental Feedback on Customer Participation. We define developmental feedback on CP as timely and regular feedback provided by employees to customers to keep customers informed of how their participation is used to improve service operations (Kohli and Jaworski 1991). We consider CP feedback from employees as a relational contingency following the recent development in the job characteristic model that emphasizes the importance of feedback as a social and relational source of motivation (Oldham and Hackman 2010; Humphrey, Nahrgang, and Morgeson 2007). Feedback from *others* is distinctly different from feedback from the *job* as the former stresses the interpersonal component of feedback while the latter strictly underscores performance from the job itself (Humphrey et al. 2007). We maintain that CP will result in more empowerment when customers receive timely and regular feedback on how their input helps improve the service process and operation because this diagnostic information facilitates better customer understanding regarding whether CP is making a difference to the organization. Feedback with its instrumental value (Ashford and Cummings 1983) complements CP, which has a utilitarian orientation. Consequently, the fit between CP and feedback is strengthened, leading to greater customer empowerment.

Kanter (1989, p. 5) has argued that empowerment happens when organizations “make more information more available to more people at more levels through more devices.” Similarly, Spreitzer (1995) has found that access to performance information leads to greater empowerment. We submit that feedback on CP provides information to customers and reinforces their perception that participation is worthy and impactful (Ashford and Cummings 1983). Post

survey interviews indicated that receiving feedback on participation underscores that employees care about customers' time and effort, and bolsters customers' belief that participation matters and can make a positive difference. When employees are able to fulfill customers' desire to understand how their participation is being utilized, this feedback will lead customers to believe that their participation is valuable and beneficial, thereby resulting in greater empowerment.

Therefore, we submit that:

H3: Developmental feedback positively moderates the CP–customer empowerment relationship such that:

- (a) CP results in greater perceived impact when customers receive more (vs. less) feedback.
- (b) CP results in greater perceived worth when customers receive more (vs. less) feedback.

Task-Based Contingency

Employees' Customer Orientation. We define employee customer orientation as a mindset that is primarily focused on providing value to customers and satisfying their needs (Kennedy, Lassk, and Goolsby 2002). We predict that when customers engage in participation, their involvement leads to greater perceptions of impact and worth when the employee is less customer-oriented. Research in community and political participation literature suggests that participation matters more to people when participation takes place under impoverished conditions that are less conducive to participation (e.g., Humphrey et al. 2007; Zimmerman and Rappaport 1988). People take more pride and feel more empowered when they can exercise their rights under disadvantaged institutional environments because participation is perceived to be that much more precious, valuable, and rewarding (Zimmerman 1990).

We make similar predictions to argue that customers will feel more empowered from participation when interacting with an employee low in customer-orientation. According to the job characteristic model (Humphrey et al. 2007) and the empowerment literature (Seibert, Wang,

and Courtright 2011; Spreitzer 1996), people feel more empowered when they are able to take action in challenging conditions because being empowered under adverse situations enables a greater sense of control and impact than would otherwise be possible. That is, participation in amenable conditions will not result in as much empowerment as participation in unfavorable situations because participation in the latter condition gives rise to a greater perception of enactive attainment, which increases customers' sense of impact on and worth to the organization. Although participation that occurs with an employee that is more customer-oriented can be considered an "opportunity" rich environment, we submit based on the above reasoning that empowerment will actually be elevated under a "constrained" environment because customers will realize that participation is an opportune chance to voice their opinions and contribute as a source of counsel. That is, we expect misfit between CP and employees' customer orientation on empowerment because customer orientation does not provide a condition conducive for the impact of CP on customer empowerment to be fully appreciated. Therefore, we propose the following:

H4: Customer orientation negatively moderates the CP–customer empowerment relationship such that:

- (a) CP results in more perceived impact when the level of an employee's customer orientation is low (vs. high).
- (b) CP results in more perceived worth when the level of an employee's customer orientation is low (vs. high).

Structural Contingency

Customer Participation Formalization. CP formalization is defined as imposed rules and procedures that customers must adhere to when they engage in participation. Formalization refers to "the degree to which rules define roles, authority relations, communications, norms, sanctions, and procedures" (Jaworski and Kohli, 1993, p. 56). John and Martin (1984, p. 172)

also defined formalization as “the emphasis placed on following specific rules and procedures in carrying out plan formulation, including documentation of planning activities and adherence to job descriptions.” Following Bettencourt (1997), Eisingerich et al. (2014) refer to CP as customer voluntary performance, a type of behavior that is helpful and discretionary in assisting an organization in providing service quality. CP “refers exclusively to a form of voluntary performance entailing customers’ willingness to provide constructive feedback and suggestions to the firm” (Eisingerich et al. 2014, p.41).

Given that CP is a volitional behavior, we argue that when participation is less formalized, where customers do not have to participate by following specified rules and procedures, such enhanced autonomy is expected to strengthen participation’s effect on customer empowerment (Bowen and Lawler 1992; Hartline, Maxham, and McKee 2000). When customers want to participate and can do so by not conforming to certain pre-determined rules, participation’s effect on empowerment will be accentuated because customers will have more flexibility and control over how they can contribute as partial employees. Because CP is voluntary and volitional while CP formalization implies regulatory behavior, the two are incompatible, limiting CP’s effect on empowerment. By imposing less restriction on rules and procedures for participation, such as not mandating customers to participate only through certain modes (e.g., online surveys rather than face-to-face sharing) or during pre-determined periods (compared to when customers spontaneously desire to do so), participation’s effect on empowerment will be stronger by increasing customers’ perceived worth and impact of participation. Therefore, we offer the following:

H5: CP formalization negatively moderates the CP–customer empowerment relationship such that:

(a) CP results in more perceived impact when the level of CP formalization is low (vs. high).

(b) CP results in more perceived worth when the level of CP formalization is low (vs. high).

Research Method

Sample and Data Collection Procedure

The research setting was 110 branches of a South Korean bank. We conducted a multi-respondent and multi-wave (i.e., time lag, temporal ordering) data collection procedure to minimize common method bias (Podsakoff et al. 2003) and to control for reverse causality. Our sample consisted of branch managers, private bankers, and the customers who were offered specialized services (i.e., financial planning, insurance, investment banking, private equity, mortgages, etc.) by private bankers. We sampled 3300 individual customers of 302 private bankers in 110 branches. We prepared surveys in English and then translated them into Korean using translation/back translation procedures (Brislin, Lonner, and Thorndike 1973).

Branch Manager and Private Banker Surveys. We approached the bank through a contact person in order to receive permission to collect data. After permission was granted, we sent survey packages to this contact person who arranged the delivery of the surveys to the branches. Each package contained a survey, an introductory letter, a consent form, and a return envelope allocated for branch managers and private bankers. For the purpose of data analysis, each survey was coded to identify the private banker and the branch. The introductory letter explained the purpose of the study and informed respondents about the confidentiality of their responses and the voluntary nature of their participation in the survey. Private bankers responded to the measures of customer orientation and psychological empowerment, and provided demographic information. Branch managers responded to the measure of customer service quality and provided information about branch size. The surveys were completed during business

hours and returned to the contact person in sealed envelopes. We received 209 usable surveys from private bankers (response rate of 69.2%) and 110 usable surveys from branch managers.

Customer Survey. We employed a similar sampling and data collection procedure to that of Yim et al. (2012). In our case, every private banker manages approximately 70 customers. From this customer base, we decided to select customers who had transaction with the private bank within the last three months. This reduced the sampling frame from approximately 17000 customers to 12000 customers. For the purposes of survey manageability (e.g., cost and time), we chose every third customer on the list. This sampling process resulted in 3300 customers. We conducted our survey to collect data from 3300 customers of 209 private bankers in three waves¹. In the first wave, we measured CP, social bonding, developmental feedback, CP formalization, CP initiation, and the control variables. We measured the customer empowerment variables (i.e., perceived impact and perceived worth) in the second wave, and customer satisfaction in the third wave. After the third wave was completed, we had 891 usable surveys (response rate of 27%). We received at least three customer surveys per private banker.

Matched Data. We matched the customer surveys with those of the private bankers and branch managers in each branch. The final sample consisted of 891 customer–private banker matched pairs from 110 bank branches (891 customers, 209 private bankers, 110 managers). Private bankers’ demographics are as follows: male = 66%, average age = 43 years, average tenure with branch = 2.55 years, and average tenure with bank = 13.29 years. The demographic information of customers is as follows: male = 60%, average age = 55 years, average experience

¹ Podsakoff et al. (2003, p. 888) point out that “although time lags may help reduce common method biases because they reduce the salience of the predictor variable or its accessibility in memory, if the lag is inordinately long for the theoretical relationship under examination, then it could mask a relationship that really exists.” In line with Haumann et al. (2015), the time lag between our three customer surveys was six weeks.

with branch = 7.74 years, and average experience with bank = 13.31 years. The average branch size was 8.5 employees.

Measures

Whenever possible, we used or adapted previously developed and well-established scales to measure this study's constructs. All multi-item constructs were measured using a five-point Likert scale (1-strongly disagree; 5-strongly agree). They are presented in the Appendix.

Customer-Reported Measures. We measured customer participation with a five-item scale borrowed from Chan et al. (2010). Social bonding was measured with a three-item scale adapted from Dash, Bruning, and Guin (2009) for the context of this study. Developmental feedback on CP was measured with a three-item scale adapted from Zhou (2003). CP formalization was measured with a three-item scale borrowed from Fang, Palmatier, and Evans (2008). Customer empowerment was captured in terms of perceived impact and perceived worth of CP². We measured perceived impact with a three-item scale adapted from the impact dimension of Spreitzer's (1995) scale of psychological empowerment. Perceived worth (four items) was measured with a scale adapted from Eisenberger et al. (1997). Customer satisfaction was measured with four items taken from Chan et al. (2010).

Private Banker-Reported Measures. Customer orientation was measured with the five highest loading items of Kennedy et al.'s (2002) scale of customer-oriented mindset. Psychological empowerment was measured with Spreitzer's (1995) scale, which consists of four sub-dimensions with three items each (i.e., autonomy, self-efficacy, impact, and meaning).

² We checked the dimensionality of perceived impact and perceived worth by conducting exploratory factor analysis with varimax rotation. As a result, two factors emerged with an eigenvalue of higher than 1.0 and there were no cross-loaded items (Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .88; Bartlett's Test of Sphericity = 5469.17 ($df = 36, p < .001$)). In line with our theoretical framework, we treated perceived impact and perceived worth as two separate dimensions of customer empowerment.

Branch Manager-Reported Measures. Customer service quality was measured with a five-item scale borrowed from Deeter-Schmelz and Kennedy (2003).

Covariates. We included covariates in our model to avoid model misspecification, to rule out alternative explanations, and to show the robustness of our model by mitigating self-selection and omitted variables biases. In choosing control variables, we paid particular attention to their theoretical relevance and the explanatory power indicated by significant bivariate correlations between a potential covariate and the model's dependent variables (Carlson and Wu 2012; Spector and Brannick 2011). Consequently, we employed three levels of covariates. At the customer level, we controlled for customer demographics (i.e., age and branch experience) and CP initiation when estimating perceived worth and perceived impact while controlling for customer–branch identification in addition to customer demographics and CP initiation when estimating customer satisfaction. Age (in years) and customers' experience with branch (in years) were self-report measures. We took natural-logarithmic transformation of the raw values of customer experience as the raw values were not normally distributed. CP initiation was measured as a dummy-coded variable by asking customers to respond to who initiates participation (0 = voluntary-initiated by myself; 1 = at the encouragement of the private banker). Customer–branch identification was measured with a five-item scale borrowed from Homburg, Wieseke, and Hoyer (2009). At the private banker level, we controlled for psychological empowerment. At the branch level, we controlled for customer service quality and branch size (i.e., number of private bankers in each branch). Since the raw values of customer experience and branch size were not normally distributed, we entered these variables after we took natural-logarithmic transformation of their raw values.

Measure Validation

We conducted separate confirmatory factor analysis (CFA) to assess the reliability, validity, and unidimensionality of the measures responded to by customers, private bankers, and branch managers. The CFAs revealed a good fit to the data (Appendix). Cronbach's alphas and composite reliabilities were above .70. All factor loadings were statistically significant (Anderson and Gerbing 1988) and the average variance extracted (AVE) values were greater than .50 (Bagozzi and Yi 1988). For the customer- and private banker-reported measures, the AVE estimates were greater than the squared intercorrelations between all pairs of constructs (Fornell and Larcker 1981). Hence, the validity and reliability of the measures are supported³.

Model Estimation

Nested Data and Multilevel Modeling. The data used in this study are nested (i.e., customers are nested in private bankers and private bankers are nested in bank branches) and, accordingly, customer and private banker responses are not independent. This suggests that the basic assumptions of ordinary least squares based techniques are violated (e.g., Raudenbush et al. 2011). Therefore, it is essential to assess variation at the customer, private banker, and branch levels so that the hypothesized relationships and their standard errors are estimated more accurately by simultaneously separating and modeling the variance between- and within levels (e.g., Raudenbush and Bryk 2002). We tested our model by using three-level path analysis with Mplus 7 (Muthen and Muthen 1998-2015). We performed a series of tests to determine whether

³We operationalized psychological empowerment as a second-order construct of autonomy, self-efficacy, meaning, and impact (Spreitzer 1995). The second-order CFA resulted in a good fit ($\chi^2(50) = 106.69$; GFI=.899, TLI=.944, CFI=.957, RMSEA=.074). In addition, the first-order dimensions were highly correlated. All these findings provided statistical justification for operationalizing psychological empowerment as a second-order construct. In turn, we averaged the first-order dimensions to create the second-order construct for the next steps of data analysis.

the three-level modeling was statistically justifiable. Significant ICC(1) values and chi-square tests indicated that three-level modeling is statistically appropriate⁴ (LeBreton and Senter 2008).

Accounting for Causal, Observed, and Unobserved Heterogeneity. We take into account causal, observed, and unobserved heterogeneity in the model estimation. First, we consider causal heterogeneity by introducing two-levels of contextual (or moderating) variables into our model. We capture causal heterogeneity in the CP-customer empowerment relationship by analyzing the moderating role of customer level (i.e., within-level) and private banker level (i.e., cross-level) variables. Second, we minimize the observed heterogeneity bias by controlling for customer-, private banker-, and branch-level observable covariates as we introduced earlier (see Figure 1). Third, the multilevel modeling takes into account unobserved heterogeneity by default. Nevertheless, as Rabe-Heskett, Skrondal, and Pickles (2004, pp. 167-168) state:

“[T]he latent variables, or *random effects*, can be interpreted as unobserved heterogeneity at the different levels inducing dependence among all lower-level units in the same higher-level unit. Whereas random intercepts represent heterogeneity between clusters in the overall response, random coefficients represent heterogeneity in the relationship between the response and explanatory variables.”

Endogeneity. In our model, CP might be suspect to endogeneity caused by self-selection⁵. Self-selection bias might arise if and when our respondents are only those customers who participate highly in the service process. In turn, nonresponse bias may result in otherwise significant or insignificant findings in the model estimation (e.g., Grewal, Chakravarty, and Saini 2010). As in Grewal et al. (2013), we controlled for endogeneity by using a latent instrumental

⁴ We computed ICC(1) for customer satisfaction, which indicates how much variance resides between private bankers and branches. The ICC(1) was .24, $F(109,781) = 3.484, p < .01$ and .33, $F(202, 688) = 3.140, p < .001$, respectively, indicating that 24% of the variance in customer satisfaction resided between branches and 33% resided between private bankers.

⁵ Simultaneity is likely to be a concern for endogeneity if the effect of the CP on customer empowerment cannot be distinguished from the effect of customer empowerment on CP (e.g., Shi, Grewal, and Sridhar 2015). We provide theoretical justification as to why CP must lead to perceived impact and worth of CP. Yet, customer empowerment at t may lead to CP at $t+1$. Because we introduced temporal ordering (or time-lag) while measuring CP and perceived impact and worth of CP, simultaneity-caused endogeneity should not be a major concern (cf. Shi, Grewal, and Sridhar 2015).

variable approach⁶. That is, we estimated CP as a function of all the covariates, moderating variables, and an unobserved latent instrumental variable with k categories (Ebbes et al. 2005). In turn, we used predicted values and residuals (as covariates) while estimating customer empowerment and customer satisfaction (Grewal et al. 2013).

Testing Mediation and Moderation Effects. Our model focuses mainly on the mediation (H1) and within-level (H2-H3, and H5) and cross-level (H4) moderation hypotheses. We tested the mediation and moderation hypotheses by performing the Bayesian estimation option⁷. The Bayesian analysis uses Markov Chain Monte Carlo (MCMC) algorithms, through which we obtain bootstrapped estimates (i.e., 1000 samples). We used trace/autocorrelation plots to monitor posterior distributions and the Gelman-Rubin's potential scaling reduction to monitor convergence by using parallel computing in multiple MCMC chains (Muthen and Muthen 1998-2015). We now explain our approach to testing mediation and moderation hypotheses by providing rationale for using the Bayesian estimation option.

First, we employed the multilevel mediation test as outlined by Preacher, Zyphur, and Zhang (2010). As Zhao, Lynch, and Chen (2010, p. 198) summarize, “there should be only one requirement to establish mediation, that the indirect effect ...be significant,” and “the strength of mediation should be measured by the size of the indirect effect, not by the lack of the direct effect.” An indirect effect is not normally distributed as it is computed by multiplying the path coefficients from the independent variable to mediator and from the mediator to dependent variable (Preacher, Zyphur, and Zhang 2010). Therefore, bootstrapping provides a more

⁶Although Garen's (1984) instrumental variable technique is an alternative to correct self-selection caused endogeneity, our dataset does not provide an observed instrumental variable that meets both the relevance and exclusion restriction criteria.

⁷The maximum-likelihood estimation is an option when linear effects that are assumed to be normally distributed are tested (e.g., Grewal et al. 2013). However, this option might produce biased results when one deals with a product term of two variables (i.e., interactions) as it is the case in testing both mediation and moderation hypotheses.

appropriate test of mediation as it computes the indirect effect in each sample by taking a large number of samples from the data and generates a 95% confidence interval from the bootstrap samples. The confidence interval that does not contain zero indicates a significant indirect effect (Preacher, Zyphur, and Zhang 2010).

Second, we performed latent moderated structural equation technique while testing within- and cross-level interactions (for details see Preacher, Zhang, and Zyphur 2016). Because interaction effects are not normally distributed, we employed the Bayesian estimation option that provides more accurate standard errors than the maximum-likelihood option.

Results

Mediated Effects. We hypothesized that perceived impact and perceived worth will mediate the CP–customer satisfaction relationship (H1a and H1b). We first tested the main effects-only model (Table 2, Model 1) and then added the path from CP to customer satisfaction. We found that CP is positively related to perceived impact ($b = .115, p < .01$) and worth ($\gamma = .102, p < .01$). Further, perceived impact ($\gamma = .174, p < .01$) and perceived worth ($\gamma = .265, p < .01$) are related positively to customer satisfaction. However, the effect of CP on customer satisfaction is not significant. Then, we computed the estimate and confidence interval (CI) for the indirect effects of CP on customer satisfaction through perceived impact and perceived worth (impact: $\gamma = .030, p < .01$, 95% bootstrap CI [.011; .050]; worth: $\gamma = .031, p < .01$, 95% bootstrap CI [.004; .057]). Overall, perceived impact and worth of CP mediate the (indirect) effect of CP on customer satisfaction. Hence, H1a and H1b are supported.

Interaction Effects. Table 2 (Model 2) reports the findings for the interaction effects. The interaction effect of CP and social bonding is related negatively to perceived impact ($\gamma = -.126, p < .01$) and perceived worth ($\gamma = -.116, p < .01$). At low levels of social bonding, CP is related

positively and significantly to impact ($\gamma = .215, p < .01$) and worth ($\gamma = .198, p < .01$); however, CP is not related to impact ($\gamma = .011, ns$) and worth ($\gamma = .009, ns$) at high levels of social bonding. Hence, H2a and H2b are supported.

The interaction effect of CP and developmental feedback is related positively to perceived impact ($\gamma = .072, p < .05$). The relationship between CP and perceived impact is positive and significant ($\gamma = .172, p < .01$) at high levels of feedback but not significant ($\gamma = .055, ns$) at low levels of feedback. Similarly, the interaction effect of CP and feedback is related positively to perceived worth ($\gamma = .112, p < .01$). The relationship between CP and perceived worth is positive and significant ($\gamma = .194, p < .01$) at high levels of feedback but not significant ($\gamma = .013, ns$) at low levels of developmental feedback. These findings support H3a and H3b.

The interaction effect of CP and employee customer orientation is negatively related to perceived impact ($\gamma = -.150, p < .01$). The relationship between CP and perceived impact is positive and significant at low levels of customer orientation ($\gamma = .182, p < .01$) but not significant ($\gamma = .044, ns$) at high levels of customer orientation, supporting H4a. The interaction effect of CP and customer orientation is related negatively to perceived worth ($\gamma = -.131, p < .05$), supporting H4b. The relationship between CP and perceived worth is positive and significant at low levels of customer orientation ($\gamma = .164, p < .01$) but not significant ($\gamma = .043, ns$) at high levels of customer orientation.

We found that the interaction effect of CP and CP formalization is not related to perceived impact ($\gamma = -.040, ns$). Therefore, H5a is not supported. However, the interaction effect of CP and CP formalization is related negatively to perceived worth ($\gamma = -.108, p < .05$), which supports H5b. The relationship between CP and perceived worth is positive at low levels ($\gamma =$

.230, $p < .01$) but not significant at high levels ($\gamma = .027$, *ns*) of CP formalization. Figures 2 and 3 show the significant interaction effects.

[Insert Figures 2-3 here]

Discussion

The contribution of this study is twofold. The first lies in the introduction of customer empowerment as a mediator that links CP to customer satisfaction. The inclusion of customer empowerment in the CP model addresses a gap in the literature that has primarily focused on the benefits of CP to the customer (e.g., economic and relational). However, given that CP involves an interactive exchange process between a customer and a service employee, our model offers a novel perspective and views the benefit of CP in terms of worth and impact to the organization, a perspective that has yet to be examined. Results show that when customers perceive that through CP, they are providing worth and making an impact on the organization, they feel more empowered and therefore are more satisfied by engaging in CP.

The second contribution originates from expanding the scope of moderators used in CP models that have been confined to the cognitive characteristics of the customer (e.g., self-efficacy and customer readiness) to three groups (relational, task-based, and structural) that capture a more holistic picture of contingencies beyond just customer-related attributes. Our model, therefore, is able to illustrate a more comprehensive picture of the conditions under which CP unfolds. To disregard such factors would be to ignore the practical context in which CP occurs. In this section, we elaborate in greater detail the implications of our findings from a theoretical and managerial perspective.

Theoretical Implications

Customer empowerment as a mediator. Academics and managers alike have embraced CP because it leads to greater customer satisfaction (e.g., Bendapudi and Leone 2003; Chan et al. 2010; Gallan et al. 2013; Yim et al. 2012), higher service quality (e.g., Dong et al. 2015), elevated new product financial performance (e.g., Chang and Taylor 2016), and improved new service development (e.g., Melton and Hartline 2010). In this study, we specifically attempt to address how CP results in greater customer satisfaction. The prevailing evidence suggests that the main reason for CP's positive impact on customer satisfaction is because CP is associated with certain advantages to customers, which in turn leads to more satisfied customers. These gains to customers can largely be categorized into experiential gains, such as participation enjoyment (Yim et al. 2012), and utilitarian gains, such as functional service quality (Gallan et al. 2013) or economic value (e.g., higher quality, more customization) (Chan et al. 2010). We extend and broaden the literature on the underlying process of why CP leads to customer satisfaction by being one of the first studies to model customer empowerment as a mediator.

The role of customer empowerment as an intervening variable is important for the following reason. Customer empowerment captures customers' perceptions of how much the organization values, appreciates, and cares about CP and the degree to which CP makes a difference to the service process of the organization. That is, the target *referent* of the consequences of CP shifts from the customer to the organization. This route to customer satisfaction from CP stands in contrast to the customer-centric approach that has dominated the extant CP literature. Our linkage from CP to customer satisfaction illustrates a path that can occur when customers believe that CP benefits not only the customer but also the organization. This empowerment route is consistent with the spirit of CP that regards customers as partial

employees because when employees feel that they are making an influence that is worthy and impactful, they will be more satisfied (Seibert et al. 2011). Our results clearly show a different route from CP to customer satisfaction, namely, via customer empowerment that has received limited attention in the literature rather than economic and relational value, participation enjoyment, and functional service quality that have largely been examined. Because CP entails customers as having dual roles as customers and as employees, our findings reveal that it is not only what matters to customers that leads to satisfaction but also how much, as partial employees, they can take part in participative decision-making in the service delivery process that results in the satisfaction of knowing that their efforts are impactful and meaningful (Spreitzer 1996).

Contingencies that inhibit CP from positively affecting empowerment. The CP literature has focused on two streams of research regarding moderators. First, most of the moderators employed in CP research have been confined to characteristics of the customer per se (e.g., self-efficacy, customer readiness). Second, contingencies have primarily focused on conditions that have either elevated the positive effect of CP or conditions that have attenuated the negative impact of CP (Haumann et al. 2015). In other words, much work in the extant literature has shown positive moderating contingencies (see Yim et al. 2012 for an exception). Although taking a contingency perspective of CP has contributed to a more nuanced understanding of the consequences of CP, the focus on the above two streams of moderators has hindered a broader scope of contingencies that expands beyond customer characteristics and positive interaction effects. In this regard, our study makes a valuable contribution to the extant CP literature by (a) casting a wider net that captures relational/social, task-related, and structural moderators and (b)

examining not only positive but negative moderators that clearly stipulate the boundary conditions of CP.

Despite CP being an interactive process, no study to date has examined the moderating role of characteristics associated with the employee. In business contexts that involve high contact and frequent face-to-face interactions between customers and employees such as in private banking, a model that excludes moderators related to employees appears incomplete. Our model addresses the need to include elements related to employees by considering what the moderating role of employees' customer orientation and CP feedback are. Customers engage in participation in a social context through interpersonal interactions with employees who have varying levels of customer orientation. Results suggest that CP leads to more customer empowerment when a customer interacts with an employee that is less customer oriented. In fact, as Panel B in Figures 2 and 3 show, customers sense that CP makes an impact on and is worthy to the organization when an employee has low customer orientation. Interacting with a highly customer oriented employee neither hurts nor helps. Although this can be counterintuitive, we find that CP elevates empowerment when customers participate in unfavorable and challenging environments because customers understand that their participation has that much more impact and is worthy when participation occurs in less customer friendly contexts. Conversely, when CP takes place with an employee that is highly customer oriented, customers may perceive that CP has little impact and worth because the environment is already customer oriented and leaves less room for CP to make a difference.

Providing feedback on CP is a very effective strategy for increasing the return on CP. Although customer empowerment did not suffer when CP feedback was low, this may suggest that CP feedback is more of a surprise or delight attribute and that customers do not expect

feedback from participation. According to the Kano model, surprise or delight attributes lead to customer satisfaction but the absence of such attributes does not necessarily result in dissatisfaction (Kano et al. 1984). Figures 2 and 3 (Panel C) confirm our explanation that customer empowerment was rewarded when CP feedback was high but was not penalized when CP feedback was low.

The two other moderators examined in this study were customers' desire for social bonding with an employee and CP formalization. Both moderators revealed a negative moderating role, which suggests that customers perceived more empowerment when they had a weak desire for social bonding with an employee and when the CP process was less formalized. The negative moderating role of social bonding is consistent with the literature on the role of friendship in business that suggests how friendship can be distracting and interfere with business growth (Grayson 2007). Our results can also be explained using attentional resource theory (Kanfer and Ackerman 1989). Attentional resource theory posits that when there are distractions that draw away one's finite resources, this leaves fewer resources that can be used towards goal accomplishment (Carnevale and Probst 1998; Kanfer and Ackerman 1989). We maintain that a strong desire for social bonding with an employee can be a distraction and interfere with the core task of CP and, therefore, curb CP's effect on customer empowerment.

The degree to which CP is formalized plays an important moderating role. There can be structures in place that institutionalize feedback to customers and require CP to take place only through pre-specified rules and procedures. Our findings attest to the nature of CP being a volitional and discretionary behavior and that customers appreciate flexibility and control in terms of how they desire to engage in CP. Enforcing a standardized procedure that breeds rigidity does not improve empowerment from CP. This implies that striving for efficiency that

conforms to a routine and mechanistic CP process may not strengthen CP's effect on empowerment. Our results suggest that giving customers the latitude and autonomy to choose different ways to participate can pay dividends.

Last but not least, one of the strengths of this study from a design perspective was that we measured different constructs at three different waves from multiple respondents (i.e., customers and private bankers). Such a research design helps to lessen the concern for reverse causality and common method bias. For example, the multi-phase design bolsters the cause-and-effect relationship between constructs in our model from CP to empowerment to customer satisfaction. The assurance that CP did not occur because customers were more satisfied or felt more empowered minimizes the potential for reverse causality. Furthermore, employing a three-level multi-level modeling approach by taking into account that customers are nested within private bankers who are, in turn, nested within branches enabled us to avoid violating the independence of customers and private bankers, and thereby improve the accuracy of model estimation through the separation of within- and between-branch variance.

Managerial Implications

Research shows that companies that support CP enjoy higher repeat business, increased sales, and stronger financial performance (Merlo, Eisingerich, and Auh 2014). Take the example of Apple. What do the websites of Apple Support Communities, Apple Express Lane, and Apple Customer Pulse all have in common? They are all customer engagement strategies that encourage CP to increase customer empowerment and to benefit the company. We now provide real world examples of how CP can be used effectively by managers who wish to use participation to enhance customer satisfaction.

Enhance customer empowerment. Findings show that it is essential for customers to feel empowered by understanding that firms appreciate and care for customer engagement, and through such involvement, customers are making tangible impacts (Kumar and Pansari 2016). For example, Southwest Airlines invites some of its loyal fliers to interviews with prospective flight attendants. The company then uses these customers' input and feedback as part of the hiring process to decide which candidates advance to the next round of interviews (Reichheld and Markey 2011). Or consider "My Starbucks Idea," a Starbucks social network website that encourages customers to participate by providing suggestions on ways to improve the Starbucks experience, discussing this feedback, and voting on each other's ideas. Management then reviews the suggestions and considers the highly popular ones for implementation. As Starbucks (2012) submits: "You know better than anyone else what you want from Starbucks. So tell us. What's your Starbucks idea? Revolutionary or simple—we want to hear it." These examples attest to the fact that it is becoming increasingly apparent that customers need to perceive that CP is not just another round of activity that the firm is implementing for which the customer was chosen to be a participant. Instead, customers need to feel that they can make a difference to the firm and to other customers for CP to have the intended effect.

Provide CP feedback. One of the ways in which managers can improve empowerment from employing CP is to ensure that customers perceive that their participation is valued and has an impact on the organization. Showing evidence of how past CP programs have helped enhance the experience of other customers or have improved service operation efficiency can increase buy-in from customers. The proliferation of social networking represents an invaluable opportunity for companies desiring to provide CP feedback. Social media and CP are a match made in heaven. While social networks represent a golden opportunity for soliciting CP, it is

companies that understand how to harness the information generated that will actually reap most of the benefits. The Director of Social Communications of a large international airline expressed for example: “Imagine someone sharing an idea or criticism while on board a flight, and us being able to share that feedback immediately on that plane with the cabin crew, who can have the issue addressed immediately. One thing is to get feedback. But closing the feedback loop is the big challenge and opportunity!” (Merlo et al. 2014). Keeping customers in the loop by providing detailed feedback on how CP is being utilized can strengthen the return on CP.

Target customers who have little interest in developing personal relationships. With its utilitarian focus, CP is incompatible with customers who desire to form social bonds with employees. This suggests that CP can be effectively used in the early phase of a customer–employee relationship where personal relationships are less likely to have been formed. Further, training and educating employees to be aware of situational and bodily cues that hint whether customers have a desire to develop social and personal relationships can alert employees to make judicious decisions as to whether to invest in CP or not. A UK-based mortgage firm has trained its customer service representatives to listen to clues from customers’ calls to categorize customers into four different personality types: thinker, feeler, controller, and entertainer (Dixon, Freeman, and Toman 2010). Similar training in recognizing what types of customers they are interacting with can be provided to employees to equip them with the knowledge to understand when CP should be encouraged.

Support employees who are less customer oriented to encourage more CP. Our study reveals that managers should support employees who are less customer oriented to encourage customers to use more CP. This implies that the more dispersion or diversity there is in customer orientation amongst employees, the more room there is for CP to enhance customer

empowerment. When all employees are highly customer oriented, CP will not be as effective as when there is much variance in the level of customer orientation or when most employees display a uniformly low level of customer orientation. This suggests that it is possible to engage in CP priority setting by assessing the dispersion of customer orientation across branches. The top target branches should be those where there is significant variance across employees' customer orientation or those that uniformly score low on customer orientation.

Provide flexibility and control on how to participate. Results suggest that imposing formalized rules and procedures can neutralize the impact of CP. Giving customers autonomy and different options to participate amplifies the effect of CP. Findings indicate that customers do not like to be told that there are pre-determined ways to follow when participating. Providing leeway for customers to participate at their discretion through various mechanisms (verbally, electronically through email, social media, central system, etc.) and at the customer's convenience can improve the effectiveness of CP. Furthermore, having access to other customers' participation information can also be informative because such transparency allows customers to learn from each other's ideas. The luxury hotel and resort chain, Fairmont, utilizes a platform called Guest Stories to collect and share customer experiences at the customer's discretion to further improve its guest experiences.

In the end, companies need to find ways to encourage customers to take on CP. A potentially fruitful way to foster CP is to implement conspicuous change (e.g., to a policy, service, product, brand element, positioning, etc.). By making the change conspicuous, the company can get customers' attention and trigger a reaction. When Unilever launched the Dove campaign for real beauty and repositioned the brand around celebrating natural beauty and inspiring confidence, it started a debate not only among customers, but also between customers

and the brand. Being controversial can get customers' attention and increase the likelihood that they express their reactions, which can then be used to better serve customers.

Limitations and Future Research Directions

Our study has a number of limitations that warrant and guide directions for future research. First, although there seems to be two different routes (i.e., benefiting customer vs. benefiting organization) to customer satisfaction from CP, our study was not able to identify when customers are more likely to take which route. It would be of theoretical and managerial interest to determine which underlying process is at work under different conditions. This knowledge could shed light on moderators that strengthen both routes and moderators that bolster one but weaken the other, thereby informing managers to more clearly understand the nuanced relationship between CP and customer satisfaction.

Second, our data came from South Korea, a collectivist culture where conformity is highly valued. Hence, although CP is considered volitional, compliance is typically considered the norm and our model should be tested in Western cultures to enhance the generalizability of the findings.

Third, we did not have any financial metrics to examine the effect of CP on sales, profit, customer acquisition or retention cost. It would be managerially relevant to test whether investing in CP helps increase sales and profit, or decrease customer acquisition and retention cost directly or indirectly via customer satisfaction.

Fourth and last, our model was tested in a very high contact service context (i.e., private banking). The mediating role of customer empowerment may be especially pronounced in such environments where customers' voices are more likely to be heard and taken into consideration. For generalizability purposes, future research should examine the extent to which customer

empowerment remains a focal mediator between CP and customer satisfaction in services where customer contact is not as high (e.g., online or mobile banking).

References

- Anderson, J. C. and D. W. Gerbing (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two Step Approach," *Psychological Bulletin*, 103 (3), 411–423.
- Ashford, S. J. and L. L. Cummings (1983), "Feedback as an Individual Resource: Personal Strategies of Creating Information," *Organizational Behavior and Human Performance*, 32, 370–398.
- Atuahene-Gima, Kwaku and Janet Y. Murray (2004), "Antecedents and Outcomes of Marketing Strategy Comprehensiveness," *Journal of Marketing*, 68 (October), 33–46.
- Auh, Seigyoung, Simon J. Bell, Colin S. McLeod, and Eric Shih (2007), "Co-Production and Customer Loyalty in Financial Services," *Journal of Retailing*, 83 (3), 359–70.
- Bagozzi, R. P. and Y. Yi (1988), "On the Evaluation of Structural Equation Models," *Journal of the Academy of Marketing Science*, 16 (Spring), 74–94.
- Beatty, Sharon, Morris Mayer, James E. Coleman, Kristy Ellis Reynolds, and Jungki Lee (1996), "Customer–Sales Associate Retail Relationships," *Journal of Retailing*, 72 (3), 223–47.
- Bendapudi, Neeli and Robert P. Leone (2003), "Psychological Implications of Customer Participation in Co-Production," *Journal of Marketing*, 67 (January), 14–28.
- Bettencourt, Lance A. (1997), "Customer Voluntary Performance: Customers as Partners in Service Delivery," *Journal of Retailing*, 73 (3), 383–406.
- Bitner, Mary J., W. Earanda, A. Hubbert, and Valarie Zeithaml (1997), "Customer Contributions and Roles in Service Delivery," *International Journal of Service Industry Management*, 8 (3), 193–205.
- Bowen, David E. (1986), "Managing Customers as Human Resources in Service Organizations," *Human Resource Management*, 25 (3), 371–383.
- Bowen, David E. and Lawler, Edward (1992), "The Empowerment of Service Workers: What, Why, How, and When," *Sloan Management Review*, 33 (3), 31–39.
- Brislin, R., W. J. Lonner, and R. M. Thorndike (1973), *Cross-Cultural Research Methods*, New York: Wiley.

Brodie, Roderick J., L. D. Hollebeek, B. Juric, A. Ilic (2011), "Customer Engagement: Conceptual Domain, Fundamental Exchange on Customer Value and Loyalty," *Journal of Business Research*, 59, 449–456.

Carlson, Kevin D. and Jinpei Wu (2012), "The Illusion of Statistical Control: Control Variable Practice in Management Research," *Organizational Research Methods*, 15 (3) 413–435.

Carnevale, Peter J. and Tahira M. Probst (1998), "Social Values and Social Conflict in Creative Problem Solving and Categorization," *Journal of Personality and Social Psychology*, 74 (5), 1300–1309.

Chan, Kimmy Wa, Chi Kin (Bennett) Yim, and Simon S.K. Lam (2010), "Is Customer Participation in Value Creation a Double-Edged Sword? Evidence from Professional Financial Services Across Cultures," *Journal of Marketing*, 74 (May), 48–64.

Chang, Woojung and Steven A. Taylor (2016), "The Effectiveness of Customer Participation in New Product Development: A Meta-Analysis," *Journal of Marketing*, 80 (1), 47-64.

Dash, S., E. Bruning, and K. K. Guin (2009), "A Cross-Cultural Comparison of Individualism's Moderating Effect on Bonding and Commitment in Banking Relationships," *Marketing Intelligence & Planning*, 27 (1), 146–169.

Deeter-Schmelz, Dawn R. and Karen Norman Kennedy (2003), "Patient Care Teams and Customer Satisfaction: The Role of Team Cohesion," *Journal of Services Marketing*, 17 (7), 666-684.

Dixon, Matthew, Karen Freeman, and Nicholas Toman (2010), "Stop Trying to Delight Your Customers," *Harvard Business Review*, 88 (July-August), 116–123.

Dong, Beibei, K. Sivakumar, Kenneth R. Evans, and Shaoming Zou (2014), "Effect of Customer Participation on Service Outcomes: The Moderating Role of Participation Readiness," *Journal of Service Research*, 18 (2), 160–176.

Ebbes, Peter, Michel Wedel, Ulf Böckenholt, and Ton Steerneman (2005), "Solving and Testing for Regressor-Error (In)Dependence When No Instrumental Variables Are Available: With New Evidence for the Effect of Education on Income," *Quantitative Marketing and Economics*, 3 (4), 365–92.

Eisenberger, R., Cummings, J., Armeli, S., and Lynch, P. (1997), "Perceived Organizational Support, Discretionary Treatment, and Job Satisfaction," *Journal of Applied Psychology*, 82, 812–820.

Eisingerich, Andreas B., Seigyoung Auh, and Omar Merlo (2014), "Acta Non Verba? The Role of Customer Participation and Word of Mouth in the Relationship between Service Firms' Customer Satisfaction and Sales Performance," *Journal of Service Research*, 17 (1), 40–53.

Fang, Eric, Robert W. Palmatier, and Kenneth R. Evans (2008), "Influence of Customer Participation on Creating and Sharing of New Product Value," *Journal of the Academy of Marketing Science*, 36, 322–336

Fang, Eric, Robert W. Palmatier, and Rajdeep Grewal (2011), "Effects of Customer and Innovation Asset Configuration Strategies on Firm Performance," *Journal of Marketing Research*, 49 (3), 587- 602.

Fornell, C., and D. F. Larcker (1981), "Evaluating Structural Equation Models with Unobservable Variables and Measurement Error," *Journal of Marketing Research*, 18 (February), 39–50.

Gallan, Andrew S., Cheryl Burke Jarvis, Stephen W. Brown, and Mary Jo Bitner (2013), "Customer Positivity and Participation in Services: An Empirical Test in a Health Care Context," *Journal of the Academy of Marketing Science*, 41, 338–356.

Garen, John (1984), "The Return to Schooling: A Selectivity Bias Approach with a Continuous Choice Variable," *Econometrica*, 52 (5), 1199–1218.

Gartner, A. and F. Reissman (1974), *The Service Society and the Consumer Vanguard*, New York: Harper and Row.

Grayson, Kent (2007), "Friendship versus Business in Marketing Relationships," *Journal of Marketing*, 71 (October), 121–139.

Gremler, Dwayne D. and Kevin P. Gwinner (2000), "Customer-Employee Rapport in Service Relationships," *Journal of Service Research*, 3 (1), 82–104.

Grewal, Rajdeep, Anindita Chakravarty, and Amit Saini (2010), "Governance Mechanisms in Business-to-Business Electronic Markets," *Journal of Marketing*, 45 (July), 45–62.

Grewal, Rajdeep, Alok Kumar, Girish Mallapragada, and Amit Saini (2013), "Marketing Channels in Foreign Markets: Control Mechanisms and the Moderating Role of Multinational Corporation Headquarters–Subsidiary Relationship," *Journal of Marketing Research*, 50 (June), 378–398.

Gwinner, Kevin, Dwayne D. Gremler, and Mary Jo Bitner (1998), "Relational Benefits in Services Industries: The Customer's Perspective," *Journal of the Academy of Marketing Science*, 26 (Spring), 101–14.

Halpern, Jennifer J. (1996), "The Effect of Friendship on Decisions: Field Studies of Real Estate Transactions," *Human Relations*, 49 (December), 1519–47.

- Harmeling, Colleen M., Jordan W. Moffett, Mark J. Arnold, and Brad D. Carlson (2017), "Toward a Theory of Customer Engagement Marketing," *Journal of the Academy of Marketing Science*, 45 (3), 312-335.
- Hartline, M. D., J. G. Maxham III, and D. O. McKee (2000), "Corridors of Influence in the Dissemination of Customer-Oriented Strategy to Customer Contact Service Employees," *Journal of Marketing*, 62, 2(April), 35-50.
- Haumann, Till, Pascal Gunturkun, Laura Marie Schons, and Jan Wieseke, (2015), "Engaging Customers in Coproduction Processes: How Value-Enhancing and Intensity-Reducing Communication Strategies Mitigate the Negative Effects of Coproduction Intensity," *Journal of Marketing*, 79 (November), 17-33.
- Heide, Jan B. and Kenneth H. Wathne (2006), "Friends, Businesspeople, and Relationship Roles: A Conceptual Framework and a Research Agenda," *Journal of Marketing*, 70 (July), 90-103.
- Hofer, Charles W. (1975), "Toward a Contingency Theory of Business Strategy," *Academy of Management Journal*, 18 (4), 784-810.
- Homburg, Christian, Jan Wieseke, and Wayne D. Hoyer (2009), "Social Identity and the Service-Profit Chain," *Journal of Marketing*, 73 (March), 38-54.
- HSBC (2012), "Listening to Your Comments," (accessed September 26, 2012), [available at https://www.hsbc.co.jp/1/PA_ES_Content_Mgmt/content/website/en/pdf/customer_comment_en.pdf].
- Hsieh, An T., Chang H. Yen, and Ko C. Chin (2004), "Participative Customers as Partial Employees and Service Provider Workload," *International Journal of Service Industry Management*, 15 (2), 187-99.
- Humphrey, S. E., J. D. Nahrgang, F. P. Morgeson (2007), Integrating Motivational, Social, and Contextual Work Design Features: A Meta-Analytic Summary and Theoretical Extension of the Work Design Literature," *Journal of Applied Psychology*, 92, 1332-1356.
- Jaworski, Bernard J. and Ajay K. Kohli (1993), "Market Orientation: Antecedents and Consequences," *Journal of Marketing*, 57 (July), 53-70.
- John, George. and John Martin (1984), "Effects of Organizational Structure on Marketing Planning on Credibility and Utilization of Plan Output," *Journal of Marketing Research*, 11 (May), 170-183.
- Jones, Tim, Shirley F. Taylor, and Harvir S. Bansal (2008), "Commitment to a Friend, a Service Provider, or a Service Company: Are They Distinctions Worth Making?" *Journal of the Academy of Marketing Science*, 36(4), 473-487.

- Kanfer, Ruth, and Phillip L. Ackerman (1989), "Motivation and Cognitive Abilities: An Integrative/Aptitude–Treatment Interaction Approach to Skill Acquisition," *Journal of Applied Psychology*, 74 (4), 657-690.
- Kano, Noriaki, Nobuhiko Seraku, Fumio Takahashi, and Shinichi Tsuji (1984). "Attractive Quality and Must-be Quality," *Journal of the Japanese Society for Quality Control* (in Japanese) 14 (2), 39–48.
- Kanter, Rosabeth M. (1989), "The New Managerial Work," *Harvard Business Review*, 66, 85–92.
- Kennedy, Karen Norman, Felicia G. Lassk and Jerry R. Goolsby (2002), "Customer Mind-Set of Employees throughout the Organization," *Journal of the Academy of Marketing Science*, 30 (2), 159–171.
- Kohli, Ajay K. and Bernard J. Jaworski (1991), "The Influence of Coworker Feedback on Salespeople," *Journal of Marketing*, 58 (October), 82–94.
- Kumar, V., Lerzan Aksoy, Bas Donkers, Rajkumar Venkatesan, Thorsten Wiesel, and Sebastian Tillmanns (2010), "Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value," *Journal of Service Research*, 13 (3) 297–310.
- Kumar, V., Yashoda Bhagwat, Xi (Alan) Zhang (2016), "Winning Back Lost Customers," *Harvard Business Review*, March, 22-23.
- Kumar, V. and Anita Pansari (2016), "Competitive Advantage through Engagement," *Journal of Marketing Research*, LIII (August), 497-514.
- LeBreton, James M. and Jenell L. Senter (2008), "Answers to 20 Questions about Interrater Reliability and Interrater Agreement," *Organizational Research Methods*, 11 (4), 815–852.
- Lovelock, Christopher H. and Robert F. Young (1979), "Look to Consumers to Increase Productivity," *Harvard Business Review*, 57 (May–June), 168–78.
- Marketing Science Institute (2010), *Marketing Science Institute 2010-2012 Research Priorities*. Cambridge, MA: Marketing Science Institute.
- Melton, Horace L. and Michael D. Hartline (2010), "Customer and Frontline Employee Influence on New Service Development Performance," *Journal of Service Research*, 13 (November), 411–425.
- Merlo, Omar, Andreas B. Eisingerich, and Seigyoung Auh (2014), "Why Customer Participation Matters," *Sloan Management Review*, 55 (2), 81–88.

- Mills, Peter and James Morris (1986), "Clients as 'Partial' Employees of Service Organizations: Role Development in Client Participation," *Academy of Management Review*, 11 (4), 726–35.
- Muthén, L. K. and B. O. Muthén (1998-2015), *Mplus User's Guide* (7th ed.), Los Angeles, CA: Muthén & Muthén.
- Oldham, Greg R. and J. Richard Hackman (2010), "Not What It Was and Not What It Will Be: The Future of Job Design Research," *Journal of Organizational Behavior*, 31, 463–479.
- Ouschan, Robyn, Jillian C. Sweeney, and Lester W. Johnson (2000), "Dimensions of Patient Empowerment: Implications for Professional Services Marketing," *Health Marketing Quarterly*, Vol. 18(1/2), 99–114.
- Pansari, Anita and V. Kumar (2017), "Customer Engagement: The Construct, Antecedents, and Consequences," *Journal of the Academy of Marketing Science*, 45 (3), 294-311.
- Peters, Thomas J., and Robert H. Waterman (1982), *In Search of Excellence: Lessons from America's Best-Run Companies*, New York: Warner Books.
- Podsakoff, Philip M., Scott B. MacKenzie, Jeong-Yeon Lee, and Nathan P. Podsakoff (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," *Journal of Applied Psychology*, 88 (5), 879–903.
- Prahalad, C.K. and Venkatram Ramaswamy (2000), "Co-opting Customer Competence," *Harvard Business Review*, 78 (January–February), 79–87.
- Preacher, Kristopher J., Zhen Zhang, and Michael J. Zyphur (2016), "Multilevel Structural Equation Models for Assessing Moderation Within and Across Levels of Analysis," *Psychological Methods*, 21 (2), 189-205.
- Preacher, K. J., M. J. Zyphur, and Z. Zhang (2010), "A General Multilevel SEM Framework for Assessing Multilevel Mediation," *Psychological Methods*, 15 (3), 209-233.
- Price, Linda L. and Eric J. Arnould (1999), "Commercial Friendships: Service Provider–Client Relationships in Context," *Journal of Marketing*, 63 (October), 38–56.
- Rabe-Hesketh, Sophia, Anders Skrondal, and Andrew Pickles (2004), "Generalized Multilevel Structural Equation Modeling," *Psychometrika*, 69 (2), 167–190.
- Ramani, Girish and V. Kumar (2008), "Interaction Orientation and Firm Performance," *Journal of Marketing*, 72 (January), 27–45.
- Rappaport, Julian (1987), "Terms of Empowerment/Exemplars of Prevention: Toward a Theory for Community Psychology," *American Journal of Community Psychology*, 15, 121–148.

- Raudenbush, Stephen W. and Anthony S. Bryk (2002), *Hierarchical Linear Models: Applications and Data Analysis Methods*, London: Sage Publications.
- Raudenbush, S. W., A. S. Bryk, Y. F. Cheong, R. T. Congdon, Jr., and M. Du Toit (2011), *Hierarchical Linear and Nonlinear Modeling*, Scientific Software International Inc., IL.
- Reichheld, Frederick F. and Rob Markey (2011), *The Ultimate Question 2.0 (Revised and Expanded Edition): How Net Promoter Companies Thrive in a Customer-Driven World*, Harvard Business School Press.
- Rodríguez, Carlos M. and David T. Wilson (2002), "Relationship Bonding and Trust as a Foundation for Commitment in U.S.-Mexican Strategic Alliances: A Structural Equation Modeling Approach," *Journal of International Marketing*, 10(4), 53–76.
- Seibert, Scott E., Gand Wang, and Stephen H. Courtright (2011), "Antecedents and Consequences of Psychological and Team Empowerment in Organizations: A Meta-Analytic Review," *Journal of Applied Psychology*, 96 (5), 981–1003.
- Shi, Huanhuan, Rajdeep Grewal, and Shrihari Sridhar (2015), "Organizational Herding in Advertising Spending Disclosures: Mechanisms and Evidence," Working Paper, December 2015.
- Spector, Paul E. and Michael T. Brannick (2011), "Methodological Urban Legends: The Misuse of Statistical Control Variables," *Organizational Research Methods*, 14 (2), 287–305.
- Speer, Paul W., N. Andrew Peterson, Theresa L. Armstead, and Christopher T. Allen (2013), "The Influence of Participation, Gender and Organizational Sense of Community on Psychological Empowerment: The Moderating Effects of Income," *American Journal of Community Psychology*, 51, 103–113.
- Spreitzer, Gretchen M. (1995), "Psychological Empowerment in the Workplace: Dimensions, Measurement, and Validation," *Academy of Management Journal*, 18 (5), 1442–1465.
- Spreitzer, Gretchen M. (1996), "Social Structural Characteristics of Psychological Empowerment," *Academy of Management Journal*, 39 (2), 483–504.
- Starbucks (2012), "Share. Vote. Discuss. See," My Starbucks Idea, (accessed September 26, 2012), [available at <http://www.starbucks.com/coffeehouse/learn-more/my-starbucks-idea>].
- Thomas, Kenneth W. and Betty A. Velthouse (1990), "Cognitive Elements of Empowerment: An Interpretive Model of Intrinsic Motivation," *Academy of Management Review*, 15 (4), 666–681.
- Vargo, Stephen L. and Robert E. Lusch (2004), "Evolving to a New Dominant Logic for Marketing," *Journal of Marketing*, 68 (January), 1–17.

- Venkatesan, Rajkumar (2017), "Executing on a Customer Engagement Strategy," *Journal of the Academy of Marketing Science*, 45 (3), 289-293.
- Venkatraman, N. (1989), "The Concept of Fit in Strategy Research: Toward Verbal and Statistical Correspondence," *The Academy of Management Review*, 14 (3), 423-444.
- Verhoef, Peter C., Werner J. Reinartz, and Manfred Krafft (2010), "Customer Engagement as a New Perspective in Customer Management," *Journal of Service Research*, 13(3) 247-252.
- Vivek, Shiri D., Sharon E. Beatty, Robert M. Morgan (2012), "Customer Engagement: Exploring Customer Relationships Beyond Purchase," *Journal of Marketing Theory and Practice*, 20 (2), 127-145.
- Weitz, Barton A. (1981), "Effectiveness in Sales Interactions: A Contingency Framework," *Journal of Marketing*, 45 (Winter), 85-103.
- Wilson, David T. (1995), "An Integrated Model of Buyer-Seller Relationships," *Journal of the Academy of Marketing Science*, 23(4), 335-345.
- Yim, Chi Kin (Bennett), Kimmy Wa Chan, and Simon S.K. Lam (2012), "Do Customers and Employees Enjoy Service Participation? Synergistic Effects of Self- and Other-Efficacy," *Journal of Marketing*, 76 (November), 121-140.
- Zeithaml, Valarie A., P. Rajan Varadarajan, and Carl P. Zeithaml (1988), "The Contingency Approach: Its Foundations and Relevance to Theory Building and Research in Marketing," *European Journal of Marketing*, 22 (7), 37-64.
- Zhao, X., J. G. Lynch, and Q. Chen (2010), "Reconsidering Baron and Kenny: Myths and Truths about Mediation Analysis," *Journal of Consumer Research*, 37(3), 197-206.
- Zhou, Jing (2003), "When the Presence of Creative Coworkers Is Related to Creativity: Role of Supervisor Close Monitoring, Developmental Feedback, and Creative Personality," *Journal of Applied Psychology*, 88 (3), 413-422.
- Zimmerman, Marc A. (1990), "Toward a Theory of Learned Hopefulness: A Structural Model Analysis of Participation and Empowerment," *Journal of Research in Personality* 24, 71-86.
- Zimmerman, Marc A. and Julian Rappaport (1988). Citizen Participation, Perceived Control, and Psychological Empowerment," *American Journal of Community Psychology*, 16, 725-750.
- Zimmerman, Marc A., Barbara A. Israel, Amy Schulz, and Barry Checkoway (1992), "Further Explorations in Empowerment Theory: An Empirical Analysis of Psychological Empowerment," *American Journal of Community Psychology*, 20, 707-727.

Table 1
Descriptive Statistics, Intercorrelations, and Reliabilities

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Customer age															
2. Branch experience (ln)	.329**														
3. CP initiation (dummy variable)	-.113**	-.121**													
4. Customer identification	.198**	.158**	-.111**												
5. CP	.114**	.087**	-.070*	.407**											
6. Perceived impact of CP	.136**	.087**	-.094**	.469**	.433**										
7. Perceived worth of CP	.114**	.044	-.075*	.556**	.442**	.505**									
8. Customer satisfaction	.170**	.128**	-.119**	.594**	.355**	.458**	.551**								
9. Social bonding	.143**	.139**	-.122**	.460**	.435**	.403**	.361**	.480**							
10. CP formalization	.060	-.003	.015	.312**	.384**	.250**	.403**	.248**	.176**						
11. Developmental feedback	.111**	.069*	-.071*	.440**	.504**	.391**	.460**	.367**	.312**	.383**					
12. Customer orientation	-.008	-.015	.086*	.016	.029	.074*	.020	.066	-.010	.049	.050				
13. Psychological empowerment	.016	-.066*	.020	.090**	.081*	.103**	.115**	.097**	-.012	.106**	.122**	.394**			
14. Branch size (ln)	-.050	-.244**	.051	-.033	-.014	-.003	.006	-.059	-.092**	.093**	.044	.136**	.131**		
15. Branch customer service quality	-.056	-.059	.017	.078*	.036	.097**	.083*	.065	.080*	.077*	.055	.094**	.090**	.305**	
Mean	54.95	5.32	.31	3.92	3.70	3.78	3.94	4.19	4.16	3.43	3.66	4.56	4.30	2.16	4.58
SD	11.36	.28	.52	.69	.77	.57	.78	.71	.81	.91	.81	.46	.45	.31	.41
Cronbach's alpha	-	-	-	.89	.88	.84	.93	.93	.90	.91	.88	.87	.89	-	.83
Composite reliability	-	-	-	.90	.87	.85	.93	.93	.90	.91	.88	.88	.89	-	.84
Average variance extracted	-	-	-	.63	.59	.65	.77	.77	.75	.78	.72	.58	.53	-	.52

CP = Customer Participation; CP initiation: 0 = Customer, 1 = Private Banker, ln = natural-logarithm

* $p < .05$; ** $p < .01$ (two-tailed test)

Table 2-Results

	Model 1 (Main Effects Only)						Model 2 (Hypothesized Model)					
	Perceived Impact		Perceived Worth		Customer Satisfaction		Perceived Impact		Perceived Worth		Customer Satisfaction	
	γ	SE	γ	SE	γ	SE	γ	SE	γ	SE	γ	SE
<i>Main Effects</i>												
Customer participation (CP)	.115**	.033	.102**	.041			.113**	.033	.104**	.041		
Perceived impact					.174**	.036					.174**	.036
Perceived worth					.265**	.029					.265**	.029
<i>Moderating Variables</i>												
Customer orientation	.070*	.036	-.025	.044			.075*	.035	-.023	.044		
CP formalization	.041	.026	.219**	.032			.043	.025	.219**	.032		
Social bonding	.141**	.030	.038	.037			.117**	.030	.017	.038		
Developmental feedback	.024	.030	.052	.037			.039	.030	.068	.037		
<i>Cross-Level Interaction Effect</i>												
CP x Customer orientation							-.150**	.056	-.131*	.069		
<i>Within-Level Interaction Effects</i>												
CP x Social bonding							-.126**	.033	-.116**	.041		
CP x Developmental feedback							.072*	.036	.112**	.045		
CP x Formalization							-.040	.033	-.108*	.042		
<i>Covariates (Branch Level)</i>												
Size (ln)	-.034	.052	-.016	.064	-.103	.055	-.031	.052	-.014	.064	-.103	.055
Customer service quality	.088*	.038	.070	.047	.017	.040	.083*	.038	.064	.047	.017	.040
<i>Covariates (Private Banker Level)</i>												
Psychological empowerment	.052	.037	.119**	.045	.030	.036	.066	.036	.133**	.045	.030	.036
<i>Covariates (Customer Level)</i>												
Age	.002	.001	.001	.002	.002	.001	.002	.001	.001	.002	.002	.001
Branch experience (ln)	-.003	.058	-.141*	.072	.044	.061	-.001	.058	-.143*	.072	.044	.061
CP initiation (dummy variable)	-.042	.029	-.022	.036	-.044	.031	-.032	.029	-.016	.036	-.044	.031
Customer-branch identification	.334**	.026	.589**	.032	.416**	.032	.316**	.026	.574**	.032	.416**	.032
<i>Endogeneity correction (CP-residual)</i>	.050**	.018	.093**	.023	-.017	.019	.050**	.018	.092**	.023	-.017	.019
<i>Pseudo-R²</i>	.200		.255		.297		.239		.290		.302	

CP = Customer Participation; CP initiation: 0 = Customer, 1 = Private Banker, ln = natural-logarithm

* $p < .05$; ** $p < .01$ (two-tailed test for control variables; one-tailed test for the hypothesized, directional relationships)

Figure 1-Conceptual Model

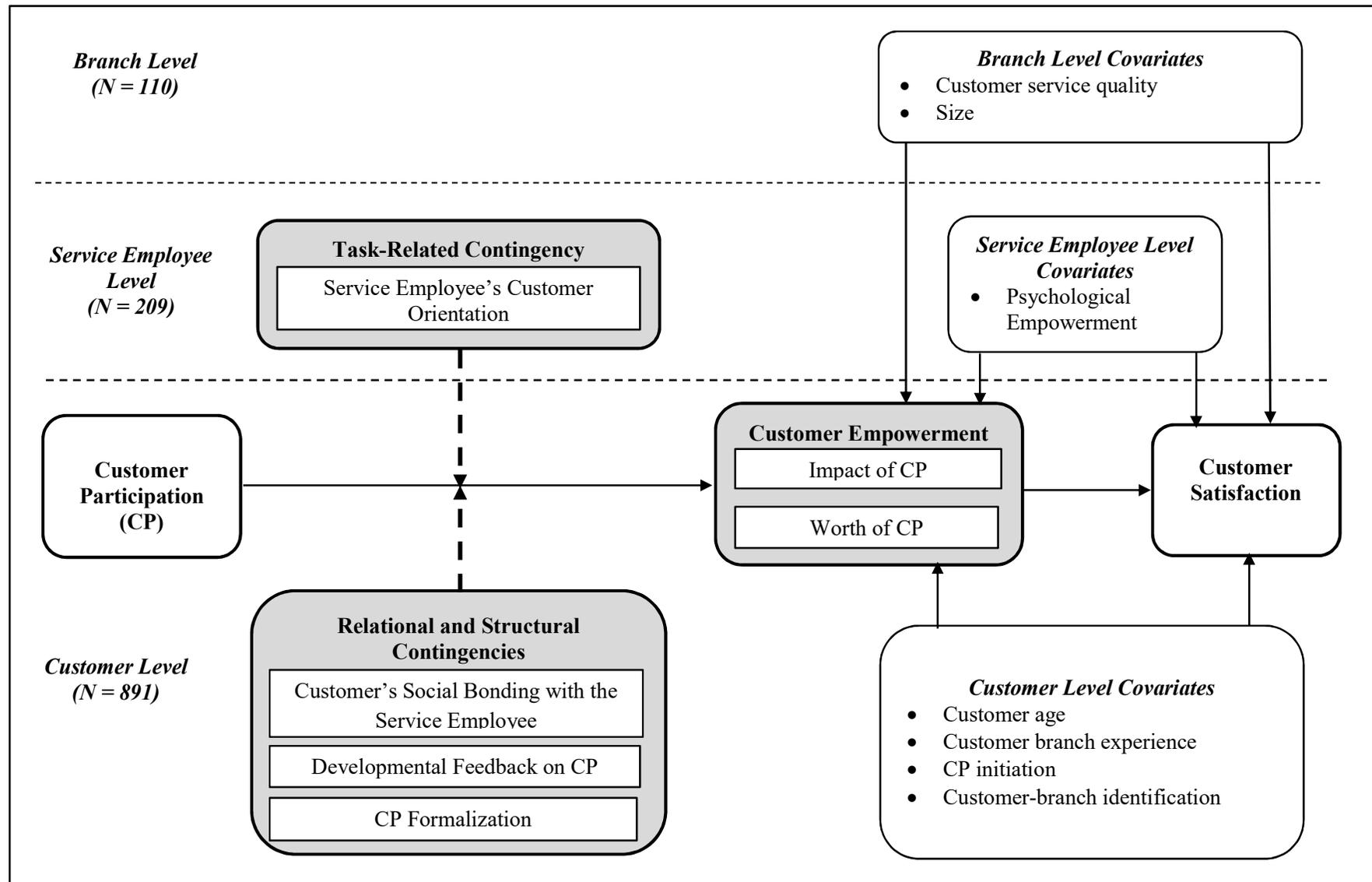


Figure 2 (Panel A): Moderating Effect of Social Bonding on the CP–Perceived Impact Relationship

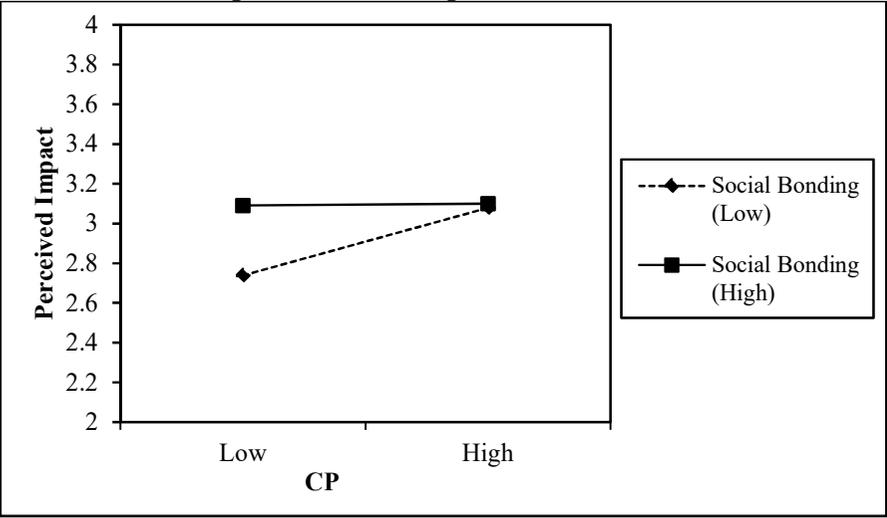


Figure 2 (Panel B): Moderating Effect of Customer Orientation (CO) on the CP–Perceived Impact Relationship

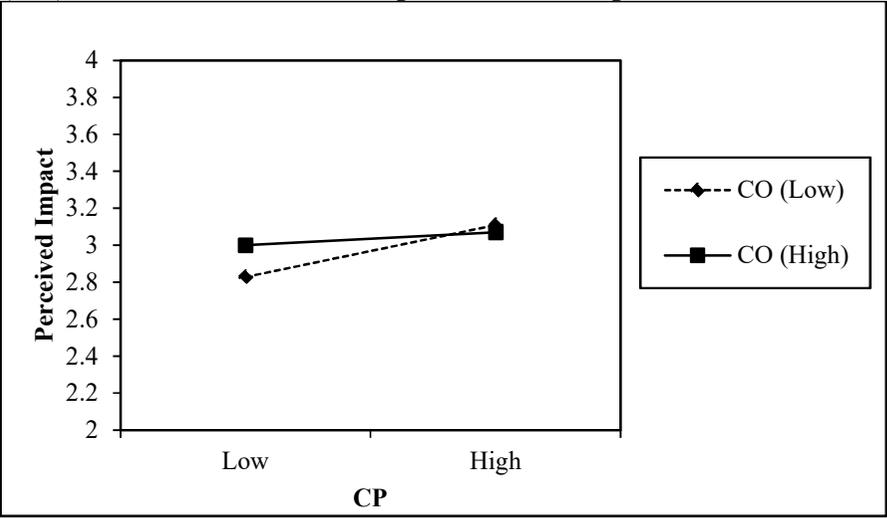


Figure 2 (Panel C): Moderating Effect of Developmental Feedback on the CP–Perceived Impact Relationship

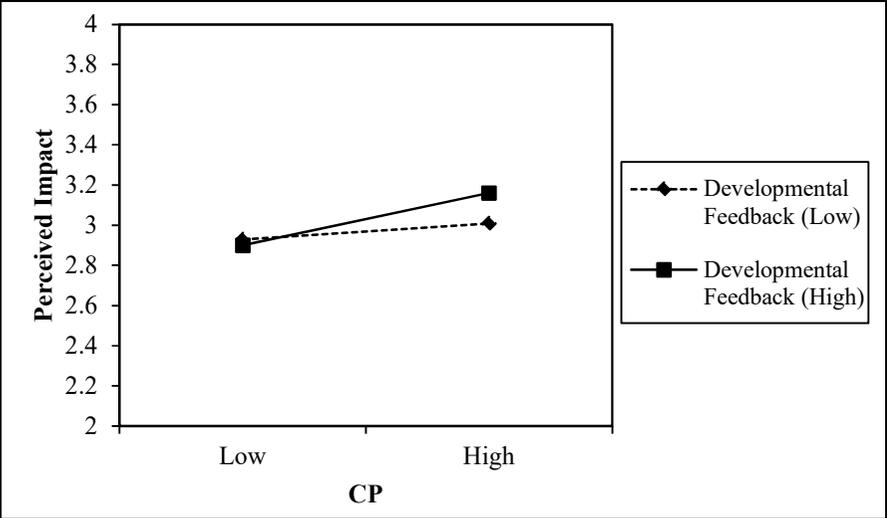


Figure 3 (Panel A): Moderating Effect of Social Bonding on the CP–Perceived Worth Relationship

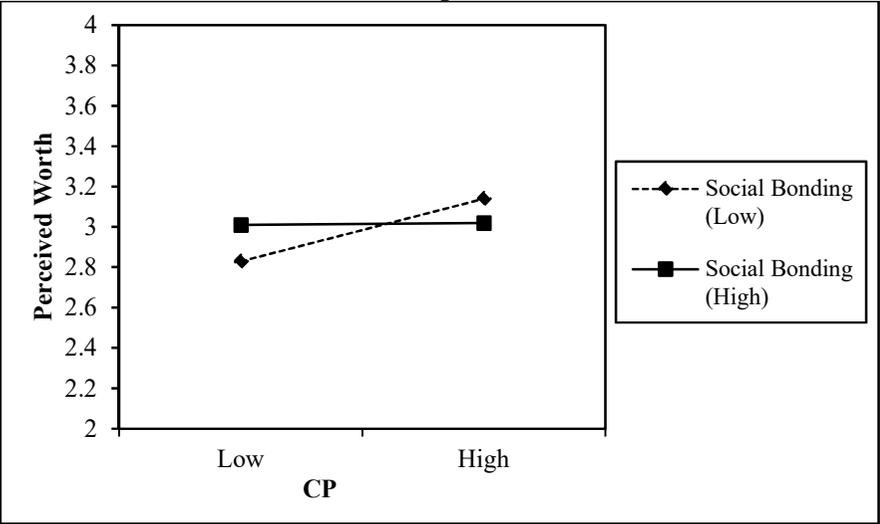


Figure 3 (Panel B): Moderating Effect of Customer Orientation (CO) on the CP–Perceived Worth Relationship

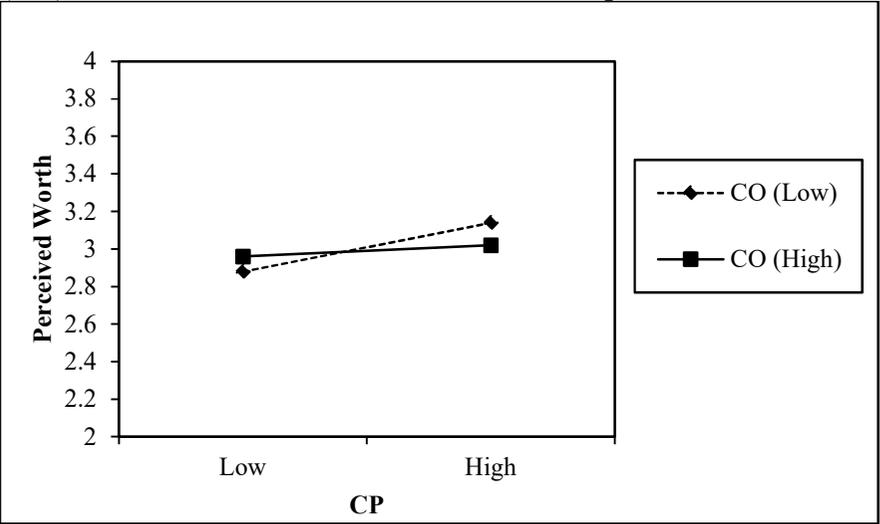


Figure 3 (Panel C): Moderating Effect of Developmental Feedback on the CP–Perceived Worth Relationship

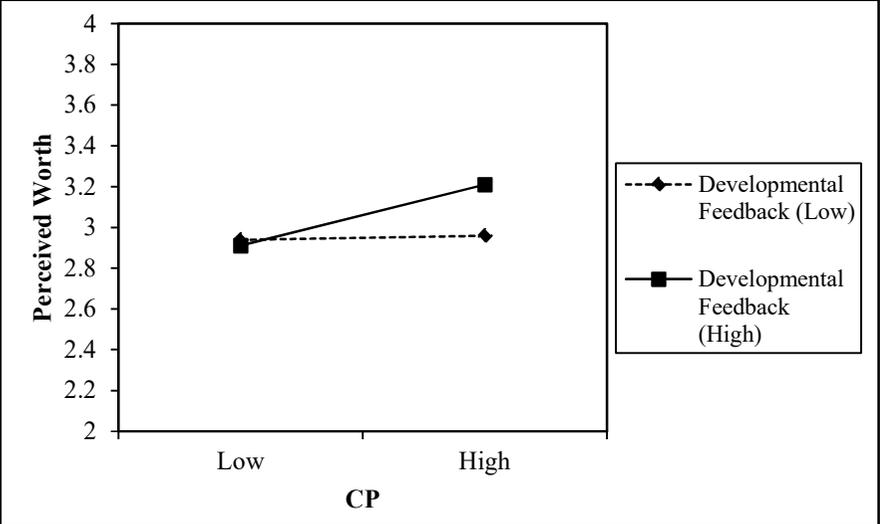
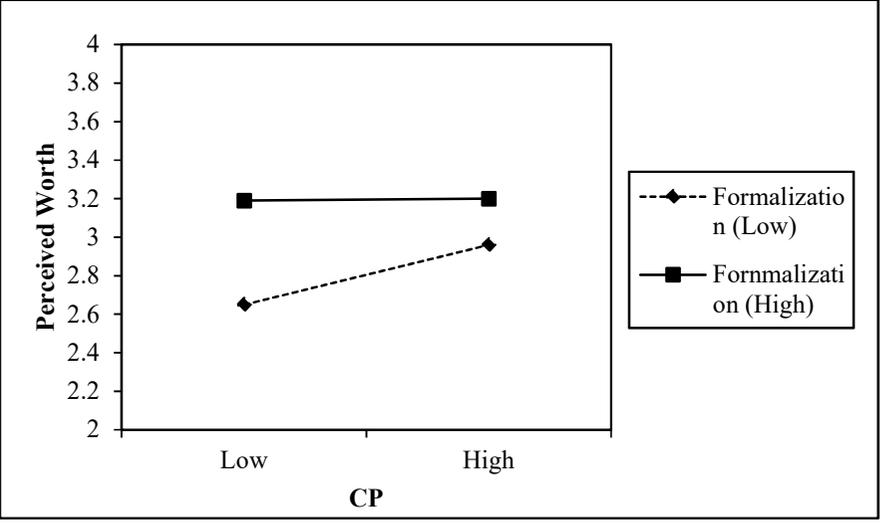


Figure 3 (Panel D): Moderating Effect of Formalization on the CP–Perceived Worth Relationship



Appendix A
Measures and Factor Loadings

	Factor Loading
Customer-Reported Measures	
($\chi^2 = 1442.79$, $df = 377$, $GFI = .893$, $TLI = .942$, $CFI = .950$, $RMSEA = .056$)	
Customer Participation	
I spend a lot of time sharing information about my needs and opinions with my PB during the service process	.636
I put a lot of effort into expressing my personal needs to my PB during the service process	.668
I always provide suggestions to my PB for improving the service outcome	.794
I have a high level of participation in the service process	.858
I am very much involved in deciding how the services should be provided	.838
Social Bonding	
Establishing a personal relationship between my PB and myself is very important to me	.892
Sharing personal advice or support with my PB is very important to me	.881
Developing friendship with my PB is very important to me	.827
Developmental Feedback on Customer Participation	
The timely and regular feedback provided by my PB helps me learn how the bank improves customer service operations	.791
My PB provides me with regular and timely feedback on how my participation in the service process benefits the bank to improve its operations	.894
My PB provides me with regular and timely feedback on how customers' suggestions are used to improve service operations	.850
Customer Participation Formalization	
I am formally involved in the customer participation process	.839
There is a system of formal rules imposed regarding involvement in customer participation	.932
I follow formal procedures on how to engage in customer participation	.874
Customer-Branch Identification	
I strongly identify with this bank branch	.697
I feel good to be a customer of this bank branch	.834
I like to tell that I am a customer of this bank branch	.743
This bank branch fits well with me	.847
I feel attached to this bank branch	.846
Perceived Customer Participation Impact	
I am very well aware of the positive impact that my participation in the service process has on this bank branch	.851
I am very well aware of the ways in which my participation in the service process is benefiting this bank branch	.816
I have a positive impact on this bank branch through my participation in the service process	.746
Perceived Customer Participation Worth	
This bank branch cares about my participation in the service process	.841
This participation in the service process is very important to this bank branch	.841
This bank branch appreciates my participation in the service process	.919
This bank branch values my participation in the service process	.899
Customer Satisfaction	
I am satisfied with the services provided by this bank branch	.852
This bank is a good bank branch to do business with	.903
The service of this bank branch meets my expectations	.870
Overall, I am satisfied with the service provided by this bank branch	.882
Private Banker-Reported Measures	
($\chi^2 = 196.91$, $df = 109$, $GFI = .881$, $TLI = .943$, $CFI = .955$, $RMSEA = .062$)	
Customer Orientation	
I must understand the needs of my customers	.755
It is critical to provide value to my customers	.824
I can perform my job better if I understand the needs of my customers	.756
Understanding my customers will help me do my job better	.730

I am primarily interested in satisfying my customers .768

Psychological Empowerment

Meaning

My work is very important to me .687

My job activities are personally meaningful to me .698

I care about what I do here at this branch .532

Self-efficacy

My job is well within my scope of my abilities .795

I am confident about my ability to do my job .837

I have mastered the skills to do my job .748

Autonomy

I have significant autonomy in determining how I do my job .899

I can decide on my own how to go about doing my job .845

I have considerable opportunity for independence and freedom in how I do my job .844

Impact

My opinion counts in work group decision-making .689

My impact on what happens in this branch is large .901

I have a great deal of control over what happens in this branch .843

Branch Manager-Reported Measure

($\chi^2 = 2.76$, $df = 5$, $GFI = .990$, $TLI = 1.0$, $CFI = 1.0$, $RMSEA = .00$)

Customer Service Quality

My Branch meets its goals regarding the delivery of customer service .618

The number one goal of my Branch is to provide customers with the best service possible .729

My Branch works hard to send customers home in a better state than when they arrived .776

One way my Branch tries to improve customer service is by keeping private bankers close to the customer .788

The customers we care for usually appreciate the effort of our Branch .681

All factor loadings are significant at $p < .01$ level.

PB = Private Banker