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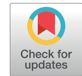
The impact of customer inclusion in firm governance on customers' commitment and voice behaviors



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ABSTRACT

Customer inclusion in firm governance offers a potential strategy to develop customers' commitment, as well as their voice behaviors. Such practices are widespread in member-owned businesses (MOBs), which represent alternatives to traditional shareholder governance models (investor-owned businesses [IOBs]) by providing for customers' legal ownership and control over managers. However, relationship marketing research on these firm governance strategies is sparse; to address this knowledge gap, the current study investigates the influence of customers' inclusion in firm governance on their commitment to the firm and voice behaviors (i.e., willingness to suggest service improvements and issue complaints). A field study of 310 French customers in the retail banking sector reveals that MOB customers have stronger feelings of psychological ownership of firms than IOB customers, which leads to their greater commitment to firms and their greater voice intentions. These findings have implications for theory, practice, and further research.

1. Introduction

Including customers in firm governance—by giving them access to firm ownership and greater control over managers' decision making—might strengthen those customers' commitment and voice behaviors, which in turn can support the development and maintenance of long-term customer–firm relationships. Firm governance "is the system by which companies are directed and controlled" (Tihanyi, Graffin, & George, 2015, p. 1) by stakeholders with legal claims of ownership of the firm. In practice, the strategy of including customers in firm governance is not a trivial phenomenon; member-owned businesses (MOBs) rely explicitly on it. Commonly known as cooperatives, mutuals, or credit unions, MOBs offer alternatives to investor-owned businesses (IOBs), which reflect traditional shareholder value concepts (Birchall, 2012). In the United States alone, credit unions serve more than 100 million customers, representing almost half of the country's economically active population. Total credit union assets reached $1 trillion in 2015 (World Council of Credit Unions, 2015). In Europe, credit unions represent 81 million customers and an average market share of approximately 20% (World Council of Credit Unions, 2015). In Asia, 45.3 million people are customers of credit unions (Association of Asian Confederation of Credit Unions Annual Report, 2014).

Firm governance also is of interest to scholars. Clark, Key, Hodis, and Rajaratnam (2014) have called for expanded research into how firm governance might inform marketing practice. In this sense, the MOB–IOB distinction is particularly relevant, because they differ in terms of whether they include customers in their underlying governance models (Guerrero, Lapalme, & Séguin, 2015). By addressing distinct customer status scenarios, as reflected by the different business organizations, it is possible to specify how customers' inclusion in firm governance might affect key marketing outcomes, such as commitment and voice behaviors. In particular, customer commitment implies a desire to maintain a relationship with a provider (Gustafsson, Johnson, & Roos, 2005) and is critical to relationship marketing effectiveness (Dwyer, Schurr, & Oh, 1987; Garbarino & Johnson, 1999; Morgan & Hunt, 1994; Thomson, MacInnis, & Whan Park, 2005). Furthermore, voice behaviors affect relationship maintenance and development, so the current research investigates effects on both customer suggestions for service improvement and complaints (e.g., Bove & Robertson, 2005; Cossío-Silva, Revilla-Camacho, Vega-Vázquez, & Palacios-Florencio, 2016).

With this approach, this study contributes to extant literature by showing that including customers in firm governance enhances relationship development, in terms of both commitment and voice behaviors. In particular, MOBs inherently include customers in firm governance because they take legal ownership of the firm, such that customers can control managerial decisions through their participation on boards of directors. Such direct control may reduce agency problems

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(Schepers, Falk, de Ruyter, de Jong, & Hammerschmidt, 2012). Furthermore, according to social exchange theory and reciprocity norms, control constitutes a benefit, which should motivate customers to reciprocate with greater commitment (Kull & Heath, 2016). However, control also stems only indirectly from legal ownership. As psychological ownership theory states, legal ownership cannot explain changes in customers' attitudes (e.g., commitment) but instead must evoke shifts in psychological ownership or feelings of ownership first (Pierce, Kostova, & Dirks, 2001, 2003). With a field study in the retail banking sector, the authors confirm that MOBs achieve a relationship marketing advantage over IOBs, because their inclusion of customers in firm governance strengthens the customers' psychological ownership, which enhances their commitment to the firm. Commitment also fully mediates the influence of psychological ownership on voice behaviors.

The following section reviews extant literature pertaining to the distinction between MOBs and IOBs. Next, this article describes the conceptual model and methodology, before presenting the results. Finally, the authors discuss the theoretical and managerial implications of the findings and identify some study limitations and opportunities for further research.

2. Theoretical framework

2.1. Customer inclusion in firm governance and psychological ownership: A MOB–IOB distinction

Birchall's (2012) framework distinguishes two main models of firm governance: IOBs and MOBs. Businesses that employ MOB governance are commonly known as cooperatives, mutuals, or (in the banking sector) credit unions. Research pertaining to the social economy (Birchall, 2012) and administrative sciences (Keating & Keating, 1975; Leca, Gond, & Barin Cruz, 2014) suggests that MOBs enjoy competitive advantages over IOBs; for example, cooperative banks appear to have resisted the recent global recession better than their traditional counterparts (Birchall, 2012). Some authors also argue that MOBs offer a credible alternative to capitalist models (Leca et al., 2014). However, the differences between MOBs and IOBs, and their implications for marketing, have received little attention, though Lécuyer, Capelli, and Sabadie (2017) show that MOBs communicate their social responsibilities better than IOBs. To extend this research stream, the current study investigates whether MOBs enjoy competitive advantages over IOBs in their customer relationships too, because they include customers in their firm governance. This prediction reflects insights from three main theories: social exchange theory (Blau, 1964), agency theory (Eisenhardt, 1989), and psychological ownership theory (Pierce et al., 2001, 2003).

First, relationship marketing seeks to establish, develop, and maintain successful relational exchanges (Morgan & Hunt, 1994) by encouraging customers' feelings of commitment (Thomson et al., 2005). According to social exchange theory (Blau, 1964) and the norm of reciprocity (Bagozzi, 1995), firm strategies that seek to develop relationships obligate customers to reciprocate, in the form of commitment (Grönroos, 1990). The norm of reciprocity thus helps explain how firms' relationship marketing efforts can prompt desirable, revenue-generating customer attitudes (e.g., commitment) and behaviors (e.g., voice). That is, customers devote more care and attachment to firms that demonstrate their dedication (Brady & Cronin, 2001). Such dedication also could be demonstrated by including customers in firm governance, because it grants customers legal ownership of the firm and control over managers' actions. Thus, it constitutes a relationship strategy that provides customers with both symbolic and concrete benefits. The legal claim to ownership provides customers with special status, such that they benefit from their high standing in the organizational hierarchy and enjoy rights to participate in boards or influence managers' actions (Guerrero et al., 2015). In terms of concrete benefits, ownership implies that the firm likely adapts its offers to meet their unique needs. Therefore, customer inclusion in firm governance likely creates an obligation for customers to reciprocate by committing to the firm. Moreover, MOB customers likely reciprocate the control benefits that they gain; just as sharing experiences or working together tends to bring people closer, consumers partnering with a brand that shares control with them should feel closer or more committed to that brand (Kull & Heath, 2016; Whan Park, MacInnis, Priester, Eisingerich, & Iacobucci, 2010). Although this control stems from customers' legal ownership, its efficacy also depends on whether the customer experiences this sense of ownership at a psychological level. Because this strategy and the reciprocity it evokes is specific to MOBs, they may gain competitive advantages over IOBs from a relationship marketing perspective.

Second, MOBs grant customers legal access to ownership, such that they have the right to participate on the board of directors and exert direct control over managerial decisions. Agency theory in turn suggests a means to conceptualize the controlling and monitoring roles of directors and board members by owners/shareholders. It stipulates that an agency relationship is present whenever one party (i.e., principal) delegates some action to another party (i.e., agent), to be undertaken on the principal's behalf (Eisenhardt, 1989). In an IOB model, shareholders buy shares, which give them the proportionate rights to elect boards of directors. Their ownership goals include maximizing returns on their investments, in the form of share values and dividends. Their interests and goals—and those of the managers they hire—are not necessarily aligned with customers' needs or satisfaction (Mills, 1990; Schepers et al., 2012). In contrast, MOBs assign benefits mainly to members (Birchall, 2012; Leca et al., 2014), such that members' needs, rather than efficiency or profit maximization, become the focal points of interest for managers (Keating & Keating, 1975); this member focus diminishes agency problems. Furthermore, in contrast with boards of directors drawn from small groups of shareholders, MOB boards of directors derive from larger groups, and board elections follow a democratic principle of one vote per person. Members assign mandates to the boards to deliver value to members, not as shareholders (i.e., dividend recipients) but as users or customers (i.e., service recipients). Therefore, from an agency perspective, customers' inclusion in firm governance makes MOBs superior to IOBs (Cornforth, 2004; Jussila, Saksa, & Tienari, 2007).

Third, psychological ownership theory states that legal ownership is not sufficient to explain changes in customers' attitudes and behaviors and recognizes that such shifts require psychological ownership (Pierce et al., 2001, 2003). Legal ownership is based on legal rights; psychological ownership is attitudinal and experienced in consumers' minds. Legal ownership can transform into psychological ownership through three "routes" (Jussila, Tarkiainen, Sarstedt, & Hair, 2015; Pierce et al., 2001): exercise of control over the target, getting to know the target intimately, and investment of the self into the target. Considering that MOBs include customers in firm governance by giving them access to legal ownership, MOB customers should experience greater feelings of psychological ownership (Jussila et al., 2007; Jussila, Byrne, & Tuominen, 2012). Jussila and Tuominen (2010) also explain that governance in MOBs encourages members to proceed through these three routes and develop stronger feelings of ownership than IOB customers. Specifically, MOB members, by sitting on boards of directors, exert greater control over managers' actions (Guerrero et al., 2015). They thus develop greater knowledge of how their MOBs function. In their combined roles as users and owners, they are motivated to ensure higher quality. To obtain more benefits, members invest in their MOBs' governance and devote time and effort to its activities (e.g., attending general membership meetings; Jussila & Tuominen, 2010).

To summarize, from a relationship marketing perspective, MOBs include customers in firm governance, in the form of legal ownership and greater control over managers' actions, which in turn motivates the customers to reciprocate with greater commitment (Grönroos, 1999). The transfer of control could lead directly to enhanced commitment

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