CUSTOMER ORIENTATION AND OFFICE SPACE PERFORMANCE: ASSESSING THE MODERATING EFFECT OF BUILDING GRADE USING PLS-MGA

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Abstract. This study presents a framework to measure and empirically validate the relationship between customer orientation and office space performance. The framework uses two types of customer orientation (i.e., responsive customer orientation and proactive customer orientation) and two types of office space performance metrics (i.e., tenant satisfaction and tenant loyalty). Moreover, the building grade (Grade A and Non-grade A) is incorporated into the framework to assess its moderating effect on the relationships. 380 usable responses were collected from building managers in Grade A and Non-grade A buildings using a questionnaire survey. Partial least squares structural equation modeling was utilized to perform latent variable and multi-group analyses. The findings indicate that proactive customer orientation enhances satisfaction to a level not reached by responsive customer orientation as well as suggesting the applicability of both customer orientations in different scenarios. While proactive customer orientation practices lead to higher satisfaction in Non-grade A office tenants, responsive customer orientation practices lead to greater satisfaction in grade A office tenants. The latter tend to be more satisfied with Grade A office and thus loyal. Theoretical and managerial implications are discussed.

Keywords: customer orientation, office space performance, attention based view, office building grade, satisfaction, loyalty, PLS-SEM.

Introduction

Sustainable market intelligence can be achieved through customer orientation. To satisfy customers' needs, customer-focused research and resource allocation efficiency are crucial (Kohli & Jaworski, 1990). Being customer oriented not only aids in acquisition, but it also cultivates engagement−communication, collaboration and coordination (Blocker, Flint, Myers, & Slater, 2011; Narver & Slater, 1990). Customer orientation is a key ingredient in creating superior customer value. It is particularly important in markets with intense competition (Blocker et al., 2011; Vargo & Lusch, 2004). Firms need to maximize the use of customer orientation to efficiently utilize the resources to satisfy customers' changing needs.

As many past studies focus on responsiveness (Kohli & Jaworski, 1990), the notion of customers' future and changing needs is somewhat neglected. Responsiveness alone does not equate to customer orientation, and addressing both present and future needs of the customers is of practical importance (Blocker et al., 2011; Flint, Woodruff, & Gardial, 2002; Flint & Woodruff, 2001). Blocker et al. (2011) studied the inclusion of both responsive customer orientation (RCO) and proactive customer orientation (PCO) to look into the overall customer orientation concept. Such inclusion proves beneficial in value creation. Two empirical studies, one of which is in the area of professional consultancy by Hair, Gabriel, and Patel (2014) and the other in the area of product development by Blocker et al. (2011), have concluded that RCO and PCO can significantly predict performance. This is in line with attention-based view (ABV) theory that suggests that value-creation can be enhanced by implementing customer

orientation strategies effectively (Atuahene-Gima, Slater, & Olson, 2005).

By applying customer orientation concepts, the present study aims to investigate whether building owners in the Golden Triangle Kuala Lumpur (GTKL) are able to use customer orientation, including both PCO and RCO, as strategies to increase customer satisfaction and loyalty. It is also purposed to test Blocker's et al. (2011) views on PCO as a more consistent driver of customer value in two different grades for office building (Grade A and Non-grade A) at GTKL.

Industry experts termed Grade A office buildings as prestigious, with comprehensive infrastructure and easy accessibility, unique architecture in prime locations and professionally managed. The office tenants often look for high-end benefits, and hence pay higher rent (Adnan, Nasir Daud, & Najib Razali, 2012; Ting, 2002). Non-grade A office space, in turn, is averagely managed, located in less prime locations, predictable architecture and infrastructure, and hence commands average rent. The level of service and facilities differ in these two office buildings. It is probable that the influence of customer orientation on office space performance differs between Grade A and Non-grade A (Adnan et al., 2012). This research argues that Blocker's et al. (2011) suggestion that PCO is a more consistent driver of customer value may not be applicable in a real estate context, in this case, office buildings. The moderating role of office building grade on the relationship between customer orientations and building performance is thus studied. The research questions of the study are as follows.

i.   Which customer orientation (PCO or RCO) is more influential in explaining tenant satisfaction?
ii. Does tenant satisfaction influence tenant loyalty?
iii. Does the relationship between customer orientation, tenant satisfaction and tenant loyalty differ between Grade A and Non-grade A office buildings?

1. Literature review

Attention-based view (ABV) theory aims to explain firm's behavior on organizational attention either in business-to-business (B2B) or business-to-customer (B2C) contexts (Jones & Baumgartner, 2005; Thornton & Ocasio, 2008). The theory was first developed by Ocasio (1997) who claimed that decisions are dependent on the firm's structural distribution. A firm's strategy is the formulation of organizational attention on customer- related issues. These issues include the existing problems, opportunities and threats, allocation of resources, processes, and day-to-day operations. Firms with different strategic orientations will have different types of attention distribution to the issues and answers. The decision to allocate attention in an activity is the primary reason for explaining why certain firms have the ability to adapt to changes and achieve sustainable strategic performance in the competitive environment (Ocasio, 1997).

Ocasio (2011) suggested that ABV assists in overcoming structural inertia and core rigidities. However, McCarthy and Gordon (2011) asserted that management control systems aid in attention and resources allocation. Belief and interactive systems promote a feed-forward control orientation, while boundary as well as diagnostic systems are able to capture feedback. Hence, ABV improves firm's resources, increases productivity, and translates them into customer value (Kohli & Jaworski, 1990; Narver & Slater, 1990).

Through the use of RCO and PCO, attention to customers' needs and obtaining feedback can be expanded, thus generating greater customer value. Though past research largely agreed on the importance of RCO and PCO (e.g., Narver, Slater, & MacLachlan, 2004), the measurement scale used did not reflect both dimensions. This can be seen in Jaworski and Kohli's (1993) market orientation (MARKOR) scale. It is thus apparent that there remain inconclusive research findings on customer orientation concept.

Recognizing the limitation of previous measurements, Blocker et al. (2011) further improved the concept by developing separate measures for PCO and RCO. PCO attempts to uncover the future customer needs and pursue new market opportunities (Atuahene-Gimaet al., 2005; Jaworski, Kohli, & Sahay, 2000; Narver et al., 2004; Narver & Slater, 1990; Slater & Narver, 1998). RCO, on the other hand, focuses on the collection and analysis of market intelligence, identifying target customers and product segments (Atuahene-Gima et al., 2005; Jaworski et al., 2000; Narver & Slater, 1990).

When it comes to strategic issues and resource allocation, RCO and PCO differ in their attention. RCO focuses on attention allocation on customers' expressed needs in existing market's opportunities and competitive threats. Atuahene-Gima et al. (2005) proposed that paying attention to existing customers, their needs and desires will benefit the firms. It, therefore, explains why many firms often device processes to improve the efficiency of resource allocation so as to strengthen customer value creation. They also acquire, develop or create the required resources to produce offerings that meet customers' expressed needs.

PCO emphasizes on future needs, such as future competition and new market opportunities. Customers' perceptions of value change according to their demands and expectations (Day, 2011; Eggert, Ulaga, & Schultz, 2006; Parasuraman, Zeithaml, & Berry, 1994). It is thus a challenge to implement customer value-based strategy (Woodruff, 1997), particularly when the implementer fails to adapt to changes. Customers will move on to other providers if a firm fails to meet the changes in their needs and expectations (Beverland, Farrelly, & Woodhatch, 2004). Those who proactively innovative, tend to recognize potential needs and develop market offerings, emphasize on PCO, allocating more resources on strategic activities, building non-rigid organizational processes that facilitate new experiments and the discovery of new services or products, thus remain competitive in a sustainable manner.

Although PCO and RCO are different, they complement each other in formulating initiatives that enhance firm's capability in formulating a sustainable long-term performance (Blocker et al., 2011). Grade A and Non-grade A offices may use PCO and RCO differently due to financial capabilities. For instance, Grade A having stronger financial capability due to higher revenue from rent received vis-à-vis in Non-grade A offices. In light of the aforementioned, the present study aims to shed lights on how firms' management concentration on value creation will strengthen the office space performance (i.e., tenant satisfaction and loyalty).

2. Hypothesis development

2.1. Customer orientation and tenant satisfaction

Both PCO and RCO are crucial in creating value for the customers (Beverland et al., 2004). Blocker et al. (2011) suggest that a firm's survival depends upon its emphasis on PCO and RCO. This certainly applies to the office buildings market. According to Sanderson and Edwards (2016), office tenants anticipate responsiveness from the building management. In brief, they expect a swift, well-mannered and efficient response (Norwell & Stevens, 1992). How well the management handles complaints shows the level of management's commitment (Birkeland & Bettini, 1995).

Responsiveness during renovation or system change is particularly crucial as unexpected problems that need urgent attention may arise (Hartz & Reber, 1992). Office tenant's retention is very much hinged upon whether responses are proactively delivered (Birkeland & Bettini, 1995). Often office tenants fail to either voice their complaints and their complaints might have gone on `deaf ears'. As a result, management often fails to either identify the problem or simply does not understand what is going on (Sanderson & Edwards, 2016). Firms that adopt PCO and RCO consider present and future scenarios and thus strengthen their competitive advantage. In other words, high-performance office buildings that adopt both PCO and RCO are likely to have satisfied clients. As such the following hypotheses are formulated:

H1: Proactive customer orientation will be positively related to tenant satisfaction.

H2: Responsive customer orientation will be positively related to tenant satisfaction.

2.2. Tenant satisfaction and loyalty

Song and Yan (2006) suggested that satisfaction is an overall evaluation of customer experience and is related to the level of the person's enjoyment. The social exchange theory describes how customer satisfaction influences customer loyalty. It demonstrates that social relationship is a source of emotions and attempts to categorize buyers' emotions through different exchanges (Lawler, 2001). The theory attempts to measure the value through shared engagements (Cropanzano & Mitchell, 2005). If customers experience positive emotions during and after service encounters, such experience will encourage loyalty. Therefore it is not

surprising that many marketing studies show a strong connection between customer satisfaction and customer loyalty (Anderson & Sullivan, 1993; Mittal & Kamakura, 2001; Oliver, 1980; Rust & Zahorik, 1993). Customer retention is the result of repeated satisfaction with a firm. Customer loyalty needs to be fostered and this happens in a continuous manner (Oliver, Rust, & Varki, 1997). Given the fact that customers who are highly satisfied or delighted with the services are very likely to remain loyal (Oliver, 2014), thus the following hypothesis is developed:

H3: Tenant satisfaction will be positively related to tenant loyalty.

2.3. Office building grade

This study considers the effect of office building grade, namely Grade A and Non-grade A, when examining customer orientation's (RCO and PCO) influence on office space performance (tenant satisfaction and tenant loyalty). In their study, Schiffman and Kanuk (2007) stated that tenants' decisions on either Grade A or Non-grade A office space are based on their business goals, objectives, values, situations and benefits. Reasons why office tenants select Grade A building can be different from office tenants that select Non-grade A Hence, office building grades may influence the relationship between customer orientation, satisfaction and loyalty. To put it simply, office building grades may shape the extent to which customer orientation has an impact on office space performance.

Generally, higher rents are charged for Grade A office space compared to Non-grade A. Hence, it is assumed that Grade A office tenants expect better customer orientation and higher quality services than Non-grade A. In view of this, the practice of customer orientation (PCO and RCO) may result in different performance outcomes in Grade A and Non-grade A buildings. Grade A office tenants have higher expectations. Consequently meeting their needs responsively and proactively is critically important. In contrary, Non-grade A office tenants, who pay lower rents, may not expect a seamless response and proactive service from the building owners.

Grade A office tenants are likely to demonstrate stronger loyalty (stay in the same office space) particularly when they are satisfied with the office space/management. It could be due to large sum of money already spent on renovating the office space. By doing so, they are able to avoid renovation costs in a new location. On the other hand, Non-grade A office tenants seek cost-saving or value-for-money office spaces that provide basic services. Therefore, their loyalty may not be as strong as that of Grade A office tenants. Given this scenario, it is expected that the impact of satisfaction on loyalty will be stronger for Grade A than for Non-grade A. The following hypotheses are thus formulated:

H4a: Building Grade moderates the effect of Proactive Customer Orientation (PCO) on Tenant Satisfaction such that the impact of PCO on Tenant Satisfaction is stronger in Grade A buildings than in Non-grade A buildings.
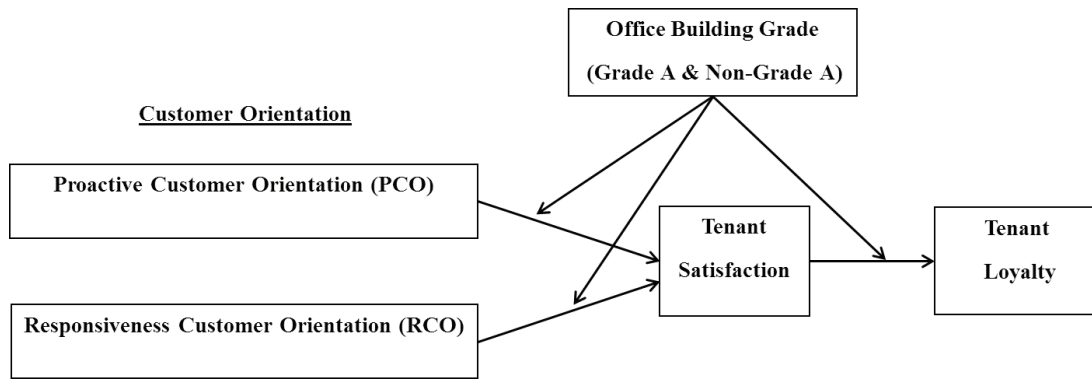
Figure 1. Research framework

H4b: Building Grade moderates the effect of Responsive Customer Orientation (RCO) on Tenant Satisfaction such that the impact of RCO on Tenant Satisfaction is stronger in Grade A buildings than in Non-grade A buildings.

H4c: Building Grade moderates the effect of Tenant Satisfaction on Tenant Loyalty such that the impact of Tenant Satisfaction on Tenant Loyalty is stronger in Grade A buildings than in Non-grade A buildings.

To test these hypotheses, the research framework (Figure 1) demonstrates the relationships of RCO and PCO as part of the strategic attention given to tenants in bringing about office space performance (tenant satisfaction and tenant loyalty). This study also delves into the moderating role of office building grade (Grade A and Non-grade A) in order to assess their influence on all the path relationships as shown in the research framework.

3. Research method

3.1. Research setting

GTKL was chosen as the research site because of its premiership in Malaysia. Many international businesses and major corporations including the headquarters of foreign financial institutions are located in this commercial district. Apart from being easily accessible, it connects the central business district (CBD) and other major cities in that region (Cheah, Ng, Lee, & Teoh, 2014; Cheah, Ng, Teoh, & Lee, 2015). According to Gambero (2014), an additional eight million sq. ft. of office space from new buildings will be completed by 2018 but only four to five million sq. ft. are expected to be occupied. This shows the over-supply of office space/buildings. Many have moved to suburbs such as Damansara for relatively lower rental rates (Gambero, 2014). This situation requires rigorous investigation to find out how office managers in the GTKL can use various customer orientation strategies to retain their tenants.

3.2. Sampling and data collection

Data were collected using purposive sampling technique. Respondents who met three inclusion criteria were recruited. These criteria were (1) the respondent should belong to senior management (i.e. CEO, HR manager or operations manager) of the firm and is involved in the firm's leasing office space decisions; (2) the firm must have leased office space in GTKL over two years; (3) the respondent must have leased the property in one of the five main areas in the GTKL which are, Bukit Bintang, Jalan Raja Chulan, Jalan Sultan Ismail, Jalan P. Ramlee and Jalan Ampang (Ting, 2002). Both face-to-face interviews and self-administered questionnaire were conducted. A total of 380 completed copies of the questionnaire were collected from the tenants. The sample was deemed adequate as it exceeds the power of 0.80 indicated by the *G*Power* software (Faul, Erdfelder, Lang, & Buchner, 2007).

3.3. Instrument

A 12-item scale was adopted from Blocker et al. (2011) to measure tenants perceptions towards PCO (6 items) and RCO (6 items). Lam, Shankar, Erramilli, and Murthy's (2004) 5-item instrument was used to measure tenants' satisfaction (refer to Appendix 1 for full measurement items). These measurements captured the respondents' level of agreement or disagreement on a 7-point Likert scale, where 1 was anchored as "*Strongly Disagree*" and 7 was anchored as "*Strongly Agree*") with the office space services. Moreover, tenants' loyalty was measured using a 4-item scale which was adopted from Doney and Cannon (1997). These items were measured on a seven-point Likert scale where 1 was anchored as "*Extremely Unlikely*" and 7 was anchored as "*Extremely Likely*".

4. Data analysis

IBM SPSS Statistics version 24 was used for descriptive analysis. In addition, SmartPLS version 3.2.7 (Ringle, Wende, & Becker, 2015) was used to perform Partial Least Squares Structural Equation Modeling (SEM). PLS-SEM has an added advantage of estimating the measurement model (Hair, Hult, Ringle, & Sarstedt, 2017) and is best suited for the multi-group analysis. A total of 215 respondents were obtained from Grade A office buildings whilst 165 respondents from Non-grade A. In line with the guidelines provided by Hair et al. (2017), convergent

and discriminant validity as well as measurement invariance were assessed accordingly.

4.1. Respondent profile

Table 1 shows the respondent demographic information (Grade A respondents = 215 and Non-grade A = 165). The majority of the respondents are administrative and procurement managers (41.3%), followed by HR managers (20.8%). Other respondents, such as CEO/CFO/COO, operation managers, and finance managers, have a frequency not more than 15%. In terms of tenancy tenure, approximately 86.6% (full sample set), 89.8% (Grade A) and 82.4% (Non-grade A) of the respondents' firms have occupied their current office spaces from two to ten years. Furthermore, the highest tenancy tenure of 10 years and above, in fact 10.1 years, is from Non-grade A (17.6%), followed by full sample set (13.4%) and lastly Grade A (10.2%).

4.2. Assessment of common method variance

Common method variance (CMV) was assessed using Harman's Single Factor technique (Podsakoff & Organ, 1986). The results of exploratory factor analysis show that the first and largest factor explains 36.66% of the total variance. Hence, common method bias with regard to single source data is not a major problem.

4.3. Assessment of measurement model

Factor loadings, composite reliability (CR) and average variance extracted (AVE), were looked into to assess convergent validity (full and split datasets) (Hair et al., 2017). As shown in Table 2, all the items' loadings surpass the recommended value of 0.708 (Hair et al., 2017) and are thus retained. Meanwhile, the composite reliability of constructs is found to have fulfilled the threshold value of 0.7 (Nunnally & Bernstein, 1994). The AVE scores of all the constructs also exceed the minimum value of 0.5 (Hair et al., 2017).

Table 1. Demographics statistics of the sample data

	Full sample (n = 380)		Grade A (n = 215)		Non-grade A (n = 165)	
	Frequency	%	Frequency	%	Frequency	%
Job title						
CEO/ CFO/ COO	32	8.4	22	10.2	10	6.1
HR managers	79	20.8	48	22.3	31	18.8
Admin & procurement managers	157	41.3	88	40.9	69	41.8
Operation managers	50	13.2	30	14.0	20	12.1
Finance manager	37	9.7	20	9.3	17	10.3
Others	25	6.6	7	3.3	18	10.9
Tenancy tenure						
2.0 years to 5 years	184	48.4	123	57.2	61	36.9
5.1 years to 10 years	145	38.2	70	32.6	75	45.5
10.1 years and above	51	13.4	22	10.2	29	17.6

Table 2. Factor loadings, CR, and AVE

Constructs	Items	Full sample (n = 380)			Grade A (n = 215)			Non-grade A (n = 165)		
		Loading	AVE	CR	Loading	AVE	CR	Loading	AVE	CR
Proactive customer orientation	PCO1	0.807	0.808	0.962	0.837	0.748	0.947	0.786	0.719	0.939
	PCO2	0.904			0.862			0.882		
	PCO3	0.916			0.872			0.892		
	PCO4	0.877			0.851			0.784		
	PCO5	0.910			0.880			0.874		
	PCO6	0.914			0.885			0.862		
Responsive customer orientation	RCO1	0.913	0.825	0.966	0.806	0.594	0.897	0.840	0.684	0.929
	RCO2	0.897			0.759			0.814		
	RCO3	0.910			0.746			0.841		
	RCO4	0.910			0.786			0.827		
	RCO5	0.920			0.807			0.845		
	RCO6	0.900			0.717			0.796		
Tenant satisfaction	CS1	0.901	0.846	0.965	0.898	0.833	0.961	0.839	0.777	0.946
	CS2	0.934			0.934			0.898		
	CS3	0.936			0.930			0.920		
	CS4	0.931			0.916			0.917		
	CS5	0.894			0.885			0.828		
Tenant loyalty	CL1	0.878	0.840	0.940	0.864	0.839	0.940	0.864	0.791	0.919
	CL2	0.929			0.933			0.895		
	CL3	0.941			0.950			0.907		
	CL4	0.478	Item deleted		0.448	Item deleted		0.491	Item deleted	

Subsequently, discriminant validity was analysed using HTMT technique (Henseler, Ringle, & Sarstedt, 2015) on both full and split data sets. Table 3 shows that all the discriminant values exceed the threshold value of HTMT.85 (Kline, 2011), HTMT.90 (Gold & Arvind Malhotra, 2001) and HTMT Inference (Henseler et al., 2015). As a result discriminant validity is also established.

4.4. Assessment of measurement invariance

An invariance test was conducted to determine whether measurements are similarly understood across the two groups of office building grades (Grade A and Non-grade A). This process is critical prior to conducting multi-group analysis (MGA). The purpose is to determine "whether under different conditions of observing and studying phenomena, measurement models yield measures of the same attribute" (Henseler, Ringle, & Sarstedt, 2016, p. 117). In order to assess measurement invariance, three steps are required: 1) configural invariance, 2) compositional invariance, and 3) equality of composite mean values and variances (Henseler et al., 2016).

Firstly, configural invariance is established between Grade A and Non-grade A data sets because the measurement models have the same basic factor structure for both groups (same number of constructs as well as items loaded on those constructs) (see Tables 2 and 3). Secondly, compositional invariance was assessed using a permutation test. The purpose is to ensure that the composite scores are equal across groups. It is found in the permutation test that none of the c values is significantly different from one another. In other words, all permutation c value results (= 1) straddle between the upper and lower bounds of 95% confidence interval; thus establishing compositional invariance in the research model.

Finally, composites' equality of mean values and variances was assessed across the groups. Notably, the difference of the composite's mean value and variance ratio results (the first column in Table 4) must fall within the 95% confidence interval. Based on Table 4, the result exhibits that all composite constructs have non-significant differences in terms of the composite mean value and variances ratio because the result falls between the upper and lower bounds of 95% confidence interval. Full measurement invariance is thus established for Grade A and Non-grade A groups (see Table 4). It can be surmised that the different model estimations of Grade A and Non-grade A groups are not distinct in terms of content or meaning of the constructs.

4.5. Assessment of model fit

As a goodness-of-fit measure for PLS-SEM, the results of Standardized Root Mean Square Residual (SRMR) show a good fit for all three datasets: the full dataset indicates the value of 0.029, Grade A dataset scores 0.045 and Non-grade A scores 0.048, thus, all three datasets satisfy the requirements for goodness-of-fit (Henseler et al., 2014; Hu & Bentler, 1999) (see Table 5).

Table 3. Discriminant validity

Full sample	Tenant loyalty	PCO	RCO	Tenant satisfaction
Tenant loyalty				
PCO	0.535 CI $_{90}$ (0.458, 0.603)			
RCO	0.618 CI $_{90}$ (0.554, 0.679)	0.741 CI $_{90}$ (0.688, 0.780)		
Tenant satisfaction	0.841 CI $_{90}$ (0.803, 0.880)	0.630 CI $_{90}$ (0.561, 0.692)	0.752 CI $_{90}$ (0.710, 0.791)	
Grade A	Tenant loyalty	PCO	RCO	Tenant satisfaction
Tenant loyalty				
PCO	0.432 CI $_{90}$ (0.322, 0.550)			
RCO	0.532 CI $_{90}$ (0.445, 0.630)	0.684 CI $_{90}$ (0.615, 0.755)		
Tenant satisfaction	0.848 CI $_{90}$ (0.785, 0.895)	0.510 CI $_{90}$ (0.411, 0.635)	0.685 CI $_{90}$ (0.642, 0.751)	
Non-Grade A	Tenant Loyalty	PCO	RCO	Tenant satisfaction
Tenant loyalty				
PCO	0.469 CI $_{90}$ (0.351, 0.571)			
RCO	0.543 CI $_{90}$ (0.415, 0.659)	0.662 CI $_{90}$ (0.580, 0.738)		
Tenant satisfaction	0.755 CI $_{90}$ (0.687, 0.853)	0.573 CI $_{90}$ (0.475, 0.656)	0.666 CI $_{90}$ (0.550, 0.758)	

Note: RCO (Responsiveness Customer Orientation), PCO (Proactive Customer Orientation).

Table 4. Measurement invariance test using MICOM

Composite	c value (= 1)	95% confidence interval	Compositional invariance
Tenant loyalty	0.999	[0.998; 1.000]	Yes
PCO	1.000	[1.000; 1.000]	Yes
RCO	1.000	[1.000; 1.000]	Yes
Tenant satisfaction	1.000	[1.000; 1.000]	Yes
Composite	Difference of the composite's mean value (= 0)	95% confidence interval	Equal mean values
Tenant loyalty	0.073	[−0.227; 0.224]	Yes
PCO	0.852	[−0.190; 0.206]	Yes
RCO	0.962	[−0.200; 0.220]	Yes
Tenant satisfaction	0.108	[−0.217; 0.227]	Yes
Composite	Difference of the composite's variances ratio (= 0)	95% confidence interval	Equal variances
Tenant loyalty	0.082	[−0.346; 0.381]	Yes
PCO	0.205	[−0.217; 0.234]	Yes
RCO	−0.016	[−0.278; 0.304]	Yes
Tenant satisfaction	−0.216	[−0.355; 0.389]	Yes

Note: RCO (Responsiveness Customer Orientation), PCO (Proactive Customer Orientation).

Table 5. SRMR model fit

Data set	SRMR result for composite models
Full set (n = 380)	0.029
Grade A (n = 215)	0.045
Non-grade A (n = 165)	0.048

Note: ≤ 0.08 suggested by Henseler et al. (2014), Hu and Bentler (1999).

4.6. Assessment of structural model

The model specifies the causal relationships between the constructs of interest (path coefficients and the coefficient of determination, R^2 value). R^2 and the path coefficients (beta and significance) show that the data support the hypothesized model (Hair et al., 2017). Bootstrapping with a re-sampling of 5000 was used to estimate the significance of the path coefficient (Hair et al., 2017). The path coefficients for full and split datasets are shown in Table 6 and Figure 2.

Looking at the results, both customer orientations (i.e., PCO and RCO) are found to be significant in influencing satisfaction in all three datasets. First, the results of PCO in full dataset (β = 0.364, $p < 0.00$); Grade A office building dataset (β = 0.193, $p < 0.02$); and Non-grade A office building data set (β = 0.445, $p < 0.00$) support the first hypothesis.

Second, RCO in full data set (β = 0.356, $p < 0.00$), Grade A office building data set (β = 0.462, $p < 0.00$) and Non-grade A office building data set (β = 0.153, $p < 0.02$) also support the second hypothesis. In terms of the R^2 value, it indicates that 43.8% of the variance in tenant satisfaction can be explained by both customer orientations (PCO & RCO) in the full dataset, while the Grade A da-

taset explained 35.1% and Non-grade A data set explained 27.3% (see Table 7).

In addition, the results in Table 6 shows that tenant satisfaction has a significant influence on tenant loyalty, thus the third hypothesis is also supported in the full dataset (β = 0.354, $p < 0.00$), Grade A office building dataset (β = 0.411, $p < 0.00$), and Non-grade A office building data set (β = 0.317, $p < 0.00$). The R^2 results indicate that the effect of tenant satisfaction on variance in tenant loyalty can be ranked: Grade A (16.9%), followed by full dataset (12.5%) and lastly, Non-grade A (10.0%) (see Table 7).

This research delved into the predictive relevance (Q^2) of the path model too by using the blindfolding procedure (Geisser, 1975; Stone, 1974). Blindfolding procedure is a re-sampling approach that systematically hides and predicts every data point of the indicators in the reflective measurement model of endogenous constructs. This procedure is used to examine the difference between the original values and the predicted values. If the prediction approximates to the original values (i.e., the prediction error is small), the path model is said to have a high predictive quality. Described in Table 7, the results show that Q^2 value for tenant satisfaction and tenant loyalty are greater than 0, thus confirming the predictive relevance of the model (Fornell & Cha, 1994).

Finally, the effect size of the predictor constructs is evaluated using Cohen's f^2 procedure (Cohen, 1988). The effect size (f^2) is a measure used to assess the relative impact of a predictor construct on an endogenous construct (Cohen, 1988) and the values of 0.02, 0.15, and 0.35 are considered small, medium and large effect size respectively. Table 7 presents the f^2 score for full data shows a small effect size for both customer orientations (PCO = 0.122 and RCO = 0.11). Grade A data set – the f^2 score for RCO shows a

medium effect size (0.224) and PCO indicates a small effect size (0.039). Where else in Non-grade A data, the f^2 scores turn out to be reversed – PCO shows a medium effect size (0.232) and RCO a small effect size (0.027) thus the f^2 results indicated that building owners of Grade A buildings to put effort in enhancing RCO more as compared to PCO in order to improve satisfaction among office tenants. In contrast, the owners of Non-grade A buildings need to put efforts in enhancing PCO more as compared to RCO to bring about office tenant satisfaction.

4.7. Assessment of group differences

PLS-MGA is conducted to explore the differences by using Welch-Satterthwait Test (Sarstedt, Henseler, & Ringle, 2011) on Grade A and Non-grade A data sets. Differences between the path coefficients between the two data sets are shown in Table 8 and Figure 2. Although all the paths are found to be significantly different between the two data sets (Grade A and Non-grade A, $p \leq 0.05$), thus H4a is not supported. The beta coefficient of PCO on satisfaction for Grade A ($\beta = 0.193$) is actually weaker than that of Non-grade A ($\beta = 0.445$).

5. Discussions

Upon the completion of analysis, all hypotheses are found to be supported except for H4b. The results suggest that both PCO and RCO facilitate office space business performance (Hair et al., 2014). It is in fact in agreement with Atuahene-Gima et al. (2005) and Blocker et al. (2011) who stated that office building owners predominantly meet office tenants' latent and future needs through prompt, courteous and efficient responses. It will then yield positive impact on office space performance. The results are consistent with Sanderson and Edwards (2016) who found that responsiveness and proactiveness have a positive and significant impact on tenant satisfaction.

Tenant satisfaction is found to have a positive effect on tenant loyalty. This corresponds to past findings about satisfied tenants being more loyal (Appel-Meulenbroek, 2008; Isa & Ismail, 2006; Song & Yan, 2006). This could be that of office tenants, after a service encounter, experience positive emotions, and these positive emotions drive tenants to be loyal with building owner's firm (social exchange theory) (Lawler, 2001). This is evident in the data set ($\beta = 354$), Grade A ($\beta = 0.411$) and Non-grade A office

Table 6. Result for direct relationships

Hypothesis	Path	Full sample (n = 380)				Grade A (n = 215)				Non-grade A (n = 165)			
		Std. Beta	SE	t-value	Result	Std. Beta	SE	t-value	Result	Std. Beta	SE	t-value	Result
H1	PCO -> Tenant satisfaction	0.364	0.071	5.154**	S	0.193	0.093	2.075**	S	0.445	0.065	7.000**	S
H2	RCO -> Tenant satisfaction	0.356	0.067	5.341**	S	0.462	0.071	6.507**	S	0.153	0.075	2.044**	S
H3	Tenant satisfaction -> Tenant loyalty	0.354	0.076	4.683**	S	0.411	0.022	18.682**	S	0.317	0.038	8.342**	S

Note: **p < 0.01, *< 0.05, PCO = Proactive Customer Orientation, RCO = Responsive Customer Orientation.

Table 7. Result of R^2, Q^2 and f^2

Construct	Full sample (n = 380)			Grade A (n = 215)			Non-grade A (n = 165)		
	R^2	Q^2	f^2	R^2	Q^2	f^2	R^2	Q^2	f^2
PCO	–	–	0.122	–	–	0.039	–	–	0.232
RCO	–	–	0.117	–	–	0.224	–	–	0.027
Tenant satisfaction	0.438	0.367	–	0.351	0.286	–	0.273	0.199	–
Tenant loyalty	0.125	0.109	–	0.169	0.134	–	0.100	0.092	–

Note: PCO = Proactive Customer Orientation, RCO = Responsive Customer Orientation.

Table 8. Path differences by office building grading

Hypothesis	Path	Grade A		Non-grade A			
		Beta	SE	Beta	SE	t-value	p-value
H4a	PCO -> Tenant satisfaction	0.193	0.093	0.445	0.065	2.095	0.037
H4b	RCO -> Tenant satisfaction	0.462	0.071	0.153	0.075	3.086	0.002
H4c	Tenant satisfaction -> Tenant loyalty	0.411	0.022	0.317	0.038	2.261	0.012

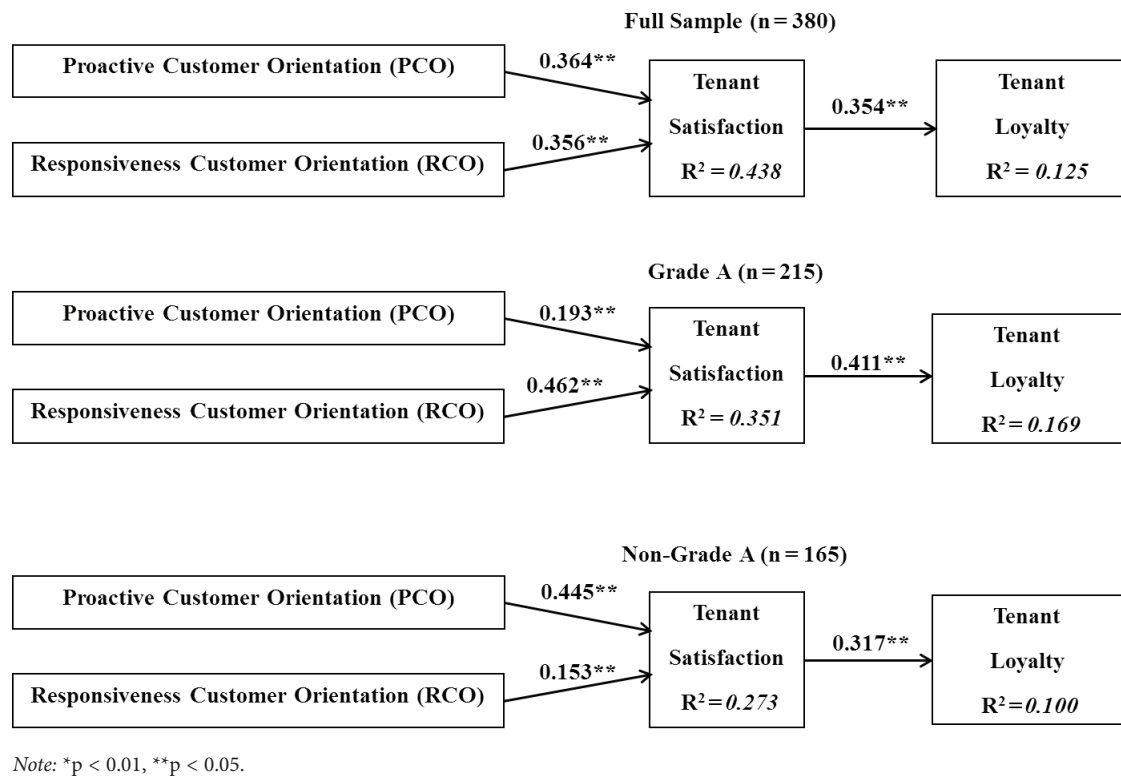*Note:* **p < 0.01, *< 0.05, PCO = Proactive Customer Orientation, RCO = Responsive Customer Orientation.

Full Sample (n = 380)

| Proactive Customer Orientation (PCO) | 0.364** | Tenant Satisfaction R² = 0.438 | 0.354** | Tenant Loyalty R² = 0.125 |
| Responsiveness Customer Orientation (RCO) | 0.356** | | | |

Grade A (n = 215)

| Proactive Customer Orientation (PCO) | 0.193** | Tenant Satisfaction R² = 0.351 | 0.411** | Tenant Loyalty R² = 0.169 |
| Responsiveness Customer Orientation (RCO) | 0.462** | | | |

Non-Grade A (n = 165)

| Proactive Customer Orientation (PCO) | 0.445** | Tenant Satisfaction R²=0.273 | 0.317** | Tenant Loyalty R²=0.100 |
| Responsiveness Customer Orientation (RCO) | 0.153** | | | |

Note: *p < 0.01, **p < 0.05.

Figure 2. Structural model

building (β = 0.317) that indicates a positive and significant impact on tenant loyalty. High switching cost might have contributed to this outcome. To avoid this, attractive incentives, such as financial or credit services, offered by building owners may help in easing the move (Song & Yan, 2006). Savings obtained is far more than tenant's loss if they wish to switch. In view of this, it is recommended that building owners intensify their efforts by focusing on both PCO and RCO.

It is interesting to learn that the results of MGA show that the relationship between PCO and tenant satisfaction differs between Grade A (β = 0.193) and Non-grade A office buildings (β = 0.445). One of the reasons could be PCO enhances satisfaction to a lesser extent in Grade A office buildings as the building management is offering a higher level of services. As a result, any increase in PCO will not enhance satisfaction substantially. Non-grade A buildings, in turn, offer lower levels of services. Hence, PCO may have exceeded expectation and this is reflected in an increase in satisfaction level. It is expected that office tenants in Non-grade A office want their building owners to devote resources proactively to fulfill their evolving needs.

Most of the Grade A office buildings located in GTKL are of international standards be it in the area of brand/ image, quality, architectural design, floor plan and certifications. Hence, Grade A office tenants have a lower expectation in value creation. We found a significant effect of PCO in all models. This indicates that PCO is able to offer higher tenant satisfaction even in the presence of a high RCO. This implies that customer orientation approach that merely focuses on responsiveness might be

insufficient to achieve the desired performance. Such finding that is in line with Blocker et al. (2011).

Contrary to H4b, in the area of office space, the results of MGA between RCO and tenant satisfaction significantly differs between Grade A (β = 0.462) and Non-grade A (β = 0.153). This indicates that RCO enhances satisfaction to a lesser extent on Non-grade A. Grade A office tenants who pay higher rent and service charges would most likely expect efficient and effective services to be addressed in a timely manner and any concerns to be fixed soonest with minimal disruption. The results showed that tenant satisfaction and loyalty have a stronger impact on Grade A office building (β = 0.411) than on Non-grade A (β = 0.317). This supports H4c that states satisfied Grade A office tenants are more likely to be loyal than satisfied Non-grade A.

6. Implications

This research provides two alternative theoretical perspectives. First, tenants' expectations are investigated from the perspective of both premium and medium-range tenants. Earlier studies which focused on service expectations of office building did not consider heterogeneity issues between Grade A (premium tenant) and Non-grade A (medium-range tenant) perspective which may affect service expectations. Grade A and Non-grade A office tenants have different customer orientation expectations. Therefore using office building grade as a moderator to examine the relationship of customer orientation and office space performance offers theoretical values to extend knowledge

pertaining to customer orientation and office space performance relationship.

Moreover, PCO was not studied in property context prior to this research. The current study includes both RCO and PCO basing on a recent measurement scale (Blocker et al., 2011). It not only validates the applicability of both PCO and RCO, but also reinforces their impact on tenant satisfaction and loyalty. As such, it contributes to the understanding of customer orientation concept and extends ABV theory that calls for firms to give strategic attention to customer orientation in service delivery in a highly competitive business environment.

In terms of practical implications, the main takeaway is that RCO is essential to Grade A office tenants' satisfaction while PCO is key to Non-grade A office tenants' satisfaction. Office tenants in Grade A do not find PCO alone sufficient to satisfy them because most Grade A offices have fulfilled the benchmark of the international office building standards. They expect prompt, considerate and efficient process in handling their requests. For instance, getting competent workforce (e.g., technicians, electrical engineers, cleaners and professional management teams) is pivotal to ensuring a quick response to accommodate tenants' request during the transaction process. In addition, given the high proximity of buildings and traffic congestion at GTKL, if they question about office accessibility and visibility, the management is expected to provide solutions related to the available public transports and online tools, such as Google Map, so as to alleviate their concerns and facilitate their clients.

As for Non-grade A office tenants, RCO alone is inadequate to satisfy their expectation at GTKL. Rather they expect building managers to also take the initiative to take care of their possible needs in the future, and offer innovative ideas in fulfilling those needs. In order to do that, these managers might have to proactively implement asset enhancement programs to sustain the building's performance for the next 10 to 20 years (e.g., tailoring building services to suit the requirement of tenants from various sectors, refurbishing buildings and investing in certifications to establish an international image and reputation).

All in all, building managers could improve buildings' service efficiency if they strategically and consciously adopt PCO and RCO in their service routine, especially in important commercial areas such as GTKL (Sanderson & Edwards, 2016). These two dimensions of customer orientations should be given equal attention to achieve the optimum level of tenant satisfaction and loyalty. PCO can be explicitly incorporated into service operation by visiting the tenants consistently for open communication to identify their potential needs and do what is necessary to meet their expectations incrementally (Sanderson & Edwards, 2016). RCO is about making the best efforts in a timely manner to satisfy tenants' concerns. This can be done by empowering service staff with flexibility and innovative thinking, adopting a partnership approach, and providing them with decision-making power to address tenants' requests in the best possible way (Sanderson & Edwards, 2016).

7. Potential limitations and future recommendations

A larger sample including participants in other key areas, such as the Central Business District (CBD)–Kuala Lumpur, Damansara and Petaling Jaya are to be considered. As this study only looks at GTKL tenants, its generalizability can be limited. As in recent trend, many office tenants are expanding their business operations from GTKL to other major cities. Hence it is advisable to assess the impact of customer orientation practices in these business districts. Leasing of office space faces fierce competition and in order to survive this competitive market, positioning strategies need to be taken into consideration (Blankson & Crawford, 2012). As such, it is encouraged that positioning variables be included in future research. Moreover, changing customers' needs causes tenant characteristics to be different as well. It is also recommended that the moderating effect of tenants' characteristics be done to extend the existing literature. This will eventually guide office building owners to formulate strategies that cater the office tenants' expectations in order to remain competitive in the competitive business environment.

Conclusions

This study highlights the importance of assessing customer orientation concepts such as RCO and PCO. The study suggests that the profound effect of both RCO and PCO on office tenants' satisfaction and loyalty cannot be overlooked. Moreover, the building grades, Grade A and Non-grade A, are incorporated into the framework to assess the moderating effect on the hypothesized model. Although the results vary, it is evident that PCO will likely lead to higher satisfaction in Non-grade A offices, while RCO practices will likely generate greater satisfaction among Grade A office tenants. Finally, office tenants in Grade A offices tend to be more satisfied and loyal compared to office tenants in Non-grade A spaces. It can thus be concluded that customer orientations, be they RCO or PCO, are of practical importance in the present context of study. Nevertheless, the understanding of customers and the appropriate use of PCO or RCO would likely see better and more sustainable office space performance in congested commercial areas in the contemporary business environment.

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Appendix 1

RCO (Blocker et al., 2011)
The building office…   – always respond effectively when our company ask them to make changes (RCO1).   – takes immediate action when our company tell them we have changed what we want from the relationship (RCO2).   – reacts quickly to our company requests for changes (RCO3).   – is always flexible to adapt to changes our company ask for (RCO4).   – never stops short to fully accommodating our company request for changes (RCO5).   – is always willing to accommodate our company's requests for changes (RCO6).
PCO (Blocker et al., 2011)
The building office…   – excels at anticipating changes in what our company need from office space before our company even ask (PCO1).   – seems to spend time studying changes in our business environment so they can exercise better foresight about our company future needs (PCO2).   – successfully anticipates changes in our company needs (PCO3).   – presents new solutions to us that our company actually need but did not think to ask about (PCO4).   – is always looking for clues that might reveal changes in what our company value beyond what our company currently ask of them (PCO5).   – presents new ideas to us that help our company keep pace with our changing environment (PCO6).
Tenant Satisfaction (Lam et al., 2004)
– In general, our company is very pleased with the office space and services offered by this office building (CS1).   – Overall, our company feels delighted when thinking of this office building relationship (CS2).   – Overall, our company believes this office building is a good partner to do business with (CS3).   – Our company is completely happy with this office space (CS4).   – If our company had to do it all over again, our company would still choose to use this office space (CS5).
Tenant Loyalty (Doney & Cannon, 1997)
– Given that there is a need, our company intends to expand our office space with this office building for the foreseeable future (CL1).   – Given that there is a need, how likely is that your firm will continue to rent with this office space during the next year? (CL2).   – Given that there is a need, how likely is that your firm will continue to rent with this office space during the next 3 to 5 years? (CL3).   – Our company would recommend this office space as the best service building in the area (CL4).