Abstract
The role of local administration in recent decades has rapidly changed worldwide. Pressure for citizen-centrism coming from various interest groups has triggered the need to implement marketing and management concepts which characterize the business sector. Relatively few studies have focused on emerging trends of improvements in exceeding this bureaucratic paradigm in local administration. This study examines and explores citizens’ perception on determinants influencing their satisfaction with local administration services in Serbia. The study uses an exploratory approach. A questionnaire was distributed to 605 users of local administration services. Empirical evidence indicates that, from the citizens’ point of view, customer orientation, employees’ behavior and attitudes, as well as the process of service delivery impact the overall customer satisfaction with local administration. The study also discusses important implications on potential improvements of local administration.

Keywords: local administration, customer satisfaction, customer orientation, citizen-centrism, Serbia.
1. Introduction

The transformation process in public administration, according to the principles of New Public Management, has brought a greater degree of decentralization and the active participation of citizens (Livingstone, Lunt and Miller, 2007; Vigoda-Gadot, 2004). Many studies have been conducted in order to explore the changing role of citizens, new relations between public administration and citizens, improvements in quality and delivery of public services (Cicvarić et al., 2009). However, relatively few studies have focused on customer satisfaction and the satisfaction antecedents at the level of local administration (Ancarani, 2009). This is important, since a great deal of decision making powers was refocused from central to municipal level (Afonso and Fernandes, 2008), which characterizes Serbia as well as the whole European ex-communist space.

During the last decade of the twentieth century, public sector of most European countries adopted the business philosophy focused on customers. This concept assumes the application of marketing tools and strategic planning (Cousins, 1990), so that organizations could successfully ‘sell’ their ‘politics’ to the citizens (Proctor, 2007). Academics and practitioners point out the necessity of adopting modern market-oriented business methods in nonprofit organizations (Andreasen and Kotler, 2003; Alexander and Weiner, 1998) and delivering citizen-centric public services (King, 2007). Particular importance is given to the adoption of marketing concepts and understanding customer needs (Day, 1994) where an organization and its public should seek mutually beneficial outcomes and relationships (Gelders and Ihlen, 2010).

The major limitation of adopting marketing concepts in public administration represents the presumption of customer consuming public administration products and services regardless of whether or not they are created and delivered to meet customer needs (Dolnicar and Lazarevski, 2009). Inversely to the private sector, organizations in the public sector do not depend on the individual customer (Proctor, 2007). However, this does not mean that the position and function of these organizations should ignore the needs of citizens. The emphasis is on ‘understanding the perception of citizens/clients on the work of public administration and the awareness of public organizations about the public needs’ (Vigoda, 2000, p. 165). Local government services are often considered as non-market. Nevertheless, local administration and each country as a whole need to attract the attention, respect and trust of investors, tourists, consumers, donors etc. (Dinnie, 2008).

The aim of this study is to explore determinants influencing customer satisfaction on presumptions provided by the New Public Management concept, introduced three decades ago. The new concept introduced two of the main important elements of public administration at all levels, and they are effectiveness and efficiency (Jurak and Pinterič, 2012). Considering the effectiveness of public administration, a dilemma posed by both theory and practice is whether the terms citizen and customer could be equated. Citizens use public administration services and consequently they should
be in a position to select service providers based on the service quality and other criteria (King, 2007). Among other, the concept of New Public Management has aimed at involving citizens in the planning and implementation of public policies, although this process has not been successfully applied (Cassia and Magno, 2009). Nevertheless, Korunka et al. (2007, p. 307) emphasize that ‘an essential component of redesigning public administration on the basis of New Public Management principles is the idea that citizens are customers of the administration’. Hence, in this study, the terms customer and citizen who consumes public administration services are used as synonyms.

The main objectives of this study are as follows:

1. To acknowledge the importance of customer satisfaction in local administration;
2. To determine elements influencing customers satisfaction with local administration services, from the customers’ point of view;
3. To measure the degree of influence of each determinant; and
4. To provide basis for improvements required to be performed within local administration.

2. Theoretical background

Based on the research of Fisk, Brown and Bitner (1993) on service encounter, and its three constructs, this study grouped the attributes identified in the literature into three determinants: customer orientation, employees’ behavior and attitudes and process of service delivery. The study attempted to test the research model by revealing the influence of identified determinants on customer satisfaction, from their point of view. Also, the study attempted to measure the influence of identified determinants.

Customer satisfaction, as one of the fundamental concepts in marketing, can be defined as an overall assessment of performance of different attributes featuring a product or a service (Johnston, 1995). Customer satisfaction is used as an instrument for measuring the success of quality improvement and overall business (Filipović et al., 2010). Scholars’ researches find that the concept of customer satisfaction depends on the attributes assessed by costumers. These attributes include perceived service quality, confirmation of expected service quality level (Anderson and Sullivan, 1993), image, perceived equipment quality, employees who provide the service, and expected value (Kristensen, Martensen and Gronholdt, 1999).

2.1. Customer orientation

The concept of customer orientation has been the essence of marketing discipline for more than three decades (McNamara, 1972; Kotler, 1980; Saxe and Weitz, 1982). However, customer orientation had been present in business before the marketing concept was even introduced (Jaworski and Kohli, 1993). The fundamental object of customer oriented business is the creation of long-term relationship with customers. Narver and Slater (1990) suggest that customer oriented enterprises provide greater customer satisfaction and argue that they have potential to outperform non-customer oriented en-
terprises. The theoretical approaches are supported by the customer oriented scales which define the determinants of customer satisfaction (Donavan and Hocutt, 2001).

Although the customer orientation concept was initially developed for the purposes of the business sector, some authors suggest applications to other services (Lee et al., 2010). Accordingly, this study hypothesizes that:

H1: Customer oriented local administration affects customer satisfaction.

2.2. Employees’ behavior and attitude

Bureaucracies, in terms of overall human resources, institutions and procedures which follow public interest, differ from one country to another in their traditional behavior and attitudes. Many organizations, equally in the non-profit and the for-profit sectors, acknowledge the need to build and sustain long-term relationships with various stakeholders through the creation of value and satisfaction (Proctor, 2007). The relational approach emphasizes the importance of communications, interactions, quality and value for stakeholders in order to meet their needs and expectations (Gronroos, 2004). In local administration, the time horizon of this relationship depends on whether the local administration is composed of tenured civil servants or political appointees (Spiller and Urbiztondo, 1994). Regardless of time, our study considers the paradigm shift from the transactional to the relational approach and the relevance of the employees’ behavior and attitudes, where the transactional approach tends to view the customer as a vehicle for sales, whilst the relational approach emphasizes the relationship with the customer. Moreover, the legal system in Serbia does not provide the necessary set-up for the full implementation of local government employees’ career related development. Whilst this may have indirect influence, this study did not explore the goals and motives of local administration employees in Serbia, but rather it examines the influence of citizens’ perception on their behavior and attitudes towards satisfaction.

During the customer-employee interaction the service encounter creates an opportunity for ‘behavioral differentiation’ which can increase customer satisfaction (Raub, 2008, p. 179). Accordingly, this study hypothesizes that:

H2: Citizens’ perception on employees’ behavior and attitudes affect satisfaction.

2.3. The process of service delivery in local administration

Reforms in local government can take different perspectives including reasons for change, different strategies, implementation processes per se or their results (Kersting and Vetter, 2003). By reforming different processes and procedures, local government can improve services to the public (Hussain and Brahim, 2006). The World Bank’s Ease of Doing Business Index, where Serbia is ranked as the 89th out of the total of 183 countries and as the second poorest in the region, can be used as a relatively good approximation to explain how poor the processes are (The World Bank, 2010). Accordingly, it can be expected that poor processes have a bad impact on citizens’ satisfaction. Although most of the actual processes are imposed by the central authority,
local government can improve their services throughout introducing e-government services, one-stop-based services etc. Accordingly, this study hypothesizes that:

H3: The poor processes of local administration service delivery affect customer satisfaction.

2.4. Age as a moderating determinant

Finally, the study used age as a common demographic control (West, 2004). As stated by Christensen and Laegreid (2005, p. 495) ‘one would expect trust in government to increase with age; older people tend to be more collectively oriented’. However, empirical studies vary statistically in finding difference in the relationship between age and citizens’ satisfaction. Studies range from finding no difference (Akgul, 2012) to finding strong difference (Duffy, 2000). Accordingly, this study hypothesizes that:

H4: Age has moderating affect on the relations between customer satisfaction and its antecedents.

3. Methodology

The study was based on primary data collection and employed questionnaire as a research method. The study was carried out in Serbia in 24 out of 167 units of local government, which make 16.2% of the total 5.9 million users of local administration services.

3.1. Sampling procedure and data collection

The sampling method was disproportionate stratified sampling. Serbia was divided into three geographic strata according to the methodology of the Statistical Office of the Republic of Serbia. The size of the sample was 605 persons. Examinees were randomly selected individuals who were using local administration services during the research period. Data was collected via paper-based questionnaire. After explanation of the questionnaire’s purpose, they were asked to fulfill it. Accordingly, the response rate of 95% (575 persons) was very high. The sample size and the sampling method provided indicative and representative results. The questionnaire was pretested with 38 persons to ensure question readability and to modify and refine questions. The questionnaire was accordingly modified which resulted in the final questionnaire used to collect the data.

In respect to gender issues, the sample was balanced: 53.7% were male, whereas 46.3% were female users. Most of examinees (53.4%) were aged between 26 and 45 years, whilst those from 46 to 65, and 18 to 25 made 22.9% and 21.3%, respectively. The remaining 2.4% were older than 65 years. The majority of examinees were working age population since they most frequently used local administration services.

3.2. Data analysis

Data was captured by trained assistants and was entered and analyzed in the Statistical Package for Social Scientists program (SPSS) version 17.0. Quantitative data
was analyzed with demographic statistics: percentages, means and standard deviation. For multiple comparisons the study used analysis of variance and standard deviation, and Tukey post hoc test for identification of sources of differences. Interdependence of determinants and customer satisfaction was determined by correlation (Pearson moments two tailed correlation coefficient analysis) and multiple regression.

3.3. Description of research variables

The focus of this study was to evaluate perception on determinants which formed the services of local administration: customer orientation, employees’ behavior and attitudes, and the process of service delivery. These determinants were structured as an average of different attributes. Our study recognized the attributes of the service offer characteristics in the recent literature: provider characteristics, physical environment or process issues (Robinson, 2010), the way in which employees act (Donavan and Hocutt, 2001; Gowan et al., 2001), and communication activities (Spake and Joseph, 2007). Customer orientation was examined using the following attributes: customer informing, customer participation, user friendly procedures, and service customization. For instance, to gauge citizens’ perception on informing we asked them to answer ‘how satisfied you are with the information provided by local public services (via media, municipal web site etc.)?’ Similar questions were asked for other attributes of this group. Employees’ behavior and attitudes were determined by the perception of both employees’ skills and the way in which employees act. Among other, citizens were asked how satisfied they are with the treatment to which they were subjected by local service providers. This inquiry captures how well local service providers are meeting citizens’ expectations. The attributes which could indicate whether the service delivery processes are poor or not were: waiting time, physical evidence and information and communication technology equipment. As an example for this group of attributes, to gauge citizens’ satisfaction with waiting time we asked them to answer how satisfied they are with the time necessary to complete all the procedures.

The examinees were asked to evaluate each attribute on a Likert type scale with the responses ranging from 1 (very dissatisfied) to 5 (very satisfied). The questionnaire was tested for validity and reliability (Cronbach’s Alpha=.813). Using the same scale, the questionnaire included a question regarding the overall customer satisfaction.

<table>
<thead>
<tr>
<th>Table 1: Determinant means</th>
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<tbody>
<tr>
<td><strong>Descriptive Statistics</strong></td>
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<tr>
<td>Customer orientation</td>
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<tr>
<td>Employees behavior</td>
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<tr>
<td>and attitudes</td>
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<tr>
<td>Process of serv. deliv.</td>
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</table>
4. Results and discussion

As displayed in Table 2, the study identified a strong positive relation between customer orientation and customer satisfaction \((r=.597, p<.01)\), employees behavior and attitudes and customer satisfaction \((r=.613, p<.01)\) and between the process of service delivery management and customer satisfaction \((r=.486, p<.01)\). Therefore, the determination coefficient, as the square of the sample correlation coefficient \((r^2)\), explains that changes in determinants describe 36%, 38% and 24% of changes in customer satisfaction, respectively.

Table 2: Two-tailed correlation coefficient analysis of customer orientation, employees’ behavior and attitudes, process of service delivery and customer satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Customer orientation</th>
<th>Employees behavior and attitudes</th>
<th>Process of serv. deliv.</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer orientation</strong></td>
<td>Pearson Corr.</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>575</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employees’ behavior and attitudes</strong></td>
<td>Pearson Corr.</td>
<td>.602**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>575</td>
<td>575</td>
<td></td>
</tr>
<tr>
<td><strong>Process of serv.deliv.</strong></td>
<td>Pearson Corr.</td>
<td>.503**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.460**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>575</td>
<td>575</td>
<td>575</td>
</tr>
<tr>
<td><strong>Customer Satisfaction</strong></td>
<td>Pearson Corr.</td>
<td>.597**</td>
<td>.613**</td>
<td>.486**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>575</td>
<td>575</td>
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</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Since the strong correlation between determinants and customer satisfaction had been revealed, the study examined the influence and intensity of determinants regarded as independent variables, on customer satisfaction regarded as dependent variable. Results of multiple regression analysis have indicated that research model determinants predict 47.9% \((R^2 = .479)\) the variance of customer satisfaction. The Durbin-Watson being \(d=1.844\), lies between the two critical values of \(1.5<d<2.5\) and, hence, it can be assumed that there is no first order linear autocorrelation in our multiple linear regression data.

High significance of the F-test \((p<.01)\), indicates the existence of linear interdependence. Thus, the study results indicate that there is a linear relationship between the variables in the model.

Beta expresses relative importance of each independent variable in standardized terms. All determinants observed in this study have been found to be significant predictors of customer satisfaction which is graphically displayed in Figure 1, and employees’ behavior and attitudes have greater impact on customer satisfaction compared to customer orientation and process of service delivery. Therefore, the study results in general clearly indicate that customer oriented local administration, employees’ behavior and attitudes and poor processes affect customer satisfaction, and can accordingly be viewed as its antecedents.
Table 3: Multiple regression analysis result about whether determinants predicted customer satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.126</td>
<td>.153</td>
<td>-.828</td>
<td>.408</td>
<td></td>
</tr>
<tr>
<td>Customer orientation</td>
<td>.410</td>
<td>.056</td>
<td>.295</td>
<td>7.396</td>
<td>.000</td>
</tr>
<tr>
<td>Employees behavior and attitudes</td>
<td>.383</td>
<td>.042</td>
<td>.356</td>
<td>9.157</td>
<td>.000</td>
</tr>
<tr>
<td>Process of serv. deliv.</td>
<td>.255</td>
<td>.053</td>
<td>.173</td>
<td>4.821</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Customer satisfaction
R=.692  R²=.479  Durbin-Watson=1.844
F=174.643  p=.000

Figure 1: Normal P-P plot of regression standardized residual

With respect to age, the study employed one way analysis of variance in order to determine whether there were meaningful differences in the influence of determinants over citizens’ satisfaction. The examinees were structured into four age groups: 18-25, 26-45, 46-65 and older than 65 years. The test confirmed significant difference considering the process of service delivery (F(3,569)=3.545, p=.014). In order to find the source of differences, the Tukey post hoc test was employed, and the difference was determined between the examinees of two ranges: 18-25 and 26-45 years. This may indicate that satisfaction of citizens aged between 26 and 45 is more profoundly affected by procedures in local administration. The age difference was irrelevant over customer orientation (F(3,569)=1.404, p=.214), and employees behavior and attitudes (F(3,569)=1.641, p=.179). These results indicate that age has only a partial moderating effect on customers’ satisfaction.
### Table 4: One way analysis of variance of customer orientation, employees’ behavior and attitudes, and process according to age variable

<table>
<thead>
<tr>
<th>Determinant</th>
<th>age</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Test of Homogeneity of Variances</th>
<th>ANOVA</th>
<th>Tukey</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Levene Statistic</td>
<td>Sig.</td>
<td>F</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>18-25</td>
<td>122</td>
<td>2.8053</td>
<td>.91278</td>
<td>2.380</td>
<td>.069</td>
<td>1.404</td>
</tr>
<tr>
<td></td>
<td>26-45</td>
<td>306</td>
<td>2.6422</td>
<td>.83826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46-65</td>
<td>131</td>
<td>2.7405</td>
<td>.93150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>66 +</td>
<td>14</td>
<td>2.9286</td>
<td>1.17436</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>573</td>
<td>2.7064</td>
<td>.88614</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees behavior and attitudes</td>
<td>8-25</td>
<td>122</td>
<td>3.1189</td>
<td>1.19062</td>
<td>.989</td>
<td>.397</td>
<td>1.641</td>
</tr>
<tr>
<td></td>
<td>26-45</td>
<td>306</td>
<td>2.9150</td>
<td>1.12321</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>46-65</td>
<td>131</td>
<td>2.9656</td>
<td>1.13203</td>
<td></td>
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<td></td>
<td>66 +</td>
<td>14</td>
<td>3.4286</td>
<td>1.42582</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>573</td>
<td>2.9825</td>
<td>1.14951</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process of serv. deliv.</td>
<td>18-25</td>
<td>122</td>
<td>3.2896</td>
<td>.82539</td>
<td>.622</td>
<td>.601</td>
<td>3.545</td>
</tr>
<tr>
<td></td>
<td>26-45</td>
<td>306</td>
<td>3.0033</td>
<td>.81894</td>
<td></td>
<td></td>
<td>3.813</td>
</tr>
<tr>
<td></td>
<td>46-65</td>
<td>131</td>
<td>3.1043</td>
<td>.87714</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>66 +</td>
<td>14</td>
<td>3.2143</td>
<td>.83315</td>
<td></td>
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<tr>
<td></td>
<td>Total</td>
<td>573</td>
<td>3.0925</td>
<td>.83982</td>
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</tbody>
</table>

The results of this study confirmed the influence of the identified antecedents of customer satisfaction in local administration in Serbia, *quod erat demonstrandum*. It is proven that perception on customer orientation positively influences their satisfaction. This seems very logic, as various studies also confirm both institutional and employee perspectives of customer orientation, emphasizing the importance of employees acting in a customer-oriented manner to meet customer expectations (Korunka, *et al.*, 2007), and report that human factor dimensions directly influence customer orientation (Drury, 2000).

This study showed that the most influential determinant on customer satisfaction is employees’ behavior and attitudes. Scholars suggest that the way in which employees act increases customer satisfaction (Donavan and Hocutt, 2001; Gowan *et al.*, 2001), particularly in the long run (Brown *et al.*, 2002). By studying some process changes and their impact on customer satisfaction, Luo *et al.* (2004) find that service process design has become one of the important focuses of service providers. Although they focus on waiting time in their study, they reveal that some process design decisions are important for service quality and customer satisfaction (Luo *et al.*, 2004). The negative correlation between the waiting time and customer satisfaction has also been proven by Chebat and Filiautrat (1993). Furthermore, in defining service encounter, Lockwood (1994) points out the relevance of all aspects of service provision, including both intangible and tangible elements, such as physical features etc. In the light of researches mentioned above, this study also found that the process of local administration service delivery affects customer satisfaction, from their point of view.
5. Concluding remarks

This study provides an illustration of service encounter elements which local administration can influence upon in order to positively affect customer satisfaction, as it was in the theory introduced through the concept of New Public Management. By tracking customer satisfaction and its antecedents, public administration could potentially benefit both socially and economically. The major strength of customer oriented public administration is the creation of a long-term relationship with citizens. Hence, public administrations have to continually improve their image and reputation. Accordingly, we suggest permanent analysis and reporting of local administration activities, which includes projects and programs such as regular informing of citizens, tracking citizens’ satisfaction, citizens active participation etc.

From local authorities’ standpoint, this study provides a better understanding of customer satisfaction and highlights factors influencing customer satisfaction. Moreover, the study evaluates the influence of each factor. The study concludes that customer orientation, employees’ behavior and attitudes, as well as the process of service delivery are significant predictors of customer satisfaction by local administration in Serbia, whereas employees’ behavior and attitudes are the most influential. Therefore, we suggest a focus on strengthening capacities. These activities include employees’ trainings and permanent education in both hard and soft skills, strategic approach to management frameworks and decision-making process and increase in operations efficiency.

The greatest threat to all suggested activities is a partial approach to the solution. A holistic approach is the only appropriate one, as the results of this study suggest. Therefore, we recommend constant improvements of the overall system, which should be based on investment in equipment, resources, structures, as well as the changes in culture. If possible, the relationships between central and sub-central levels and among local levels of government should also be reconsidered for changes.

References:


