Introduction

This chapter presents the philosophical notions, theoretical perspectives, models, and empirical findings in the literature that are highly related. The objective of this chapter is to provide a brief definition of philosophical notions and present framework of the book, identify the need for us to focus on customer-focus performance rather than traditional financial performance, define the notion of customer-focused performance, discuss its role in the overall firm performance, and to see which and how different factors influence firm performance. Furthermore, the possible determinants are discussed by examining different perspectives of what factors can exert significant influences on firm performance. To this end, this chapter is divided into four parts. In the first part, definitions of constructs and constituents of core competences in this book are discussed and the framework of this book is given. In the second part, customer-focused performance is discussed in detail based on extant literature and the limitations of traditional financial performance are reviewed. In the third part, determinants of firm performance are analysed, in which several key research streams are reviewed, for example, the environmental determinism such as industrial organizational economics perspective, institutionalism perspective, etc. the strategic adaptation stream, and the resource-based view. Finally, a chapter summary is provided.

Definitions of constructs and constituents of core competences

To delimit the study further and clarify the position in the research stream, this section provides some brief definitions of the specific terms and key constructs that are used in the book.
Customer-focused performance
By customer-focused performance, we do not mean the so-called market performance proposed by Spanos and Lioukas (2001), Venkatraman and Ramanujam (1986) and others. It refers to the performance that is perceived and evaluated directly by customers themselves outside a firm and such perceptions are totally based on what a company provides them (customers). So it is very clear that such measures as market share, absolute sales volume and increases in market share and sales are excluded, which are usually viewed as indicators of market performance or even performance from the so-called customer perspective (Kaplan and Norton, 1992)

Customer-perceived service quality
Although there are different definitions of service quality in the past years, we use a more widely accepted definition and view customer-perceived service quality as the difference between customer expectations and perceptions of services (Gronroos 1984; Parasuraman et al., 1988, 1991)

Customer-perceived value
The growing body of research about customer-perceived value is quite fragmented and the definitions of customer-perceived value diverge although the significance of customer-perceived value has been widely recognized. This book concurs with the majority of researchers who define customer-perceived value in terms of ‘get’ (benefit) and ‘give’ (sacrifice) components, and views customer-perceived value as customer-perceived preferences for or evaluation of those product attributes, attribute performances and consequences arising from use that facilitate achieving the customer’s goals and purposes (Zeithaml, 1988; Narver and Slater, 1990; Day, 1990; Slater and Narver, 1992; Mazumdar, 1993; Hass, 1995; Berry and Yadav, 1996; Ravald and Gronroos, 1996; Slater, 1997; Woodruff, 1997).

Customer satisfaction
Originally, satisfaction is defined as disconfirmation (Miller, 1976; Oliver, 1981) and later is equated with emotion (Westbrook, 1980; Westbrook and Oliver, 1991). In this paper, customer satisfaction refers to an overall evaluation based on the total purchase and consumption experiences with a product or service over time, which is called cumulative customer satisfaction by Fornell (1992) and Johnson and Fornell (1991), not the transaction-specific satisfaction. The latter is viewed as a post-choice evaluative judgment of a specific purchase occasion (Hunt, 1977; Oliver, 1977, 1993; Boulding et al., 1993).