



**BUS5000W**

**The Influence of Employee Engagement on Customer  
Experience in Business-to-Business Relationships**

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Submitted in fulfilment towards the completion of a Masters of Business Science  
Degree Specialising in Marketing (BUS5000W) in the School of Management  
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Date submitted:

August 2015

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## **ABSTRACT**

A customer's overall experience of interaction with a firm can be influenced by a variety of antecedents including employee behaviour, and can affect a variety of constructs including a customer's intention to remain loyal to a firm. The study contributes to the customer experience literature by constructing and empirically testing a theoretical model that integrates the construct of employee engagement as an influencing variable on customer experience in a business-to-business environment. Employee engagement is characterised by the level of engagement an employee depicts through attributes such as vigour, dedication and absorption. The study sampled 106 employee respondents and 1,216 customer respondents of a South African mining and construction firm. The combined dataset of both employee and customer responses was empirically tested using Partial Least Squares Structural Equation Modelling. The research finds a relationship exists between employee engagement and customer experience of employee performance. Additionally, customer experience of employee performance was significantly statistically associated with overall customer experience, a construct focusing on customer experience comparative to competitors and alternate suppliers. The enhancement of understanding of the antecedents of employee engagement and the effect of customer experience on customer loyalty may assist in the development of interventions to address the gaps in the employee-customer encounter. The principle implication emanating from this study is that customer experience, as a construct, should not be ignored, as the inclusion of a customer experience construct may enhance and complement the prediction of customer behaviour, not only in a business-to-business environment. Establishing the positive and negative levels of the required competencies of employees assists in guiding the supervisory performance discussion, subsequent training suggestions and required on-the-ground coaching.

*Keywords: Customer Experience, Employee Engagement*

## **ACKNOWLEDGEMENTS**

First and foremost I would like to thank my supervisor, Associate Professor Gert Human. Without his continuous encouragement, support and willingness to partner with me into the realm of customer experience research this would not be possible. Gert's excitement for the constructs and the enthusiasm shared in discoveries assisted me when the end did not seem possible. Thank you to Honorata Saar from the UCT Commerce faculty for her assistance either listening to my questions or giving encouragement.

Thank you to the firm that sponsored this research. Their support of customer constructs in a traditionally product-orientated environment was led by pure faith in me as a researcher. Credit to this firm for taking the leap into strategically placing customer experience at the forefront of their ethos. Thank you to Albert van Wyk and Jeanine Foley for introducing me to the concept of the influence of employees on customers – it was an eye opener!

To my family, thank you for your love, understanding and encouragement. Through each and every chapter you all helped me accomplish this. To dearest Wayne, thank you for believing in me. Your unwavering faith in what I can achieve is all that any partner can ask for. Thank you for allowing me the freedom to explore my passions and of course “delighting” me. Finally to each and every person who listened, assisted and contributed to this paper, thank you.

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## **LIST OF ABBREVIATIONS**

<b>AB</b>	Absorption
<b>B2B</b>	Business-to-business
<b>B2C</b>	Business-to-consumer
<b>CESEP</b>	Customer experience of employee performance
<b>CL</b>	Customer loyalty
<b>DE</b>	Dedication
<b>JD-R</b>	Job Demand-Resources
<b>OCE</b>	Overall customer experience
<b>PA</b>	Perceived autonomy
<b>SS</b>	Supervisory support
<b>VIG</b>	Vigour

# CHAPTER 1: INTRODUCTION AND BACKGROUND

## 1.1 INTRODUCTION

The influence of a firm's employees on its encounters with customers is a decades old discussion. Transactions between a firm's employees and customers are fundamentally a question of human behaviour. As agents of a firm, employees' interaction with the customer may influence the customer experience either positively or negatively and hence the future relationship between the firm and the customer. It is imperative therefore to examine the influence employees have on customer experience. This study contributes to filling the gap in understanding between constructs that are crucial in consideration of relationships between firms and business-to-business customers.

Customer experience research is in its infancy, leaning on the evolution of the service quality literature in the 1970's, relationship orientation in the 1980's and experiential marketing (Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros & Schlesinger, 2009; Palmer, 2010; Maklan & Klaus, 2011; Holbrook & Hirschman, 1982; Gentile, Spiller & Noci, 2007; Lemke, Clark & Wilson, 2011; Tam, 2004, Klaus, 2013). Traditionally empirical studies measure customer experience through constructs such as customer satisfaction and customer loyalty (Maklan & Klaus, 2011; Verhoef *et al.*, 2009; Palmer, 2010; Gentile *et al.*, 2007; Kim & Choi, 2013; Lemke *et al.*, 2011). The motive behind developing customer experiences should be to build customer loyalty, increasing repurchase intentions (Frow & Payne, 2007) and the promotion of the firm (Rahman, 2005). Maklan & Klaus (2011) argue that firms should use alternative criteria to measure customer experience. A reliable and valid customer experience construct is as yet unqualified.

Business-to-business and business-to-consumers' experiences are largely undifferentiated in customer experience literature, but in fact contain certain nuances. These nuances are important for modern marketing managers to bear in mind. In business-to-business customer

experience it is suggested that, “it is not so much the relationship or the way customers are managed that differentiates, it is the experience developed through the relationship that makes a difference” (Hollyoake, 2009:149). Conceptual and empirical studies on business-to-business customer experience are limited. Several conceptual studies, however, include employee engagement as a key focus area as an antecedent to customer experience (Frow & Payne, 2007; Harris, 2007; Johnston & Kong, 2011).

Employee engagement is viewed as a key predictor of the customer experience. Engaged employees' behaviour is characterised by vigour, dedication and absorption. Disengaged employees are characterised as disengaged from work roles, withdrawing and defending (Kahn, 1990). The emergence of individual behavioural constructs (vigour, dedication and absorption) (Schaufeli, Salanova, González-Romá & Bakker, 2002) and organisational antecedents (supervisory support, supervisory feedback, culture, autonomy) has resulted in a lack of consensus on the causes of engagement behaviours (Rana, Ardichvili & Tkachenko, 2014; Wollard & Schuck, 2011). Rothmann and Rothmann (2010) in a South African study argue that the best predictors of employee engagement are vigour, dedication and absorption.

There exists an impression in the literature of a lack of empirical evidence adequately demonstrating the relationship between employee engagement and customer experience. Menguc *et al.* (2013) report that employee engagement is positively associated with customer satisfaction and customer loyalty. Employee engagement is a construct most commonly found in the human resources development literature. Rana, Ardichvili and Tkachenko (2014), Saks (2006), Maslach, Schaufeli and Leiter (2001) and Schaufeli *et al.* (2002) all concur that the construct of employee engagement emerges from burnout theory. The most noted theories on burnout are the Conservation of Resources and the Job Demand-Resources model (Babakus, Yavus & Ashill, 2009; Ashill & Rod, 2011; Bakker & Demerouti, 2007). The Job Demand-Resources model is the most common framework

(Demerouti, Bakker, Nachreiner & Schaufeli, 2001) and is considered to be invariant, hence is applicable across businesses and therefore is adopted in this study.

This study contributes to the understanding of engaged or disengaged employees' influence on customer experience of employee performance in a business-to-business relationship. A recurring observation is the lack of business-to-business literature examining customer experience in a South African context. Furthermore, the effect of employee engagement is predominately isolated to human resources literature and receives little attention in social sciences. Two primary objectives of the study are identified: to determine the influence of employee engagement on customer experience of employee performance; and the influence of customer experience of employee performance on overall customer experience and customer loyalty. Specifically, this infers that customer experience of employee performance acts as mediator between employee engagement and overall customer experience. The secondary research objective considers the antecedents of employee engagement, namely, the effect of supervisory support and perceived autonomy on the constructs of vigour, dedication and absorption.

The theoretical model used in this study demands that both customer and employee data be collected. Therefore two surveys were conducted with a specific focal firm chiefly involved in the construction and mining sector. The employee survey was administered through an online survey focusing on the focal firm's employees in a specific department. The customer survey was telephonically conducted through an outsourced research consultancy utilising a Computer Aided Telephonic Interview (CATI) technique. Employee-to-customer datasets were then matched to constitute the final dataset for the quantitative phase of the study.

## **1.2 PROBLEM STATEMENT AND OBJECTIVES**

Customer experience as a construct in modern research literature has received increased attention due to its profound effect on business success (Verhoef *et al.*, 2009). The relation

of customer experience to traditional constructs (customer satisfaction, customer loyalty), customer experience measurement and customer experience antecedents are a source of debate in the literature (Palmer, 2010; Gentile *et al.*, 2007; Kim & Choi, 2013; Lemke *et al.*, 2011; Verhoef *et al.*, 2009). It is acknowledged in business-to-business contexts that relationships are more prevalent and require an employee' attitude of transparency, cooperation, flexibility and resolution (Lemke, *et al.*, 2011; Hollyoake, 2009).

Johnston and Kong (2011) put forward that customer experience affects both customer satisfaction and customer loyalty. Sivadas and Baker-Prewitt (2000) propose that customer satisfaction had a direct effect on customer recommendation. Criticism of customer satisfaction includes, the construct focuses on post-consumption experience (Sivadas & Baker-Prewitt, 2000) and may be biased towards cognitive effects rather than affective outcomes (Palmer, 2010). Maklan & Klaus (2011) acknowledged that findings included a stronger relationship between customer experience and customer loyalty than between customer satisfaction and customer loyalty. Kim and Choi (2013) suggest that customer experience greatly influences customer loyalty.

Employees' attitudes are suggested as deriving from whether an employee is engaged or disengaged (Menguc, Auh, Fisher & Haddad, 2013). Determining the influence of employee engagement on a customer's experience is a challenge. An all-encompassing customer experience construct has, as yet, not been agreed upon in the literature. Customer experience is proposed as subjective and a holistic representation of the customer's interaction with the firm (Palmer, 2010; Gentile *et al.*, 2007; Kim & Choi, 2013; Verhoef *et al.*, 2009; Lemke *et al.*, 2011; Hollyoake, 2009). Also, Kim and Choi (2013) propose that the quality of interaction between a customer and employee is an indicator of customer experience.

A recommended framework to measure the influence of employee engagement on customer

experience was not ascertained in this study therefore the framework of Menguc *et al.* (2013) served as the basis to construct a theoretical framework for this study. The original framework by Menguc *et al.* (2013) adapts the Job Demand-Resources model measuring employee engagement with the selected constructs of vigour, dedication and absorption and the selected antecedents, supervisory support, supervisory feedback and perceived autonomy, to determine the influence of employee engagement on the consequences of customer experience of employees' performance.

Consequently this study set out to investigate the following research question:

*Are customer experiences influenced by employee engagement in a business-to-business relationship?*

Two primary objectives are set out for this study and guide the research process:

- (1) To determine if a relationship exists between the level of employee engagement and the subsequent effect on customer experience of employee performance.
- (2) To determine whether customer experience of employee performance affected the overall customer experience and subsequently customer loyalty towards the firm.

In order to test the full conceptual model as supported by the framework of Menguc *et al.* (2013), the following secondary research objective is considered:

- (1) To investigate the relationship between the antecedents of employee engagement (supervisory support, perceived autonomy) and the three constructs (vigour, dedication and absorption) of employee engagement.

Both the primary and secondary research goals guide the formulation of the research hypotheses. The hypotheses direct the methodology utilised, statistical analysis and

subsequent interpretation of results. The hypotheses formulation will be discussed in more depth in chapter 2 (H10, H11, H12) and chapter 3 (H1, H2, H3, H4, H5, H6, H7, H8, H9). Considering the two research objectives mentioned above, the hypotheses formulated for the study are:

H1: Perceived autonomy is positively associated with employee absorption in a business-to-business environment.

H2: Perceived autonomy is positively associated with employee vigour in a business-to-business environment.

H3: Perceived autonomy is positively associated with employee dedication in a business-to-business environment.

H4: Supervisory support is positively associated with employee absorption in a business-to-business environment.

H5: Supervisory support is positively associated with employee vigour in a business-to-business environment.

H6: Supervisory support is positively associated with employee dedication in a business-to-business environment.

H7: Employee absorption is positively associated with customer experience of employee performance in a business-to-business environment.

H8: Employee vigour is positively associated with customer experience of employee performance in a business-to-business environment.

H9: Employee dedication is positively associated with customer experience of employee performance in a business-to-business environment.

H10: Customer experience of employee performance is positively associated with overall customer experience in a business-to-business environment.

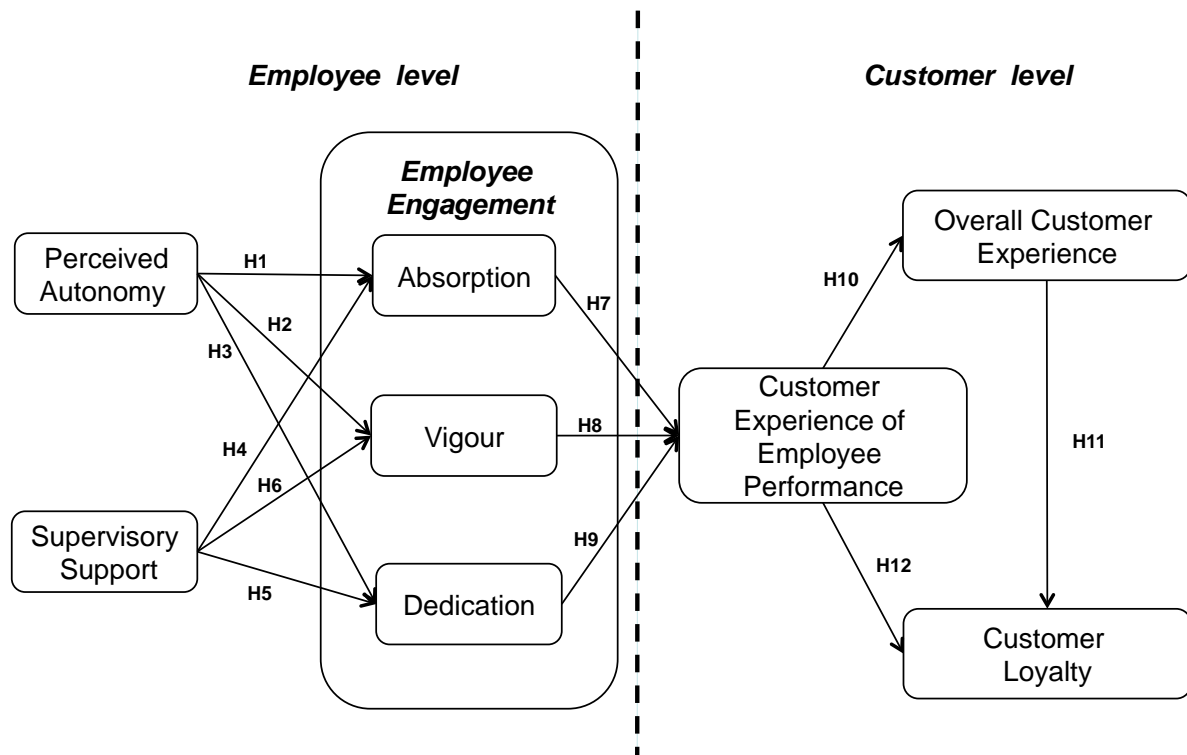
H11: Overall customer experience is positively associated with customer loyalty in a

business-to-business environment.

H12: Customer experience of employee performance is positively associated with customer loyalty in a business-to-business environment.

Figure 1.2 depicts the conceptual model adapted from Menguc *et al.* (2013) proposed for this study. Figure 1.2 will be discussed in more depth in chapter 4. The conceptual model includes the hypotheses to be empirically tested.

**Figure 1.2: Conceptual model of the influence of employee engagement on customer experience**



### 1.3 DEFINITIONS OF KEY TERMS USED IN THE STUDY

The following are definitions of key terms used in this study:

**Absorption:** For the purpose of this study the definition by Schaufeli *et al.* (2002:75) is adopted, where absorption is, “being fully concentrated and deeply engrossed in one’s work,

whereby time passes quickly and one has difficulties with detaching oneself from work”.

**Autonomy:** For the purpose of this study autonomy is defined as, “the extent to which employees feel they enjoy independence, flexibility, discretion, and control in performing their jobs” (Menguc *et al.*, 2013:2165).

**Customer experience:** For the purpose of this study, customer experience is defined as “understanding the experience expectations you are creating as an organisation with your customers and how they manifest themselves as real experiences across all the touchpoints and all levels of contact as the business relationship develops” (Hollyoake, 2009:133).

**Customer loyalty:** The term customer loyalty is inclusive of characteristics such as behaviour and attitude and therefore a composite definition is proposed. For the purpose of this study, the chosen definition of customer loyalty is the “customers who hold favourable attitudes toward the company, commit to repurchase the product/service and recommend the product to others” (Bowen & Chen, 2001:214).

**Customer satisfaction:** According to Getty and Thompson (1994, quoted by Palmer, 2010:199), customer satisfaction is defined as a “summary psychological state experienced by the consumer when confirmed or disconfirmed expectations exist with respect to a specific service transaction or experience”.

**Dedication:** Dedication is defined as having “a sense of significance, enthusiasm, inspiration, pride, and challenge” (Schaufeli *et al.*, 2002:74).

**Disengaged employee:** Disengaged employees’ behaviour is defined as “uncoupling of selves from work roles; in disengagement, people withdraw and defend themselves physically, cognitively or emotionally during role performances” (Kahn, 1990:694).

**Employee engagement:** For the purpose of this study, employee engagement is defined as “a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication, and absorption” (Schaufeli *et al.*, 2002:74).

**Engaged employee:** Engaged employees’ behaviour is defined as “the harnessing of organisation members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances” (Kahn, 1990:694).

**Service quality:** Perceived service quality is proposed as representing “the discrepancy between customers’ expectations and their perceptions of the service performance” (Tam, 2004:899).

**Supervisory support:** According to Babin and Boles (1996:60) supervisory support is, “the degree to which employees perceive that supervisors offer employees support, encouragement and concern”.

**Touchpoint:** Meyer and Schwager (2007:3) define touchpoint as, “the instances of contact either with the product or service itself or with representations of it by the company or some third party”.

**Vigour:** Schaufeli *et al.* (2002:74) define vigour as, “high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties”.

## **1.4 CONTEXT OF THE STUDY**

The focal firm utilised for this study is a product distributor chiefly involved in the construction and mining sector in the Southern African market, namely, South Africa, Botswana, Namibia,

Angola, Zambia, Zimbabwe and Mozambique. The firm is listed on the Johannesburg Stock Exchange (JSE) under the industrial goods sector. The business is a brand distribution model focusing on providing products and services onsite, offsite and online to the customer. In the 2014 financial year the firm's revenue across all Southern Africa operations reached in excess of R21-billion. The firm operates predominately in a business-to-business environment, with business-to-individual customers virtually non-existent. The contractual and tender element of the business focuses on construction, mining and quarrying as sectors of opportunity, but dealings with sectors, such as products reselling, government, transport and agriculture are common.

The relevance of such industries within a South African context cannot be underestimated. According to Statistics South Africa (2014) the nominal Gross Domestic Product (GDP) at current market prices during the fourth quarter of 2014 was R979-billion. Of the total GDP, the mining and quarrying sector accounted for 7.5 percent and the construction sector 3.4 percent of contribution. Both sectors grew from the previous quarter; mining and quarrying by 15.2 percent and construction by 3.5 percent.

The competition in the South African construction, mining and quarrying industry has become more aggressive with the entry of competitors. Members of the Construction Mining and Equipment Association (CONMESA) have increased from fifteen in 2000 to thirty in 2015 (Agfacts, n.d.). The reliance on product quality as a differentiator has decreased due to competitive increase in product development and service capabilities. Shaw and Ivens (2005) suggest that customer experience is the next competitive battleground. Customer satisfaction and customer experience are recognised as important factors by various manufacturers operating in the construction, mining and quarrying sectors globally (Kelleher, 2014; Bell Equipment Limited, 2014; Parker, n.d.). It is suggested by Kelleher (2014) that an unrealised opportunity exists in creating a common experience for customers with the firms continued existence reliant on providing service excellence to customers.

Increasing pressures in the South African business environment include reduced demand for commodities, the weakening of the Rand and the increased threat of Chinese manufacturers placing pressure on South African firms. Developments in the past year negatively affecting the construction, mining and quarrying sector include Eskom's ability to supply electricity (load-shedding) and strikes in mines. Barriers to entry in this sector include high start-up costs for new contractors and the dependence on municipality allocation of budget for future infrastructure projects.

In summary, the construction, mining and quarrying sector was chosen as a suitable industry to research the issue of customer experience due to its relevance to the industry's development in South Africa, and as an opportunity to explore a context where limited in the literature from a global perspective exists on customer experience.

## **1.5 STUDY RATIONALE**

Academically this study provides insights into the association between customer experience and employee engagement. It extends the existing theory by differentiating between a customer experience of employee performance and overall customer experience. The affect of customer experience on customer loyalty concludes the study.

Academics for decades have emphasised the importance of customer satisfaction, customer loyalty and the subsequent impact on profitability and turnover. The customer experience of the employee's performance impacts directly on overall customer experience, while employee engagement impacts directly on customer experience of the employees performance, thus providing the link between employee engagement and overall customer experience. A customer's intention to recommend the firm is utilised as a successful measure in predicting operational growth and future profits. This research contributes to the literature by highlighting employee engagement and customer experience as important considerations for marketers, human resource and operational managers.

In a broader sense, this research proposes to contribute to the literature by demonstrating customer experience as a necessary predictor of influence and direct determinant of customer loyalty. In a study by Kim and Choi (2013), customer experience depicted a significant positive influence on customer loyalty. Findings by Maklan and Klaus (2011) propose that stronger relationships exist between customer experience and customer loyalty. Such an expansion of the conceptual model presented by Menguc *et al.* (2013) is potentially beneficial as it may lead to increased understanding and prediction of employee engagement relationships with customer experience prediction models. The idea is to expand the literature in two-ways; first by looking at the customer experience stemming from the employee-customer encounter and its relationship with the customer's self assessment of the overall experience with the firm and the customer loyalty. Secondly to investigate these relationships in a business-to-business context.

Customer satisfaction and customer loyalty in the past literature suggested the influence of the employee-customer encounter in terms of value-creation and the corresponding financial benefit for the firm (Fleming, Coffman & Harter, 2005). The actual encounter between employee and customer is proposed as irregular; therefore the effectiveness may go unnoticed (Fleming *et al.*, 2005). Menguc *et al.* (2013:2163) state that, "when employees are disengaged, their negative mindset could be contagious and affect how they treat and serve customers". The importance of investigating the gap between employee engagement levels and the associated customer experience during the encounter between customer and employee not only addresses consistency and identification of value-creation but the effect of disengagement on customer experience.

The proposed relationship between an overall customer experience construct, customer experience of employee performance and the traditional construct of customer loyalty is also important. Fleming *et al.* (2005) highlighted a study on call centre agencies that shows that customer experience depends entirely on the customer service representative that took the

call. Using a call centre that employs five thousand service representatives, the top ten percent of representatives produced six positive interactions for every negative interaction and the worst ten percent only received three positive interactions for every four negative ones. Therefore, impact of the employee on the overall customer experience presents an opportunity for empirical exploration.

The notion of a relationship between overall customer experience and customer loyalty is often promoted in the literature. Klaus (2013) proposes that customer experience quality is one of the antecedents of customer loyalty, stating that, “companies today focus on creating customer loyalty and a competitive advantage by creating favourable customer experiences” (Klaus, 2013:444). Salanova, Agut and Peiró (2005:1219) advance that, “building positive interactive relationships between employees and customers is thought to increase customer loyalty”. Despite these observations few studies actually demonstrate the relationship between customer experience and customer loyalty in a measured fashion.

In a firm, the association between customer constructs and increases in financial implications are often debated. In a report by Hartner, Schmidt and Hayes (2002), employee engagement is suggested as positively relating to firm constructs such as customer satisfaction, loyalty and productivity. Rucci, Kirn and Quinn (1998) analysed the employee-customer profit chain at the firm Sears Roebuck and Co and estimated that a five-point increase in employee attitudes stimulated a 1.3-point rise in customer satisfaction, which associated with a 0.5 percent improvement in revenue growth. This association assists managers in focusing on result orientation not only from a productivity and sales perspective but also from a customer experience perspective.

The business-to-business environment is acknowledged as one where customers are consolidated to represent a higher value (Hollyoake, 2009). The total number of business-to-business customers is less than a traditional business-to-consumer industry. The value of

one business-to-business customer to a firm may be weighted heavily and is associated typically with business tenders. Business tenders or contracts may be in place for a number of years and the loss of such a contract is substantial in terms of revenue to the firm. This study assists in the acknowledgement that business-to-business customers are more likely to view customer experience as a portion of their tendering process and measure against their relative experience through business metrics (Hollyoake, 2009).

The practical implication of managers implementing a similar conceptual model in firms may assist in exploring the effect of traditional customer constructs such as customer loyalty, but in addition include the construct of customer experience. Dibeehi and Dobrev (2011) suggest that, with customer experience, customers are not completely satisfied with rational desires but are through the inclusion of emotional desires.

The practical benefits of exploring customer experience in a business-to-business context are numerous. The enhancement of business-to-business literature in a South African environment may afford managers the opportunity to apply learnings in dealings with employees to encompass employee coaching, training interventions, carefully constructed surveys (employee and customer) and benchmarking for performance-based evaluation with employees in future.

## **1.6 RESEARCH DESIGN AND METHODOLOGY**

The methodology employed to test the conceptual model is adapted from the original framework of Menguc *et al.* (2013) and includes telephonic interviews as a means of data collection. The population for the study are employees from a local firm within a specific industry and listed on the JSE under industrial goods. Within the focal firm a specific department was selected which accounts for approximately 80 percent of the firm's revenue, and is characterised by high volumes of customer contact. These customer contacts are all business-to-business interactions. Many of the firm's customers are international clients, and

it was therefore decided that only interactions with customers from Africa will be included in the sampled empirical data. Therefore only customer relationships from South Africa, Botswana, Namibia, Lesotho and Swaziland were considered in the study. The data was collected over a three month period, from August to October, 2014.

This study examined the firm's employee engagement levels and orientation towards customers. This was conducted through the distribution of a questionnaire, which was used to empirically test the stated hypotheses. Data was suitable for variance-based structural equation modelling (SEM) as the primary method of data analysis. The study used the statistical software SmartPLS for SEM and SPSS for descriptive analysis.

The conceptual framework required two sets of data. One set was needed to ascertain the levels of employee engagement, and the other set of data needed to collect the corresponding customer experience of employee performance. Therefore two measurement instruments (questionnaires) were developed. The employee questionnaire was administered through a confidential survey on the online platform Qualitrics. The advantage of an electronic platform includes the ability to collect data from geographically dispersed employees in a relatively anonymous manner. The customer questionnaire was administered telephonically by an external research firm which is often used by the focal firm and has gained the trust of employees over time. A unique identifier was then used to link customer responses to employee responses.

## **1.7 STRUCTURE OF THE DISSERTATION**

A brief overview of each chapter presented in this dissertation is provided below.

### **Chapter 1: Introduction and background**

This chapter introduces the study by presenting the research background, research

questions and objectives. Discussion of the context of the study and the study's academic and practical benefits follows. The chapter provides a brief overview of the research methodology and design and concludes with the outline of the chapters.

## **Chapter 2: Customer Experience**

Chapter 2 is the first of two literature review chapters. It explores the definition of the term customer experience and the historical development of customer experience in literature. The chapter characterises customer experience in both the business-to-business domain and the business-to-consumer domain, highlighting similarities and differences. The relationship between customer experience and the antecedent of employee engagement are considered. Potential customer experience antecedents are discussed including, customer satisfaction, customer experience of employee performance and customer loyalty. Past empirical and conceptual customer experience studies are discussed. Overall customer experience, customer experience of employee performance and customer loyalty measures are presented. The chapter concludes with the summation of measures.

## **Chapter 3: Employee Engagement**

Chapter 3 is the second of two literature review chapters. This chapter reviews literature on employee engagement by exploring the definition of employee engagement and the antecedents measured in this study. The review of the Job-demand review model in measuring employee engagement is advanced. The association with other constructs is also acknowledged. The chapter concludes with the benefit of measuring employee engagement.

## **Chapter 4: A theoretical model to integrate employee engagement and customer' experience**

Chapter 4 integrates the conclusions of Chapters 2 and 3, namely, the relationship between

employee engagement and customer experience, in the construction of a theoretical model to test the research hypotheses. Hypotheses are suggested to test the antecedents of employee engagement and the association between employee engagement constructs, namely, vigour, dedication and absorption. Employee engagement as an antecedent to customer experience of the employee performance are hypothesised. The final hypotheses formulated relate to the outcomes of customer experience of the employee performance, namely, overall customer experience and customer loyalty.

## **Chapter 5: Research methodology**

This chapter reviews the research methodology required for the study's objectives to be fulfilled. Pre-testing and piloting of both the employee and customer questionnaires are assessed and the development of research instruments discussed. Both the employee and customer questionnaire were appraised by the University of Cape Town Commerce Faculty Ethics in Research Committee. Descriptive statistics of both datasets are analysed and discussed and the steps of data analysis detailed.

## **Chapter 6: Empirical findings**

This chapter reports the empirical research findings based on the proposed hypotheses. Evaluation of the response rate and measurement model's reliability and validity are examined. The structural model's statistical significance is tested against twelve hypotheses. The predictive power of the model is tested and the chapter concludes with the net effect of the hypothesised relationship paths in the structural model.

## **Chapter 7: Conclusions and recommendations**

The final chapter concludes the study with a discussion and summary of the research results. Future managerial implications from the study and associated limitations are

discussed. This chapter concludes with recommendations for future research.

## **1.8 CHAPTER SUMMARY**

This chapter presented an overview of the study with an introduction of the study's research goals and objectives. The key terms were defined and the context of the overall study introduced. The importance and benefits of the study were presented and the research design and methodology were summarised with an outline of the structure of this study. The next chapter presents the first section of the literature review, namely, customer experience.

## CHAPTER 2: CUSTOMER EXPERIENCE

### 2.1 INTRODUCTION

Customer experience as a construct is a source of debate in terms of scientific exploration (Klaus, 2013). This chapter considers the evolution of customer experience from theories of product and service quality in the 1970's, relationship orientation in the 1980's through to modern day customer experience theory. Customer experience is suggested as evolving from the 1980's focus on experiential marketing; hence the focus on the emotional and not just the rational aspect of customer decision making (Verhoef *et al.*, 2009). Customer experience is viewed as an addition to marketing constructs (customer satisfaction and customer loyalty) rather than a replacement. As customer experience has evolved, the construct is being touted, "the new competitive battleground and is a source of sustainable differentiation" (Shaw & Ivens, 2005:17).

This chapter examines the understanding of the definition of customer experience inclusive of the role of emotions in determining customer experience. Customer experience research in a business-to-business context is limited. The disparities and similarities between business-to-business and business-to-consumers' experiences are described. Conceptual and empirical studies of customer experience are reviewed with key themes emerging, namely, employee involvement in customer experience and framework ideation.

Customer experience of employee performance (CESEP) is proposed as a measure construct, based on business-to-business literature (Lemke *et al.*, 2011) and the antecedent, employee engagement is put forward. The outcomes of overall customer experience (OCE) and customer loyalty (CL) are proposed. The chapter concludes with the recommended measures for each antecedent and outcome.

## **2.2 DEFINITIONS OF CUSTOMER EXPERIENCE**

This section discusses the definitions of customer experience in the literature and proposes a definition adopted for this study, cognisant that the literature does not recognise a definitive meaning. Two prevailing concepts are presented in the definition of customer experience: the subjective nature and the holistic nature of customer experience. The subjective nature encompasses customer experience as viewed from a customer's internal standpoint, whereas the holistic nature focuses on the point of contact between the business and customer (referred to as a touchpoint), both directly and indirectly.

### **2.2.1 Subjective nature**

Customer experience proposed as a subjective definition may be limited in applicability across all environments. It is suggested that customer experience originates from interactions between a customer and a firm, which elicit a reaction (Gentile *et al.*, 2007). Hence emotions, sensations, spirituality, physicality and rational thought all play a role in defining the experience the customer has with the firm (Gentile *et al.*, 2007). Palmer (2010) points out that traditional constructs (service quality and customer satisfaction) are biased towards cognitive effects. This definition of customer experience assumes customers desire satisfying experiences, thereby providing the connection between a customer's mind and activity (Palmer, 2010).

The subjective nature of customer experience may be influenced by hedonistic properties. Palmer (2010) recommended that the customer experience definition include the dimensions of cognitive, behavioural and relational behaviour. Lemke *et al.* (2011) caution the use based only on hedonistic properties as the reaction from ideal customer experience may be misunderstood. Defining customer experience based on a purely subjective nature seems limited and constrained, and as such a more holistic definition of customer experience is required.

### 2.2.2 Holistic nature

Customer experience is understood as the total experience from initiation of the search for a product or service through to the post purchase experience (Verhoef *et al.*, 2009). Kim and Choi (2013), Lemke *et al.* (2011) and Verhoef *et al.* (2009) observe that customer experience is a subjective, holistic interaction with a firm not limited to a specific encounter. Customer satisfaction by contrast is proposed as an evaluation of a single event, post consumption (Sivadas & Baker-Prewitt, 2000). Verhoef *et al.* (2009) believe that customer experience is shaped by both direct and indirect contact with a firm. Direct contact is reported as general business, therefore the purchase, the usage and the service where initiated by the customer. Indirect contact is defined as unplanned encounters, such as advertising and word-of-mouth.

No single definition of customer experience is agreed upon in the literature. Agreements for traditional constructs definitions such as customer satisfaction are present in the literature. The nature of customer experience and the incorporation into a definition is acknowledged as encompassing both customers' subjective nature and a holistic inclusion. Based on the above beliefs, the following definition follows the argument that "customer experience originates from a set of interactions between a customer and a product, a company, or part of its organisation, which provoke a reaction from a customer" (LaSalle and Britton, 2003 quoted by Gentile *et al.*, 2007:397).

The second definition based on the holistic nature of customer experience believes that customer experience is "the customer's subjective response to the holistic direct and indirect encounter with the firm, including but not necessarily limited to the communication encounter, the service encounter and the consumption encounter" (Lemke *et al.*, 2011:848). A third definition offered by Hollyoake (2009) seems more appropriate for the business-to-business context of this study and therefore this definition is adopted.

As such the definition for customer experience proposed for this study is “all about understanding the experience expectations you are creating as an organisation with your customers and how they manifest themselves as real experiences across all the touchpoints and all levels of contact as the business relationship develops” (Hollyoake, 2009:133). This definition encompasses aspects of all identified characteristics demonstrated in previous research. As such this definition is adopted for this study for describing business-to-business customer experience.

### **2.3 THE HISTORICAL DEVELOPMENT OF CUSTOMER EXPERIENCE**

The extant literature on marketing documents the journey from product-based marketing to relationship and services marketing and ultimately, customer experience. Maklan and Klaus (2011) believe that in the course of the past 25 years, marketing has substantially shifted from product brands to customer relationships and services’ marketing to experiences. According to Maklan and Klaus (2011), various authors observe that product marketing or relationship marketing is not dead; it is just not viewed as a sustainable differentiator for firms to stay competitive. The evolution of customer experience is generally agreed (Palmer, 2010; Maklan & Klaus, 2011; Gentile *et al.*, 2007), but it is acknowledged that customer experience as a holistic construct is in its infancy (Johnston & Kong, 2011). Therefore the discussion here focuses on the evolution of customer experience from product service quality to customer experience.

Product quality and service quality are believed to be precursors of customer experience. Palmer (2010) posits that in the 1950’s and 1960’s a focus on product quality in a manufacturing-dominant environment was prevalent. The advent of the “zero-defect” philosophy suggested that customers would defect less when defects in product quality were reduced (Maklan & Klaus, 2011). Product quality was suggested as an antecedent of perceived value and would direct purchase intentions (Lemke *et al.*, 2011). Therefore, the

focus on product quality was a rational measure that assumed consumers were perfectly rational decision makers who based purchasing decisions on product quality alone.

Product quality as a differentiator in a manufacturing economy was eclipsed in the 1970's by the focus moving to service quality (Palmer, 2010). Lemke *et al.* (2011) indicate that product quality and service quality both were antecedents of perceived value and outcomes of purchase. Services marketing literature focused on measures such as service quality and customer satisfaction (Klaus, 2013). Tam (2004) suggest that the most widely accepted definition of service quality focused on the difference between the level of customer expectation and perception of a service.

It is argued in past literature that service quality was central in the enhancement of value perceived by the customer therefore contributing to customer loyalty (Tam, 2004). Lemke *et al.* (2011) argue that service quality limitations were due to the emphasis on the static measure of transaction-specific satisfaction rather than the nature of the customer's holistic service journey. Challenges for a service quality-based assessment of customer experience included agreement of a definition, usefulness and measurement of service quality (Klaus, 2013).

During the 1980's the quality of on-going relationships became a differentiator for business, hence customer relationship management gained ground (Palmer, 2010). Maklan and Klaus (2011) acknowledge that the first shift in marketing literature occurred with the advent of service-based relationship marketing, which is focused on the customer-company relationship and the offering of products and services.

Palmer (2010) proposes that the progression from relationship marketing to customer experience occurred because of discrepancies in the model's ability to explain customer behaviour as, despite customers indicating satisfaction with a supplier, they were still seen to switch loyalty to alternate brands. Palmer (2010) argues that the criticism of relationship

marketing centred on the failure to account for emotional states of customers. The author argues that the relationship encountered in “mom and pop “stores in which relationship literature finds its basis is substantially different to firms with millions of customers.

Verhoef *et al.* (2009) observes that customer experience first came into being in the 1980's based on experiential marketing. Experiential marketing is focused on customers' sensing, feeling, thinking, acting and relating to firms (Holbrook & Hirschman, 1982). Both Frow and Payne (2007) and Gentile *et al.* (2007) concur that customer experience was first demonstrated two decades ago in experiential marketing. The role of emotions affecting behaviour as a pivotal construct emerged (Holbrook & Hirschman, 1982), whereas in the past rational behaviour only was considered (Gentile *et al.*, 2007).

Customer experience gained traction in the 1990's, citing the literature from Pine and Gilmore (1997,1999) suggest that experiences are the determinant of economic value (Gentile *et al.*, 2007; Maklan & Klaus, 2011; Johnston & Kong, 2011). Gentile *et al.* (2007) propose that experience originates from the entirety of contacts between customer and firm, where the firm holistically engages a customer at different levels: rationally, emotionally, sensorial and physically. Dibeehi and Dobrev (2011) argue that customers are not completely satisfied when only rational desires are met, but in the meeting and exceeding of customers' rational and emotional desires.

Gentile *et al.* (2007) demonstrate that experience moves away from the traditional products and services approach and focuses on the holistic experience of a person in every interaction with the firm. Gentile *et al.* (2007) argue that the relationship between a firm and a customer is strengthened by co-creating experiences together. Understanding the role of attitudes mediated by individual emotions in an encounter with a firm is essential in determining future customer behaviour (Palmer, 2010).

Focus on customer experience as a construct has led to various models posited. Kim and

Choi's (2013) examination of customer experience models includes assessment of a customer's journey with firms and the holistic nature of customer experience rather than elements in isolation. The authors demonstrate that the addition of the customer experience relationship as an additional construct to customer loyalty, can explain future customer behaviours (Kim & Choi, 2013). Johnston and Kong (2011) propose that customer experience affects customer satisfaction as well as customer loyalty, and creates an emotional bonding by customers with firms or products. The reason why customer experience is valuable is that it motivates customers to act in ways valuable to the firm (Dibeehi and Dobrev, 2011).

Customer experience as a construct for explaining behaviour also has shortcomings. Klaus (2013) explains that customer experience is a holistic construct and as such has been difficult to adopt. Gentile *et al.* (2007) argue that the slow adoption of customer experience is owing to the variety of interpretations and lack of theoretical models and structured approaches for managers to implement in firms. Verhoef *et al.* (2009) emphasise that the literature historically has not considered customer experience as a distinct construct, rather focusing on traditional measures such as customer loyalty and customer satisfaction to review customer experience. Klaus (2013) acknowledges that research on service marketing and the corresponding relationship to customer experience is limited. Although comprehensive studies have been undertaken, research has yet to produce much empirical evidence of customer experience in different contexts (Klaus, 2013).

Theoretical models of customer behaviour have evolved from product quality, through service quality and customer relationships over five decades. It is important to note that authors do not negate the relevance of existing literature, but rather state that the movement towards customer experience is suggested to enhance competitiveness of the firm. Gentile *et al.* (2007) report research indicating that 85 percent of senior managers believed that traditional elements, such as price, product and quality no longer guarantee a sustainable

competitive advantage. Customer experience is suggested to be the next development in firms' competitive battleground (Shaw & Ivens, 2005).

## **2.4 EMOTIONS IN CUSTOMER EXPERIENCE**

The subjective nature of customer experience encompasses the experience of emotions. Emotions are put forward as an important consideration in customer experience. Walden and Janevska (2013) observe that customers are always emotional and nobody is neutral. The suggestion is that, as the next territory of competition is customer experience, firms are dealing with the fact that customer experience is emotional in nature (Dibeehi, 2011). Gentile *et al.* (2007:396) acknowledge that the “emotional and irrational side of customer behaviour and which, more than only rational ones, account for the whole experience coming from the set of interactions between a company and its customers”. Walden and Janevska (2013) propose that the rational evaluation by a customer of a firm causes either an emotional or non-emotional reaction. Emotions are acknowledged as ranging from positive to negative emotions. Johnston and Kong (2011) believe that through experiences emotions are created in a customer, such as happiness or on the opposite scale, unhappiness. As examples, emotions may range from surprise, love, happiness to fear, anger and shame.

The relevance of such emotions is their indication of customer attitudes and likelihood of future purchase and recommendation intentions. Emotion is observed to be an indicator of what is important to a customer (Palmer, 2010), a distinguishing factor of customer experience (Palmer 2008) and include aspects such as trust, assurance and care (Johnston & Kong, 2011). Palmer (2010) argues that emotional predispositions of customers are distinguishing elements in customer experience as customer emotions in the same context may vary. Walden and Janevska (2013) cite that without emotion, the customer experience was underestimated by 41 percent. Even when the product or service is seen as mundane, emotional engagement is still viewed as an opportunity for a positive experience (Johnston &

Kong, 2011).

Hollyoake (2009) argues that emotions are often overlooked, as business measures (profitability, productivity) often direct firms. However, research shows that “emotionally bonded customers tend to invest more in their relationships than customers lacking affective commitment” (Palmer, 2010:201). Beaton and Beaton (1995) posit that the superiority of the commitment between firm and customer is a predictor of successful business-to-business relationships. Beaton and Beaton (1995:57) believe that the “relationships between service providers and their clients are comparable to a marriage between husband and wife. In both, commitment is the key to success”. Hollyoake (2009) expands this framework in a business-to-business context suggesting that the propensity to commit is driven by memories, emotions, motivation and experience, and that the bonding factor is driven by integrity, communication, interdependence and timeous delivery. This relationship is suggested to centre on trust in the eyes of the customer (Hollyoake, 2009). Trust indicates that the firm is credible, reliable and sharing a level of intimacy with the customer (Hollyoake, 2009).

Emotional cues by customers in business-to-business relationships cannot be ignored. Emotions of a customer, positive or negative, shape customer’ experience. In business-to-business relationships the central theme of trust is based upon integrity, interdependence and communication (Hollyoake, 2009). As business-to-business and business-to-consumer are similar in certain contexts of customer experience, and dissimilar in others, the following section reviews the two contexts.

## **2.5 CUSTOMER EXPERIENCE CLASSIFICATION**

The classification of customer experience for the purpose of this study investigates the difference between business-to-business and business-to-consumer customer experience. Business-to-business customer experience is proposed as having pivotal relevance in the relationship between customer and firm. The differentiators of business-business customer

experience are explored of end-user and the concept of tendering. Business-to-consumer customer experience distinguishing characteristics are explored and similarities demonstrated between the two contexts.

### **2.5.1 Business-to-business customer experience**

Customer experience in business-to-business contexts is differentiated from business-to-consumer (Frow & Payne, 2007). The term customer experience within a business-to-business context is not as widely researched and hence an exact definition is not established. Business-to-business marketing is defined as, “the marketing of products or services to companies, government bodies, institutions and other organisations that use them to produce their own products or services or sell them to other B2B customers” (Biemans, 2010:5). Hollyoake (2009) proposed that in business-to-business, customer experience expectations created between a firm and customers manifest themselves as real experiences across all the points of contact in the firm. Lemke *et al.* (2011) substantiate the business-to-business environment by arguing that relational behaviours with the firm appear to be more prevalent. Frow and Payne (2007) highlighted a business-to-business case study where customers requested a single point of contact. Hollyoake (2009:149) distinguishes customer experience within business-to-business as “it is not so much the relationship or the way customers are managed that differentiates, it is the experience developed through the relationship that makes the big difference”.

Business-to-business relationships entail complex multi-level, multi-functional joint workings comparative to the business-to-consumer relationship. The suggestion is that key solutions for business-to-business relationships should include a high level of problem resolution, process flexibility, pro-active communication, customer wants and needs assessment and needs-related solutions (Hollyoake, 2009). Frow and Payne (2007) put forward that in the business-to-business case study, innovation in advances in communication increased the

firm's customer experience. It is believed that the importance of complaint resolution and rapid action may increase customer loyalty (Hollyoake, 2009).

An important differentiator in business-to-business contexts is the actual end-user, the concept of tendering and the complexity of touchpoints. It is argued that buyers may have a more rational and detached approach to the delivery of their expectations through their customer experience (Frow & Payne, 2007). The buyer may not actually use the product but focus on the creation of value downstream. Lemke *et al.* (2011) suggests that in business-to-business relational firm behaviours are more common. In business-to-business contexts, the concept of tendering is more prevalent with contracts for the supply of product and service negotiated for an extended period of time; effectively locking customers into contracts with key suppliers. Monitoring of customers' key performance indicators against key experience during tender processes may be considered in business-to-business relationships (Hollyoake, 2009). During the review of a firm in a tender process, key constructs may be monitored, such as customer satisfaction elements, e.g. reliability, tangible elements (product quality), price, empathy and responsiveness (Hollyoake, 2009).

### **2.5.2 Business-to-consumer experience**

The term customer experience within a business-to-consumer context has various definitions. Unlike business-to-business relationships, an important characteristic of this environment is that the ultimate buyer is the end-user of the product or service. Distinguishing factors in business-to-consumer contexts include acting on own personal needs, branding effect, advertising effect, lifestyle implications, rational decisions, emotion and impulsiveness (Hollyoake, 2009). Inclusive in these distinguishing characteristics it is acknowledged that customer' experience is based on the customers' values, beliefs and relationships (Hollyoake, 2009).

Similarities between business-to-business and business-to-consumer contexts exist. Lemke

*et al.* (2011:847) suggests that in both business-to-business and business-to-consumer experiences, “customers can articulate a rich set of constructs across their communication, service and usage encounters, by which they judge the excellence or superiority of their customer experience”. Gentile *et al.* (2007) elaborate that in business-to-consumer contexts the experience with the firm depends on the customers’ expectations and the offering at different moments of contact with touchpoints, not unlike business-to-business contexts. Both contexts demonstrate that a customer’s assessment of customer experience is holistic in nature and included in this assessment is their judgment of the quality of the experience (Lemke *et al.*, 2011). Business-to-business customer experience has a prevailing differentiator that the end-user does not necessarily consume the product. Business-to-consumer customer experience is believed to be a personal experience where the ultimate consumption of the product is experienced.

The following section introduces the theories of the antecedents that govern customer experience, and which inform the theoretical framework of customer experience developed for this study.

## **2.6 CUSTOMER EXPERIENCE ANTECEDENTS**

This section aims to propose and qualify the antecedents of customer experience as described in the literature. This section first refers to the antecedent, customer satisfaction. Secondly, the antecedents of overall customer experience and customer loyalty are described. Third, the construct: ‘customer experience of employee performance’ (CESEP) in a business-to-business firm is explained. Next, research conducted on employees’ effect on customer experience through associated performance levels is described. Lastly, the antecedent of customer experience of employee performance is recommended.

### **2.6.1 Customer satisfaction antecedents**

Customer experience has its roots in service quality, customer satisfaction and customer loyalty constructs. Service quality and customer satisfaction are proposed as separate but related constructs. One definition of service quality is the perceived excellence of the service judged by customers (Kim & Choi, 2013). An alternative suggested definition for services marketing is that it is the measurement of the gap between expectations and the overall assessment during service engagement (Maklan & Klaus, 2011). Conversely, customer satisfaction is described as a summary of customer' expectations either confirmed or disconfirmed in an experience with a firm (Palmer, 2010). Although the two are separate constructs, service quality is agreed to be related to the construct of customer satisfaction (Sureshchandar *et al.*, 2002).

Service quality perceptions could occur on various levels of the organisation whereas customer satisfaction is a summation of all encounters (Sureshchandar *et al.*, 2002). Customer satisfaction is emphasised as a post-consumption experience whereas service quality is the evaluation of a firm's service delivery (Sivadas & Baker-Prewitt, 2000). The authors argue that service quality is an antecedent to customer satisfaction. Palmer (2010) points out that service quality and customer satisfaction measures are biased towards cognitive effects rather than affective outcomes. Thus it is theorised that both service quality and customer satisfaction measure customers' reasoning and problem solving rather than emotions and feelings.

### **2.6.2 Influence of overall customer experience on customer loyalty**

The relationship between overall customer experience and customer loyalty is described. Findings include a stronger relationship between customer experience and customer loyalty than between customer satisfaction and customer loyalty (Maklan & Klaus, 2011). The relationship between customer loyalty and customer experience is not significantly evident in

the literature. Possible reasons for this include that the definition for customer experience and related terminology have not been accurately developed and as yet no known measures are agreed upon (Maklan & Klaus, 2011).

Kim and Choi (2013) put forward that there is a relationship between customer experience and customer loyalty. Palmer (2008) recommends that customer experiences' effect on customer loyalty should be evaluated during a key decision point after the interaction between customer-to-employee. Palmer (2008) highlights that, to understand customer defection from a relationship, unpacking customer experience is required.

Understanding customer loyalty as an outcome of overall customer experience is crucial. A good experience is suggested as affecting customer satisfaction therefore delivering customer loyalty (Johnston & Kong, 2011). The motive behind developing customer experiences should be to build customer loyalty, increasing repurchase intentions (Frow & Payne, 2007). An increased loyal customer base is understood as driving profit increases (Rahman, 2005). Customer experience is acknowledged as enabling firms to increase customer loyalty by increasing confidence and trust (Johnston & Kong, 2011). This relationship between experience, loyalty and profitability has limited exposure in the literature. Rahman (2005) advances that loyalty is integral to future firm growth. Rahman (2005) recommends a 'loyalty acid test' administered to customers and employees examining the relationship between customer loyalty and customer experience.

Kim and Choi (2013) establish a statistically significant relationship between customer experience and customer loyalty. Customer experience is measured on a three-item scale (experience with employee, superiority of experience, total experience procedure) and customer loyalty on a three-item scale (revisit intention, recommendation in workplace, and recommendation outside of workplace). Managerial implications include focusing on the antecedents to customer experience to ensure customers recommend the business (Kim &

Choi, 2013). Although not one test between an overall customer experience construct and customer loyalty has been established, the relationship between the two constructs is acknowledged and supported by literature. The relationship between firm and customer suggests that customer repetitive behaviour intention is associated to emotional bonding rather than the traditional quality or satisfaction measures (Palmer, 2010). As such this research posits the relationship between customer loyalty and customer experience.

### **2.6.3 Employee-customer antecedents**

Business-to-business antecedents explore a customer's relationship with the firm. Lemke *et al.* (2011) and Hollyoake (2009) are business-to-business literatures exploring constructs and associated antecedents. Lemke *et al.* (2011) believe that a relationship in business-to-business is extended as it is not based on one transaction only. The authors indicate that a relationship requires cooperation, transparency and intensive follow-up (Lemke *et al.*, 2011). Hollyoake (2009) argues that solutions for business-to-business should include a high level of problem resolution, process flexibility, proactive communication, customer wants and needs assessment and needs-related solutions. Hollyoake (2009) demonstrates key measures such as personal contact, delivering on promises, competency, proactive relationship development, needs understanding, knowledge, flexibility and proactive development of customer objectives. Hollyoake (2009) infers that in business-to-business contexts professionals are often the key interface. Lemke *et al.* (2011) argue that constructs that have been shown to contribute significantly to the customer experience in a business-to-business context include flexibility, employee competency, and attitude of the employee, communication and keeping promises.

Henning-Thurau (2004) proposes that the behaviour of employees affects customers' judgments. It is put forward that customers often rely on the behaviour of employees when judging the quality of the service received. The reliance of customers on employees

behaviour is highlighted in the original framework of Menguc *et al.* (2013). The recommendation for this study is that the construct of 'customer experience of employee performance' (CESEP) be established to measure the employee-to-customer interaction, hence the experience of the customer during the encounter. Prior to discussing the construct of customer experience of employee performance, the following section identifies the antecedent of customer experience of employee performance.

#### **2.6.4 Customer experience of employee performance antecedents**

In the customer interaction with an employee, at times an employee may not appear engaged with the customer. The theoretical 'employee engagement to customer engagement gap' emerges. Menguc *et al.* (2013:2163) state "that when employees are engaged, this affects how they behave and interact with customers". Studies focusing specifically on the relationship between customer experience and employee are limited. Rather the existing literature mostly focuses on the effect of an engaged employee on customer satisfaction and customer loyalty.

In business-to-consumer literature the relationship between employee interactions and customer experience are offered by Frow and Payne (2007), Harris (2007), Johnston and Kong (2011), Kim and Choi (2013) and Palmer (2008). Also, Bakker and Demerouti (2007) highlight a study where levels of employee engagement correlated positively to performance measures such as customer satisfaction and loyalty. Chi and Gursoy (2009:247) believe that "a company that takes care of its employees will take care of the customers". The performance by an employee is suggested to positively relate to customer loyalty; hence performance is a predictor of customer loyalty (Salanova *et al.*, 2005).

Based on this, employee engagement as an antecedent to customer experience of employee performance is proposed. Fleming *et al.* (2005) suggest that the employee-to-customer interaction ultimately leads to an opportunity being created to build customers'

emotional connection with a firm, or ultimately tarnishing it. Chi and Gursoy (2009) suggest that customers tend to have a better experience with organisations that have higher levels of employee satisfaction. Harris (2007) argues that customer experience is either supported by firm employees to effect a positive transaction or alternatively where the experience is not supported by employees resulting in a negative experience. The engagement levels of employees are believed to reflect the on the firm's value. Harris (2007) argued that the internal characteristics of a firm are transferred though employees externally. Following from this, Salanova *et al.* (2005) argue that, through positive relationships between employees and customers, loyalty will increase.

Antecedent research encompassing the element of employee engagement on customer experience in business-to-business contexts appears rare. The suggestion by two separate studies includes the element of employee engagement on traditional constructs. Employee-to-customer interaction is acknowledged as enhancing the customer experience with the firm. It is suggested that through employees, customer experience quality may begin. The antecedents of employee engagement is the topic of Chapter 3.

The antecedents of customer experience have been discussed. The following section conceptualises the various customer experience models which have explored the construct.

## **2.7 CUSTOMER EXPERIENCE MODELS**

Customer experience studies have not followed one identified and repeatedly tested framework. Rather, these studies have leveraged existing literature and proposed various conceptual frameworks. Hence, the literature shows that the adoption of customer experience is limited and the concept is typically modified by establishing relationships between other theoretical constructs. The customer experience studies reviewed in this section are from a conceptual and an empirical perspective. These studies' findings have important implications for the broader domain of customer experience.

### 2.7.1 Conceptual studies

Conceptual studies centering on customer experience are predominant in the literature comparative to empirical research. Conceptual studies, although not underpinned by empirical data, provide a framework for further discussion and adoption. Table 2.1 highlights known conceptual studies.

**Table 2.1: Conceptual studies on customer experience**

Topic	Context & Method	Author
Achievement of a 'perfect' customer experience	Case studies from two leading companies to illustrate their approaches to creating the 'perfect' customer experience.	Frow & Payne (2007)
We the people: The importance of employees in the process of building customer experience	An investigation into importance of employees in customer experience, tools of guiding principles are introduced and the presentation of a case study	Harris (2007)
Developing a 'bonded' business-to-business customer experience	An investigation into the business-to-business experience (B2BE) and the difference between this and business-to-consumer experience (B2CE).	Hollyoake (2009)
Developing a road-map to assist firms engineer customer experiences	An investigation into presenting how to design and improve firms' customer experiences.	Johnston & Kong (2011)
Traditional measures for product and service marketing cannot measure customer experience	The study argues that firms should be using alternative criteria to measure customer experience.	Maklan & Klaus (2011)
The focus of customer experience as a valid construct and proposal of a model	Proposal of a model integrates inter-personal relationships, tangible processes and brands relationships.	Palmer (2010)
The concept of customer experience and examination of customer experience holistically	A conceptual model proposal with determinants of customer experience is presented.	Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros & Schlesinger (2009)

Customer experience conceptual studies range from case study reviews to customer

experience framework propositions. The emergence of two main focal areas are represented by these conceptual studies, namely, employee involvement in customer experience and customer experience framework ideation.

### ***Employee involvement in customer experience***

Three studies focus on employee involvement in customer experience. The first study recommends that the perfect customer experience is required to improve falling customer' expectations in both routine actions and emotional experiences (Frow & Payne, 2007). The authors emphasise the importance of customer touchpoints, or the points of contact between firm and customer, in customer experience. Frow and Payne (2007) acknowledge the necessity of enhancing employee motivation to achieve perfect customer experience. The authors' primary focus is not on employees as an influencer of customer experience but substantiate that it is necessary to motivate employees to improve customer experience.

The second case study focuses on employees in improving customer experience. Harris (2007) argues that internal investment in the form of inward-facing brand management pays dividends to customer experience. The author recommends that guiding principles for employee behaviour are required to enhance customer experience, and argues that employee actions reinforce the brand promise made to the customer and establish an organisational culture fostering customer experience. Harris (2007) summarises that the values of the brand are the currency for customer experience supported by employees' actions.

Johnston and Kong's (2011) research into understanding how to engineer customer experiences is evident in the third case study. The authors base their research on four different contexts, including business-to-business contexts. The authors select a longitudinal study focusing on employee change management processes accompanying the implementation of customer experience. Johnston and Kong (2011) posit that the customer

experience teams in firms believed that the biggest barrier was enabling employees to see their services from the point-of-view of the customer.

Limitations in the research on employee involvement in customer experience in all three studies include no reproducible measureable frameworks for customer experience and no empirical data. The studies are based on best practice (Harris, 2007), case studies (Frow & Payne, 2007) and an ideal roadmap for customer experience (Johnston & Kong, 2011) rather than recommending a framework based on definitive empirical analysis.

### ***Customer experience framework ideation***

A holistic model to demonstrate customer experience is limited in the literature. Three studies reviewing possible conceptual customer experience frameworks include Maklan and Klaus (2011), Verhoef *et al.* (2009) and Palmer (2010). The first study argues that firms measure customer experience against criteria suited to service marketing (Maklan & Klaus, 2011). The authors propose a measure for customer experience: the Customer Experience Quality (EXQ). Customer experience antecedents observed are product experience, outcome focus, moments-of-truth and peace of mind (Maklan & Klaus, 2011). The four dimensions are believed to be significant contributors to loyalty, word-of-mouth and customer satisfaction.

The second study suggests a conceptual model of customer experience incorporating the influence of social environment, self-service technology, store brand, price, assortment, atmosphere and alternative channels (Verhoef *et al.*, 2009). Moderators include situation (i.e. location, culture) and consumer (i.e. goals, task orientation). Key contributions include a measure for customer experience and the effect of antecedents on customer experience (Verhoef *et al.*, 2009).

The third study argues the validity of customer experience and proposes a model integrating

constructs (Palmer, 2010). Reported antecedents include brand relationships, interpersonal relationships and tangible process quality. The outcome recommended for the model is the attitude of the customer, distorted over time though mediated by the effects of emotions and relationship sequencing (Palmer, 2010).

### 2.7.2 Empirical studies

Limited empirical research exists on customer experience. The main areas of debate are an agreed customer experience model and an agreed measure for customer experience. The proposal by several authors (Palmer, 2010; Gentile *et al.*, 2007; Kim & Choi, 2013; Lemke *et al.*, 2011; Verhoef *et al.*, 2009) is that customer experience is a non-linear measure, and is required to be measured holistically. Table 2.2 highlights empirical-based studies of customer experience.

**Table 2.2: Empirical studies of customer experience**

Topic	Context & Method	Author
The concept of customer experience in the right environment and setting	An empirical investigation including an interpretative model depicting customer experience contribution to value creation for customers.	Gentile, Spiller & Noci (2007)
The influence of customer experience quality on customer behavioural intentions	A theoretical model tested to examine the effect of quality constructs on the outcomes of customer experience quality and customer loyalty.	Kim & Choi (2013)
Customer experience quality and its impact on customer relationship outcomes	Investigation of a repertory grid technique in both business-to-business and business-to-consumer environments.	Lemke, Clark & Wilson (2011)

The study by Gentile *et al.* (2007) argues that six different experiential features have a role in influencing customer experience. The six dimensions include sensorial, emotional experiences, cognitive experiences, a pragmatic construct, lifestyle construct and a relational

construct. The authors propose an interpretative model including the role of a firm's value proposition on customer value perception mediated by the customers' actual experience.

The study by Kim and Choi (2013) demonstrates a theoretical model between service outcome quality, interaction quality, peer-to-peer quality, and customer experience quality. The effect of customer experience quality on customer loyalty is an additional dimension tested. Kim and Choi (2013) propose three dimensions, namely the communication encounter, service encounter, and usage encounter. The results indicate that outcome quality, interaction quality and peer-to-peer quality perceptions significantly influenced customer experience quality. Kim and Choi (2013) urge recognition that customer experience greatly influences customer loyalty evidenced by significantly correlated results.

The study by Lemke *et al.* (2011) put forward a conceptual model for customer experience quality and the effect on relationship outcomes. The authors employ the repertory grid technique in both business-to-business and business-to-consumer contexts. The repertory grid technique is the structuring of responses into sub-components (Lemke *et al.*, 2011). Lemke *et al.* (2011) argue that value-in-use mediates customer experience quality and outcomes i.e. commitment. Value-in-use is suggested as either characterised as utilitarian, hedonic, relational or based in a cost and sacrifice environment (Lemke *et al.*, 2011). The authors conclude that in business-to-business contexts customers place greater focus on value-in-use.

Limitations in the research of establishing a customer experience measure include sample size questionability, statistical validity and population choice of study (Lemke *et al.*, 2011; Gentile *et al.*, 2007; Kim & Choi, 2013). Use of self-administered surveys based on memory recall of participants and the focus on superiority of customer experience quality, which may negate areas such as price and quality, are additional limitations (Kim & Choi, 2013). Contributions by authors include the development of customer experience measures, the

testing of customer experience in varying contexts, antecedents to customer experience and frameworks for exploration.

Gentile *et al.* (2007) argue that the value proposed to customers has a relationship with experiential features. Lemke *et al.* (2011) believe that the measure of customer experience should be based on construct comparative measures, hence measuring a firm against a firm based on customer experience. The authors argue that between business-to-business and business-to-consumer, customer experience needs are differentiated. Kim and Choi (2013) propose a significantly correlated relationship of a customer experience construct to customer loyalty. Kim and Choi (2013) demonstrated antecedents to customer experience in their framework.

This section explored both conceptual and empirical customer experience studies. Three primary areas of focus are employees' influence on customer experience, a customer experience framework inclusive of a holistic interpretation of customer experience and finally the association of customer experience to traditional constructs such as customer loyalty. Employee effect on customer experience in a business-to-business context is considered as significant (Hollyoake, 2009).

## **2.8 CUSTOMER EXPERIENCE MEASUREMENT**

The validity and reliability of measuring overall customer experience appears to be a source of debate. The debate involves the complexity of customer experience, its non-linearity and whether an itemised scale could be validated. The scales in the current study under review are diverse in application, suggestion and antecedents. Three empirical studies were examined; Gentile *et al.* (2007), Kim and Choi (2013) and Lemke *et al.* (2011), although application was limited. A business-to-business customer experience scale development was acknowledged in Lemke *et al.* (2011). Overall customer experience (OCE) is proposed as an outcome of 'customer experience of employee performance' (CESEP). The following

section reviews existing customer experience measures and the recommended measure for OCE used in this study.

### 2.8.1 Existing customer experience measures

The literature indicates that customer experience measures exist. Table 2.3 highlights known studies on customer experience measures.

**Table 2.3: Customer experience measures**

Measure	Model	Summary	Authors
Net Emotional Value score (NEV)	Average customers positive emotions less the average of the negative emotions.	Positive association, the higher the Net Emotional Value score the higher the Net Promoter Score.	Beyond Philosophy (2012)
Customer experience quality (EXQ)	Four primary dimensions with nineteen corresponding items were suggested: product experience, outcome focus, moments-of-truth and peace-of-mind	The four dimensions positively associated with loyalty, word-of-mouth and customer satisfaction. Customers evaluation of customer experience is seen at an overall, dimensional and attribute level.	Maklan & Klaus (2011)
Customer experience quality	Service outcome quality, interaction quality, peer-to-peer (interaction) are antecedents of customer experience quality, and the effect on customer loyalty.	A positive association between antecedents, a link to customer loyalty and a customer experience quality construct suggested.	Kim & Choi (2013)
Customer experience quality	The repertory grid technique was used in both B2B and B2C. The triadic method was utilised to determine similarities on a comparative scale rating poor, average and excellent experiences.	B2B comparatively to B2C depict customer experience quality, notably in the design stage of customer experience, and by the monitoring of customers value-in-use experience.	Lemke, Clark & Wilson (2011)

Literature indicates that customer experience measures should include a sequencing of events measure (Palmer, 2010), a single construct for customer experience (Maklan &

Klaus, 2011), a quasi-experimental method where two or more customer experiences are compared (Palmer, 2010) and a summation of customer experience based on customer experience quality (Kim & Choi, 2013). Palmer (2010) argues that qualitative studies may be the only manner in which to measure customer experience. Maklan and Klaus (2011) argue that customer experience as a measure should be validated to enable empirical effects of the construct.

The problem with a customer experience measure development is the complexity of the variables, as a variety of situation-specific factors exist (Palmer, 2010). A second limitation is the non-linearity of customer experience due to changing situational factors experienced by various customers (Palmer, 2008). The third limitation proposed is the measurement and management of the experience based on what an optimal level is (Palmer, 2008). Although limitations are described, the opportunity to understand current measure scales and the application in this study exists.

The following section reviews each of these measures by considering the method utilised to develop the scale, the limitations of the scale and the usefulness of it to the current study. The initial measurement scale (Beyond Philosophy, 2012) focuses on an emotional score and the three subsequent measures focus on customer experience quality.

### ***Net Emotional Value score***

Beyond Philosophy (2012) proposes the Net Emotional Value score which measures the average of the positive emotions (i.e. happy, pleased) less the average of negative emotions (i.e. disappointed, frustrated). The findings of the test between Net Emotional Value score and Net Promoter Score (customer loyalty) (see section 2.8.6) is shown to have a linear relationship (Beyond Philosophy, 2012). The authors suggest that emotion increases the ability to predict customer satisfaction and future recommendation intentions. The lower the emotional engagement between customer and firm, the greater the predictor of customer

satisfaction and recommendation is witnessed.

Beyond Philosophy (2013) used a subset of 10,000 interviews to consider the effect of emotions on value. Beyond Philosophy (2013) suggest both positive and negative emotions effect on value in some cases account for 197-percent to 299-percent differentiation in measures. Limitations of this measure include emotion recalled immediately by a customer during questioning and the accessibility of the full measurement model. Opportunity for exploration exists; currently two known companies in South Africa are using such a measure.

### ***Customer Experience Quality (EXQ)***

The second measure examined is Customer Experience Quality (EXQ) as proposed by Maklan and Klaus (2011). The authors posit that a measure for customer experience should be based upon the cognitive and emotional assessment capturing the value-in-use of the firm offering. Firms are believed to be still measuring customer experience against criteria more suited for evaluating product and service marketing (Maklan & Klaus, 2011). The authors propose that customer experience is an influencer of product experience, outcome focus, moments of truth and peace of mind (Maklan & Klaus, 2011).

Maklan and Klaus (2011) developed a questionnaire comprising 19 potential items that represented four customer experience dimensions. The authors used a soft laddering technique on 218 respondents of a selected bank's customer base, focusing on understanding customer experience. Soft laddering is a technique that does not restrict natural speech until data saturation is achieved and further coding occurs (Maklan & Klaus, 2011). Through the soft laddering technique a final 37 item scale was created based on five dimensions. The dimensions were assessed by a panel of experts assessing the similarities, rating the item and suggestion of the final dimensions.

Maklan and Klaus (2011) used exploratory factor analysis to assist in a final scale encompassing:

- product experience (i.e. product comparison, choice, account management),
- outcome focus (i.e. past experience, common ground, result focus, inertia),
- moments of truth (i.e. service recovery, flexibility, interpersonal skills, risk perception, proactive), and
- peace-of-mind (at ease, expertise, relationship, convenience, advice, familiar).

High reliability and validity between the constructs customer experience, loyalty, customer satisfaction and positive word-of-mouth was demonstrated. Findings included a stronger relationship between customer experience and customer loyalty than between customer satisfaction and customer loyalty. The scale is based on a mixture of customers purchasing for the first time and repeat buyers. This presents a limitation as customer experience may be differentiated based on this classification. The panel of experts limitations include preconceived, biased ideas of customer experience antecedents. The opportunity that this scale presents is the measurement of proposed antecedents on customer experience.

### **2.8.2 Business-to-consumer experience measurement**

Customer experience is suggested to be holistic in nature. Kim and Choi (2013) suggest that customer experience is affected by direct and indirect contact with a company. Kim and Choi (2013) propose that no known research currently exists empirically testing the antecedents of customer experience quality. Service outcome quality (i.e. I feel good about what the firm provides to customers), interaction quality (i.e. I think that my quality of interaction with the firm's employees is good) and peer-to-peer quality (i.e. I would say that the quality of interaction with other customers of the firm is excellent) were suggested antecedents (Kim & Choi, 2013). These antecedents addressed both the direct and indirect contact a customer

may have with a firm.

Respondents to the survey were required to recall an experience with a firm and assess their experience (Kim & Choi, 2013). The respondents had to rate responses on a five-point Likert scale (1 depicting strongly disagree; 5 depicting strongly agree). The authors suggested a customer experience measure based on a three-item scale (I would say the experience at [firm] was excellent; I believe that we get superior experience at [firm]; I think that the total experience procedure at [firm] is excellent). Structural equation modelling was utilised to identify the relationships (Kim & Choi, 2013). Statistical significance was established in all relationships and therefore each hypothesis was accepted. Findings include the significant effect of customer experience quality on customer loyalty, and interaction quality found to be a determinant of customer experience quality.

Results of the survey indicate that the constructs are valid and reliable. The findings demonstrate that service quality, outcome quality and interaction quality were antecedents of customer experience quality. Although the sample conducted does not align with this study's targeted context of business-to-business, the opportunity for learning exists as the influence of antecedents selected relate to the influence of interaction quality on a customer experience construct (Kim & Choi, 2013).

### **2.8.3 Business-to-business customer experience measurement**

Customer experience as a measure is posited as a comparative measure of evaluation in business-to-business interactions. Lemke *et al.* (2011) question whether a customer interprets customer experience quality based on superiority of the experience received, observing that relationship quality between the businesses moderates the effect of outcomes and is regarded as more important in business-to-business interactions.

Lemke *et al.* (2011) conducted a study where respondents named nine suppliers within a

business-to-business context; three where a good experience occurred, three a poor one and three an average one. The triadic method is utilised to determine the similarities and the differences between the three suppliers that explain the different experiences of dealing with them (Lemke *et al.*, 2011). A construct comparative measure was created based on the similarities and differences from the respondents. The respondents would then have to rate the nine suppliers on a five-point Likert scale. The seventeen experience categories used are: the definition of processes, value for money, aftercare, documentation provision, mutual understanding, complexity of product, variety of providers, dialogue openness, value-add, customisation, understanding of customer objectives and fulfilment of promises (Lemke *et al.*, 2011). The findings concluded that, based on the judgment of customer experience quality, value-in-use acts as a mediator between experience quality and relationship outcomes (Lemke *et al.*, 2011). Value-in-use is described as the usage of product/service serving a customers' objective (Lemke *et al.*, 2011).

The knowledge of the employee or lack of it in providing value is found to be a significant contributor to customer experience in business-to-business environments (Lemke *et al.*, 2011). The flexibility or inflexibility of the employee is suggested as a significant construct, whereas customers in this environment require ease of adjustment in experiences. The extent to which employees of the firm make promises and keep them, personal contact between firm and employee and employees proactively following up with customers are believed to be significant contributors to ensuring customer objectives are met (Lemke *et al.*). Two of the seven contributor categories relate to an employees caring attitude where demonstration of genuine interest towards the customer is shown.

The measure for customer experience of employee performance in this study follows based on the literature reviewed.

#### **2.8.4 Customer experience of employee performance**

Customer experience of employee performance (CESEP) is believed to be an antecedent to overall customer experience (OCE). The construct of customers measuring employees' performance is not a new concept as researchers have reviewed this in past research and it has foundation in customer satisfaction and customer loyalty studies. Customer judgments about employees are not necessarily correct but may be proxies during frequent interaction between firms and customers (Vilares & Coelho, 2003). Henning-Thurau (2004) reviewed the SERVQUAL measure and acknowledged that employee behaviours were predominately featured. A popular service quality measure is SERVQUAL which includes indicators such as responsiveness, assurance and empathy for the customer (Maklan & Klaus, 2011).

Kim and Choi (2013) suggest that interaction quality (i.e. I think that my quality of interaction with the firm's employees is good) is an antecedent of customer experience quality. Lemke *et al.* (2011) recommend that the knowledge of an employee, promises made and kept by the employee, flexibility of the employee, communication and attitude of the employee are constructs to base customer judgments of a firm's employees on. Fleming *et al.* (2005) conducted a study on call centre agencies with five thousand customer service representatives. The results indicated that customer experience depended entirely on the customer service representative that took the call. The top ten percent of representatives produced six positive interactions for every negative interaction and the worst ten percent only received three positive for every four negative (Fleming *et al.*, 2005).

Menguc *et al.* (2013) measured customers evaluations of employee performance. The scale utilised is the seven-item, five-point Likert scale (1-completely unsatisfactory; 5-extremely good). The scale measured the helpfulness of an employee, the speed with which an employee assisted a customer, listening skills, suggestions on items and the explanation of product features. The model asserts that engaged employees would deliver customer-

oriented behaviours and that such behaviours reflect in customers' assessment of employee performance (Menguc *et al.*, 2013). The strength of the relationship between the customer and the employee is posited to have an effect on the evaluation of the employee (Lapierre, 1997).

A measure for customer experience of employee performance is proposed. The suggested indicators by Lemke *et al.* (2011) are put forward as the measure of the customer experience of employee performance. The study was conducted in a business-to-business environment unlike the majority of the literature in customer experience conducted in a business-to-consumer environment. Based on Lemke *et al.* (2011) the demonstrated items for customer experience of employee performance are:

- How satisfied are you with the [employee's] communication with you?
- How satisfied are you with the [employee's] technical information provided during your purchase?
- How satisfied are you with the [employee] getting back to you as promised?
- How satisfied are you with the [employee] understanding your needs and objectives?
- How satisfied are you with the [employee] being proactive?
- How satisfied are you that the [employee] had a caring attitude?

Outcomes of customer experience of employee performance are proposed based on past literature. Two common outcomes of an interface between customer and employee are proposed: overall customer experience (OCE) as a singular construct and customer loyalty (CL).

Verhoef *et al.* (2009) suggest that an antecedent of customer experience is the service interface. Kim and Choi (2013) suggest service outcome quality and interaction quality are antecedents to customer experience quality. The authors test the relationship of customer experience quality to customer loyalty. All relationships tested were statistically significant.

Thus, overall customer experience (OCE) and customer loyalty (CL) are suggested as outcomes of customer experience of employee performance.

### **2.8.5 Recommended overall customer experience measure**

The above mentioned customer experience measures researched provide evidence on what constitutes an overall customer experience (OCE) measure and the possible identification of a construct. Overall customer experience (OCE) is the total experience of many touch-points customers are exposed to during interactions with the firm, inclusive of the interaction with the employee. Customer experience of the employee performance (CESEP) is the experience the customer has during interaction only with the employee. Hollyoake (2009) argues that a key issue in business-to-business construct measures is limited empirical research and the fact that the number of customer relationships are more complex with a larger number of points of contact between customers and the firm. Customers may therefore not be as forthcoming with their respective expectations of the firm. The slow adoption rate and classification of an identified construct is believed to be influenced by the nature of customer experience. Pitfalls suggested in overall customer experience constructs include reasoning that a customer experience is not simple to measure as it is typically holistic in nature, varying terminology of customer experience, and variations in managerial approaches and environments affecting the customer experience construct. General characteristics observed in empirical studies in both business-to-business and business-to-consumer overall customer experience (OCE) measures include:

- A construct comparison measure between suppliers.
- Key findings of customer experience are based on constructs such as the competency of an employee, the customer dealt with, communication, proactively addressing customer needs, promises made and kept and the attitude of the employee.

- Validation of customer experience is based on both behavioural measures and attitudinal measures.
- A holistic view of customer experience.
- A one-dimensional customer experience measure.

For the purpose of this study the following measure based on Lemke *et al.* (2011) is proposed to measure overall customer experience:

- How would you rate your total experience received from [firm] against other competitors in the industry?

Business-to-business customers do not only interface with suppliers competing against each other. Business-to-business customers receive products and services across a broad spectrum of industries. Therefore a second overall customer experience indicator should be included and tested:

- How would you rate your total experience received from [firm] against your other suppliers?

The last measure to be encompassed in the overall customer experience construct demonstrates Kim and Choi's (2013) holistic view:

- How satisfied are you with the overall experience received from the [firm]?

Research on a holistic customer experience model and measure appear to exhibit some limitations. The measurement models appear to be applied in varying environments raising some doubt about the generalisability of the results. In addition, business-to-business measures of overall customer experience are not as common and as such known and tested

measures are limited. Of all four scales reviewed not one is tested repeatedly in various environments (Beyond Philosophy, 2012; Maklan & Klaus, 2011; Kim & Choi, 2013; Lemke *et al.*, 2011).

Based on the measures observed, the recommended measure for overall customer experience (OCE) is adopted. The reviewed scales in this study are diverse in application, suggestion, outcomes generated and antecedents.

The following section reviews customer loyalty, the second outcome of customer experience of employee performance.

#### **2.8.6 Customer loyalty measures**

Customer loyalty is identified as an outcome of interacting with employees (Maklan & Klaus, 2011; Kim & Choi, 2013). This section recommends a measure for customer loyalty based on the literature. The Net Promoter Score and Share-of-Wallet are suggested as measures in a business-to-business context. Both measures' benefits and limitations are highlighted. This section concludes with the association of customer loyalty to overall customer experience.

Customer loyalty is proposed as an outcome of customer experience of employee performance. Customer loyalty measures, notably the Net Promoter Score, have received criticism (Keiningham, Cooil, Aksoy, Andreassen & Weiner, 2007). Customer loyalty measures have focused historically on various sectors and been adopted in varying contexts and environments globally. This section focuses on two measures of customer loyalty predominantly viewed in business-to-business environments and the suggested definition for customer loyalty based on the recommended adopted scale.

Customer loyalty has three approaches to measure this construct. Bowen and Chen (2001)

indicate that loyalty includes behavioural measures such as customers' repetitious purchases, and attitudinal measurement such as loyalty, engagement and allegiance. Composite measurements such as customers' product preferences, propensity of brand-switching, frequency of purchase, immediateness of purchase and value of purchase are proposed loyalty intentions (Bowen & Chen, 2001). Reichheld (2005) argues that a customer puts his/her own reputation at stake when recommending a firm. The biggest advantages of a customer loyal to a firm may be seen as repeat business, hence returning to the firm and promoting the firm through positive experiences (Rahman, 2005).

Based on business-to-business measures of customer loyalty the Net Promoter Score and Share-of-Wallet are reviewed as an outcome measure of customer' experience (Keiningham *et al.*, 2007). Net Promoter Score is a demonstrated global measure important to establishing customers' intention to repurchase. The measure of Share-of-Wallet finds basis in business-to-business environments. The Net Promoter Score focuses on behavioural intentions of recommendation while the Share-of-Wallet measure focuses primarily on repeat purchase intentions compared to previous years' purchases by the customer.

### ***Net Promoter Score***

Research on the Net Promoter Score has spanned a thirty-five year period (Reichheld, 2005). The history of Net Promoter Score is founded on the search for the relationship between loyalty and growth in firms. Reichheld (2005) demonstrated that an increase in retention of five percent more customers yields a 25- to 125-percent increase in firm's profits. The author suggested that leaders in customer loyalty in the global environment doubled revenues comparative to competitors (Reichheld, 2005).

The basis for Net Promoter Score is the question, "How likely is it that you would recommend this firm to a friend or colleague"? (Reichheld, 2005). According to Reichheld (2005) firms could divide customers into three categories: promoters are loyal enthusiasts,

passives are satisfied but unenthusiastic customers, and detractors are unhappy customers trapped in a bad relationship. Reichheld (2005) indicates that the Net Promoter Score is a percentage overview of promoters less the percentage of detractors.

Keiningham *et al.* (2007) suggest that the predictor of customer loyalty based only on a customer's indication of recommendation cannot be supported. The reason for this rejection is that both attitudinal variables and customer behaviours show weak bivariate correlations. Therefore customer recommendation is acknowledged as not the best predictor of future customer purchase intentions (Keiningham *et al.*, 2007). The authors argue for the use of a multi-dimensional model to increase accuracy called Share-of-Wallet (Keiningham *et al.*, 2007).

### ***Share-of-Wallet***

Share-of-Wallet is believed to be an all-inclusive measure of loyalty (Keiningham *et al.*, 2007). Share-of-Wallet is determined by the proportion of spending a customer conducts with a firm (Keiningham, Perkins-Munn & Evans, 2003). The authors suggest that a Share-of-Wallet measure reflects customer retention rates to a greater degree as the scale is multi-dimensional and reflective of future opportunity from a customer. Keiningham *et al.* (2007) argue that customer retention rates are not identical to Share-of-Wallet but indicate that a strong relationship exists and they may be used as proxies for one another. Keiningham, Aksoy, Buoye & Cooil (2011) insist that traditional measures for loyalty do not measure how customer spend will be split between competitors.

Limitations in the Share-of-Wallet measure in this study affect the use of the measure in this study. Limitations include data collection difficulty, the selection of sampled customers may not be in a decision making position therefore basing judgment on perception rather than actual repetitive purchase, and the validity of Share-of-Wallet results.

### **Comparison of Net Promoter Score and Share-of-Wallet measures**

A customer loyalty measure remains a debated construct. This study acknowledges the two competing measures and comparatively discusses the dimensions and the appropriate choice for this study's objectives. Table 2.4 highlights the measures investigated and the limitations of both measures under consideration.

**Table 2.4: Comparison of Net Promoter score and Share-of-Wallet measures**

<b>Comparisons</b>	<b>Net Promoter score</b>	<b>Share-of-Wallet</b>
<b>Measure</b>	One-dimensional	Multi-dimensional
<b>Environment measured</b>	Business-to-consumer and business-to-business	Business-to-consumer and business-to-business
<b>Loyalty dimensions</b>	Recommendation	Repetitive purchase
<b>Item scale</b>	One item	Three items
<b>Measure</b>	How likely is it that you would recommend this firm to a friend or colleague?	Total value over the last year, recommendation of the firm, feelings for the firm and future purchase intentions
<b>Scale</b>	0-10	1 – 5
<b>Author reference</b>	Reichheld (2005)	Keiningham <i>et al.</i> (2007)

Both Net Promoter Score and Share-of-Wallet appear favourable but two distinct limitations exist in Share-of-Wallet. The complexity of the Share-of-Wallet scale affecting data collection is the first limitation. The second limitation is that the targeted sample suggested for this study is a purchaser in a firm. This may limit their knowledge of the spending of the firm with the supplier and hence may involve a deduced opinion on behalf of the firm.

This study, based on the limitations of both scales of customer loyalty, proposes adopting a composite measure. Bowen and Chen (2001) argue that the behavioural dimensions measure repeat purchase intentions and the attitudes customers have towards the firm. As such a measure encompassing both repurchase and recommendation intentions is

proposed. This is reflected in the following two measures:

- How likely is it that you would repurchase from [firm] again?
- How likely is it that you would recommend [firm] to a friend or colleague?

Customer loyalty is a suggested outcome of customer experience of employee performance. Customer loyalty scales and measures have been reviewed and a version of two of the main characteristics of measuring customer loyalty has been posited for this study.

## **2.9 CHAPTER SUMMARY**

The exploration of customer experience is the primary focal area of this chapter. The chapter summarised the evolution of the construct, corresponding constructs and the proposed constructs for this study. The limited business-to-business customer experience research, both conceptually and empirically, is demonstrated. The importance of the employee-to-customer experience is considered (Frow & Payne, 2007; Harris, 2007; Johnston & Kong, 2011). Customer experience of employee performance (CESEP) is suggested as a construct, with employee engagement as an antecedent.

Overall customer experience (OCE) and customer loyalty (CL) is proposed as key outcomes of customers interaction with employees. Measuring overall customer experience, however is rather limited in a business-to-business context. Customer experience measures demonstrated are the Net Emotional Value score and three customer experience quality measures. The selected measure is based on its application in a business-to-business context. The measure for overall customer experience is recommended based on construct comparison measures, hence measuring overall customer experience against another firm. Customer loyalty as a demonstrated outcome is reviewed. Both the Net Promoter Score and Share-of-Wallet measures of customer loyalty are reviewed. A modified Net Promoter Score is adopted for the measure in this study as the customer in the transaction with the

employee is not always a decision maker.

Key themes in business-to-business customer experience are trust, integrity, interdependence and communication. This relates to an employee's ability to resolve customer problems, ability to be proactive in communication, understand customer wants and needs and having empathy and responsiveness. As the key themes focus on employee-to-customer interaction the antecedent of employee engagement is proposed. It is argued that through employees the ability to provide a quality customer experience is enabled. The affect of the employee-to-customer encounter hence the relationship of customer experience of employee performance to the level of employee engagement is proposed. Chapter 3 explores the role of the level of employee engagement (engaged or disengaged) when delivering enhanced customer experience.

## CHAPTER 3: EMPLOYEE ENGAGEMENT

### 3.1 INTRODUCTION

This chapter explores the foundation of employee engagement in the literature. Employees' effects on customer evaluations of the firm are not new to literature. Employee engagement has in past studies been correlated to customer satisfaction and customer loyalty (Menguc *et al.*, 2013). In the previous chapter it was suggested that through employees the journey to providing a quality customer experience could be initiated. Although the importance of employee engagement is emphasised in the literature, it is posited that only thirteen percent of employees around the globe are engaged (Gallup 2013). This suggests that a customer experience, although holistic in nature, may be strongly influenced by an employee in providing a customer a product or service.

Employee engagement has, in the last two decades, become an emphasis in human resources development. Although the construct was originally tested in the human resources environment, various literatures have reviewed models tested in alternate occupations and environments. The level of a firm's employee engagement is suggested as an influencer of the success factors of decreased employee turnover, increased profitability and an increased customer service level (Gallup, 2013). Global firms have utilised employee engagement to provide guidance on employees' state of being in the workplace and to determine means to improve this. The measure of employee engagement suggests that employees are either engaged or disengaged in the workplace. Characteristics of an engaged employee are that the employee is enthusiastic, energetic, motivated and passionate about his/her work (Menguc *et al.*, 2013). Conversely a disengaged employee is apathetic, robotic, depersonalised, estranged and withdrawn from their job (Menguc *et al.*, 2013). An apathetic employee affects a customer experience by withdrawing from his or her role in the firm.

The following sections review the models and theories of employee engagement and corresponding antecedents. The role of job demands and job resources are explored. Based on the recommendations observed in the literature, individual and organisational antecedents are selected. The starting point of this chapter is to illustrate why employee engagement is significant in the literature and to identify the relationship of this construct to the relative effect on customer experience of employee performance.

### **3.2 THE HISTORICAL DEVELOPMENT OF EMPLOYEE ENGAGEMENT**

The historical development of engagement is required to understand this study's research direction as the construct is suggested as an antecedent to customer experience. The growing literature in engagement has attracted attention from both the human resource management and organisational literature (Wollard & Shuck, 2011). The roots of engagement theory can be traced to burnout research in the 1970's. The evolution of the burnout theory provides background to Kahn's work in the 1990's on the engagement theory. The past decade has seen an emergence of literature on the back of this theory.

The evolution of engagement theory is believed to have emerged from burnout research (Rana, Ardichvili & Tkachenko, 2014; Saks, 2006; Maslach *et al.*, 2001; Schaufeli *et al.*, 2002). Burnout as a concept emerged as an exploratory topic in the mid 1970's (Maslach *et al.*, 2001). The initial studies in burnout research were based on human services and health care identifying emotional and interpersonal stressors in workplace relational transactions. In the 1980's empirical studies were conducted of burnout using questionnaire development and survey methodology, such as the Maslach Burnout Inventory (Maslach *et al.*, 2001). During the 1990's burnout research extended in scope to other occupations, statistical tools were developed and longitudinal studies were conducted to assess long-term burnout. The most noted studies conducted on burnout research are the Conservation of Resources (Babakus, Yavus & Ashill 2009; Ashill & Rod, 2011; Bakker & Demerouti, 2007) and the Job

Demand-Resources model (Menguc *et al.*, 2013; Demerouti *et al.*, 2001; Bakker & Demerouti, 2007). Criticism of burnout research suggests that the focus of the model is on the negative attributes of employee wellbeing rather than the positive attributes. Maslach *et al.*, (2001) argue that engagement is the contrast to burnout. The opposite of the negative attributes of burnout such as exhaustion, cynicism and inefficiency are energy, involvement and efficacy (Maslach *et al.*, 2001).

Positive psychology research directed the emergence of the term engagement. The evolution of the engagement model is cited in the literature as originating with Kahn (1990). Kahn (1990) reports through a structural equation model that engaged employees perform in roles by expressing themselves physically, cognitively and emotionally. Kahn (1990) characterises engagement constructs in employee terms as psychological meaningfulness, psychological safety and psychological availability. Psychological meaningfulness includes task characteristics such as challenging work, creativity and an autonomous role. Kahn (1990) suggests a second antecedent is psychological safety; the ability to perform tasks without fear of losing reputation. The third antecedent is psychological availability, which depicts employee distractions from a social perspective. Kahn's (1990) work in engagement provided a platform of knowledge in employee engagement to expand on contemporary engagement literature.

Employee engagement's evolution expanded Kahn's work and suggested the concept as an independent construct. Schaufeli *et al.* (2002) suggest the characterisation of engagement by the three dimensions of vigour, dedication and absorption. Wollard and Shuck (2011) observe that vigour is related to high levels of energy, dedication is characterised by enthusiasm and pride, and absorption is an employee's state of optimal excellence. Maslach *et al.* (2001) describe this state as one of affective positive motivation. The authors believe that engagement is the favourable representation of the work environment. Schaufeli *et al.* (2002) suggest that engaged employees are connected to work activities.

Engagement is demonstrated as an independent construct to the burnout theory, but which refers back to employee wellbeing. Rothmann and Rothmann (2010) put forward that burnout and engagement are opposites, requiring independent measurement. The authors argue that burnout is an erosion of engagement. Engagement is characterised by energy, involvement and efficacy directly in contradiction to burnout dimensions (Maslach *et al.*, 2001). Employee engagement antecedents are viewed as opposite to the Maslach Burnout Inventory (Maslach *et al.*, 2001). The authors observe that engagement provides a more thorough perspective of employee' relationship with the workplace. Maslach *et al.* (2001) suggest broadening the scope of burnout to include engagement, either with the use of the Maslach Burnout Inventory scale or an alternate scale.

Varying definitions of employee engagement have emerged in the course of the past decade. Definitions range from the initial conceptualisation of employee engagement to current day definitions based on measures. The following section reviews various employee engagement definitions and recommends a definition to be adopted for this study.

### **3.3 DEFINITIONS OF EMPLOYEE ENGAGEMENT**

Suggested definitions of employee engagement are not as extensive as definitions of customer experience. No agreement of a specific definition has been forthcoming, although specific mention of key variables of engagement are included in research. Kahn (1990) and Schaufeli *et al.* (2002) appear to be the most cited in terms of definition. Both definitions are reviewed, limitations acknowledged and the adoption of a definition for this study recommended.

Kahn (1990:700), as a leader of subsequent versions of engagement research, defines engagement as, "the simultaneous employment and expression of a person's preferred self in task behaviours that promote connections to work and to others, personal presence (physical, cognitive and emotional), and active, full role performances". The suggested

theoretical framework originated from the concept of detachment and attachment of people to roles, hence varying behaviours (Kahn, 1990).

A second definition argues that employee engagement is “a distinct and unique construct that consists of cognitive, emotional, and behavioural components that are associated with individual role performance” (Saks, 2006:602). Lockwood (2007) expands the definition suggesting that cognitive engagement, attitude and behaviour are reflected in employee effort. This definition is limited in the literature, whereas the expansion in recent decades has focused on three main dimensions of engagement.

Engagement in the past decade finds foundation in positive psychology. The first mention of this body of thought was by Schaufeli *et al.* (2002). The authors suggest the characterisation of engagement by the three dimensions of vigour, dedication and absorption. The definition adopted for this study indicates that employee engagement is “a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication, and absorption” (Schaufeli *et al.*, 2002:74). Rana, Ardichvili and Tkachenko (2014:251) draw on Schaufeli *et al.* (2002) and cite that vigour encompasses “high levels of energy and psychological resilience while working, willingness to invest effort in a task, and persistence in difficult times”. Dedication is described as “having a sense of significance, enthusiasm, inspiration, pride, and challenge”. Schaufeli *et al.* (2002) suggest that absorption is considered a long-term persistent state of mind. The authors acknowledge that this definition has an effect on employees through their investment in roles cognitively, psychologically and behaviourally. Rothmann and Rothmann (2010) suggest that vigour is the physical construct of employee engagement, described in terms of task engagement and positivity. The absorption construct is the cognitive construct of engagement characterised by alertness, and dedication is the emotional construct characterised by connection and commitment (Rothmann & Rothmann, 2010).

Support for this definition is seen through use in various bodies of literature and it has been

statistically tested for validity. Schaufeli *et al.* (2002) used the engagement inventory above to test internal consistencies and factorial validity. Menguc *et al.* (2013) utilised the engagement scale above to test engagement's effect on customers' evaluations of employee performance. Salanova *et al.* (2005) cite various articles conducting confirmatory factor analysis on this model in terms of work engagement. Wollard and Shuck (2011) suggest that this three factor definition is the most cited in the literature.

Although agreement is not reached on the definition of employee engagement, the rationale to choose Schaufeli *et al.* (2002) for the purpose of this paper is established based on the frequent citations of the definition by authors and the demonstrated validity of the measure.

### **3.4 EFFECTS OF EMPLOYEE ENGAGEMENT ON BUSINESS**

Employee engagement is suggested to affect organisational goals. Lockwood (2007) believes that factors of influence on employee engagement are workplace culture, organisational communication and managerial styles of trust and respect, leadership and firm reputation. Understanding the level of employee engagement is proposed as assisting in enhancing job performance, productivity, discretionary effort, commitment and customer service (Wollard & Shuck, 2011). Lockwood (2007:9) suggests that, "without a workplace environment for employee engagement, turnover will increase and efficiency will decline, leading to low customer loyalty and decreased stakeholder value". Wollard and Shuck (2011) observe that engagement is able to predict both employee performance and organisational success.

A suggested outcome of employee engagement is customer-related assessment such as customer evaluation of the employee and repurchase intentions. The effects of employee engagement are witnessed on not only employee-dependent variables such as employee productivity and employee commitment, but also on variables such as customer satisfaction, customer loyalty and profitability. Menguc *et al.* (2013) report that employee engagement is

positively associated with customer satisfaction, customer loyalty, productivity and profitability, and negatively associated with employee turnover.

Employee disengagement is observed to be a worldwide phenomenon affecting firms. It is believed that only thirteen percent of employees around the globe are engaged (Gallup, 2013). The authors cite a statistic indicating that actively disengaged employees outnumber their counterparts, three to one. In South Africa, 46 percent of employees are disengaged whereas a further 45 percent are actively disengaged (Gallup, 2013). Only nine percent of the respondents surveyed were actively engaged.

The effect of employee engagement on organisational success should not be underestimated. A survey conducted by Towers Watson (2012) of fifty companies showed low employee engagement negatively affected operating margin. The consequence of such disengagement of employees on organisational success is suggested in a global survey conducted on the engagement levels of 50,000 employees in twenty-seven countries (The Corporate Leadership Council, 2004). The findings show that those firms that have a highly engaged workforce have ten times as many committed, high-effort workers as those with a low-engaged workforce. Towers Watson (2012) suggests that high employee engagement increases operating margin by four percentage points on average. Fleming *et al.* (2005) in a review of ten companies, demonstrate that firms which successfully managed the employee-customer encounter outperformed competitors by 26 percent in gross margins and 85 percent in sales growth.

The importance of employee engagement and the subsequent association to firm success in decreasing employee turnover and increasing customer loyalty, satisfaction and profitability is significant. Employee engagement is not a new construct and has grown in the literature over the past two decades. The following section extrapolates the development of this construct.

### **3.5 EMPLOYEE ENGAGEMENT CLASSIFICATION**

This study examines the effects of two types of employee engagement on customer experience, namely engaged employees and disengaged employees.

#### **3.5.1 Engaged employees**

An engaged employee portrays positive attributes. Employee engagement is defined as, “a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication, and absorption” (Schaufeli *et al.*, 2002:74). As such the depiction of an engaged employee is one showing behaviours expressed in physical, cognitive and emotional interactions (Kahn, 1990). Schaufeli *et al.* (2002) suggest that engaged employees have a sense of energy and effective connection with their work activities. The study suggests that an engaged employee in a service environment is an employee who is enthusiastic, energetic, motivated and passionate about his/her work (Menguc *et al.*, 2013).

Kahn (1990) describes personal engagement in terms of a person’s expression of a preferred self, encompassing the qualities i.e. effort, involvement, flow, mindfulness and intrinsic motivation (Kahn, 1990). This depiction of employee engagement portrays the employee as bringing the role performed to life and maintaining the positive energy in the fulfilment of the role (Kahn, 1990). This is important, as the author suggests that engaged employees connect to others in work and by doing so become vigilant and empathetic. Salanova *et al.* (2005) propose that engaged employees feel vigorous, involved and happy and may experience positive perceptions of both their work environment and the service role they operate in.

#### **3.5.2 Disengaged employees**

Comparatively, disengaged employees portray negative attributes. Disengaged employees’ behaviour is described as “uncoupling of selves from work roles; in disengagement, people

withdraw and defend themselves physically, cognitively or emotionally during role performances” (Kahn, 1990:694). Gallup (2006) conducted research suggesting disengaged employees are “checked out” and have no passion or energy. Disengaged employees within a service environment are characterised as apathetic, robotic, depersonalised, estranged and withdrawn from their job (Kahn, 1990).

Kahn (1990) concludes that disengaged personnel lack connections, and the required physical, cognitive and emotional attributes and become passive in the roles played. During the performance of a role the disengaged employee displays attributes such as defensiveness, emotional inexpressiveness and closed behaviours (Kahn, 1990). The employee once disengaged from the role performance may have negative effects on the person in the interaction, customer, co-worker or supervisor. A supervisor may experience an employee becoming uninvolved in activities, unvigilant and similarly a customer may experience an emotional disconnection or defensiveness from the disengaged employee (Kahn, 1990). Gallup (2006) observes that extreme disengagement is presented as actively disengaged employee’ behaviour, characterised by these employees undermining what their engaged co-workers accomplish by acting out their unhappiness.

The classification and characterisation of employee engagement is explored in various theoretical models. These models utilise measures to test various constructs of employee engagement. Constructs affecting employee engagement are summarised in models reviewed in the following section.

### **3.6 EMPLOYEE ENGAGEMENT MODELS**

Employee engagement models have been explored extensively since the 1990’s, with no single model adopted as best-practice to date. This may be due to the wide range of suggested independent variables in employee engagement literature. The emphasis of employee engagement studies focuses on engagement, burnout theory or both. Firstly the

original engagement model is explored, followed by the Conversation of Resources theory and lastly the Job Demand-Resources model. Both models are reviewed in South African research conducted by Rothmann and Rothmann (2010). The Self Determination theory is explored. This section concludes with the suggested engagement model to be utilised in this study.

### **3.6.1 Personal engagement model**

Kahn (1990) presented the first employee engagement model. Kahn's (1990) model demonstrates that employees can use varying degrees of themselves physically, cognitively and emotionally in role playing. Kahn's (1990) model asserts that this performance by employees has implications for their work and experiences. Conditions were reviewed to understand where employees engage, disengage or defend themselves (Kahn, 1990). Kahn (1990) also introduced the concept of three physiological conditions, employees' meaningfulness, safety of showing oneself without negative consequence and availability of oneself to do so.

The limitations observed in this engagement study were the variance in the studies conducted (one as an outsider, one as a participant) and the small sample from the two environments (Kahn, 1990). An additional limitation is that observations were inferred by the author through behaviour monitoring, opening the study to perception. Although limitations exist, Kahn (1990) introduced the key concepts of employee engagement and disengagement cited in numerous research (Salanova *et al.*, 2005; Rothmann & Rothmann, 2010; Wollard & Shuck, 2011; Alfes, Shantz, Truss & Soane, 2013; Rana, Ardichvili & Tkachenko, 2014; Saks, 2006). The expansion of employee engagement by Kahn (1990) led to the exploration of what contributes to employee engagement, namely job demands and job resources.

### 3.6.2 Job demands and job resources models

Successors to Kahn's (1990) original work include the Conservation of Resources theory and the Job Demand-Resources model. Rothmann and Rothmann (2010) suggest that the Conservation of Resources theory and the Job Demand-Resources model are popular research models for determining engagement. The Conservation of Resources theory is suggested as a motivation towards accumulating, retaining and protecting job resources (Bakker & Demerouti, 2007). The theory proposes that resources gain importance when high job demands are faced (Bakker & Demerouti, 2007). Babakus, Yavus and Ashill (2009) acknowledge that the theory relies on job the resulting reaction emphasising the actual or potential loss of job resources. The loss of job resources is suggested to result in stress and eventually employee burnout (Babakus, Yavus & Ashill, 2009).

The most common form of framework across studies reviewed is the Job Demand-Resources model. Demerouti *et al.* (2001) first mentioned the Job Demand-Resources model. The model proposes that employee working conditions can be categorised into job demands and job resources. The Job Demand-Resources model demonstrates associated work characteristics around job demands and job resources (Rothmann & Rothmann, 2010).

Job demands and job resources are central constructs to the Job Demand-Resources model and Conservation of Resources model. Job demands are referred to as "physical, psychological, social, or organisational aspects of the job that require sustained physical and/or psychological (cognitive and emotional) effort or skills and are therefore associated with certain physiological and/or psychological costs" (Bakker & Demerouti, 2007:312). The authors believe that examples of job demands are pressure, the physical environment at work and emotionally demanding customer engagement. Demerouti *et al.* (2001) propose that job demands encompass physical workload, time pressure, recipient contact, physical environment and shift work. Bakker and Demerouti (2007) suggest that job demands are not

constantly negative in nature but may lead to a stressor in the job.

Job resources are demonstrated by research to be crucial to employee engagement. Job resources assist in achieving goals, reducing job demands and stimulating personal growth (Bakker & Demerouti, 2007). Rothmann and Rothmann (2010) report that job resources are functional and may be located at interpersonal, organisational, social, organisation of work and task levels. The organisational level includes salary and career options whereas social relations include supervisor support, co-worker support and the climate of the team (Rothmann & Rothmann, 2010). Both job demands and job resources are relevant as employee engagement antecedents.

The Job Demand-Resources model is substantiated by Bakker and Demerouti (2007). The authors' findings include both the incorporation of positive and negative indicators of employee well-being (Bakker & Demerouti, 2007). Ashill and Rod (2011) identified relationships between job demand stressors (i.e. interpersonal conflict, role overload, role conflict and role ambiguity), symptoms of burnout, affective outcomes (i.e. job satisfaction and commitment) and behavioural job outcomes (i.e. service recovery performance, turnover intentions). Bakker and Demerouti (2007) posit that the Job Demand-Resources model can be incorporated in research in various professional environments regardless of job demands and job resources involved, as it is suggested to be invariant, hence applicable across businesses. The theoretical perspectives of the Job Demand-Resources model provide relevant associations to the employee engagement construct.

The varying association of job demands and job resources to employee engagement is evident from the literature. Fernet, Austin, Trépanier and Dussault (2013) suggest that the presence of job resources can lead to the reduction in job demands. Bakker and Demerouti (2007) suggest job resources, correlate strongly to an engaged employee. The authors reported that a group of employees showed high engagement when job resources, including

autonomy, feedback and supervisory coaching, were provided. No differentiation was observed between the engaged group and the disengaged group under study in relation to job demands (Bakker & Demerouti, 2007). Bakker and Demerouti (2007) cite research by Doi (2005) and Halbesleben and Buckley (2004) where job demands affected sleep and health whereas job resources affected engagement and firm commitment. Demerouti *et al.* (2001) suggest that job demands are related to exhaustion whereas job resources are related to employee disengagement. The Job Demand-Resources model is proven to provide research into conceptualising the association with engagement.

Although the Job Demand-Resources model is validated in research, limitations in the model exist which require mention. Fernet *et al.* (2013) suggest that the Job Demand-Resources model has not adequately explored the relationships between job characteristics, burnout and psychological mechanisms. Menguc *et al.* (2013) urge that caution is called for in the case of the Job Demand-Resources model as previous studies are suggested to have focused on employee engagement from an internal firm perspective rather than measuring the association of employee engagement with external effects such as customer measures. Although limitations exist in the Job Demand-Resources model it is suggested as an effective method of analysing engagement. Demerouti *et al.* (2001) suggest that, in reducing the disengagement of employees, job demands and job resources need to be provided for.

### **3.6.3 South African studies of employee engagement**

Studies cited in the section above are found in environments outside of South Africa. In a South African context, Rothmann and Rothmann (2010) analysed the personal engagement model (Kahn, 1990) and the Job Demands-Resources model. Surveys were made of South African organisations, with a sample of 467 respondents. Results of the first study utilising the personal engagement model showed that the variables of psychological meaningfulness and psychological availability were positively associated with employee engagement. The

second study showed that job resources were positively associated with employee engagement characteristics (vigour, dedication and absorption).

Rothmann and Rothmann (2010) believe that the best predictors of vigour, dedication and absorption are organisational support and growth opportunities. The authors suggest that supervisor relations and co-worker norms show a statistical significance to employee engagement. Further analysis depicts employee engagement as positively associated to growth opportunities such as learning opportunities and autonomy, organisational support such as the relationship with the manager, communication, information and role clarity (Rothmann & Rothmann, 2010). Rothmann and Rothmann (2010) argue that growth opportunities and organisational support are the strongest predictors of vigour and dedication. Limitations of the Rothmann and Rothmann (2010) study include the use of survey design rather than a longitudinal design, limited scale choice and a review of only three types of job demands.

Rothmann and Rothmann (2010) believe that mechanisms affecting job demands and resources need to be studied and the self-determination theory may assist. Rothmann and Rothmann (2010) suggest that the self-determination theory is the satisfaction of physiological employee needs such as autonomy, competence and relatedness. Fernet *et al.* (2013) acknowledge that these physiological resources mediate the relationship between job resources and burnout. Rothmann and Rothmann (2010) suggest that employee needs satisfaction mediates the relation between job demands and resources and autonomous behaviour.

A study conducted in a South African context is important as it depicts the models in an environment chosen for this study. No South African studies that focus on the effect of employee engagement on customer experience could be identified. Thus, providing further support for the current study. Employee engagement models and associated work activities

are numerous. The primary focus in the literature is evident in human resources development literature. As such the primary focus has revolved around employee well-being and employee un-wellbeing rather than the external effect on customer judgment. Studies like Rothmann and Rothmann (2010) shed light on employee engagement in a South African environment, but a gap in corresponding business-to-business employee engagement literature is observed.

The following section suggests antecedents associated with engagement, and recommended antecedents to be tested in this study.

### **3.7 EMPLOYEE ENGAGEMENT ANTECEDENTS**

The employee engagement literature explores an extensive number and variety of antecedents to employee engagement behaviour. The literature presented here focuses on the choice of antecedents for this study based on a synthesis of various considerations. Antecedents are referred to in the literature as either individual antecedents, measuring employee engagement, or alternatively organisational antecedents, providing foundation for employee engagement. This section focuses on the organisational antecedents affecting employee engagement.

#### **3.7.1 Antecedents evolution**

There appears to be a lack of consensus on the antecedents of employee engagement incorporated across theoretical models. Wollard and Shuck (2011) could not identify a validated model of employee engagement antecedents and outcomes. Rana, Ardichvili and Tkachenko (2014) argue that it is practically impossible to discuss all antecedents in depth. Antecedents of employee engagement literature seem to fall into two main categories: those which focus on engagement and those concerned with burnout.

Rana, Ardichvili and Tkachenko (2014) use the Dubin model, which is recognised in the human resources development field as a methodology for theory building, to test antecedents of employee engagement. Rana, Ardichvili and Tkachenko (2014) cite Kahn (1990) where engagement and disengagement are influenced by psychological meaningfulness, psychological safety, and psychological availability. The suggested antecedents of employee engagement were supervisor relationships, co-worker relationships, workplace environment, human resources development practices, job design, job characteristics, job demands and individual characteristics. The limitation is that the model acknowledges that the researchers used their own discretion to select antecedents. Rana, Ardichvili and Tkachenko (2014) cite Wollard and Shuck (2011) in their study and acknowledge that there does not seem to be consensus on the antecedents of employee engagement.

Wollard and Shuck (2011) provide a framework of 250 articles, which relate to employee engagement. The authors demonstrate antecedents of employee engagement considered in the literature, frequency of antecedents and antecedents supported by empirical data. The method used by Wollard and Shuck (2011) identified two categories of antecedents: individual antecedents to employee engagement and organisational antecedents to employee engagement. Organisational antecedents considered as recurring include organisational culture, leadership influence, hygiene factors, opportunities for learning and recognition (Wollard & Shuck, 2011). Wollard and Shuck (2011) forms the basis of review of the antecedents of employee engagement.

### **3.7.2 Individual and organisational antecedents**

This section explores the suggested antecedents of employee engagement and recommends antecedents to be used in the study. As mentioned, Wollard and Shuck (2011) suggest two types of antecedents of employee engagement relating to individual and

organisational antecedents. This categorisation of antecedents into individual and organisational is employed as a guide in the current study. Individual antecedents are referred to as individual-level variables with reference to variables such as vigour, dedication and absorption as measures of employee engagement (Demerouti *et al.*, 2001). Wollard and Shuck (2011:433) define individual antecedents as “constructs, strategies, and conditions that were applied directly to or by individual employees and that were believed to be foundational to the development of employee engagement”. Wollard and Shuck (2011:433) define organisational antecedents as “constructs, strategies, and conditions that were applied across an organisation as foundational to the development of employee engagement and the structural or systematic level”.

Wollard and Shuck (2011) observe that individual antecedents with empirical evidence include absorption, dedication, higher levels of corporate citizenship, involvement in meaningful work, both individual and organisational goals, perceived organisational support, vigour, work/life balance, core self-evaluation, value congruence and perceived organisational support. The authors acknowledge that the most widely cited definition of engagement is characterised by vigour, dedication and absorption. The antecedents of vigour, dedication and absorption are extensively referred to in the extant literature as the main indicators for employee engagement (Schaufeli *et al.*, 2002; Menguc *et al.*, 2013; Rana *et al.*, 2014; Rothmann & Rothmann, 2010)

Vigour, dedication and absorption are suggested as opposite to burnout variables of exhaustion, cynicism and reduced efficacy (Schaufeli, *et al.*, 2002). Rothmann and Rothmann (2010) propose that employee engagement comprises three dimensions: a physical construct (showing vigour), a cognitive construct (experiencing absorption) and an emotional construct (dedication and commitment). The individual antecedent's vigour, dedication and absorption are adopted for the current study.

Organisational antecedents are related to job resources. Wollard and Shuck (2011) suggest that organisational antecedents are extensive and drive development as they revolve around basic employee needs. Organisational antecedents supported by empirical evidence include corporate culture, clear expectations, corporate social responsibility, job characteristics, job fit, level of task challenge, manager expectations, manager self-efficacy, perception of workplace safety, positive workplace climate, rewards, supportive culture and use of strengths (Wollard & Shuck, 2011).

Demerouti *et al.* (2001) propose that organisational resources include job control, decision-making and variety of work roles. The authors believe that antecedents of engagement are feedback, rewards, job control, participation, job security and supervisory support. Feedback on performance, supervisory support and job controls are suggested as job resources, which predict employee engagement (Schaufeli, *et al.*, 2002). Organisational resources are suggested as functional in achieving goals, reducing job demands and stimulation of personal growth of the employee (Schaufeli, *et al.*, 2002). The author suggests that resources are the antecedents of motivational potential in an employee. Demerouti *et al.* (2001) suggest that a lack of job resources is related to employee disengagement.

The role of the manager as a job resource in the literature is evident, in both a support role and a feedback role. It is observed that the role that the manager or supervisor of the employee is important in creating engagement (Rothmann & Rothmann, 2010). According to the Job Demand-Resources model, support from managers is important in motivating employees to engage in the workplace (Menguc *et al.*, 2013). Rothmann and Rothmann (2010) suggest that supervisor relations are positively associated with employee engagement, as supervisor relations in a regression equation are statistically significant.

Rana *et al.* (2014) hypothesised that, to foster employee engagement, leaders' roles need to be supportive and empowering of employees thereby creating a trusting environment and a

sense of autonomy. Supervisory relations that are supportive, trustworthy and flexible are suggested to lead to employee's psychological safety (Rothmann & Rothmann, 2010). The role of autonomy is hypothesised to be associated with supervisory support. Rothmann and Rothmann (2010) observe that a sense of trust between employee and supervisor may be demonstrated through a supportive supervisor who is not controlling in the work environment. The authors suggest that a supervisor who does not release control conveys a message of distrust to employees.

Rana, Ardichvili and Tkachenko (2014) believe that an employee with perceived autonomy is the most positively correlated to engagement. The self-determination model adds weight to this suggestion as the antecedent of autonomy is shown to be a significant contributor to engagement. Fernet *et al.* (2013) posit that autonomy is the employee's decision to take his/her own action. Rothmann and Rothmann (2010) suggest that the autonomous regulation of an employee requires a balance of psychological needs.

Limitations in agreement of the antecedents of employee engagement exist. This study suggests that supervisory support (SS) and perceived autonomy (PA) be included as antecedents for employee engagement. The agreed antecedents are clarified in further detail in the following section.

### **3.7.3 Antecedents adopted for study**

Two of the antecedents suggested by Menguc *et al.* (2013) affecting employee engagement are acknowledged and supported in this study. Numerous antecedents of employee engagement are positioned in the literature. Antecedents selected for this study were based upon three criteria. Firstly, the antecedents based on the study by Menguc *et al.* (2013) were selected. Secondly, the antecedents were selected based on the frequency of mention in the literature considered. The antecedent supervisory support is mentioned frequently in the literature (Schaufeli, *et al.*, 2002; Demerouti *et al.*, 2001; Wollard & Shuck, 2011; Rothmann

& Rothmann, 2010). Finally, evidence that the antecedents have an existing relationship with each other. Rana et al. (2014) suggest that employees receiving support from a supervisor creates a sense of autonomy. The role of the supervisor or manager is supported by the suggested antecedent of supervisory support (SS) while perceived autonomy (PA) relates to the decision making authority of an employee. Supervisory support (SS) and perceived autonomy (PA) are considered in more detail below.

### ***Supervisory support***

Supervisory support (SS) is a job resource focused on employee wellbeing in engagement literature. According to Babin and Boles (1996:60) supervisory support is, “the degree to which employees perceive that supervisors offer employees support, encouragement and concern”. The authors suggest that, based on the Job Demand-Resources model, supervisory support is a key resource which directly motivates employees to be engaged in their workplace. For example, if the relationship between the supervisor and employees is not one of support, encouragement and concern, the employee engagement may be low, therefore being either disengaged or actively disengaged. Lockwood (2007) emphasises that the manager creates the connection between the employee and the organisation. This is an important factor that influences employee commitment in the manager-employee relationship.

### ***Perceived autonomy***

Perceived autonomy (PA) is believed to affect employee engagement. Menguc *et al.* (2013) suggest perceived autonomy is the extent to which employees feel they enjoy independence, flexibility, discretion, and control in performing their jobs. Henning-Thurau (2004:463) states that employees’ self-perceived decision-making authority “corresponds to the extent to which service employees feel authorised to decide on issues that concern customers’ interests and needs”. This positively or negatively influences the likelihood of a

positive reflection on customers' evaluation of service employees' performance. For example, an employee with limited authorisation to decide on a customer request may affect the customer's belief in the employee's assistance in aiding the customer in achieving the intended expectation (Henning-Thurau, 2004). The authors propose that decision-making authority is subjective but is required to convey the service employee's skills and objectives to a customer.

A customer's positive assessment of the service employee may vary. Henning-Thurau (2004) assert that employees can only behave in a customer-orientated sense if a competent employee during an interaction with a customer is allowed to assist with customer requirements. Rothmann and Rothmann (2010) acknowledge that an employee's satisfaction of needs is mediated by the relationship between job demands, resources and autonomous behaviour. Menguc *et al.* (2013) observe that the higher the autonomy of the employee, the greater the sense of motivation, empowerment and competency. The limitation of autonomy as an antecedent is the relatively untested nature of this antecedent in employee engagement literature.

#### **3.7.4 Framework comparison**

The engagement literature is extensive and not one model is presented as a holistic and completely inclusive of all the suggested antecedents to employee engagement. However, the importance of including both individual and organisational antecedents is widely acknowledged. Regarding the framework proposed by Menguc *et al.* (2013), no changes to the individual antecedents of vigour, dedication and absorption are warranted. Menguc *et al.*'s (2013) original construct of employee engagement therefore remains identical. Comparative to the original framework by Menguc *et al.* (2013) two alternative adjustments regarding organisational antecedents are suggested. Supervisory feedback is excluded from this study and perceived autonomy (PA) is regarded as a mediator rather than a moderator

as proposed in Menguc *et al.* (2013).

Menguc *et al.* (2013:2164) cite Jaworski and Kohli (1991) defining supervisory feedback as “employees' perception that they are receiving clear information about their performance outcome and suggestions for improvement”. Menguc *et al.* (2013) argue that supervisory support and supervisory feedback exhibited limited evidence supporting distinction between the two constructs. Therefore the current study employs supervisory support.

Perceived autonomy (PA) is supported as a moderator in the framework by Menguc *et al.* (2013). The authors recommend a complementary relationship between supervisory support and perceived autonomy. Menguc *et al.* (2013) propose that, as the perception of autonomy by employees increases, supervisory support will increase and consequently engagement levels of employees will increase. Perceived autonomy in this study is positioned as a direct antecedent to employee engagement as suggested in the literature (Henning-Thurau, 2004; Rothmann & Rothmann, 2010).

The individual antecedents of vigour (VIG), dedication (DE) and absorption (AB) are recommended for this study. In turn, the organisational antecedents of supervisory support (SS) and perceived autonomy (PA) are accepted for the purpose of this study.

The following section further explores employee engagement measures associated with individual and organisational antecedents.

### **3.8 EMPLOYEE ENGAGEMENT MEASUREMENT**

Engagement measures of antecedents vary across the literature. This section focuses on the scales suggested for measuring employee engagement. Scales based on vigour, dedication and absorption are demonstrated where consensus on the scale in the literature is prevalent. Organisational antecedents of supervisory support and perceived autonomy

measurement scales are recommended. This section concludes with suggested measures tested in this study.

### **3.8.1 Individual antecedents**

Vigour, dedication and absorption are observed as measures for employee engagement. The adopted framework for measurement of the employee engagement scale is suggested in agreement with Schaufeli *et al.* (2002). The authors argue that although Kahn's (1990) work presents a theoretical model, an actual variable measure is not suggested. Employee engagement antecedents are viewed as opposite to the Maslach Burnout Inventory (Maslach *et al.*, 2001) where this scale is developed to test negative states of employee wellbeing rather than positive states. Schaufeli *et al.* (2002) suggest that engagement is characterised by energy, involvement and efficacy. This is proposed to be the direct opposite of the Maslach Burnout inventory where burnout is characterised to be a combination of cynicism and exhaustion (Schaufeli *et al.*, 2002). The authors propose that engagement is identified by vigour, dedication and absorption.

Schaufeli *et al.* (2002) recommend that employee engagement should be assessed with the employee engagement scale (Appendix D). The authors propose that vigour consists of six items (At work, I feel full of energy; In my job, I feel strong and vigorous; When I get up in the morning, I feel like going to work; I can continue working for very long periods at a time; In my job, I am mentally very resilient; At work, I always persevere; even when things do not go well). The authors suggest that dedication consists of five items (I find the work that I do full of meaning and purpose; I am enthusiastic about my job; My job inspires me; I am proud of the work I do; I find my job challenging). Absorption consists of a six item scale (Time flies when I am working; When I am working; I forget everything else around me; I feel happy when I am working intensely; I am immersed in my work; I get carried away when I am working; It is difficult to detach myself from my job). High scores on a frequency scale are

indicative of employee engagement level (Salanova *et al.*, 2005).

The engagement scale demonstrated by Schaufeli *et al.* (2002) has been reported to exhibit good validity, but also carries some limitations. Salanova *et al.* (2005) demonstrate through a confirmatory analysis that the three-factor model adequately describes employee engagement. Rothmann and Rothmann (2010) put forward that the use of the vigour, dedication and absorption measurement scale for engagement has been tested both internationally and in South Africa. Salanova *et al.* (2005) believe that this engagement measure could be adopted when testing the mediating role of service climate as a predictor of employee performance and customer loyalty.

Limitations include lack of agreement in the literature on the antecedents and outcomes of employee engagement and the representation of a holistic model (Rana, Ardichvili & Tkachenko, 2014). Schaufeli *et al.* (2002) suggest that a second limitation is that engagement is not supported as extensively as the converse of the Maslach Burnout Inventory scores in burnout theory. Despite these limitations it is acknowledged that the three engagement scales exhibit sufficient internal consistencies and are robustly related (Salanova *et al.*, 2005). Hence, the authors observe that the addition of a three-factor solution is superior to a singular factor. Therefore the scale proposed by Schaufeli *et al.* (2002) is adopted for this study.

### **3.8.2 Organisational antecedents**

Organisational antecedents are characteristics of job resources. Wollard and Shuck (2011) suggest that organisational antecedents drive the development of engagement as cornerstones of basic employee needs. The role of the manager encompasses supervisory support as an organisation antecedent in this study. The role of the manager is argued to be positively associated to engagement.

Supervisory support is suggested as the first antecedent of engagement. Salanova *et al.* (2005) found that job resources such as performance feedback and supervisor support were predictors of employee engagement levels. Menguc *et al.* (2013) argue that supervisory support assists in employees feeling secure in the firm. Menguc *et al.* (2013) report that in the Job-Demand Resources model, supervisory support is an important resource for motivating employees. The measure of supervisory support is explored in two separate known studies. Babakus, Yavus and Ashill (2009) focused on four dimensions of job resources in their study, including supervisory support. The authors propose that the supervisory support measure (Appendix D) consists of three items (My manager is very concerned about the welfare of those under him/her, My manager is willing to listen to work-related problems, My manager can be relied upon when things get difficult at work). The scale used is a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The supervisory support measurement scale exhibited internal consistency with a reliability of 0.87 exceeding the benchmark of 0.70 (Babakus, Yavus & Ashill, 2009). The reliability of this scale results in its suitability for use in this study.

Perceived autonomy (PA) is suggested as the second antecedent of employee engagement. Rana, Ardichvili and Tkachenko (2014) believe that an autonomous role is significantly positively associated to engagement. Perceived autonomy is put forward as creating a workplace conducive to motivation, empowerment and competency (Menguc *et al.*, 2013). Menguc *et al.* (2013) propose that perceived autonomy's scale measure (Appendix D) consists of three items (I can use my own personal judgment on carrying out my job, I have the freedom to decide what I do on my job, I can make my own decisions in carrying out my job) based on the measure by Spreitzer (1995). Menguc *et al.* (2013) used Cronbach alpha to test the reliability of the scale. Cronbach alpha is 0.78 therefore over the benchmark of 0.7. The reliability of this scale results in its suitability for use in this study.

Schaufeli *et al.* (2002) suggest a scale to measure individual antecedents of vigour,

dedication and absorption which are adopted for this study. This measurement scale finds validation and reliability in numerous bodies of the literature in human resources development as a test of employee engagement.

The scale demonstrated by Babakus, Yavus and Ashill (2009) for measurement of supervisory support (SS) is adopted. Also the Menguc *et al.*'s (2013) measures for perceived autonomy (PA) is adopted.

### **3.9 CHAPTER SUMMARY**

Studies acknowledge that there is a myriad of literature on antecedents to engagement. This chapter summarised the importance of employee engagement as a measure in firms and tracks the evolution of the construct starting with Kahn's (1990) personal engagement model. Kahn (1990) believed that psychological meaningfulness, psychological safety and psychological availability were antecedents of employee engagement. Unlike the burnout theory, employee engagement explores the positive psychology of employee wellbeing. A suggested definition of employee engagement emerges where the description is based on characteristics of vigour, dedication and absorption. The effect of employees showing this positive state of being is suggested as affecting employees in roles cognitively, psychologically and behaviourally.

Job demand and job resources are put forward as organisational antecedents. The study reviews two models, the Conservation of Resources theory and the Job Demand-Resources model, which both include antecedents. Job demands are characterised by physical workload, time pressure and physical environment whereas job resources are characterised by weak performance feedback, supervisory support and skills. It is suggested that the presence of job resources reduces job demands. The importance of the role that the manager or supervisor of the employee performs in creating engagement was discussed. Based on the literature reviewed the suggested antecedents of employee engagement

adopted for the theoretical model in this study are supervisory support and perceived autonomy.

As the key themes in Chapter 2 and 3 have focused on employee-to-customer interaction, the relationship of customer experience of employee performance to employee engagement is proposed. Evidence in past employee engagement studies observes an association to both customer satisfaction and customer loyalty. As customer experience is a relatively new construct in terms of business-to-business literature, limited studies exist. Chapter 4 presents the adopted theoretical model to integrate both employee engagement and customer experience constructs. The chapter concludes with the proposed hypothesised relationships between the constructs of employee engagement (vigour, dedication, absorption) and customer experience of employee performance, customer experience of employee performance and proposed outcomes (overall customer experience, customer loyalty) and the proposed antecedents (supervisory support, perceived autonomy) relationship to employee engagement.

# **CHAPTER FOUR: A THEORETICAL MODEL TO INTEGRATE EMPLOYEE ENGAGEMENT AND CUSTOMER EXPERIENCE**

## **4.1 INTRODUCTION**

In this chapter the theoretical model proposed is based on the preceding literature review. A separate chapter was included to explore the theoretical model and corresponding hypotheses. The model aims to explain the effect of employee engagement levels on customer experience of employee performance and ultimately the influence on overall customer experience and customer loyalty. To measure employee engagement the study employs the conceptualisation by Schaufeli *et al.* (2002), wherein supervisory support (SS) and perceived autonomy (PA) are reasoned to be antecedents of employee engagement. The theoretical model finds further foundation in an existing framework by Menguc *et al.* (2013) which postulates that employee engagement is best understood as a multi-dimensional construct that includes employee's level of absorption in their work, the level of vigour with which they perform their duties, and the dedication they exhibit to their work.

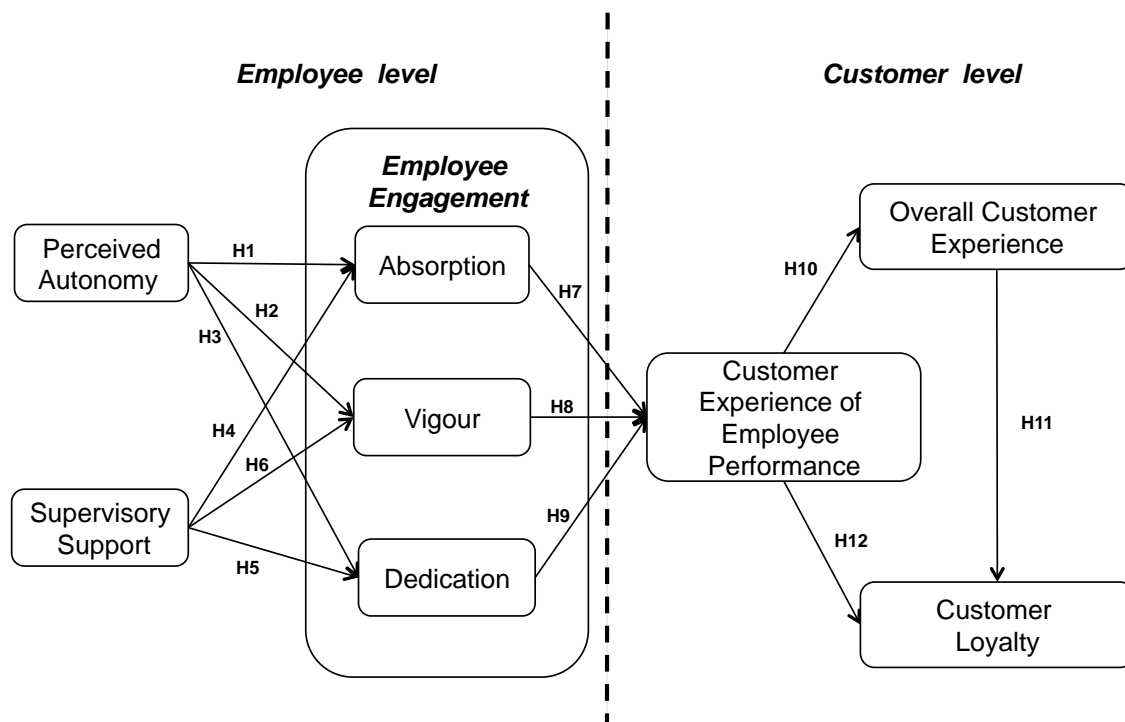
Lemke *et al.* (2011) approach to customer experience guides the study further to consider the relationship between customer experience and employee performance. The influence of employee engagement on customer experience of employee performance is hypothesised to have an association to the overall customer experience as a construct and to the traditional construct of customer loyalty. These conceptualisations allow for the construction of hypothesised relationships in a theoretical model that dictates the formation of research methodology and ultimately testing the relationships through empirical research.

## **4.2 HYPOTHESES DEVELOPMENT**

Chapters 2 and 3 demonstrated the importance of the relationship between employee engagement and customer experience. Both constructs were demonstrated to be

underpinned by certain antecedents and both have the potential to produce outcomes that may or may not benefit the firm. In combining these aspects to investigate the impact of employee engagement on customer experience and ultimately customer loyalty, a conceptual model proposed. These hypothesised associations are depicted in Figure 4.1.

**Figure 4.1: Hypothesised conceptual model**



The model depicts perceived autonomy and supervisory support as antecedents of employee engagement. Based on the extant literature (Menguc *et al.*, 2013; Wollard & Shuck, 2011; Kahn, 1990; Schaufeli *et al.*, 2002; Salanova *et al.*, 2005) employee engagement is conceptualised as a multi-dimensional construct best presented by the latent dimensions: vigour (VIG), dedication (DE) and absorption (AB).

In turn, employee engagement is proposed to be associated with customer judgment of their experience of employee performance (CESEP) (Frow & Payne, 2007; Harris, 2007; Johnston & Kong, 2011; Palmer, 2008). In turn this customer evaluation regarding the employee performance (CESEP) is hypothesised to be associated with overall customer

experience (OCE) as well as customer attitudinal loyalty (CL) (Lemke *et al.*, 2011; Kim & Choi, 2013; Maklan & Klaus, 2011).

Two sets of data are required for the purposes of the theoretical model, hence an employee questionnaire and a customer questionnaire are proposed. Both datasets will be combined by matching customer responses to the corresponding employee. In its totality, the theoretical model postulates that the positive effects of supervisory support and perceived autonomy directly affect employee engagement thereby affecting customer experience of employee performance. Customer experience of employee performance in turn should translate into an enhanced overall customer experience and a positive effect on customer loyalty. The subsequent effect of overall customer experience on customer loyalty is advanced in this manner.

#### **4.2.1 Employee engagement**

Employee engagement is theorised by Schaufeli *et al.* (2002) to be driven by two organisational antecedents (perceived autonomy and supervisory support) and consists of three dimensions: vigour, dedication and absorption. The relationship between employee engagement dimensions and the proposed antecedents form the foundation for six hypotheses. The chosen organisational antecedents applied in this study are supervisory support and perceived autonomy. Supervisory support is suggested as predicting employee engagement (Schaufeli *et al.*, 2002). Rana, Ardichvili and Tkachenko (2014) propose that an employee role with a level of freedom is the most positively associated to engagement. Menguc *et al.* (2013) posit that the higher the autonomy of the employee, the greater the sense of motivation, empowerment and competency. Therefore, the following six hypotheses are detailed:

**H1:** Perceived autonomy is positively associated with employee absorption in a business-to-business environment.

**H2:** Perceived autonomy is positively associated with employee vigour in a business-to-business environment.

**H3:** Perceived autonomy is positively associated with employee dedication in a business-to-business environment.

**H4:** Supervisory support is positively associated with employee absorption in a business-to-business environment.

**H5:** Supervisory support is positively associated with employee vigour in a business-to-business environment.

**H6:** Supervisory support is positively associated with employee dedication in a business-to-business environment.

#### **4.2.3 Employee engagement relationship to customer experience**

The relationship between employee engagement and customer experience of employee performance forms the basis of the next hypotheses to be tested. In the conceptual model employee engagement is suggested as driver of customer experience of employee performance. Studies reviewed (Kahn, 1990; Gallup, 2013; Menguc *et al.*, 2013; Salanova *et al.*, 2005) in the literature provide evidence that increased levels of employee work engagement is expected to result in a more positive judgment by customers of employee performance. Hence it is hypothesised that a positive relationship exists, although conclusive evidence of this association is limited. It is known that employees do not always act engaged during an employee-customer interaction and thus a theoretical 'employee engagement-customer engagement gap' emerges. Menguc *et al.* (2013:2169) stated "that when employees are engaged, this affects how they behave and interact with customers". Addressing this gap may enhance the field of customer experience management and represents a key contribution of the current study.

Hollyoake (2009) states that a key differentiator in business-to-business contexts is that

employee-customer interaction may be very complex, as multiple touchpoints from the supplier interact with multiple touchpoints from the customer's side. Customer experience may be varied depending on whether the employee is engaged or disengaged. For example, an employee in a customer-orientated situation may influence customer' experience of the product or service delivered, influencing overall customer experience. Lemke *et al.* (2011) propose that the knowledge of an employee, promises made and kept by the employee, flexibility of the employee, communication and attitude of the employee are employee performance items customers measure an experience with the firm on. Therefore, the following hypotheses are proposed:

**H7:** Employee absorption is positively associated with customer experience of employee performance in a business-to-business environment.

**H8:** Employee vigour is positively associated with customer experience of employee performance in a business-to-business environment.

**H9:** Employee dedication is positively associated with customer experience of employee performance in a business-to-business environment.

#### **4.2.4 Customer experience of employee outcomes**

The hypothesised relationship between customer experience of the employee performance and associated outcomes, namely, overall customer experience and customer loyalty, are recommended. Overall customer experience and customer loyalty are suggested as outcomes to the customer experience of employee performance construct. The relationship between customer experience of employee performance and overall customer experience is suggested in research.

A positive association between overall customer experience and customer loyalty is hypothesised. Maklan and Klaus (2011) acknowledge that customer experience is a superior

predictor of customer loyalty and word-of-mouth recommendations comparative to customer satisfaction. Moreover, the authors propose that customer experience may be related to customer behavioural outcomes such as repurchase. Finally, the relationship between customer experience of employee performance and customer loyalty is also expected to be positive. The performance of an employee is suggested to positively relate to customer loyalty (Salanova *et al.*, 2005). The following three hypotheses are compiled:

**H10:** Customer experience of employee performance is positively associated with overall customer experience in a business-to-business environment.

**H11:** Overall customer experience is positively associated with customer loyalty in a business-to-business environment.

**H12:** Customer experience of employee performance is positively associated with customer loyalty in a business-to-business environment.

### **4.3 CHAPTER SUMMARY**

In this chapter the relationships between the constructs of employee engagement and customer experience are motivated and adopted for the current study. Hypotheses are suggested to test the antecedents of employee engagement namely, supervisory support and perceived autonomy. The measure for employee engagement is based on the definition of vigour, dedication and absorption. Employee engagement as an antecedent to customer experience of employee performance is hypothesised. This integrates the relationship between an employee's potential engagement or disengagement and the corresponding effect on customer experience of employee performance. Overall customer experience and customer loyalty is proposed and tested an outcome of customer experience of employee performance. The influence of overall customer experience on customer loyalty is suggested as a hypothesis. The next chapter outlines the research methodology employed to test the proposed hypotheses.

## **CHAPTER FIVE: RESEARCH DESIGN AND METHODOLOGY**

### **5.1 INTRODUCTION**

This chapter provides a detailed description of the empirical component of the study with specific reference to the methodologies employed to test the proposed research hypotheses. The first section reports the sample frame and datasets emanating from both the employee survey (employee engagement construct and antecedents) and the customer survey (customer experience of employee performance, overall customer experience, customer loyalty). As noted in Chapter 4, two sets of data were required for the purposes of this study, hence both datasets are reported before combining the results into a single dataset to match employee responses to customer responses. The design and pre-testing of the data collection instruments for both samples follows. The chapter concludes with a detailed description of the methodology used to test the hypothesised theoretical model.

### **5.2 QUANTITATIVE RESEARCH DESIGN**

A focal firm approach was used to obtain access to a network of customers and employees in a business-to-business context. A focal firm approach was selected to obtain access to a network of customers in the construction, mining and associated products and services industry of South Africa. Electronic and telephone surveys were used to obtain data relevant to the study. Electronic surveys were advantageous due to the ease of collecting data and telephonic surveys recommended due to the geographic location of customers. The quantitative research design required data be collected from employees of the focal firm (to gauge employee engagement) and from their corresponding customers (to measure customer experience). The focal firm in question is one of the largest suppliers of construction, mining and associated products and services in the world. In a Southern African context, the firm's clientele includes customers from South Africa, Lesotho, Swaziland, Botswana, Namibia, Mozambique, Zambia and Angola.

A specific department within the focal firm was chosen for this study. The department selected supplies an after-market product to customers. This department accounts for the majority of revenue generated by the firm. This department was selected, as the volume of customer interaction with employees was frequent. Cooperation was obtained from selected departmental senior managers. As language barriers existed in Angola, Zambia and Mozambique, the decision was made to focus only on customers and employees from South Africa, Lesotho, Swaziland, Botswana and Namibia.

### **5.2.1 Measuring employee engagement**

The first questionnaire was targeted at the focal firms' employees over the period of three months. One month prior to the distribution of the survey each department manager was contacted telephonically to explain the nature of the survey, how the data would be collected and that the purpose of the data is purely for scientific reasons. In total, eleven department managers were contacted. During these discussions emphasis was placed on motivating employees to complete the questionnaire, and that they should not be discouraged with the length of the questionnaire. In particular the confidential nature of the questions was confirmed. Selected provinces (Gauteng, Mpumalanga and KwaZulu Natal) were visited based on leadership request to ensure that a complete understanding on the requirements of the survey was communicated. Communication took place in the form of a workshop with both the departmental managers and assistant managers.

In the selected department the survey was administered to all employees directly involved in telephonic and face-to-face customer transactions. The survey was distributed through an online survey employing the research platform Qualtrics (see Appendix A). This method of surveying was considered advantageous due to the geographic dispersion of employees and the ease of collecting data within the allocated timeframe. A covering letter explaining the purpose of the research and other details, including the researchers direct contact details for

further information and emphasis on anonymity of the respondent, was included in the survey. Both the employee and customer questionnaire were subjected to the University of Cape Town ethics approval process prior to commencement (see Appendix C).

One week prior to distribution an introductory email was sent through to all managers. Each employee subsequently received an individual link to the survey. During the course of the three months regular emails were sent to managers highlighting the completion rate of their area of responsibility and regular reminders to employees to complete the survey. Cross-checks on completion rates were updated weekly to ensure constant visibility of the survey.

### **5.2.2 Measuring customer experience**

The second questionnaire (see Appendix B) was targeted at the focal firms' customers over the period of three months. The firm's customer base consists mostly of construction, mining, rental and customers in their own businesses. The customer survey was completed telephonically and administered through a third party research firm. Once each customer had completed the survey, responses were captured in the CATI (Computer Aided Telephone Interviews) system. This system documents whether the customer has permitted the market research company to capture and record the interview. Precautions safeguarding customer information included a signed contract between the research centre and the firm to protect the confidentiality of the respondent's details, password encryption and office security.

This method was advantageous due to the geographic dispersion of customers and historically the low propensity of customers to answer surveys telephonically. A low response rate in a previous web-administered customer survey commissioned by the focal firm prompted this form of collection. The customer survey was administered three weeks after a particular customer concluded a transaction with the focal firm. The focus on contacting customers promptly after engaging with the focal firm is an advantage of the

telephonic method as recollection of the transaction may be more vivid (Malhotra, 2007).

The focal firm actively utilised a customer survey in the months preceding this research and therefore this was not new to existing customers. The survey administered for this research is similar to the existing survey although supplementary measures were added to meet the objectives of the study. Some of the indicators used in the current study is similar to what the respondents have been exposed to in past studies, but the current survey introduced measures of employee performance and overall customer experience particular to this study.

This methodology was decided on because the objectives of the study focused on assigning customer experience with the focal firms' employees during an interaction event within a three month period. Therefore, the employee engagement survey aims to measure the levels of engagement of the employees, while the customer survey measures the customer experience of the interaction. This resulted in two datasets that needed to be integrated.

### **5.3 PRE-TESTING AND REFINEMENT**

Once the draft questionnaires were completed, the questionnaires were presented to senior management of the selected department. The objectives of this research were defined as (a) leveraging the existing customer survey with additional measures to gain a better understanding of customer experience underlying drivers (constructs), and (b) gain insights into how employee engagement affects customer experience of the employee. During revision with the managers the sequence of questions was revised; the terminology 'manager' was replaced with 'supervisor' to avoid confusion and a finer categorisation of departments was used.

#### **5.3.1 Employee questionnaire**

The existing database and email addresses of the employee population required further

validation. Organisational charts were cross-referenced with an existing database and in some instances direct supervisor communication was required to confirm reporting lines of employees. A download of all employees reporting lines and unique identity numbers were cross-checked to establish a master list of current employees in the selected department. Issues with employee data included abbreviations of surnames and unknown email addresses. Additional complexity included isolating the employees directly involved in customer interactions. Additionally, employees' allocated job descriptions and associated responsibilities varied across provinces.

Pre-tests on the questionnaire with selected personnel from the department indicated that certain questions did not have a forced response in the system. A forced response assists in ensuring that the employee completes every question before advancing to the next question. Further testing uncovered that employees in this specific department were not granted Internet access to the Qualtrics web address. The focal firm's policies and procedures did not allow for Internet access by all targeted employees. An application was lodged and access to the Qualtrics website was granted. Questions in the employee survey are non-sequential as indicators of a construct excluded from further analysis were removed.

### **5.3.2 Customer questionnaire**

The firm had conducted its own customer survey in this department on a regular basis. Questions pertaining to this study were added to the customer survey deployed by the focal firm. Approval from the firm's senior management was warranted to ensure consistency in the application of the survey responses. Additional amendments to the survey were agreed to and final sign off was granted (see Appendix C). Data retrieval of customer contact details associated with the firms weekly purchases existed and the process of data collection remained unchanged.

Reconfiguration of the customer questionnaire included the addition of questions pertaining

to the research objectives and commenced with the training of the research call centre consultants on the amended script. The new questionnaire was pre-tested on a sample of 50 customers and yielded favourable feedback including comprehension of questions and overall survey length. The only disadvantage noted from the questionnaire was the additional length comparative to the previous distributed version. The extra length only comes to five additional questions therefore it was decided that no further changes were required.

#### **5.4 RESEARCH INSTRUMENT**

The research necessitated the development of two research instruments, namely, an employee questionnaire (see Appendix A) and a customer questionnaire (see Appendix B). Technical components of the questionnaire, such as the nature of the questions, sequence of questioning, the layout of the survey and the length of the survey, were taken into consideration. The customer questionnaire length and alignment with the existing surveys conducted by the firm served as a guideline to ensure consistency in both the method and length of the telephonic survey.

Based on Schaufeli *et al.* (2002) the employee questionnaire included three sections based on employee engagement measuring vigour, dedication and absorption. The second section focused on the antecedents of employee engagement, namely, perceived autonomy and supervisor support as suggested by Menguc *et al.* (2013).

The customer questionnaire included two sections adapted from Lemke *et al.*, (2011). The first of these measured the customer experience of the employees, the second section focused on the overall customer experience construct. The third section focused on a customer loyalty measure adopted from Bowen and Chen (2001). The following section discusses each measurement instrument in both the employee and customer survey.

#### **5.4.1 Employee engagement measures**

The employee measurement instrument is based on a five-point Likert scale with “1 = never” and “5 = all of the time”. The questions which attempt to determine the level of employee engagement were adapted from the questionnaire developed by Schaufeli *et al.* (2002). The measurement instrument consisted of 17 items to measure each of the following latent variables (Appendix D): Vigour – six items (At work, I feel full of energy; In my job, I feel strong and vigorous; When I get up in the morning, I feel like going to work; I can continue working for very long periods at a time; In my job, I am mentally very resilient; At work, I always persevere, even when things do not go well), Dedication – five items (I find the work that I do full of meaning and purpose; I am enthusiastic about my job; My job inspires me; I am proud of the work I do; I find my job challenging) and Absorption – six items (Time flies when I am working; when I am working, I forget everything else around me; I feel happy when I am working intensely; I am immersed in my work; I get carried away when I am working; It is difficult to detach myself from my job).

#### **5.4.2 Employee engagement antecedent measures**

The employee antecedent measurement questionnaire for both supervisory support and perceived autonomy is based on a five-point Likert scale with “1 = never” and “5 = all of the time”. The questions relevant to supervisory support attempting to determine the level of this indicator were adopted from Babakus, Yavus and Ashill (2009). The scale consisted of three items (Appendix D) to measure each of the following latent variables: Supervisory support – three items (My direct line supervisor is very concerned about the welfare of those under him/her; My direct line supervisor is willing to listen to work-related problems; My direct line supervisor can be relied upon when things get / difficult at work).

The second employee engagement antecedent proposed is perceived autonomy and the measures loosely based on Spreitzer (1995) is proposed by Menguc *et al.* (2013) to

measure this construct. The scale consisted of three items: I can use my own personal judgment on carrying out my job; I have the freedom to decide what I do on my job; and I can make my own decisions in carrying out my job.

### **5.4.3 Customer experience of employee performance measurement**

Customer experience of employee performance is proposed as an outcome of employee engagement. Lemke *et al.* (2011) recommend that the knowledge of an employee, promises made and kept by the employee, flexibility of the employee, communication and attitude of the employee are latent constructs that can be used to measure a customer's evaluation of a firm's employee.

In the measurement of the customer experience of employee performance a 10-point scale was employed with "1 = very poor and "10 = excellent". The scale consisted of six items (Appendix D) to measure each of the following individual questions: Customer experience of employee performance consists of six items (How satisfied are you with the [employee's] communication; How satisfied are you with the [employee's] technical information provided; How satisfied are you with the [employee] getting back to you as promised; How satisfied are you with the [employee] understanding your needs and objectives; How satisfied are you with the [employee] being proactive; How satisfied are you that the [employee] had a caring attitude). The measure of customer experience with the employee is adapted from the construct comparative measure suggested by Lemke *et al.* (2011) in a business-to-business context.

### **5.4.4 Overall customer experience measurement**

Consensus of an overall customer experience measure is limited in the literature with three points of view: a) the adoption of a comparative customer experience measure, b) a measure providing a holistic view of customer experience, and c) a one-dimensional

customer experience measure. Measures in the current study is based upon the triadic method of comparison by Lemke *et al.* (2011) where respondents recalled suppliers based on good, average and bad experiences. This study uses two indicators based on the comparison. The first indicator compares the focal firm to their direct competitors whereas the second indicator measures the experience with the focal firm comparative to other suppliers dealt with during purchasing interactions. The third indicator suggested is a holistic view of customer experience as suggested by Kim and Choi (2013).

In the measurement of the overall customer experience construct a 10-point Likert scale was employed with “1 = very poor and “10 = excellent”. A 10-point Likert scale was proposed as findings suggest that five or seven-point scales produce slightly higher mean scores (Dawes, 2008). The overall customer experience measurement instrument consisted of three items (How would you rate your total experience received from [firm] against other competitors in the industry; How would you rate your total experience received from [firm] against your other suppliers) based on Lemke *et al.* (2011). The final indicator is based upon Kim and Choi's (2013) suggestion of an overall customer experience measure (How satisfied are you with the overall experience received from the [firm]).

#### **5.4.5 Customer loyalty measurement**

Various customer loyalty measures exist in the literature but no single agreed upon measure is considered dominant. Bowen and Chen (2001) recommend that such a measure should include both behavioural measures such as customers' repetitious purchases, and attitudinal measurement such as engagement and allegiance. The exact definition varies between authors. Commonalities include behavioural and attitudinal characteristics such as repurchase intentions and willingness to recommend firms. Although Keiningham *et al.* (2007) argue that Share-of-Wallet is an indicator of customer loyalty in consumer markets, its usefulness is limited in business-to-business contexts as it entails the reporting of

sensitive customer data. Hence, in this study the chosen measure for customer loyalty is based on a two item measure encompassing both the recommendation propensity and repurchase intentions of customers.

In the measurement of customer loyalty a 10-point Likert scale was employed with “1 = very poor and “10 = excellent”. The customer loyalty measurement instrument (Bowen & Chen, 2001) consists of two items (How likely is it that you would repurchase from [firm] again; How likely is it that you would recommend [firm] to a friend or colleague).

## **5.5 DATA ANALYSIS**

The objective of data analysis is to ultimately test the various hypotheses in the proposed theoretical model. Four stages of data analysis were completed prior to hypotheses testing. Data analysis performed included additional categorisation of both the employee and customer data, cross-referencing between the employee and customer data, descriptive statistics utilising IBM SPSS Statistics for Windows [22.0] and reliability and validity testing utilising SmartPLS 2.0 (Ringle, Wende & Will, 2005). The fifth stage of analysing the data included testing the proposed hypotheses.

The first stage of analysing the data required additional categorisation in both the customer and employee data. Additional categorisation in the customer data included provincial allocations and customer industry-type. Provincial allocations were necessary as traditional area classification was firm-defined and meaningless outside of the firm. During the customer survey, six primary industries were available to select. Initial analysis indicated that 20 percent of respondents selected an industry outside of this option. Further additional customer industry classification was warranted. The employee dataset required inclusion of the employees' province. The second addition to the employee dataset included a unique employee number. This unique employee number assists as an identifier during the next stage of cross-referencing between the employee and customer dataset.

The second stage of analysing the data encompassed cross-referencing between the customer and the employee dataset. This was handled through the use of a unique identifier (employee number) enabling the study to match employee responses to customer responses. The opening statement in the customer survey included the specific employee name the customer dealt with during their interaction with the firm. This enabled the employee dataset to be matched with the customer dataset.

With the provision of the employee number relating directly to the customer responses, application of cross-referencing proceeded. The final sample available for further analysis was based on the employee sample,  $n=106$  and a corresponding customer sample of  $n=1,216$ . For each employee the average of the customer responses associated with that particular employee were calculated. This provided a combined dataset for both the employee and the customer for further empirical analysis.

The third stage of data analysis focused on descriptive statistics. Each indicator are assigned a construct acronym for ease of future reference (see Appendix D). The mean, standard deviation, data range, skewness and kurtosis were established using IBM SPSS Statistics for Windows [22.0]. Skewness and kurtosis are established to understand multi-variant distribution. Wegner (2012) suggests that skewness is the shape of a unimodal histogram for numeric data. This is addressed in-depth in the following chapter. Based on the distributional characteristics of the data, the decision was made regarding the use of an appropriate tool to analyse the relationships between constructs. More detail regarding this decision is reported in Chapter 6 where the distributional properties of the data is reported.

The fourth stage of data analysis was to determine the reliability and validity. Intended to analyse the internal consistency reliability, both the Cronbach Alpha and Composite Reliability tests were employed. Cronbach Alpha and Composite Reliability are common measures for reliability. Cronbach Alpha is suggested as most common although limitations

include assumptions of equal reliability of indicators (Hair, Sarstedt, Ringle & Mena, 2012). In social sciences it is common to consider both Cronbach's Alpha coefficient and Composite Reliability to test for internal consistency reliability (Hair *et al.*, 2012). Both these values range from 0 to 1. Cronbach alpha is described as the association of the scale under observation comparative to all other scales with the same indicator variables (Garson, 2013). Comparative to Composite Reliability, Cronbach Alpha assumes indicators are equally reliable. Composite Reliability views indicators individually (Hair *et al.*, 2012).

The validity of the measurement scales is sought in the review of both the convergent validity and discriminant validity. Convergent validity assesses the correlation of a measure to measures within the same construct (Garson, 2013). Discriminant validity assesses whether the construct reviewed is distinctively different from other constructs (Garson, 2013). Discriminant validity utilises both the Fornell and Larcker (1981) criterion and the cross-loading of an item. The Fornell and Larcker (1981) criterion compares the square root of each construct's Average Variance Extracted (AVE) and correlations and draws a comparison with other constructs (Hair, Hult, Ringle, & Sarstedt, 2013). Hair *et al.* (2013) describe cross-loading as an indicator's correlation with other constructs. According to Hair *et al.* (2013) item loadings that exceed other loadings in its corresponding row (across constructs) and column (within a construct) further demonstrates discriminant validity.

The fifth stage of data analysis comprised of testing both the measurement and structural model related to the complete theoretical framework. The complete model was estimated using a variance based structural equation modeling approach which included a bootstrapping procedure. Hypothesised relationships between the latent constructs were tested to establish the statistical significance of each path and an estimation of the path coefficients. This analysis also yielded the Coefficient of Determination ( $R^2$ ) for each endogenous construct to reveal the amount of variance explained by the model. Bootstrapping is a re-sampling technique, which utilises sub-samples from the original data

to reproduce an estimated model (Hair *et al.*, 2013). Coefficient of Determination ( $R^2$ ) is considered as measuring the proportion (or percentage) of variation in the dependent variable,  $y$ , that is explained by the independent variable,  $x$  (Wegner, 2012).

This stage of data analysis concludes with establishing the significance of the relationships and summarising the findings. The hypothesised relationships relates to each path in the structural model (Hair *et al.*, 2013).

## **5.6 CHAPTER SUMMARY**

This chapter presented the research and design methodology employed in order to analyse the combined customer and employee dataset. The research design reviewed the targeted sample and the designed employee and customer questionnaire. Pre-testing and piloting of both questionnaires are assessed and the research instruments are developed. The research instrument detailing construct indicators for both surveys are detailed and following both firm approval and University of Cape Town ethics approval, surveying commenced.

Over a three month timeframe, 141 employee surveys are obtained. Following cross-referencing of employee and customer interactions, 106 employees and 1,216 customer surveys are analysed. Descriptive statistics of both datasets are analysed and discussed. The final section of this chapter focuses on the five stage data analysis conducted to categorise, test reliability and validity and finally the method of ascertaining the hypotheses associated with this study. The following chapter advances the empirical findings of the data analysis.

## **CHAPTER SIX: RESULTS**

### **6.1 INTRODUCTION**

This chapter reports the results of the study. The first sections report descriptive statistics to provide insights into the characteristics of the sample and the responses elicited by the multi-dimensional scales. The second section reports the psychometric properties of the measurement model by considering reliability and validity. The third section reports on the structural model and concludes with the tested hypothesised relationships between the constructs of employee engagement and customer experience.

### **6.2 RESPONSE RATE**

After three months, 141 employee questionnaires (accounting for 87 percent of total population) and 1,356-customer questionnaires (13 percent of total population) were completed. Matching employee data to customer responses yielded 106 employee questionnaires (accounting for 65 percent of the employee population) and 1,216 customer questionnaires (11 percent of the customer population).

The approach followed to match employee and customer data is consistent with that of Menguc *et al.* (2013) and that of Salanova *et al.* (2005). A unique employee number (identifier) allowed for matching the 106 employee responses to their associated customer responses. Hence, it was possible to calculate a mean customer score for each employee.

The responses in this study may be compared with two other studies that employed similar designs. First, the study by Menguc *et al.* (2013), which the framework for the current study was based upon, employed a mail survey, which reported a response rate of 482 employees (47.25 percent) and 488 customer responses. Secondly, the study by Salanova *et al.* (2005) investigated the mediating role of service climate on employee performance and customer

loyalty through a structural equation model, yielding 342 employee responses and 1,140 customer responses. Both studies were able to use larger samples in a business-to-consumer context. Due to the volume of transactions in this context, a smaller sample for this study was anticipated. It is therefore conceivable that, employing a focal firm design in a particular business-to-business sub-category, a smaller sample is to be expected. In the following section both the employee and customer descriptive statistics are reviewed to understand the dispersion and skewness of the data.

### **6.3 SAMPLING FRAMES**

The nature of the research necessitated two different approaches in treating the employee and customer datasets. A response rate of 80 percent and above was anticipated from the 163 employees sampled in the employee survey. Instructing managers on the manner in which to complete the survey and periodic survey completion reminders to employees increased the anticipation of a higher response rate. A random sampling technique for the administration of the customer survey was recommended due to cost constraints. The employee and customer sampling frame are discussed in detail in the next two sections.

#### **6.3.1 Employee sampling frame**

A database of 163 possible employees existed to include in the study. The employees identified were cross-referenced to previous customer purchases and the associated transactions that had occurred historically. Three separate databases were compiled to ensure each eligible employee transacting in the selected department were included in the interview process. The designation of the employee was non-consequential, although their role had to be operational in the focal firm and department.

The response rate for the employee surveys was 87 percent, with 141 employees completing the survey. The composition of the sample, depicted in Table 6.1, shows the

respondents are overwhelmingly male (83 percent), with 58 percent over 35 years of age.

**Table 6.1: Key descriptive statistics of the employee sample**

<b>N</b>		<b>106</b>
<b>Gender</b>	Male	88 (83%)
	Female	18 (17%)
<b>Age distribution</b>	< 25 years	8 (8%)
	25 - 35 years	36 (34)%
	35 - 45 years	29 (27)%
	< 45 years	33 (31)%
<b>Tenure distribution</b>	0 - 5 years	37 (35)%
	6 - 10 years	24 (23)%
	11 - 15 years	17 (16)%
	16 - 20 years	7 (6)%
	> 20 years	21 (20)%
<b>Country</b>	South Africa	86 (81%)
	Namibia	9 (8%)
	Botswana	7 (7%)
	Lesotho and Swaziland	4 (4%)
<b>Province</b>	Gauteng, North West and Nelspruit	30 (30%)
	Western Cape	12 (12%)
	Mpumalanga	11 (11%)
	Northern Province	11 (11%)
	KwaZulu Natal	10 (10%)
	Namibia	9 (9%)
	Botswana	7 (7%)
	Northern Cape	6 (6%)
	Free State	5 (4%)

The 141 employees who answered the survey were cross-referenced back to the three month period to select for those who had interacted with customers, therefore a total of 35 employees were removed as no customer survey data had been established for this time period. The final sample contained 106 employee respondents. The employees sampled constitute 65 percent of the employee population. Angola, Zambia and Mozambique salespersons were removed from the upfront survey as translation may have skewed the results.

Of all the employees interviewed, 74 percent had less than 15 years of experience in this specific department. The respondents emanate from Botswana, Namibia, South Africa, Swaziland and Lesotho with South Africa constituting the majority (81 percent). Respondents from Gauteng, North West and Nelspruit are the predominant share of responses with 28 percent of all surveys. Western Cape (11 percent), Mpumalanga (10 percent) and Northern Province (10 percent) constitute 31 percent of all responses. The smallest samples were from the Northern Cape, Free State, Lesotho and Swaziland. The sample illustrates employees' dealings with customers in two predominant ways, telephonic and face to face interactions. Employees in a salesperson role (Table 6.2) in the firm account for 41 percent of the 106 respondents interviewed.

**Table 6.2: Key roles of the employee sample**

<b>N</b>	<b>106</b>
<b>Responsibility</b>	
Salesperson	43 (41%)
Counter salesperson	25 (24%)
Inside sales representative	10 (9%)
Supervisor	10 (9%)
Liaison salesperson	5 (5%)
Clerk	3 (3%)
Controller	2 (2%)
Storeman	1 (1%)
Other	6 (6%)

An overwhelming 86 percent of employee responses in the survey indicated interaction with customers in both telephonic and face-to-face means. Only 2 percent of employees interacted with customers solely in face-to-face interactions and 12 percent of employees only interacted with customers over the phone.

The designation of duties were predominately centred around a sales function accounting for 74 percent of the respondents. The sales function role constituted a salesperson designation, a counter salesperson designation (specifically focused on selling at a front counter) and an inside sales designation (focused on contacting customers telephonically).

### **6.3.2 Customer sampling frame**

The customer sample frame focused on customers transacting with employees within a certain department in the firm within a three month period. The customer sample required removal of transactions based on two key criteria: (a) customer transactions exceeding once per month, and (b) the avoidance of survey fatigue through eliminating customer respondents interviewed in the previous two months. Customers are likely to purchase more than one product over the course of the month over a number of interactions. Repeat surveying is limited to only one survey per customer per month, hence repeat purchasers were consolidated.

In a month this firm's department can create sales of individual products in excess of tens of thousands of transactions. On average five thousand transactions per month are available for survey purposes once repeat purchasers are consolidated. For the purposes of this study each randomised sample corresponds to a five customer survey target per employee. Hence each employee has an opportunity to have five customer surveys completed regarding customer experience of employee performance on a monthly basis. The customer sample as shown in Table 6.3 highlights the customer descriptive statistics.

**Table 6.3: Key descriptive statistics of the customer sample**

<b>N</b>		1216
<b>Customer revenue segment</b>	Top 100	20%
<b>Month customer survey conducted</b>	August 2014	34%
	September 2014	34%
	October 2014	32%
<b>Customer survey samples per employee</b>	Mean	11.26
	Standard dev	7.02
	Maximum	31
	Minimum	1
	Median	12
<b>Country</b>	South Africa	83%
	Namibia	7%
	Botswana	6%
	Swaziland	3%
	Lesotho	1%
<b>Province</b>	Gauteng, North West and Nelspruit	35%
	Mpumalanga	12%
	KwaZulu Natal	10%
	Western Cape	9%
	Northern Cape	7%
	Free State	7%
	Namibia	7%
	Northern Province	7%
	Botswana	6%

Over a three month period the total sample for the firm's survey constituted 1,746 customer respondents including customers interviewed from Angola, Zambia and Mozambique. As these countries were excluded in further analysis the remaining database of respondents was 1,356. Comparative to the total number of interactions possible monthly after removing duplicate customer respondents, the sample available for potential interview in August 2014 was 3,943, September was 3,290 and October was 3,283. August achieved a sample of 12 percent (456 interviews), September a sample of 14 percent (465 interviews) and October a

13 percent sample (435 interviews). The total number of interviews available was 10,516. Therefore, a total of 1,356 interviews conducted realised the response rate of 13 percent. Further examination excluded transactions by managers' and the total sample of customer interviews was reduced to 1,216 (11,5 percent response rate) as shown in Table 6.3

The customer sample, suggests that 20 percent of the customers included in the sample comes from the top one-hundred customers for this department. These account customers are selected as top one-hundred customers based on revenue generated, loyalty to the firm and future opportunity.

The sample further indicates that a substantial portion of the data supplied was from the South African market with 83 percent of the customer responses captured. Customer responses from Gauteng, North West and Nelspruit were the highest sampled with 35 percent of all surveys. Mpumalanga, Western Cape, and KwaZulu Natal constitute 31 percent of all responses. Proportionately the lowest samples were received from Namibia, Northern Province and Botswana.

Employees channels in transacting with customers include telephonic, face-to-face and a combination of both interactions. The sample from the three months exhibited missing data, therefore n=1,049 samples reviewed the transaction type. In the employee survey 86 percent of employees report interaction with customers in both telephone and face-to-face channels. In the customer survey, telephonic only and both telephonic and face-to-face were predominant with 90 percent of the interaction types.

Customers included in the sample originated from construction, mining, reseller of products, manufacturing, rental and government. The sample from the three months exhibited missing data for industries customers operate in, therefore resulting in 793 respondents (65 percent) of the total available sample. Construction and mining were the predominant industries surveyed with 71 percent of respondents. Table 6.4 depicts the customer sample dispersion

by industry.

**Table 6.4: Key descriptive statistics of the customer industry sample**

<b>N</b>	<b>793</b>	
Customer Industry	Construction	37%
	Mining	34%
	Other	20%
	Reseller of product	3%
	Manufacturing	2%
	Rental	2%
	Government	2%

Customers surveyed had an option to select 'other' industry if the respective industry was not represented in the survey. Of the 793 responses, 20 percent were categorised as representing other industries. The two industries predominant in this category were agriculture (20 percent) and transport (15 percent). The manufacturing industry comprised 9 percent of responses received and engineering 8 percent.

#### **6.4 DESCRIPTIVE STATISTICS**

Assessment of the employee and customer data is necessary to understand the dispersion and skewness of the data to establish the basis for further empirical analysis. Dispersion of both the employee and customer data values were assessed using IBM SPSS Statistics for Windows [22.0]. This analysis included a calculation of means, standard deviation, variance, range, skewness and kurtosis. Hair *et al.* (2013) posit that a skewed distribution is indicated by a number greater than +1 or less than -1 whereas with kurtosis, a +1 indicates peaking and -1 a flat distribution.

From the employee data (Table 6.5) it was observed that the variables labelled DE5, AB2, AB5, AB6, SS1, SS2, SS3, PA2 and PA3 showed high standard deviations. The measurement scale ranged from 1, the lowest item on the scale, to 5, the highest item on the

scale. Skewness of the data is apparent with each construct aside from supervisory support (SS1, SS2, SS3). Considering kurtosis the data exhibits similar results. Table 6.5 summarises the dispersion and skewness of the employee data.

**Table 6.5: Dispersion and Skewness of employee data**

Item	Mean	Std. Deviation s	Variance s <sup>2</sup>	Range	Skewness	Kurtosis
VIG1	4.26	.8083	.653	4.0	<b>-1.182</b>	<b>1.890</b>
VIG2	4.26	.7936	.630	4.0	<b>-1.074</b>	<b>1.671</b>
VIG3	4.31	.9498	.902	4.0	<b>-1.480</b>	<b>1.913</b>
VIG4	4.13	.8174	.668	4.0	-.783	.796
VIG5	4.53	.5889	.347	2.0	-.824	-.286
VIG6	4.53	.6649	.442	3.0	<b>-1.294</b>	<b>1.290</b>
DE1	4.47	.7832	.613	3.0	<b>-1.299</b>	.718
DE2	4.57	.7810	.610	4.0	<b>-1.997</b>	<b>4.227</b>
DE3	4.38	.8218	.675	4.0	<b>-1.224</b>	<b>1.354</b>
DE4	4.66	.6457	.417	3.0	<b>-1.920</b>	<b>3.176</b>
DE5	4.14	<b>1.0089</b>	1.018	4.0	<b>-1.084</b>	.815
AB1	4.28	.7777	.605	3.0	-.667	-.624
AB2	3.48	<b>1.1061</b>	1.223	4.0	-.619	-.239
AB3	4.13	.8627	.744	4.0	-.804	.478
AB4	4.43	.7305	.534	4.0	<b>-1.484</b>	<b>3.441</b>
AB5	3.61	<b>1.1090</b>	1.230	4.0	-.505	-.362
AB6	3.56	<b>1.0518</b>	1.106	4.0	-.127	-.774
SS1	3.53	<b>1.3253</b>	1.756	4.0	-.500	-.870
SS2	4.00	<b>1.1381</b>	1.295	4.0	-.988	.254
SS3	4.00	<b>1.0867</b>	1.181	4.0	-.862	-.195
PA1	4.09	.9713	.943	4.0	<b>-1.400</b>	<b>2.221</b>
PA2	3.88	<b>1.0484</b>	1.099	4.0	<b>-1.014</b>	.815
PA3	3.89	<b>1.0172</b>	1.035	4.0	<b>-1.042</b>	<b>1.118</b>

Considering the standard deviations of the customer data (Table 6.6), the items CESEP4, CESEP5, CESEP6, OCE2 and OCE3 have the highest standard deviations. These items demonstrate the highest ranges. For each construct skewness of the data is apparent. Similarly, kurtosis of the data is evident with high kurtosis shown on every item except OCE1. Table 6.6 summarises the dispersion and skewness of the customer data.

**Table 6.6: Dispersion and Skewness of customer data**

	Mean	Std. Deviation	Variance	Range	Skewness	Kurtosis
CESEP1	8.577	.7780	.605	5.0	-.926	<b>3.406</b>
CESEP2	8.286	1.1277	1.272	9.0	<b>-3.001</b>	<b>16.318</b>
CESEP3	8.361	.9110	.830	6.3	<b>-1.334</b>	<b>5.550</b>
CESEP4	8.627	<b>1.6745</b>	2.804	10.0	<b>-4.127</b>	<b>18.881</b>
CESEP5	8.438	<b>1.6333</b>	2.668	10.0	<b>-4.027</b>	<b>18.762</b>
CESEP6	8.404	<b>1.6698</b>	2.789	10.0	<b>-3.791</b>	<b>16.775</b>
CL1	8.660	.7739	.599	4.3	<b>-1.135</b>	<b>2.625</b>
CL2	8.936	.7366	.543	5.0	<b>-1.943</b>	<b>7.819</b>
OCE1	8.637	.6900	.476	3.7	-.566	.785
OCE2	8.165	<b>1.6368</b>	2.679	10.0	<b>-3.695</b>	<b>16.242</b>
OCE3	8.127	<b>1.6237</b>	2.636	10.0	<b>-3.652</b>	<b>16.277</b>

Non-normality of each construct was observed in terms of both skewness and kurtosis in both the employee and customer sample data. As the distribution of the data affects the statistical procedures for testing hypotheses it was decided to select an analysis procedure that is (a) less sensitive for distributional abnormality, and (b) appropriate for use with smaller samples. Therefore a decision was made to use a variance-based Structural Equation Modelling technique that employs partial least squares as supported by Hair *et al.* (2012) and Chin (1998) and demonstrated in Yoon (2010) and Shin (2014).

Partial least squares (PLS) generally makes no assumptions on the normality of the data (Hair *et al.*, 2013) and was therefore preferred for this study. PLS in Structural Equation Modelling (SEM) allows for the handling of complex models with multiple associations. Likert scales commonly use ordinal scales, which give information on the increase and decrease of values (Hair *et al.*, 2013). The authors put forward that key characteristics in PLS (SEM) include the function of working with ordinal scaled data. It is also capable of using both single and multi-item constructs and incorporates both reflective and formative measurement models (Hair *et al.*, 2013). As a result the software package SmartPLS 2.0 (Ringle, Wende & Will, 2005) was utilised to consider the measurement and structural model for this study.

## 6.5 MEASUREMENT MODEL

Preceding the consideration of the structural model, the measurement model is assessed to appraise the degree to which constructs are measured by the associated indicator variables. For this purpose SmartPLS 2.0 (Ringle, Wende & Will, 2005) was employed to consider the reliability and validity of the measurement model. Both employee and customer indicators (scale items) were analysed to test for reliability and validity through various tests. To establish internal consistency reliability Cronbach's Alpha coefficient and Composite Reliability was considered. For validity both discriminant validity and convergent validity were analysed.

Chapter 5 describes the origins and development of each scale for both the employee (see Appendix A) and the customer (see Appendix B) survey. All indicator variables were treated as reflective measures and each indicator's statistical significance and loading on the associated latent construct is reported in Appendix E. The indicator variable, AB1 originally included in measuring Absorption did not load on any of the constructs and was excluded from further analysis.

The significance of item loadings was evaluated through the bootstrapping procedure (t-value) available in the SmartPLS software. The theoretical model was fitted to the observed data and the bootstrap was based on 1000 samples with replacements (Appendix E). From the results of the bootstrapping procedure it was observed that each indicator yielded a statistically significant ( $t > 1.96$ ) loading on the latent variable at the 95 percent ( $p < 0.05$ ) confidence level. The following sections report an assessment of the psychometric properties of the measurement model by considering reliability and validity. The statistical significance of the loadings for various indicators on their respective latent constructs is evaluated through a bootstrapping procedure with the SmartPLS software.

### 6.5.1 Reliability of the measurement model

Reliability of a measurement instrument is an attempt to assess the internal consistency of the measure with repeated applications (Hair *et al.*, 2012; Zikmund & Babin, 2010). According to Garson (2013) and Zikmund and Babin (2010) an alpha value of 0.6 are regarded as unsatisfactory measures, 0.7 and higher is adequate and an alpha of over 0.8 is satisfactory. Table 6.7 reports the reliability statistics for the measurement model used in this study.

**Table 6.7: Reliability of the measurement model**

	Composite Reliability	Cronbach Alpha
Absorption (AB)	0.80	0.72
Customer experience of employee performance (CESEP)	0.92	0.89
Customer loyalty (CL)	0.89	0.75
Dedication (DE)	0.86	0.79
Overall customer experience (OCE)	0.90	0.82
Perceived Autonomy (PA)	0.94	0.90
Supervisory support (SS)	0.95	0.92
Vigour (VIG)	0.89	0.86

All latent variable measures (Table 6.7) exhibit good internal consistency as both the Cronbach Alpha and Composite Reliability coefficients exceed the benchmark of 0.7. Item reliability statistics are reported in Appendix E. The only items exhibiting alpha coefficients less than 0.60 include VIG6 in the vigour scale with a loading of 0.59, AB2 with 0.59 and DE5 in the dedication scale with a loading of 0.57. It was decided to retain both items as their associated t-values exhibit statistical significance. Given these results it was concluded that the measurement model exhibit satisfactory reliability and the researcher proceeded to consider validity. The following section discusses the measures of convergent validity and discriminant validity.

### 6.5.2 Validity of the measurement model

Convergent validity was considered by investigating the Average Variance Extracted (AVE). Average Variance Extracted (AVE) evaluates the latent constructs explanation of variance in the associated indicators (Hair *et al.*, 2013) and is therefore an indication of how well the items converge on a particular latent construct. The AVE statistics for this study are reported in Table 6.8. An AVE value above 0.5 signals that at least half of the variance in a construct can be attributed to the associated items and therefore are considered an indicator of convergent validity (Garson, 2013).

**Table 6.8: Average Variance Extracted**

	AVE
Absorption (AB)	0.45
Customer experience of employee performance (CESEP)	0.65
Customer loyalty (CL)	0.80
Dedication (DE)	0.55
Overall customer experience (OCE)	0.75
Perceived Autonomy (PA)	0.84
Supervisory support (SS)	0.86
Vigour (VIG)	0.58

In Table 6.8 AVE values denote that the majority of constructs display satisfactory convergent validity (>0.5). The only exception is the Absorption construct (AVE=0.45) that is marginally lower than the threshold. From an AVE perspective it is therefore conceivable that the measurement model exhibits satisfactory convergent validity according to known criteria as suggested by Garson (2013).

Discriminant validity is the second part of assessing the measurement model's validity. The cross-loading of individual item on each latent variable are considered to examine the associated factor loadings of each item. These results are shown in Table 6.9.

**Table 6.9: Cross-loadings of Items**

	Customer Loyalty (CL1-2)	Overall Customer Experience (OCE1-3)	Customer experience of employee performance (CESEP1-6)	Vigour (VIG 1-6)	Dedication (DE1-5)	Absorption (AB1-5)	Supervisory Support (SS1-3)	Perceived Autonomy (PA1-3)
<b>CL1</b>	<b>0.89</b>	0.63	0.56	-0.06	-0.05	-0.13	0.05	-0.04
<b>CL2</b>	<b>0.90</b>	0.64	0.65	-0.03	-0.02	-0.07	0.10	0.04
<b>OCE1</b>	0.82	<b>0.72</b>	0.65	-0.02	-0.13	-0.11	0.05	0.00
<b>OCE2</b>	0.51	<b>0.93</b>	0.87	0.07	0.01	-0.04	0.07	0.01
<b>OCE3</b>	0.50	<b>0.93</b>	0.85	0.06	-0.02	-0.05	0.04	-0.01
<b>CESEP1</b>	0.67	0.62	<b>0.76</b>	-0.01	-0.08	-0.17	0.11	0.12
<b>CESEP2</b>	0.63	0.63	<b>0.76</b>	0.08	0.01	-0.13	0.04	-0.07
<b>CESEP3</b>	0.71	0.55	<b>0.64</b>	-0.11	-0.09	-0.17	0.08	-0.06
<b>CESEP4</b>	0.43	0.87	<b>0.89</b>	0.07	-0.01	-0.06	0.11	0.01
<b>CESEP5</b>	0.43	0.88	<b>0.90</b>	0.05	0.00	-0.05	0.13	0.00
<b>CESEP6</b>	0.42	0.86	<b>0.88</b>	0.05	0.01	-0.08	0.08	-0.02
<b>VIG1</b>	-0.12	-0.05	-0.03	<b>0.81</b>	0.47	0.40	0.25	0.18
<b>VIG2</b>	-0.05	0.05	0.03	<b>0.84</b>	0.53	0.42	0.31	0.25
<b>VIG3</b>	0.03	0.04	0.05	<b>0.82</b>	0.62	0.40	0.43	0.28
<b>VIG4</b>	-0.04	0.07	0.04	<b>0.78</b>	0.45	0.39	0.36	0.21
<b>VIG5</b>	-0.07	0.01	0.02	<b>0.69</b>	0.46	0.45	0.15	0.17
<b>VIG6</b>	-0.01	0.03	-0.02	<b>0.59</b>	0.43	0.34	0.14	0.21
<b>DE1</b>	-0.05	-0.08	-0.09	0.50	<b>0.79</b>	0.55	0.32	0.28
<b>DE2</b>	0.02	0.01	0.02	0.42	<b>0.75</b>	0.50	0.28	0.24
<b>DE3</b>	0.04	-0.04	-0.01	0.56	<b>0.82</b>	0.43	0.44	0.34
<b>DE4</b>	-0.12	-0.09	-0.07	0.54	<b>0.75</b>	0.36	0.33	0.19
<b>DE5</b>	-0.08	0.01	0.03	0.41	<b>0.57</b>	0.26	0.24	0.14
<b>AB2</b>	-0.12	-0.06	-0.10	0.20	0.22	<b>0.59</b>	0.11	0.18
<b>AB3</b>	-0.05	-0.06	-0.11	0.54	0.51	<b>0.85</b>	0.31	0.43
<b>AB4</b>	0.02	0.01	-0.02	0.32	0.44	<b>0.60</b>	0.08	0.17
<b>AB5</b>	-0.15	-0.10	-0.08	0.19	0.27	<b>0.60</b>	0.14	0.08
<b>AB6</b>	-0.14	-0.05	-0.12	0.30	0.44	<b>0.69</b>	0.19	0.11
<b>SS1</b>	0.12	0.08	0.12	0.32	0.33	0.19	<b>0.90</b>	0.43
<b>SS2</b>	0.05	0.02	0.07	0.38	0.44	0.29	<b>0.94</b>	0.38
<b>SS3</b>	0.08	0.08	0.13	0.40	0.46	0.28	<b>0.94</b>	0.38
<b>PA1</b>	0.02	0.05	0.05	0.31	0.32	0.35	0.38	<b>0.89</b>
<b>PA2</b>	-0.02	-0.06	-0.08	0.25	0.31	0.32	0.37	<b>0.92</b>
<b>PA3</b>	0.01	0.00	0.01	0.24	0.30	0.31	0.41	<b>0.93</b>

According to Hair *et al.* (2013) item loadings that exceed other loadings in its corresponding row (across constructs) and column (within a construct) further demonstrates convergent

validity. Items that yielded factor loadings that could be identified as showing lower than the unassociated constructs include the indicator OCE1 (0.72), which is lower than three factors CESEP4 (0.87), CESEP5 (0.88) and CESEP6 (0.86). Also, in the customer experience of employee performance construct, CESEP1 (0.76), CESEP2 (0.76), CESEP3 (0.64) are lower than OCE2 (0.87) and OCE3 (0.85). As these items (CE1, CESEP1, CESEP2, CESEP3) cross-loaded their convergent validity could not be confirmed and they were removed from the model.

The second step in understanding discriminant validity is to examine the Fornell and Larcker (1981) criterion. Fornell and Larcker (1981) criterion provides an assessment of the operational significance in the measurement model (Fornell & Larcker, 1981; Fornell, 1992). The assertion is that the construct reviewed requires the compared constructs to be lower than the associated latent variable. Table 6.10 depicts the results of the Fornell and Larcker (1981) analysis.

**Table 6.10: Latent variable correlation matrix and descriptive statistics**

	Mean	SD	1	2	3	4	5	6	7	8
1. Absorption (AB)	3.84	1.05	<b>0.67</b>							
2. Overall customer experience (OCE)	8.31	1.40	-0.07	<b>0.87</b>						
3. Customer experience of employee performance (CESEP)	8.46	1.28	-0.13	0.92	<b>0.81</b>					
4. Customer loyalty (CL)	8.80	0.76	-0.11	0.71	0.68	<b>0.89</b>				
5. Dedication (DE)	4.44	0.83	0.57	-0.06	-0.03	-0.04	<b>0.74</b>			
6. Perceived Autonomy (PA)	3.95	1.01	0.36	0.00	0.00	0.00	0.34	<b>0.91</b>		
7. Supervisory support (SS)	3.84	1.20	0.28	0.06	0.11	0.09	0.45	0.42	<b>0.93</b>	
8. Vigour (VIG)	4.34	0.79	0.52	0.04	0.03	-0.05	0.66	0.29	0.40	<b>0.76</b>

Table 6.10 indicates evidence of multi-collinearity between overall customer experience (OCE) and customer experience of employee performance (CESEP). Given the conceptual closeness of these constructs this result was expected. However it was decided to retain

both these constructs, as past literature (Johnston & Kong, 2011; Frow & Payne, 2007; Kim & Choi, 2013; Lemke *et al.*, 2011; Salanova *et al.*, 2005) shows that they are both critical predictors of customer loyalty.

## **6.6 STRUCTURAL MODEL**

Having confirmed the reliability and validity of the measurement model the structural model can be considered (Hair *et al.*, 2013). The structural model is concerned with the relationships between unobserved variables and includes both endogenous and exogenous constructs (Hair *et al.*, 2013).

### **6.6.1 Results of path analysis**

Consideration of the structural model allows for testing the hypothesised relationships between the latent constructs through establishing the statistical significance of each path and an estimation of the path coefficients via employing a PLS regression approach. Table 6.11 reports both the statistical significance (t-statistic) of the associations between constructs and the  $\beta$  coefficients for each hypothesised path.

The relationships between perceived autonomy (PA) and absorption (AB), supervisory support (SS) and dedication (DE), supervisory support (SS) and vigour (VIG), customer experience of employee performance (CESEP) and overall customer experience (OCE), and customer loyalty (CL) are all statistically significant at the 95 percent confidence level. However the path between Absorption (AB) and customer experience of employee performance (CESEP) indicated a negative relationship, which was not expected. However the data from this study did not support statistically significant paths between perceived autonomy and vigour ( $\beta=1.27$ ), perceived autonomy and dedication ( $\beta=1.69$ ), supervisory support and absorption ( $\beta=1.26$ ), vigour and customer experience of employee performance ( $\beta=1,159$ ), dedication and customer experience of employee performance ( $\beta=0.106$ ) and

customer experience of employee performance and customer loyalty ( $\beta=0.78$ ).

**Table 6.11: Results of path analysis**

Hypothesised Relationship				$\beta$	t-values	Result	p
H1:	Perceived autonomy	→	Absorption	0.292	2.259	Significant	0.024
H2:	Perceived autonomy	→	Vigour	0.153	1.274	Not	0.203
H3:	Perceived autonomy	→	Dedication	0.180	1.692	Significant	0.091
H4:	Supervisory support	→	Absorption	0.159	1.258	Not	0.209
H5:	Supervisory support	→	Dedication	0.373	3.590	Significant	0.000
H6:	Supervisory support	→	Vigour	0.332	2.962	Significant	0.003
H7:	Absorption	→	Customer experience of employee performance	-0.198	2.131	Significant	0.033
H8:	Vigour	→	Customer experience of employee performance	0.138	1.159	Not	0.247
H9:	Dedication	→	Customer experience of employee performance	-0.012	0.106	Not	0.915
H10:	Customer experience of employee performance	→	Overall customer experience	0.919	38.208	Significant	0.000
H11:	Overall customer experience	→	Customer Loyalty	0.563	2.366	Significant	0.018
H12:	Customer experience of employee performance	→	Customer Loyalty	0.158	0.779	Not	0.436

*p<0.05 is considered significant*

According to Hair *et al.* (2013) a path coefficient greater than 0.35 ( $p>0.35$ ) is believed to exhibit a strong effect, a moderate effect between 0.15 and 0.35 ( $0.15<0.35$ ) and less than 0.15 indicating a weak effect ( $0.02<0.15$ ). From the results in Table 6.11 it can be determined that perceived autonomy has a moderate effect on absorption ( $\beta=0.29$ ) followed by dedication ( $\beta=0.18$ ). Supervisory support strongly affects dedication ( $\beta=0.37$ ). Supervisory support moderately affects vigour ( $\beta=0.33$ ) and absorption ( $\beta=0.16$ ). Customer experience of employee performance (CESEP) has a strong effect on overall customer experience ( $\beta=0.92$ ). Similarly overall customer experience has a strong effect on customer

loyalty ( $\beta=0.56$ ) in accordance with expectations.

The results reported in Table 6.11 show that perceived autonomy drives both absorption and dedication among the employees of the firm; hence the null hypothesis for H1 and H3 is rejected in favour of the alternative thesis. Interestingly, the direct relationship between perceived autonomy and vigour was not supported by the data and therefore the null hypothesis could not be rejected (H2 is not supported).

Supervisory support depicts a significant relationship with dedication and with vigour. Therefore the null hypothesis for H5 and H6 is rejected. The relationship between supervisory support and absorption is not significant and therefore the H4 null hypothesis could not be rejected.

The path analysis illustrates that absorption is statistically significantly associated with customer experience of employee performance. Interestingly, and contrary to initial expectations, the relationship between the two constructs is negative; hence the increase in employee absorption depicts a decrease in customer experience of employee performance. Hence, the null hypothesis for H7 cannot be rejected in favour of the alternative hypothesis. The effect of vigour and dedication on customer experience of employee performance is not statistically significant and therefore the null hypothesis for H8 and H9 could not be rejected.

The relationship between customer experience of employee performance and overall customer experience is significant. Therefore the null hypothesis for H10 is not supported. The path between overall customer experience and customer loyalty was significant and therefore the null hypothesis for H11 is rejected and the alternative hypothesis is supported. However, customer experience of employee performance did not exhibit a significant direct relationship with customer loyalty therefore the null hypothesis for H12 cannot be rejected. The following section evaluates the predictive power of the model through assessment of the Coefficient of Determination ( $R^2$ ) and concludes with a summary of the model for this study.

### 6.6.2 Predictive power of the model

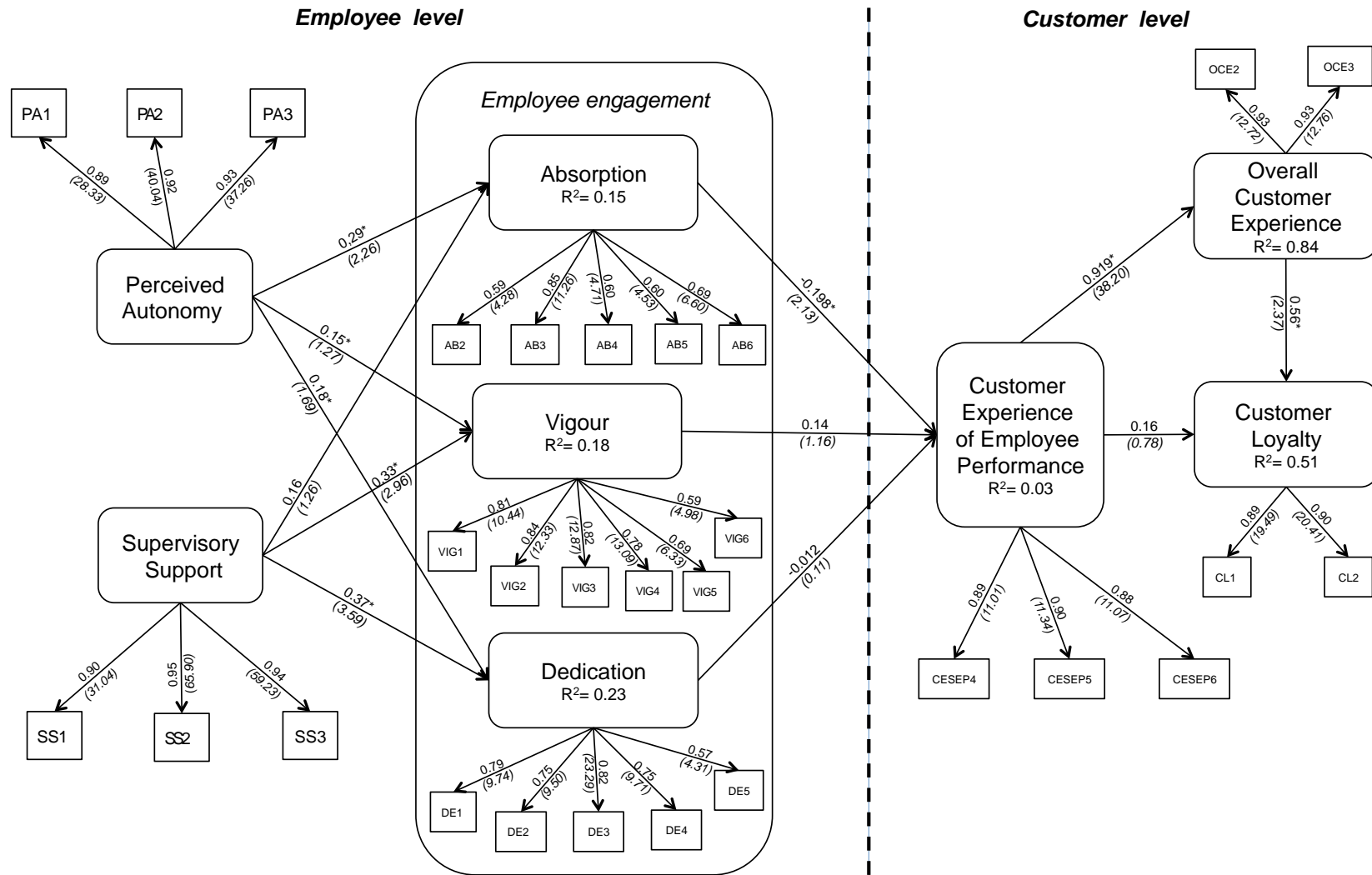
The predictive power of the model can be considered by interrogating the amount of variance explained in endogenous variables as measured by the Coefficient of determination ( $R^2$ ). Employing the criteria suggested by Chin (1998) a substantial coefficient of determination is greater than 0.67 ( $R^2 > 0.67$ ), while moderate determination is greater than 0.33 ( $R^2 > 0.33$ ), and a value less than 0.19 ( $R^2 < 0.19$ ) is indicative of a weak path. Table 6.12 reports the Coefficient of Determination ( $R^2$ ) for each construct.

**Table 6.12: Coefficient of determination ( $R^2$ )**

	<b>Coefficient of Determination (<math>R^2</math>)</b>
Absorption (AB)	0.149
Vigour (VIG)	0.177
Dedication (DE)	0.228
Customer experience of employees (CESEP)	0.031
Overall customers' experience (OCE)	0.844
Customer loyalty (CL)	0.505

Employing the criteria suggested by Chin (1998) the amount of variance for absorption (15 percent), vigour (18 percent) and dedication (23 percent) can be described as weak to moderate ( $R^2 > 0.67$ ). The amount of variance for customer experience of employee performance (3 percent) is weak. However, the model does explain a substantial amount of the variance in overall customer experience (84 percent) and customer loyalty (51 percent). Figure 6.1 presents the complete structural model encompassing associated relationships and relative effects for this study.

Figure 6.1: Structural model



Note: t-values are in parentheses  
 \* Significant at the 5% significance level

The net effect of these observations, given the particular dataset of this survey, suggests that the association between employee engagement and customer experience of employee performance appears negatively associated with absorption but no association exists between vigour and dedication. Absorption is driven by the influence of perceived autonomy but not by supervisory support. Dedication is influenced by supervisory support and perceived autonomy whereas vigour is influenced by supervisory support. As far as employee engagement is concerned, the model performs poorly to explain absorption and vigour. However, moderate predictive power of the model is witnessed in relation to dedication with 23 percent of the variance explained by perceived autonomy and supervisory support.

Customer experience of employee performance was statistically significantly associated with overall customer experience, and overall customer experience is significantly associated with customer loyalty, although surprisingly, no statistically significant association between customer experience of employee performance and customer loyalty could be observed. The model contributed substantially to the variance in overall customer experience (84 percent) and it was observed that customer experience of employee performance and overall customer experience explained as much as 51 percent of the variance of customer loyalty.

The null hypotheses for H1, H3, H5, H6, H10 and H11 are all rejected in favour of the alternative hypotheses. In the case of H2, H4, H7, H8, H9 and H12 however, the null hypotheses could not be rejected.

## **6.7 CHAPTER SUMMARY**

This chapter reported the empirical research findings based on the hypotheses proposed for this study. The first section evaluated the response rate and measurement model. Dispersion and skewness were analysed and the decision to utilise SmartPLS 2.0 was based upon the non-normality of the data and the small sample size (Hair *et al*, 2012; Chin, 1998). The measurement model was examined through the tests for both reliability and validity. The

measurement model exhibits good internal consistency reliability and convergent and discriminant validity.

By examining the results pertaining to the structural model the statistical significance of the relationships between latent variables could be reported. This allowed for the testing of twelve hypotheses. For six of the hypotheses the null hypothesis could not be rejected, whilst for six of the hypotheses the null hypothesis is rejected. Hence, six of the theorised paths were supported.

The predictive power of the model was tested through establishing the Coefficient of determination ( $R^2$ ). Customer experience of employee performance exhibited substantial predictive power with overall customer experience (84 percent). This chapter concluded with the net effect of the hypothesised relationship paths in the structural model. The following chapter discusses study conclusions, limitations of the study and managerial implications.

# CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

## 7.1 INTRODUCTION

The bulk of research in customer experience originates from studies in consumer markets of developed countries in North America and Europe. The importance of this study is in part to be found in its emerging market context (South Africa) and its attempt to investigate customer experience in a business-to-business environment. Moreover, the study integrates employee and customer constructs in a single framework to understand how internal factors influence the external performance of a firm. This chapter provides the conclusions, recommendations, and limitations for this study. To facilitate the debate encapsulated in these components a brief summary of the main purpose of the study is reiterated by highlighting the key research questions and objectives. Then a summary of the empirical findings provides a pathway to drawing conclusions and debating recommendations.

## 7.2 RESEARCH OBJECTIVES

The framework of Menguc *et al.* (2013) was used as a basis for this study. The employee engagement measurement instrument was based upon the framework of Schaufeli *et al.* (2002) and customer experience of employee performance stemmed from the work of Lemke *et al.* (2011). This study set out to investigate the following research question: *Are customer experiences influenced by employee engagement in a business-to-business relationship?*

Two primary objectives are set out for this study and guided the research process:

- (1) To determine if a relationship exists between the level of employee engagement and the subsequent effect on customer experience of employee performance.
- (2) To determine whether customer experience of employee performance affected the

overall customer experience and subsequently customer attitudinal loyalty towards the firm.

Despite various suggestions by different authors a holistic customer experience construct has as yet, not been agreed upon in the literature. Work by Lemke *et al.* (2011) guided the formation of an overall customer experience measure. In this approach a comparison of customer experience with the firm to competitors in the industry and outside of the industry forms the basis of the customer experience construct (Lemke *et al.*, 2011). The construct of customer experience of employee performance specifically intended to determine:

- a. Customers' overall evaluation of the experience received from the firm.
- b. Customers' attitudinal loyalty towards the firm based on repurchase and recommendation intent.
- c. The effect of overall customer experience on customer attitudinal loyalty.

Unlike customer experience, the construct of customer loyalty has been debated in the literature for years with numerous measures suggested. The adoption of the Net Promoter Score was used to test customer loyalty in this study primarily due to the complex nature of Share-of-Wallet as a construct (section 2.8.6). Through measuring customers' recommendation and repurchase intent, the customer loyalty measure intended to quantify the customers' propensity to loyalty towards the firm.

In order to test the full conceptual model as supported by the framework of Menguc *et al.* (2013), the following secondary research objective was considered:

- (1) To investigate the relationship between the antecedents of employee engagement (supervisory support, perceived autonomy) and the three constructs (absorption, dedication and vigour) of employee engagement.

A wide selection of tested employee engagement antecedents exists in Human Resources Development literature. Supervisory support and perceived autonomy were the two selected antecedents tested in this study. These antecedents were adopted from the framework provided by Menguc *et al.* (2013). Considering the primary and secondary research objectives mentioned above, the following specific research objectives were formulated for the study:

- (1) To establish what the direct effect of absorption on customer experience of employee performance is.
- (2) To establish what the direct effect of vigour on customer experience of employee performance is.
- (3) To establish what the direct effect of dedication on customer experience of employee performance is.
- (4) To determine if customer experience of employee performance directly affects overall customer experience.
- (5) To determine if customer experience of employee performance directly affects customer loyalty.
- (6) To establish if overall customer experience directly affects customer loyalty.
- (7) To investigate the direct effect of perceived autonomy on absorption .
- (8) To investigate the direct effect of perceived autonomy on vigour.
- (9) To investigate the direct effect of perceived autonomy on dedication.
- (10) To investigate the direct effect of supervisory support on absorption.

(11) To investigate the direct effect of supervisory support on vigour.

(12) To investigate the direct effect of supervisory support on dedication.

This study therefore compares the results of employee engagement to customer experience of employee performance by determining the significance of the relationships, the effect of antecedents and the result on posited outcomes. The following section examines the importance of this study not only as a reference in academic literature but also as a possible application in terms of managerial implications and future research.

### **7.3 THE IMPORTANCE OF THE STUDY**

The importance of the study may be considered both from the extension of current customer experience literature in general and in a business-to-business context in particular. Firstly, in terms of customer' experience, this study attempts to emphasise and contribute to the development of a customer experience construct. Customer experience as a construct has been considered increasingly more relevant as a measure complementing the traditional measures of customer satisfaction, service quality and customer loyalty. This study aims to highlight the necessity of a separate customer experience construct with a proposed measurement scale based on the prevailing literature. This study therefore builds on previous customer experience studies conducted by Lemke *et al.* (2011), Kim and Choi (2013) and Gentile *et al.* (2007).

Secondly, two bodies of literature that are evident from the literature reviewed for this study, include:

- The relationship between employee engagement and customer satisfaction and customer loyalty. For example Bakker and Demerouti (2007) highlighted the positive association of employee engagement to customer satisfaction and customer loyalty.

- The relationship between customer experience and employee. Previous studies by Frow and Payne (2007), Harris (2007), Johnston and Kong (2011) and Palmer (2008) included employee constructs in their consideration of customer experience.

No studies that considered the impact of employee engagement on customer experience with employees could be identified in the literature. This contributes to the novelty of the current study and also supplements the existing body of literature in Marketing and the Human Resources Development sciences.

Thirdly, this study contributes to the limited body of research of employee-to-customer relationships in a business-to-business context. The focus on both the employee engagement and customer experience constructs potentially contributes insightful recommendations for practical use in a business-to-business context. Practically, the study is important as it provides empirical findings based on employees' level of engagement operating in business-to-business contexts. The refining of the understanding of the relationships of antecedents to engagement constructs enable operational application and may provide pathways for managerial interventions. Lemke *et al.* (2011) and Hollyoake (2009) propose that relationship behaviours are more prevalent in business-to-business contexts. Considering the influence employees have on customers during the relationship with the firm, identifying both negative and positive customer evaluations are important.

Finally, the construction and mining industry is a market that significantly contributes to the South African market. The construction industry accounts for 3.4 percent of the total South African Gross Domestic Product (GDP), which in the fourth quarter of 2014 was estimated as R979-billion (Statistics South Africa, 2014). Additional insights into the customer climate in South Africa may be advantageous in the context of an increased number of competitors in the construction and mining industry, and economic risk factors such as fluctuation of commodity prices, labour strikes and the effect of foreign exchange fluctuations. The opportunity to

increase the likelihood of returning customers through a good customer experience with the firm's employees is important in taking advantage of the existing customer climate.

## **7.4 A SUMMARY OF THE FINDINGS OF THE CURRENT STUDY**

The empirical findings for this study are discussed in Chapter 6. These results investigated the hypothesised relationships between the constructs and antecedents of employee engagement and customer experience based on the research objectives. This was achieved by examining the path coefficients between exogenous and endogenous variables and the predictive power of the model as indicated by the Coefficient of Determination ( $R^2$ ). This analysis included a bootstrapping technique to reveal the statistical significance of the relationships between constructs. Therefore it is useful to summarise the empirical findings by research objectives, the hypotheses explored and the associated relationships between both the employee and customer constructs.

### **7.4.1 The influence of employee engagement on customer experience of employee performance**

The first primary goal adopted for this study was to establish if a statistically significant relationship exists between the level of employee engagement and customer experience of employee performance. This meant that the current study seeks to investigate three relationships as captured in hypotheses H7, H8 and H9 and presented in Table 7.1.

The results show that neither vigour nor dedication had an influence on customer experience of employee performance. Absorption though, exhibited a significant relationship ( $\beta = -0.19$ ;  $t = 2.13$ ) to the construct of customer experience of employee performance. This relationship between the employee and customer constructs highlights that an association exists between the two constructs. The findings suggest that a negative relationship between absorption and customer experience of employee performance can be observed. The results are summarised

in Table 7.1 below.

**Table 7.1: Primary research objective hypotheses results**

	<b>Hypothesised Relationship</b>	<b>Null Hypothesis</b>
H7:	Employee absorption is positively associated with customer experience of employee performance in a business-to-business environment	not rejected
H8:	Employee vigour is positively associated with customer experience of employee performance in a business-to-business environment	not rejected
H9:	Employee dedication is positively associated with customer experience of employee performance in a business-to-business environment	not rejected

#### **7.4.2 The influence of customer experience**

The second primary objective adopted for this study was to establish if a statistically significant relationship exists between customer experience of employee performance, overall customer experience and customer loyalty. Consequently the effect of overall customer experience on customer loyalty is determined. These three relationships are investigated in hypotheses H10, H11 and H12 as presented in Table 7.2.

The results show that customer experience of employee performance had an influence on the overall customer experience ( $\beta = 0.92$ ;  $t = 38.21$ ). The strength of this relationship is observed and is scrutinised further in the discussion of findings (section 7.5). Overall customer experience depicts a statistically significant relationship with customer loyalty ( $\beta = 0.56$ ;  $t = 2.37$ ). Customer experience of employee performance did not have an influence on customer loyalty. The results are summarised in Table 7.2 below.

**Table 7.2: Second primary research objective hypotheses results**

	<b>Hypothesised Relationship</b>	<b>Null Hypothesis</b>
H10:	Customer experience of employee performance is positively associated with overall customer experience in a business-to-business environment	rejected
H11:	Overall customer experience is positively associated with customer loyalty in a business-to-business environment	rejected
H12:	Customer experience of employee performance is positively associated with customer loyalty in a business-to-business environment	not rejected

### 7.4.3 The influence of selected antecedents on employee engagement

The secondary objective of this study was to determine the effect of selected antecedents on employee engagement. Supervisory support and perceived autonomy were selected as antecedents to employee engagement based on the literature reviewed. The study seeks to investigate six relationships as captured in hypotheses H1, H2, H3, H4, H5 and H6 respectively as presented in Table 7.3.

**Table 7.3: Second primary research objective hypotheses results**

	<b>Hypothesised Relationship</b>	<b>Null Hypothesis</b>
H1:	Perceived autonomy is positively associated with employee absorption in a business-to-business environment	rejected
H2:	Perceived autonomy is positively associated with employee vigour in a business-to-business environment	not rejected
H3:	Perceived autonomy is positively associated with employee dedication in a business-to-business environment	rejected
H4:	Supervisory support is positively associated with employee absorption in a business-to-business environment	not rejected
H5:	Supervisory support is positively associated with employee dedication in a business-to-business environment	rejected
H6:	Supervisory support is positively associated with employee vigour in a business-to-business environment	rejected

The results show that perceived autonomy and supervisory support have an influence on dedication. While perceived autonomy does not depict a statistically significant relationship with vigour, supervisory support influences vigour with the null hypothesis rejected. Absorption is not influenced by supervisory support ( $\beta = 0.16$ ;  $t = 1.26$ ) but is influenced by perceived autonomy ( $\beta = 0.29$ ;  $t = 2.26$ ).

## 7.5 DISCUSSION OF THE RESULTS

Six of the twelve hypotheses exhibited statistically significant relationships and therefore the null hypotheses were rejected in favour of support for the alternative hypotheses. In addition unexpected results were observed for six of the hypothesised relationships in the theoretical model. This section provides a discussion of these results and offers insights for each research objective.

Under further scrutiny of the first primary research objective a relationship is established existing between the constructs of absorption and customer experience of employee performance, but not between the constructs of vigour and dedication.

- **Absorption is associated with customer experience of employee performance**

The influence of absorption on customer experience of employee performance depicted a negative relationship. Hence an employee more absorbed in work tasks affected the customers' judgment of their experience of employee performance negatively. Rana, Ardichvili and Tkachenko (2014) acknowledge that absorption is considered a long-term persistent state of mind. Although a positive relationship was expected between the employee engagement construct and the customer experience of employee performance construct, a negative association was not anticipated. The measures suggested for absorption by Schaufeli *et al.* (2002) are measures such as forgetting about everything around the employees when working, time flying when employees are working, happiness when working intensely, immersion in work,

difficulty in detaching from work and getting carried away in work.

Two possible explanations are forthcoming on why absorption may decrease customer experience of employee performance. Firstly, this could be indicative that this state of being is not conducive to the customer's optimal experience with the employee. The more absorbed the employee is with working intensely or immersing in work, the less care, empathy, and communication may be demonstrated by the employee towards others. In essence the disregard of human elements of customer' experience may be experienced in the employee-customer interaction.

The second possible reason may be that employees in their responses may have misinterpreted the definition of work described in the survey. The understanding of a state of being absorbed with work may entail more firm-specific tasks such as administration tasks rather than customer-specific tasks (communication and feedback). Profiled responsibilities for each employee may begin to describe what work is expected and the level of firm-specific work tasks comparative to customer-specific tasks.

- **Vigour and dedication are not associated with customer experience of employee performance**

No relationship was proven to exist between customer experience of employee performance and employee engagement measures namely, vigour and dedication. The framework of Menguc *et al.* (2013) integrated all three measures into a single relationship with customers' evaluation of the service employee. The definition of vigour suggests that characteristics include high levels of energy, mental resilience, effort and persistence, while dedication lends itself to characteristics such as self-significance, enthusiasm for the work, inspiring others, pride in one's self and a sense of challenge (Schaufeli *et al.*, 2002). This result is surprising as characteristics of both dedication and vigour would appear to be important aspects of interaction.

- **Customer experience of employee performance is positively associated with overall customer experience**

A statistically significant relationship was observed between customer experience of employee performance and overall customer experience. Although the expectation of this study was that an association might exist between the two constructs, the strength of the relationship was unexpected. This result was unexpected as the recommended overall customer experience construct (Lemke *et al.*, 2011) was limited in wider use, evaluation and inclusion in diverse models. A possible reason for this association may be related to the strength of the specific employee-to-customer relationship. This finding suggests that the behaviour of the employee constitutes a direct effect on overall customer experience. This infers that the responsibility of the employee may be to ensure overall customer experience, includes customer feedback, proactiveness and continuous communication.

The overall customer experience construct was a comparative measure between the focal firm and other competitors in the industry and secondly the focal firm to other suppliers. This study demonstrated a strong positive relationship between a customer rating an interaction episode with an employee and their rating of the overall experience with the firm. Thus, a customer's judgment of overall experience with the firm is very much related to an encounter not only with the firm but possibly with employees of other competitors and suppliers.

- **Overall customer experience is positively associated with customer loyalty**

A statistically significant relationship was an expected result between the constructs of overall customer experience and customer loyalty. Customer loyalty is suggested as affected by customer experience (Johnston & Kong, 2011) and as having a stronger relationship with customer repurchase intentions rather than quality or satisfaction measures (Palmer, 2008). The relationship between the two constructs depicted a strong relationship. This was surprising as the expectation was that a relationship would exist, but the strength of the relationship was

unexpected.

Each construct measures different intentions; one focusing on the experience comparative to competitors and suppliers, the second the recommendation and repurchase intentions, but the influence of one construct on the other should not be ignored. Past literature on customer loyalty lists antecedents of customer loyalty as product quality, service quality, and customer satisfaction. Overall customer experience as an antecedent to customer loyalty is discussed further in managerial implications (section 7.6).

- **Customer experience of employee performance is not positively associated with customer loyalty**

Customer experience of employee performance portrayed no significant statistical relationship with customer loyalty, which was an unexpected result. This is surprising as past research on customer loyalty (Salanova *et al.*, 2005) suggested that the performance of an employee positively translates to customer loyalty. Kim and Choi (2013) depict customer loyalty as an outcome of customer experience quality with antecedents including interaction quality, peer-to-peer quality and service outcome quality. This unexpected result may be explained by the past literature suggesting that customer loyalty is an outcome of customer experience quality rather than directly associated with customer experience of employee performance as such.

This study demonstrated that customer experience of employee performance is important to attain a loyal customer base. It is conceivable that modern businesses need to pay attention to the customer's overall experience and in particular the relationship established through attitudes and behaviour between employee and customer.

- **Supervisory support is positively associated with vigour and dedication but not with absorption**

The secondary research objective relates to the antecedents of employee engagement, namely, supervisory support and perceived autonomy. Findings included the relationship between the antecedents and the employee engagement constructs: absorption, vigour and dedication. Menguc *et al.* (2013) found that supervisory support was not significantly related to employee engagement. Menguc *et al.* (2013) suggest that this was surprising based on the literature reviewed and recommended further empirical analysis. This study validated that the antecedent supervisory support was associated to both dedication and vigour. Supervisory support was positioned as an antecedent to employee engagement (Schaufeli *et al.*, 2002; Salanova *et al.*, 2005; Babakus, Yavus & Ashill, 2009).

- **Perceived autonomy is positively associated with absorption and dedication but not with vigour**

Comparative to the current study, Menguc *et al.* (2013) proposed that perceived autonomy was positioned as a moderator between supervisory support, supervisory feedback and employee engagement. The literature on employee engagement proposes that perceived autonomy may be a possible antecedent to employee engagement (Rana, Ardichvili & Tkachenko, 2014). Perceived autonomy proved to be an antecedent to employee engagement with a statistical significance to both absorption and dedication.

## **7.6 CONTRIBUTIONS FROM THIS STUDY**

This study explored the influence of employee engagement on customer experience in a business-to-business environment. This study established knowledge in both the marketing and human resources literature. The relationship established between absorption and the customer experience of employee performance albeit a negative association provides an opportunity for

future research. This study questioned literature on customer experience as a stand-alone construct. Customer experience in literature is positioned as a holistic and subjective in nature construct (Verhoef *et al.*, 2009; Gentile *et al.*, 2007). This study contributed to research by analysing two customer experience constructs in addition to traditional constructs. This study presented a case of where the influence of overall customer experience on customer loyalty is established but the effect of the customer experience of the employee performance is not established.

As customer experience is considered to be more relevant as a construct in business-to-business, this study provides an addition to understanding influences in these relationship prevalent contexts. This study contributed to literature by assessing two antecedents of employee engagement from profusion of antecedent literature. Perceived autonomy affected both employee absorption and dedication whereas supervisory support influenced employee dedication and vigour. Findings contribute to a broader knowledge and application of customer experience and the influence of employee engagement on customer experience in operational environments. The influence of these constructs may assist managers. Managerial implications are further discussed in the following section.

## **7.7 MANAGERIAL IMPLICATIONS**

Numerous managerial implications may be sought to improve not only customer experience but also employee engagement. The first implication for managers is that an employee's engagement or disengagement in their work environment has an influence on customer experience of employee performance. This study suggests that, in this particular firm, higher levels of employee' absorption has a negative impact on customer' perceived experience of employee performance. It is conceivable that, as employees get bogged down with tasks that have very little to do with customers, the customer experience is affected as they may feel that employees no longer engage with them optimally. In particular this can be the case when

employees' duties of interacting with customers are diluted by administrative tasks. The solution would be to ensure that the customer interaction remains the focus and that employees seek to develop close relationships with customers.

Sin, Tse, Yau, Chow, Lee and Lau (2005) suggest that a relationship comprises trust, bonding, communication, shared value, empathy and reciprocity. Moreover, the prevalence of relationship orientation in a business-to-business context is also supported in the literature (Hollyoake, 2009; Lemke *et al.*, 2011). As a manager, an increased understanding of the task portfolio of a customer-interfacing employee may assist in identifying challenges employees may encounter during dealings with customers. Challenges may include employee's dominant focus on administration tasks such as system capabilities, product availability and the ease of obtaining the product through logistical challenges, rather than ensuring customer' experience quality precedes any task intervention. Managers may initiate corrective training interventions on what constitutes required behaviour towards customers, an increased allocation of resources assisting in task-specific responsibilities and training interventions focused on system capabilities. Corrective training interventions may include behaviour skill training in telephone etiquette and customer care competencies. System capability training may include training on the functionality of the system, ease of use and system shortcuts during customer interaction.

A positive association was proved to exist between supervisory support and the dedication and vigour of employees. This is indicative that managers' influence through caring for employees' welfare and listening to work-related issues contributes to employees finding their job inspirational and working for longer periods of time. Perceived autonomy depicted a positive correlation to both absorption and dedication, implying that, the more empowerment a manager allows an employee, the more absorbed and dedicated the employee will be. Empowerment in the form of allowing individual personal judgment in carrying out job tasks affects the employee engagement levels positively.

Managers may choose to relate metrics of employee engagement to measures of customer experience. Establishing the required competencies of employees assisted by a performance discussion that includes a customer point of view will be beneficial. Customer feedback may guide the supervisory performance discussion, subsequent training suggestions and required on-the-ground coaching by the manager. Communication, technical competency, avoiding over-promising and under-delivering, empathy and proactivity in dealing with customers may be cornerstones in the training interventions.

The results also indicate that the employees showing a caring attitude, proactive tendencies and an understanding of both customers' needs and objectives exhibited the strongest positive effect on the construct of customer experience of employee performance. This is an area where further research and adaptation of existing training programmes would be beneficial for managers. Although communication, technical information and getting back to the customer as promised are imperative, the areas representing the strongest effects may require further training. Through consistent measuring and monitoring, the indicator variables may serve as benchmarks and assist with understanding when and why customer experience levels improve through various initiatives.

Customer' experience journey mapping is not only about identifying the process but ascertaining what employee and leadership change management principles have to be included. By identifying the areas where a customer experience is positive despite challenges in internal processes, mapping may be warranted, not forgetting the human elements of the exchange. Managers at a strategic level may initiate branded customer' experience journey maps. Although a future state may be sought, current positive customer experience should not be ignored, rather directed into developing a holistic firm outlook. Customer experience journey mapping may assist managers in aligning individual employee best practices and incorporating these insights into a knowledge-sharing network across departments.

Managers have a variety of options of following best practice, not only from outside sources but also internally. Selected employees may be enlisted to assist in peer-to-peer coaching. Managers may adopt weekly meetings rewarding behaviours that generate a high level of positive customer' experience, engaging with the customer' experience lifecycle (walking through interactions customer are exposed to, understanding employee frustrations) and interacting with the rewarded employees.

Finally, managers cannot ignore the influence of customer' experience as an important factor in daily operational activities. Traditionally, managers may have utilised constructs such as customer satisfaction indices or customer loyalty constructs. By ranking a firm against other firms in the same industry and outside of the industry the manager can assess gaps in the current customer experience levels. Through specifically tailored research, requesting options for innovation from customers or understanding competitors' customer experience delivery, modifications in both processes and people may assist in improving customer' experience levels.

## **7.8 LIMITATIONS OF THE STUDY**

Limitations of the current study relate to its firm-specific research context, the scope of the study and limitations associated with the nature of the survey data. Future research can seek to avoid these limitations.

Firm-specific limitations include the cultural context, industries targeted and brand limitations. The study was limited to the countries of South Africa, Lesotho, Swaziland, Botswana and Namibia. Although the firm operates in Angola, Zambia and Mozambique the unique cultural context and an additional language barrier may have inhibited survey responses. The study was limited to a holistic analysis of the total industry (construction, mining, government, rental, resellers, engineering). Data used in this study was limited to a single firm with several brands. In the case of this firm, 80 percent and above of business activities were related to a dominant

brand. Although this was taken into consideration, data relating to each brand individually were not available.

The scope of this study is limited through specific timelines and the selection of the respondents. The timeframe of the collection of survey data was limited to three months. Within a three month period, all selected employees' customer responses could not be ascertained. This excluded 35 employees from responding to the employee engagement survey. The potential cause of no customer responses may be due to incorrect customer contact information received, incomplete customer contact information, refusal of customers to participate in the survey and customers' unavailability within the timeframe of the survey. Furthermore, the selected respondents were limited to a specific department in the firm. This specific department was selected due to volume of product sales, employee and customer interaction and the level of data available. Future studies may include multiple departments.

Limitations such as confidentiality and language barriers may have affected employees' responses to the survey. External influences from both managers and supervisors may have limited the confidential nature of the survey. Honest answering of the questions may have been inhibited by environmental contexts the survey was conducted in, therefore skewing the actual reality of the situation. Although the researcher communicated the requests for completion and the option not to participate, the actual manner in which the supervisor communicated this with employees is not apparent. In addition, email surveys to employees, although assuring confidentiality, may be skewed in terms of the responses. Due to language barriers interpretation of the questions by the employees to specific questions may have limited the intended response. A further limitation was that the researcher was employed by the focal firm in this study. Employees required to respond to the survey may have not appreciated the objective nature of the survey.

In the case of both employee and customer responses to the survey questionnaire, specific

limitations are recognised. Questionnaire fatigue from previous internal (employee) and external (customer) surveys may be an inhibiting factor. Monthly transaction customer surveys had been occurring in this specific department for more than eighteen months prior to this research. Although random sampling was used for the transaction surveys, the opportunity to respond to another survey may have been viewed with some scepticism and resistance. In the case of employee-specific surveys, greater adherence to an employee engagement score within the firm was sought. A firm-specific employee engagement survey was conducted in the preceding months which may have contributed to respondent fatigue.

The customer experience measure of both the employee and the overall measure are reliant on how customers respond to the questionnaires in terms of memory of the interaction experienced. In both the customer and employee survey a substantial degree of responses relied on the customers' memory of the experience of the interaction, or in terms of the employee, the employees' interaction with leadership. Although care in terms of the customer survey was adhered to, a maximum of a four week interval between interaction and actual survey conducted may have limited accurate recall of actual experience.

Finally, the selection of antecedents for the constructs of employee engagement, customer experience of employee performance, and overall customer experience is limited in this study due to the specificity of the research objectives. Employee engagement antecedents selected were based on previous literature frameworks and are by no means exhaustive. Employee engagement suggested antecedents are numerous and this study selected only two, namely, supervisory support and perceived autonomy. Similarly, antecedents of both constructs of customer' experience are selected in response to the research goals and are not a complete representation of potential behavioural antecedents.

## **7.9 RECOMMENDATIONS FOR FUTURE RESEARCH**

The current study reveals that customer experience of employee performance influences overall

customer experience. A holistic overall customer experience measure is still not evident in the literature (Kim & Choi, 2013). Proposed customer experience include an overall customer experience quality construct (Kim & Choi, 2013), customer experience comparisons (Palmer, 2010; Lemke *et al.*, 2011), sequencing of events measure (Palmer, 2010) and a single construct measuring customer experience (Maklan & Klaus, 2011). Current limitations of a customer experience measure include validation in empirical studies, complexity of variables and non-linearity (Palmer, 2010). Future researchers should endeavour to establish a more concise measure of customer experience. In addition such a measure should have the ability to be adjusted for business-to-consumer and business-to-business contexts. The measure should also be able to be adopted for cross sectional and longitudinal research designs.

The current study focused on the framework by Menguc *et al.* (2013) in a business-to-business context. Business-to-business differences compared to business-to-consumer are acknowledged by Hollyoake (2009). Differences include relationship prevalence, the ultimate end-user of the product, tendering practices, complex multi-level transactions and key solutions involving proactivity and communication. Although the focus in this study is on business-to-business contexts the opportunity exists to utilise either the study's framework in a business-to-consumer context or alternatively to explore the correlation between customer experience of employee performance and the customer experience construct.

Additional constructs to Menguc *et al.*'s (2013) framework may include perceived value (Auka, 2012), pre-attitude (Bitner, 1990), relationship age, customers perceived risk, intensity of service contact, customer relationship strength (Bove & Johnson, 2000), perceived quality of product and perceived value (Vilares & Coelho, 2003). Although this study focuses on employee and customer interaction, future research may explore functional factors such as product availability and on-time delivery of the product. The recommendation is to combine the functional factors with the psychological factors as depicted by Klaus (2013).

The debate in the literature over customer loyalty indicators such as the Net Promoter Score and Share-of-Wallet remains. The utilisation of a composite measure (Bowen & Chen, 2001) was based on limitations such as complexity of the Share-of-Wallet measure and the limited visibility of the respondent profile selected for this survey. Although these limitations were significant enough to dissuade use of alternative measures in this study, Share-of-Wallet could be a viable measure used in future research. The recommendation to utilise this measure in a study may be of value for future customer experience research, especially in a business-to-business context.

The measure used in this study of the effect of employee engagement on customer experience of employee performance utilised the scale by Schaufeli *et al.* (2002). This measurement scale is cited often in the literature and it was adopted for this study. Future research could assist in ensuring the scale employed to measure employee engagement reflects a customer-orientated environment. Additionally, contextualising the chosen employee engagement measurement scale to employees in terms of the definition of work focus requires further exploration.

The study focuses on one focal firm's individual department operating across a variety of industries. The results of this study were limited to the specific target group in a department within this firm. The research responses were sampled over a three-month period and therefore may be replicated using a larger sample size and longer timeframe. This study could also be replicated in order to investigate if within the focal firm the application of the existing framework may be applied to alternate departments.

Customer experience levels for the individual industry segments, such as mining, construction or alternate industries, were not established in this study. The value proposition communicated to customers in negotiations may vary between industry segments. Construction customers may have a lower or higher offering due to the value of the product and service comparative to a mining customer. Further research is recommended to understand the discrepancy in the

influence of indicators on customer experience in mining, construction and other industries serviced by the firm.

## **7.10 CHAPTER SUMMARY**

This chapter provided the conclusions and recommendations of the study. The importance of the study is both from the extension of customer experience literature through consideration of a construct and through the relationship between employee engagement and customer experience. This study contributes to the literature in the business-to-business environment. Six of the twelve hypotheses exhibited significant relationships. Managerial implications included increases in employee behaviour corrective training, include customer experience in employee performance discussion, on-the-ground coaching, branded customer journey mapping and best practice initiatives. Limitations of the study included country selection, timelines of the survey, language barriers, confidentiality and question fatigue. Recommendations for the study concluded this chapter. A concise measure for customer experience, the addition of constructs into the model, broadening the focus of the study and including additional industries.

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# APPENDICES

## APPENDIX A: EMPLOYEE QUESTIONNAIRE



### THE INFLUENCE OF EMPLOYEE ENGAGEMENT ON CUSTOMER EXPERIENCE IN BUSINESS-TO-BUSINESS RELATIONSHIPS

#### RESEARCH PARTICIPANT CONSENT FORM

Specializing in Marketing in the School of Management Studies  
University of Cape Town

Student: Ms M Hill (HLLMIC02)

Contact: (011) XXX XXXX

Please read the following carefully before completing the questionnaire:

Dear respondent

You are invited to participate in an academic research study conducted by Michelle Hill, a Masters student from the Department of Commerce at the University of Cape Town.

The purpose of this study is to determine the effect of engagement on customer experience.

Please note the following:

- Your identification is required but your individual responses will remain anonymous.
- Your manager WILL NOT receive your answers. The responses will be summed by region.
- This study is targeted at all [Firm] [Department] employees involved in customer interaction
- There is no right or wrong answer, be honest
- Your participation in this research is voluntary
- You can choose to withdraw from the research at any time
- The questionnaire will take approximately 10 minutes to complete

This research has been approved by the Commerce Faculty Ethics in Research Committee. All responses will be confidential and used for the purposes of this research only. Should you have any questions regarding the research please feel free to contact the researcher, Michelle Hill at XXX. I am happy to answer any questions.

Thank you for your support

Kind regards

Michelle Hill - Customer Experience manager

## What is your demographic?

### Q1. Which region are you from?

- Bellville (Inclusive of Alexander bay, Bellville, East London, Port Elizabeth)
- Bloemfontein (Inclusive of Bloemfontein, Voorspoed Mine, Wolmaranstad)
- Botswana (Inclusive of Francistown, Gaborone, Jwaneng, Orapa)
- EMPR (Inclusive of EMPR and sites)
- Isando (Inclusive of ISR's, Metso, Rustenburg, Nelspruit)
- Kathu (Inclusive of ISR, Kathu and Kolomela)
- Kwazulu Natal (Inclusive of KZN and Richards Bay)
- Lesotho and Swaziland
- Limpopo (Inclusive of ISR, Limpopo, Mokopane, Mogalakwena, Phalaborwa, Vent)
- Middelburg
- Namibia (Inclusive of Windhoek and Rossing)

### Q2. Bellville - Please choose your SAP identity

- ✓ AHANEKOM
- AREES
- CABRAHAMS
- ECURRAN
- FWENTZEL
- GHERMANUS
- GMAGERMAN
- GNYALUKANA
- HMUTLOANE
- IABRAHAMS
- JALEXANDER
- JCLOETE
- JKRUNE
- LCLOETE
- MJDUTOIT
- PMARCO
- PSTEFAANS
- VNGESI
- YSIKULUME

### Q3. What gender are you?

Female

Male

**Q4. How long have you been working for [Firm]? Please select one option...**

- 0 - 5 years       5 - 10 years       10 - 15 years       15 - 20 years       Greater than 20 years

**Q5. How old are you? Please select one option...**

- Less than 25 years       25 - 35 years       35 - 45 years       Greater than 45 years

**Q6. What is your responsibility? Please select one...**

- Administration
- Clerk
- Co-ordinator
- Counter [product]person
- Inside Sales representative
- Liaison [product]person
- [Product] clerk
- [Product] controller
- Salesperson
- [Product] Supervisor
- Planner
- Storeman
- Supervisor
- Other

**How do you deal with your customers?**

**Q7. How do you predominately deal with your customers? Please select one option:**

- Only on the telephone       Only face-to-face with the customer       Both telephone and face-to-face

**How vigorous (mental energy and energetic activity) do you feel at work?**

**Q8. At work, I feel full of energy**

- Never       Rarely       Sometimes       Often       All of the Time

**Q9. In my job, I feel strong and vigorous (powerful, spirited, active)**

Never  Rarely  Sometimes  Often  All of the Time

**Q10. When I get up in the morning, I feel like going to work**

Never  Rarely  Sometimes  Often  All of the Time

**Q11. I can continue working for very long periods at a time**

Never  Rarely  Sometimes  Often  All of the Time

**Q12. In my job, I am mentally very strong**

Never  Rarely  Sometimes  Often  All of the Time

**Q13. At work, I always persevere (carry on, go on, keep going) even when things do not go well**

Never  Rarely  Sometimes  Often  All of the Time

**How dedicated (committed, devoted) do you feel at work?**

**Q14. I find the work that I do full of meaning and purpose**

Never  Rarely  Sometimes  Often  All of the Time

**Q15. I am enthusiastic (eager, keen, passionate) about my job**

---

Never  Rarely  Sometimes  Often  All of the Time

**Q16. My job inspires (stimulates, motivates) me**

Never

Rarely

Sometimes

Often

All of the Time

**Q17. I am proud of the work I do**

Never

Rarely

Sometimes

Often

All of the Time

**Q18. I find my job challenging**

Never

Rarely

Sometimes

Often

All of the Time

**How absorbed (involved, engaged) do you feel at work?**

**Q19. Time flies when I am working**

Never

Rarely

Sometimes

Often

All of the Time

**Q20. When I am working, I forget everything else around me**

Never

Rarely

Sometimes

Often

All of the Time

**Q21. I feel happy when I am working intensely (strongly, very)**

Never

Rarely

Sometimes

Often

All of the Time

**Q22. I am immersed (engrossed, involved) in my work**

Never  Rarely  Sometimes  Often  All of the Time

**Q23. I get carried away when I am working**

Never  Rarely  Sometimes  Often  All of the Time

**Q24. It is difficult to detach (disconnect, disengage) myself from my job**

Never  Rarely  Sometimes  Often  All of the Time

**How would rate your supervisory/manager's support?**

**Q25. My direct line supervisor is very concerned about the welfare (well-being, happiness) of those under him/her**

Never  Rarely  Sometimes  Often  All of the Time

**Q26. My direct line supervisor is willing to listen to work-related problems**

Never  Rarely  Sometimes  Often  All of the Time

**Q27. My direct line supervisor can be relied upon when things get difficult at work**

Never  Rarely  Sometimes  Often  All of the Time

**How would you rate your autonomy (freedom, self-rule) when making decisions?**

**Q31. I can use my own personal judgment on carrying out my job**

Never

Rarely

Sometimes

Often

All of the Time

**Q32. I have the freedom to decide what I do on my job**

Never

Rarely

Sometimes

Often

All of the Time

**Q33. I can make my own decisions in carrying out my job**

Never

Rarely

Sometimes

Often

All of the Time

## APPENDIX B: CUSTOMER QUESTIONNAIRE



### THE INFLUENCE OF EMPLOYEE ENGAGEMENT ON CUSTOMER EXPERIENCE IN BUSINESS-TO-BUSINESS RELATIONSHIPS

**TARGET AUDIENCE:** [Firm] [Department] customers  
**DATA COLLECTION:** Telephonic  
**RESEARCH CENTRE:** [Company]

#### Company profile

[Company] was founded in 1995 to provide clients with marketing, research and management support services. The company was created to provide firms with accurate and timeous measurements through which to monitor the impact on customers, perceptions, loyalty and retention when providing a service. [Company] is a medium sized market research company providing a statistical overview of customer perceptions.

The system utilised by [Company] is the CATI (Computer Assisted Telephone Interviewing). The CATI methodology involves trained fieldworkers conducting interviews via telephone, with the interviewing process being directed from a computer screen, and responses being entered directly into a linked database. The CATI system therefore avoids coding and capturing in the process, actual interviews are directed by a written program for each unique project and responses are entered directly into the database. CATI is advantageous as the sample is a controlled sample size it allows for representative feedback. The CATI methodology provides intervention in that the fieldworker process is managed, a CATI controller views and listens to the quality, fieldworkers follow questions in correct sequence, questionnaires are complete and questionnaires are correct. [Company] is a marketing research supplier to [Firm] and has provided a market research service for the past 18 months.

#### Interview script

*"Good day, my name is [Company research controller]. I'm calling from [Company], an independent research company on behalf of [Firm] [Department]. According to their records, they recently interacted with you, and this is a very short interview to establish the level of service you experienced from them. Is this a good time to talk? Please note that all calls are recorded for quality purposes. The questionnaire is a 2 minutes long. Please note that this interview will form part of an anonymous research study for the University of Cape Town based on engagement and customer experience. Based on your experience with [Firm] [Department], how would you rate from 1 (very poor) to 10 (excellent), the following aspects of their service delivery:"*

**\*\*\*If anonymity is raised as a concern by the respondent the option to opt out is given to the interviewee.**



## THE INFLUENCE OF EMPLOYEE ENGAGEMENT ON CUSTOMER EXPERIENCE IN BUSINESS-TO-BUSINESS RELATIONSHIPS

TARGET AUDIENCE: [Firm] [Department] customers  
DATA COLLECTION: Telephonic  
RESEARCH CENTRE: [Company]

*Based on your experience with [Firm] [Department], how would you rate [insert Firm employee name] from 1 (very poor) to 10 (excellent), on the following aspects of their service delivery?*

*With regards to the employee...*

- 1 The time it took to place the order
- 2 The [insert Firm employee name] communication with you
- 3 Technical information provided by the [insert Firm employee name] during the purchase
- 4 The accuracy of your quotation
- 5 The [insert Firm employee name] getting back to you as promised
- 6 The [insert Firm employee name] showed a caring attitude
- 7 The [insert Firm employee name] was proactive in dealing with your request
- 8 The [insert Firm employee name] understanding your needs and objectives

*With regards to the dealer...*

- 9 Product availability
- 10 Your product order being filled timeously

*With regards to your overall experience ...*

- 11 The overall ease of completing the transaction
- 12 Recommending [Firm] to another person
- 13 Based on the experience, your likelihood to purchase product from this [Firm] again
- 14 Your overall purchase experience
- 15 How would you rate your total experience received from [Firm] against other competitors in the industry?
- 16 How would you rate your total experience received from [Firm] against your other suppliers?
- 17 Do you interact with [Firm] on the telephone, visiting the branch or both?
- 18 Is there anything [Firm] can do to improve on their customer service?

## APPENDIX C: RESEARCH LETTERS OF CONSENT

UNIVERSITY OF CAPE TOWN



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Faculty of Commerce  
Ethics in Research Committee  
Courier: Room 2.21 Leslie Commerce Building Upper Campus University of Cape Town  
Post: University of Cape Town • Private Bag • Rondebosch 7701  
Email: Irwin.brown@uct.ac.za  
Telephone: +27 21 650-2311  
Fax No.: +27 21 689-7570

August 27, 2014

Michelle Hill  
Management Studies

**Project title:**

**The influence of employee engagement on customer experience in business-to-business relationships**

Dear Researcher,

This letter serves to confirm that this project as described in your submitted protocol has been approved.

Please note that if you make any substantial change in your research procedure that could affect the experiences of the participants, you must submit a revised protocol to the Committee for approval.

Regards,

Professor Harold Kincaid

Signed by candidate

Commerce Faculty Ethics in Research Committee

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"OUR MISSION is to be outstanding teaching and research university,  
educating for life and addressing the challenges facing our society."

## FIRMS LETTER OF CONSENT

The accompanying letterhead can identify the focal firm, therefore provision of the mockup is given and sensitive information is hidden. This protects the identity of the firm.

4<sup>th</sup> August 2014

180 Katherine Street  
Sandton  
2146  
South Africa

### **Permission for research to be conducted at Barloworld Equipment granted (Michelle Hill, HLLMIC020)**

Michelle Hill is currently a student with the University of Cape Town and has been completing her Masters in Commerce specialising in Marketing through the School of Management studies. Barloworld Equipment has supplied Michelle an internal bursary for the past 2 years to complete her degree. Her topic for consideration is the ***“The influence of employee engagement on customer experience in business-to-business relationships”***.

I on behalf of Barloworld Equipment consent to Michelle Hill approaching the following touch-points to survey in the month of August to November 2014:

- Barloworld Equipment South African parts customers through a telephonic survey
- Barloworld Equipment South African parts personnel through a web survey

The customer survey is currently already completed monthly through MRM support, an external research house. An existing questionnaire will be used with an additional five questions relevant to the research question. Michelle Hill has assured me that she will make every effort to ensure the study will not disrupt the working environment. Furthermore any data collected will remain confidential through encryption and password protection.

Yours Sincerely

Charl Groenewald  
Executive Director: Contract Mining, Construction, DGAP, Product Support, RUN and Marketing.  
Southern Africa Barloworld Equipment a Division of Barloworld South Africa (Pty) Ltd  
Email: [cgroenewald@barloworld-equipment.com](mailto:cgroenewald@barloworld-equipment.com) / [www.barloworld-equipment.com](http://www.barloworld-equipment.com)

## APPENDIX D: EMPLOYEE AND CUSTOMER CONSTRUCT DESCRIPTIONS

### Employee construct description

Number	Question	Description	Construct
Q8	At work, I feel full of energy	Vigour	<b>VIG1</b>
Q9	In my job, I feel strong and vigorous	Vigour	<b>VIG2</b>
Q10	When I get up in the morning, I feel like going to work	Vigour	<b>VIG3</b>
Q11	I can continue working for very long periods at a time	Vigour	<b>VIG4</b>
Q12	In my job, I am mentally very resilient	Vigour	<b>VIG5</b>
Q13	At work, I always persevere even when things do not go well	Vigour	<b>VIG6</b>
Q14	I find the work that I do full of / meaning and purpose	Dedication	<b>DE1</b>
Q15	I am enthusiastic about my job	Dedication	<b>DE2</b>
Q16	My job inspires me	Dedication	<b>DE3</b>
Q17	I am proud of the work I do	Dedication	<b>DE4</b>
Q18	I find my job challenging	Dedication	<b>DE5</b>
Q20	When I am working, I forget everything else around me	Absorption	<b>AB2</b>
Q21	I feel happy when I am working intensely	Absorption	<b>AB3</b>
Q22	I am immersed in my work	Absorption	<b>AB4</b>
Q23	I get carried away when I am working	Absorption	<b>AB5</b>
Q24	It is difficult to detach myself from my job	Absorption	<b>AB6</b>
Q25	My direct line supervisor is very concerned about / the welfare of those under him/her	Supervisory support	<b>SS1</b>
Q26	My direct line supervisor is willing to listen to work-related / problems	Supervisory support	<b>SS2</b>
Q27	My direct line supervisor can be relied upon when things get / difficult at work	Supervisory support	<b>SS3</b>
Q31	I can use my own personal judgment on carrying out my job	Autonomy	<b>PA1</b>
Q32	I have the freedom to decide what I do on my job	Autonomy	<b>PA2</b>
Q33	I can make my own decisions in carrying out my job	Autonomy	<b>PA3</b>

## Customer construct description

Number	Question	Description	Construct
CQ1	The time it took to place the order		
CQ2	The employee's communication with you	Customer experience of employee performance	<b>CESEP1</b>
CQ3	Technical information provided by the employee during the purchase	Customer experience of employee performance	<b>CESEP2</b>
CQ4	The accuracy of your quotation		
CQ5	The employee getting back to you as promised	Customer experience of employee performance	<b>CESEP3</b>
CQ24	The employee showing a caring attitude	Customer experience of employee performance	<b>CESEP4</b>
CQ25	The employee being proactive in dealing with your request	Customer experience of employee performance	<b>CESEP5</b>
CQ26	The employee understanding your needs and objectives	Customer experience of employee performance	<b>CESEP6</b>
CQ6	[Product] availability		
CQ7	Your order being filled timeously		
CQ16	The overall ease of completing the transaction		
CQ17	Recommending the dealer to another person for [product]	Customer loyalty	<b>CL1</b>
CQ18	Based on the experience, your likelihood to purchase [product] from this dealer again	Customer loyalty	<b>CL2</b>
CQ19	Your overall purchase experience	Overall customers' experience	<b>OCE1</b>
CQ21	How would you rate your total experience received from [firm] against other competitors in the industry?	Overall customer experience	<b>OCE2</b>
CQ22	How would you rate your total experience received from [firm] against your other suppliers?	Overall customer experience	<b>OCE3</b>

## APPENDIX E: MODEL INDICATOR VARIABLES

### Indicator Variables: Employee engagement

	Mean	Standardized Loading (B)	t-value
<b>Vigour</b> - Schaufeli, Salanova, González-Romá & Bakker (2002): AVE = 0.57; Mean = 4.34; SD = 0.79			
VIG1: At work, I feel full of energy.	4.26	0,81	10,44
VIG2: In my job, I feel strong and vigorous.	4.26	0,84	12,33
VIG3: When I get up in the morning, I feel like going to work.	4.31	0,82	12,87
VIG4: I can continue working for very long periods at a time.	4.13	0,78	13,09
VIG5: In my job, I am mentally very resilient.	4.53	0,69	6,33
VIG6: At work, I always persevere even when things do not go well.	4.53	0,59	4,98
<b>Dedication</b> – Schaufeli, Salanova, González-Romá & Bakker (2002): AVE = 0.55; Mean = 4.44; SD = 0.83			
DE1: I find the work that I do full of / meaning and purpose.	4.47	0,79	9,74
DE2: I am enthusiastic about my job.	4.57	0,75	9,50
DE3: My job inspires me.	4.38	0,82	23,29
DE4: I am proud of the work I do.	4.66	0,75	9,71
DE5: I find my job challenging.	4.14	0,57	4,31
<b>Absorption</b> – Schaufeli, Salanova, González-Romá & Bakker (2002): AVE = 0.45; Mean = 3.84; SD = 1.05			
AB2: When I am working, I forget everything else around me.	3.48	0,59	4,28
AB3: I feel happy when I am working intensely.	4.13	0,85	11,26
AB4: I am immersed in my work.	4.43	0,60	4,71

AB5: I get carried away when I am working.	3.61	0,60	4,53
AB6: It is difficult to detach myself from my job.	3.56	0,69	6,60

(AB1 included in measuring Absorption did not load on any of the constructs and was excluded from further analysis)

### Indicator Variables: Antecedents of employee engagement

	Mean	Standardized Loading (B)	t-value
<b>Supervisory support</b> – Babakus, Yavus and Ashill (2009): AVE = 0.86; Mean = 3.84; SD = 1.20			
SS1: My direct line supervisor is very concerned about / the welfare of those under him/her.	3.53	0,90	31,04
SS2: My direct line supervisor is willing to listen to work-related / problems.	4.00	0,95	65,90
SS3: My direct line supervisor can be relied upon when things get / difficult at work.	4.00	0,94	59,23
<b>Perceived Autonomy</b> – Menguc <i>et al.</i> (2013): AVE = 0.83; Mean = 3.95; SD = 1.01			
PA1: I can use my own personal judgment on carrying out my job.	4.09	0,89	28,33
PA2: I have the freedom to decide what I do on my job.	3.88	0,92	40,04
PA3: I can make my own decisions in carrying out my job.	3.89	0,93	37,26

**Indicator Variables: Customer**

	Mean	Standardized Loading (B)	t-value
<b>Customer experience with employee performance</b> – Lemke, Clark & Wilson (2011): AVE = 0.68; Mean = 8.45; SD = 1.35			
CESEP1: The employee's communication with you.	8.58	0,76	7,28
CESEP2: Technical information provided by the employee during the purchase.	8.29	0,76	7,54
CESEP3: The employee getting back to you as promised.	8.36	0,64	5,26
CESEP4: The employee showing a caring attitude.	8.63	0,89	11,01
CESEP5: The employee being proactive in dealing with your request.	8.44	0,90	11,34
CESEP6: The employee understanding your needs and objectives.	8.40	0,88	11,07
<b>Customer Loyalty</b> – Bowen & Chen (2001): AVE = 0.80; Mean = 8.80; SD = 0.76			
CL1: Recommending the firm to another person.	8.66	0,89	19,49
CL2: Your likelihood to repurchase products from this firm again	8.94	0,90	20,41
<b>Overall customer experience</b> - Lemke, Clark & Wilson (2011) and Kim & Choi (2013): AVE = 0.76; Mean = 8.31; SD = 1.40			
OCE1: Your overall purchase experience.	8.64	0,72	6,73
OCE2: How would you rate your total experience received from [firm] against other competitors in the industry?	8.17	0,93	12,72
OCE3: How would you rate your total experience received from [firm] against your other suppliers?	8.13	0,93	12,76