Employee Engagement and Customer Satisfaction in Commercial Banking in South Africa

Marc Wartenweiler

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2015

ABSTRACT

The banking industry has always had a strong focus on customer service and banks spend a lot of time and energy on improving their customer service practices. The theory is that improved customer service will help create relationships with customers that will prevent them from moving to the competition. Loyal customers result in higher retention rates and this has positive effect on profitability.

The purpose of this study was to investigate whether there is a positive association between employee engagement levels and customer satisfaction among Commercial Banking relationship managers within a South African financial services institution.

The researcher utilised 2 years worth of employee engagement data from 450 relationship managers and compared these results to customer satisfaction levels over the corresponding period. Regression analysis and structured equation modelling was conducted on the data for statistical purposes.

Results from the statistical analysis indicate that there is a small but significant positive association between employee engagement and customer satisfaction. This proved Hypothesis 1. The second finding validating Hypothesis 2 was that customer satisfaction is associated with improved employee engagement.

The key conclusion from this research is that improving employee engagement levels in an organisation can improve customer satisfaction which may lead to improved customer retention and higher profitability.

DECLARATION

I, Marc Wartenweiler, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Marc Wartenweiler

Signed at Johannesburg

On the 31st day of March 2015

ACKNOWLEDGEMENTS

I would like to thank my friends and family for their support during my MBA specifically during the research process. Their encouragement helped get me over the line. A special thanks to the relationship managers at my workplace who contributed to this study. The support of my colleagues played an important role in my success. I also owe a big thank you to Chris, my colleague, mentor and friend for his advice, sharing his knowledge, wisdom and sense of humour and encouraging me to complete my research.

A special thank you to Professor Gregory Lee for his assistance and guidance as my supervisor.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

This study aims to find out whether an increase in employee engagement among relationship managers in a bank results in an increase in customer satisfaction.

1.1 Purpose of the study

The purpose of this study is to investigate whether there is a positive association between employee engagement and customer satisfaction.

1.2 Context of the study

> "Banking is a personal choice and it requires a relationship with your banker very similar to that of your doctor or lawyer. You don't trust your health or your legal matters with just anyone. You shouldn't trust your money or future with just any bank. My banker is Jim Cochran and my bank is Magna Bank. Together they are as important and trusted by me as much as I trust my doctor. Do you know who your banker is? Does your banker know who you are? The folks at Magna Bank know who their clients are and that's important to me."

Kevin Cavanaugh, CEO of Floratine

Banking in general is a highly competitive industry with many players all competing for similar customers. Banks have thus had to find ways to differentiate themselves from the competition. Convenience, cost, product variation, value added services, loyalty schemes, banking apps and customer service have all been used as means for differentiation. Without the resources of the larger banks, the smaller players in the market have traditionally used customer service and cost as their key differentiators (Simpson, 2006).

The concept of customer retention is relatively straightforward. F. F Reichheld & Kenny (1990) found that the effort to acquire new customers to replace those who have moved to other banks is a time-consuming and costly process. The high cost of acquiring new customers means that retaining existing customers should be a high priority. The authors found that customers with longstanding relationships are more satisfied customers who buy more and are promoters who generate a positive word-of-mouth for the company.

Due to the intangible nature of banking, it is primarily a service based industry. Banks believe that improved customer service will help create relationships with customers that prevent them from switching to the opposition. Hallowell (1996) found that improving customer loyalty resulted in higher retention rates and this had a positive impact on the profitability of banks.

The retention of existing customers is a key focus of most businesses. Banks and other organisations have spent a lot of effort trying to understand what factors affect a customer's perceptions and choices. The links between the attitudes of employees and customers have been subjects of regular studies.

Organisations have been aware of the employee engagement concept for almost two decades and it is now gaining the acceptance of the academic community (Hobel, 2006). It is a key challenge facing the leaders, managers and human resources practitioners of today (Soldati, 2007). Johnson and Chadwick (2009) predict that the ability to ensure employees remain engaged is going to be one of the most important challenges for companies in the next 10 years.

Numerous studies have looked at the characteristics of what makes an engaged employee. Levinson (2009) found that characteristics such as being industrious, ethical and accountable form the backbone of a good working environment and an increase in awareness of employee engagement led to the improvement of business performance.

Loehr and Schwartz (2003) did a study on the common attributes of highly engaged employees. They characterised an engaged employee as one who is fully involved, enthusiastic, energised by their work, emotionally mature and mentally focussed.

Various studies have linked engagement to productivity where lower levels of engagement have resulted in higher levels of absence and employee turnover (Gibbons & Board, 2006).

Martin and Hetrick (2006) looked at how employee engagement in an organisation affected its brand. Highly engaging organisational cultures which have a strong employer brand and are an employer of choice in the market were found to attract and retain the best talent.

A research paper by Baumruk (2006) studied the effect of engagement on 4 key variables. The findings were that organisations with higher levels of engagement had higher productivity, reduced turnover, improved financial performance and higher shareholder returns. Perrin (2009) did a similar study but focussed on financial variables and he found organisations could increase their operating income by improving engagement levels.

The Behavioural Economic Model by Allen (2009) highlights the link between engagement and financial success.

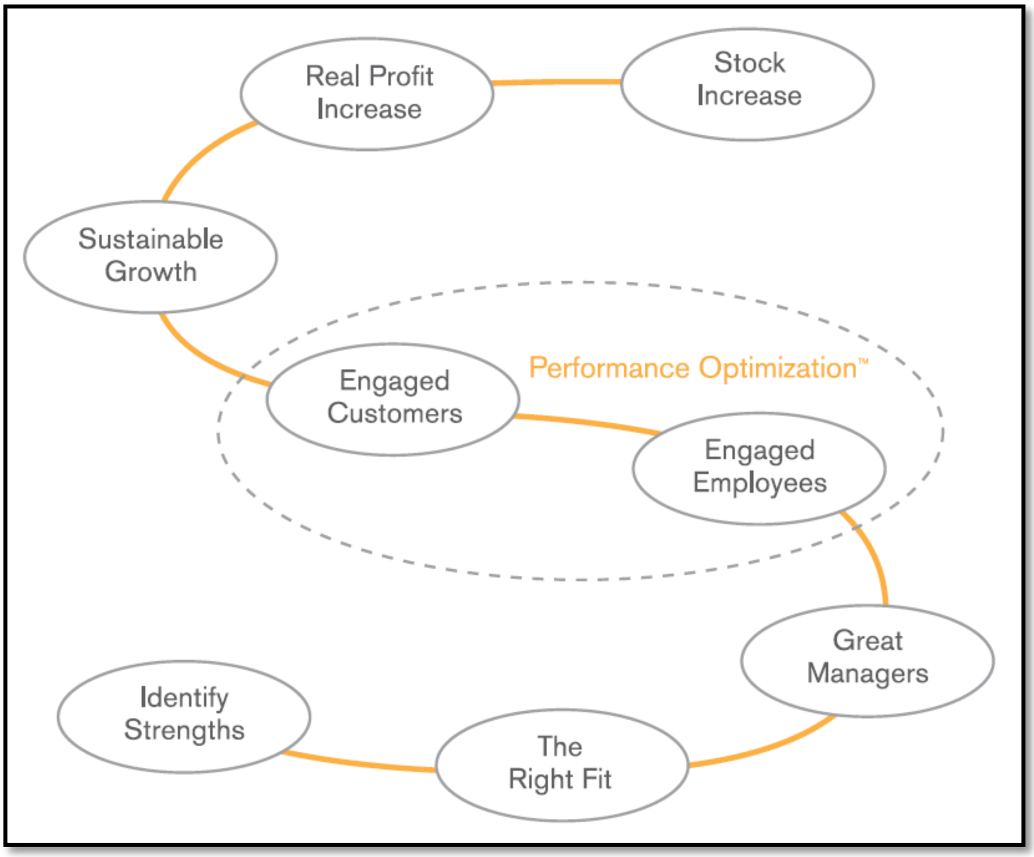

Figure 1 - A behavioural economic model for organisations

The model shows how organisations who have the right building blocks to foster an environment producing engaged employees results in engaged customers which leads to a number of improved financial metrics.

For service organisations where there is often no tangible product, the interactions with customers become crucial. The employees who deal with customers become the face of the business and are largely responsible for the perception of the organisation.

Service organisations have realised that enhancing customer satisfaction is critical to their success. This has resulted in numerous studies on this topic (Schmit & Allscheid, 1995). The study by Buhler (2006) concluded that engaged employees can contribute to organisations in reaching some of their strategic targets.

Authors such as Saks (2006) have identified valuable literature that describes how engagement contributes to the overall success of an organisation. However, there is little academic and empirical research on the effect of employee engagement specifically on customer satisfaction and this study aims to increase the knowledge around this relationship.

1.3 Problem statement

The problem this study is trying to investigate is whether there is a positive association between employee engagement and customer satisfaction. Organisations spend a lot of time and effort on measuring and trying to improve employee engagement but the impact of this is not always clear.

With saturated markets and limited product differentiation, banks need to find other ways to get new business and a strong customer service culture can assist with this.

It is important to address this problem because employee engagement affects staff retention and productivity and this can affect customer loyalty and thus profitability.

1.4 Significance of the study

Employee engagement and customer satisfaction are two important measures that a bank uses to gauge performance. Engagement is measured annually and provides an internal yardstick of how satisfied employees are working for the organisation. Every business wants happy customers and being able to measure customer satisfaction ensures that the bank is aware of how its customers feel about its products and services.

Practically, the study provides insight and recommendations for multiple roles in an organisation including leaders, managers, Human Resource practitioners and researchers about employee engagement and its effect on customer satisfaction.

The findings will be of benefit primarily to managers of people as well as Human Resource Practitioners. These roles in an organisation are responsible for managing and supporting people to achieve the business strategy. Understanding the effect of employee engagement on customer satisfaction as well as other variables can help with the implementation of initiatives to improve staff engagement which will ultimately improve the overall effectiveness of the business unit which should result in greater profitability.

Kerfoot (2008) studied the relationship between employee and employer and found that employees usually adopt the characteristics and attitudes of their superiors. Engaged managers can therefore influence their employees to also be more engaged. Managers need to create a work environment which is conducive for employees to be fully engaged.

1.5 Delimitations of the study

This study deals with employee engagement and customer satisfaction within a financial services organisation in South Africa.

The scope for this study has been narrowed in the following ways. Although employee engagement and customer satisfaction data are available across multiple areas of the bank, this study limited the scope to the segment of the bank which is responsible for commercial customers who have turnover between R10million and R600 million per annum.

Only data from customer facing staff were used for the calculation of employee engagement and the corresponding customer satisfaction. Due to confidentiality of the data available, the study does not deal with employee engagement or customer satisfaction at an individual level. Two years worth of data was collected at a regional level across nine geographical regions in the country and this resulted in individual employee demographic information not being available.

1.6 Definition of terms

The following common words and phrases used in this document are defined below.

Employee Engagement. Engagement is a construct which is similar but not the same as job satisfaction. It can be more accurately described as a harnessing of one's self to his or her roles at work. Engaged employees express themselves cognitively, physically, and emotionally while performing their work (Kahn, 1990). Engagement is further defined in the Literature Review section. For the purposes of this study, all employees referred to have the role of a relationship manager.

Relationship Manager: Individuals who are employed by the bank to manage a portfolio of customers and ensure growth of the portfolio. They are customer facing and receive customer satisfaction feedback based on certain interactions with their customers.

Customer Loyalty: According to Bei and Chiao (2006), customer loyalty was based on behaviour that is represented by repeat purchases and attitude, which was a customer's demonstrated preference for a service.

Detractor: A customer who scored the service received from 0-6 on a scale of 0-10 on the Net Promoter Score question. This was the widest range for three categories because of the proclivity of respondents to give inflated scores (Frederick F Reichheld, 2003)

Neutral: Also referred to in the research literature as *Passive.* A customer who scored the service received as a seven or eight on a scale of 0-10 on the Net Promoter Score question (Frederick F Reichheld, 2003).

Promoter: A customer who scored the service received from 9-10 on a scale of 0-10 on the Net Promoter Score question (Frederick F Reichheld, 2003).

Net Promoter Score: A score calculated by subtracting the percentage of Promoters from the percentage of Detractors while ignoring the Passives (Frederick F Reichheld, 2003).

Net Promoter Score Survey: A customer satisfaction survey where the main question measured on a scale of 0-10 is how likely one would refer the company to a friend or business associate? The numerical response would categorise that customer into one of the three categories mentioned above (Frederick F Reichheld, 2003).

1.7 Assumptions

An assumption was made that all the relationship managers who participated in the climate survey to calculate employee engagement have all had interactions with their customers over the same period.

It is also assumed that the bank's customers who completed the customer satisfaction survey's did so truthfully and without bias and gave an accurate reflection of the customer service provided by the relationship managers in this research.

Because the study involves relationship managers' scores from the employee engagement climate survey, the assumption is made that the survey is reliable and valid.

The assumption was also made that the regional offices of the business unit in scope situated across the country operate in a similar manner.

2 LITERATURE REVIEW

2.1 Introduction

This section contains a literature review on the key themes of relevance to the study. The first section of the literature review define the definitions relevant to the topic, the second section will address the topic of levels of employee engagement linked to customer satisfaction, including key components and current issues. The section ends with an overview recapping the main learnings and restates the hypotheses.

2.2 Definition of topic

2.2.1 *Definition of Employee Engagement*

Many people have tried to define employee engagement but due to its complex nature, it has been inconsistently defined in the literature resulting in ambiguity. Engagement is a relatively new concept which is seen to be maturing and developing over time (Macey & Schneider, 2008).

One of the more simple and straightforward definitions of employee engagement is that it is an emotional and intellectual commitment to an organisation (Baumruk, 2004; Shaw, 2005). Another common definition is that engagement is the amount of discretionary effort exhibited by employees in their jobs (Frank et al., 2004). Schaufeli, Salanova, González-Romá, & Bakker (2002) define engagement “as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.”

For many years, engagement was thought of as a combination of employee satisfaction together with loyalty to your employer. The study by Erickson (2005) identified some key attributes of engagement which remain relevant. The author found that engaged employees are passionate and committed to their work and are willing invest discretionary time and effort into the organisation to help it succeed.

Law, Wong, & Mobley (1998) describe engagement as being a unique multi-dimensional construct consisting of cognitive, emotional, and behavioral components which make up a tightly integrated set.

Benjamin, William, Karen, & Nigel (2009) define an engaged employee as one who needs to feel that their skills and abilities are fully utilised and that they are contributing to the overall objectives of the organisation.

The Corporate Leadership Council (2004a) explain the difference between employee engagement and employee satisfaction. They define engagement as the extent to which employees commit to something or someone in their organisation, how hard they work and how long they stay as a result of that commitment. Employee satisfaction on the other hand was defined as how an employee feels about their job, work environment, salary and benefits. They go on to propose that employee engagement can be a key differentiator for organisations who want to distinguish themselves and gain a competitive advantage in both the short and long term. They state that customer facing employees are the people that carry the organisation's culture and value system to customers and if they are not engaged, it is nearly impossible to connect with the customer.

With the literature struggling to come to a consistent consensus on exactly what employee engagement is, it results in a subject area which is difficult to grasp and study. Ferguson (2007) stated that unless employee engagement can be consistently defined and measured, it cannot be managed and it is thus difficult to know if efforts to improve it are working.

While it is acknowledged that employee engagement has been defined in many different ways, Robinson, Perryman, and Hayday (2004) identified two commonly used themes around the definition: organisational commitment and organisational behaviour. The author ended up defining engagement as ‘one step up from commitment’.

To summarise this section, Garber (2007) identified 9 key factors which capture the essence of what employee engagement is: commitment, attitude, alignment, communication, goal focussed, customer focus, loyalty, involvement and ownership.

2.2.2 *Employee Satisfaction*

Although appearing similar to engagement, employee satisfaction has generally been found to be a different construct to engagement. Rollinson (2008) described it as a pleasurable or positive emotional state resulting from the way an employee feels about their experience and environment in an organisation. Researchers have found a close correlation between job satisfaction and employee satisfaction as well as the intention to leave or stay with the organisation (Taylor & Westover, 2011). The research by Küskü (2003) found that satisfaction reflects the degree to which the individual's needs and desires are met as well as the extent to which these are perceived by other employees.

Comm and Mathaisel (2000) describe employee satisfaction as the difference between the perceptions and expectations of employees in an organisation. They imply that the needs, wants and expectations of employees need to be satisfied across a range of related organisational variables for them to feel satisfied. According to Ledimo (2012), the benefits of employee satisfaction include employee retention, customer satisfaction, improved quality, improved performance, life satisfaction, employee health and well-being.

2.2.3 *Job Satisfaction*

Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one's job, an affective reaction to one's job, and an attitude towards one's job (Hakanen, Schaufeli, & Ahola, 2008). The authors Alarcon and Lyons (2011) confirm this with their research finding that job satisfaction is an emotional state resulting from the evaluation or appraisal of one's job experiences or as a psychological state simultaneously represented by cognitive and affective indicators. The study explored the factor structure of engagement and its relationship with job satisfaction and found that they are separate constructs where the 2 variables have different relationships within the areas of work-life scale.

2.2.4 *Employee Commitment*

Employee commitment is defined as the relative strength of an individual's identification with and involvement in an organisation (De Cuyper, Van der Heijden, & De Witte, 2011). Schweizer and Patzelt (2012) defined employee commitment as the employees' decision to stay with a company regardless of the culture or climate. According to Klein, Molloy, and Brinsfield (2012), commitment conveys the significance of a relationship between partners and their will to proceed with the relationship in the future.

The study by Böckerman and Ilmakunnas (2009) found that factors such as changes in organisational structure or working conditions which result in uncertainty affected employee commitment where the employees' will to continue working for the organisation diminished.

2.2.5 *Variables that affect Employee Engagement*

The literature suggests that the variables that affect employee engagement should be in place before organisations can reap the benefits of an engaged workforce (Rich, Lepine, & Crawford, 2010). This is however not as simple as it first appears. Many variables can be found scattered throughout a large literature base but few have been extensively empirically tested.

With engagement being a complex construct to define and measure, many authors have tried to understand the different variables that affect engagement.

The variables have generally been classified on two levels: individual variables and organisational variables. Individual variables are defined as constructs or strategies that are applied directly to or by individual employees and are seen to be foundational to the development of employee engagement. Organisational-level variables are defined as constructs or strategies that are applied across an organisation to create the right environment to foster employee engagement.

Based on its studies in various industries and organisations, WFD Consulting identified and classified a number of factors that are the building blocks of employee engagement. They placed these factors into a hierarchy which they called a Commitment Pyramid (Richman, 2006).

The lowest level contains the factors that any organisation should have in place to be an effective competitor to attract the best human capital. These include reasonable compensation for the work one performs given the necessary tools in a safe working environment. The second level contains the enablers: factors that can set a business apart from the competition and enable employees to align their activities toward the organisation's objectives. Rewards and incentives are included here together with the opportunities to develop additional skills and knowledge while in the organisation.

The top of the pyramid are the commitment drivers that enable and encourage employees to fully engage in a business. Factors such as the effectiveness of top management, communication, work-life balance, flexibility and diversity/inclusion were found to be critical components for building a highly committed, engaged workforce.

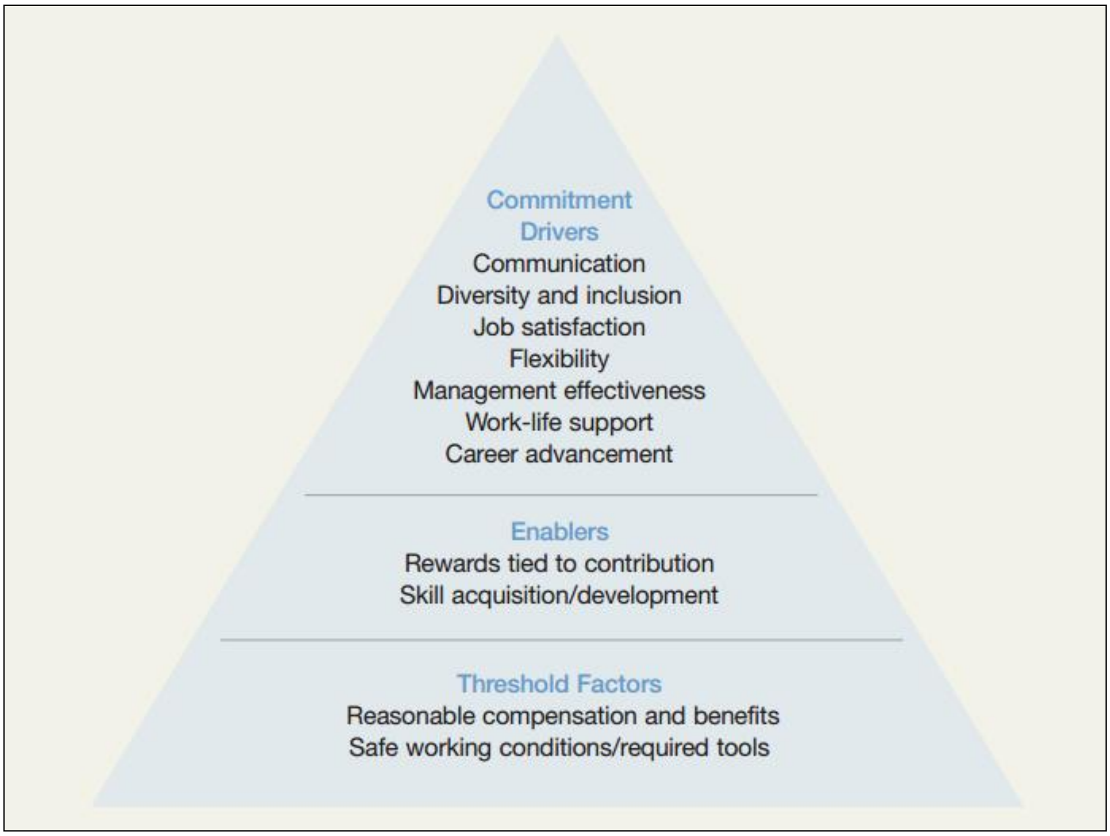

Figure 2 - Commitment Pyramid (WFD Consulting, 2002)

The Job Demand-Resource model formulated by Menguc, Auh, Fisher, and Haddad (2013) looked at three organisational factors impacting engagement: autonomy, feedback, and support. The model analysed how the interaction of these variables among employees impacted on engagement. For employees who value high levels of autonomy in their work, it was found that supervisory support had a positive effect on engagement while supervisory feedback had a negative effect.

May, Gilson, and Harter (2004) identified a different a set of organisational factors affecting engagement including effective leadership, the relationships between co-workers, interesting work tasks, resources to perform the required job well and reward. This was backed up by Tims, Bakker, and Xanthopoulou (2011) who demonstrated that a resourceful work environment, as created by transformational leaders, is an important prerequisite for an employee to be engaged.

An organisation's culture is usually outside an employees' direct control but often within a leader or manager's sphere of influence. Reio and Callahan (2004) found culture to be a variable which affects engagement and Shuck and Herd (2011) suggested a conceptual link between leader behaviour and engagement.

The role of managers impacting engagement has predominantly been explored using the satisfaction-engagement approach (Wollard & Shuck, 2011). Aon Hewitt's (Hewitt, 2012) research shows how managers play a critical role as they are required to translate employee survey data into actions that will improve engagement and generate positive business value. Other research has looked at the role of the manager in creating a supportive climate for their employees (Plakhotnik, Rocco, & Roberts, 2010), execution of mission and vision on a local level (Fleming & Asplund, 2007), and the role and perception of manager expectations (Bezuijen, van den Berg, van Dam, & Thierry, 2009). Other research has suggested that managers with a more proactive approach to their jobs positively affect the development of engagement of their employees (Brad Shuck, Rocco, & Albornoz, 2011).

Other variables including an organisations corporate social responsibility programs including volunteering and service work have been examined as an empirically driven variable affecting engagement (Lindorff & Peck, 2010).

The impact of effective communication affecting engagement at an individual level has also been researched. Mark Schumann (Schumann, 2010), a communication expert, looked at what employees expected from their organisation in terms of effective communication. The author came up with eight rules of engagement from the employees he interviewed: be truthful and honest, provide us with facts, rely on us, be approachable, listen to us, take into account our views, be here when we need you and take care of who we are.

The figure below highlights a number of individual variables that employees across the globe feel would improve their engagement.

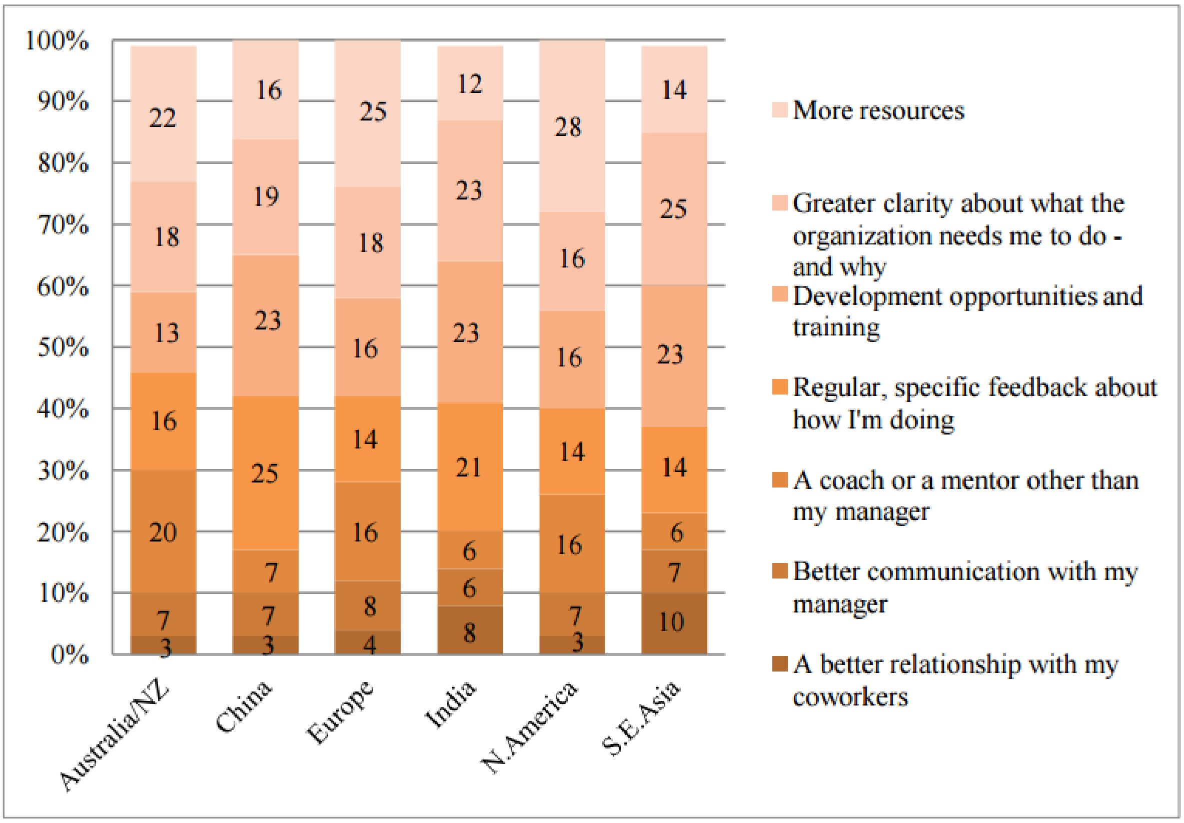

Figure 3 - Items that would most improve performance of employees (White, 2011)

Other variables including work–life balance (Singh, 2010), involvement in corporate social responsibility (Glavas & Piderit, 2009), and the value of an employees work to overall organisational goals (Harter, Schmidt, & Hayes, 2002) have been discussed in the literature with clear links found to employee engagement.

Additionally, several authors have suggested that individual variables such as curiosity (Reio Jr, Petrosko, Wiswell, & Thongsukmag, 2006), optimism, self-efficacy, self-esteem, perceptions of the self and coping style (Macey & Schneider, 2008) all play a part in the development of work-oriented variables at an individual level.

The findings by Richman (2006) were that factors such as management practises, the work environment and climate affected engagement but more personal characteristics of employees such as their personality and demographics including age and gender had no influence on engagement.

The study by Men (2012) revealed that an external factor such as customer orientation is also a key influence on customer facing employees' job outcomes due to its effects on stress and engagement. The author found that customer orientation improves job outcomes because it enhances psychological welfare in addition to being good for business. The study went on to explore how leadership in corporate companies influences the effectiveness of internal public relations by linking the credibility of the CEO to how employees perceive the reputation of their organisation to how engaged they were. It was found that CEO credibility was positively associated with both perceived organisational reputation and employee engagement and that the reputation of an organisation based on the opinions of its employees has a large and positive effect on employee engagement.

A number of different types of variables have been explored and examined above regarding their impact on employee engagement. Different organisations will create an employee engagement culture in different ways, using variables they deem appropriate and implementing them in ways that are unique to their organisation. These variables are predominantly functions that are required to create the conditions for the state of engagement to develop. However, the right processes also need to be put in place to facilitate the development of an engagement culture.

2.2.6 *Definition of Customer Satisfaction*

Rust and Oliver (1994) looked at customer satisfaction from an expectation vs. actual point of view where customers would compare their expectation of the service experience to what they actually experienced in reality. Research by Hallowell (1996) defined customers being satisfied when their perception of the value received of a good or service was higher than expected. Fornell, Johnson, Anderson, Cha, & Bryant

(1996) provide a similar definition where they suggest that customers are satisfied when the perception of quality and value of the good or service is above their expectation.

2.3 Level of Employee Engagement and Customer Satisfaction

Measuring Employee Engagement

There have been numerous studies on measuring employee engagement however very few have come to similar conclusions on the questions that are required to measure this specific phenomenon.

A large study by Gallup which included focus groups and interviews of employees across organisations, industries and countries resulted in 12 questions being identified that measure the most important elements of employee engagement. These questions can be found in Appendix A.

Thackray (2001) reviewed Gallup's tool and showed that it is a good instrument to use to model the survey questions for studies of this nature. However, evidence shows that their metric is unreliable. Gallup does provide evidence that their employee engagement metric predicts useful business outcomes such as higher profitability and lower turnover but on closer inspection of the actual survey questions which focus mainly on the employers work environment, their employee engagement measure was found to be more a measure of employee satisfaction.

A study of employee engagement and burnout by Schaufeli et al (2002) resulted in the development of a new measurement tool called the Utrecht Work Engagement Scale (UWES). The UWES has 17 questions in the long format and 9 questions in the short format. Compared to Gallup, the scale assesses three different components of employee engagement: vigor, dedication and absorption.

A criticism of this survey is that it reflects more about the employee's internal state rather than the evaluation about their work. Overall, the UWES has been found to be a reliable and valid metric that does predict the service climate of an organisation.

Implications of Employee Engagement

In recent years, many organisations have focused a great deal on improving employee engagement and it has become an important internal measure.

With the strong focus on improving engagement in organisations, Bates (2004) has reported that engagement levels are declining with more and more employees becoming disengaged in their work. The author goes on to describe the lack of engagement among employees of today as an “engagement gap”.

A meta-analysis by Harter (2002) assessed the relationship between engagement and some key organisational metrics. The results showed a positive correlation between engagement and productivity, profit, employee turnover, employee accidents and customer satisfaction.

A meta-analysis performed in the same year by Gallup (2002) had similar findings. Business units with higher levels of engagement showed improvements in customer metrics, turnover, productivity and profitability.

An important study on engagement carried out by Kahn (1990) focussed on the psychology around engagement in the workplace. The author identified three psychological conditions which affect engagement: meaningfulness, safety, and availability. May, Gilson, & Harter (2004) empirically tested Kahn’s model and found that the three conditions were significantly related to engagement.

Social Exchange Theory (SET) is an interesting theory for explaining engagement which has roots in economics, psychology and sociology. SET proposes that social behaviour is the result of an exchange process where people weigh the benefits versus the costs of relationships. Cropanzano and Mitchell (2005) define SET as a reciprocal relationship between two people where trust and loyalty evolves over a period of time.

The outcome of an extensive employee engagement study by the Corporate Leadership Council (2004a) found that employee engagement makes up a key component of an organisation's financial success. The study found that committed employees who showed high levels of engagement put in 57% more discretionary effort and were 87% less likely to leave their company compared to disengaged employees.

The Gallup Organisation conducted one of the most comprehensive studies of employee engagement. They used an instrument consisting of 12 questions to address the extent to which employee needs are being met in the workplace and examine the emotional ties they have to their employer. According to Coffman & Gonzalez-Molina (2002), results of the Gallup research have shown that business units with higher levels of engagement had better scores for customer loyalty, turnover, productivity and profitability.

The Gallup Q12 instrument was designed for practical use as many of the items can be influenced by managers. This allows for managers to practically influence the engagement of their employees based on the survey results (Coffman & Gonzalez-Molina, 2002). Gallup showed that engagement varies from one workplace to another and it has done a lot of work partnering with companies to educate managers around implementing change strategies to improve engagement.

Key Factors Influencing Customer Satisfaction

The study by Cronin, Brady, & Hult (2000) conducted specifically within service environments found that both the quality and value of the service provided to customers had a positive impact on customer satisfaction.

Den Hartog and Verburg (2002) researched the impact that work culture has on employee attitudes towards customers. They found that when employees were treated better and felt appreciated by their managers, this resulted in better treatment of customers. Wagner and Harter (2007) conducted similar research on how the attitudes of employees affect customer satisfaction but specifically for support staff. They found that supervisors who compliment and provide positive reinforcement to their support staff resulted in greater efficiencies and customer satisfaction.

Levesque and McDougall (1996) performed a study on the factors which influence customer satisfaction in a retail banking environment and found that there were a number of important drivers. Accuracy, expectancy, keeping promises, keeping customers informed and convenience were all significant factors.

The empirical work of Michèle Paulin (1998) found that customers who were perceived to have a strong relationship with their bank showed less intent to move to a competitor. In a similar study, Barnes (1998) found that organisations who develop good relationships with customers resulted in higher satisfaction, improved word of mouth and improved customer loyalty.

Research in consumer psychology has shown that exposing customers to happy employees results in customers having a positive attitude towards a product or service (Howard & Gengler, 2001). Doucet’s (2004) research into organisational behaviour revealed that hostile service employees result in hostile customers. This results in dissatisfied customers no matter how well the employee performs their job.

The relationship between customer satisfaction and employee satisfaction can be explained using the theory of emotional contagion (Sutton & Rafaeli, 1988). Emotional contagion is the way a person will automatically copy expressions, postures and accents with those of another person. It was found that when this happens either consciously or unconsciously, the two people converge emotionally (Schoenewolf, 1990).

Recent research by Hekman et al (2010) investigated the impact of bias on customer satisfaction. The authors found that customers are influenced by racial and gender biases when judging levels of customer satisfaction. With objective indicators of performance controlled for, men and white employees were judged to provide better service than woman and non-white employees.

2.3.1 *Measuring Customer Satisfaction*

One of the main takeaways from the research done by Reichheld (2003) is that companies can keep measures of customer satisfaction simple. Customer surveys, together with asking the right questions, can allow companies to easily and accurately report on the data in a timely manner. A criticism of current satisfaction survey processes is that they produce complex information for managers and this results in poor turnaround times for service recovery and ultimately unhappy customers. A customer feedback program should be viewed not as market research but as an operating tool for management.

Two of the more common metrics used in organisations to measure customer satisfaction are the American Customer Satisfaction Index (ACSI) and the Net Promoter Score (NPS).

The Net Promoter Score

The idea of the NPS was to ask a simple question after a sales interaction which would gauge the effect of whether a customer would recommend the product or service to a friend or family based on their experience (Frederick F Reichheld, 2003). To establish the NPS score for a brand, customers are asked to provide feedback on recommending the brand/firm on a scale of 0-10. Customers who score 9 or 10 would typically be satisfied and it is assumed that they would be *promoters* of the brand. Customers scoring 0 to 6 are deemed to be dissatisfied with some element of the sale and are described as detractors. Customers scoring 7 or 8 are neither here nor there and are considered passive. The NPS score is then calculated by taking the percentage of promoters minus the percentage of detractors and ignoring the passives.

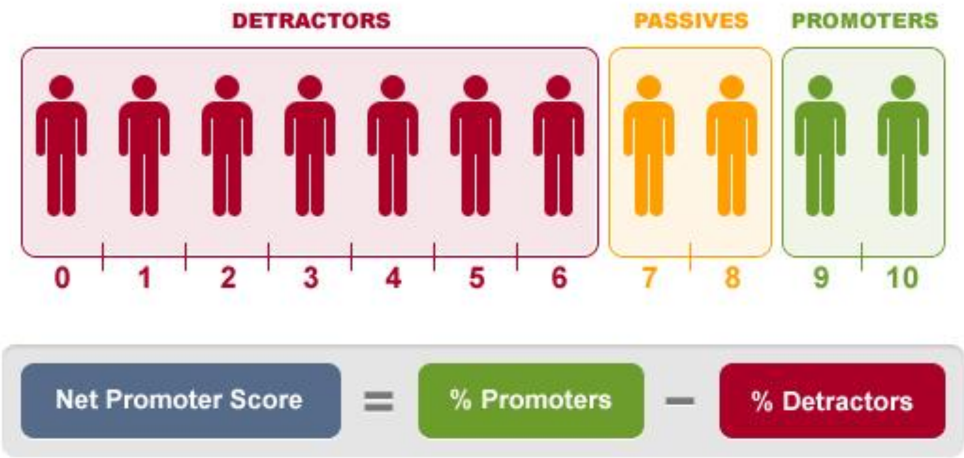

Figure 4 - Net Promoter Score (checkmarket.com, 2011)

There has been some skepticism of the NPS from a scientific perspective with opponents arguing that the model is too simple. They claim customer loyalty and satisfaction is more complex than just numbers and percentages and factors such as causes, consequences and correlations also need to be taken into account.

It is also suggested that the NPS method cannot accurately measure customer behavior as customers can claim they will recommend a company or product but whether they actually do this is difficult to prove. It is claimed the NPS has more benefit in competitive markets where potential buyers have a greater tendency to ask friends or family for advice before making a purchase. Two of the main strengths of the NPS are that it is simple to calculate and the one metric makes it easy to understand and compare, making it functional and interpretable for every stakeholder.

The American Customer Satisfaction Index

The American Customer Satisfaction Index (ACSI) is a market based performance indicator that surveys customers about their satisfaction with the goods and services they have recently consumed (Fornell et al., 1996). The ACSI is measured using three questions that investigate a customer's overall satisfaction, whether their expectations were met and their perception around the performance of the product. The ACSI score is calculated using a weighted average of the responses to the three questions.

In their critique of the NPS and ACSI, East et al. (2011) suggest that both tools are not effective at measuring the negative feedback from customers.

Benchmarking Customer Satisfaction

A recent survey by Bain (Bain, 2012) compared customer satisfaction across the various banks in South Africa. They found that customers of specialist or niche banks had a NPS of 70% compared to other banks with a NPS of 22%.

In a 2012 study by the Tempkin Group across 5,000 customers in the US, banks were found to have the widest score spread of any category from -26% to 77% (Temkin, 2008). Other research has shown that loyalty-leading companies like Apple or USAA can achieve NPS scores between 75% and 85%.

Customer Satisfaction and Firm Profitability

Authors such as (Stank, Goldsby, & Vickery, 1999) have done a lot of research on the relationship between customer satisfaction and customer loyalty and the relationship between satisfaction and profitability has also been well researched (Anderson, Fornell, & Lehmann, 1994; Mittal & Kamakura, 2001). It has been proven that customers who are satisfied with a company’s goods and services are likely to repeat purchase and try other products the company offers (Anderson et al., 1994; Gronholdt, Martensen, & Kristensen, 2000).

Service Profit Chain

In the conceptual framework of the Service-Profit Chain, Heskett and Sasser Jr (2010) examined the links between productivity, loyalty, employee satisfaction, customer loyalty and profitability.

They stated that a healthy work environment enabled employees to be more productive and this would lead to improved loyalty and more satisfied employees. Value is created by satisfied, loyal, and productive employees. Customer satisfaction is thus influenced by the value of goods and services provided to customers and this affects customer loyalty which affects profit and growth.

Engagement Profit Chain

An employee's discretionary effort can be explained using the engagement-profit chain model as seen in Figure 3 below (Kruse, 2012). By caring more, employees are more productive, are more engaged and stay in their jobs longer. This leads to providing a better service to customers which results in more satisfied customers who become more loyal, provide word of mouth recommendations and end up purchasing more goods and services from the company. This improves sales and results in higher profits.

Figure 5 - Engagement-Profit Chain (Kruse, 2012)

A number of research studies have concluded that there is a statistical relationship between employee engagement and customer service.

A study by Gates (2003) linking people measures to strategy showed that productivity scores from employees specifically associated with customer service and their employee engagement scores were closely correlated. In another similar statistic, Morrison Management Specialists increased client satisfaction by 0.5% for every 1% increase in employee engagement (MediaTec, 2013).

Pont (2004) found that companies with comparatively higher employee engagement scores had twice the number of repeat purchases. The study also found that word of mouth recommendations to friends and family doubled when engagement was higher.

A European Manager survey conducted in 2011 compared high performance teams to regular teams found in the workplace. The survey found that the special high performance teams had a NPS of 37% versus a 10% NPS for regular teams. (Hewitt, 2011).

The relationship between employee engagement and profitability

A study conducted by Towers Perrin-ISR (2004) examined how employee engagement affected financial performance in big corporate companies. Employee data from the world's ten largest economies was used spanning 41 countries and 360,000 employees to compare high-engagement to low-engagement companies on changes in operating margin and net profit margin over a number of years. The findings in Figure 6 resulted in substantial differences.

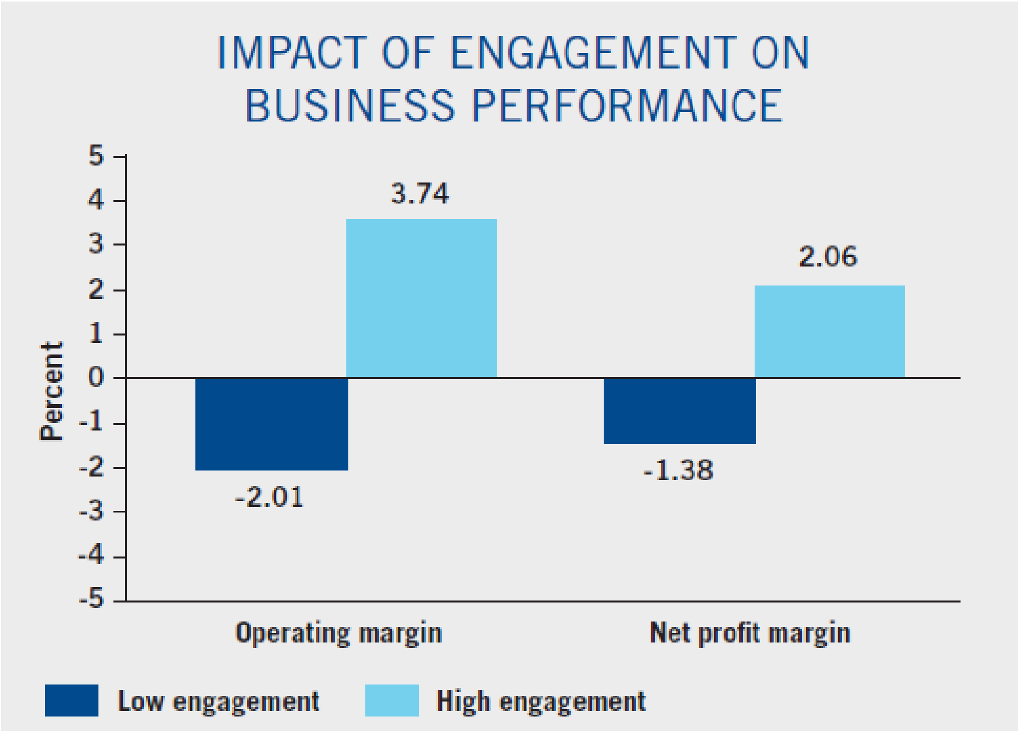

Figure 6 - Impact of Engagement on Business Performance (Review, 2013)

In another report by Towers Perrin-ISR (2003) highlighting how engagement affects results, they found that companies with a highly engaged workforce resulted in 1% higher revenue growth in their sector while companies with a less engaged workforce underperformed by an average of 2%.

In 2007, Standard Chartered Bank compared numerous metrics across their branch network and reported that their branches with higher levels of employee engagement had 16% higher profit margin growth (Clarke, 2009).

2.3.2 *Hypothesis 1*

The literature suggests that engaged employees tend to improve the satisfaction levels of customers. Thus, the first hypothesis is that higher levels of engagement among relationship managers have a positive influence on customer satisfaction for the customers they service, other things being equal.

H1: Higher levels of employee engagement are associated with higher levels of customer satisfaction.

2.3.3 *Hypothesis 2*

The causal relationship in Hypothesis 1 likely runs from engagement to customer satisfaction rather than the other way around but the Service Profit Chain mirror suggests that the relationship could exist in reverse. Hypothesis 2 uses this theory to suggest that satisfied customers can actually result in more engaged employees.

H2: Higher levels of customer satisfaction are associated with higher levels of employee engagement.

2.4 Conclusion of Literature Review

The literature review began with comprehensive explanations of employee engagement and customer satisfaction. A number of variables affecting engagement were discussed and the measurement of employee engagement was then reviewed and some of the implications of this construct were then discussed.

Some key factors influencing customer satisfaction were highlighted and two of the more common methods of measuring customer satisfaction were reviewed.

The relationships between variables including customer satisfaction, employee engagement and firm profitability were discussed together with the relationship between employee engagement and customer satisfaction.

The literature has shown that engagement has positive relationships with satisfaction, loyalty, retention and profitability.

In summary, the investment in engaging employees results in organisations gaining various returns through higher performance, improved retention, and increased customer satisfaction, all resulting in increased profits and revenues.

3 RESEARCH METHODOLOGY

This section describes the methodology used to address the hypotheses that were put forward as a possible solution to the problems in the Literature Review section.

The purpose of the study was to investigate whether there is a positive association between employee engagement and customer satisfaction.

The chapter has been organised as follows: The first section describes the setting of the study. This is followed by sections describing the research design, methodology, sample, instruments used, data collection procedures, and data analysis procedures.

3.1 Research Design

The research design took the form of a quantitative, regression analysis.

Case study research usually consists of a detailed investigation of phenomena within a context using data collected over a period of time. It is likely to include one or more organisations, or groups and individuals operating within or around the organisation.

The case study is appropriate for this study as the focus is on customer facing relationship managers within a specific department within a specific organisation.

One of the main strengths of case study research is that it is flexible and adaptable to many different scenarios. It is able to probe areas of planned as well as emergent theory (Robson, 2011).

Another strength of case study research highlighted by Gillham (2000) is that the naturalistic style makes it appropriate to study human phenomena in the real world.

The weaknesses around case study research are that it usually represents a depth of information, rather than breadth. Unique cases are not always representative of other instances. Thus the researcher cannot generalise that from one case study, the results, findings or theory can be applied to other similar case studies. Another weakness is that case studies are not always beneficial in reaching rigorous conclusions or determining accurate relationships between variables.

The main source of evidence for this study was secondary data collected by the bank. Both employee engagement and customer satisfaction data were collected by the bank over the course of the two years which formed the scope of the study.

Secondary data analysis is a powerful tool that can address questions which cannot be adequately studied by another method. Knowledge of the limitations of secondary data analysis and of the data sets used is critical for a successful study (Schlomer & Copp, 2014). There are also important errors to avoid when planning and performing a secondary data analysis study

An advantage of using secondary data is that the data are already collected which greatly increases the efficiency with which a researcher can perform a study and reduces costs. Another advantage is the large size of many data sets, which allows for more precise estimates of trends or effects with the results tending to be more generalisable.

Some disadvantages are that the information may not be exactly what is required, the accuracy of the data is not always known and the data might be outdated (Cowton, 1998). The researcher is also unable to exercise any control over the generation of the data and it means that effort needs to be expended in understanding the nature of the data and how it has been assembled.

In this case study, the researcher had no control over the sample design, sample size, nor the construction of the research instruments such as the questionnaire used to collect engagement data.

3.2 Research methodology

The study used a quantitative analysis to research the association between employee engagement and customer satisfaction.

Quantitative research uses statistical analysis of numerical data to understand relationships and produce findings to hypotheses.

Case studies generally include multiple methods in their pursuit of the intricate interactions and processes occurring within organisations. This is because complex phenomena are best researched through several methods and triangulation of data requires multiple methods. A benefit of this is that it improves validity.

There are a number of advantages to this design including being able to conduct a much wider study involving a greater number of subjects and more data to work with. This enhances the generalisability of the results, provides greater objectivity and accuracy and prevents the influence of personal bias.

A disadvantage of this design is that it produces limited results due to the numerical descriptions rather than a detailed narrative which a qualitative approach gives you. It generally provides a less elaborate account of the human perception.

Customer Satisfaction was measured using a formula from Reichheld's (2003) model of the Net Promoter Score (NPS). The NPS model was selected as the measuring tool for the organisation as it wanted a simple and quick method to obtain customer feedback with high response rates. The model requires customers to address a single question as opposed to other models like SERVPERF and SERVQUAL that offer 22 and 44 questions respectively (Hauser & Paul, 2006; Frederick F Reichheld, 2003; Zeithaml, Berry, & Parasuraman, 1996). According to Reichheld, limiting the number of questions in the Net Promoter Score model was critical because the fewer questions asked in a survey the more attention the customer would pay to each question.

The Net Promoter Score survey was sent to customers from the bank's Customer Relationship Management (CRM) system on completion of certain sales and service interactions between the customer and employee and the feedback was then stored in the CRM system.

3.3 The research instrument

Two research instruments were used in this study to collect the data. Both datasets

Data Sources

Instrument	Data required	Measurement/Construct	Data Source
Instrument 1	Employee Engagement	Employee Engagement score measured as a percentage	Organisation's Human Resources Department
Instrument 2	Customer Satisfaction scores	Customer Satisfaction score measured as a percentage	Organisation's Customer Relationship Management System

were secondary data collected by the bank.

Table 1 - Data Sources

Instrument 1

Employee engagement data was collected as part of the organisation's annual employee survey which gets sent to all staff on an annual basis for completion. The survey consists of 68 questions. Five questions are included which are used to derive an employee engagement score for an individual and these scores are rolled up to team, regional and business unit level. The questions used by the organisation to calculate engagement were derived from theory by an advisory company called the Corporate Leadership Council (Board, 2011). The 5 questions are:

Table 2 - Questions to determine Employee Engagement

No.	Question
1	I am proud to work for the organisation
2	I am willing to give extra effort to help the organisation meet its goals
3	I see myself working for the organisation 12 months from now
4	I would recommend the organisation as a great place to work
5	Considering everything, how satisfied are you with your job

A five point Likert scale was used to measure the answers where 1 = strongly disagree and 5 = strongly agree

Employee demographic information is collected as part of the survey but due to confidentiality, all the data collected is not made available at an individual employee level. To ensure anonymity, the smallest sample of data made available was for a team with a minimum of ten (10) people.

Employee engagement scores were obtained during both the 2011 and 2012 employee survey's so that sufficient sample data could be obtained for this study.

Web based surveys are a popular instrument to use for quantitative studies as large volumes of data can be collected quickly, easily and cost effectively. The data can then be easily processed to produce results (Witt, 1998).

Instrument 2

Customer satisfaction in this case study was measured by means of a web-based customer satisfaction survey which gets emailed to customers from the banks Customer Relationship Management (CRM) system after specific interactions between the customer and the relationship managers who service them.

Customers were asked how likely is it that you would recommend the company to a friend or colleague and satisfaction was measured using a Likert-like scale where 0 was extremely low and 10 was extremely high. The responses were stored in the bank's CRM system and are linked to the customer and the individual being rated. Individual scores are rolled up to a team, region and business unit.

Customers respond on a 0-to-10 point rating scale and are categorized as follows:

- **Promoters** (score 9-10) are satisfied with the service and would happily purchase again and refer others.
- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers where immediate intervention is required to turn around a bad experience. They can damage a company's brand and impede growth through negative word-of-mouth.

NPS scores were calculated by taking the % of Promoters less the % of Detractors while ignoring the Passive customers. The scores per relationship manager were then averaged to generate an overall customer satisfaction score per individual which rolled up into an average score for the region.

There are a number of benefits to using a tool of this nature. Garrity (2010) stated that it provides quick feedback to continually monitor customer experience where low scores can be escalated and a bad customer experience can be turned around. It is also a cost effective process which does not require an external party to manage the process.

3.4 Population and sample

3.4.1 Population

Whittemore (2012) defines the population of a study as the group of individuals about whom the researcher is interested in gaining knowledge.

The population for this study included all banking institutions which offer commercial banking products to customers who are serviced through a relationship manager channel.

3.4.2 Sample and sampling method

The sample used in this study was a subset of the broader population available for this study. This included relationship managers and sales specialists from a commercial banking business unit of a specific bank in South Africa.

Sample data was taken over a 2 year period – 2011 and 2012. Two years worth of data enabled sufficient data to be collected for the statistical analysis and provided variation for the correlation analysis.

Because the data was collected over 2 years, the sample for each period varied slightly. The sample size in 2011 was 1,142 people (n = 1,142) and in 2012, 1,516 people (n = 1516).

To examine employee engagement, employee climate surveys were distributed to employees within the Commercial Banking Business unit of the organisation with offices nationwide. 2,658 employees were employed by the business unit over the 2 year period of the study servicing approximately 30,000 Commercial customers. Of this, 588 were directly involved with servicing customers.

With an average response rate of 88% for the employee survey, 514 relationship managers responded to the survey. Relationship Managers surveyed were from 12 different offices which covered all geographical areas in South Africa. Relationship Managers were assigned to one of 24 cost centres so over the 2 year period, data from 48 cost centres was available for the study. The sample size thus used in this study was the 48 cost centres. The table below summarises the process used to obtain the sample data.

3.5 Procedure for data collection

Employee Engagement

The employee climate survey is run in March every year and is made available to every person in the organisation. Employees were given 30 days to complete the online survey.

5 out of 68 questions from the survey were used to derive employee engagement scores per employee for both 2011 and 2012 and were available to the researcher for the specific business unit in this study via an online tool.

Customer Satisfaction

Specific interactions between the customer and relationship manager which were recorded in the organisations CRM system generated customer satisfaction surveys which were sent to customers via email to complete. The scores were stored in the CRM system and then transformed into NPS scores. This data was available for 2011 and 2012 at an individual, team, cost centre, region and national level.

3.6 Data analysis and interpretation

The survey instruments were designed to measure levels of employee engagement as well as Net Promoter Scores for each individual.

The data collected was analysed using Microsoft Excel together with the Statistical Package for Service Solution (SPSS) and SAS.

Once the responses were collected, descriptive and frequency statistics were run. Sykes (2012) defines regression analysis as a technique for modelling and analyzing data where there is a dependent variable and one or more independent variables. In this study, the objective was to ascertain the causal effect of changes in employee engagement affecting customer satisfaction. To explore this issue, data was collected on the variables and a simple regression analysis was used to analyse the relationship between employee engagement on customer satisfaction. Structural Equation Modelling was done using SAS to explore other relationships between the variables.

3.7 Limitations of the study

- The population of the study was limited to a single segment within a bank in South Africa
- Although customer satisfaction scores were available at an individual level, relationship manager engagement scores were only available at a regional cost centre level. Data was thus used at a cost centre level.
- Demographic information of relationship managers was not made available due to confidentiality so no demographic analysis was possible.
- The banks 5 question methodology used to measure employee engagement is but one of many methodologies to measure and derive engagement scores. Other methodologies might calculate different engagement scores so there is no one common way to measure employee engagement.

- A limitation of the regression technique is that relationships can be identified but we can never be sure about the underlying causal mechanism.
- The knowledge produced might be too abstract and general for application in other scenarios

3.8 Validity and reliability

3.8.1 External validity

External validity refers to whether the findings and results of the research can be generalised beyond the sample data and applied to other people and settings (Tariq, 2009).

Because this research is more of a case study on one bank, the results are possibly not generalisable. However, the internal organisational design, processes and people in banks are quite standardized so some generalisability is possible.

3.8.2 Internal validity

Construct validity

The questions used for the engagement survey were tested for construct and face validity by the Corporate Leadership Council (Council, 2004b) and thus internal validity is accurate.

Content-Related Validity

Content-related validity is similar to face validity requires that the instrument measures what it is supposed to measure. The employee engagement instrument uses 5 questions consistently across the two years to calculate engagement scores and the NPS questions is specific in measuring customer satisfaction as it asks the customer the one NPS question. A sample of 120,000 customer responses was deemed adequate to be representative of the trait being measured.

History

Specific events (in addition to the experimental variable) such as restructures or changes to relationship manager portfolios would need to be considered when analyzing engagement scores as well as customer satisfaction. Due to the customer feedback data being collected over a large period of time, this threat to the internal validity is not strong.

Selection

Due to the procedure of data collection where data was obtained at a regional cost centre level, the random selection of participants across the period of the study resulted in no threat to the internal validity of the study.

Instrumentation

Internal validity regarding the instrumentation was ensured as there were no measurement errors resulting from changes in the calibration of the instruments or changes in the observers, scorers or the instruments itself during the period of the study.

3.8.3 Reliability

Joppe (2000) defines reliability as:

> ...The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Test-Retest Reliability

The test-retest method deals with the consistency of how questions are answered at different times periods (Charles, 1998). The instrument is deemed stable if there is consistency here. Stability produces consistent results which results in a high degree of reliability which means the results can be repeatable.

Advanced statistical analysis of the engagement survey questionnaire post-survey by The Corporate Leadership Council (2004b) confirms a high reliability of the questions and categories. Reliability has also been achieved with no change in the constructs.

Increasing reliability can be achieved by:

- Ensuring all researchers use identical instructions in a survey. This was done during the 2 years of data collection
- Using a large number of questions which will provide a more stable measure of a complex dimension. Only 5 questions were used to derive engagement where more questions could possible improve reliability.
- Reliability may change if observations are made in very different populations, situations or time periods

4 PRESENTATION OF RESULTS

4.1 Introduction

Chapter One established the need for empirical research that would determine the levels of employee engagement linked to customer satisfaction specific to a business unit within a financial services institution. Chapter Two focused on the literature related to employee engagement and how this can impact on customer satisfaction. Chapter Three described the methods and procedures used to determine the overall level of engagement together with customer satisfaction for these relationship managers in the study. This chapter will describe the results of analyses used to examine the research questions.

4.2 Demographic profile of respondents

Due to confidentiality, no demographic information on individual employees was made available by the organisation and the smallest group to conduct statistical analysis on was a cost centre with a minimum of 10 people. The only demographic data available for this study was the geographical region where the relationship manager worked. The relationship managers were located nationwide, with office locations in geographic regions around South Africa.

There are no populations to compare this sample to because no other studies have examined employee engagement specifically among commercial banking relationship managers.

The table below provides a summary of the sample data analysed.

Table 3 – Sample Data Summary

Description	**2011**	**2012**	**Total**
Entire Commercial Banking Division	1142	1516	2658
Relationship Managers/Sales Specialists	238	350	588
Number who completed the employee survey	209	305	514
Response rate	88%	87%	88%
Regions within South Africa	12	12	12
Cost Centres (with 10 or more people in each)	24	24	24
Sample size	**24**	**24**	**48**

The table below explains the number of relationship managers per region over 2 years who had their data used for the study.

Table 4 - Number of Respondents vs geographic location

Region	**Cost Centre**	**No. of employees 2011**	**No. of employees 2012**
Eastern Cape	1	22	24
Free State	2	23	22
	3	21	19
Gauteng East	4	18	18
	5	14	12
Gauteng North	6	13	15
	7	15	16
Gauteng South West	8	16	13
	9	16	14
Tshwane	10	16	19
	11	14	16
KZN	12	19	20
	13	16	16
	14	30	32
Limpopo	15	23	20
	16	11	10
Mpumalanga	17	23	20
	18	21	22
Northern Cape	19	10	10
North West	20	13	13
Western Cape	21	13	14
	22	19	19
	23	11	8
	24	32	34
TOTAL		429	426

4.3 Results pertaining to Hypothesis 1 and 2

The results of the analysis of the effect of employee engagement on customer satisfaction are found below.

Hypothesis 1: Higher levels of employee engagement are associated with higher levels of customer satisfaction.

Hypothesis 2: Higher levels of customer satisfaction are associated with higher levels of employee engagement.

4.3.1 *Employee Engagement scores per geographical region*

Figure 7 below shows the engagement scores for relationship managers for specific cost centres within the various geographical regions. Data was obtained over a 2 year period in 2011 and 2012.

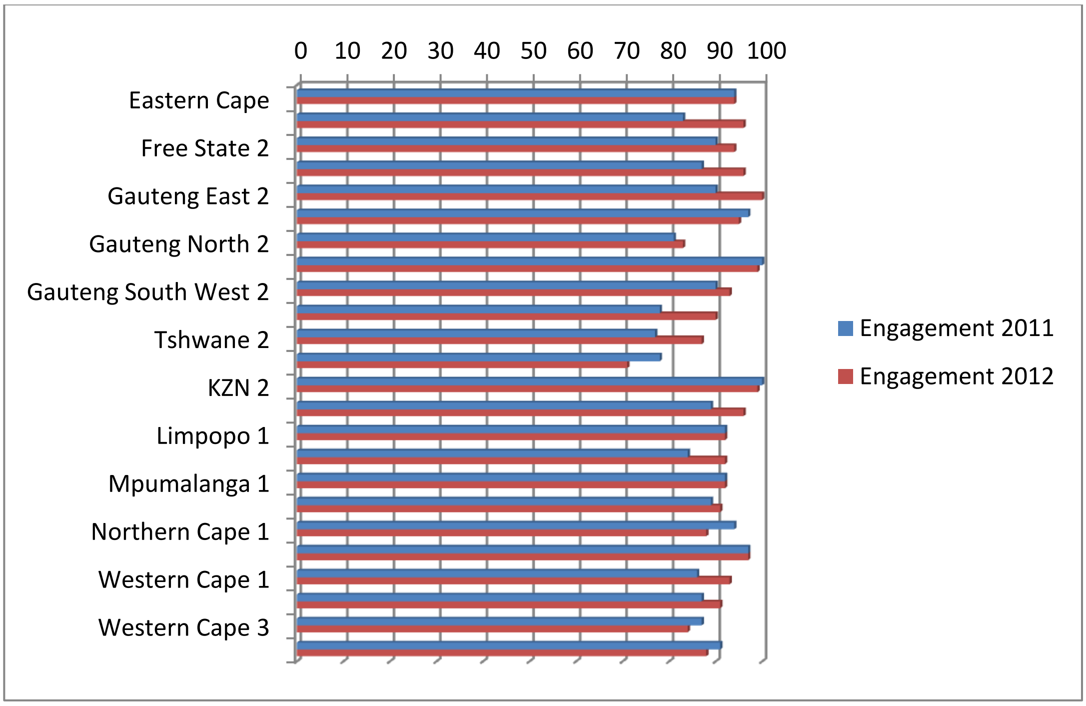

Figure 7 - Employee Engagement scores per geographical region

4.3.1 *Customer Satisfaction results*

Table 5 - Customer Satisfaction Results

Metric	Result	Description
Number of customer visits (submitted Call Reports)	190,181	Total number of customer visits between 2011 and 2012
Draft Call Reports	12,737	Visits (Call Reports) but in a Draft status in the CRM System so no customer satisfaction survey generated
Customers without email addresses	26,977	Customers without email addresses in the system so no customer satisfaction survey generated
Customers who wish to not be emailed	2,134	Customers who have asked to not be sent any emails
Customers where the customer satisfaction survey was not sent	39,302	Customers where the relationship manager chose not to trigger off the customer satisfaction survey email
Sent surveys	120,827	Actual number of surveys sent
Number of responses	6,028	Number of customer responses (5% response rate)

4.3.2 *Customer Satisfaction scores per region*

The customer satisfaction scores were stored against the relationship manager who was linked to a region and this allowed the study to compare customer satisfaction scores per region. Figure 6 shows the customer satisfaction scores for specific cost centres within the various geographical regions where there is representation by relationship managers.

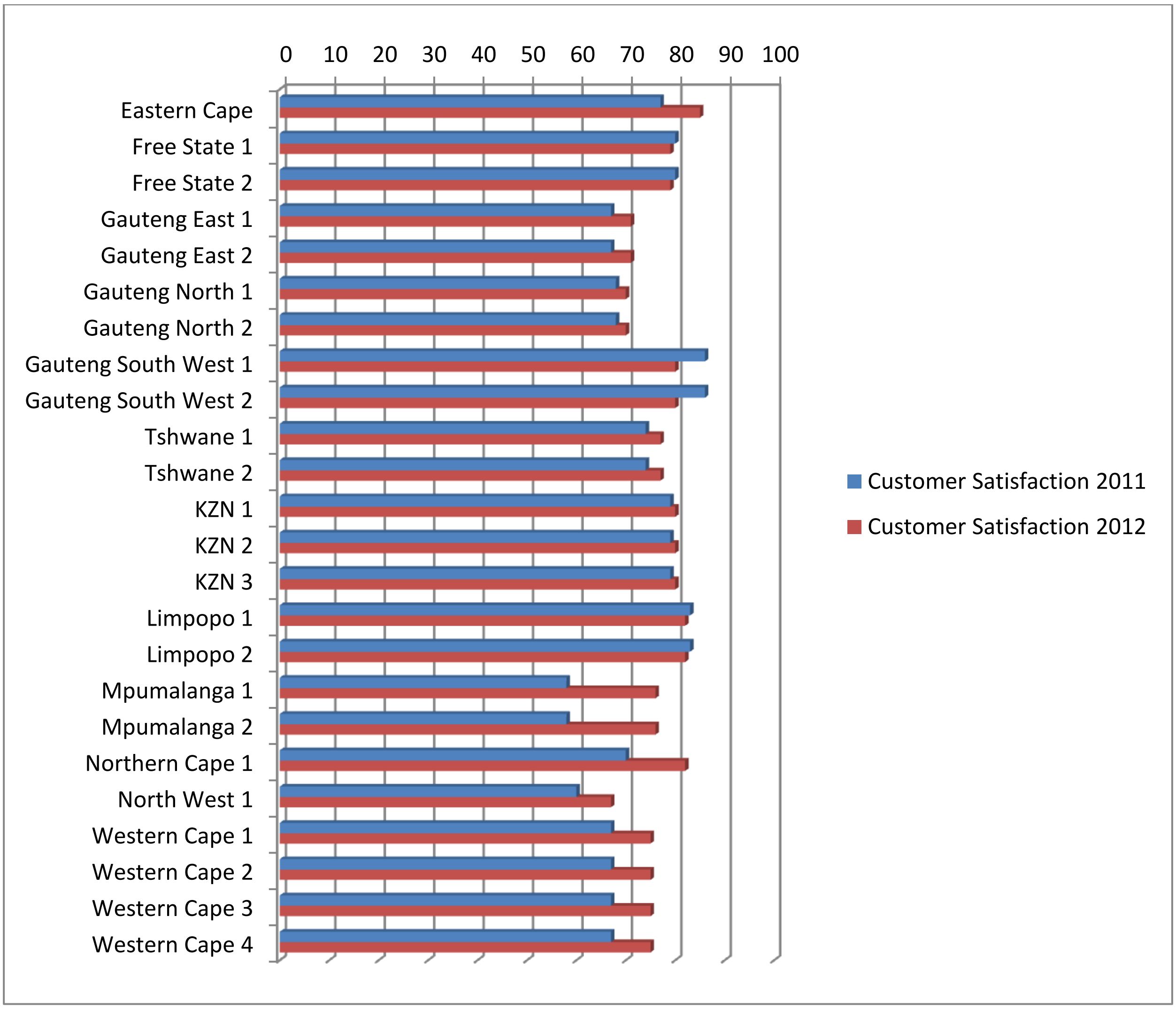

Figure 8 - Customer Satisfaction scores per geographical region

The average scores for customer satisfaction and employee engagement over the two year period of the study can be seen in Table 6. This shows a general trend where employee satisfaction increased year on year as did customer satisfaction.

Table 6 – Average scores across the country

	2011	**2012**	**% change**
Employee Engagement	88.9	91.7	+3.14%
Customer Satisfaction	72.7	76.8	+5.63%

4.4 Statistical Analysis

Statistical Analysis was then performed on the data to determine whether there was an association between engagement and customer satisfaction.

4.4.1 *Descriptive Statistics*

Descriptive Statistics were generated from the datasets using SPSS and were used to determine the main features of the collected data in quantitative terms. They are used to examine the central tendency of the data in terms of mean, median, mode and standard deviation. All the items used in the two instruments were based on percentages. Standard deviation is important as it indicates the deviation from the mean value and it is expressed in the same units as the data. The standard deviation varies from 6.48 to 7.05 which shows that most of the observations fall around the mean value for all the variables.

Table 7 – Descriptive Statistics

Descriptive Statistics – customer satisfaction and employee engagement

Customer Satisfaction		*Employee Engagement*	
Mean	74.75	Mean	90.29166667
Standard Error	1.018664471	Standard Error	0.935394602
Median	76	Median	91
Mode	80	Mode	92
Standard Deviation	7.05751448	Standard Deviation	6.480603903
Sample Variance	49.80851064	Sample Variance	41.99822695
Kurtosis	-0.24153649	Kurtosis	0.653979243
Skewness	-0.586329784	Skewness	-0.788338206
Range	28	Range	29
Minimum	58	Minimum	71
Maximum	86	Maximum	100
Sum	3588	Sum	4334
Count	48	Count	48

4.4.2 ***Structural Equation Modelling***

In order to test the possible explanatory association of engagement on customer satisfaction, a cross-lagged structural equation modelling test was performed as per

Kline (2011). In this test, engagement and customer satisfaction from Year 1 were each allowed to have an effect on engagement and customer satisfaction in year 2. This was therefore a structural equation modelling form of panel regression, however allowing for cross-lags.

The model was initially found to have one substantial outlier. Therefore, instead of deletion, the model was run using the robustness alteration in SAS PROC CALIS.

The final model had acceptable fit, with Chi-square = 3.05(2), p = .22, SRMSR = .08, CFI = .99, NNFI = .96. The parameter decomposition for this model is reported in Table 8 below.

Table 8 – Structural Equation Modelling Results

	Employee engagement 2012			**Customer Satisfaction 2012**		
	B	**SE**	**β**	**B**	**SE**	**B**
Employee Engagement 2011	.61***	.14	.70	.06	.68	.01
Customer Satisfaction 2011	.01*	.01	.18	.37***	.07	.73
R^2		.52			.53	

B = unstandardised coefficients, **β** = standardised coefficients, **SE** = Standard error

*** = p<.001, *p<.10

The results show strong linear relationships between variables in the order of themselves with $\beta > 0.7$.

The results however show no demonstrable association between employee engagement and customer satisfaction one year later.

Interestingly, the $\beta = .18$ $p < .10$ shows that there is a small but non-trivial association between customer satisfaction and employee engagement one year later. This will be discussed later in the discussion chapter.

Investigating differences

The cause of stationarity in employee engagement and non-stationarity in customer satisfaction can be seen in the descriptive stats above. Because customer satisfaction has a higher standard deviation than employee engagement, this meant that employee engagement was centered closer around the mean than customer satisfaction.

In Figure 9 below, it can be seen that there are several areas where customer satisfaction dips, while employee engagement stays relatively constant. This meant that even though employee engagement was high, feedback from the customer was lower. Intuitively, this can be caused by varying expectations from customers in different regions, or the non-availability of suitable solutions, even though the employee tried to find one. This is where theory and knowledge of the company can be valuable to explain causality.

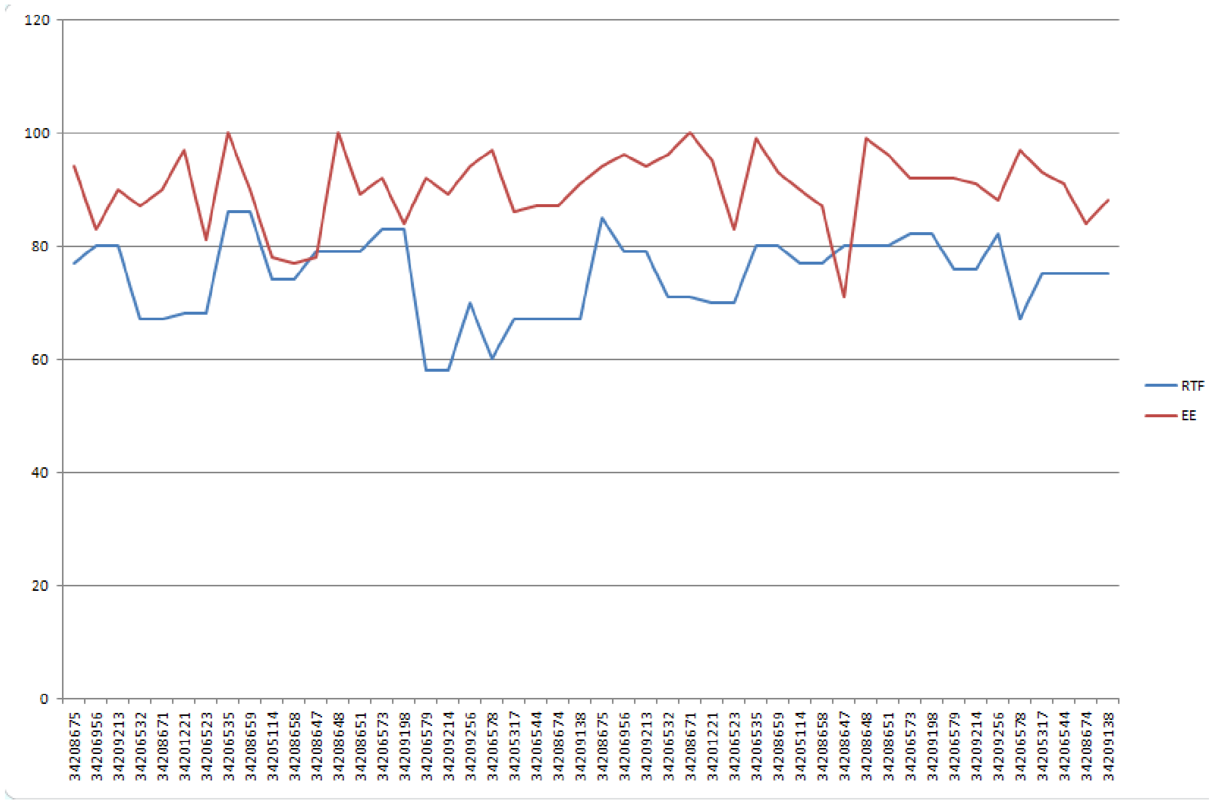

Figure 9 – Customer Satisfaction vs Employee Engagement

Since the data is not a time series, but the results of measurements over various geographical regions at 2 different times, the conclusion is that the trend causing the non-stationarity is caused by these low performing customer satisfaction scores. Note that cost centre numbers were used to distinguish between non-unique names.

4.4.3 *Regression Model*

The data collected was plotted for all of the cost centres in the sample using a two-dimensional "scatter" diagram. Each point in the diagram represents a cost centre in the sample.

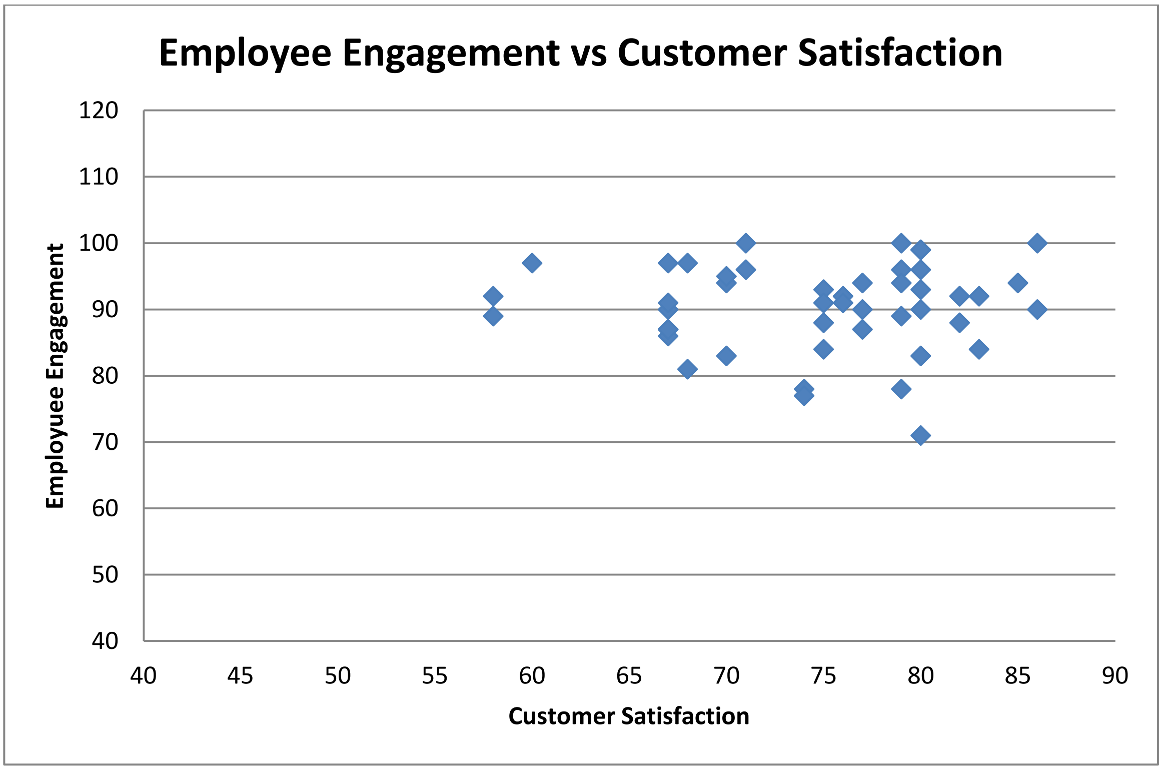

Figure 10 - Scatter Diagram of Employee Engagement vs Customer Satisfaction

Returning to the total dataset, a model was computed for customer satisfaction = employee engagement + error term, which resulted in a statistically significant coefficient of 0.82 for employee engagement. This meant that if employee engagement increases by 1, customer satisfaction will increase by 0.88. However, due to this study only looking at one variable affecting customer satisfaction, there was bound to be autocorrelation. This was confirmed by doing a Durbin Watson test on the model, giving a p-value of 0.003. H0 was therefore rejected: No autocorrelation and could conclude that autocorrelation was present. The result of this was that this model was not able to be used.

To overcome this, the HighDiff binary variable was added to the model. This model has statistically significant coefficients for employee engagement and HighDiff of 0.9 and -13.62. This means that if a region is in the high difference group, its difference is an average of 13.62 higher than those in the low difference group. The interpretation for employee engagement is the same as previous. The coefficient for YearBinary wasn't significant and was therefore excluded. The model without YearBinary is shown below:

Table 9 - Regression model without Binary Year

Coefficients

	Estimate	*Standard Error*	*T value*	*Pr(>[t])*
Employee Engagement	0.90223	0.01327	67.97	< 2e-16***
HighDiff	-13.72959	1.69920	-8.08	2.25e-10***

Goodness of fit

Another common statistic associated with regression analysis is the R^2. R^2 is a measure of the extent to which the total variation of the dependent variable *is* explained by the regression.

The R^2 for this regression was 0.99. The high value of R2 in this case suggests that the regression model explains the variation in the dependent variable (customer satisfaction) well. This is obviously important if one wishes to use the model for predictive or forecasting purposes.

This regression model has an R^2 of 0.99 and does not have autocorrelation at significant levels. A Breusch-Pagan test for heteroschedasticity (inequality of variance) was also performed. This resulted in a p-value of 0.54, which meant that the H0 of homoschedasticity (equality of variances) could not be rejected. It was concluded that the variables used in the model have equal variances and could therefore be used.

Table 10 provides a summary of how the 12 regions reacted to changes in employee engagement.

Table 10 - Regional Analysis of Employee Engagement vs Customer Satisfaction

Employee Engagement	**Customer Satisfaction**	**Regions**
↑	↑	Gauteng South West, Gauteng East, Tshwane, Mpumalanga, Western Cape
↑	↔	Eastern Cape, Gauteng North, KZN
↑	↓	Free State, Northern Cape
↓	↑	Limpopo

4.4 Conclusion

The results of the Structural Equation Modelling show that there are strong linear relationships between the variables in the order of themselves however the results show no demonstrable association between employee engagement and customer satisfaction one year later.

The results of the regression analysis have shown that a model of the effects of employee engagement on customer satisfaction can be obtained and that this model satisfies the assumptions for the indicators to be valid. The results show that there is a positive relationship between employee engagement and customer satisfaction where higher levels of employee engagement result in higher levels of customer satisfaction for the same year. This proves Hypothesis 1 to be true.

The small but non-trivial association between customer satisfaction and employee engagement one year later shows that an increase in customer satisfaction causes an increase in employee engagement. There is thus a positive relationship between these 2 variables and Hypothesis 2 is also proven to be true.

4.5 Summary of the results

The table below provides a summary of the hypotheses and the results from the data analysis.

Table 11 - Summary of Results

Hypothesis	**Result**
H1: Higher levels of employee engagement are associated with higher levels of customer	A 1 percentage point increase in employee engagement will increase customer satisfaction by 0.88 percentage points.

satisfaction.	
H2: Higher levels of customer satisfaction are associated with higher levels of employee engagement.	A small positive association was found where B=.18 p<.10

5 DISCUSSION OF THE RESULTS

5.1 Introduction

The intent of this chapter is to summarize the key findings of the study, present conclusions drawn from the results, and pose implications for future policy, practice, and research.

The first section discusses and draws conclusions about the relationship between employee engagement and customer satisfaction. The second section suggests policy, practice, and research implications for measuring employee engagement in the social work field and for determining what factors may predict levels of engagement.

5.2 Discussion pertaining to Hypothesis 1 and 2

For this study, the measurement of customer satisfaction was performed using Reichheld's (2003) Net Promoter Score where a single question email survey was used to collect scores between 0 and 10 from customers. These were then transformed into NPS scores and rolled up to a cost centre and regional level.

The results from 6028 customer surveys were collected and used in this study. This resulted from 190,000 customer visits during the two year period. The response rate from customers was 5%.

Customer Satisfaction scores were collected from all 12 regions across the country for the 2 year period of the study. The average score for the business unit in this study was 72.7 in 2011 and 76.8 in 2012 showing more than a 4 point increase. These scores were found to be considerably higher than the NPS scores for banks discussed in the literature where highs of 77 could be found but the average was just 17. This shows differences to the literature as customer satisfaction scores for this business unit in this organisation were much higher than the benchmarks discussed in the literature review. This suggests that on average customers were satisfied with the high levels of service they were receiving from their relationship managers and the bank in general.

Measurement and Benchmarking of Employee Engagement

Employee engagement was measured annually by the organisation. Five questions were used as part of the employee climate survey to derive the employee engagement score. This was less than the survey's discussed in the literature review where the Gallup survey used 12 questions and the UWES survey used a minimum of 9 questions.

Another reason for the use of only 5 questions was that the length of the overall employee climate survey was already 68 questions and the organisation felt that additional questions would've made the survey too long possibly resulting in lower response rates. However, the inclusion of additional questions might have given the organisation a more accurate and reliable construct of employee engagement.

Engagement scores increased from 88.9 to 91.7 between 2011 and 2012 showing a general increase of this construct over time.

The study by Richman (2006) showed that many factors including psychological traits contribute to the causes of engagement. Although some of these traits may account for individual differences, when scores are taken at a business unit or organisational level, these personality differences level out.

Discussion of Structural Equation Modelling analysis

The results of the Structural Equation Modelling show that there are strong linear relationships between the variables in the order of themselves (Engagement 2011 vs Engagement 2012) with $\beta > 0.7$. However the results show no demonstrable association between employee engagement and customer satisfaction one year later where $\beta = .01$.

There is a small but non-trivial association between customer satisfaction and employee engagement one year later $B=.18$ $p<.10$. The Service Profit Chain discussed in the literature review states that satisfied and loyal employees can deliver high-quality services which satisfy customers, leading to loyalty and improved business performance. These stats show some possibility of improved business performance leading to more satisfied employees the following year which is a mirror of the Service Profit chain (Heskett & Sasser Jr, 2010).

Discussion of regression analysis

The scatter diagram in Figure 8 suggests that higher values of engagement tend to yield higher values of customer satisfaction. It can be deduced that either the effect of engagement upon customer satisfaction differs across cost centres, or that factors other than engagement influence customer satisfaction. These other factors lead to something called the omitted variables bias where it can now be hypothesized that customer satisfaction for each cost centre is determined by engagement together with certain omitted factors.

These omitted factors were part of the limitations of the study and are backed up by the findings from the literature review where authors such as Levesque and McDougall (1996) discussed multiple factors that had an influence on customer satisfaction. Individual issues could not be controlled for by way of the design in this study since only unit-level data was available.

The analysis performed in this study by comparing engagement data against customer satisfaction data at a cost centre and regional level resulted in a model which displayed a positive relationship between the engagement of relationship managers and the associated satisfaction levels of their customers.

The model, which was derived using a regression analysis found that for every 1 percentage point increase in employee engagement, customer satisfaction will increase by 0.81 percentage points.

$$\boxed{\text{Employee Engagement} = \text{Customer Satisfaction} + 0.81}$$

This result is closely aligned to some of the findings from the literature review. The study by Gates (2003) linking people measures to strategy showed that employees' customer service productivity scores and their employee engagement scores had a correlation of .51. In another similar statistic, Morrison Management Specialists increased client satisfaction by 1 percentage point for every 2 percentage point increase in employee engagement (MediaTec, 2013).

The finding from this study has thus strengthened the theory on which the study was based.

Although there are many reasons for why customers can be satisfied with their bank, this study specifically looked at the effect of employee engagement on customer satisfaction.

Analysing the results across the 12 regions, there were some inconsistencies.

An unanticipated finding was that 3 of the 12 regions had a negative correlation between employee engagement and customer satisfaction. The Free State and Northern Cape had lower levels of customer satisfaction even though their employee engagement scores improved from 2011 to 2012 and Limpopo had a reduction in customer satisfaction but their engagement scores increased.

There are numerous possible reasons why some of the regions showed no change or even a negative relationship between engagement and customer satisfaction. With customer satisfaction scores for this specific business unit being higher than the averages discussed in the literature, customers could have come to expect higher levels of service and any service failures could've resulted in lower customer feedback.

Possible reasons for this are that these are two of the smaller regions where lower staff numbers could have resulted in more varied results. The predominant language spoken by customers in these rural regions is Afrikaans rather than English and typical industry in these areas is farming.

The difference in language spoken between customer and relationship manager introduces a new factor to consider which could affect the relationship between engagement and customer satisfaction. However, in all the literature reviewed, differences in language between the employee and customer were never considered as a factor in the relationship.

Another factor possibly influencing these results was the closure of multiple branches in the smaller towns in these more remote regions. This would've resulted in customers having to travel further to visit their branches or to see their relationship managers resulting in more inconvenience and lower levels of customer satisfaction.

The environment employees work in also has an effect on employee engagement. Managers may be supportive and encouraging with managing their employees, however strict rules, policies and procedures put in place by senior management can result in employees not meeting their desired organisational goals.

Hypothesis 2 showed a small association where customer satisfaction has an impact on employee engagement. The challenge here is how to practically make use of this finding. Positive customer feedback should feed into performance appraisals and compliments should be celebrated and rewarded. Negative customer feedback should result in managers providing constructive feedback to relationship managers and debriefings can be used to identify areas for improvement.

5.3 Implications

The problem this study was trying to resolve was whether there was a real and measurable association between employee engagement and customer satisfaction.

Studies like these are important to the service industry where a better understanding of service and engagement profit chains can yield tangible benefits to organisations.

The implication of the findings suggests different things to the various stakeholders concerned.

With the constant challenge to ensure high productivity levels and sales activity from relationship managers, the role of management in employee engagement has become vital in today's business world.

Senior managers in organisations are responsible for setting the strategy, vision, culture and objectives for the organisation. They need to lead from the front and champion employee engagement for it to really be embraced. Engagement needs to be a part of the culture of the organisation.

Managers then have the important responsibility to effectively communicate strategy, vision, objectives and expectations to their employees so they can be well informed and achieve their full potential.

Managers are responsible for providing relationship managers with the right tools and work environment to be effective in their jobs. They also should to assist employees to develop and improve their skills in an organisation. Constant feedback together with reward and recognition allows employees to know where they stand and where there is room for improvement. Although providing feedback during performance appraisals and recognising employees for good work makes them feel respected and valued, each person’s motivation for work is personal and varies from individual to individual.

A manager’s focus should be on improving and maintaining high standards of engagement as this has been shown to improve employee productivity, reduce absenteeism and generally have more productive staff. This not only has an effect on external customer relationships but engagement can also improve internal working relationships as well.

Management training today should encompass creating an environment which fosters engagement, analysing skill sets, developing and nurturing engaged employees and retaining high potential employees. Management styles also need to be constantly evaluated and they need to evolve as and when necessary to continually improve engagement.

Employee engagement should be seen as a high priority for HR departments as well as leadership teams. Improving engagement should always be part of an organisation's strategy and culture. HR need to understand what managers need to do in order to create sustainable engagement as well as provide a support function to assist them in fulfilling this role.

Looking at the broader context of engagement, organisations need to be aware that developing engaged employees should start the day they get hired. From graduate recruitment through to onboarding of new staff, there are many opportunities to influence engagement.

The implication of this study for relationship managers as found in Hypothesis 1 is that improved employee engagement will result in higher levels of discretionary effort to satisfy customers. This will result in more satisfied customers which should result in better relationships with their customers, additional sales opportunities, improved revenue from the customer and higher retention rates. Hypothesis 2 is then proven where more satisfied customers result in higher levels of employee engagement.

5.4 Conclusion

In summary, this research study has proved the first hypothesis that there is a positive association between employee engagement and customer satisfaction for a customer facing relationship management role within the commercial banking business unit used in this case study. It also proved the second hypothesis where a small but significant positive association was found where higher levels of customer satisfaction resulted in higher levels of employee engagement a year later.

Statistical Analysis resulted in a regression model with equation EE = RTF+ 0.81. For every 1 percentage point increase in engagement, there is a corresponding 0.81 percentage point increase in customer satisfaction.

Not all the data, however, resulted in a positive correlation between employee engagement and customer satisfaction. In 2 of the 12 regions which participated, improvements in employee engagement resulted in a decline of customer satisfaction.

These findings suggest that top management must take an active role in establishing and maintaining a service climate by showing as much support for service as they typically do for sales.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter begins with a summary of the conclusions of the study, includes recommendations by the author and concludes with suggestions for further research.

6.2 Conclusions of the study

Summary of findings:

- The measurement of employee engagement and customer satisfaction is an important metric for an organisation
- For the business unit in scope for this study, it was found that there was a positive association between employee engagement and customer satisfaction.

This meant that more engaged relationship managers would lead to improved customer satisfaction and the converse was also found to be true.

- Although there have been other studies looking at the relationship between employee engagement and customer satisfaction, further research is required to understand this relationship better

The current study has placed the relationship between employee engagement and customer satisfaction in a framework that can facilitate understanding and extend previous findings in this area.

The implications of this finding are that employees, managers and HR practitioners have a clear mechanism to improve customer service in their organisation – to improve employee engagement.

If higher employee engagement results in higher customer satisfaction and with the literature showing that this results in higher profits, then managers and HR practitioners should focus on the drivers of employee engagement and ensure that there is a focus to constantly improve these. This will increase profits, improve retention and reduce turnover.

Engagement is a complex concept which is influenced by many factors. Today's generation of employee is vastly different to a few decades ago. They want to continually learn, be challenged, be empowered and they want a work/life balance. To create and maintain a culture of engagement for the role of a relationship manager, HR and senior managers need to design and implement workplace policies that help attract and retain talented individuals who can assist in growing the organisation.

Employee engagement is an important construct in business which has an effect on multiple key business drivers. It affects staff morale, turnover, productivity, absenteeism and this then affects customer satisfaction, retention, revenue and ultimately profitability. Being able to measure this accurately and consistently will ensure it is an important focus for an organisation and should result in future business success.

6.3 Recommendations

The following are recommendations resulting from the study.

- HR, leaders and managers need to understand the factors influencing employee engagement in their organisation and they have a responsibility to create a work environment that promotes engagement
- Managers and supervisors need to be aware of the mechanisms responsible for customer satisfaction
- Not all customer facing areas in the bank measure customer satisfaction and it is thus recommended that the consistent measurement of customer satisfaction be part of the strategy of every area servicing customers

For Human Resources Practitioners

- The methods used to calculate engagement should be continually reviewed and refined to ensure accuracy and relevancy
- Engagement and customer satisfaction should be consistently measured across all relevant business units in an organisation
- Human Resources to play a greater role in creating the awareness in an organisation around the link between employee performance and its impact on business goals.
- Ensure organisational programs are effective in their influence on customer satisfaction
- Ensure feedback from employee climate surveys enables corrective action to be taken for underperforming areas as this will change perceptions and attitudes of employees which will affect customer satisfaction.

6.4 Suggestions for further research

Future studies in this subject area could look at broadening the population of the study to include other areas in the bank or other organisations who also measure customer satisfaction. Larger sample data would enable further analysis of the employee engagement and customer satisfaction relationship and this would improve the generalisability of the results.

Additional demographic and work life variables such as age, gender, race, office location, job title, and years of service could be used as additional constructs to help explain causality.

Further research into the accuracy and effectiveness of the measurement of both employee engagement and customer satisfaction would also be a valuable research field.

7 REFERENCES

Alarcon, G. M., & Lyons, J. B. (2011). The relationship of engagement and job satisfaction in working samples. *The Journal of psychology, 145*(5), 463-480.

Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: findings from Sweden. *The Journal of Marketing*, 53-66.

Bain. (2012). NPS.

Bates, S. (2004). Getting engaged. *HR MAGAZINE, 49*(2), 44-51.

Baumruk, R. (2004). The missing link: the role of employee engagement in business success. *Workspan, 47*, 48-52.

Baumruk, R. (2006). Why managers are crucial to increasing engagement: Identifying steps managers can take to engage their workforce. *Strategic HR Review, 5*(2), 24-27.

Bei, L.-T., & Chiao, Y.-C. (2006). The determinants of customer loyalty: an analysis of intangible factors in three service industries. *International Journal of Commerce and Management, 16*(3/4), 162-177.

Benjamin, S., William, H. M., Karen, M. B., & Nigel, M. (2009). Driving Customer Satisfaction and Financial Success Through Employee Engagement. *People and Strategy, 32*(2), 22-27. doi: 10.1509/ jmkg.68.4.126.42735.2004-20027-01010.1509/jmkg.68.4.126.42735

Bezuijen, X. M., van den Berg, P. T., van Dam, K., & Thierry, H. (2009). Pygmalion and employee learning: The role of leader behaviors. *Journal of management, 35*(5), 1248-1267.

Board, C. E. (2011). Employee Engagement from https://clc.executiveboard.com

Böckerman, P., & Ilmakunnas, P. (2009). Job disamenities, job satisfaction, quit intentions, and actual separations: Putting the pieces together. *Industrial Relations: A Journal of Economy and Society, 48*(1), 73-96.

Brad Shuck, M., Rocco, T. S., & Albornoz, C. A. (2011). Exploring employee engagement from the employee perspective: Implications for HRD. *Journal of European Industrial Training, 35*(4), 300-325.

Buhler, P. (2006). Engaging the workforce: A critical initiative for all organizations. *SuperVision, 67*(9), 18.

Charles, C. M. (1998). *Introduction to educational research*: ERIC.

checkmarket.com. (2011). Net Promotor Score.

Clarke, D. M. a. N. (2009). Engaging for success: Enhancing Performance through employee engagement.

Coffman, C., & Gonzalez-Molina, G. (2002). *Follow this path: How the world's greatest organizations drive growth by unleashing human potential*: Business Plus.

Comm, C. L., & Mathaisel, D. F. (2000). Assesssing employee satisfaction in service firms: An example in higher education. *The journal of business and economic studies, 6*(1), 43.

Council, C. L. (2004a). Driving performance and retention through employee engagement.

Council, C. L. (2004b). Employee Engagement. from Corporate Leadership Council

Cowton, C. J. (1998). The Use of Secondary Data in Business Ethics Research. *Journal of Business Ethics, 17*(4), 423-434.

Cronin, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. *Journal of Retailing, 76*(2), 193-218.

Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of management, 31*(6), 874-900.

De Cuyper, N., Van der Heijden, B. I., & De Witte, H. (2011). Associations between perceived employability, employee well-being, and its contribution to organizational success: a matter of psychological contracts? *The International Journal of Human Resource Management, 22*(07), 1486-1503.

Den Hartog, D. N., & Verburg, R. M. (2002). Service excellence from the employees' point of view: the role of first line supervisors. *Managing Service Quality, 12*(3), 159-164.

Doucet, L. (2004). Service provider hostility and service quality. *The Academy of Management Journal*, 761-771.

East, R., Romaniuk, J., & Lomax, W. (2011). The NPS and the ACSI. *International Journal of Market Research, 53*(3), 327-346. doi: 10.2501/IJMR-53-3-327-346

Erickson, T. (2005). Testimony submitted before the Senate Committee on Health. *Education, Labor and Pensions, May, 26*.

Ferguson, A. (2007). Employee engagement: Does it exist, and if so, how does it relate to performance, other constructs and individual differences? *online] Retrieved from http://www. lifethatworks. com/Employee-Engagement. prn. pdf*.

Fleming, J. H., & Asplund, J. (2007). *Human sigma: Managing the employee-customer encounter*: Gallup Press New York, NY.

Fornell, C., Johnson, M. D., Anderson, E. W., Cha, J., & Bryant, B. E. (1996). The American customer satisfaction index: nature, purpose, and findings. *The Journal of Marketing*, 7-18.

Gallup. (2002). Gallup Study: Engaged Employees Inspire Company Innovation. *Gallup Business Journal*.

Garber, P. (2007). *50 Activities for Employee Engagement*: Human Resource Development.

Garrity, J. (2010). Drive Customer Loyalty with Net Promoter Score. *ABA Bank Marketing, 42*(9), 30.

Gates, S. (2003). Linking People Measures to Strategy. *The Conference Board*.

Gibbons, J. M., & Board, C. (2006). *Employee engagement: A review of current research and its implications*.

Gillham, B. (2000). *Case Study Research Methods*

Glavas, A., & Piderit, S. K. (2009). How Does Doing Good Matter? *Journal of Corporate Citizenship, 2009*(36), 51-70.

Gronholdt, L., Martensen, A., & Kristensen, K. (2000). The relationship between customer satisfaction and loyalty: cross-industry differences. *Total Quality Management, 11*(4-6), 509-514.

Hakanen, J. J., Schaufeli, W. B., & Ahola, K. (2008). The Job Demands-Resources model: A three-year cross-lagged study of burnout, depression, commitment, and work engagement. *Work & Stress, 22*(3), 224-241.

Hallowell, R. (1996). The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study. *International Journal of Service Industry Management, 7*(4), 27-42.

Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology; Journal of Applied Psychology, 87*(2), 268.

Hauser, R., & Paul, R. (2006). IS SERVICE QUALITY AND CULTURE: AN EMPIRICAL INVESTIGATION. *Journal of Computer Information Systems, 47*(1), 15-22.

Hekman, D. R., Aquino, K., Owens, B. P., Mitchell, T. R., Schilpzand, P., & Leavitt, K. (2010). An examination of whether and how racial and gender biases influence customer satisfaction. *The Academy of Management Journal (AMJ), 53*(2), 238-264.

Heskett, J. L., & Sasser Jr, W. E. (2010). The service profit chain *Handbook of service science* (pp. 19-29): Springer.

Hewitt, A. (2011). Aon Hewitt European Manager Survey. http://www.aon.com/human-capital-consulting/

Hewitt, A. (2012). 2015 Trends in Global Employee Engagement. *Aon Hewitt Corp*, 18.

Hobel, J. (2006). Loyal staff worth the effort. *Canadian HR Reporter, 19*(19), 26.

Howard, D. J., & Gengler, C. (2001). Emotional contagion effects on product attitudes. *Journal of Consumer Research, 28*(2), 189-201.

ISR, T.-P. (2003). Working Today: Understanding What Drives Employee Engagement.

James G. Barnes, D. M. H. (1998). Predictors of equity in relationships between financial services providers and retail customers. *International Journal of Bank Marketing, 16*(1), 15-23.

Johnson, M., & Chadwick, A. (2009). Today's Workplace is. *financial executive*.

Joppe, M. (2000). The research process. *Retrieved February, 25*, 1998.

Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 692-724.

Kerfoot, K. (2008). Staff engagement: it starts with the leader. *Medsurg nursing: official journal of the Academy of Medical-Surgical Nurses, 17*(1), 64.

Klein, H. J., Molloy, J. C., & Brinsfield, C. T. (2012). Reconceptualizing workplace commitment to redress a stretched construct: Revisiting assumptions and removing confounds. *Academy of Management Review, 37*(1), 130-151.

Kline, R. B. (2011). Principles and Practice of Structural Equation Modeling.

Kruse, K. (2012). *Employee Engagement 2.0: How to Motivate Your Team for High Performance*.

Küskü, F. (2003). Employee satisfaction in higher education: the case of academic and administrative staff in Turkey. *Career Development International, 8*(7), 347-356.

Law, K. S., Wong, C. S., & Mobley, W. H. (1998). Toward a taxonomy of multidimensional constructs. *Academy of Management Review*, 741-755.

Ledimo, O. M. (2012). *A diagnostic model for employee satisfaction during organisational transformation.*

Levesque, T., & McDougall, G. H. (1996). Determinants of customer satisfaction in retail banking. *International Journal of Bank Marketing, 14*(7), 12-20.

Levinson, E. (2009). Developing high employee engagement makes good business sense. from www.interactionassociates.com/ideas/2007/05/developing_high_employee_engagement_makes_good_business_sense.php

Lindorff, M., & Peck, J. (2010). Exploring Australian financial leaders' views of corporate social responsibility. *Journal of Management & Organization, 16*(01), 48-65.

Loehr, J., & Schwartz, T. (2003). The power of full engagement: Managing energy, not time, is the key to high performance and renewal: New York: Free Press.

Macey, W. H., & Schneider, B. (2008). The meaning of employee engagement. *Industrial and Organizational Psychology, 1*(1), 3-30.

Martin, G., & Hetrick, S. (2006). Corporate reputations, branding and people management: a strategic approach to HR.

May, D. R., Gilson, R. L., & Harter, L. M. (2004). The psychological conditions of meaningfulness, safety and availability and the engagement of the human spirit at work. *Journal of Occupational and Organizational Psychology, 77*(1), 11-37.

MediaTec. (2013). Engagement Leads to Growth at Morrison. *Talent Management Magazine*.

Men, L. R. (2012). CEO credibility, perceived organizational reputation, and employee engagement. *Public Relations Review, 38*(1), 171-173.

Menguc, B., Auh, S., Fisher, M., & Haddad, A. (2013). To be engaged or not to be engaged: The antecedents and consequences of service employee engagement. *Journal of Business Research, 66*(11), 2163-2170. doi: http://dx.doi.org/10.1016/j.jbusres.2012.01.007

Michèle Paulin, J. P., Ronald J. Ferguson, Ana Maria Alvarez Salazar, Leon Michel Seruya. (1998). Relational norms and client retention: external effectiveness of commercial banking in Canada and Mexico. *International Journal of Bank Marketing, 16*(1), 24-31.

Mittal, V., & Kamakura, W. A. (2001). Satisfaction, repurchase intent, and repurchase behavior: Investigating the moderating effect of customer characteristics. *Journal of Marketing Research*, 131-142.

Perrin-ISR, T. (2004). Engaged employees drive the bottom line.

Perrin, T. (2009). Global Workforce Study 2007.

Plakhotnik, M. S., Rocco, T. S., & Roberts, N. A. (2010). Increasing retention and success of first-time managers: A model of three integral processes for the transition to management. *Human Resource Development Review*, 1534484310386752.

Pont, J. (2004). Are they really 'On the Job'?': Potentials.

Reichheld, F. F. (2003). The One Number you need to Grow. *Harvard Business Review*.

Reichheld, F. F., & Kenny, D. (1990). The Hidden Advantages of Customer Retention. *Journal of Retail Banking, 7*(4), 19-23.

Reio Jr, T. G., Petrosko, J. M., Wiswell, A. K., & Thongsukmag, J. (2006). The measurement and conceptualization of curiosity. *The Journal of Genetic Psychology, 167*(2), 117-135.

Reio, T. G., & Callahan, J. L. (2004). Affect, curiosity, and socialization-related learning: A path analysis of antecedents to job performance. *Journal of Business and Psychology, 19*(1), 3-22.

Review, H. B. (2013). The impact of employee engagement on performance Retrieved from www.hbr.com website:

Rich, B. L., Lepine, J. A., & Crawford, E. R. (2010). Job engagement: Antecedents and effects on job performance. *Academy of Management Journal, 53*(3), 617-635.

Richman, A. (2006). Everyone wants an engaged workforce how can you create it. *Workspan, 49*(1), 36-39.

Robinson, D., Perryman, S., & Hayday, S. (2004). The drivers of employee engagement. *REPORT-INSTITUTE FOR EMPLOYMENT STUDIES*.

Robson, C. (2011). *Real world research: a resource for users of social research methods in applied settings*: Wiley Chichester.

Rollinson, D. (2008). *Organisational behaviour and analysis: An integrated approach*: Pearson Education.

Rust, R. T., & Oliver, R. L. (1994). *Service quality: New directions in theory and practice*: Sage Publications California.

Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology, 21*(7), 600-619.

Schaufeli, W. B., & et al. (2002). The Measurement of Engagement and Burnout: A Two Sample Confirmatory Factor Analytic Approach. *Journal of Happiness studies, 3*(1), 71-92. doi: http://www.springerlink.com/link.asp?id=104910

Schaufeli, W. B., Salanova, M., González-Romá, V., & Bakker, A. B. (2002). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness studies, 3*(1), 71-92.

Schlomer, B. J., & Copp, H. L. (2014). Secondary data analysis of large data sets in urology: successes and errors to avoid. *The Journal of urology, 191*(3), 587-596.

Schmit, M. J., & Allscheid, S. P. (1995). Employee attitudes and customer satisfaction: Making theoretical and empirical connections. *Personnel Psychology, 48*(3), 521-536.

Schoenewolf, G. (1990). Emotional contagion: Behavioral induction in individuals and groups. *Modern Psychoanalysis, 15*(1), 49-61.

Schumann, M. (2010). Engagement through Communication.

Schweizer, L., & Patzelt, H. (2012). Employee commitment in the post-acquisition integration process: The effect of integration speed and leadership. *Scandinavian journal of management, 28*(4), 298-310.

Shaw, K. (2005). An engagement strategy process for communicators-From a brand new report on employee engagement, this six-step guide provides a structured approach to developing an engagement strategy for your. *Strategic Communication Management, 9*(3), 26-29.

Shuck, M., & Herd, A. (2011). *Employee engagement and leadership: exploring the conceptual convergence of two paradigms and implications for leadership development in HRD.* Paper presented at the Proceedings of the Academy of Human Resource Development Americas Conference.

Simpson, E. P. (2006). *Examining employee satisfaction, customer service and customer satisfaction in a retail banking organization.* (Ph.D. 3214499), University of North Texas, United States -- Texas. Retrieved from http://search.proquest.com/docview/305302893?accountid=15083 ProQuest Central; ProQuest Dissertations & Theses: The Humanities and Social Sciences Collection; ProQuest Dissertations & Theses A&I database.

Singh, A. (2010). A study on the perception of work-life balance policies among software professionals. *IUP Journal Of Management Research, 9*(3), 34.

Soldati, P. (2007). Employee engagement: What exactly is it. *Management Issues*.

Stank, T. P., Goldsby, T. J., & Vickery, S. K. (1999). Effect of service supplier performance on satisfaction and loyalty of store managers in the fast food industry. *Journal of Operations Management, 17*(4), 429-447.

Sutton, R. I., & Rafaeli, A. (1988). Untangling the relationship between displayed emotions and organizational sales: The case of convenience stores. *Academy of Management Journal*, 461-487.

Sykes, A. O. (2012). *An Introduction to Regression Analysis*.

Tariq. (2009). Validity in Research Design. from http://www.activecampaign.com/blog/validity-in-research-design/

Taylor, J., & Westover, J. H. (2011). Job satisfaction in the public service: The effects of public service motivation, workplace attributes and work relations. *Public Management Review, 13*(5), 731-751.

Temkin, B. D. (2008). The Customer Experience Journey. *Forrester Research*.

Thackray, J. (2001). Feedback for real. *Gallup Management Journal 15 March 2001 http://gmj. gallup. com/content/811/Feedback-Real. aspx*.

Tims, M., Bakker, A. B., & Xanthopoulou, D. (2011). Do transformational leaders enhance their followers' daily work engagement? *The Leadership Quarterly, 22*(1), 121-131.

Wagner, R., & Harter, J. K. (2007). When There'sa Freeloader on Your Team. *Harvard Management Update, 12*(1), 3-5.

White, B. (2011). Employee engagement report: Research Report, Princeton, NJ.

Whittemore, R. M., G. (2012). Design Decisions in Research. from http://www.esourceresearch.org/Portals/0/Uploads/Documents/Public/Whittemore_FullChapter.pdf

Witt, K. J. (1998). *Best practices in interviewing via the internet.* Paper presented at the Proceedings of the Sawtooth Software Conference.

Wollard, K. K., & Shuck, B. (2011). Antecedents to employee engagement a structured review of the Literature. *Advances in Developing Human Resources, 13*(4), 429-446.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *The Journal of Marketing*, 31-46.

APPENDIX A

Gallup's 12 questions to measure Employee Engagement.

Q01. I know what is expected of me at work.

Q02. I have the materials and equipment I need to do my work right.

Q03. At work, I have the opportunity to do what I do best every day.

Q04. In the last seven days, I have received recognition or praise for doing good work.

Q05. My supervisor, or someone at work, seems to care about me as a person.

Q06. There is someone at work who encourages my development.

Q07. At work, my opinions seem to count.

Q08. The mission or purpose of my company makes me feel my job is important.

Q09. My associates or fellow employees are committed to doing quality work.

Q10. I have a best friend at work.

Q11. In the last six months, someone at work has talked to me about my progress.

Q12. This last year, I have had opportunities at work to learn and grow.