

Is there a link? Employee satisfaction and service quality

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Success in logistics business comes from strategies to ensure that an organization has necessary resources, especially people or employee, which could be utilized to achieve its goals effectively. The current study addressed employee satisfaction toward work-related factors, which could present the effect to service delivery, service cost and service quality in logistics business. Sixty-seven respondents from eight logistics companies in Thailand participated in the study between 2007 and 2008. The result indicated that employee satisfaction toward work-related factors had significant relationships with service quality, service cost as well as service delivery. It indicated that supervision style had the strongest link to service quality while the salary factor was identified as having the lowest influence on service cost and moderate impact on service quality and service delivery. Research implications are also discussed.

Keywords: Service quality, logistics management, satisfaction, motivation

1. Introduction

Employee satisfaction may be viewed as the engine that converts changes in the internal environment to the employee individual performance and service quality that lead to the necessary external customer service improvement as well as customer satisfaction level. Without understanding such fundamentals, it becomes impossible to reveal the potential for business success (Putti, Koontz and Weihrich, 1998). To create employee satisfaction that will result in service quality and organization performance, organization needs to attempt to overcome so many employee various basic needs and requirement. Having employee satisfaction is necessary but never sufficient forever. Since it is generally accepted that human needs is endless. Employee satisfaction often depends on both internal and external factors, tangible and intangible. However, this is generally true that when individual needs are satisfied, employee morale increases (Hurley and Estelami, 2007).

It is difficult to quantify employee satisfaction. Most logistics business organizations focus their attention primarily on external customer satisfaction and contacts that take place between the organization and the external customers. Moreover, they tend to measure only what is easy to measure and quantify, and are reluctant to use soft, qualitative measures. A tendency to measure only what is easily quantifiable (such as financial performance and productivity) even though other aspects such as employee satisfaction and service quality may be crucial to a company's competitive success is equivalent to ignoring the full potential of the business. Like customers, employees engage in numerous encounters to satisfy the

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Piriyathanalai & Muenjohn

many needs they have in the course of carrying out their job responsibilities. These encounters include relationships between employees themselves and their colleagues, their supervisors, their perception of compensation and benefit, growth opportunity in their career path, assigned work responsibilities (Van der Voordt, 2004).

Numerous researches have indicated that job satisfaction has a significant impact on employee retention and quality of life. However, there is still a need to explore more about employee satisfaction, especially its link to service quality in a logistics industry. Human resource is considered as one of the most strategic resources of any organization. Employees are also one of the main highly cost resources of logistics firms in particular. It seems that satisfied employees in these organizations are a critical prerequisite to the satisfaction of external customers as well as their service quality and organization performance (Saura, Frances, Contri, and Blasco, 2008). It is a known fact that recruitment of employees is an expensive, time-consuming task. While attracting good staff is not easy, their retention can be even more difficult. The substantial cost associated with employee turnover is often ignored. New employees require training and guidance, and lack the experience of existing staff. Much of the knowledge gained by existing employees may be undocumented, and is therefore lost when they leave the organization. It is expected that the findings of the current study will contribute to the gap of existing literature by supporting or contradicting the results of previous researches.

The aims of this study were to: a) examine whether there was a relationship between employee satisfaction and their service quality/performance; and b) if there is a relationship, what would be the nature of such relationship. Based on the aims, two major research questions were developed: a) is there a relationship between employee satisfaction and service quality and performance? If there is, what is the nature of the relationship? And b) to what extent do the components of employee satisfaction relate to the dimensions of service quality?

2. Literature Review

Attracting employee satisfaction and motivating them to the extreme service quality and organization performance is important for the success of any logistics business organization. However, many logistics businesses do not pay attention to this efficient driving engine. Nature of the work, working conditions, employment status, job advancement, salary earnings, role and responsibility, supervision of supervisor & etc. provide this link. In the past, employees have been associated with only the old-fashion, traditional definition of "performance", such as punctuality, compliance with organization's policies, rules, regulations, and requirements established by top management (Baki, Basfirinci, Cilingir and Murat, 2009). Today's employees juggle their tasks and, increasingly compete with other employees to become best service quality performers in order to be number one of the organization who wins the best service quality award. The logistics business is one particular business where service quality to customers is recognized as a top business priority.

In an effort to improve such service quality, productivity, profitability and limit job turnover, many logistics business organizations energetically move from behind-the-scenes service providing, boost their employees individual satisfaction with their jobs

Piriyathanalai & Muenjohn

and working conditions, salary, fringe benefits to enhance the organization strength in order to compete with others logistics companies in the business (Saura, Frances, Contri, and Blasco, 2008).

A number of organizations are using monetary and non-monetary motivation tools to enhance productivity. Best performance awards are given to employees as recognition of their productivity improvement. In some organizations, these incentives are paid promptly so that employees can directly relate increased effort to increased earnings. Best performer award, and perfect attendance award are some of the incentives used by a multinational company. Getting people involved and a better organizational climate will certainly lead to productivity improvement. Rigidity of the organization structure, less opportunities for realizing potential, poor morale, and lack of team spirit are some indicators of poor organizational climate.

2.1 Employee Satisfaction

Employee satisfaction— or lack of it – hinges on a productive, fulfilling relationship between staff and management; indeed, the success of any organization depends on staff members who enjoy their jobs and feel rewarded by their efforts. It is an obvious statement but ‘high employee satisfaction levels can reduce employee turnover’ (Hurley and Estelami, 2007). Dissatisfied employees tend to perform below their capabilities, result in high turnover of staff and leave their jobs relatively quickly and are not very likely to recommend the company as an employer to anyone else. On the other hand, satisfied employees are the ones who go the extra mile” to be helpful to customers (Robbins, 2003). When employees are unhappy, a pervasive atmosphere and ill will spread throughout the workplace; customers/visitors feel its sting and everything suffers. Sadly, these employees often direct their unhappiness to their customers.

Too often, attracting and keeping quality employees in order to achieve that goal is swept under the rug. Creating an environment where employees who are “real jewels,” are admired, polished, and appreciated will result in an organization’s enhanced performance. In addition, weeding out the employees who are “fake gems” is necessary to maintain morale of the good performers (Landy, 1989).

The costs associated with low employee morale are expenses associated with decreased productivity, unresolved conflict, and unproductive time spent gossiping and complaining to co-workers or employee turnovers. Employee retention and turnover are the most objective measures of employee satisfaction/dissatisfaction in organizations. The Harvard Business Review reports that a 5% increase in retention results in a 10% decrease in cost and productivity increases ranging from 25% to 65% (Robbins, 2003).

Many organizations feel that employee compensation is the dominant factor in employee satisfaction. Consequently, employers attempt to “buy” employee satisfaction with increased pay and benefits. In today’s competitive business environment, this approach can only be taken so far (Appelbaum, 2005). Fortunately, there is a much less expensive way to create greater employee satisfaction. It is virtually cost free and it increases productivity that significantly improves the “bottom line.”

Piriyathanalai & Muenjohn

A workplace environment that does not understand, appreciate, and foster the need of all employees for recognition, appreciation, and for fair and equitable treatment is one they may see chaos, conflict, confusion and turnover. Employees need to know that they are valuable members of an organization, and are respected for their contributions. There is a psychological contract between an employee and employer. This contract is based on the employee carrying out certain workplace duties in exchange for the employer meeting certain employee needs. An employer has the right to expect that an employee carry out duties in a competent and appropriate manner. The employee needs recognition, and proof of his/her value with satisfactory monetary compensation.

2.2 Service Quality

Jarmo Lehtinen views service quality in terms of “process quality” and “output quality” (Ramaswamy, 1996). The customer judges process quality during the service. Output quality is judged by the customer after the service is performed. The definition of quality as adopted by the American Society is “The totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs.” (Ramaswamy, 1996).

If the experienced service equals the expected service, service quality will be good. On the other hand if the experiences are below the expectations, the customer will probably be unsatisfied and service quality will be lower. Customer perceptions of service quality result from comparing expectations prior to receiving the service and actual experiences with the service. If expectations are met, service quality is perceived to be satisfactory; if unmet, less than satisfactory; if exceeded, more than satisfactory (Chowdhary and Prakash, 2007). The expectations/experiences connection is consistent with Gronroos’s conclusions based on research he performed in Europe.

Quality evaluations derive from the service process as well as the service outcome. The manner in which the service is performed can be a crucial component of the service from the customer’s point of view. Service quality is of two types. First, there is the quality level at which the regular service is delivered. Second, there is the quality level at which “exceptions” or “problems” are handled. Delivering good service quality requires strength at both levels. When a problem occurs, the low contact service firm becomes a high contact firm. Credit card service is a good illustration. Usually, the credit card user has no personal contact with the credit card company. There is contact with the merchant at checkout but not with the credit card company unless there is a problem. The problem may be noticed by the company or by the user, but in either case personal contact between company and customer may result (Parasuraman, 2002).

Service quality assessment is made during the service delivery process, which usually takes place with an encounter between a customer and a service contact person. Customers will compare their perceptions of service received with expectations of service desired. When expectations are exceeded, service is perceived to be of exceptional quality and also to be a pleasant surprise (Edvardsson, 1998). When expectations are not met, service quality is deemed unacceptable. Satisfied quality will be confirmed when expectations are met. Expectations are based on several sources, including word of mouth, personal needs, and past experience.

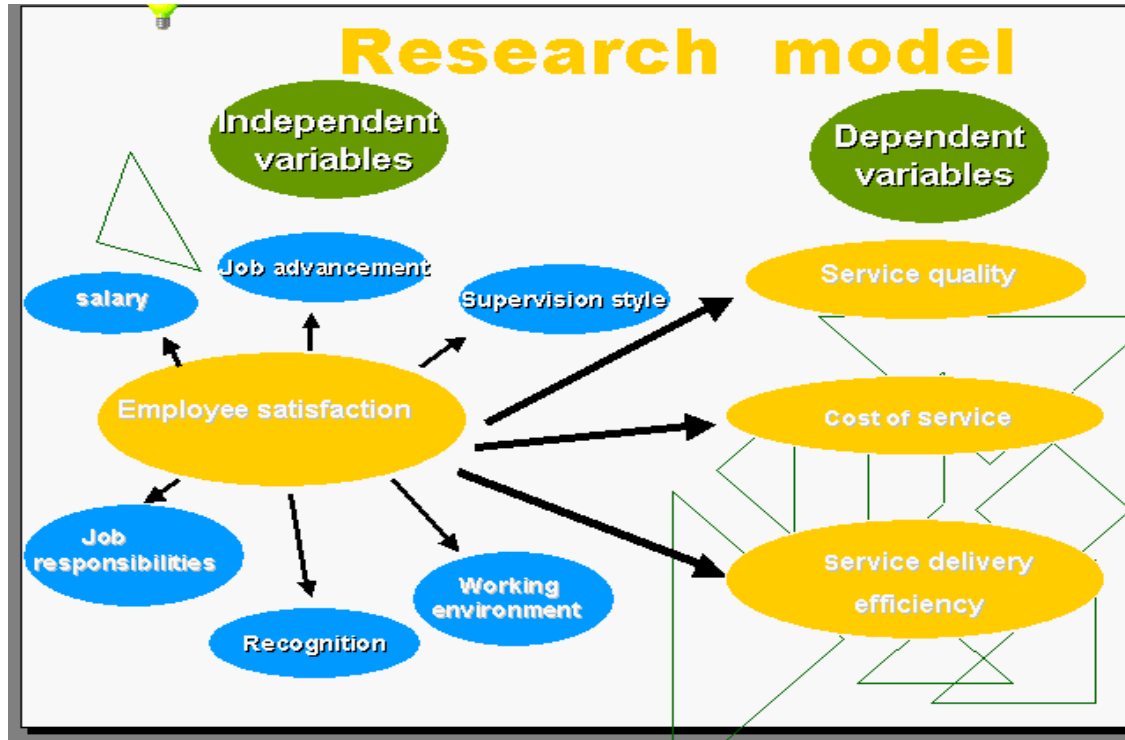
3. Method

The current study identifies six factors that related to employee satisfaction. On the quality dimension, it consisted of three factors, namely cost effectiveness, service delivery and service quality (see Figure 1). More specifically, the research factors consisted of six independent factors and three dependent factors. Six independent factors were divided into three extrinsic motivators and three intrinsic motivators. They are as follows: a) Extrinsic motivators: Supervision style; Salary and Working environment; b) Intrinsic motivators: Job responsibilities; Job advancement and Recognition. With regard to the three dependent factors, they are: Service cost or cost effectiveness; On-time service delivery and Service quality.

Employees within eight logistics organizations, who worked with General Motors (Thailand) in both inbound and outbound logistics function, were selected to respond in which considered sufficient large enough to make analysis. Participants have different backgrounds, educational level, position and age. Everyone primarily involved was asked to respond to research questionnaire.

Data was collected through a self-administered questionnaire. Questions were both closed and open-ended. Respondents were thus given the opportunity to express their thoughts on the last open-ended question as freely as possible. Prior to data collection, quantitative questionnaire was developed for the selected factors in order to analyze the variables. The main battery of these questions were related to employee satisfaction and their service outcome such as service quality, service cost and service performance. There are two reasons behind the use of such quantitative measures. First, they are likely to facilitate cross-factors comparisons that are to follow, comparison between scores is easily done and outlined immediately attract the investigator's attention. Second, multiple factors with scales provide the investigator with more confidence in the validity of the measure. This is especially important since only one investigator performed data collection and analysis, which enhance the risk of bias in the interpretation of data.

Figure 1: Research Model



The first part of questions was for respondents' personal data. It consists of six questions that were gender, position level, working department, educational level, age and working experience. The second part was questions that related to research factors. 29 questions were initiated by both independent and dependent factors. Based upon the review of literature, three hypotheses were developed:

H1: There is a positive and significant relationship between employee satisfaction and service quality.

H2: There is a positive and significant relationship between employee satisfaction and cost effectiveness.

H3: There is a positive and significant relationship between employee satisfaction and on-time delivery.

4. Results

4.1 Participants

A total of 67 questionnaire considered as acceptable and usable were returned, which was 78 percent of the total number of respondents. 67 % or 45 were male and 33% or 22 were female. 52.2% of respondents' education level was below Bachelor's degree, followed by 38.8% at Bachelor's Degree level, and 9% as Master's Degree level or higher. Most of respondents' age was between 20- 30 years old, representing 56.7% of total. Response to the working experience result, the largest percentage of respondents, 83.6% reported having less than 5 years. Of the people responded, 7.5 % identified themselves as managers level or above; 23.9 % as supervisor and 68.6 % as staff.

4.2 Employee Satisfaction and Service Quality Factors

As on the scale of the survey form, it consists of a five-point semantic differential scale ranging from “1=strongly agree to “5=strongly disagree”. According to Table 1, the mean scores of six factors relating to employee satisfaction were reported as; Supervision Style (x = 1.99), Working environment (x = 2.24), Job responsibility (x = 2.36), Recognition (x = 2.38), Job advancement (x = 2.60), Salary (x= 2.81). On the service factors, the mean of the Service quality factor was 1.73, On-time cargo/service delivery was 1.79, and Cost effectiveness was 2.14.

Table 1: Mean and Standard Deviation of Nine factors

No	Research Factors	Mean	Std.
1	Supervision style	1.99	0.58
2	Working environment	2.24	0.65
3	Job responsibility	2.36	0.65
4	Recognition	2.38	0.57
5	Advancement	2.60	0.66
6	Salary	2.81	0.81
7	Service quality	1.73	0.63
8	On-time/service delivery	1.79	0.66
9	Cost effectiveness	2.14	0.45

Note: 1 (strongly agree); 2 (agree); 3 (neither); 4 (disagree); 5 (strongly disagree)

4.3 Relationships between Employee Satisfaction and Service Quality

The correlation results indicated that there are significant relationships between employee satisfaction and service quality, cost effectiveness and on-time delivery. More specifically, there is a positive and significant relationship between employee satisfaction and service quality (fully supported H1). There is a positive and significant relationship between employee satisfaction and cost effectiveness, in exception of the salary factor (partially supported H2). There is a positive and significant relationship between employee satisfaction and on-time delivery (fully supported H3).

The findings demonstrated that how employee satisfaction link to service quality, service cost, and service delivery performance. As a result of the correlations, attention to employee satisfaction on supervision style factor was the first priority because supervision style not only had an impact on service quality but also had an impact on on-time cargo/service delivery as well as service cost effectiveness. Salary was identified as the lowest impact on service cost effectiveness but moderate impacted on service quality and on-time cargo/service delivery.

Piriyathanalai & Muenjohn

Table 2: Correlation results between employee satisfaction and service quality

Research Factors	Cost Effectiveness	On-time/Service delivery	Service quality
Supervision style	.443**	.598**	.668**
Salary	.238	.367**	.319**
Working environment	.471**	.333**	.420**
Job responsibility	.435**	.486**	.416**
Advancement	.434**	.507**	.440**
Recognition	.405**	.310*	.340**

*** Correlation is significant at the 0.01 level (2-tailed), * Correlation is significant at the 0.05 level (2-tailed)*

Working environment significantly affected towards cost of service the most but not much affected with on-time cargo/service delivery. It had moderate impact on service quality. Job responsibility had the most correlation with on-time service delivery followed by service cost and service quality respectively. Job advancement correlated with on-time cargo/service delivery at the strongest level. Service quality and service cost was moderate and lowest correlation by job advancement. Recognition correlated with cost of service the most and followed by service quality and on-time service delivery.

5. Discussion

From the nature of all employee satisfaction relationship factors with the three outcomes, supervision style was the most agreeable factor by the most of respondents that it had an impact on an outcome which was the service quality, service cost and service performance. The supervision style of supervisors can be spread and affected employee personality, workplace atmosphere and customers. Sometimes the supervision style can further lead to an organization image. Of course, it is more or less affect growth and organization survival finally.

Working environment was number two consequence of employee satisfaction as agreed by the respondents that its relationship with cost of service was the highest. A poorly designed workplace, for example, could lengthen time in response to customers' requirement. How does the working environment affect cost of service and service quality?

With improper working environment design, employees have to run around their offices in order to accomplish only one task, for example. Taking time would be one day possibly instead of only one hour, that is cost of service has increased. Its impact will also link to service quality and on-time service delivery.

For job responsibility, respondents agreed its relationship with service performance was the highest. It is natural that employees who are assigned heavy workload beyond their capability to properly handle would deliver service with decreased efficiency.

The recognition factor showed meaningful impact on service cost. Without recognition, employees may not feel appreciated, hence may perform their duty with no inspiration, thus not much concern about the cost of delivery.

Piriyathanalai & Muenjohn

Job advancement was ranked the fifth as respondents agreed that it had the strongest relationship with service performance. Job advancement serves as a 'carrot' - an award to be given out in the future as a result of today's hard work. It could boost morale and motivate employees to work hard and be willing to efficiently deliver their services to customers.

Salary was the last factor to which 44.3 % of respondents in average agreed that its impact on the service performance was the most but had no relationship at all with cost of service. 2.8159 of salary mean presented it as the last factor within the six-employee satisfaction factors agreed upon by the respondents.

The result of this study provides concrete evidence that each employee satisfaction factor has a different degree of impact on service quality, service cost and service delivery time. It is evident that any logistics organization demanding good service quality, high cargo/service delivery efficiency and low cost of service from employees should pay attention to their employee satisfaction. Despite their 'intangible' nature, the result shows that these service outputs are driven by employee satisfaction. Ignoring employee satisfaction therefore implies ignoring a large amount of the organization's bottom line result. Taking care of employee satisfaction, on the other hand, requires supervisors' and managers' art and skills in 'motivation management'. Generally, the results seem to support the notions and findings reported in previous researches such as in Saura et al (2008) and Chowdhary and Prakash (2007).

As competition intensifies, logistics business, as well as any other service-related business, is looking harder to find solutions to the above problems quality, efficiency and cost. Within such a business environment, the first and most difficult step towards skillful 'motivation management' to address the issue of employee satisfaction for most managers and supervisors is the need to accept the fact that employee satisfaction as well as any other issues concerning human behavior significantly relates to individual feelings and emotions rather than any systematic, mechanistic tools operating by rules of cause.

Given one common situation, different individuals can still perceive different aspects of the situation; thus employee satisfaction is an issue that requires supervisors' and managers' constant and personalized attention. On the other hand, many managers and organizations may realize the impact of employee satisfaction on performance but sometimes may not perceive it as an issue of top priority requiring immediate attention, as certain more tangible issues they are dealing with on a daily basis may present themselves as more urgent, pressing needs. Though addressing employee satisfaction components may not guarantee service quality, cost of service and cargo/service delivery efficiency, focusing on employee satisfaction improvement, could potentially address a number of other seemingly tangible causes.

6. Conclusion and Limitation

The current study aimed to address two major research questions; is there a relationship between employee satisfaction and service quality and performance? If there is, what is the nature of the relationship? And to what extent do the components of employee satisfaction relate to the dimensions of service quality? Of three

Piriyathanalai & Muenjohn

hypotheses proposed, two hypotheses were fully supported and one was partially supported. In short, the results seem to indicate that employee satisfaction significantly relate to the service quality, cost effectiveness and on-time delivery provided by the logistics firms studied in this research.

Similar to other studies, this research has its own limitations. The research was conducted with a sample size of only 86 respondents in 8 logistics companies in Thailand. The results, therefore, could not represent the entire industry. It also presents a certain limit on insights of the data and requires further in-depth studies with larger samples from a variety of logistics service organizations. Future research should address this point by including larger sample size of research population from more diversified organizations. In addition, the research findings were based on lateral relationship between employee satisfaction and service quality, service cost and service delivery efficiency and it was not a causal effect. As a result, the findings did not indicate the cause-effect relationship among the interest variables. Future research might consider examining the cause-effect relationship between employee satisfaction and service quality.

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Piriyathanalai & Muenjohn

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