

IMPACT OF EMPLOYEE MOTIVATION ON CUSTOMER SATISFACTION: STUDY OF AIRLINE INDUSTRY IN PAKISTAN

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Abstract

Employees are the most important factor in the success and failure of any organization. The airline industry is a service industry that sells seats to its passengers therefore employees motivation towards their job plays a very important role in serving the customer's needs. This study focuses on the impact of employee motivation and its components e.g. work environment, pay and benefits, management systems and organizational vision on customer satisfaction in the airline industry of Pakistan. Correlation and regression analysis is used for this analysis. Results show that employee motivation as well as its four components e.g. work environment, pay and benefits, management systems and organizational vision have a significant positive influence on customer's satisfaction. Those employees who have direct interaction with customer satisfaction highly influence the customer satisfaction level. It is evident from results that pay and benefits plays key role in motivating employees towards their organizational goal of higher customer satisfaction.

Keywords: Employee Motivation, Customer Satisfaction, Work Environment, Pay and Benefits, Management Systems and Organizational Vision

1. Introduction

Employees play a vital role in shaping the perception customers carry in their minds with regard to any company through their actions and behavior. Companies spend large amounts of money to create customer loyalty but often ignore the critical aspect of enhancing employee motivation in order to achieve their financial and nonfinancial goals. In the conditions of intense competition that companies operate in today, employees can play a very important role in winning customers' hearts and minds.

With the emergence of globalization, competition for companies has reached a higher level as companies are exposed to other companies not only within their own countries but also around the world. Organizations are investing heavily in acquisition of advanced technologies, developing new processes, and introducing new products to serve their customers. Organizations have set up new departments and hired consultants to develop strategies for competing effectively in the global market. Every day we come across new promotional schemes operated by companies to stay ahead of competition. At the same time many organizations focus on their employees to gain a competitive edge, as technology, processes and organizational structure can be copied but the value that competent and dedicated employees can bring to companies cannot be easily taken away. These facts make employee motivation as one of important determinant of customer satisfaction.

Employee motivation is affected by both personal characteristics as well as workplace environment. Organizations benefit from "engaged workers" in a number of ways. Two-way communication helps to shape employee perceptions and aid the company in understanding employees better. Employee satisfaction has positive influence on customer satisfactions in the service industry (Harter, Schmidt & Hayes, 2002).

As compared to marketing campaigns launched by a company to attract customers or build brand impression, customers are more influenced by the employee's behavior when they interact with the customer. One of the key concepts in marketing is customer satisfaction which is an important factor in theory as well as practice. Hays and Hill, (1999) claimed that customer satisfaction is difficult in services from manufacturing due to direct interaction of employee and customers which resulted in inconsistency and intangibility of services. They claimed that employee motivation is important determinants of service quality which leads to customer.

For centuries humans have nurtured the desire for flying in the air. In the 19th and 20th century it was proven that humans could fly in an aircraft. Now in the 21st century millions of passengers travel around the globe with the help of thousands of aircrafts. Hundreds of airlines are operating worldwide to transport passengers across the world and also earn profits in the process. The aviation industry has not only helped man to fly but it has also facilitated economic growth, international relations, as well as international trade and tourism. In short, aviation is one of the major contributors to globalization. The cost in airline industry has increased by many fold due to high fuel prices, 9/11 incident which posted security threats, global economic crisis since the last decade. Therefore, many airlines faced huge financial losses in recent years. This makes airlines very careful and competitive. Customer satisfaction becomes the one of main competitive edge for industry.

This paper makes an attempt to find influence of employee motivation and its component on customer satisfaction in the airline industry of Pakistan. The remaining of paper is organized as follow; chapter 2 explains literature review, chapter 3 show theoretical frameworks, chapter 4 discusses methodology, chapter 4 reports results and discusses results. Finally, chapter 5 make conclusion.

2. Literature review

Companies conduct market surveys to investigate the preferences of the customers in a competing business environment. Frank and Enkawa (2007) established that companies conduct surveys on routine basis to know customer's priorities. Gilbert and Veloutsou (2006) revealed that to compete in today's business world organizations are monitoring the customer satisfaction level so that service quality can be improved continuously. Yang and Peterson (2004) found that improved customer satisfaction can lead to customer's loyalty. Employees must possess the required knowledge and skills while answering customer queries. In this way employees can contribute to customer satisfaction with their service.

Customers evaluate service outcomes on the basis of their prior expectations and given specifications of a product. Service outcome could be positive or negative based on a comparison between actual service provided and customer's expectations. Customer's perceived value is a significant factor that influences customer satisfaction (Yang & Peterson, 2004).

A large number of companies neglects to evaluate employee's motivation level while conducting customer satisfaction surveys however many studies have confirmed that employees are internal customers and their satisfaction contributes to the overall customer's satisfaction and organizational performance (Chen, 2011). In service sector excellent service quality is the core of customer satisfaction whereas motivated employees are essential for improving the quality of service (Chen, 2011). Employees must have the ability to understand and solve specific needs of the customer in a courteous manner.

Motivated employees can bring better results as compared to unsatisfied employees. Employees perform their duty efficiently when they feel satisfied from their company (Zerbe et al, 1998). Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm which will benefit the organization in the long run as it improves employee efficiency and quality of the service. Gittel, Nordenflycht, and Kochan (2004) warned that it must be kept in mind that minimizing the employee cost may lead to lower employee productivity and service quality.

To achieve higher service quality and employee productivity organizations must develop an encouraging work environment where employee contribution in problem solving and achieving organizational goals is appreciated. Simon and DeVaro (2006) found that companies can motivate their employees by offering good salaries, organizational culture and growth opportunities. By motivating employees towards their work companies can enhance their employee's productivity resulting as improved services and products to satisfy customer's demand.

Fulmer et al (2003) described that attitude of the employees while dealing with customers can impact the customer's satisfaction level positively if they are able to satisfy the customer exert efforts to satisfy them. A number of studies have been conducted to identify employee's impact on customer's perception that builds brand image. Employees that provide direct service to the customers are a strong medium in building brand image. Employee motivation

towards their job can have a vital impact on service quality and customer's satisfaction level (Gittell & Weiss, 2003). Studies have been done on evaluating the employee's impact on company's performance and the results often showed a positive relationship between the employee's attitude and the company's performance. Companies that are perceived as best companies motivate their employee's attitude by attracting them towards different advantages (Simon & DeVaro, 2006).

In order to promote service sector the customer service has played very important role in customer satisfaction. The importance of employee motivation is much more central in the service industry as compared to other industries due to the direct interaction between employees and the customers. To achieve higher customer satisfaction level and productivity particularly in the service industry the motivation of employees and their engagement with the organization is very essential (Harter, Schmidt & Hayes, 2002). Theories and models that are developed for tangible products do not apply in the service industry. Anderson and Fornell, (2000) argued that the role of intangible assets like knowledge, systems, customer Relationships, etc. is very vital to compete in rapidly changing economic world. Best companies achieve higher customer satisfaction by keeping their employees motivated and happier with their work, as motivated employees offer better services to the customers. We can conclude from the results of the study that strategic human resource can play an important role in improving a firm's performance (Simon & DeVaro, 2006).

Frontline employees should have positive interaction with customers as it will have impact on overall evaluation of the service quality. It is suggested that interaction of frontline employees can bridge various facets of service lapses (Houston, Bettencourt & Wenger, 1998). In the airline industry employees can impact service quality directly or indirectly through their interaction with customers. Due to its service-intense nature of the airline industry, the high labor cost and union representation in the airline industry, the relationship between employees and the airline is very important.

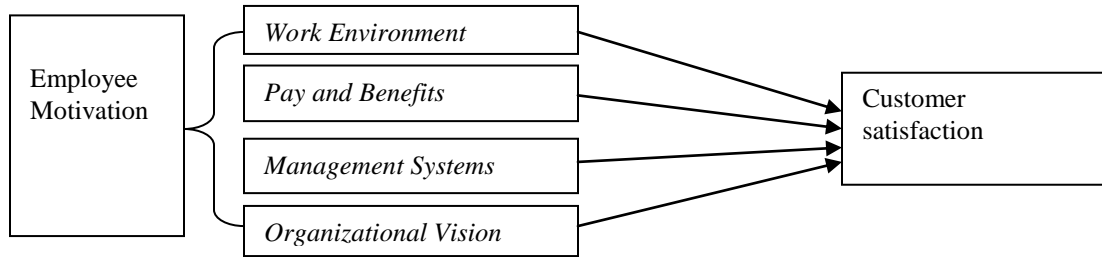
Airline employees can impact the performance of an airline in a number of ways. Different researchers have evaluated service quality of airlines in different categories. Some researchers have grouped airline service quality into four categories (price, service, choice and schedules) while some other suggests only three (price, safety and timeliness). Hallowell (1996) found that by creating value for money South West airlines has maintained low employee turnover rate and high employee productivity.

Chang (2011) found that with increase in customer awareness towards service quality the competition between airlines has become tough. These days high quality services are offered to the customer's by airlines to attract them in a highly competitive market. Therefore it is very important for an airline to maintain and improve service quality. Airlines that provide a learning and supportive environment to the employees with low level of conflicts between employees and management are perceived to have greater performance. In airlines employee wages have a strong relationship to employee productivity which leads to customer satisfaction (Gittell et al., 2004). Employees can get suitable employment contracts through collective bargaining resulting in an overall higher cost base structure for the airline. In the airline industry employees can create service disruptions and strikes which can increase airline costs and will impact productivity as well. Higher wage structure agreed through bargaining can impact productivity as well as financial performance of the airline (Gittell et al., 2004).

To increase market share and profitability in a competitive environment airline needs to introduce new ways of building a loyal customer base (Yang and Peterson, 2004). Southwest airline creates value for employees by focusing on cornerstones of employee-relations approach "LUV" and the "FUN". This shows respect for employees and encourages them to enjoy their work. Success of Southwest Airlines is dependent on its employees who deliver superior quality services at low cost. Southwest creates a competitive advantage by adding value through employees (Hallowell, 1996). In evaluation of airline service quality on the basis of SERVQUAL method, price is a very important factor in evaluation (Chang, 2011). However soon airlines realized that price war will leave them at no-win position in the longer run. This is mainly because airlines are very sensitive about competitor's price changes. Therefore, customer satisfaction becomes main competitive advantages for airlines.

3. Theoretical Framework

Figure-1



4. Research Hypothesis

- H 1: There is a positive influence of employee motivation on customer satisfaction.*
- H 1a: There is a positive influence of work environment on customer satisfaction.*
- H 1b: There is a positive influence of pay and benefits on customer satisfaction.*
- H 1c: There is a positive influence of management systems on customer satisfaction.*
- H 1d: There is a positive influence of organizational Vision on customer satisfaction.*

5. Methodology

5.1 Sample and instruments

This study analyses influences of employee motivation and its four components on customer satisfaction in airline industry. Employee motivation questionnaire is partially taken from Chen, (2011) and modified where required while customer satisfaction questionnaire is self developed. Therefore, data is collected from one leading private airline operating in Pakistan. This airline has is providing services to many customers. The data collection process has two phases, one data collection from employee where only front office staff and employees having direct contact with customers such as flight attendants and passenger handling service employees are chosen because of their direct impact on customer satisfaction. Flight attendants provide in-flight passenger service to the passengers whereas passenger handling service employees serve customers on airports at departure and arrival points. The questionnaires are collected directly by the researcher to ensure anonymity. One hundred questionnaires are filled by the employees of the Airline. The second phase is to get questionnaire filled from customers of the airline. Customers are chosen at random and one hundred questionnaires are filled. The detailed demographics are reported in table 1.

<Insert Table 1 here>

5.2 Methodology

SPSS version 17 statistical package is used to analyze the questionnaire data. Initially, the Cronbach’s alpha is used to test validity and reliability of employee motivation and customer satisfaction. Later, Pearson correlation analysis and regression analysis is used to test the relationship between employee motivation (independent variable) and customer satisfaction (dependent variable) respectively. This techniques is also repeated to test influence of four components of employee motivation i.e. work environment, pay and benefit, management system and organizational vision (independent variable) on customer satisfaction (dependent variable)

6. Results and Discussion

Table 2 shows that the survey questionnaires have 23 items for employee motivation and 24 items for customer satisfaction. The results indicate that Cronbach’s alpha of employee motivation is .727 and customer satisfaction is .751 which is an acceptable level of reliability. The detailed results are reported in table 2.

<Insert Table 2 here>

Table - 3 gives the results of correlation analysis which establishes the relationship between variables. Correlation results show that employee motivation has 0.704 correlations at significant level of < 1% with customer satisfaction which means 70.4% correlation with each other. Component wise analysis shows that all components such as work environment, pay and benefit, management system and organizational vision have a positive significant relationship with correlation of .334, .592, .482 and .473 respectively at a significant level of < 1%.

<Insert Table 3 here>

Table-4 shows the result of model summary and evaluates the model for fitness. Samontaray (2010) stated a higher value of R squared shows that the model is stronger. Results of the study show that R squared is 0.495 which means that 49.5% of the model has been explained. Adjusted R squared value is .490 which is close to R squared value. This level of predictability is low but we know customer satisfaction is also affected by many other variables. However, in this analysis we are only taking into consideration employee motivation. So this level of predictability is sufficient. Durbin-Watson test is used to check the problem of auto-correlation in the data used. When the value of Durbin-Watson is close to 2, it confirms that there is no auto-correlation in the data (Samontaray, 2010). In this study Durbin-Watson value is 2.036 which is close to 2 and confirms that there is no auto correlation in the data.

<Insert Table 4 here>

ANOVA results are given in table-5 According to Samontaray (2010) the model that has a large regression sum of squares in comparison to the residual sum of squares shows that most of the variation in the dependent variable is considered in the model. When the significant value of the F statistic is less than 0.05 then the independent variables explain dependent variables in an excellent way. The results of this study show that the regression sum of squares is just under the residual sum of squares in employee motivation. In our analysis our main hypothesis regarding employee motivation and customer satisfaction has 96.215 F value at significant level of less than 1%. Therefore, the model is fit to be used.

<Insert Table 5 here>

Table- 6 indicates results of regression analysis. The results show that t-value = 9.809 at significant level of less than 1%. Therefore, hypothesis H1 accepted and it concludes that employee motivation has a significant positive influence on customer satisfaction in the airline industry of Pakistan. The results of the study are consistent with Gittell, (2003) and Simon and DeVaro (2006) that organizations motivate their employees by offering financial as well as non financial benefits.

<Insert Table 6 here>

Table-8 shows Component wise Coefficients results of the study. Results show that work environment has t value = 2.818 at sig level .006. Therefore, hypothesis H1a is accepted and it shows that the work environment has a significant positive influence on customer satisfaction in the airline industry of Pakistan. The results of pay and benefits show that t value = 3.039 at sig level .003. Therefore, hypothesis H1b is accepted and it shows that Pay and benefits has significant positive influence on customer satisfaction in airline industry of Pakistan. The results are consistent with Simon and DeVaro (2006) who also found positive impact of pay and benefit on customer satisfaction. The results of Management systems show that t value = 2.023 at sig level .046. Therefore, hypothesis H1c is accepted and it shows that management systems have a significant positive influence on customer satisfaction in the airline industry of Pakistan. Results show that organizational vision has t value = 3.498 at sig level .001. Therefore, hypothesis H1a is accepted and it shows that organizational vision has a significant positive influence on customer satisfaction in airline industry of Pakistan. Results confirms that the five hypotheses are accepted which show that employee motivation and its four components have a significant positive influence on customer satisfaction (dependent variable).

<Insert Table 7 here>

<Insert Table 8 here>

<Insert Table 9 here>

7. Conclusion:

The results show that employee motivation as well as its four components i.e. work environment, pay and benefit, management system and organizational vision has major contribution in satisfying airline industry customers. Employee motivation can therefore be utilized to gain customer satisfaction. Those employees who have direct interaction with the customer are highly influence the customer satisfaction level. Customers evaluate airline services by the behavior and performance of its employees. It is evident from results that pay and benefits play a key

role in motivating employees towards their organizational goal of higher customer satisfaction. Management must consider factors of employee motivation while planning and introducing new services. Service managers should do all they can to manage the employees motivation level to enable them to deliver the promised services. This study highlights the requirement of introducing employee motivational programs aimed at improving employee motivation towards their organizational goals.

This study investigates employee contribution in the success of services offered by airline industry in Pakistan. The results of study provide a better picture to management to evaluate employee motivation level in order to improve their customer satisfaction. This study analyzed the impact of employee's motivation level as a whole as well as its different components in comparison to customer satisfaction level. Results of the study also provide an insight into employee's interest and involvement towards their job that can be aligned to the organizational goals to improve satisfied customers base.

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Annexure

Table 1: Demographic characteristics of respondents

Employee's Demographics				Customer's Demographics			
Item	Categories	No.	% age	Item	Categories	No.	% age
Gender	Male	15	15%	Gender	Male	66	66%
	Female	85	85%		Female	34	34%
Age	20-32	92	92%	Age	20-32	49	49%
	33-46	08	8%		33-46	42	42%
Education	Intermediate	20	20%		Traveler Type	47-60	9
	Bachelors	47	47%	Frequent Flyer		53	53%
	Masters	33	33%	Limited		47	47%
Years of Service	1-10	93	93%	Travel Class	Economy	100	100%
	11-20	07	7%		Business	0	0%

Table 2: Results of validity and reliability analysis

Measures	Items	Cronbach's Alpha
Employee Motivation	23	.727
Customer Satisfaction	24	.751

Table 3: Correlation between variables and descriptive statistics

	Pearson Correlation	1	2	3	4	5	6
1 Customer Satisfaction	1						
2 Employee Motivation	.704**	1					
3 Work Environment	.334**	.492**	1				
4 Pay and Benefit	.592**	.901**	.276**	1			
5 Management System	.482**	.706**	-.033	.625**	1		
6 Organizational Vision	.473**	.427**	.110	.335**	.334**	1	

** means significant at < 1% level

Table 4: Results of Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.704 ^a	.495	.490	.99924	2.036

a. Predictors: (Constant), Employee Motivation

b. Dependent Variable: Customer Satisfaction

Table 5: Results of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.068	1	96.068	96.215	.000 ^a
	Residual	97.850	98	.998		
	Total	193.918	99			

a. Predictors: (Constant), Employee Motivation

b. Dependent Variable: Customer Satisfaction

Table 6: Results of Regression Analysis (Coefficients^a)

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.666	.790		4.638	.000
	Employee Motivation	2.240	.228	.704	9.809	.000

a. Dependent Variable: Customer Satisfaction

Table 7: Component wise results of Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.698 ^a	.488	.466	1.02248	2.151

a. Predictors: (Constant), Organizational Vision, Work Environment, Management System, Pay and Benefit

b. Dependent Variable: Customer Satisfaction

Table 8: Component wise results of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.598	4	23.650	22.621	.000 ^a
	Residual	99.320	95	1.045		
	Total	193.918	99			

a. Predictors: (Constant), Organizational Vision, Work Environment, Management System, Pay and Benefit

b. Dependent Variable: Customer Satisfaction

Table 9: Component wise results of Regression Analysis (Coefficients^a)

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
	(Constant)	3.712	.926		4.010	.000
	Work Environment	.606	.215	.224	2.818	.006
1	Pay and Benefit	.698	.230	.312	3.039	.003
	Management System	.429	.212	.201	2.023	.046
	Organizational Vision	.484	.138	.277	3.498	.001

a. Dependent Variable: Customer Satisfaction