

# Employee Satisfaction, Quality of Customer Interaction, and Customer Satisfaction: Its Relationship in an Educational Context

**Juliana Caesaria Tandung**

**Adelina Proboyo**

*Universitas Kristen Petra*

## **Abstract.**

*Although there has been many researches analyzing the relationship between employee satisfaction and customer satisfaction, to the writers' knowledge, there has been no research that analyzes the relationship between employee satisfaction and customer satisfaction by using the quality of customer interaction as the mediator in an educational context. This research therefore aims to investigate the relationship of these three variables whereby focusing solely on the educational context. Further, it is hypothesized that the quality of customer interaction acts as the mediator for this relationship. Subjects of this study are lecturers and students from a private university in Surabaya. 38 dyadic data were obtained and further analyzed using Structural Equation Modeling. Results of this study revealed that there is a significant indirect effect (not a mediated effect) between employee satisfaction and customer satisfaction through quality of customer interaction.*

**Keywords:** *Employee Satisfaction, Customer Satisfaction, Quality of Customer Interaction*

**Abstrak.** *Beberapa penelitian telah dilakukan untuk menganalisa hubungan kepuasan karyawan terhadap kepuasan pelanggan namun sepengetahuan peneliti, belum ada penelitian yang menganalisa hubungan antara kepuasan karyawan terhadap kepuasan pelanggan dengan menggunakan kualitas interaksi terhadap pelanggan sebagai mediator dalam konteks pendidikan. Oleh karena itu, penelitian ini bertujuan untuk menginvestigasi hubungan antara ketiga variabel tersebut yang berfokus pada konteks industri pendidikan. Hipotesa penelitian ini adalah bahwa kualitas interaksi terhadap pelanggan berperan sebagai mediator dalam hubungan kepuasan karyawan terhadap kepuasan pelanggan. Subyek terdiri dari para dosen dan juga para mahasiswa dari salah satu universitas swasta di Surabaya. Sebanyak 38 data diadik berhasil diperoleh yang kemudian dianalisa menggunakan Structural Equation Modeling. Hasil dari penelitian ini menunjukkan bahwa ada hubungan tidak langsung yang signifikan (bukan hubungan mediasi) antara kepuasan karyawan terhadap kepuasan pelanggan melalui kualitas interaksi terhadap pelanggan.*

**Kata Kunci:** *Kepuasan Karyawan, Kepuasan Pelanggan, Kualitas Interaksi terhadap Pelanggan*

**Korespondensi:** **Juliana Caesaria Tandung.** Universitas Kristen Petra.  
: **Adelina Proboyo.** Universitas Kristen Petra.

## Introduction

Managing the relationship with stakeholders has always been the main concern of managers from time to time. It is said that if stakeholders are managed properly, it will help to improve an organization's performance (Robbins & Coulter, 2009). Customers can also be said as a stakeholder, thus understanding customer satisfaction or factors that make customers satisfied or happy should be studied. As mentioned by Schmit and Allscheid in 1995, customer satisfaction is considered very important amongst organizations especially those in the service industry and thus, many researches have been done to study customer satisfaction.

According to McShane and von Glinow (2007), many research have supported the idea of employee satisfaction as having a positive effect towards customer satisfaction. They argue that the underlying reason for this relationship is that employees that are happy with several aspects of their job (e.g. pay and management support) tend to demonstrate a more positive mood which reflects on being friendly and displays positive emotions towards their customers. Moreover, it is important to note that customer perceptions are built based on the behavior of satisfied employees (Spiro & Weits, 1990 in Jeon & Choi, 2012, p.332).

In the context of service industries, the relationship between the employees and the customers are important since one of the customer touch points in service industries is the employees. Several studies in the service industries (Brown & Lam, 2008; Chi & Gursoy, 2008; Daniel, Ashar, Ihsan-Ur-Rehman, & Shahbaz; Novikova, 2012; and Jeon & Choi, 2012) found that employee satisfaction relates to customer satisfaction. In relation to the educational context, previous researches by Kroncke (2006) and Shetty and Gujarathi (2012) show that faculty satisfaction has significant influence on student satisfaction.

In the research by Cannon and Homburg (2001) and Homburg and Stock (2004), the quality of interaction between an employee and the customers can enhance the employee and customer satisfaction relationship. The result by Homburg and Stock (2004) in the sales sector reveals that the relationship between employee

and customer satisfaction is not only direct, but there is also an indirect affect via the quality of customer interaction which acts as the mediator.

Despite the fact that there are many researches about the significant relationship between employee and customer satisfaction, there are only a few that studied the quality of customer interaction as the mediator of the relationship between employee and customer satisfaction. In addition, to the writers' knowledge, there has been no works on analyzing the relationship between employee satisfaction and customer satisfaction with the quality of customer interaction as the mediator in the educational context. Therefore this research aims on finding the relationships between employee satisfaction, customer satisfaction, and quality of customer interaction in an educational context, with the research question as follows:

*Do Quality of Customer Interaction mediate the relationship between Employee Satisfaction and Customer Satisfaction?*

## Research Methodology

### Employee Satisfaction

Employee job satisfaction is closely related with the satisfaction of the employees' needs, both economic and non-economic needs. The economic needs can be fulfilled from wages and benefits while the non-economic needs can be satisfied through improving the internal service quality (Hallowell et al., 1996). Heskett, Jones, Loveman, Sasser Jr. and Schlesinger (1994) who did a study on the service sector mentions that internal service quality can contribute to employee satisfaction. Internal service quality as Heskett et al. (1994) mentioned is measured by the feelings that the employees have toward their jobs, colleagues, and companies. Hallowell, Schlesinger, Zornitsky, and Jeffrey (1996) elaborated more that internal service quality refers to the employee satisfaction towards the services that are provided by the company that can enhance their work. The economic needs of the employees which is in the form of wages and benefits, along with the eight components of internal service quality by Hallowell et al. (1996) which are tools, policies and procedures, teamwork, management support, goal

alignment, effective training, communication, and rewards and recognition, will be used as the indicators to measure employee satisfaction. The detailed description of the internal service quality components can be seen in the following table.

whether the lecturers likes and cares about the student as an individual or not. When the student feels that the lecturer cares about him or her, he or she usually engage more in academic activities and has higher achievement (Patrick, Kaplan & Ryan,

<b>Components of Internal Service Quality</b>	
<b>Components</b>	<b>Definition</b>
Tools	Are the tools necessary to serve customers provided to the employee by the organization? (this includes information and information systems)
Policies and procedures	Do policies and procedures facilitate serving customers?
Teamwork	Does teamwork occur among individuals and between departments when necessary?
Management support	Does management aid (vs hinder) an employee's ability to serve?
Goal alignment	Are the goals of the lecturers aligned with those of leaders (HOP, Dean, and Rector)?
Effective training	Is effective, useful, job-specific training made available in timely fashion?
Communication	Does necessary communication occur both vertically and horizontally throughout the organization?
Rewards and recognition	Are individuals rewarded and/or recognized for good performance?

Source: Hallowell, Schlesinger, Zornitsky, Jeffrey, 1996

### Quality of Customer Interaction

According to Sagayadevan and Jeyaraj (2012) who did a study on the quality of employee towards customer interaction in an educational context, there are four aspects to measure the quality of employee (lecturer) and customer (student) interaction, which are autonomy, emotional, academic support, and provision of structure. Autonomy-supportive lecturers focus on the congruence between the learning experience and the students' inner motivational forces. The lecturers define the sources of students' inner motivation and create the learning experience according to those sources of inner motivation (Reeve & Jang, 2006 in Furtak, Kunter, & Hardy, 2009). Emotional support involves

2007). Academic support is related with the lecturers' care for the students' learning, their willingness to help the students learn as well as their wants for the students to perform the best (Patrick, Kaplan & Ryan, 2007). Last but not least, structure is about the amount of information as well as the clarity from the lecturers about how to achieve the desired outcomes effectively. Clear provision of structure means that the lecturers communicate the expectations clearly and detailed, adjust teaching strategies according the students' level as well as being responsive in giving constructive feedback (Skinner & Belmont, 1993; Jang, Deci, & Reeve, 2010).

### Customer Satisfaction

It is important to note that in the context of education, students are the customers. According to Dominowski (2002), students are the consumers of instructional programs and their evaluations provide a similar evaluation of customer satisfaction (in Kroncke, 2006, p. 13). According to Kotler and Keller (2012), customer satisfaction refers to someone's feeling about pleasure or disappointment as a result of comparing a product or services' perceived performance to expectations. If the performance of the product or service is below the expectations, the customer is dissatisfied. On the other hand, if the performance is above the expectations, the customer is satisfied or delighted. A highly satisfied customer will be more loyal, buy more of the company's products or services, and talk favorably and recommend the company and its products or services to others.

### Data Collection

Two sets of questionnaires are used in this research. Both questionnaires use a 4-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The first questionnaire focuses on employee satisfaction and is distributed randomly to 41 active lecturers (still registered as a full-time lecturer in the university) that have been working for at least 1 year in one of the private universities in Surabaya. The second questionnaire focuses on the quality of customer interaction and customer satisfaction and is distributed randomly to 164 active university students (still registered as a student in the university, not an alumni) that have been studying in that private university for at least 1 semester. Each questionnaire from a particular lecturer will be paired with four questionnaires from the students who have ever taken his/her class. Since three lecturer questionnaires were filled in incompletely, only 38 lecturer questionnaires were able to be used, resulting in only 38 dyadic data. Data was further analyzed using structural equation modeling using PLS as the tool for analysis.

## Results and Discussion

The initial analysis of the data have been

made sure to pass indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Further analysis using PLS shows that in a 5% significance level, the direct effect of lecturer satisfaction on student satisfaction (without mediating variable in the model) is insignificant with the value of t-statistic of 0.755 ( $<1.96$ ). Since there is no significant direct effect when the mediator is not in the model, there can be no mediation (Hayes, 2009). When the mediator is added in the model, the direct effect between lecturer satisfaction and student satisfaction is also insignificant with the value of t-statistic of 0.167. On the other hand, the effect of lecturer satisfaction on the interaction quality (t-statistic of 2.396), as well as the effect of interaction quality on student satisfaction (t-statistic of 6.232) show a significant effect. Since the direct effect between lecturer satisfaction and student satisfaction is insignificant to begin with, while both the relationship between lecturer satisfaction and interaction quality, and between interaction quality and student satisfaction are significant, it can be concluded that there is an indirect effect of lecturer satisfaction on student satisfaction.

The previous research by Homburg and Stock in 2004 proves that the quality of customer interaction mediates the relationship between salespeople's job satisfaction and customer satisfaction in the context of B2B Marketing. However, in the case of educational context, the interaction quality between lecturer and student does not mediate the relationship between lecturer and student satisfaction. The indirect effect means that the more the lecturer is satisfied, the better the interaction quality between the lecturer and student, which in turn leads to higher student satisfaction.

## Conclusion and Recommendation

Based on the analysis, it is found that there is no significant direct effect of the independent variable (lecturer satisfaction) on the dependent variable (student satisfaction). On the other hand, there is a significant effect of: 1. Lecturer satisfaction on quality of interaction, and 2. Quality of interaction on student satisfaction. Thus, it can be concluded that the interaction

quality between lecturer and student does not mediate the relationship between lecturer satisfaction and student satisfaction. However, it is proven that there is indirect effect of lecturer satisfaction on student satisfaction. This means high lecturer satisfaction will lead to higher quality of interaction between the lecturers and the students. With higher quality of interaction, the students' satisfaction will also be higher.

This research has some limitations that

could be improved for further research. Only 38 dyadic data were being able to be obtained, thus increasing the number of sample size in the future research might result in a better mediation analysis. In addition, this research was conducted by only using one private university in Surabaya as its sample, thus in order to get a more generalizable result, it is suggested that further research should increase the scope by involving more respondents from other universities in Surabaya or Indonesia.

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