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**EMPLOYEE ENGAGEMENT, SERVICE QUALITY AND CUSTOMER  
SATISFACTION IN KAMPALA METROPOLITAN UGANDA: A CASE  
STUDY OF UMEME**

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**PLAN A**

## DECLARATION

### DECLARATION

I, Lyomoki Arafat declare that this is my own work and has never been submitted to any learning institution for an academic award.

Signature:  .....

Date: 16/10/2024 .....

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**APPROVAL**

**APPROVAL**

This is to certify that this research is submitted by out approval as university supervisors

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Date.....16/10/2024.

## **DEDICATION**

I dedicate this research work to my children, for the continuous spiritual, moral and financial support that were extended to me during the period of my research work.

## **ACKNOWLEDGEMENT**

I wish to thank the Almighty God who has brought me this far in my studies. My ultimate gratitude goes to my supervisors Dr. Namono Rehema, and Prof. Mpaata, Abdul Kaziba for the in depth information, advice and profound guidance that I gained from them which helped to shape the document to its present level. I acknowledge the support from the faculty staff and management of Busitema University pallisa campus for the endless support that was given to me.

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## DEFINITION OF TERMS

- Employee Engagement:** Refers to the involvement of employees in their work roles whereby employees also express themselves physically and emotionally during job performances (Kahn, 1990).
- Service Quality:** Is an assessment made by the consumer, that over a given time, the service provider has been not only reliable and giving continuity assurance in delivery same quality of service (Ghafoor & Asma, 2015).
- Customer Satisfaction:** Customer satisfaction is the degree to which a product or service meets or exceeds customer expectations (Kotler & Keller, 2016).

## **ABSTRACT**

Customer satisfaction is critical for ensuring that organizations meet their objectives and maintain customer loyalty, particularly in service-oriented industries. The purpose of this study was to examine the effects of employee engagement and service quality on customer satisfaction in focusing on UMEME. The specific objectives of the study were to examine the effect of employee engagement on customer satisfaction; assess the influence of service quality on customer satisfaction; establish the effect of employee engagement on service quality; and investigate the mediating role of service quality on the relationship between employee engagement and customer satisfaction. The study was anchored on the SERVQUAL model, which posits that service quality dimensions such as reliability, responsiveness, and empathy play a significant role in shaping customer satisfaction. A cross-sectional research design was adopted, targeting 617 employees from UMEME's main office in Kampala. A representative sample of 234 employees was selected using simple random sampling. Data were collected through structured questionnaires and analyzed using SPSS, employing descriptive statistics, correlation analysis, hierarchical regression, and mediation analysis using Hayes' PROCESS macro. The findings revealed that employee engagement has a significant positive effect on customer satisfaction. The study findings reveal that service quality positively influences customer satisfaction. The study also established that employee engagement enhances service quality. The study findings further reveal that service partially mediates the relationship between employee engagement and customer satisfaction outcomes. Based on these findings, it is recommended that UMEME invests in employee engagement initiatives to enhance service quality, and consequently, customer satisfaction.

## CHAPTER ONE

### INTRODUCTION

This chapter entails the study background, problem statement, purpose, objectives of the study, research hypotheses, scope of the study and conceptual framework.

#### **1.1 Background to the study**

Customer satisfaction is a crucial aspect of business continuity for profit oriented organizations in the current competitive business world. This is because customer satisfaction enables businesses to identify areas of service excellence thus driving continuous improvement. Scholars such as Moreover, Farooq & Salam (2018) conceptualize customer satisfaction into how a service's perceived performance matches or surpasses customer expectations. Customer satisfaction is the degree to which a product or service meets or exceeds customer expectations (Kotler & Keller, 2016). Customer satisfaction dimensionalised by scholars into the three dimensions of availability, accessibility and timeliness. Availability refers to the extent to which a service is consistently available to customers when needed (Jones & Sasser, 1995). Accessibility involves the ease with which customers can obtain and use the service (Parasuraman, Zeithaml, & Berry, 1988). Timeliness pertains to the promptness and speed of service delivery (Johnston, 1995).

Despite the robustness of customer satisfaction to business continuity, the problem of customer satisfaction in business settings is a major global challenge. For instance, a global survey by PricewaterhouseCoopers (PwC, 2020) revealed that 32% of customers would stop doing business with a brand they loved after just one bad experience. This is affirmed by the American Customer Satisfaction Index (ACSI) which reported a decline in overall customer satisfaction in the United States from 77% in 2018 to 75% in 2020, indicating widespread dissatisfaction across various industries (ACSI, 2020). Further still, according to the European Consumer Satisfaction Index (ECSI, 2019), customer satisfaction in the retail sector decreased by 3% from 2018 to 2019, with significant complaints about product quality and service responsiveness. The problem of customer satisfaction in UK is further evidenced in a study by the UK Institute of Customer Service (2020) which reported that 25% of consumers experienced poor customer service in the past year, leading to a decline in customer loyalty.

In china, a survey conducted by JD Power (2019) indicated that customer satisfaction in the automotive sector dropped by 2% due to issues related to after-sales service and product reliability.

Also, India's Customer Satisfaction Index (ICSI, 2020) showed a significant drop in the telecommunications sector, with 40% of customers expressing dissatisfaction with network quality and customer support. In Sub-Saharan Africa, a study by the African Development Bank (AfDB, 2019) highlighted that customer satisfaction in public utilities across Africa is often marred by inefficiency and frequent outages. In South Africa, the National Consumer Commission received over 10,000 complaints in 2019 related to customer satisfaction, particularly in telecommunications and banking sectors (NCC, 2019). Also, a Moroccan study by the Ministry of Industry (2019) revealed that 35% of consumers were dissatisfied with the services in the healthcare sector, citing long wait times and inadequate care. In the East African context, a study by the Kenya Power and Lighting Company (KPLC) reported a decline in customer satisfaction in 2021, with frequent power outages and delayed response times being the primary complaints (KPLC Customer Report, 2021). Also, a study the Nigerian Communications Commission (NCC, 2020) indicated that customer satisfaction in the telecommunications sector was adversely affected by poor network coverage and unresponsive customer service.

In Ugandan context, the UMEME customer satisfaction report (2022) revealed that 57% of customers reported frequent and prolonged power outages at least once a week. The same report indicated that 60% of respondents experienced power restoration times exceeding six hours, and 19% reported it taking over a day, significantly impacting both residential and commercial customers. Additionally, the 2023 UMEME customer survey revealed that 28% of reported issues were never resolved, with an overall satisfaction rate of only 60% for the complaint handling process. Due to the magnitude of the problem, studies that seek to establish the antecedents of customer satisfaction are paramount.

From a theoretical perspective, the SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry (1988) posits that customer satisfaction is largely influenced by the gap between customers' expectations and their perceptions of the service received. The SERVQUAL model posits that engaged employees are more likely to go above and beyond in their roles, showing greater attentiveness to customers' needs and providing prompt and accurate service (Zeithaml, Bitner, & Gremler, 2018). The model further postulates that engaged employees deliver higher quality service, which meets or exceeds customer expectations, leading to enhanced customer satisfaction.

The postulations of the SERVQUAL model resonates with empirical evidence that reveals a significant relationship between employee engagement and customer satisfaction (Zeithaml et al, 2018). Alagarsamy et al. (2023) found a strong positive relationship between employee engagement and customer satisfaction, showing that engaged employees were more motivated, providing better service, which led to higher customer satisfaction. Similarly, Zameer et al. (2018) demonstrated that higher employee engagement correlates with increased customer satisfaction. Additionally, Khwaja and Yang (2022) and Heymann (2015) found that employee engagement significantly improves customer satisfaction, emphasizing that engaged employees deliver higher quality service and foster stronger customer relationships. Empirical evidence has also revealed the significant influence of service quality on customer satisfaction. Wardana (2024) and Eviana (2024) provided evidence that service quality directly influences customer satisfaction. Similarly, a study by Ali and Raza (2017) in the banking sector revealed that improvements in service quality dimensions lead to higher customer satisfaction and retention. Moreover, a comprehensive review by Su et al. (2020) on service quality in the healthcare sector found that enhancing service quality is crucial for patient satisfaction and loyalty.

Despite the extensive research on the relationship between employee engagement, service quality, and customer satisfaction, many studies are conducted in developed countries, with limited research focusing on developing regions like Africa. More context-specific studies are required to understand how these relationships play out in different cultural and economic environments. Additionally, few studies have simultaneously examined the mediating role of service quality between employee engagement and customer satisfaction. Furthermore, limited studies focus on the utility sector, particularly in the context of electricity distribution companies like UMEME. The current study seeks to enhance the existing body of knowledge by establishing the antecedent role of service quality and employee engagement on customer satisfaction using empirical evidence from UMEME.

## **1.2 Statement of the problem**

Customer satisfaction is critical for business organisations to foster customer value. UMEME is obliged to provide a reliable and uninterrupted power supply to all its customers by avoiding power outages promptly and efficiently, ensuring minimal disruption to households and businesses (UMEME Annual report, 2023).

However, UMEME has faced persistent challenges in maintaining customer satisfaction despite its commitment to providing exceptional customer experiences as evidenced in frequent power outages, long restoration times and poor complaint resolution (UMEME customer satisfaction report, 2022). For instance, a UMEME customer satisfaction report (2022) revealed that 57% of UMEME customers reported frequent prolonged power outages at least once a week. In the same report, it is affirmed that 60% of the respondents stated that power restoration takes more than six hours which indicates failure in timely delivery of the services and the customers indicated that the power restoration process was slow and inefficient.

Further, the UMEME customer survey report of (2023) revealed that the number of customers reporting restoration times of more than six hours increased, with 19% indicating it takes over a day to restore power which delay impacts both residential and commercial customers. Customers also reveal that 28% of the reported issues were never resolved, and overall satisfaction with the complaint handling process was only 60%.

This unreliability has forced large and extra-large power users to invest in costly alternatives such as generators and solar panels, indicating a severe gap in the quality of service provided. Addressing these issues is crucial for UMEME Limited to fulfil its core value of providing an exceptional customer experience. This study seeks to implement targeted interventions to improve customer satisfaction by establishing the antecedent role of employee engagement on customer satisfaction.

### **1.3 Purpose of the Study**

The purpose of the study is to establish the effect of employee engagement and service quality on customer satisfaction in UMEME

### **1.4 Research Objectives**

- i.) To examine the effect of employee engagement on customer satisfaction in UMEME
- ii.) To examine the effect of service quality on customer satisfaction in UMEME
- iii.) To establish the effect of employee engagement on service quality in UMEME
- iv.) To determine the mediating role of service quality on the relationship between employee engagement and customer satisfaction in UMEME.

## **1.5 Research hypotheses**

**H01:** Employee engagement has no significant effect on customer satisfaction

**H02:** Service quality has no significant effect on customer satisfaction

**H03:** Employee engagement has no significant effect on service quality

**H04:** Service quality has no mediating effect on the relationship between employee engagement and customer satisfaction

## **1.6 Scope of the Study**

### **1.6.1 Content Scope**

The study focuses on examining the relationships between employee engagement, service quality, and customer satisfaction within UMEME, the largest electricity distribution company in Uganda. The dimensions of employee engagement, including vigor, dedication, and absorption, are analyzed to understand their impact on customer satisfaction. In terms of service quality, the study employs the SERVQUAL model to measure the quality of services provided by UMEME. This model evaluates dimensions such as reliability, assurance, tangibles, empathy, and responsiveness, and examines their influence on customer satisfaction. Another important component of the study is investigating how service quality mediates the relationship between employee engagement and customer satisfaction. The research explores the extent to which improvements in service quality, driven by higher employee engagement, enhance customer satisfaction. By doing so, the study aims to highlight the critical role of service quality as a mediator.

### **1.6.2 Geographical Scope**

Geographically, the study was conducted within UMEME organizations in Kampala metropolitan areas. Data was collected from UMEME employees in Kampala metropolitan. The justification for considering Kampala metropolitan is that it is the largest urban area with high number of UMEME customers.

### **1.6.3 Time Scope**

The study covers a period from January 2022 to December 2024, allowing for an examination of recent trends and developments in employee engagement, service quality, and customer satisfaction. This timeframe considers the impact of any recent initiatives or changes implemented by UMEME to improve service delivery.

## 1.7 Significance of the Study

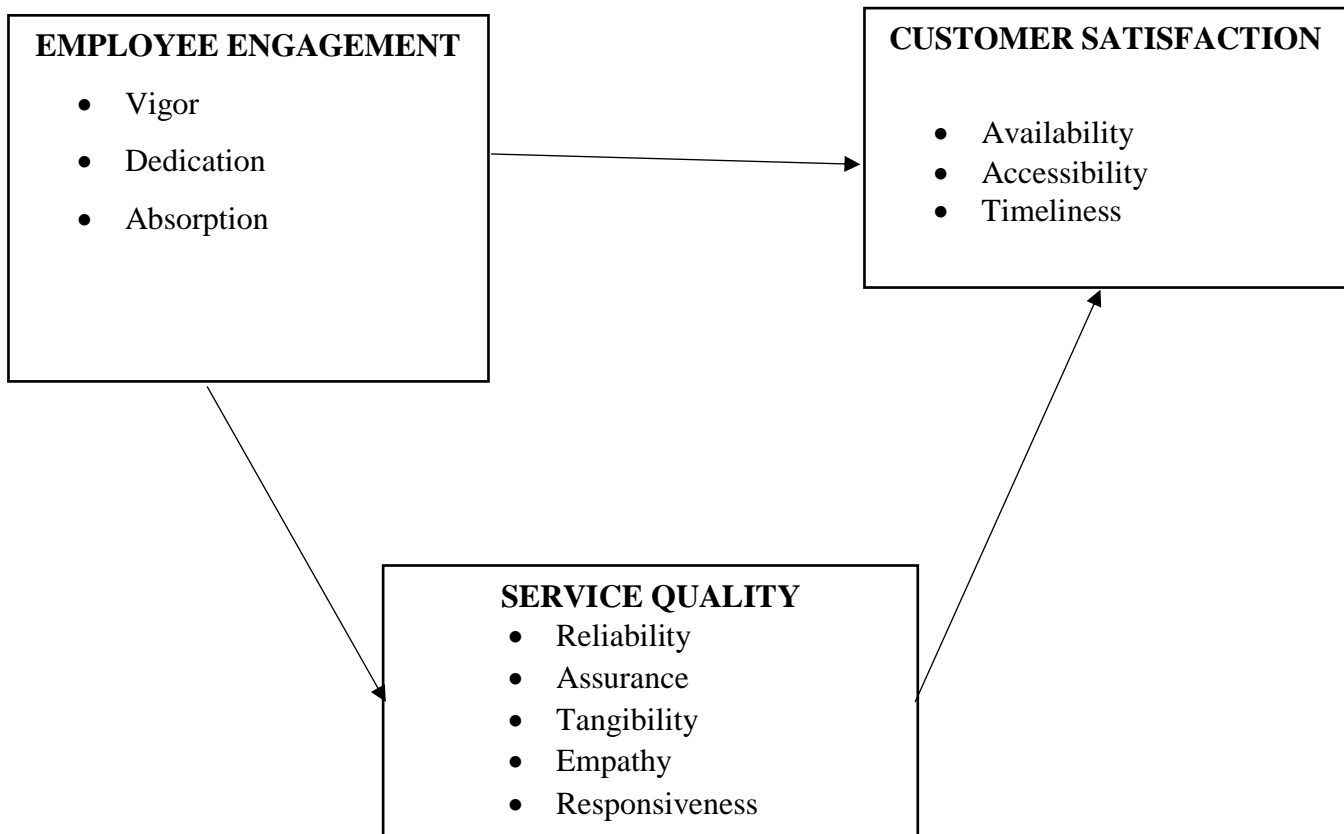
To the management of UMEME, the study recommendations could highlight specific areas of service quality that need improvement, such as availability, accessibility, and timeliness, enabling UMEME to develop focused interventions to address these issues.

To policy makers and regulators in in Uganda’s energy sector, study could offer evidence-based recommendations to formulate regulations and policies that promote best practices in employee engagement and service delivery.

To customers of UMEME, identifying the factors that influence customer satisfaction, UMEME can make informed decisions to enhance service delivery, resulting in fewer power outages, quicker response times, and better overall customer experiences.

To academicians, the study could contribute to the academic literature by providing a comprehensive analysis of the interrelationships between employee engagement, service quality, and customer satisfaction in a developing country context. Researchers can use the findings to further explore these relationships in other sectors and regions, expanding the generalizability of the results.

## 1.8 Conceptual Framework



***Figure 1: Conceptual Framework***

*Source: Adopted and modified from literature review (Zameer et al., 2015; Pascal, 2016).*

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section entails the review of literature in relation to the objectives of the study. The section discusses the study constructs, the theoretical anchor for the study and the empirical review of literature as well as the literature gaps the current study seeks to bridge.

#### **2.1 The concept of customer satisfaction**

Customer satisfaction is a pivotal construct in both marketing and service management, serving as a primary indicator of business success and customer loyalty. Scholars have extensively explored the multidimensional nature of customer satisfaction, identifying key elements that influence customers' perceptions and experiences. Understanding these dimensions is essential for organizations aiming to enhance service quality, retain customers, and achieve long-term profitability.

Several contemporary scholars have continued to build on the foundational work of earlier researchers, providing updated insights into the dimensions of customer satisfaction. Availability remains a critical determinant, as businesses must consistently meet customer demand without significant delays or disruptions. Recent studies, such as those by Lee and Lambert (2020), emphasize that when services are consistently accessible to customers, their satisfaction levels increase, reducing the likelihood of dissatisfaction and fostering loyalty.

Accessibility, closely related to availability, continues to be vital. It involves the ease with which customers can obtain and use a service, including factors such as the convenience of service locations, flexible service hours, and the availability of customer support channels. Recent research by Nguyen and Simkin (2021) highlights that digital accessibility, in particular, has become increasingly important as more customers interact with services online. Companies that enhance accessibility through user-friendly websites, mobile apps, and responsive online support are better positioned to meet customer expectations, thereby boosting satisfaction.

Timeliness is another crucial dimension of customer satisfaction, referring to the promptness and speed of service delivery. As customer expectations for quick service continue to rise, especially

in the era of instant gratification, timeliness has become even more critical. A study by Al-Zoubi and Abdulkhaliq (2022) found that timely service delivery is strongly correlated with customer satisfaction, particularly in industries like e-commerce and food delivery, where delays can significantly impact the customer experience. The study also emphasized that integrating real-time tracking and proactive communication can enhance perceptions of timeliness and, consequently, satisfaction.

Reliability remains a cornerstone of customer satisfaction, reflecting the consistency and dependability of a service. According to Wang and Lo (2019), reliability is one of the most significant factors influencing customer satisfaction because it directly impacts trust. Customers expect services to be reliable, and any failure to deliver on promises can significantly diminish their trust and satisfaction with the company. Companies that consistently meet or exceed their service commitments are more likely to foster customer loyalty and positive word-of-mouth.

Responsiveness is closely tied to timeliness but also encompasses the quality of interactions between customers and service providers. It involves a company's ability and willingness to help customers promptly. Recent research by Homburg, Jozić, and Kuehnl (2017) argues that responsiveness is increasingly critical in today's fast-paced business environment, where customers expect immediate attention and quick resolutions to their concerns. The study found that companies that excel in responsiveness not only improve customer satisfaction but also enhance their overall brand reputation.

Assurance, relating to the knowledge and courtesy of employees and their ability to inspire trust and confidence, continues to be significant. This dimension is particularly important in services where customers need to feel secure and confident in the service provider's abilities. A study by Kang and Hyun (2022) in the healthcare industry found that assurance plays a crucial role in patient satisfaction, where trust in the provider's competence and the perceived safety of the services are paramount. The study suggested that enhancing employee training and communication can significantly boost this dimension of customer satisfaction.

Empathy, which refers to the degree of care and individualized attention provided to customers, remains essential in building strong customer relationships. Research by Ali, Kim, and Ryu (2020)

in the hospitality industry demonstrates that empathy is a key driver of customer satisfaction, particularly in high-touch services where personalized interactions are critical. The study showed that customers who feel understood and valued by a company are more likely to report high levels of satisfaction and return for repeat business.

Tangibles, while often considered secondary to other dimensions, still play a significant role in shaping customer perceptions, especially in service industries where physical evidence of quality is important. According to a study by Sajjad and Amjad (2018), the appearance of facilities, equipment, and personnel can significantly influence customer satisfaction, particularly in sectors like retail and hospitality. The study found that well-maintained and visually appealing tangibles contribute to a positive customer experience by signaling a company's attention to detail and commitment to quality.

The dimensions of customer satisfaction are interrelated and often influence each other. For instance, reliability and timeliness are closely connected, as reliable service often requires prompt and consistent delivery. Similarly, empathy and assurance work together to build customer trust and satisfaction. By understanding and optimizing these dimensions, companies can create a comprehensive strategy to enhance customer satisfaction.

The SERVQUAL model, initially developed by Parasuraman, Zeithaml, and Berry (1988), continues to provide a robust framework for understanding and measuring the dimensions of service quality that contribute to customer satisfaction. However, recent adaptations of the model, such as those discussed by Wilson, Zeithaml, Bitner, and Gremler (2016), have integrated digital service aspects and the evolving expectations of modern consumers. These updates emphasize the importance of closing the gap between customer expectations and perceptions of service delivery, ensuring that companies remain aligned with current market demands.

Moreover, the Expectancy Disconfirmation Theory (Oliver, 2015) continues to be relevant in explaining customer satisfaction. This theory suggests that customer satisfaction is determined by the gap between customer expectations and the actual performance of the service. When performance exceeds expectations, positive disconfirmation occurs, leading to higher satisfaction. Conversely, if performance falls short of expectations, negative disconfirmation results in

dissatisfaction. Recent applications of this theory have highlighted its relevance in digital services and e-commerce, where customer expectations are continually evolving. Hence, in this study customer satisfaction is studied as a multifaceted construct that encompasses various dimensions such as availability, accessibility, timeliness, reliability, responsiveness, assurance, empathy, and tangibles.

## **2.2 The concept of service quality**

Service quality is a core expectation of all stakeholders, from the organizations they associate with (Dassen et al., 2015). Several studies have explored the concept of service quality (Abili et al., 2017; Ghafoor & Asma, 2015; Mwesigwa & Oladapo, 2021). The quality of service is an assessment made by the consumer, that over a given time, the service provider has been not only reliable and giving continuity assurance in delivery same quality of service (Ghafoor & Asma, 2015). This implies that a service can be delivered, yet not quality, especially when it's not responsive to the users/ targeted beneficiary needs. Parasuraman, Berry and Zeithaml (1985) defined service quality as a perception of consumers based on the assessment of the quality of service by comparing their needs or expectations towards the service they received.

Service quality is referred to the output of service delivery system, which is linked to consumer satisfaction, perception, and opinions that are formed based on various contributing factors and references. The interest on this issue has grown extensively over the last decade. It has become a very popular field for academic and scholarly research (Zeithmal, 2000). A great amount of models and theories have been developed to address and highlight this matter. Scientific and technological innovations made way for the generation of quality, the more frequency the less gap. In some cases, the best service efforts can be criticized because of the customer's bad mood, according to direct service providers such as waitresses. It is recognized that the practice in influencing customer may be affected by their psychological and physical conditions. Therefore, the degree of discrepancy between the normative expectations of customers and the perceptions at the state of time may alter (Parasuraman et al., 1994). There are numerous measures and definitions of service quality without a single consensus (Eshghi et al., 2008).

According to Mohd et al., (2013), service quality, as described by the SERVIQUAL theory, is an assessment of service provided in regard to five attributes: service quality, reliability, assurance, tangibles, empathy, and responsiveness to the customers' needs. Indeed, long term service quality is deduced on how consistent a firm exhibits the above attributes in its scope of service delivery

(Camilleri, 2021). In this study, focus was on assessment of service quality (in terms of service availability, tangibility, reliability, adequacy, empathy and assurance).

Empathy relates to individualized attention and care to each customer, making the best effort to see and acknowledge their viewpoint. Reliability is the dimension with the highest influence on customer's perception of quality. SERVQUAL is a common and popular tool used for measuring the quality of service, by which; could be divided into 5 different dimensions i.e. Tangibility means the existing objects are touchable. The mentioned objects include facilities, staffs, locations, and media. Reliability means the ability to provide the service precisely and accurately. Responsiveness means the willing to support and solve the issue promptly. Assurance means knowledge and courtesy of the service providers. It creates confidence and trust to the customers. Empathy means the interest and care of the service providers to the customers.

Responsiveness is simply the willingness to provide prompt service in different scenarios. As customers often have special requests, queries, or complaints; the service provider, especially front-line employees, should be aware and equipped to respond smartly. This dimension requires the ability to customize, communicate, innovate, and focus on the notion of flexibility through training (Johnston, 1997). Tangibles are basically physical facilities, materials, and equipment that are multifunctional and represents the organization's appearance (Fitzsimmons, 2001). This dimension serves as the 'face' of the organization and its workforce, particularly to new customers (Davis et al., 2003). Companies should use this dimension to signal quality within the first thirty seconds and enhance their image (Wilson *et al.*, 2008).

### **2.3 The concept of employee engagement**

The concept of employee engagement is essential for organizations because it contributes to the achievement of organizational objectives (Demerouti & Cropanzano, 2010; Macey & Schneider, 2008). This is because employee engagement is one of the conditions that can describe employee involvement in achieving optimal performance. Employee engagement was put forward by Kahn who perceived it as the involvement of employees in their work roles whereby employees also express themselves physically and emotionally during job performances (Kahn, 1990). According to Karatepe, Yavas, Babakus and Deitz (2018), employee engagement looks at how much an employee gets fully involved in their work so as to increase their dedication towards their work. Employees who are fully engaged at their work are most likely to excel in their work activities and

increase the competitiveness of their organizations through high productivity, high quality goods and low employee turnover.

Existing literature presents employee engagement as a remarkable concept which is largely associated to both work involvement and job involvement (Bulinska-Stangrecka & Iddagoda, 2020). Engagement is concerned with having a positive feeling, satisfied and so much devoted to the job expressed vigor, dedication and absorption. Employee engagement is seen as a situation in which employees feel happy, enthusiasm and get much attached to their jobs (Vance, 2006). Recently, Adhitama and Riyanto (2020) perceived employee engagement as one of the important issues that every organization has to observe among employees and to ensure that employees use all their energy while executing tasks. According to Iddagoda et al. (2016), employee engagement is observed when employees their cognitive, emotional and behavioral efforts in their work related activities. Bakker et al. (2014) indicated that employee engagement highly forecasts significant results for both employees and the organizations.

Work engagement is a positive, fulfilling, and work-related state of mind that is characterized by vigor, dedication, and absorption. The vigor characterized by high levels of energy and mental resilience, vitality and flexibility during work, and being determined even in the face of difficulties during work (Bakker, Schaufeli, Leiter, & Taris, 2008). Dedication is the state in which an individual shows complete enthusiasm and involvement for work, and there is a practical effort, passion, respect and challenging task. Absorption means that an individual is deeply focused and determined engrossed in working, while the time moves rapidly (May, Gilson, & Harter, 2004).

Previous literature categorizes employees in an organization into engaged, disengaged, and actively disengaged (Gallup, 2017). Engaged employees are employees who work with passion and feel connected to the organization. Such employees have the drive and thus push the organization to move forward. Disengaged employees are those who sleepwalk through their work time (Gallup, 2017). Such employees rest before they are get tired and they are less concerned about the organizational success.

Also, many researchers have come up with different dimensions to measure the concept of employee engagement. For instance, Lapidus and Waite (2001) measured employee engagement using vigor, absorption and dedication. Vigor means employees having high energy and emotional

resilience during work (Schaufeli et al., 2002). Dedication looks having a sense of importance, eagerness, motivation, pride and challenge at work (Schaufeli et al., 2002). Also, Absorption is being fully concentrated and intensely absorbed in one's tasks whereby employees find it difficult to leave work (Schaufeli et al., 2002). On the other hand, Soane, Truss, Alfes, Shantz, Rees and Gatenby (2012) measured employee engagement using intellectual, social and affective engagement. This study therefore adopted measures Lapidus and Waite (2001) which include vigor, absorption and dedication.

## **2.4 Theoretical Review**

The study was anchored on the SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry (1988). The model posits that customer satisfaction is largely influenced by the gap between customers' expectations and their perceptions of the service received. This model evaluates service quality across five key dimensions: reliability, assurance, tangibles, empathy, and responsiveness. These dimensions collectively contribute to the overall perception of service quality and, consequently, customer satisfaction. The SERVQUAL model underscores the importance of employee behaviors and attitudes in delivering high-quality service. Engaged employees, characterized by vigor, dedication, and absorption, are more likely to exhibit positive behaviors that enhance service quality (Schaufeli, Bakker, & Salanova, 2006). Engaged employees are motivated to go above and beyond their job requirements, ensuring that the service provided is reliable, accurate, and empathetic. They are more likely to invest personal effort into their work, leading to better performance across the SERVQUAL dimensions (Bakker et al., 2014). For instance, engaged employees are dependable and consistently perform their duties accurately, which enhances the reliability of the service provided (Harter, Schmidt, & Hayes, 2002). Employees who are engaged demonstrate higher levels of competence and confidence, instilling trust and confidence in customers (Zeithaml, Bitner, & Gremler, 2018). Engaged employees also take pride in their work environment, maintaining physical facilities and equipment in good condition, thereby enhancing the tangibles dimension (Parasuraman, Zeithaml, & Berry, 1988). Moreover, engaged employees are more likely to show personalized care and attention to customers, addressing their specific needs and concerns (Kular et al., 2021). They are prompt and willing to help customers, improving the responsiveness of the service (Ladhari, 2009).

The SERVQUAL model suggests that high service quality leads to enhanced customer satisfaction. When customers perceive that the service provided meets or exceeds their expectations across the

five dimensions, their overall satisfaction increases (Parasuraman, Zeithaml, & Berry, 1988). High service quality reduces the gap between customer expectations and perceptions, leading to positive evaluations and higher satisfaction levels (Cronin & Taylor, 1992). Consistent and dependable service delivery enhances customer trust and satisfaction. Confidence in the service provider's knowledge and courtesy positively influences customer satisfaction. Well-maintained physical facilities and professional appearance contribute to positive customer perceptions. Personalized attention and care increase customer satisfaction by making customers feel valued and understood. Prompt and helpful service responses lead to higher satisfaction levels. Service quality mediates the relationship between employee engagement and customer satisfaction. Engaged employees deliver higher quality service, which, in turn, enhances customer satisfaction. The causal direction posited by the SERVQUAL model is that employee engagement positively influences service quality, and improved service quality leads to higher customer satisfaction (Parasuraman, Zeithaml, & Berry, 1988). Employee engagement directly improves service quality by enhancing performance across the SERVQUAL dimensions. Improved service quality mediates the relationship between employee engagement and customer satisfaction. Engaged employees drive higher service quality, which in turn leads to increased customer satisfaction (Zeithaml, Bitner, & Gremler, 2018). This theoretical perspective is supported by extensive empirical evidence, underscoring the critical role of service quality in mediating the relationship between employee engagement and customer satisfaction.

Empirical literature review.

## **2.5 Empirical review of literature**

### **2.5.1 Employee engagement and customer satisfaction**

Employee engagement refers to the extent to which employees are motivated, committed, and involved in their work. Engaged employees are more likely to go above and beyond their job requirements, providing exceptional service and contributing to a positive customer experience. Customer satisfaction, on the other hand, is a measure of how well a company's products or services meet or exceed customer expectations. High levels of customer satisfaction are essential for fostering customer loyalty, repeat business, and positive word-of-mouth referrals.

Numerous empirical studies have established a strong positive relationship between employee engagement and customer satisfaction. Ayinaddis et al. (2023) conducted a comprehensive study

that demonstrated how engaged employees were more motivated and committed, leading to better service delivery and higher customer satisfaction. Their research revealed that employee engagement directly influences the quality of interactions between employees and customers, thereby enhancing the overall customer experience. Engaged employees are more likely to be attentive, responsive, and empathetic, which are crucial components of customer satisfaction.

Harter, Heymann (2015) conducted a meta-analysis that further confirmed the significant correlation between employee engagement and customer satisfaction. Their study analyzed data from various industries and found that higher levels of employee engagement were associated with increased customer satisfaction and loyalty. The researchers highlighted that engaged employees exhibit positive behaviors that contribute to a superior customer experience. For instance, engaged employees are more likely to take ownership of customer issues, provide timely and accurate information, and ensure that customers feel valued and appreciated.

The Gallup Organization (2020) evidence supporting the relationship between employee engagement and customer satisfaction. Their research indicated that businesses with high employee engagement levels experience 21% higher profitability and 17% higher productivity. These outcomes are closely linked to customer satisfaction, as engaged employees are more likely to deliver high-quality service that meets or exceeds customer expectations. The Gallup study also found that engaged employees contribute to lower turnover rates and absenteeism, which in turn, ensures consistent and reliable service delivery to customers.

Kular et al. (2021) emphasized the importance of employee engagement in the service industry. Their study found that employee engagement significantly improves customer satisfaction by fostering stronger customer relationships and delivering higher quality service. The researchers pointed out that engaged employees are more likely to develop a deep understanding of customer needs and preferences, allowing them to provide personalized and tailored services. This level of attentiveness and customization enhances the overall customer experience and leads to higher satisfaction levels.

Furthermore, Schaufeli, Bakker, and Salanova (2006) explored how employee engagement influences service quality, which is a key determinant of customer satisfaction. Their research

demonstrated that engaged employees exhibit behaviors such as reliability, responsiveness, and empathy, which are essential for delivering high-quality service. These behaviors positively impact customer perceptions of service quality and contribute to greater customer satisfaction. The study concluded that organizations that invest in fostering employee engagement are more likely to achieve higher levels of customer satisfaction.

For example, Wake and Green (2019) found that employee engagement directly influences service quality and customer satisfaction. The study revealed that engaged employees are more likely to provide attentive and personalized service, which enhances the overall guest experience. Similarly, Ali and Raza (2017) conducted research in the banking sector and discovered that improvements in employee engagement lead to higher customer satisfaction and retention. The researchers highlighted that engaged employees are more likely to build strong customer relationships, address customer concerns effectively, and deliver consistent and reliable service.

Despite the extensive research on the relationship between employee engagement and customer satisfaction, there are several gaps in the literature that need to be addressed. First, many studies have been conducted in developed countries, with limited research focusing on developing regions like Africa. More context-specific studies are required to understand how these relationships play out in different cultural and economic environments. Additionally, most studies have focused on specific industries, such as hospitality and banking, with limited research on the utility sector. Sector-specific research can provide targeted insights and recommendations for improving customer satisfaction in this critical industry.

Moreover, while the relationship between employee engagement and customer satisfaction is well-established, there is a need for more longitudinal studies to examine how changes in employee engagement over time impact customer satisfaction. Most existing research has relied on cross-sectional data, which provides a snapshot of the relationship at a single point in time. Longitudinal studies can offer a deeper understanding of how sustained efforts to improve employee engagement translate into long-term customer satisfaction and loyalty.

However, there are gaps in the literature that need to be addressed, particularly in terms of context-specific studies in developing regions and sector-specific research in the utility industry.

Additionally, more longitudinal studies are needed to examine the long-term impact of employee engagement on customer satisfaction. Addressing these gaps provide a more comprehensive understanding of the relationship and offer valuable insights for organizations seeking to enhance both employee engagement and customer satisfaction.

### **2.5.2 Employee engagement and Service quality**

Employee engagement refers to the extent to which employees are motivated, committed, and invested in their work. Engaged employees are characterized by their enthusiasm, dedication, and willingness to go above and beyond their job requirements. Service quality, on the other hand, is the measure of how well the service provided meets or exceeds customer expectations. High service quality is essential for maintaining customer satisfaction and loyalty.

Numerous empirical studies have demonstrated the strong positive relationship between employee engagement and service quality. Schaufeli, Bakker, and Salanova (2006) conducted a comprehensive study that highlighted the critical role of employee engagement in enhancing service quality. Their research found that engaged employees are more likely to exhibit behaviors such as reliability, responsiveness, and empathy, which are essential components of high-quality service. Engaged employees are motivated to provide excellent service and are more attentive to customer needs, leading to improved service delivery.

Harter, Schmidt, and Hayes (2002) conducted a meta-analysis that further confirmed the significant correlation between employee engagement and service quality. Their study analyzed data from various industries and found that higher levels of employee engagement were associated with better service quality. The researchers emphasized that engaged employees are more committed to their work and take greater pride in delivering high-quality service. This commitment translates into consistent and reliable service, which enhances overall service quality.

The Gallup Organization (2020) also provided evidence supporting the relationship between employee engagement and service quality. Their research indicated that businesses with high employee engagement levels experience higher productivity and profitability, which are closely linked to service quality. Engaged employees are more likely to invest personal effort into their work, ensuring that the service provided meets or exceeds customer expectations. The Gallup study

also found that engaged employees contribute to lower turnover rates and absenteeism, which in turn ensures consistent and reliable service delivery.

Kular et al. (2021) conducted a study in the service industry that highlighted the importance of employee engagement in delivering high-quality service. Their research found that engaged employees are more likely to develop a deep understanding of customer needs and preferences, allowing them to provide personalized and tailored services. This level of attentiveness and customization enhances the overall service quality and leads to higher customer satisfaction. The study concluded that organizations that invest in fostering employee engagement are more likely to achieve higher levels of service quality.

Bakker et al. (2014) explored the mechanisms through which employee engagement influences service quality. Their study revealed that engaged employees are more proactive in identifying and addressing service-related issues, ensuring that potential problems are resolved before they impact customers. This proactive approach enhances the reliability and responsiveness of the service, which are key dimensions of service quality. Additionally, engaged employees are more likely to collaborate effectively with their colleagues, fostering a supportive work environment that contributes to overall service excellence.

Ladhari (2009) examined the relationship between employee engagement and service quality in the hospitality industry. The study found that engaged employees are more likely to provide attentive and personalized service, which enhances the overall guest experience. Engaged employees are more motivated to exceed customer expectations, leading to higher ratings of service quality. The study concluded that fostering employee engagement is crucial for maintaining high standards of service quality in the hospitality sector.

Ali and Raza (2017) conducted research in the banking sector and discovered that improvements in employee engagement lead to higher service quality. The researchers highlighted that engaged employees are more likely to build strong customer relationships, address customer concerns effectively, and deliver consistent and reliable service. Their study emphasized the importance of employee engagement in ensuring that the service provided meets or exceeds customer expectations.

Despite the extensive research on the relationship between employee engagement and service quality, several gaps remain in the literature. First, many studies have been conducted in developed countries, with limited research focusing on developing regions like Africa. More context-specific studies are required to understand how these relationships play out in different cultural and economic environments. Additionally, most studies have focused on specific industries, such as hospitality and banking, with limited research on the utility sector. Sector-specific research can provide targeted insights and recommendations for improving service quality in this critical industry.

Furthermore, while the relationship between employee engagement and service quality is well-established, there is a need for more longitudinal studies to examine how changes in employee engagement over time impact service quality. Most existing research has relied on cross-sectional data, which provides a snapshot of the relationship at a single point in time. Longitudinal studies can offer a deeper understanding of how sustained efforts to improve employee engagement translate into long-term improvements in service quality.

. Engaged employees are more motivated, committed, and attentive, leading to better service delivery and higher service quality. However, there are gaps in the literature that need to be addressed, particularly in terms of context-specific studies in developing regions and sector-specific research in the utility industry. Additionally, more longitudinal studies are needed to examine the long-term impact of employee engagement on service quality. Addressing these gaps provide a more comprehensive understanding of the relationship and offer valuable insights for organizations seeking to enhance both employee engagement and service quality.

### **2.5.3 Service quality and customer satisfaction**

The study's results indicated that some variables within these ten dimensions overlapped with each other. Ultimately, the original ten elements were condensed into five key dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). Tangibility relates to the physical environment, facilities, and the appearance of employees. Reliability is the ability to consistently and accurately deliver services. Responsiveness reflects the willingness of employees to help customers and resolve problems. Assurance involves the knowledge and confidence employees convey, while empathy is associated with providing caring

and individualized attention to customers. Buttle (1996) noted that the SERVQUAL model has been widely used to measure customer perceptions across various types of services.

Al-Azzam (2015) conducted a field study on the impact of service quality on customer satisfaction at the Arab Bank in Irbid City, Jordan, using the SERVQUAL model's five dimensions. The results indicated that higher service quality leads to increased customer satisfaction. Each of the five service quality dimensions positively affected customer satisfaction. While this study focused on the banking industry, its customers differed in social, economic, and cultural aspects from those in other sectors, such as the hotel industry examined in other studies.

Rahhal (2015) investigated the effects of service quality on customer satisfaction within Syrian mobile telecommunication services. Using convenience sampling, the study surveyed 600 mobile phone service users in Damascus and Aleppo. Confirmatory factor analysis revealed a direct significant impact of service quality on customer satisfaction. Although this study was conducted in Syria, the findings are relevant to understanding service quality's role in different regions and industries.

Olatokun and Ojo (2014) examined the influence of service quality on consumer satisfaction with mobile telecommunication services in Nigeria. Using a survey design, the study assessed customer satisfaction in Ibadan through a structured questionnaire based on the SERVQUAL dimensions. Convenience sampling was used to select 431 mobile telecommunication users. The findings highlighted that responsiveness, assurance, and empathy significantly explain customer satisfaction. These results underscore the importance of regulatory authorities developing policies that prioritize customer satisfaction based on service quality dimensions.

Aliata (2016) explored the relationship between service quality and customer satisfaction among commercial bank customers in Nairobi, Kenya. A sample of 384 respondents was drawn using proportionate stratified random sampling. The results revealed that service quality significantly contributed to customer satisfaction ( $\beta = .488, p < .05$ ). Although this study focused on commercial bank customers, it provides valuable insights for other industries, such as the hotel sector, in examining service quality's effects on customer satisfaction.

Othman et al. (2019) and Fida et al. (2020) emphasized that service quality is a precursor to customer satisfaction. These studies suggest that organizations must improve their services to achieve customer satisfaction and positive feedback. Al-Tit (2015) argued that there is a direct correlation between service quality and customer satisfaction. Despite this, Danish (2018) noted that while service quality impacts customer satisfaction, the relationship is not necessarily direct. Zameer et al. (2015) proposed that a high perception of service quality directly maximizes customer satisfaction. Fida et al. (2020) further defined a significant connection between service quality and customer contentment, outlining that the five service quality dimensions (responsiveness, tangibility, assurance, reliability, and empathy) are fundamental to achieving customer satisfaction. Their study concluded that continuous improvement in these dimensions is necessary for realizing customer satisfaction. Lee et al. (2021) analyzed service quality dimensions and customer satisfaction and established a positive relationship between the two.

Despite the extensive research supporting the significant relationship between service quality and customer satisfaction, several gaps remain in the literature. First, many studies have been conducted in developed countries, with limited research focusing on developing regions like Africa. More context-specific studies are required to understand how these relationships play out in different cultural and economic environments. Additionally, most research has focused on specific industries, such as banking and telecommunications, with limited studies on sectors like the hospitality and utility industries. Sector-specific research can provide targeted insights and recommendations for improving service quality and customer satisfaction in these critical industries.

Furthermore, while the SERVQUAL model's five dimensions—tangibility, reliability, responsiveness, assurance, and empathy—have been validated across various studies, there is a need for more longitudinal research to examine how changes in service quality over time impact customer satisfaction. Most existing research has relied on cross-sectional data, providing a snapshot of the relationship at a single point in time. Longitudinal studies can offer a deeper understanding of how sustained efforts to improve service quality translate into long-term customer satisfaction.

#### **2.5.4 Mediating role of service quality on and employee engagement and customer satisfaction**

Service quality acts as a bridge that connects the efforts of engaged employees with the perceptions and experiences of customers. This relationship is well-supported by the SERVQUAL model, which posits that service quality is a key determinant of customer satisfaction.

Engaged employees are characterized by their high levels of energy, dedication, and absorption in their work (Schaufeli, Bakker, & Salanova, 2006). These positive attributes lead to behaviors that enhance service quality, such as reliability, responsiveness, assurance, empathy, and the maintenance of tangibles. When employees are engaged, they are more likely to go above and beyond their job requirements to ensure that customers receive high-quality service. This high-quality service, in turn, positively impacts customer satisfaction by meeting or exceeding customer expectations (Parasuraman, Zeithaml, & Berry, 1988).

Research by Harter, Schmidt, and Hayes (2002) provides empirical support for the mediating role of service quality. Their meta-analysis demonstrated that higher levels of employee engagement are associated with better service quality, which in turn leads to increased customer satisfaction. The researchers highlighted that engaged employees are more likely to be proactive in identifying and addressing customer needs, providing timely and accurate information, and ensuring that customers feel valued and appreciated. These behaviors enhance the overall service quality, thereby improving customer satisfaction.

Zeithaml, Bitner, and Gremler (2018) further explain the mediating role of service quality by emphasizing that engaged employees deliver higher quality service, which directly influences customer satisfaction. Their research shows that when employees are engaged, they are more committed to their roles and more likely to deliver service that aligns with the SERVQUAL dimensions. For instance, engaged employees demonstrate reliability by consistently performing their duties accurately and dependably. They provide assurance by instilling confidence in customers through their competence and courtesy. Engaged employees also show empathy by offering personalized attention and care, and they are responsive by promptly addressing customer inquiries and issues.

A study by Su et al. (2020) in the healthcare sector found that service quality mediates the relationship between employee engagement and patient satisfaction. The researchers concluded that engaged healthcare workers provide better service quality, which leads to higher patient satisfaction. This finding supports the SERVQUAL model's assertion that service quality is a critical determinant of customer satisfaction and highlights the importance of employee engagement in achieving high service quality.

Kular et al. (2021) also explored the mediating role of service quality in the service industry. Their study found that employee engagement significantly improves service quality, which in turn enhances customer satisfaction. The researchers emphasized that engaged employees are more likely to understand and meet customer needs, provide personalized services, and ensure that the service delivery process is smooth and efficient. These factors contribute to higher service quality and, consequently, greater customer satisfaction.

Furthermore, Bakker et al. (2014) demonstrated that engaged employees are more proactive in resolving service-related issues, which enhances the reliability and responsiveness of the service. Their study revealed that engaged employees are more likely to collaborate effectively with their colleagues, fostering a supportive work environment that contributes to overall service excellence. This improved service quality mediates the relationship between employee engagement and customer satisfaction, as customers experience consistent and reliable service that meets their expectations.

Despite the substantial evidence supporting the mediating role of service quality, there are several gaps in the literature that need to be addressed. First, most studies have been conducted in developed countries, with limited research focusing on developing regions like Africa. More context-specific studies are required to understand how these relationships play out in different cultural and economic environments. Additionally, most research has focused on specific industries, such as healthcare and hospitality, with limited studies on the utility sector. Sector-specific research can provide targeted insights and recommendations for improving service quality and customer satisfaction in this critical industry.

Moreover, while the relationship between employee engagement, service quality, and customer satisfaction is well-established, there is a need for more longitudinal studies to examine how changes in employee engagement over time impact service quality and customer satisfaction. Most existing research has relied on cross-sectional data, which provides a snapshot of the relationship at a single point in time. Longitudinal studies can offer a deeper understanding of how sustained efforts to improve employee engagement translate into long-term improvements in service quality and customer satisfaction.

Engaged employees enhance service quality through their reliability, responsiveness, assurance, empathy, and maintenance of tangibles, which in turn leads to higher customer satisfaction. However, there are gaps in the literature that need to be addressed, particularly in terms of context-specific studies in developing regions and sector-specific research in the utility industry. Additionally, more longitudinal studies are needed to examine the long-term impact of employee engagement on service quality and customer satisfaction. Addressing these gaps will provide a more comprehensive understanding of the relationship and offer valuable insights for organizations seeking to enhance both employee engagement and customer satisfaction through improved service quality.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This section covers the research design, study population, sampling procedure, data Collection instruments, measurement of variables, reliability, validity, data processing and ethical considerations.

#### **3.1 Research design**

Creswell et al. (2017) conceptualizes research design as a framework that articulates the study procedures. The study adopted a cross-sectional research design. The cross-sectional research design was adopted since it is essential and convenient when collecting data at one point in time (Bryman, 2004). Cross-sectional research design also facilitates large sample coverage as every participant participates only once or in a snapshot, which saves time (Creswell, 2014).

#### **3.2 Study population**

According to Creswell (2014) study population refers to the entire group of individuals or events about which you want to generalize the findings of the study. The target population for the study was 617 employees from UMEME main office in Kampala. The employees comprised of a customer service representatives, technical staff, and management.

#### **3.3 Unit of analysis**

According to Bryman (2016), the unit of analysis is the object of analysis in a research project, defined in terms of the level of aggregation. The unit of analysis in this study constituted the individual employees working with UMEME.

#### **3.4 Unit of inquiry**

According to Tabachnich and Fidel (2013), the unit of inquiry refers to the individuals from whom information to be used in the study is collected. The unit of inquiry in this study were the individual employees from the different departments within UMEME including customer service representatives, technical staff, and management. This is because of these employees have a direct contact with the customers and are therefore in position to give relevant information about customer satisfaction and service quality.

### **3.5 Sample size**

Sample size refers to actual respondents the researcher intends to collect data from (Sekaran and Bougie, 2016). A representative sample size of 234 respondents was determined using the table provided by Cochran (1967).

### **3.6 Sampling technique**

Sampling is the process of selecting a subset of individuals or objects from a larger population, in order to make inferences about the entire population (Creswell, 2008). The study applied simple random sampling to derive the targeted sample. This is because it gives each element in the population an equal chance of being selected (Walliman, 2017). By way of picking without replacing, the researcher selected one employee after another until the required sample is raised.

### **3.7 Data collection instrument**

Data was collected using a self-administered close ended questionnaire, rated using a 5-Point Likert scale ranging from; 5-strongly agree, 4-agree, 3-Not sure, 2-disagree and 1-strongly disagree. The scale is selected to provide respondents with the extent to which they agree with the different notions (Likert, 1961). The questionnaire was divided into key sections to address precisely each variable. The first section comprised demographic information of the employees, sections 2, 3 and four will comprise questions about employee engagement, service quality and customer satisfaction respectively.

### **3.8 Data Collection Procedures**

After obtaining an introductory letter from Busitema University, the researcher proceeded to seek for permission from UMEME, the organization where data was collected. Upon getting permission from UMEME, the researcher collected the data from the employees after seeking their consent. Data was collected by the individual researcher by issuing the questionnaires to the respondents. Reminders were sent to the respondent to increase the response rate and quicken the data collection exercise.

### **3.9 Measurement of Variables**

The study constructs were measured based on already established items by prior scholars. The variables was measured on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. The measurement items were adopted with modifications to suit the study context. Service quality was measured by five dimensions in a SERVQUAL (Pascal, 2016) which contains

tangibility, reliability, responsiveness, assurance, and empathy. Regarding the questionnaire for service quality, it was adapted from SERVQUAL, Parasuraman, Zeithaml and Berry (1985, 1988) which was common and accepted internationally, 19 questions. The same instrument has been used by scholars such as Bhuian (2021) to measure service quality. In terms of ‘satisfaction’, the questionnaire was adapted from Heskett et al. (1994) and Schneider and Bowen (1995) which was developed to measure the satisfaction of the customers and has been applied in various businesses, five questions. While employee engagement was measured in terms of vigor, absorption and dedication. The questionnaire used for the study of ‘employee engagement’ was adapted from Na-Nan and Chalermthanakijkosol (2012) of which was enhanced based on the concept and theory of Employee Engagement, 13 questions. The questionnaire used for the study of ‘employee engagement’ was adapted from Na-Nan and Chalermthanakijkosol (2012) of which was enhanced based on the concept and theory of Employee Engagement, 13 questions.

**Table 3:1 Measurement of variables**

<b>Variable</b>	<b>Dimensions</b>	<b>Item measures</b>	<b>Source</b>
<b>Customer satisfaction</b>	<ul style="list-style-type: none"> <li>• Access</li> <li>• Timeliness</li> <li>• Availability</li> </ul>	5-item customer satisfaction questionnaire	Niven (2008)
<b>Service quality</b>	<ul style="list-style-type: none"> <li>• Tangibility</li> <li>• Reliability</li> <li>• Responsiveness</li> <li>• Assurance</li> <li>• Empathy</li> </ul>	22-item SERVQUAL Questionnaire	Zameer et al., (2015)
<b>Employee engagement</b>	<ul style="list-style-type: none"> <li>• Vigor</li> <li>• Dedication</li> <li>• absorption</li> </ul>	18-item employee engagement questionnaire	Lapidus and Waite (2009)

### 3.10 Validity and Reliability of the Instruments

#### 3.10.1 Validity

Validity is the degree to which the research tool measures what it intended to measure representative of the fact or the situation (Kothari, 2004). The study used both Contents and construct validity which was determined using professional experts to establish whether the research instruments are capable of obtaining the intended data. Validity of the instruments was arrived at using content validity index (C.V.I) = Items rated relevant by both supervisors divided by the total number of items in the questionnaire as shown hereafter

$$C.V.I = \frac{\text{No. of items rated relevant}}{\text{Total number of items}}$$

The CVI for service quality was (0.71), employee engagement (0.79) and customer satisfaction (0.86). As recommended by Amin (2005), any instrument is valid with the C.V.I values all being above the threshold of 0.70.

#### 3.10.2 Reliability of the instrument

Reliability is the degree to which the research tool provides persistent results when it is repeatedly subjected to similar conditions (Mugenda & Mugenda, 2003). Reliability analysis was analyzed using Cronbach's Alpha coefficient and all the items yielded a score a above 0.7 hence the instrument was deemed reliable in line with the works of Nannully (1967). Cronbach Alpha values for the study variable were service quality (0.936), employee engagement (0.815), and customer satisfaction (0.704).

**Table 3:2 Validity and Reliability Results**

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>CVI</b>	<b>No. of Items</b>
Service quality	.936	.71	22
Employee engagement	.815	.79	18
Customer satisfaction	.704	.86	05

**Source: Primary Data, (2024)**

### 3.11 Data processing and analysis

Data obtained from the field was edited, classified, tabulated and coded before it is captured for analysis. The researcher cleaned data by exploring parametric tests of normality, factor analysis,

skewness, kurtosis, mean and standard deviations until the data is fit for analysis. Data was then be analyzed using Statistical Package for Social Sciences (SPSS v.25) from which descriptive and inferential statistics were obtained. Descriptive statistics constituted of frequency tables to interpret the demographic characteristics. Inferential statistics comprised correlation and regression analyses. Correlation was used to determine the nature of the relationship between variables (positive or negative). Hierarchical regression was used to establish the effect of employee engagement and service quality on customer satisfaction. Hierarchical regression is a regression technique where predictors are entered in a series of blocks to establish the effect of each predictor variable on the outcome variable while holding other predictor constant (Tabachnic & Fidel, 2010). In this study, the first block entered the control variables of age, gender, education and tenure to establish there effect on customer satisfaction. The second block tested the effect of employee engagement on customer satisfaction while holding the control variables constant. In the third block, service quality was entered to establish its effect on customer satisfaction while holding control variables and employee engagement constant. The justification for using hierarchical regression is that it establishes the incremental value of the predictors in the model (Cresswel, 2004). Linear regression was further used to establish the effect of employee engagement on service quality. Libear regression is regression technique that established the influence of one predictor (in this stud employee engagement) on the outcome variable (in this study service quality). Hayes process MACRO was used to determine the mediating effect of service quality on the relationship between employee engagement and customer satisfaction.

### **3.12 Ethical Considerations**

A letter of introduction was got from the Busitema University and was presented to the respondents on request. The researcher also considered the privacy of the respondents' identity and responses by not putting any identifier on the instruments. To ensure privacy, the researcher emphasized on a high degree of confidentiality by not requiring the respondents to reveal their names or identify details such as telephone number.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

This chapter provides for presentation of the descriptive statistics, presentation and interpretation of study findings.

#### 4.1 Response rate

Response rate is the proportion of participants who participated in the study (Tabachnic & Fidel, 2010). The study administered 234 questionnaires to all the respondents who formed the unit of inquiry. A total of 196 questionnaires were filled and returned. A total of 38 questionnaires were incomplete and therefore not considered for further analysis. The response rate for the study was 196 (83.76%) which according to Mugenda and Mugenda (2003) was deemed adequate. Amin (2005) also affirmed that return rates of questionnaires of 70% are recommendable for subsequent analysis and publication of the study results.

**Table 4:1 Response rate**

<b>Financial institutions</b>	<b>Frequency</b>	<b>Percentage</b>
Sample size	234	100
Response rate	196	83.76
Non-response rate	38	16.43
<b>Total</b>	<b>100</b>	<b>100</b>

*Source:* Survey Data (2024)

#### 4.2 Demographic characteristics of the respondents

The study used frequency and mean to analyze the respondents characteristics of gender, age, education and tenure to get insights into the characteristics if the respondent who participated in the study. Results indicate that majority 132 (67.3%) of the respondents were male compared to their counter parts 64 (32.7%) who were female and this implies that the study was gender representative. The results regarding age indicated that majority of the respondents 77 (39.3%) were aged between 25-34 years of age followed by 55 (28.1%) aged between 35-44 years, 43 (21.9) aged below 25 years and 21 (10.7%) aged above 45 years of age. The results imply that

UMEME employs middle aged employees who are energetic enough to do physical works like reaching out to customers in the field. As regards education level, the descriptive results show that majority of the respondents 105 (53.6%) had attained bachelors degree followed by 48 (24.5%) who had attained masters, 32 (16.3%) had attained diploma and 11 (5.6%) had attained masters degree. The results imply that the respondents were knowledgeable enough to read and respond to the questionnaire from an informed point of view. Regarding tenure, the study results reveal that majority of the respondents 52 (26.5%) had working with UMEME for a period between 16-20 years followed by 47 (24.0%) who had worked between 11-15 years, 47 (24.0%) for above 20 years and 12 (6.1%) who had worked with UMEME for a period of less than five years. The results indicate that majority of the respondents had worked with the organization for over 10 years and therefore have the required information regarding their engagement, service quality and customer satisfaction.

**Table 4:2 Demographic Characteristics**

<b>Demographic characteristics</b>		<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>	Male	132	67.3
	Female	64	32.7
	<b>Total</b>	<b>252</b>	<b>100.0</b>
<b>Respondent's age</b>	Below 25 years	43	21.9
	25-34 years	77	39.3
	35-44 years	55	28.1
	above 45	21	10.7
	<b>Total</b>	<b>196</b>	<b>100.0</b>
<b>Education level</b>	Diploma	32	16.3
	Bachelors degree	105	53.6
	Post graduate diploma	48	24.5
	Masters degree	11	5.6
	<b>Total</b>	<b>196</b>	<b>100</b>
<b>Tenure</b>	Less than 5 years	12	6.1
	Between 6-10 years	38	19.4
	Between 11-15 years	47	24.0

Between 16-20 years	52	26.5
Above 20 years	47	24.0
<b>Total</b>	<b>196</b>	<b>100.0</b>

**Source: Primary data (2024)**

### 4.3 Correlation analysis

Correlation analysis is a statistical function used to determine the extent and direction of the relationship between the study variables. The study used Pearson’s correlation coefficient to establish the relationship between employee engagement, service quality and customer satisfaction. The findings of the study reveal that there is a significant positive relationship between employee engagement and customer satisfaction ( $r = .18^{**}$ ,  $p$ -value < 0.01). The study findings imply that an increase in employee engagement leads to an associated increment in customer satisfaction. The study findings further reveal a significant positive relationship between service quality and customer satisfaction ( $r = .38^{**}$ ,  $p$ -value < 0.01). The study findings imply that an increase in service quality leads to an associated increment in customer satisfaction. The study also revealed that employee engagement has a positive and significant association with service quality ( $r = .21^{**}$ ,  $p$ -value < 0.01) which implies that an increment in employee engagement is linked to an associated improvement in service quality.

**Table 4:3 Correlation results**

<b>Variables</b>	<b>1</b>	<b>2</b>	<b>3</b>
1. Service quality	1		
2. Employee engagement	.21 <sup>**</sup>	1	
3. Customer satisfaction	.38 <sup>**</sup>	.18 <sup>**</sup>	1

**\*\*Correlation is significant at the 0.01 level (2-tailed).**

**Source:** Survey Data (2024 )

### 4.4 Hierarchical regression analysis

Hierarchical regression was used to determine the predictive power of employee engagement and service quality on customer satisfaction. Hierarchical regression is a regression technique which tests the additive value of the predictor variables on the outcome variable Cresswel (2004). The constructs were entered in a series of blocks to determine the incremental value of each predictor

in the model. In this study, Model 1 entered the control variable of gender, age, education and tenure to establish the effect of the controls on customer satisfaction. The study findings show that the control variables of age, gender, education level and tenure have no significant influence on customer satisfaction. As regards answering the research objectives, objective one sought to establish the influence of employee engagement on customer satisfaction. Model 2 tested for the influence of employee engagement on customer satisfaction. The findings of the study reveal that employee engagement significantly enhances customer satisfaction ( $\beta = .15, p < 0.01$ ). The study findings imply that with each unit increase in employee engagement, customer satisfaction creases by 0.15 units. In model 2, the  $R^2$  is ( $R^2 = .07$ ) which implies that employee engagement enhances customer satisfaction by 07%. Objective two sought to establish the influence of service quality on customer satisfaction. Model three tested for the influence of service quality on customer satisfaction. The findings of the study reveal that service quality significantly enhances customer satisfaction ( $\beta = 0.35, p < 0.01$ ). The study findings imply that with each unit increase in service quality, customer satisfaction increases by 0.35 units. In model 3, the  $R^2$  is ( $R^2 = 0.19$ ) which implies that service quality enhances customer satisfaction by 19%.

**Table 4:4 Hierarchical Regression**

Model		Unstd.				Sig.
		$\beta$	S.E	Std. $\beta$	t	
1	(Constant)	3.568	.299		11.928	.000
	Age	.155	.054	.203	2.841	.005
	Gender	-.008	.107	-.006	-.078	.938
	Education	-.059	.066	-.064	-.889	.375
	Tenure	-.026	.042	-.046	-.627	.532
2	(Constant)	3.059	.378		8.088	.000
	Age	.130	.055	.171	2.357	.019
	Gender	.019	.107	.013	.182	.856
	Education	-.067	.065	-.074	-1.030	.304
	Tenure	-.027	.042	-.047	-.648	.518
	Eengagement	.140	.065	.156	2.161	.032
3	(Constant)	1.728	.436		3.960	.000

Age	.099	.052	.130	1.909	.058
Gender	-.025	.100	-.016	-.245	.807
Education	-.085	.061	-.094	-1.391	.166
Tenure	-.026	.039	-.044	-.657	.512
Eengagement	.079	.062	.088	1.279	.202
S.Quality	.464	.089	.354	5.230	.000

**Model summary statistics**

Model	R	R <sup>2</sup>	Adj.R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> Change	F Change	Sig.
1	.224 <sup>a</sup>	.050	.030	.69334	.050	2.511	.043
2	.270 <sup>b</sup>	.073	.048	.68678	.023	4.669	.032
3	.436 <sup>c</sup>	.190	.164	.64359	.117	27.355	.000

**a. Dependent Variable: Customer satisfaction**

Source: Survey Data (2024)

**4.5 Linear regression analysis**

Linear regression analysis was conducted to address objective three, which aimed to determine the effect of employee engagement on service quality. The results indicate that employee engagement significantly enhance service quality ( $\beta = .19, p < 0.01$ ). These findings suggest that for every unit increase in employee engagement, service quality improves by 0.19 units. The model demonstrates an R<sup>2</sup> value of 0.66, indicating that 66% of the variance in service quality is explained by employee engagement. Therefore the null hypothesis, which proposed that employee engagement have no significant effect on service quality, was rejected.

*Table 4:5 Linear regression results for employee engagement and service quality*

Model		Unstandardized Coefficients		Standardized Coefficients		T	Sig.
		$\beta$	Std. Error	$\beta$			
1	(Constant)	2.871	.290			9.899	.000
	Respondent Age	.066	.042	.114		1.567	.119
	Gender	.095	.082	.083		1.160	.248

Education level	.039	.050	.056	.774	.440
Experience	-.003	.032	-.007	-.090	.928
Employee engagement	.131	.050	.192	2.644	.009

Model	R	R <sup>2</sup>	Adj. R <sup>2</sup>	F Change	Sig.
1	.257 <sup>a</sup>	.066	.042	2.690	.022

a. Dependent Variable: Service quality

Source: Primary data (2024)

#### 4.6 Testing for mediation

The study analyzed for the mediation effect of service quality on the relationship between employee engagement and customer satisfaction. According to Hayes (2018), analyzing for mediation involves fulfilling four major conditions; the independent variable (employee engagement) should be a significant predictor of the dependent variable (customer satisfaction), the independent variable (employee engagement) should have a significant relationship with the mediator variable (service quality), the mediator variable (service quality) must have a significant association with the dependent variable (customer satisfaction), and lastly, the influence of the independent variable (employee engagement) on the dependent variable (customer satisfaction) should reduce upon the introduction of the mediator variable (service quality) in the third regression model. In this regard, all the four condition of mediation as proposed by Hayes (2018) were fulfilled.

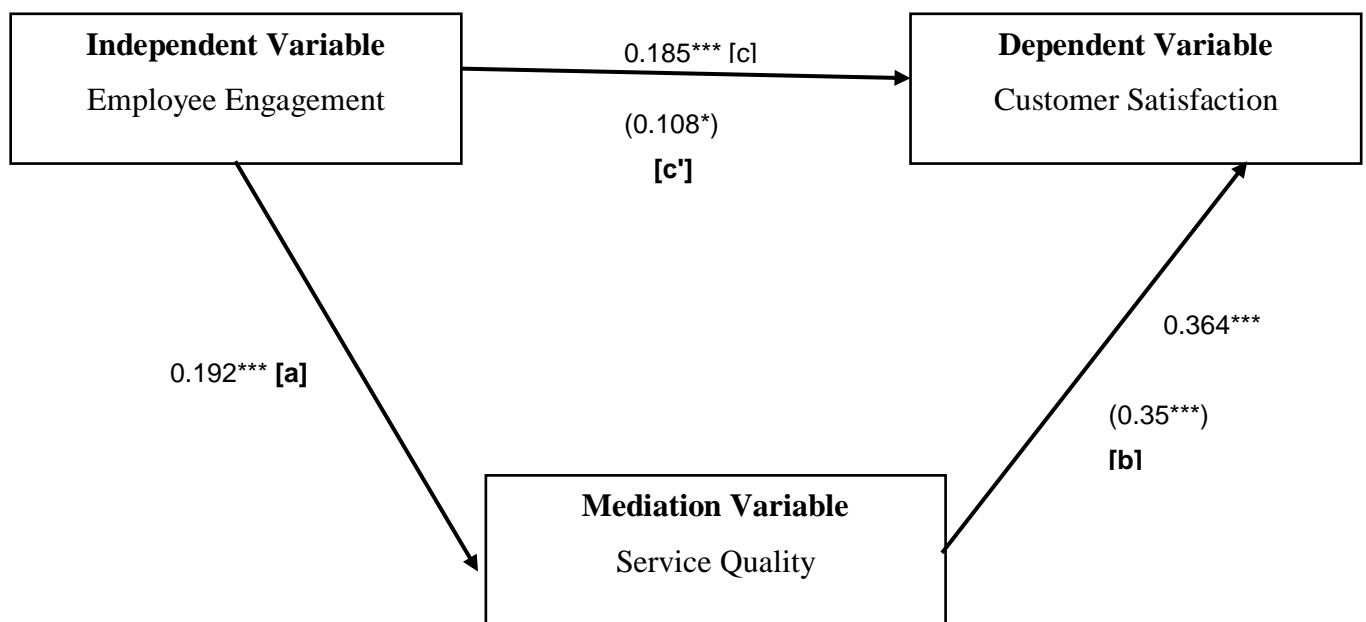
For the purpose for establishing whether service quality significantly mediates the relationship between employee engagement and customer satisfaction, the study applied the Sobel (1982) normal theory approach. This approach advances that, mediation is said to have taken place only when the Sobel Z-value is higher than the P-Value and when the P-Value is less than 0.05. Hence, the results of mediation are summarized as indicated in Table below.

**Table 4:6 Mediation analysis of service quality on employee engagement and customer satisfaction**

Model	Unstandardized Coefficients	Standardized Coefficients
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	B	Std. Error	Beta	R	R <sup>2</sup>	Adj . R <sup>2</sup>	ΔR <sup>2</sup>	ΔF	Sig.
(Constant)	3.048	0.249							.000
<b>1</b> Employee Engagement	.165	.063	.185**	.18a	.03	.02	.03	6.857	.010
<b>2</b> Employee Engagement	.097	.060	.108**						
Service Quality	.477	.088	.364**	.40 <sup>b</sup>	.16	.15	.12	29.16	.000

Source: Primary Data 2024



NOTES: Type of mediation=Partial, Total effect=.185, Direct=.108, Indirect=.364, Sobel z-value=4.1341726,  $p=0.000001$

Figure 2. Mediation of service quality on employee engagement and customer satisfaction

The mediation results in Table 4.6 and Figure 2 shows a Sobel Z-value of 4.1341726 and a P value of 0.000001 and a Beta value for the basic relationship between employee engagement and customer satisfaction (Std,  $\beta = .185^{**}$ ,  $p < 0.05$ ). The implication is that the Sobel Z value (4.1341726) is larger than the corresponding P value (0.000001) yet the P value is significant. This

implies that service quality significantly mediates the relationship between employee engagement and customer satisfaction. These findings reject the null hypothesis which stated that “service quality has no significant mediating relationship on employee engagement and customer satisfaction”, and rather confirms the alternative hypothesis that “service quality *significantly mediates the relationship between employee engagement and customer satisfaction*”.

In addition, the findings indicate a significant reduction in the relationship between employee engagement and customer satisfaction (i.e. from .185 to .108) upon the introduction of the mediator variable (service quality). This indicates that service quality partially mediates the relationship between employee engagement and customer satisfaction.

The results further indicate a ratio index of 58.3% ( $\text{Indirect effect/Total effect} * 100$ ), implying that 58.3% of the effect of employee engagement on customer satisfaction is transferred through the mediator (service quality), while 41.7% is a direct influence of employee engagement on customer satisfaction.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter comprises of discussion of findings, study conclusions and recommendations. The chapter also comprises of the study limitations and suggestions for further research.

#### 5.2 Discussion of findings

##### 5.2.1 Employee engagement and customer satisfaction

Customer satisfaction is essential for organizational success, as it drives customer loyalty and fosters positive referrals. The first objective of the study was to examine the effect of employee engagement on customer satisfaction within. The study findings reveal that employee engagement has a positive effect on customer satisfaction. Engaged employees are more dedicated, motivated, and absorbed in their roles, which directly translates into enhanced customer experiences. This happens through increased attentiveness, timely responses to customer issues, and a deeper commitment to resolving customer concerns. Engaged employees are more likely to take ownership of customer interactions, ensuring that customer needs are met efficiently and empathetically. This results in a more personalized and positive service experience, which directly improves customer satisfaction.

The findings of the current study are consistent with works of prior scholars that highlights the importance of employee engagement in driving customer satisfaction. For example, Harter et al. (2002) demonstrated that engaged employees are more likely to go beyond their formal job responsibilities, leading to superior service delivery and higher levels of customer satisfaction. Harter, Schmidt, and Hayes (2002) conducted a meta-analysis across multiple industries and found that engaged employees exhibit higher levels of responsiveness and empathy, which contribute to higher customer satisfaction scores. Similarly, Zameer et al. (2018) emphasized that in various sectors, engaged employees have been identified as key drivers of customer satisfaction due to their willingness to exceed customer expectations. Zameer et al. (2018) shows that engaged employees often develop stronger relationships with customers, leading to more effective problem resolution and, consequently, improved customer satisfaction. Further still, the study findings resonate with the works of Wake and Green (2019) which concluded that engaged employees

contribute to a higher quality of service delivery by being more proactive and solutions-focused, which leads to higher levels of customer satisfaction. Additionally, Khwaja and Yang (2022) demonstrated that engaged employees are more likely to provide exceptional customer experiences by ensuring that customer needs are met promptly and professionally.

The study's findings also confirm the theoretical framework of the SERVQUAL model, proposed by Parasuraman, Zeithaml, and Berry (1988), which highlights responsiveness, reliability, and empathy as key dimensions of service quality that influence customer satisfaction. Engaged employees in the current study consistently demonstrated these qualities, which helped bridge the gap between customer expectations and service performance. By delivering prompt and empathetic service, engaged employees were able to meet or exceed customer expectations, thereby increasing customer satisfaction. Hence, the study findings affirm the SERVQUAL model's emphasis on the role of employee behaviors in achieving service quality. The current study builds on the existing body of knowledge by extending the understanding of employee engagement's impact on customer satisfaction to new contexts since much of the previous research has focused on developed regions. Previous research, such as studies conducted by Harter et al. (2002) and Zameer et al. (2018), has largely focused on developed economies and sectors such as hospitality, banking, or retail, where the organizational environment is highly structured, and customer expectations are often more predictable. In contrast, this study offers insights from UMEME, a utility organization that is more oriented to satisfaction of customer needs. In conclusion, the study underscores the critical role of employee engagement in improving customer satisfaction.

### **5.2.2 Service quality and customer satisfaction**

The second objective of the study was to examine the effect of service quality on customer satisfaction. The findings of the study indicate that service quality positively influences customer satisfaction. Higher levels of service quality lead to enhanced customer experiences, where key dimensions such as responsiveness, reliability, and empathy play pivotal roles in shaping customer perceptions. By ensuring that services are delivered promptly, reliably, and with a customer-centered approach, organizations can significantly improve customer satisfaction.

The findings of the current study are consistent with previous research that underscores the importance of service quality in driving customer satisfaction. For example, Parasuraman, Zeithaml, and Berry (1988), through their SERVQUAL model, identified five dimensions of service quality—tangibility, reliability, responsiveness, assurance, and empathy—that significantly impact customer satisfaction. The current study confirms that when service quality dimensions are effectively managed, customer satisfaction improves. Specifically, the study found that responsiveness, reliability, and empathy were the most influential factors in shaping positive customer perceptions.

Similarly, research by Zameer et al. (2018) highlighted that service quality is a primary driver of customer satisfaction across industries. Their findings suggest that organizations that consistently provide reliable and responsive services are more likely to retain satisfied customers. This resonates with the current study's findings, where the reliability and responsiveness of services were key determinants of customer satisfaction. Zameer et al. (2018) also emphasized the importance of empathy in service delivery, showing that when employees demonstrate care and concern for customers, satisfaction levels increase. This aligns with the current study, where empathy was found to be a significant factor in enhancing customer satisfaction.

Further still, the works of Wake and Green (2019) also support the findings of the current study. Their research concluded that service quality is critical to customer satisfaction, particularly when organizations focus on being proactive and solutions-oriented. In this study, service quality was found to be enhanced by a solutions-focused approach, where employees actively sought to resolve customer issues, leading to improved customer satisfaction. Additionally, the findings of Khwaja and Yang (2022) also align with the current study, as they demonstrated that service quality directly impacts customer satisfaction by ensuring that services are delivered professionally and meet customer expectations.

The study's findings also confirm the SERVQUAL model, which remains one of the most widely recognized frameworks for measuring service quality and its impact on customer satisfaction. The current study supports the SERVQUAL model's emphasis on responsiveness, reliability, and empathy as crucial dimensions of service quality. By delivering reliable services promptly and with empathy, organizations are able to meet customer expectations more effectively, thus

increasing satisfaction. The study affirms that service quality is not just a contributor to customer satisfaction but a key determinant, with each dimension playing a vital role in shaping customer perceptions.

Moreover, this study builds on the existing body of knowledge by providing new insights into the relationship between service quality and customer satisfaction in a developing nation. While previous research, such as that by Zameer et al. (2018) and Parasuraman et al. (1988), has largely focused on industries such as hospitality, retail, and banking, this study offers perspectives from different operational settings. It broadens the understanding of how service quality dimensions operate across various organizational environments and how they contribute to customer satisfaction. This study, therefore, contributes to the broader literature by extending empirical evidence on the importance of service quality in ensuring customer satisfaction in the context of UMEME, an electricity company.

### **5.2.3 Employee engagement and service quality**

The third objective of this study was to examine the effect of employee engagement on service quality. The findings of the study indicate that employee engagement has a positive effect on service quality. Engaged employees, who are more dedicated, motivated, and absorbed in their roles, directly contribute to improved service quality by providing prompt, reliable, and empathetic service. This positive engagement leads to enhanced service experiences, as engaged employees are more likely to go beyond their formal job responsibilities to ensure customer needs are met, ultimately improving the quality of the services provided.

The findings of this study are consistent with earlier research that highlights the critical role of employee engagement in improving service quality. Harter et al. (2002) found that engaged employees exhibit higher levels of motivation and commitment, which translates into better service quality. Their meta-analysis across various industries demonstrated that employee engagement is closely tied to how well service is delivered, with engaged employees showing greater ownership over their tasks, thus improving service outcomes. Similarly, Wake and Green (2019) highlighted that engaged employees are more proactive in addressing customer concerns and resolving issues, resulting in higher levels of service quality. These findings echo those of the current study, where

engaged employees demonstrated a greater willingness to ensure that services were delivered efficiently and with a high degree of professionalism.

Zameer et al. (2018) also underscored the importance of employee engagement in delivering high-quality services. Their research emphasized that engaged employees tend to show greater responsibility and reliability in their roles, which improves service quality. The current study aligns with this by showing that engaged employees are more likely to deliver services that are timely, accurate, and customer-centered, thereby enhancing overall service quality. Furthermore, Khwaja and Yang (2022) confirmed that employee engagement plays a key role in determining how effectively services are provided. Their study found that when employees are engaged, they demonstrate higher levels of empathy and attentiveness, which are key dimensions of service quality, as shown in the current study.

Additionally, the works of Bakker et al. (2008) supported the current study's findings by demonstrating that engaged employees show higher levels of vigor and dedication, which directly impacts service delivery. Engaged employees are more likely to exhibit a greater sense of ownership and accountability, ensuring that the services provided meet or exceed customer expectations. This is particularly relevant in the current study, where engaged employees were observed to take greater initiative in ensuring the timely and accurate delivery of services, thereby improving overall service quality.

The findings also confirm the relevance of the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988), which highlights that service quality is influenced by key dimensions such as responsiveness, reliability, and empathy. Engaged employees, as shown in this study, are more likely to demonstrate these qualities, resulting in improved service quality. The study supports the SERVQUAL model's assertion that employee behaviors, particularly those exhibited by engaged employees, play a critical role in ensuring that services meet or exceed customer expectations. Engaged employees, through their dedication and attentiveness, contribute to service reliability and responsiveness, which are core dimensions of service quality according to the SERVQUAL framework. This study also builds on the existing body of knowledge by exploring the link between employee engagement and service quality in new contexts. Much of the prior research, such as studies by Harter et al. (2002) and Zameer et al. (2018), has focused on industries with well-defined

service frameworks, such as hospitality, retail, and banking. The current study provides insights into how employee engagement influences service quality across diverse operational environments.

#### **5.2.4 Mediating role of service quality on the relationship between employee engagement and customer satisfaction**

The fourth objective of the study was to examine the mediating role of service quality on the relationship between employee engagement and customer satisfaction. The findings suggest that service quality partially mediates this relationship, meaning that while employee engagement directly influences customer satisfaction, it also exerts an indirect effect through service quality. This implies that engaged employees enhance customer satisfaction not only through their direct interactions with customers but also by improving the quality of services delivered, which in turn drives higher levels of customer satisfaction.

The findings of this study align with previous research that has explored the interplay between employee engagement, service quality, and customer satisfaction. For instance, Harter et al. (2002) found that engaged employees are more likely to deliver high-quality services, which directly contributes to customer satisfaction. Their meta-analysis demonstrated that employee engagement leads to superior service delivery, which in turn results in greater customer satisfaction. The current study confirms this pathway by showing that service quality acts as a mediator, where engaged employees first improve service quality, which then enhances customer satisfaction.

Similarly, Wake and Green (2019) provided evidence of service quality's mediating role, suggesting that organizations with higher employee engagement see improved service delivery, which ultimately leads to higher customer satisfaction. Their findings are consistent with the current study, where service quality was identified as a key mechanism through which employee engagement enhances customer outcomes. The proactive behaviors exhibited by engaged employees, such as taking ownership of customer concerns and providing timely, reliable service, were found to enhance service quality, which, in turn, increased customer satisfaction.

Zameer et al. (2018) also emphasized the importance of service quality as a mediator between employee engagement and customer satisfaction. Their research showed that service quality amplifies the positive effects of employee engagement on customer outcomes by ensuring that

services are delivered effectively and efficiently. This aligns with the current study, where service quality was found to be a crucial link in the relationship between engaged employees and satisfied customers. Engaged employees, by improving the reliability and responsiveness of services, contributed significantly to the enhancement of customer satisfaction through higher service quality.

Furthermore, the works of Khwaja and Yang (2022) corroborate the current findings by highlighting that engaged employees are more likely to provide quality services, which directly impacts customer satisfaction. Their study confirmed that service quality plays a mediating role by translating the benefits of employee engagement into tangible customer outcomes. The current study supports this notion, as the improved service quality observed in organizations with higher employee engagement led to greater customer satisfaction, validating the mediating effect of service quality.

The theoretical framework of the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988) is also relevant in understanding the mediating role of service quality. The SERVQUAL model identifies key dimensions of service quality—responsiveness, reliability, and empathy—that are crucial for customer satisfaction. Engaged employees enhance these dimensions, thereby improving overall service quality. The current study extends this framework by demonstrating that service quality mediates the relationship between employee engagement and customer satisfaction, reinforcing the SERVQUAL model's emphasis on service quality as a critical determinant of customer satisfaction. This study builds on the existing body of knowledge by providing new insights into how service quality mediates the relationship between employee engagement and customer satisfaction. While previous studies, such as those by Harter et al. (2002) and Zameer et al. (2018), have examined the direct effects of employee engagement on customer satisfaction, this study adds depth by exploring the indirect effects mediated by service quality.

### **5.3 Conclusion**

This sought to establish the effects of employee engagement and service quality on customer satisfaction within UMEME. The findings clearly demonstrate that both employee engagement and service quality play critical roles in driving customer satisfaction, with service quality also mediating the relationship between employee engagement and customer satisfaction. The study

concludes that engaged employees, who exhibit high levels of motivation and commitment to their work, enhance customer experiences by being more attentive, responsive, and empathetic. These behaviors ensure that customer needs are met effectively and professionally, resulting in higher customer satisfaction. The study also concludes that when services are delivered with a high degree of reliability, responsiveness, and empathy, customers are more likely to feel satisfied with their overall experience. The study further concluded that employee engagement positively influences service quality. Engaged employees are more likely to go beyond their prescribed roles, contributing to improved service delivery by being more proactive, solution-oriented, and empathetic. Further still, the study concluded that service quality partially mediates this relationship, indicating that while employee engagement directly impacts customer satisfaction, it also exerts an indirect effect through enhanced service quality. Engaged employees improve the quality of services provided, which in turn leads to higher levels of customer satisfaction.

#### **5.4 Study recommendations**

The study draws important recommendations for practitioners seeking to improve customer satisfaction through employee engagement and service quality. Managers ought to invest in robust employee engagement programs that focus on enhancing employee motivation, commitment, and professional development. This can be achieved by offering regular workshops, mentoring, and coaching sessions aimed at improving customer service skills and ensuring employees are aligned with the organization's goals. Investing in employee well-being programs, such as recognition schemes and career development opportunities, will further boost engagement levels, resulting in better service delivery and enhanced customer satisfaction. Managers should prioritize service quality by conducting regular assessments and reviews of service delivery processes. Establishing structured feedback mechanisms, such as customer satisfaction surveys, mystery shopper programs, and performance reviews, will help identify service gaps and areas that require improvement. This approach ensures that customer expectations are consistently met, and service delivery is aligned with the highest quality standards.

Organizations ought to integrate employee engagement strategies with service quality improvements. By fostering a culture where engaged employees understand their role in delivering quality services, organizations can enhance both the employee and customer experience. This can

be facilitated by aligning service delivery goals with organizational values and ensuring employees are equipped with the tools and support necessary to provide top-tier service.

Further, managers should develop comprehensive training programs that equip employees with the skills needed to handle diverse customer needs effectively. Training should focus on improving communication, empathy, problem-solving, and emotional intelligence to ensure employees are prepared to manage various customer scenarios with professionalism. Ensuring that employees are confident in their ability to respond to customer concerns will greatly enhance service quality.

NGOs and organizations in resource-constrained environments should adopt tailored strategies to maintain high levels of service quality. This involves prioritizing the efficient use of available resources and ensuring that employees are motivated despite operational challenges. Implementing policies that recognize and reward high-performing employees can help maintain engagement and service quality even in challenging operational settings.

### **5.5 Limitations of the study**

The current study has research limitations which form a basis for future research. First, the study adopted a cross-sectional design, which captures data at a single point in time. This limits the ability to establish causality between employee engagement, service quality, and customer satisfaction over time. A longitudinal study could provide deeper insights into how these relationships evolve and fluctuate, offering a more comprehensive understanding of the dynamics at play.

Second, the geographical focus of the study was limited to UMEME, a utility company in Uganda, which may affect the generalizability of the findings. The specific socio-economic and cultural context of this setting might influence employee engagement, service quality, and customer satisfaction in ways that differ from other regions or sectors. Therefore, caution must be exercised when applying these findings to organizations in different geographical locations or industries.

Additionally, the study focused specifically on the utility sector, which may present unique challenges that are not fully representative of other industries such as retail, hospitality, or healthcare. The organizational structure, customer expectations, and employee engagement

strategies in the utility sector may differ from those in other service industries, and this may limit the extent to which the findings can be generalized across various sectors.

Also, the reliance on self-reported data from employees and customers introduces the potential for response bias. Participants may have provided socially desirable responses rather than accurate reflections of their true perceptions or experiences, which could impact the validity of the findings.

### **5.6 Suggestions for future research**

First, since the study adopted a cross-sectional design, future research should utilize a longitudinal design. A longitudinal study would allow for the examination of how the relationships between employee engagement, service quality, and customer satisfaction evolve over time. This approach could provide deeper insights into the causal relationships among these variables and offer a clearer understanding of how engagement and service quality efforts impact customer satisfaction in the long term.

Second, the geographic focus of this study was limited to UMEME in Uganda, which may restrict the generalizability of the findings. Future research should explore these relationships in different geographical regions or cultural contexts to determine whether similar patterns emerge in other environments. Conducting comparative studies in various regions or countries would help to test the robustness of the findings and enhance their applicability across different socio-economic and cultural settings.

Additionally, as this study relied on self-reported data from employees and customers, which may introduce response bias, future research could incorporate alternative data collection methods.

Also, further studies should investigate the specific mechanisms through which service quality mediates the relationship between employee engagement and customer satisfaction. While this study identified a partial mediating role, future research could explore individual dimensions of service quality, such as responsiveness or empathy, to determine which aspects have the most significant influence on customer satisfaction.

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## LIST OF APPENDICES

### APPENDIX 1: QUESTIONNAIRE

**Dear Respondent,**

Kindly receive and fill our questionnaire. I am a student of Busitema University conducting research study titled “**Employee engagement, service quality and employee satisfaction in Kampala metropolitan**” as a partial requirement for the award of masters degree in business administration. I am requesting you to take some time and respond to this questionnaire. The information provided in this questionnaire is to be treated with utmost confidentiality.

Thank you for your positive consideration

**Lyomoki Arafat**

#### SECTION A: Demographic Information

Please tick (✓) your best appropriate description

#### SECTION A: DEMOGRAPHIC INFORMATION (Please tick ✓ where appropriate)

1- What is your Gender?

Male  1 Female  2

2- What is your age bracket (years)?

Below 20years  1 21 - 29 years  2  
30 years – 39 years  3 40 years  4  
Above 50 Years  5

3- What is your marital status?

Single  1 Married  2

4- What is your highest level of education qualifications?

Primary  1 Secondary  2 Graduate  3 Postgraduate  4

5- Years of working in UMEME

Less than a year  1 Between 1 year and 5 years  2 Above 5 years  3

#### SECTION B: EMPLOYEE ENGAGEMENT

<b>Item</b>		<b>Strongly Disagree(1)</b>	<b>Disagree(2)</b>	<b>Neutral (3)</b>	<b>Agree(4)</b>	<b>Strongly Agree(5)</b>
<b>VG</b>	<b>VIGOR</b>					
<b>VG1</b>	I use perseverance in the assigned work	1	2	3	4	5
<b>VG2</b>	I work to my full potential	1	2	3	4	5
<b>VG3</b>	I work without feeling tired	1	2	3	4	5
<b>VG4</b>	Despite working with problems and obstacles, I will overcome them	1	2	3	4	5
<b>VG5</b>	Even though assignments are difficult or complicated, I am confident and will work effectively	1	2	3	4	5
<b>VG6</b>	I engage with my assignments until they are done	1	2	3	4	5
<b>VG7</b>	I can be patient with problems I work with for a long time	1	2	3	4	5
	<b>DEDICATION</b>					
<b>DD8</b>	My work assignments are very important and are a part of the department's success	1	2	3	4	5
<b>DD9</b>	My work assignments challenge my ability	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>DD10</b>	I am willing to perform the assigned work	1	2	3	4	5
<b>11</b>	I am proud to perform the work assignments	1	2	3	4	5
<b>DD12</b>	My work creates inspiration for me	1	2	3	4	5
<b>DD13</b>	I wish to increase efficiency and productivity at work	1	2	3	4	5
	<b>ABSORPTION</b>					

<b>AB14</b>	I focus on the assigned work	1	2	3	4	5
<b>AB15</b>	While working I always concentrate on the assigned work	1	2	3	4	5
<b>AB16</b>	I feel time goes quickly while working	1	2	3	4	5
<b>AB17</b>	I am happy to work with the tasks I'm responsible for	1	2	3	4	5
<b>AB18</b>	I love my job and do not think about changing	1	2	3	4	5

**SECTION C: Service quality**

Kindly tick from 1 = strongly disagree, 2 = Disagree, 3= neutral, 4 = Agree, 5 = Strongly Agree

<b>T</b>	<b>Tangibility</b>	1	2	3	4	5
<b>T1</b>	UMEME has good looking facilities					
<b>T2</b>	The organization's physical facilities are visually appealing					
<b>T3</b>	The UMEME employees are neat appearing					
<b>T4</b>	The material associated with the service (such as power installation materials) are usually appealing					
<b>RL</b>	<b>Reliability</b>					
<b>RL</b>	When the organization promises to do something by a particular time, it does so					
<b>RL</b>	When you have a problem, UMEME shows a sincere interest in solving it					
<b>RL</b>	The organization performs the service right the first time					
<b>RL</b>	UMEME provides its services at the time it promises to do so					
<b>RL</b>	UMEME insists on error free record					
<b>RS</b>	<b>Responsiveness</b>					
<b>RS1</b>	UMEME employees tell you exactly when services will be performed					
<b>RS2</b>	UMEME employees give provide services promptly					
<b>RS3</b>	UMEME employees are always willing to help you					
<b>RS4</b>	UMEME employees are never too busy to respond to you requests					
<b>CS</b>	<b>Assurance</b>					

<b>ASS1</b>	The behavior of UMEME employees instils confidence in customers					
<b>ASS2</b>	I feel safe in my transactions with UMEME					
<b>ASS3</b>	UMEME employees are consistently courteous					
<b>ASS4</b>	UMEME employees have the knowledge to answer questions					
<b>EMP</b>	<i>Empathy</i>					
<b>EMP1</b>	UMEME has employees who give customers individual attention					
<b>EMP2</b>	UMEME's operating hours are convenient for its customers					
<b>EMP3</b>	UMEME gives customers individual attention					
<b>EMP4</b>	UMEME has my best interest at heart					
<b>EMP5</b>	UMEME employee understand my specific needs					

**SECTION D: CUSTOMER SATISFACTION**

<b>CS1</b>	UMEME has created a positive impact for its customers	1	2	4	2	5
<b>CS2</b>	UMEME takes into consideration needs and interests of customers					
<b>CS3</b>	UMEME activities are implemented in consideration of environmental friendliness					
<b>CS4</b>	UMEME has benefited its customers					
<b>CS5</b>	UMEME involves its customers throughout the entire process of service					