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# **Relationship between Various Employee Performance Recognition Techniques and Customer Satisfaction: Evidence from the Restaurant Industry of Pakistan**

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## **Abstract**

Employee performance recognition techniques are used extensively by every organization to recognize employees, which motivates employees to put more efforts in attaining more customer satisfactions in order to achieve organizational growth. Restaurants of contemporary epoch are putting more time, money and efforts to satisfy their employees because restaurant owners and managers know that external customers can never be satisfied until own internal employees are satisfied. In this paper, various techniques of employee performance recognition, which includes awards, bonus/cash, certificates of appreciations, praise in meetings, nominations for training and job redesign has been interrogated and gauged to evaluate their possible impacts on the customer's satisfaction. A sample of 200 restaurant managers and 4000 customers of restaurants were taken for the study from the variety of restaurants of major cities of Pakistan, which includes Karachi, Hyderabad, Lahore, Multan, Islamabad, Rawalpindi, Peshawar and Quetta. Personal survey method was used to acquire data and General Linear Model was used to interrogate the relationship between various employee performance recognition techniques and customer satisfaction. Results show that all outlined performance recognition techniques have a positive relationship with the customer satisfactions which reflects that the employee performance recognition techniques have a pivot and vital role in making customers satisfied.

**Keywords:** Customer Satisfaction, Employee Performance, Performance Recognition Techniques.

## **1. Introduction**

Nowadays, service industry is dominating the business world. In developing countries it is observed that the largest growing area of business is service industry. In the global organizations, which encourages cross-culture management, the service industry is booming in the developing countries.

The restaurant business is one of the service-oriented businesses, which is very popular in Pakistan. Chain of restaurants are not only the primary source of favorite food in most of the cities of Pakistan but even many local chain of restaurants with a very unique taste and at a low cost are competing with the International chains of restaurant. In Pakistan, Restaurant industry is highly competitive in terms of quality of service as it has a significant effect on the profitability and success of the restaurants.

As a starter of this paper, Restaurant is a setup where people go to eat, drink and have related relaxing and entertaining moments, which is the sole-purpose of restaurant owners to satisfy its customers. The groups of people, which are dealing with the customers, are known as the internal customers (employees) and these internal customers should be satisfied in order to delight the external customers, which ultimately increases the profit of the restaurant. Many restaurants are expanding much of their earnings in satisfying internal customers (employees) by providing different rewards that could be just a Thank-you Letter or formal award in annual function of organization. In restaurants, the concept of internal customers is most suitable for front line staff because customer's satisfaction is largely depends on employees dealing with them. Hence, the aim of this study was to find out that how employees are recognized in this form of service industry and how these employee performance recognition techniques are related or associated with customer satisfaction in restaurant industry of Pakistan.

## 2. Literature Review

### 2.1 Restaurant Industry:

This has been observed since decades that the business world has been dominated by services. Now a day's service industry is largest, rapidly growing and more profitable industry in the developing countries due to the reason of cross culture encounter ships of business and worldwide company cultures. The only industry which even survives in recession is the restaurant industry. The result for restaurant industry to boom is, people don't have to cook and can eat out. Now days, people have meal outside not only on planned occasions even more as an afterthought (Mogelonsky, 1998).

Changing life style of people of Pakistan has resulted in the expansion of hotel and restaurant industry. The hotel/ restaurant industry of Pakistan has become highly competitive due to the quality of services provided and the quality of service in this industry has a direct relationship with the profitability and success, this is the reason for which many local fast food chains and restaurants are competing with international fast food chains and restaurant in Pakistan that provide good quality of services and unique regional tastes at low cost (Siddiqi, 2007). The restaurant industry is growing in Pakistan rapidly which rely heavily on population growth, increase in employment of women and changing life style patterns. In today's changing lifestyle the demand of time saving products is increased and the top of list among food is fast food (Murphy & Olsen, 2008).

### 2.2 Performance Recognition Techniques

There is no business in the world which is not striving for a good and healthy state. Only contribution of successful performance of employees can make organization successful. It has been noticed that firms to sustain competitive in the market have a constant focus on improvement of service quality (Stevens, Khutson & Patoon, 1995; Parasuraman, Berry & Zeithaml, 1991). Human resource processes are directly associated with employee attitude which in return produce job satisfaction or dissatisfaction (Rainey, 1991). While, job satisfaction produces motivation which affects employee work efforts and productivity that ultimately affects customer satisfaction (Lawler, 1994).

Every organization is focusing on measuring and evaluating performance of employees by using different tools like balanced score cards to motivate employees according to employees' performances (Kaplan & Norton, 1996).

Akerlof and Kranton (2005) quoted: "If an organization is going to function well, it should not rely solely on monetary compensation schemes". In his book 1001 Ways to Reward Employees,

Nelson (2005) gives plenty of proofs of multiple awards used in companies. Employee considering awards as the incentives and recognitions which act as the motivational source for them. Awards are valuable for the employees because awards convey appreciation and recognition on behalf of colleagues and the public. Award can give a feeling of commitment because it creates an emotional bond by connecting the winner with the institution (Bruno & Susanne, 2009). Reward and recognition is the way of telling employees that organization value employees' efforts (Evans & Lindsay, 2003). It is seen that many of the companies through billions of dollars for employees reward and recognition processes (Spitzer, 1996).

### **2.3 Customer Satisfaction**

Since many years, service quality and customer satisfaction have become a major area of attention to researchers because it was found that both have the impacts on organization performance and customer behavior. Service quality gives higher profitability while, service quality also gives customer satisfaction and customer satisfaction is an element that spread positive word of mouth (Söderlund, 1998). Various authors have confirmed and concluded that the profitability of an organization is directly affected by the satisfactions of their customers (Anderson, Fornell & Lehmann, 1994; Yeung, Ging & Ennew, 2002; Luo & Homburg, 2007). Yeung, Ging and Ennew (2002) confirmed that customers' satisfaction produces customer loyalty that increases repurchase intentions which spread positive word of mouth. Knutson (1988) found the various significant factors which really matter to customer satisfaction and it include convenience of location, safety and security, prompt service, and friendliness of employees. Barsky and Labagh (1992) are with the view that location and employee attitude are the factors which can easily influence customers' satisfaction. While, Bolton and Drew (1991) are convinced with the thought that customer satisfaction represents a sign of service quality which is offered by the organization.

### **2.4 Proposition and Hypotheses**

**Proposition:** There is positive relationship between employee performance recognition techniques and customer satisfaction.

**Hypothesis-1:** There is positive impact of Employee of the week/month/year award on customer satisfaction.

**Hypothesis-2:** There is positive impact of Cash/Bonus award on customer satisfaction.

**Hypothesis-3:** There is positive impact of Certificate of appreciation award on customer satisfaction.

**Hypothesis-4:** There is positive impact of Praise in the meetings of employees on customer satisfaction.

**Hypothesis-5:** There is positive impact of Nominating for out of station training on customer satisfaction.

**Hypothesis-6:** There is positive impact of Job Redesign on customer satisfaction.

**Hypothesis-7:** There is positive impact of More Job Autonomy on customer satisfaction.

## **3. Research Methods**

### **3.1 Sampling Design, Description of Data & Econometrical Methodology**

Personal survey method was used to acquire data from 200 restaurants of all outlined major cities of Pakistan and 200 customers of each of those restaurants using convenience sampling technique while one manager from each restaurant was also taken in the sample to give a sample of 4200 respondents.

Data was collected through two questionnaires. One for the managers of the restaurants, asking for various employee performances recognition techniques being used by the restaurants. The second was for the customers of those restaurants seeking their satisfaction with the quality of service using SERVQUAL model. General Linear Model has been used for the study keeping in view the nature of the outlined hypotheses and the data collected.

#### **4. Findings and Results**

It is said that the satisfaction can't be driven from one source it always be driven from many sources, hence, in this connection this paper interrogates few eulogizing evidences as they are explained in table 1. This paper confirms that awards on week/month/year, cash/bonus, certificates of appreciations and praise in meetings which go to consumers plays a positive significant impact on the satisfaction of the customers visiting to restaurants, (i.e. t stats of the beta coefficients of all these constructs are  $> 1.5$ ). While, employee nomination for training, employee job redesign and employee autonomy in his/her job also impact customer satisfaction positively and significantly (i.e. t stats of the beta coefficients of all stated constructs are also  $> 1.5$ ). Thus we fail to reject to our all outlined hypotheses as also shown in table 1.

**Table 1:** Empirical specifications and conclusions of Hypotheses

<b>HYPOTHESES</b>	<b>PARTIAL ETA SQR</b>	<b>F- STATS</b>	<b>BETA</b>	<b>T-STATS (P- VALUE)</b>	<b>EMPIRICAL CONCLUSION</b>
H1: There is positive impact of Employee on the week/month/year award on customer satisfaction	0.031	12.097	1.656	3.484 (0.001)	Accepted
H2: There is positive impact of Cash/Bonus award on customer satisfaction	0.010	3.928	0.166	1.981 (0.048)	Accepted
H3: There is positive impact of Certificate of appreciation award on customer satisfaction	0.064	25.720	0.395	5.118 (0.000)	Accepted
H4: There is positive impact of Praise in the meetings on customer satisfaction	0.021	8.374	0.669	2.876 (0.004)	Accepted
H5: There is positive impact of Nominating for out of station training on customer satisfaction	0.031	12.431	0.961	3.522 (0.000)	Accepted
H6: There is positive impact of Job Redesign for employees on customer satisfaction	0.025	10.167	0.389	3.142 (0.002)	Accepted
H7: There is positive impact of More Job Autonomy on customer satisfaction	0.0 15	6 .2 2 8	0 .2 2 1	2.45 4 (0.01 5)	Accepted

## 5. Discussions and Conclusion

Many studies have been carried out on the issue of the ways of making employees recognized and how recognition of employees improves customer satisfaction. It has to be remembered that the employee recognition is very important for every organization in this competitive world of business to achieve and retain customer's satisfactions, but the biggest problem that restaurants are facing to find techniques in this context that can make customers satisfied. This paper concludes and confirms that there are various effective employee performance recognition techniques which include awards on week/month/year, cash/bonus, certificates of appreciations and praise in meetings which go to employees, employee nomination for training, employee job redesign and employee autonomy in his/her job which bring more satisfaction among the customers and hence increase revenue. In short, this study explained that employee performance recognition techniques have vital role in making customers satisfied and hence it is very important to motivate own employees which ultimately play a vital role in making customers satisfied.

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