

## The Link between Engagement and Service Performance: The Mediation Role of Job Satisfaction and Customer-Oriented Behavior

Mohammed A. Sadiq<sup>a</sup>, Arie Indra Gunawan<sup>b</sup>, Adila Sosianika<sup>c\*</sup>, and Fatya Alty Amalia<sup>d</sup>

<sup>a</sup> Chief Lecturer, Department of Business Administration, The Federal Polytechnic Offa, Nigeria

<sup>b,c,d</sup> Lecturer, Department of Business Administration, Politeknik Negeri Bandung, Indonesia

Received 10 November 2021; accepted 31 December 2021

### ABSTRACT

This study investigates the impact of engagement on service performance, both directly and through the mediation role of job satisfaction and customer-oriented behavior, among Small-Medium Enterprises (SMEs) frontline employees. 451 frontline employee data were gathered from SMEs in the greater Bandung region, Indonesia. To examine the hypothesized relationship between variables, the data were assessed using Partial Least Square (PLS). Also, the Bootstrap method was employed to assess job satisfaction and customer-oriented behaviors' mediation role. The result reinforces the existence of a multi-dimensional engagement concept that encompasses the engagement towards both job and organization. This engagement does not directly influence employee service performance; it is influenced indirectly through job satisfaction and customer-oriented behavior. The managerial practices and theoretical significance of these findings are examined.

### KEYWORDS

Small-medium enterprise  
Service performance  
Job satisfaction  
Customer-oriented  
behavior

## INTRODUCTION

In most countries across the globe, SMEs have an important role to support long-term economic growth; thus, they are growing rapidly (Ajayi, Odusanya, & Morton, 2017; Najib, Ermawati, Fahma, Endri, & Suhartanto, 2021). However, the capability of SMEs to recruit and employ professional staff is limited due to their limited resources (Haruna & Marthandan, 2017; Suhartanto & Leo, 2018). Whereas literature (Brien, Anthonisz, & Suhartanto, 2019; Gupta & Sharma, 2016; Menguc, Auh, Fisher, & Haddad, 2013) shows that, in a competitive environment, it is important to retain professional human resources as a strategy to develop a company competitive advantage. Scholars (Maria, Jong, & Zacharias, 2017) even highlight that it is crucial for frontline employees to be motivated and engaged in the business as they represent the business in dyadic relationships with the customers. A study in the retail context (Lussier & Hartmann, 2017) confirms that positive customer encounters, which can be seen from the increase in both customer satisfaction and loyalty, are usually the outcomes of quality services delivered by professional frontline staff. Thus, understanding how to improve and maintain the service performance of frontline employees is essential for SMEs.

\*Corresponding Author: [adila.sosianika@polban.ac.id](mailto:adila.sosianika@polban.ac.id); doi: 10.35313/ijabr.v4i1.208

Employee service performance is determined by many factors but notably employee job satisfaction and customer-oriented behaviors. Job satisfaction influences employee performance through its productivity enhancer role (Lu, Lu, Gursoy, & Neale, 2016) while customer-oriented behavior drives employee commitment and passion in serving customers (Choi & Joung, 2017). In addition, recent studies (Bailey et al., 2015; Suhartanto, Dean, Nansuri, & Triyuni, 2018) signpost that engaged employee fosters better performance of both the employee and the overall business. While previous studies have indicated the importance of employee engagement in determining performance (Chang, 2016), specific studies that examine a complex mechanism and relationship between these two, especially in the SMEs sector, have remained overlooked. Thus, it is important to comprehend the consequences of employee engagement on performance, especially the frontline employees since their service is a key in establishing customer satisfaction and loyalty (Maria et al., 2017).

Accordingly, this research is intended to (1) assess the employee engagement role in determining service performance and (2) examine the mediating role of job satisfaction and customer-oriented behavior on the relationship between employee engagement and service performance among SME frontline employees. Such a study is important as this sector is increasingly competitive, not only in the scope of SMEs themselves but also from the large businesses and online retail competitors (Adomako, Amankwah-Amoah, Tarba, & Khan, 2021; Lara & Salas-Vallina, 2017; Najib, Sumarwan, et al., 2021). Also, understanding such a relationship can help SMEs' managers improve their strategy to develop their business competitiveness through creating frontline employees high service performance.

## LITERATURE REVIEW

### Employee Engagement

Kahn (1990), based on ethnographic research, defines engagement as “the simultaneous employment and expression of a person’s ‘preferred self’ in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full performances”. This description infers that employee engagement entails two components: the first is related to the occupation and the second to the organization. While studies on employee engagement with work have been considerably conducted, those discussing employee engagement with organizations have been ignored. The first scholar who proposed engagement as a multidimensional concept that encompasses employee commitment toward both job and organization was Saks (2006). He claims that employee engagement is a multi-foci concept. Workers can concurrently engage with their work as well as with the organization. In a similar tone, Guest (2015) contends that employees can simultaneously commit towards the profession, supervisor, organization, and the unions. Thus, although some scholars (Britt, Castro, & Adler, 2005; Chang, 2016) believe a single dimension of engagement, this study treats employee engagement in the SMEs context as a multidimensional concept comprising both job and organization engagement.

Job engagement denotes how employees believe and enjoy their job and feel respected within the profession (Haruna & Marthandan, 2017). In other words, an employee's positive state of mind towards his/her work reflects his/her job engagement. Disengaged employees are less involved and are disconnected from their jobs. Further, Farndale et al. (2014) define employee job engagement as employees' behaviors towards their occupation and how they execute their task responsibly. In the SMEs context, the definition of work engagement implies that an engaged employee will talk about

and perform their duty enthusiastically. Shuck (2011) contends that engaged employees are inclined to feel associated and are concerned with their jobs emotionally and physically. The highly engaged employees tend to pose a constructive attitude and behavior towards their job, talk passionately about their job, and execute the job enthusiastically. Past studies report that perceived organizational support and job characteristics are the foremost determinants of job engagement (Bailey et al., 2015; Farndale et al., 2014).

Organization engagement is described as “people being very positive about the organization they work for and acting as ambassadors for the corporate brand” (Farndale et al., 2014, p. 171). This description means that employee engagement towards his organization is an attitude associated with the organization as the former tend to promote and defend the latter. Scholars (Bailey et al., 2015) maintain that an engaged employee may prefer a certain work position more than the other position although they remain engaged with the organization. It can be implied that employees who are engaged towards the organization might not automatically be engaged towards their job. As an illustration, an SME frontline staff may be engaged with the business organization where he/she works due to its high reputation but might not be engaged towards his or her job as a frontline staff.

The discussion on job and organization engagement shows a connection between these two. To rationalize this association, the authors argue that the Spillover Theory is a suitable approach to explain such a relationship. This theory postulates that an element of an individual’s life may change the other element of his or her life (Sirgy, Efraty, Siegel, & Lee, 2001). In this regard, Siu et al. (2010) contend that an employee’s experience with a certain work activity can impact his or her experience with other work or non-work activities. Past studies (Culbertson, Mills, & Fullagar, 2012; Siu et al., 2010) provide support for The Spillover Theory by revealing that employee engagement towards job impacts his or her daily happiness, family facilitation, and family enrichment. Based on this theory, as an organization comprises many interconnected elements, an experience with one part of the organization will influence the other parts and the organization as a whole. In the SME context, it is debatable whether employee engagement towards their job can spill into their engagement towards the organization. Accordingly, the association is hypothesized as follows.

H<sub>1</sub>: Job engagement has a direct and positive effect on organization engagement

### **Service Performance**

Service performance is an employee's deeds in serving customers (Liao & Chuang, 2004; Shokhsanam & Ahn, 2021). There are three components of service performance, i.e. in-role and extra-role to customers as well as extra-role to the organization (Borman & Motowidlo, 1993). In-role to customers is the employee’s duty as described in the job description. For frontline service employees, this role includes delivering service and processing customers’ orders and complaints. Extra-role to customers is basically an extension of the in-role, such as offering optional and additional services to the customers. Meanwhile, employee extra-role to the organization denotes the employee’s keenness to contribute to the organization’s interest. In the SME sector, it can be seen from the employee’s willingness to provide service beyond job descriptions and promote the organization. Among these roles, Bailey et al.'s (2015) study in the health environment provides substantial support for the relationships between employees’ in-role performance and their engagement.

The Social Exchange Theory (SET) postulates that the commitment between participants is generated via a series of interactions between them in the form of a reciprocal connection (Cropanzano & Mitchell, 2005). The participants’ relationships create commitment and trust if the

parties are committed to each other on what they have agreed. The agreement is characterized by a mutual rule that the action of one party causes the response of the other (Cropanzano & Mitchell, 2005). For instance, when an SME employee receives a reward such as a salary or an incentive, he feels thankful and repays the kindness of the organization by serving the customers better. The discussion on SET suggests that this theory, arguably, can explain the association between SME frontline employees' engagement and service performance. Employee engagement echoes the benefits the employee obtained from an SME. Research in the manufacturing industry concludes that both organization and job engagement influence the overall business performance (Farndale et al., 2014). As employee service performance drives organization performance, the succeeding hypotheses are expressed as follows.

H<sub>2</sub>: Job engagement has a direct and positive effect on service performance

H<sub>3</sub>: Organization engagement has a direct and positive effect on service performance

### **Job Satisfaction**

Choi and Joung (2017) maintain that job satisfaction is an employees' psychological state as a consequence of the evaluation of their job accomplishment. It has been found out that employee engagements towards their job and organization are the determinants of job satisfaction (Gupta & Sharma, 2016). Lu et al. (2016) advocate that a highly engaged employee tends to express constructive attitudes within the work environment. Their study designates that an employee who is highly engaged with his job and organization significantly feels satisfied. Other scholars (Karatepe & Aga, 2016) report that the degree of engagement is a crucial driver of employee satisfaction with the job.

Literature highlights that employees' satisfaction with their job impacts customers' perceived service quality and the company's performance. Employee job satisfaction leads to the accomplishment of the company's objectives since rewards and facilities the company provided make the employee feels mentally and physically secure (Suhartanto et al., 2018). In contrast, a less satisfied and less motivated employee tends to serve customers lesser. The impact of employee engagement and job satisfaction on job performance can also be explained by SET. The highly engaged employees are inclined to have a favorable relationship with the organization and a higher level of satisfaction with the job (Cropanzano & Mitchell, 2005), which subsequently influences his or her service performance. Thus, the hypotheses of job satisfaction role in SMEs context are articulated as follows.

H<sub>4</sub>: Job satisfaction mediates the association between job engagement and service performance

H<sub>5</sub>: Job satisfaction mediates the association between organization engagement and service performance

### **Customer-Oriented Behavior**

Customer-oriented behavior is interchangeably used by some authors as organizational citizenship behavior (Farndale et al., 2014; Gupta, Shaheen, & Reddy, 2017; Ko, Lee, & Koh, 2017). This refers to employee ability to serve and help customers which induces customer satisfaction and loyalty and increases organization performance (Lu et al., 2020; Lussier & Hartmann, 2017). As customers are the most critical external factor for the success of a business, the customer-oriented behavior description suggests that organizations should create a proper strategy to develop customer-oriented behavior among their frontline employees. From the customers' perspective, frontline employees'

service is seen as the representative of the whole organization (Choi & Joung, 2017). Customers frequently depend on frontline employees' services when ascertaining the overall business service quality. Therefore, creating a customer-oriented business culture among those employees is necessary for the success of the business in a competitive SME environment.

The literature identifies several determinants and consequences of employees' customer-oriented behavior. One of the determinants is employee engagement (Jung, Brown, & Zablah, 2017). Mukerjee (2013) maintains that to create customer-oriented behavior among the employees, the organization needs to enhance employees' engagement. It will encourage them to understand what customers truly value and drive them to deliver the value. An empirical study reports that employee engagement influences customer-oriented behavior in the B2C industry (Maria et al., 2017). Other studies in the services industries conclude that job engagement and job satisfaction impact organizational citizenship behavior (Gupta et al., 2017; Rich, LePine, & Crawford, 2010; Saks, 2006). Meanwhile, the consequences of customer-oriented behavior are explored in a study that demonstrates that an organization whose employees have a high level of customer-oriented behavior is more profitable (Jung et al., 2017). Further, researchers (Liao & Chuang, 2004) report that employees' customer-oriented behavior directly impacts the level of customer satisfaction. In the B2B context, Lussier and Hartmann (2017) discover a significant effect of customer-oriented behavior on sales and customer satisfaction – the indicators of service performance. To conclude, besides being affected by job satisfaction, customer-oriented behavior mediates the association between employee engagement and service performance. Thus, in the SME context, the following hypotheses are formulated.

H<sub>6</sub>: Job satisfaction has a direct and positive effect on customer-oriented behavior

H<sub>7</sub>: Customer-oriented behavior mediates the link between job engagement and service performance

H<sub>8</sub>: Customer-oriented behavior mediates the link between organization engagement and service performance

### The Proposed Model and Hypotheses

Figure 1 illustrates the tested relationships between the variables.

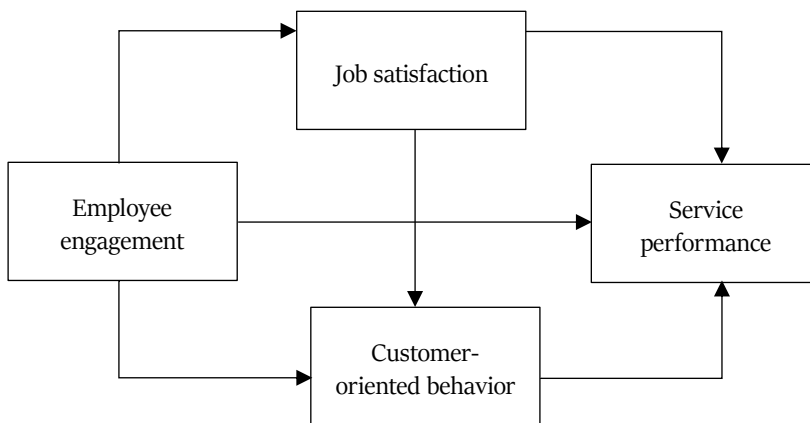


Figure 1. Employee engagement and service performance model

## RESEARCH METHOD

This study gathered data from SMEs frontline staff in Bandung, Indonesia from January to February 2020. Of 10,500 SMEs from various businesses registered, 200 of them were carefully selected, considering their size and location. The respondents were randomly chosen and requested to voluntarily respond to the questionnaire, with assurances of anonymity and confidentiality of their personal information.

As the constructs used in this study have been elaborated in the literature, the questionnaire developed was adapted to the existing relevant literature. The measurement of employee engagement towards job and organization was adapted from the previous studies on engagement in general as well as in the SMEs context (Ajayi et al., 2017; Farndale et al., 2014; Lara & Salas-Vallina, 2017; Saks, 2006). The measurement of both engagements used four items reflecting the absorption, vigor, and dedication elements. Employee job satisfaction was assessed using three indicators (Choi & Joung, 2017; L. Lu et al., 2016). Employee service performance was anchored with three items by incorporating the work of Liao and Chuang (2004) and Suhartanto et al. (2018). The last, following scholars (Choi & Joung, 2017; Jung et al., 2017), customer-oriented behavior was gauged with three items. All these constructs were assessed with a 5-point Likert-type scale ranging from 1 strongly disagree to 5 strongly agree.

Hair et al. (2010) endorse that a sample of between 300-500 is necessary to comprehend a phenomenon, while other scholars (Hair, Hult, Ringle, & Sarstedt, 2017) maintain that a larger sample can increase the estimation accuracy in using structural equation modeling. Therefore, 451 samples of completed questionnaires were considered suitable to assess the proposed model. The data assessment proved that the data were normally distributed. For this reason, to examine the hypotheses, this research used a variance-based structural equation modeling PLS. The usage of PLS was also related to the aims of this study which is intended to assess the association between the variables and foresee the validity and reliability of the construct (Sarstedt, et al., 2016).

As the gathered data is a self-administered report, the issue of common method bias needs to be carefully managed. Following Podsakoff et al.'s (2012) recommendation, to diminish the common method bias effect, the items of the dependent variable in the questionnaire were asked first, preceding the independent variables questions. Further, a statistical analysis using exploratory factor analysis was conducted which revealed a one-factor explanation consisting of 65% of the variance. Thus, the issue of common method bias is minimized.

## RESULTS

The sample of this study consists of 451 responses collected from SME frontline staff. Table 1 represents the respondent's characteristics.

Table 1. Respondents' demographic characteristics

	Variable	Frequency	%
Gender	Male	244	54
	Female	207	56
Age	17 - 25 years	217	48
	26 - 35 years	187	42
	36 - 45 years	31	7
	Over 45 years	15	3
Education	< High school	151	34

Variable	Frequency	%
High school	235	52
Bachelor	60	13
Postgraduate	3	7

Table 2. Stores' characteristics

Variable		Frequency	%
Number of employees	< 5	155	34
	5-10	215	48
	>10	80	17
Average transaction/day	<50	112	25
	50-100	234	52
	>100	104	23

### Measurement Model Test

To check the validity, the variable constructs were assessed by factor loading and average variance extracted (AVE). The result of the convergent validity test as shown in Table 3 exhibits that the loading factors are more than the recommended value of 0.5 ( $p < 0.01$ ), except for the items "I feel engaged to my task" and "Being a staff in this firm is exciting for me". Therefore, in the subsequent analysis, these items were excluded. The exclusion does not pose a serious problem as the other indicators still contain the element of engagement elements: absorption, dedication, and vigor. The AVE values of all constructs are above Hair et al.'s (2010) recommendation, 0.5 in minimum.

Table 3. Factor loading, composite reliability (CR), and AVE values

Construct/Item	Loading*	CR	AVE
Job engagement		0.826	0.614
I "throw" myself into my work	0.758		
I am always busy with my work that I often miss track of time	0.736		
I feel overwhelmed with my work	0.852		
I feel engaged to my task	0.476		
Organization Engagement		0.752	0.513
I feel fascinated with this organization's staffs	0.494		
Being involved in this firm energizes me	0.82		
I understand what's happening in my firm	0.790		
Being a staff in this firm is exciting for me	0.567		
Customer-Oriented Behavior		0.775	0.536
I always try to find the best product for customers	0.684		
I do everything to satisfy customers	0.820		
I always pay attention to customer needs	0.685		
Job satisfaction		0.863	0.679
I want to be a staff in this firm for long time	0.886		
I am certainly not considering leaving my job	0.845		
Once I find another job, I will leave this job	0.733		
Service performance		0.795	0.575
The work performance is better than my expectation	0.523		
I work better compared to other frontline staff	0.833		
My supervisor is pleased with my job performance	0.870		

Note: \*All significant at  $p < 0.01$

As shown in Table 3, all of the constructs have CR values of more than 0.7; thus, the requirement of composite reliability is satisfied (Hair et al., 2017). Further, the Heterotrait-Monotrait Ratio test shows that all of the constructs have values of less than 0.9 (Henseler, Ringle, & Sarstedt, 2015). Thus, the discriminant validity requirement for all constructs is met.

### Structural Model Test

To assess the coefficient paths, bootstrapping with 5,000 reiterations was used to examine the hypothesized model. The model fit diagnostic was conducted by evaluating the  $R^2$  value on all exogenous constructs. The result reveals that job engagement justifies a 14% ( $R^2 = 0.140$ ) variance of organization engagement. Both engagements justify a 9.5% ( $R^2 = 0.095$ ) variance of job satisfaction. The engagements and job satisfaction validate a 15.9% ( $R^2 = 0.159$ ) variance of customer-oriented behavior. Finally, all the service performance determinants warrant a 23.6% ( $R^2 = 0.236$ ) variance of employee service performance. These results denote that the explanation power of independent variables on service performance is moderate (Chin, Peterson, & Brown, 2008). The  $Q^2$  value is a notable measure for the extrapolative significance in evaluating a model using PLS. The  $Q^2$  values of the constructs assessed are 0.065 (organization engagement), 0.060 (job satisfaction), 0.076 (customer-oriented behavior), and 0.0123 (service performance). As all of the values are positive, the extrapolative relevance of the variables is satisfactory (Chin et al., 2008).

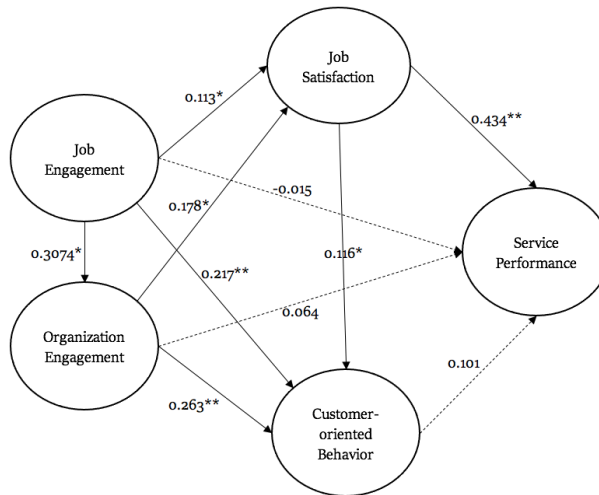
The assessment of the goodness of fit model reveals a GoF value of 0.295. This value implies that the fitness of the employee engagement-service performance model is moderate (Tenenhaus, Esposito, Chatelin, & Laura, 2005), suggesting that the proposed model is comparatively fit. To check the approximate fit indices, SRMR has a value of 0.094 higher than the suggested limit value of 0.8. NFI has a value of 0.871, slightly lower than the value suggested, 0.9 (Hair et al., 2017). Even though the NFI criteria are not satisfied, other criteria are acceptable, thus it can be said that the fitness of the model developed is adequate. Table 4 depicts the results of testing the variable effect (direct, indirect, and total effect) on other variables, while Figure 2 summarizes the direct relationships between the variables tested.

Table 4. Hypotheses test results

Path	Direct effect		Indirect effect		Total effect	
	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value
Job Engagement $\rightarrow$ Organization Engagement	0.374	9.606**	-	-	0.374	9.606**
Job Engagement $\rightarrow$ Service Performance	-0.015	0.253	0.149	4.475**	0.134	2.248*
Job Engagement $\rightarrow$ Job Satisfaction	0.113	2.177*	0.103	4.320**	0.216	4.616**
Job Engagement $\rightarrow$ Customer-oriented	0.217	4.335**	0.098	4.953**	0.316	6.708**
Organization Engagement $\rightarrow$ Service Performance	0.064	1.498	0.117	4.652**	0.181	3.855**
Organization Engagement $\rightarrow$ Job Satisfaction	0.178	3.551**	0.030	2.050*	0.209	4.296**
Organization Engagement $\rightarrow$ Customer-oriented	0.263	5.629**	-	-	0.263	5.629**
Job Satisfaction $\rightarrow$ Service Performance	0.434	10.019**	-	-	0.434	10.019**
Customer-oriented $\rightarrow$ Service Performance	0.101	1.811	0.050	2.111*	0.152	2.536*
Customer-oriented $\rightarrow$ Job Satisfaction	0.116	2.168*	-	-	0.116	2.168*

Note: \*significant at  $p < 0.05$ , \*\*significant at  $p < 0.01$





----- Not significant; \*significant at  $p < 0.05$ ; \*\*significant at  $p < 0.01$

Figure 2. Summary of the tested model

Table 4 reveals that employee engagement towards job has a significant direct effect on engagement towards the organization with the  $\beta$  value of 0.374 ( $p < 0.01$ ), denoting that hypothesis  $H_1$  is reinforced. Meanwhile, the direct effect of job and organization engagement on service performance is insignificant ( $p > 0.05$ ), consequently hypotheses  $H_2$  and  $H_3$  are not supported. Finally, the coefficient path between job satisfaction and customer-oriented behavior has a value of 0.116 ( $p < 0.05$ ), thus  $H_6$  is supported. Although direct relationships between the variables tested have different results, all the indirect and total effects of the variables are significant. Further, Table 4 reveals that the total effect of employee organization engagement on service performance is greater than the job engagement (0.181 compared to 0.134).

### Mediation Test

To test the mediation hypotheses of  $H_4$ ,  $H_5$ ,  $H_7$ , and  $H_8$ , scholars' (Nitzl, Roldan, & Cepeda, 2016) recommendation was applied. As the data are not normally distributed, the assessment of job satisfaction and customer-oriented behavior mediation role was conducted using the bootstrap method with bias-corrected. The results of the mediation test are shown in Table 5.

Table 5. Mediation test results

	Mediator	
	Customer-oriented	Job Satisfaction
Job engagement and Service performance		
Job engagement $\rightarrow$ Mediator	$\beta$ : 0.317**	$\beta$ : 0.236**
Mediator $\rightarrow$ Service performance	$\beta$ : 0.245**	$\beta$ : 0.467**
Job engagement $\rightarrow$ Service performance <sup>1)</sup>	$\beta$ : 0.264**	$\beta$ : 0.264**
Job engagement $\rightarrow$ Service performance <sup>2)</sup>	$\beta$ : 0.159**	$\beta$ : 0.048
Confidence Interval	0.039 to 0.119	0.073 to 0.160
Organization engagement and Service performance		
Organization engagement $\rightarrow$ Mediator	$\beta$ : 0.341**	$\beta$ : 0.267**

	Mediator	
	Customer-oriented	Job Satisfaction
Mediator → Service performance	$\beta$ : 0.227**	$\beta$ : 0.451**
Organization engagement → Service performance <sup>1)</sup>	$\beta$ : 0.245**	$\beta$ : 0.245**
Organization engagement → Service performance <sup>2)</sup>	$\beta$ : 0.170**	$\beta$ : 0.083
Confidence Interval	0.044 to 0.114	0.074 to 0.158

<sup>1)</sup> without mediation, <sup>2)</sup> with mediation, \*significant at  $p < 0.05$  \*\*significant at  $p < 0.01$

The mediation test, as shown in Table 5, exposes that the link between both job engagement and organization engagement is mediated by job satisfaction. This result is signified by the positive values of the confidence interval, 0.073 to 0.160 (for job engagement) and 0.074 to 0.158 (for organization engagement). In addition, the coefficient path is 0.264 ( $p < 0.01$ ) for the association between job engagement and service performance and 0.245 ( $p < 0.01$ ) for the association between organization engagement and service performance. These coefficient paths become insignificant (0.048,  $p > 0.05$  and 0.083,  $p > 0.05$ ) when the model is added with the mediation variable of job satisfaction. The falling and insignificant coefficient path signposts that the association between dependent and independent variables is fully mediated by the mediation variable. Therefore, H<sub>4</sub> and H<sub>5</sub> are reinforced.

Testing the customer-oriented behavior mediation role reveals different results. Table 5 shows that its confidence interval value is positive, 0.039 to 0.119 (for job engagement) and 0.044 to 0.114 (for organization engagement). Further, the coefficient path between employee engagement and service performance without mediation is 0.264,  $p < 0.01$  (for job engagement) and 0.245,  $p < 0.01$  (for organization engagement), but when the customer-oriented behavior is added in the model, the coefficient path becomes 0.159 ( $P < 0.01$ ) and 0.170 ( $p < 0.01$ ). This decreasing of coefficient paths in the model indicates that the relationship between engagement and service performance is partly mediated. Therefore, H<sub>7</sub> and H<sub>8</sub> are partly reinforced.

## DISCUSSION

The employee engagement concept is popular but its meaning and impact on employee performance are still somewhat vague (Farndale et al., 2014). This paper, exploring the significance of both employee job engagement and organization engagement among SME frontline employees' service performance, exposes several important findings.

First, this study has successfully revealed the complex mechanism of employee engagement effects on service performance in the SME context. Unexpectedly, this study discloses that both engagements have an insignificant direct effect on employee service performance. This finding differs from past studies (Karatepe & Aga, 2016; Rich et al., 2010; Suhartanto & Brien, 2018) that report a noteworthy effect of employee engagement on employee performance. Nevertheless, this research corroborates other studies reporting a significant effect of employee engagement on customer-oriented behavior (Farndale et al., 2014; Maria et al., 2017; Saks, 2006) and job satisfaction (Cropanzano & Mitchell, 2005; Saks, 2006). However, although both organization and job engagement have no direct impact on employee service performance, looking at their total effect (direct and indirect), both engagements have a considerable total impact on service performance. The results of job satisfaction and customer-oriented behavior mediating role inform that both engagements indirectly influence employee service performance through bolstering job satisfaction and customer-oriented behavior. This finding means that engagement alone does not encourage the

SME frontline employees to serve customers better. However, a highly engaged frontline employee tends to be satisfied with his or her job, has a better behavior towards customers, and consequently performs a higher level of service.

Second, although both engagements are indirectly notable determinants of employee service performance, the degree of their impact is different. The organization engagement's total impact is higher than job engagement. This difference suggests that employee engagement towards the organization has a bigger indirect impact on his or her service performance compared to engagement towards the job. As employee performance is a driver of business performance, in essence, this result supports Farndale et al.'s (2014) study which finds that organization engagement has a higher influence on organization performance compared to employee job engagement. However, this finding contrasts with Suhartanto and Brien's (2018) study in the retail industry which reveals a higher effect of job engagement on employee performance. This finding insinuates that the performance of SMEs' frontline staff is implicitly driven more by the organization than by their job. A possible explanation of this finding is that the SME frontline staff considers that the organization is more important as it directly provides rewards, something which the customers do not, as implied by Karatepe and Aga (2016).

Third, from the theoretical perspective, this study supports scholars' (Farndale et al., 2014; Saks, 2006; Suhartanto & Brien, 2018) conceptual finding that employee engagement is a multi-dimensional concept containing engagement toward job and organization. This research also reveals the relationships between these engagements in the SME context. In addition, this study unearths the mechanism underlying the complex associations between employee engagement and service performance. It also extends our understanding that employee engagement is more suggestive in determining job satisfaction and customer-oriented behavior which finally influence employee service performance. These findings justify the efforts to acknowledge both job and organization engagement as the method to increase customer-oriented behavior, job satisfaction, and ultimately service performance among SME frontline personnel. Consequently, future researchers should use all the identified service performance determinants when developing a conceptual framework of employee service performance.

## MANAGERIAL IMPLICATION

From the managerial perspective, this study advocates that to increase frontline employee service performance, the managers of SMEs should focus on developing their employees' engagement towards both their job and the organization. The differences between the targets of engagement enable SME managers to be informed on the resources allocation for developing the engagement of their employees.

First, the frontline employee engagement towards his or her job is driven by organizational support and the characteristics of the job. To improve the level of employee job engagement, SME managers should offer various and challenging jobs for the frontline officers. The job rotation should become a routine agenda to help the employee ease their boredom with a certain job or position. Next, the managers should also encourage their employees to extend their service skills to serve the customer better. For this reason, offering various training that enables the employees to improve their job-related skills is important. Besides, training that is indirectly related to work skills, such as how to balance working life and family life, will improve the employees' engagement.

Second, to develop the frontline employee service performance, job satisfaction, and customer service, SME managers need to focus on creating employee engagement towards their SME as an

organization. To achieve that, the managers need to create an organizational environment that enables the employees to feel energized and fascinated as part of the organization member. For this reason, having procedural justice and perceived organizational support is important. For example, developing a promotion system based on a merit system is highly suggested to enable fairness among the employees, besides, it will strengthen the organization as a whole. It is also important for SME managers to provide a breeding ground for employees to actualize their potency as well as give a fair and motivating reward system. This reward system is particularly needed considering that SME employees tend to be easily tempted to switch to other promising SMEs. A competitive reward system, not only salary but also other benefits such as insurance, transport facilities, and other benefits are recommended.

## LIMITATION AND FUTURE RESEARCH

The sample of frontline employees collected from SMEs in Bandung, Indonesia bears the first limitation of this study. Although this study offers a significant finding, it suffers in terms of its generalization. Future studies could assess the model of employee engagement-service performance using data from SMEs in other locations and using other employees such as back-office staff. Second, this study scrutinizes the employee engagement consequences on the service performance in the SME context, excluding the employee engagement determinants. Future studies could comprise the engagement determinants, such as working environment, management support, and co-worker relationships in the proposed model to reveal the link between engagement determinants, engagement, and service performance. The inclusion of employee engagement determinants in the model will help increase our understanding of the employee engagement phenomenon. Apart from the above, the study used quantitative and not qualitative data. It is recommended for further studies to use the qualitative approach to unravel certain values that are not covered by the quantitative approach. Last, this study also has a limitation as the measurement of the employee service performance used a self-report method. Future research can approach this issue by collecting data from comprehensive sources, such as from supervisors, customers, as well as the hard data of sales.

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