Chapter 14

Effects of Contemporary Leadership Styles and Employee Engagement on Customer Satisfaction in the Retail Grocery Industry in the US

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ABSTRACT

Competition within the retail grocery industry has reached an all-time high. Organizations looking to differentiate themselves from rivals are focusing on improved customer satisfaction. This quantitative research study investigated how customer satisfaction was related to contemporary leadership styles and employee engagement. Transactional leadership theory, transformational leadership theory, and charismatic leadership theory were used as the theoretical framework of the study. Regression analyses were conducted to determine the effect of contemporary leadership styles on employee engagement in addition to determining the extent of the relationship existing with customer satisfaction. The results of the study indicated both transactional leadership and transformational leadership positively impacted or increased employee engagement; however, transformational leadership proved to be a significantly higher predictor of employee engagement.

OVERVIEW

In the ultra-competitive retail grocery industry, six out of every ten consumers rely on customer satisfaction as a unique driver of customer loyalty (Runvik, 2017). Customer satisfaction is a metric many organizations, regardless of industry, seek to achieve as a measurement of organizational success (Rashed, Rifad, Begum, & Bhuiyea, 2018). In the retail grocery industry, failure to meet customer satisfaction expectations may lead to adverse consequences while attributing to poor business stances and perfor-

mance (Hossein, Staffan, & Sedigheh, 2013). Today's grocery shoppers attribute customer satisfaction to a synthesis of factors aside from product quality (Nair, 2016). High customer satisfaction leads to repeat customers (Fornell, Morgeson III, & Hult, 2016). Organizations focused on customer satisfaction achieve higher earnings and stock returns relative to competitors (ASCI, 2019). In addition to repeat business and customer loyalty, many companies attributed potential market share growth and profitability to the organization's ability to provide customers with unmatched customer satisfaction (Medina, 2010). Consumers identified employee engagement a significant contributor to customer satisfaction within an organization (Radda, Majidadi, & Akanno, 2015). Consumers search for higher quality services such as employee engagement to differentiate and select one organization over another (Nager, 2016). A strong correlation between contemporary leadership styles in business and employee engagement may exist (Thompson, 2014). However, the relationship between contemporary leadership styles and employee engagement as a clear framework to predict adequate customer satisfaction levels has yet to be established. Despite acknowledging the importance of customer satisfaction to organizational success, organizations continue to struggle to determine the correct pathway to consistently meet the satisfaction needs of customers. The gap in the research is contemporary leadership styles have not been identified as a factor to establish effective employee engagement leading customer satisfaction. Identifying the relationship between contemporary styles of leadership and employee engagement may be a significant step in addressing the potential factors of customer satisfaction. Furthermore, it is necessary to create a contemporary leadership style framework for grocery store managers incorporating contemporary leadership styles encouraging employee engagement as an additional factor leading to customer satisfaction.

Background of the Problem

Poor operational performance and dismal customer loyalty can be attributed to organizations failing to meet customer satisfaction expectations (Hossein, Staffan, & Sedigheh, 2013). Current research implied high customer satisfaction could potentially lead to repeat business (Fornell et al., 2016). Within the grocery retail industry, because research and development is relatively a smaller department, many organizations focus on scanning the environment to understand new consumer trends and concerns rather than an internal focus on customer satisfaction (Tidd and Bessant, 2013).

Internal and external factors such as workplace diversity, technology, and competition require current leaders to lead under different pretenses than in the past (Montano & Dillon, 2005; Wilbon, 2015; Diesing, 2016). A successful organizational leader incorporates behavioral traits and skills to build effective teams (Bansal, 2009). Ultimately, organizational success depends on the ability of leaders and followers to collaborate (Osula & Ng, 2014). Currently, the workforce comprises of more employees from the millennial generation than any other group (Diesing, 2016). Individuals born between 1982 and 2000 are classified as the millennial generation (Diesing, 2016). Organizations seek to obtain employee engagement when the employee aligns his or her commitment with the willingness to achieve the organizational objectives and goals (Beck & Kleiner, 2015). Contemporary leadership styles focus on raising the performance of a team or individual to achieve goals above the normal expectations (Jones, 2015). Within the servant leadership philosophy, organizations seek employee engagement to inspire organizational loyalty (Blanchard, 2015). Trust must be established between the organization and the employees before the employee is empowered to make decisions to influence the future success of the organization (Beck & Kleiner, 2015). Ultimately, conceptual leadership must embrace these changes and adapt the necessary leadership skills required to achieve the desired organizational goals.

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