



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA PROGRAM

**THE MEDIATING ROLE OF SERVICE QUALITY ON THE
RELATIONSHIP BETWEEN EMPLOYEE WORKING
ENVIRONMENT AND CUSTOMER SATISFACTION: THE
CASE OF KALITY DRYPORT IN ETHIOPIA.**

BY
JEWARO TIFO

ADVISOR
LAKIEW ALEMU (PHD)

MARCH, 2022
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**ATHESIS SUBMITTED TO THE COLLEGE OF BUSINESS AND
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BY
JEWARO TIFO
ID NO: GSD/5873/11

ADVISOR
LAKEW ALEMU (PHD)

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BY
JEWARO TIFO

Approved by Board of Examiners

Chairman, Graduate Studies

Signature and Date

Advisor

Signature and Date

Internal Examiner

Signature and Date

External Examiner

Signature and Date

Declaration

I, Jewaro Tifo, hereby declare that this thesis entitled: The Mediating role of service quality on the relationship between employee working environment and customer satisfaction: The case of kality dry port is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted in Addis Ababa University or any other institutions. Now, it is offered for the award of the degree of Master of Business Administration from Addis Ababa University.

Jewaro Tifo

Signature

Date

CONFIRMATION

This is to approve that the study entitled: The Mediating role of service quality on the relationship between employee working environment and customer satisfaction: The case of kaliti dry port was undertaken by Jewaro Tifo for the partial fulfillment of Master of Business Administration at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University. Now, it is submitted for examination with my approval as a thesis.

Lakew Alemu (PhD)
Research Advisor

Signature

Date

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ABSTRACT

The objective of this study was to analyze the Mediating role of service quality on the relationship between employee working environment and customer satisfaction: The case of kality dry port in Ethiopia. To achieve objectives of the study, established questionnaires was adapted from previous research works with modification and distributed to employees and customers of the port. Cross-sectional survey design was used to quantitatively analyze the relationship between the study variables. Simple random sampling technique was used to determine sample size from target population for customer respondents and Census was employed to employee respondents of kality dry port as the number of employees is too small. Therefore, mixed technique was used as each category of respondents was responded to different questionnaires. Based on valid data collected from 200 employees and customers of kality dry port, and from the overall analysis, it was established that the three work environment components considered in this study (Physical work environment, Training, and Reward) had positive and statistically significant effect on customer satisfaction. Service quality had a positive and statistically significant effect on customer satisfaction as evidenced by the study. In addition to that the three work environment components considered in this study (physical environment, Training, Reward) had a positive and statistically significant effect on service quality. Finally, the paper concluded that service quality partially mediated the relationship between the physical environment and customer satisfaction whereas; it fully mediated Training and Reward with customer satisfaction.

Keywords: Kality Dry Port, Physical Environment, Training, Reward, Service Quality, Customer Satisfaction, Mediation

CHAPTER ONE

INTRODUCTION

This chapter introduced the overall studies. It consisted of background, statement of the problem, research questions, objectives, significance and scope of the study. Each of these subtopics was discussed under this chapter.

1.1 Background of the study

In today's competitive business environment customers are important stakeholders in organization and satisfaction is a priority to management. The success of any service providing organization according to Huffman & Batesan (2001) as cited by Kibret Tekeba & Ermias worku (2018) can be measured in terms of its customers' expectation towards the service delivery practice, which means service quality, will be the dominant element in customers' evaluations of a given service. Therefore experts say that customer satisfaction should be the fundamental principle of all the service firms as it is the key indicator of firm's performance. As said by Sakthivel et al., (2005) Customer loyalty and satisfaction are proved to be the major determinant for long term survival and financial performance of the company. Customer satisfaction has been a subject of great interest to organizations and researchers alike. In recent years, organizations are obliged to render more services in addition to their offers (Jennet, 2011).

Quality and customer satisfaction both have long been recognized as crucial role for success and survival in today's competitive market. Considerable evidence exists in literature that supports relationship between company's performance and level of satisfaction reported by customers. For instance, Williams and Naumam (2015) have conducted a firm-level analysis of business performance and customer satisfaction, and they have found that there are significant, and moderate to strong associations between customer satisfaction levels and a firm's financial and market performance. Therefore, it is argued that customer satisfaction should be considered the ultimate goal for all firms (Morgan et al., 2005).

As Organizations are increasingly becoming customer focused and are driven by customer demands, it is becoming equally challenging to satisfy and retain customer loyalty. Research by Oliver (2009) suggests that both service quality and customer satisfaction are two distinct but

related constructs. It is particularly true for the services firms where increased level of customer satisfaction results in profit maximization.

The concept of customer satisfaction has drawn the attention of practitioners and academics from last several years based on the fact that customers are the primary source of Profit for most of the firms operating in the market (Tam, 2004). Customer satisfaction is an important central concept in marketing because it is important to meet the demands and needs of customers (Han & Ryu, 2009). In the service industry customer satisfaction is defined as “service performance countering or exceeds customer expectations (Tit, 2015; Kumar, 2012; Kotler et al., 2006). Abdulsalam et al., (2013) and Chen (2010) suggest that customer satisfaction is the result of a customer's comparison of perceived quality and actual service performance.

Studies show that customer satisfaction may have direct and indirect impact on business results. Luo and Homburg (2007) concluded that customer satisfaction positively affects business profitability. The majority of studies have investigated the relationship with customer behavior patterns (Dimitriades, 2006). According to these findings, customer satisfaction increases customer loyalty, influences repurchase intentions and leads to positive word-of-mouth. Given the vital role of customer satisfaction, it is not surprising that a variety of research has been devoted to investigating the determinants of satisfaction.

Empirical evidences has supported that customer satisfaction reduces the likelihood of defection and/or is positively related with retention repurchase intention and loyalty (Oliver, 2009). Boshoff and Gray (2004) have mentioned that satisfaction is not inherent in service of product. But satisfaction is mainly present in consumer's perception of the service or product attributes that relates to the specific individual. Therefore, different customers will express different levels of satisfaction for the same service encounter or experience (Ueltschy et al., 2007).

Studies have demonstrated that work environment related factors can have a significant effect on service quality. It is stated that the physical environment not only influences the customer's pre-purchase decision but also the post-purchase quality assessment and satisfaction in terms of the related goods and services. Kiriago (2013) has shown that poor safety and health, work pressure or stress, and provision of inadequate working tools are environmental aspects that bring about

poor Quality of Working Life experiences at petrol stations. Furthermore, the physical work environment also leads to customer satisfaction (Seo et al., 2015).

Employee Training is an important component of working environment that has significant impact on service quality. This is because employees who learned and gained new knowledge, skills and attitudes from the training they have attended, will apply the knowledge, skills and attitudes that they learned in training to their workplace following the training, which in turn contribute significantly to the quality of service delivered. Waqanimaravu and Arasanmi(2020) have showed that there is a significant relationship between employee training and service quality.

At working environment, reward system is an important instrument to be used in management to motivate employees in a desired ways. Employees that perceived a strong service reward at work environment tended to exhibit a more pronounced service quality and in turn higher levels of job satisfaction and organizational commitment. Kwizera(2020) in his study have shown that there is strong positive relationship between employee reward and service quality.

Service quality improvement is key issue determining the very survival of Business Company. As the deliverance of quality services to customers is the competitive advantages of any service giving companies, it has the power to create customer satisfaction. It is believed that customers who are satisfied with the perceived quality of service they get will have a favorable emotional response, which is customer satisfaction. Researchers proved that service quality has a significant effect on customer satisfaction (Beyene, 2019). Therefore, improving the quality of services could improve customer satisfaction.

Most of the literatures have focused on the effect of work environment related factors on service quality (Chepchumba & Benjamin, 2017; Bibire & kunle, 2020), the effect of service quality on customer satisfaction (Jenet, 2011; Twum, 2015; Wang & Shieh, 2015), and effect of the work environment related factors on customer satisfaction (Cetinsoz, 2018; Muhammed et al., 2020; Emmanuel, 2020). This is encouraging. However, existing literature has not yet identified the existence of mediation by service quality between working environment and customer satisfaction.

This study tried to investigate the influence of working environment on customer satisfaction by considering the mediating role of service quality. Therefore, the study intends to contribute to the literature on the existence of mediation by service quality on the relationship between independent variable of working environment and dependent variable of customer satisfaction. It is also expected to shed light on the importance of adapting the best working environment to witness the needed level of customer satisfaction given service quality. The contribution will be made after considering the case of kaliti dry port as data source.

1.2 Statement of the problem

A satisfied customer is a loyal customer, and a company supported by loyal, satisfied customers reaps a multitude of benefits. Customer satisfaction facilitates the measure of how service and products provided by company meet customer expectation. It is a key performance indicator in business terms. It has been proven by an author that ‘an organization that consistently satisfies its customers, enjoy higher retention levels and greater profitability due to increase customer loyalty’ (Wicks & Roethlein, 2009). Based on the above explanation satisfied customers are the corner stone for the existence and fruitfulness of a business organization. Nowadays the principal objective of organizations is to maximize profits and to minimize cost. Profit maximization cannot be achieved if there is no suitable working environment as it improves productivity and reduces costs. Improving the work environment is critical for organizations to have satisfied employees and customers.

As discussed in detail in the literature part of this study, there are studies undertaken on the relationship between working environment and customer satisfaction at various times taking different case studies. For instance, According to Cetinsoz (2018) in the study of ‘Influence of Physical Work Environment on Customer Satisfaction and Loyalty in Upscale Restaurants in the district of Silifke’ the physical work environment has a significant effect on customer satisfaction. As per Ram et al., (2011) in examining theoretical and empirical Connections between work environment, service climate, and customer Satisfaction: The findings indicate that work environment influences service climate, which in turn influences employee job satisfaction, employee engagement, and customer satisfaction. Even though this is encouraging in showing how work environment indirectly affect customer satisfaction, their study fails to test

the existence of mediation by service quality between working environment and customer satisfaction.

Furthermore, there exist many empirical studies that found relation between working environment and service quality. For instance, in the study of ‘effect of work environment and service quality in selected country referral hospitals in kenya’ findings showed that work environment have a significant effect on service quality (Tuwei and Benjamin, 2017). The study concluded that the current work environment reduce service quality in county referral hospitals. Theuri et al., (2020) in their study of An Assessment of the Influence of Working Environment on Service quality found that the working environment had positive and significant effects on service quality. Furthermore, Bibire and kunle (2020) in their study of influence of physical work environment on service quality by library personnel in federal universities in south west Nigeria, there was positive and significant relationship between physical work environment and service quality.

In addition to that the researcher found many research works done assessing the relation of service quality and customer satisfaction. For instance, Wang and Shieh (2015) in their study of the relationship between service quality and customer satisfaction indicated that the overall service quality has a significant positive effect on overall customer satisfaction. Study conducted on ‘the mediating role of employee commitment on service quality and client satisfaction in selected Ghanaian hospitals’ revealed that there was significant positive correlation between service quality and customer satisfaction (Twum, 2015). According to Qadeer (2013) in her study of Service Quality & Customer Satisfaction: A case study in Banking Sector, Findings revealed that quality of service does effect the customer satisfaction up to some certain level as both concepts are distinct and the relationship found between them is casual. Also the quality of service has significant contribution towards customer satisfaction.

So far, however, since the researcher couldn’t find any, there are no studies regarding the existence of mediation by service quality and its mediating role on the relationship between working environment and customer satisfaction generally in Ethiopia and particularly in the dry port industry. Therefore, the main research question to be answered was: “does service quality mediate the relationship between working environment and customer satisfaction?” if so, what is the mediating role of service quality? In an effort to address the question, this study tried to

examine the mechanisms for how the working environment associated to service quality, which, in turn, is shown to be related to customer satisfaction. By doing this, the study contributed to the theory by illustrating service quality as a mechanism that links the employee working environment and customer satisfaction. This is the first part of contribution as no study has investigated the relationship of the three constructs. Second, by extending employee working environment into physical environment, Training, and Reward, the study contributed to the theory by demonstrating how a work environment related factor under the study differentially relates to customer satisfaction. Third, this study analyzed the relationships between employee working environments, service quality and customer satisfaction by taking kality dry port of Ethiopia as a case study.

1.3 Research Questions

The key research questions were:

1. Is there statistically significant relationship between employee working environment and customer satisfaction?
2. Is there statistically significant relationship between employee working environment and service quality?
3. Is there statistically significant relationship between service quality and customer satisfaction?
4. Does service quality mediate the relationship between employee working environment and customer satisfaction?

1.4 Objective of the Study

1.4.1 General Objectives of the Study

The general objective of this study was to analyze the Mediating role of service quality on the relationship between employee working environment and customer satisfaction in case of kality dry port.

1.4.2 Specific objectives

1. To examine the relationship between employees working environment and customer satisfaction.
2. To examine the relationship between employees working environment and service quality.
3. To examine the relationship between service quality and customer satisfaction.

4. To examine the existence of Mediation by service quality on the relationship between employee Working environment and customer satisfaction.

1.5 Significance of the study

The results of the study will have practical significance by serving as an input for enterprise's decision makers while devising policies that enhance customer satisfaction. In addition to that the result of this study can be consumed by the management to decide on work environment factors to be facilitated in the port to realize customer satisfaction. This study will also serve as a baseline and secondary source of data for those who want to pursue further study in this specific area.

1.6 Scope of the study

The scope of the study was limited to 210 employees and 223 customers. Regarding time scope, cross-sectional data was collected from 20/12/2021-24/12/2021 by distributing closed ended questionnaire to the whole employees and randomly selected customers of the port in order to evaluate the relationships among the study variables. It was examining the relationship between employee working environment and customer satisfaction and the relationship between employee working environment and service quality. Moreover, the study considered the effect of service quality on customer satisfaction. In addition to that the study further tried to investigate the existence of mediation by service quality on the relationship between employee working environment and customer satisfaction. The study was conducted at kality dry port in Ethiopia.

1.7 Organization of the thesis

This paper was organized with five chapters. The first chapter covered the introduction part that presented the background information, statement of the problem and basic questions of the research, the general and specific objectives of the research, and finally the significance and scope of the research. Following this introductory chapter, the second chapter described the basic and relevant literatures related to subject matter of the study that were done previously by other researchers. In the third chapter the research report covered the type of research design used, the analysis of the data, the sampling techniques, and methods of data collection to be applied. The fourth chapter focused on the data analysis and major findings of the study. The last chapter provided the conclusion and recommendations so as to solve the observed gaps from finding result.

CHAPTER TWO

LITERATURE REVIEW

This chapter focused on three major points. The first part tried to summarize what theoretical literatures have said about working environment, service quality and customer satisfaction and their relationship in general. The second part focused on summarizing what researchers studied and concluded about the relationship between working environment and customer satisfaction, the relation between working environment and service quality, and the relationship between service quality and customer satisfaction. The third and final part was about the developed conceptual framework for this study on the base of the reviewed literatures and the research questions.

2.1 Theoretical review

2.1.1 Working environment

Better working environment produces better results. This is a widely accepted assumption. Brenner (2004) was of the opinion that ‘the ability to share knowledge throughout the organizations depends on how the working environment is designed to enable organizations to utilize work environment as if it were an asset. This helps organizations to improve effectiveness and allow employees to benefit from collective knowledge’’. In addition, he argued that working environment designed to suit employee’s satisfaction and free flow of exchange of ideas is a better medium of motivating employees towards higher productivity.

Briner (2000) elaborated working environment as a awfully broad class that encompasses the physical setting (e.g. heat, equipments etc.), characteristics of the work itself (e.g. workload, task complexity), broader structure options (e.g. culture, history) and even aspects of the additional organizational setting (e.g. native marketplace conditions, trade sector, work life balance). It means that work environment is the sum of the interrelationship that exists among the employees and the employers and the environment in which the employees work which includes the technical, the human and the organizational environment.

According to Goal-Setting Theory, employees’ goals achievement is by creating of better work environment which is attractive, comfortable, satisfactory and motivating to employees so as to give them a sense of pride and purpose in what they do. How working environment is designed

and occupied affects not only how people feel, but also their work productivity, commitment to their employer, and the creation of new knowledge in the organization (Taiwo, 2009).

Expectancy theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better productivity will lead to good productivity appraisal and shall result into realization of personal goal in form of some reward future events. The theory focuses on three things efforts and performance relationship, performance and reward relationship, rewards and personal goal relationship (Salaman et al., 2005).

Another two sets of assumptions about the nature of people at working environment are Theory X and Y. The management implications for Theory X workers were that, to achieve organizational objectives, a business would need to impose a management system of coercion, control and punishment. Theory Y considers effort at work as just like rest or play, ordinary people who do not dislike work. Depending on the working conditions, work could be considered a source of satisfaction or punishment, individuals who seek responsibility (if they are motivated). The management implications for Theory X workers are that, to achieve organizational objectives, rewards of varying kinds are likely to be the most popular motivator. The challenge for management with Theory Y workers is to create a working environment (or culture) where workers can show and develop their creativity.

How well employees engage with factors in their working environments influences to a great extent in their error rate, level of innovation and collaboration with other employees, absenteeism and ultimately, how long they stay in the job which is a function of their commitment towards work (Chandrasekar, 2011). Chandrasekar identified twelve factors in workplace environment which either lead to engagement or disengagement of workers. These factors include: goal-setting, performance feedback, role congruity, defined processes, workplace incentives, supervisor support, mentoring/coaching, opportunity to apply new skills, job aids, environmental factors, and physical factors.

Arsalani et al., (2011) also pointed out that factors of working environments are divided in to two parts physical and psychosocial. The physical includes the lighting, noise and poor ergonomics while psychosocial includes, influence at work, meaning of work, quality leadership and insecurity at work. Many other researchers have also showed various factors of working environment which include two broader dimensions such as work and context. Work includes different characteristics of the job like job carried out and completed, task activities training, job autonomy and achievement. Context comprises of physical working condition and social working conditions (Sousa-Poza&Sousa-Poza, 2000; Gazioglu&Tanselb, 2006; Skalli et al., 2008).

From several working environment related factors presented in previous studies, the present study however, takes; Physical environment, Training and Reward. Basing on this, the factors are explained below.

2.1.1.1 Physical environment

Physical working environment, also be known as an ergonomic workplace, can result a person to fit or misfit to the environment of the workplace. Researches on the workplace environment need to be done in order to get an ergonomic workplace for every each of the employees. By having this ergonomic physical workplace at their workplace, it will help employees from not getting the nerve injury (Cooper & Dewe, 2004).

Furthermore, McCoy and Evans (2005) stated that the elements of working environment need to be proper so that the employees would not be stressed while getting their job done. In their article, they also stated that the physical element plays an important role in developing the network and relationship at workplace. Result of the employees' productivity and service quality can be increased from five to ten percent depending on the improvement of the physical workplace design at their workplace (Brill, 1992).

Further, Amir (2010) mentions elements that related to the working environment. There are two main elements which are the office layout plan and also the office comfort. Amir (2010) also stated that a physical workplace is an area in an organization that is being arranged so that the goal of the organization could be achieved. Research suggested flexible and adjustable furniture

in work stations benefits the organization, can improve job satisfaction and work performance. Badly fitting office furniture has been linked to an increase in personnel developing musculoskeletal disorders which can contribute to work related absenteeism thus leading to irregularity of service delivery (Evans and Johnson, 2000).

2.1.1.2 Training

Training and Development basically deals with the acquisition of understanding, know-how, techniques and practices. In fact, training and development is one of the imperatives of human resource management as it can improve productivity at individual, collegial and organizational levels. As the process of 'increasing one's capacity to take action, organizations are now increasingly becoming particular with organizational learning and therefore collective development. Organizational learning, on the other hand, refers to the "efficient procedure to process, interpret and respond to both internal and external information of a predominantly explicit nature. According to Easter by-Smith (1999), the emergence of the concept of organizational learning is central on the hitherto idea that prior advocacies of learning are tended to its commercial significance and are lacking of empirical information on learning processes.

According to Armstrong (2006), training is helpful in order to fill the gap between what ought to happen and what's happening between desired targets or standards and actual levels of labor performance. Training would like is any inadequacy in worker performance, or potential performance which might be remediated by acceptable coaching. There are some ways of overcoming deficiencies in human performance at work, and coaching is one amongst them. Worker performance is also seen because the results of harmony between coaching and development and structure goal.

Nassazi (2013) remarks that employee training has an important role in the improvement and increasing productivity. It takes the shape of learning activities that prepare employee to exercise wider or magnified responsibilities. Tzafrir (2005) asserts that training is a vital part generating the human capital. It provides staff with the abilities, skills and data needed by the post. The target of training is to realize a modification within the behavior of these trained. This implies that the trainees shall acquire new artful skills, technical data and skills on the duty in such the simplest way on aid within the accomplishment of structure goals.

2.1.1.3 Reward

The organization determines what motivates its employees and sets up formal and informal structures for rewarding employees behaving in the way required. Rewards may consist of a mix of internal rewards, such as challenging assignments, and external rewards, such as higher compensation and peer recognition (Chandrasekar, 2011). Productivity of professional employees and quality of service delivered by them is poor not only due to physical working environment factors but also due to lack of human resource management aspect such as recognition of employees who performs well, poor working condition, absence of productivity appraisal system and poor feedback on productivity outcome.

Studies have revealed that if a corporation fails to reward staff, it will decrease worker performance. Inefficient reward system also will result in demotivation of staff in terms of low performance, internal conflicts, absence, high turnover, lack of commitment and loyalty and timing (Heng et al., 2012). Therefore significant changes in promotions, compensation and benefits helps in keeping employees satisfied and in turn increases production and delivery of quality services.

Adding rewards into the company culture adds an extra bonus to the employees above and beyond their regular salary and benefits. They will feel more appreciated and thus will be more engaged in the interests of the organization. According to Allen and Helms (2007), an employer may use rewards such as casual dress day, employee of the month parking or a plaque to recognize work-related actions and this leads to satisfaction both to an employee and to a customer.

To conclude, issues of organizational environment influence employee's productivity and performance which improve the productivity of organizations. Working environment, which is an attractive and supportive, provide suitable conditions that enable employees to perform effectively, making best use of their knowledge, skills and competences and the available resources in order to provide high-quality of organization service.

2.1.2 Service quality

To survive in a competitive environment, there is no doubt that firms have to ensure about the quality of products and services they are supplying to the market. As improvement of service quality helps them to achieve a different advantage over their rivalries, Organizations attempt to

keep up their reliability with their clients by enhancing item and service quality. Wong (2004) found that negative feelings have a more grounded impact on fulfillment with quality than positive feelings. In spite of the fact that service quality has been seen for quite a while to be a result of client psychological evaluation, late studies affirm that service quality includes a result as well as feelings of clients.

Negi (2009) suggests that customer-perceived service quality has been given increased attention in recent years, due to its specific contribution to business competitiveness and developing satisfied customers. This makes service quality a very important construct to understand by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate especially in areas where gaps between expectations and perceptions are wide. Ghylis et al., (2008) points out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction.

Gilbert et al., (2004) reviewed the various ways service quality can be measured. They include;

- 1) the expectancy-disconfirmation approach which is associated with the identifying of customer expectation versus what they actually experienced. It focuses on the comparison of the service performance with the customer's expectations.
- 2) Performance-only approach merely assesses service quality by merely asking customers about their level of satisfaction with various service
- 3) Technical and functional dichotomy approaches identify two service components that lead to customer satisfaction namely, the technical quality of the product which is based on product characteristics such as durability, security, physical features while functional quality like such as courtesy, speed of delivery.
- 4) Service quality versus service satisfaction approach mainly focuses on two service components the transition-specific assessment This approach links perceived quality at the time of the service encounter and overall satisfaction with the service.
- 5) Attribute importance approach focuses on the relative weight on the importance the customer places on attributes found to be linked.

The service quality model got a considerable measure of consideration after the dubious discoveries of Parasuraman et al., in 1985. His SERVQUAL model is a popular model of quality research of services and the most common application in the marketing research as well as other industries such as hospitality and economy. It is one of the best received and most heuristically valuable contributions to the services literature as the most often used approach for measuring

service quality has been to compare customers' expectations before a service encounter and their perceptions of the actual service delivered. The model identifies the keys discrepancies or gaps relating to perceptions of service quality, and tasks associated with service delivery to customers.

SERVQUAL model measures the quality of a service before and after the consumption of a service, with five dimensions. Namely; tangibility (visible elements of a service such as buildings, sites and tools); responsiveness (how fast service providers respond to customer queries/ the willingness for service providers to assist customers and provide prompt services); reliability (the ability for a service provider to assure customers of a reliable and proper service); assurance (the level of knowledge displayed by a service provider when delivering its services and their ability to inspire trust and confidence); and empathy (ability for a service provider to pay attention to individual customer demands/ individualization of service).

Douglas & Connor (2003) emphasize that the customer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service quality and identify the intangible elements (inseparability, heterogeneity and perishability) of a service as the critical determinants of service quality perceived by a customer. It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Douglas & Connor, 2003).

To summarize, as service quality is an important tool for a firm's struggle to differentiate itself from its competitors; its relevance to companies is that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction. In dry port and terminal, the concept of service quality is an important thing because any failure or unreliability of ports' service can greatly influence the smooth movement of the flows in the next stage of the supply chain and make port customers unhappy. Ports are increasingly perceived as integrated and inseparable nodes in the supply chains of their customers.

2.1.3 Customer satisfaction

Customer satisfaction has been a popular topic in marketing practice and academic research since Cardozo's (1965) initial study of customer effort, expectations and satisfaction. Despite many attempts to measure and explain customer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote, 2000). Jamal and Nader (2002) argued that

customer satisfaction is not only linked with the view of customers, but also on their experience with the service delivery process. Customer satisfaction reflects the degree of a customer's positive reaction for a service provider, it is necessary for service providers to recognize the customer's vision of their services (Abram and Amah, 2010). A high level of customer satisfaction can have a positive impact on customer loyalty (Deng et al., 2010).

Customer satisfaction is generally considered among the most important long term objectives of firms. Increasing customer satisfaction, by delivering a service of high quality, is the ultimate goal of a service provider. The marketing concept suggests that a satisfied customer will be more likely to repurchase products or use the services again than those are dissatisfied (Wugayan et al., 2007). Wugayan et al., (2007) also concluded that it is generally accepted that satisfaction is a psychological state that results from consumer experiences after consumption. Additionally, the basic conceptualizations focus on either or both of two aspects: the customers' initial expectations in relation to product attributes and the customers' perceptions of the product performance in relation to these expectations.

In order to gain the customer satisfaction, first of all firms have to understand and satisfy their customer needs and wants. According to Kotler (2000), customers' needs illustrate the felt deprivation of a customer. Meanwhile customers' wants refer to the form taken by human needs as they are shaped by culture and individual personality.

Singh (2006) indicated that customer satisfaction affect positively and directly to an organization's profitability. Hoyer and MacInnis (2001) claimed that satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. To some extents, the consequences of a lack of customer satisfaction need to be taken into account. According to Hoyer and Macinnis (2001), dissatisfied consumers can decide to discontinue purchasing the good or service; complain to the company or to a third party and perhaps return the item, or engage in negative word of mouth communication. From summarizing a numerous previous researches about satisfied customer and dissatisfied ones, Barbera and Mazursky (1983) made a conclusion that 'satisfaction influences repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase'.

Standards of customer satisfaction means that the level of customer satisfaction which customers express their opinions about for its specific service quality. Each standards of customer satisfaction from the services measured as very satisfied, satisfied, Neutral, dissatisfied, and very dissatisfied. In other words it is related to Likert scale. Measuring customer satisfactions provide a comprehensive insight into to the customer pre and post purchase behavior. Without this approach; understanding, improving, and developing better customer services could not be possible. One problem with measuring customers' satisfaction is that there may often be discrepancies between the customer's view points and the provider's understandings of what constitutes quality services (Girum et al., 2018).

In sum, suitable working environment is believed to enable employees provide quality services to their customers. Provision of quality service could bring customer satisfaction. This shows the existence of relationships between all the three study variables; however, existence of mediation among them is not considered. Having discussed the theoretical background, we will turn to the contemporary empirical studies done before on the relationship between the variables of the study.

2.2 Empirical Review

In the following subsections the researcher presented some basic empirical evidences which are basic to our study. This empirical review attempted to discuss various studies on the relationships between variables of study. It was as follows:-

2.2.1 The relation of employee working environment and customer satisfaction

As evidenced in various empirical works, customer satisfaction has emerged as critical for organizations to succeed and working environment seems to be the driving force for customer satisfaction. Studies revealed that there is relationship between working environment and customer satisfaction. The physical working environment plays an important role in increasing financial performance and the customer's intention to come again as well as customer satisfaction (Githiri, 2017; Magnini & Parker, 2009).

Cetinsoz (2018) examined the Influence of Physical work Environment on Customer Satisfaction and Loyalty in Upscale Restaurants and the result showed that the physical environment has a significant effect on customer satisfaction. In literature, Mahalingam et al., (2016) stated that

customers visited / made repeat visits to restaurants not only for food and drink but also for the physical environment of the restaurant.

In addition, Maeng & Park (2015) studied the effect of the physical work environment of an airplane on customer loyalty. They defined the dimensions of the physical work environment as perceived quality in the flight environment. As a result of their study, the quality perceived on the aircraft had a positive effect on satisfaction, and they found that this satisfaction had a significant and positive effect on the loyalty and image of the customers.

Muhammed et al., (2020) explored the association between employee training on customer satisfaction and from results it was observed that there was a positive association between employee training and customer satisfaction.

Various scholars found the relationship between employee reward and customer satisfaction. Gerald and Dorothee (2004) found that rewards are significantly related to professionalism and job satisfaction and to customer satisfaction. They supported the argument that job satisfaction for professionals is derived in part from what professional perceives from job. Emmanuel (2020) also examined the effect of Reward and Employee Satisfaction on Customer Satisfaction among Private University Students in Burundi and the result showed a strong positive relationship between employee reward and customer satisfaction. It is paramount important for managers to reward employees so that they become happy with the work since this will provide effective customer satisfaction.

As discussed above, studies from different countries provide an important understanding on the relationships between employee work environment related factors and customer satisfaction. A common finding is that work environment related factors positively associated with customer satisfaction.

2.2.2 The relation of employee working environment and service quality

Studies revealed that there is relationship between working environment and service quality. Chepchumba & Benjamin (2017) determined the effect of work environment and service quality in selected country referral hospitals in Kenya and Findings showed that work environment have a significant and negative effect on service quality. The study concluded that the current work environment reduce service quality in county referral hospitals.

According to Badmus and Ogunlala (2020) in their study of influence of physical work environment on service delivery by library personnel in federal universities in south west Nigeria, There was positive and significant relationship between physical work environment and service quality. As per pugh et al., (2002) Performance driven work environments improve service quality by enabling employees to focus their efforts on meeting customer needs and expectations. Moreover, Theuri et al., (2020) in their study of An Assessment of the Influence of Working Environment on Service quality found that the working environment had positive and significant effects on service quality.

Goetz et al.,’s (2015) research focused on documenting the working environment as well as job satisfaction of medical care experts in Kenya. At the same time, they explored associations between job satisfaction factors, which were identified as vital for the best standards of delivery of healthcare services. Staff characteristics and the working atmosphere were the focus of the study. Findings indicate that job satisfaction and the work environment were significant aspects for the employment and retention of healthcare personnel while providing the best quality of care. Motivational factors such as increase in financial incentives, career development provisions, or improved work equipment were also important. However, they could only achieve the desired results if a supportive work environment was in existence. Paying concentration to protecting employees from risks of occupation was said to make employees feel more valued.

Hughes (2007) examined 2000 employees on different levels in various organizations and industries. It was revealed that 90% agreed that a workspace quality affects the attitude of employees and invariably increases job performance. This finding agreed with Ajala (2012) that workplace features and good communication network have efficiency on productivity and service quality.

2.2.3 The relation of service quality and customer satisfaction

In service industry, the concept of quality holds the main position. The relationship with the customer is based on the promise that customer satisfaction is achieved through providing standard quality of service. The high quality demands on customers end is becoming prominent due to the growing fact that high level of service quality leads to sustainable competitive advantage in the competitive business environment (Sureshchandar et al., 2002). It is not

surprising to know that quality level of services is the leading phenomena to plan strategies in the services firms (Khamalah and Lingaraj, 2007).

Many researchers have studied the relationship between service quality and customer satisfaction. Empirical findings showed that service quality is related to customer satisfaction (Babakus et al., 2004). For instance, Jenet (2011) examined the relationship between customer satisfaction and service quality in three service sectors in Umea and the result showed that there is significant relationship between service quality and customer satisfaction in ICA and Forex: but Umea university had no significant relationship between service quality and customer satisfaction.

As Wilson et al., (2008) put it, connecting consumer loyalty to service quality; analysts are briefer about the importance and estimations of fulfillment and service quality. As indicated by him fulfillment and service quality have particular things in like manner, yet fulfillment for the most part is a more extensive idea, though benefit quality concentrates particularly on measurements of administration. Among the few distinguished elements, for example, cost and item quality as determinant of consumer loyalty, so service quality is said to be a chief part of consumer loyalty too. The relational word is in accordance with the conclusion of Wilson et al., (2008). It has been built up from past studies carried on service quality and consumer loyalty that Customer fulfillment and service quality are associated from their definitions to their organizations with different perspectives in business. Truth be told there is an accord among a few scientists that service quality decides consumer loyalty.

Sivadas & Prewitt (2000) utilized a national arbitrary phone study of 542 customers to inspect the relationship between service quality, consumer loyalty, and store 29 devotion inside of the retail chain setting. The scientists found among different results that service quality impacts relative state of mind and fulfillment with retail chains. They figured out that there exist a relationship between consumer loyalty and service quality.

Likewise Su et al., (2002) in their investigation of consumer loyalty and service quality, additionally figured out that; the two variables are firmly connected. They likewise recognized service quality as a more dynamic in light of the fact that it might be influenced by impression of worth or by the encounters of others that may not be so great, than consumer loyalty which

mirrors the client's sentiments about numerous experiences and encounters with administration firm (Su et al., 2002).

Customers who are satisfied with the perceived service quality will have a favorable emotional response, i.e., customer satisfaction. Therefore, Prior studies have considered service quality as an antecedent of customer satisfaction.

In general, it is reasonable to hold the empirical works discussed above that has supported the relationship between variables of study. In fact, all of the works discussed so far add greatly to the body of literature in this area. Researcher wants to contribute by testing the existence of mediation by service quality and seeks to look its mediating role in the relationship between working environment and customer satisfaction, which has not considered yet by other empirical works.

2.3 Service Quality as Mediator

Organizations that provide enabling work environments will have employees who can devote their efforts to deliver quality services, thereby meeting the needs and expectations of customers (Pugh et al., 2002). The work of prior investigators offers compelling empirical evidence that bundling complementary sets of working environment (e.g., facilitative management, resources, training, communications, teamwork, and rewards) positively affects employees' perceptions of their ability to deliver high-quality services to their customers in a variety of for profit, retail service settings, including insurance and telecommunications (Batt, 2002). In the healthcare context, nurse perceptions of their ability to serve patients have been conceptually linked to their work environment (Newman et al., 2001). It is believed that customers who are satisfied with the perceived quality of service they get will have a favorable emotional response, which is customer satisfaction.

The results obtained in various empirical studies show entire consistency with respect to the correlation among the variables of study. However, no studies confirmed the existence of mediation by service quality in the relationship between employee work environment related factors and customer satisfaction.

Therefore, based on the above concept and previous empirical literatures, the researcher proposed the following hypotheses: -

- 1) H1: there is statistically significant relationship between Physical environment and Customer satisfaction.
- 2) H2: there is statistically significant relationship between Training and Customer satisfaction.
- 3) H3: there is statistically significant relationship between Reward and Customer satisfaction.
- 4) H4: there is statistically significant relationship between Physical environment and Service quality.
- 5) H5: there is statistically significant relationship between Training and Service quality.
- 6) H6: there is statistically significant relationship between Reward and Service quality.
- 7) H7: there is statistically significant relationship between Service quality and Customer satisfaction.
- 8) H8: Service quality mediates the relationship between Physical environment and customer satisfaction.
- 9) H9: Service quality mediates the relationship between Training and customer satisfaction.
- 10) H10: Service quality mediates the relationship between Reward and customer satisfaction.

2.4 Conceptual Framework of the Thesis.

This section of the thesis provides a brief account of the empirical evidence and theories that constitute the relationships among employee work environment related factors, service quality, and customer satisfaction. These are subsequently elaborated in more depth under the empirical sections above.

Work environment related factors can have a significant effect on service quality and improving the quality of service delivery could improve customer satisfaction. The work of prior investigators offers compelling empirical evidence that bundling complementary sets of working environment (e.g., facilitative management, resources, training, communications, teamwork, and rewards) positively affects employees' perceptions of their ability to deliver high-quality services to their customers in a variety of for profit, retail service settings, including insurance and telecommunications (Batt, 2002). Employees provided with enabling working environment can

devote their efforts to deliver quality services, thereby meeting the needs and expectations of customers (Pugh et al., 2002). When high quality services are delivered by Employees, highly satisfied and loyal customers will be generated. As the deliverance of quality services to customers is the competitive advantages of any service giving companies, it has the power to create customer satisfaction. It is believed that customers who are satisfied with the perceived quality of service they get will have a favorable emotional response, which is customer satisfaction. Toward this end, the study addresses the question: “does service quality mediate the relationship between working environment and customer satisfaction?” if so, what is the mediating role of service quality?

In this study customer satisfaction is dependent variable while working environment related factors, namely; physical environment, training and reward are independent variables. Service quality is a hypothesized mediator variable. The researcher hypothesized that the three working environment related factors are linked to customer satisfaction, the three working environment related factors are linked to service quality, and service quality linked to customer satisfaction. The researcher also hypothesized service quality as a mediator in the relationship between working environment related factors and customer satisfaction.

The following conceptual model was formulated to show association of working environment related factors and customer satisfaction, working environment related factors and service quality, and service quality and customer satisfaction. Figure 1 portrays the conceptual model showing hypothesized relationships.

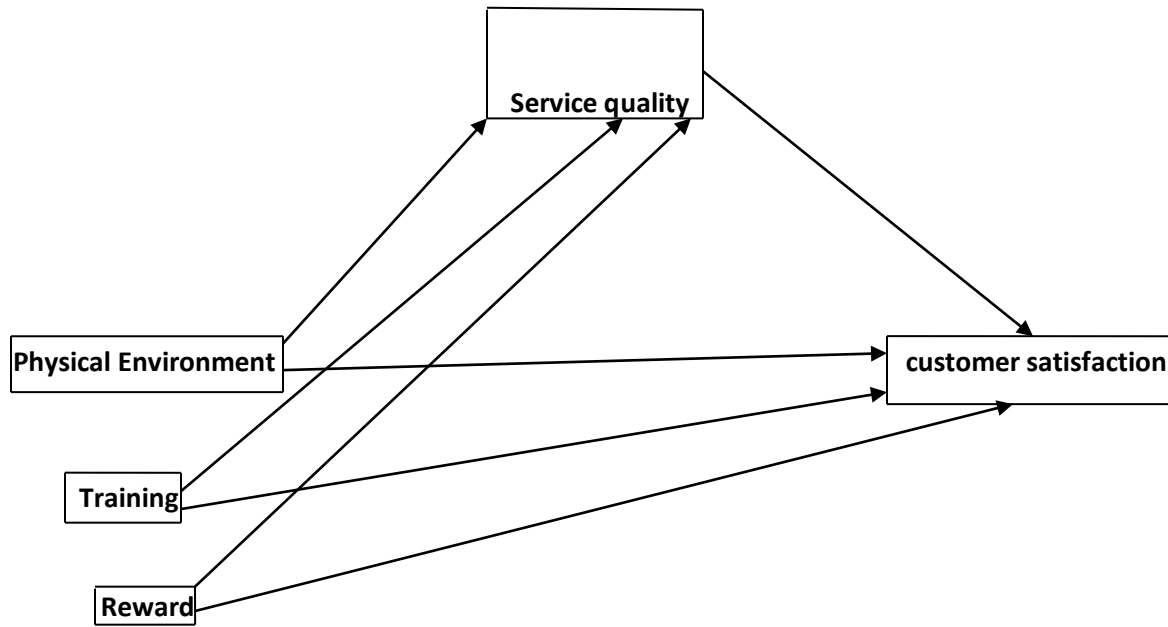


Figure 1:- Conceptual Framework.

Source: Developed by the researcher based on theoretical and empirical literatures.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter constructed by eight points which include study design, study approach, study area, target population, sample size and sampling technique, data sources, instrument and collection, methods of data analysis and ethical consideration. Each of these points was discussed under this chapter.

3.1 The Study area

The study was conducted in Addis Ababa, kality dry port which is one of the eight dry ports in Ethiopia. The choice of this study area as a case study is due to that the physical work environment is not comfortable as raised by the employees during routine supervision. Additionally, Customers using the port complain that the port does not deliver an efficient service to its clients. Moreover, Mamecha (2020) found that the overall service delivered by the port was not satisfactory.

The dry port handles the import and exports of the country mainly from Djibouti sea port which is 768 kilometers from Addis Ababa.

3.2 Study design

A research design refers to the overall strategy that you choose to integrate the different components of the study in coherent and logical way, thereby; ensuring you will effectively address the research problem: it constitutes the blue print for the collection, measurement, and analysis of data (Singh, 2009).

The study used cross-sectional survey design. Cross-sectional survey design is appropriate to this study than others as it allows for testing the existence of a mediation effect from a statistical perspective (David &Sava, 2018), and it is not costly to perform and does not require a lot of time.

3.3 Study approach

According to Creswell (2009), there are three basic research approach; quantitative, qualitative and mixed approach. According to Hungler et al., (2013), “quantitative research is a means for testing objective theories by examining the relationship among variables”. In quantitative research approach, variables are identified and defined, and then relevant data is collected from

study participants. The advantage of this approach over qualitative approach is that the data is in numeric form, making it easier to interpret. Hence, based on the research problem and objective to be met in this study, the quantitative research approach was deployed.

3.4 Target population

Target population for this study was the total number of customers served and employees who are currently working at Kality dry port. Both employees and customers were targeted as Questions related to work environment related factors were responded by employees and questions related to service quality and customer satisfaction were responded by customers. It constitutes 504 customers and 210 employees as of June 30, 2021 Kality dry port report.

3.5 Sample size and Sampling technique

The sample size is very important for the clear understanding of the population of the study to be undertaken. Alreck & Settle (1995) states that sample size is determined after considering statistical precision, practical issues and availability of resources. The categories of respondents included Total customers and employees in the targeted area. However, each category responded to different questionnaire which means, Employees responded to questions related to employee working environment factors whereas; customers responded to questions related to service quality and customer satisfaction. For customer respondents, sample size was determined from target population by using simple random sampling. Census was employed to employee respondents as the number of employees was too small. Therefore, mixed technique was used. According to Yemane's (1967) simplified formula to calculate sample size is:

$n = N / (1 + e^2 * N)$ Where, n = is the sample size, N = is the targeted population and e = is the desired level of precision.

$N = 504$, $e = 0.05$

$n = 504 / (1 + 504 \times 0.05 \times 0.05)$

$n = 223$

3.6 Data Sources, Instrument and Collection

Primary data was used as the principal source of data for this study. Data was collected through closed ended questionnaire from the selected sample of employees and customers of kaliti dry port. The questionnaire was adapted from tested existing literatures. For the Questions regarding to customer satisfaction and service quality, the SERVQUAL survey was adapted with modification. Nyeck et al., (2002) recognized that in the midst of the different models for measuring service quality, the SERVQUAL model is the most endeavors to conceptualize and measure service quality. Questions related to employee work environment related factors were adapted from the following previous studies (Al-khonzondar, 2015; Buckingham, 2004; Wesrep, 2011; Nzewi et al., 2018). The justification for adapting the above stated questions is that they have been used by many researchers globally and found to be very instrumental.

3.7 Measurement instruments, Validity, and Reliability

3.7.1 Measurement instruments

In this study, the researcher used the measurement scales which were applied by other researchers in different fields of study and proven to be acceptable. 19 Questions related to employee work environment related factors adapted from the following previous studies (Al-khonzondar, 2015; Buckingham, 2004; Wesrep, 2011; Nzewi et al., 2018). Similarly, The 22 question approach to measure service quality using the SERVQUAL approach has been modified to a dry port and terminal service quality context. For assessing overall customer satisfaction, 6 questions were adapted from Mamecha, 2020.

3.7.2 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Pilot test was conducted on 10 respondents of the dry port and the feedbacks obtained from the pilot testing of the questionnaire and approaches used was included in the questionnaire prepared for the actual data collection. Comment from practitioners on the instrument was also received, though it was adopted from previous research.

3.7.3 Reliability

Reliability is a measure to gauge the degree to which a research instrument yields consistent results or data after repeated trials (Green, 2003). It is also to ensure the degree to which a measurement is free from random or unstable error. Cronbach's alpha (α) is a commonly used

measure of reliability. Therefore, after collecting data, reliability was tested by calculating Cronbach's alpha value.

The closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.90 are considered good and acceptable (Sekaran and Bougie, 2016). In this research, all variables met the above requirement as computed and summarized in the table below.

Table 1: Reliability Analysis (Cronbach's Alpha)

Variables of the study	No. of items	Cronbach's Alpha value
Physical environment	5	.831
Training	5	.786
Reward	9	.847
Service quality	22	.927
Customer satisfaction	6	.835

Source: own survey SPSS output

3.8 Method of data Analysis

Both descriptive as well as inferential statistical techniques were employed to analyze the collected data. Descriptive statistics helps to describe the characteristics of the variables of interest in the study (Kohtari, 2004), and hence was used to describe the general information about the respondents' demographic situation such as frequency distribution, mean and standard deviations. For inferential statistics Pearson correlation and regression analysis were employed to test for correlation, and cause and effect relationships among the variables using SPSS.

3.9 Ethical Consideration

There is much more than the ethics behind the chosen subject to consider during the Research process. Considerable focus was put at ensuring that more specific research Ethics, especially while dealing with the construction of the thesis frameworks during the Stage of data collection. There were respect for the participants and research ethics include the privacy of possible and actual participants.

There was confidential handling of the data provided by participants, additionally there was an acknowledgement of the effects the research might have on the participants and their provided information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter attempted to analyze and interpret the data collected and summarized. The results were made to relate to the key considerations discussed in the literature review sections. At the same time, the data was analyzed in association with the research questions raised in chapter one. Basically this study tried to study the effect of employee working environment and mediating role of service quality on customer satisfaction. This chapter also focused on presentation, interpretation and discussion of data collected through questionnaires, which was analyzed using regression analysis. Moreover, the collected data were analyzed using SPSS.

4.2 Sample and Response rate

For the purpose of this study, the researcher distributed 223 questionnaires to customer respondents and 210 to employee respondents assuming to collect all of them filled without missing any question. For both categories, 200 questionnaires were obtained and used for analysis. 23 and 10 questionnaires were not returned from customer and employee respondents respectively. Hence, the non-response rate is 10% and 5% respectively.

4.3 Demographic Composition of Respondents

In this section of the analysis, the demographic data of both employees and customers were duly analyzed using descriptive statistics which include the use of frequencies and percentages. Demographic variables such as Age, Gender and Education level of respondents were analyzed.

Table 2: Analysis of Demographic Data of Employees

	Description	Frequency	Percent
Age	18-25 years	12	6
	26-35 years	130	65
	36-45 years	48	24
	Above 45 years	10	5
Gender	Male	122	61
	Female	78	39
Education	Diploma	50	25
	First degree	125	62.5
	Second degree and above	25	12.5

Source: own survey SPSS output

Most participants (65%) were in the age range of 26- 35 years old. 24.0% of participants were in the age group of 36 - 45 years old, 6.0% were in the age group of 18 - 25 years old while the remained, 5 % were 45 and above 45 years old. On the other hand, out of total 200 participants involved in this study, 61% were male and 39% were female. Regarding educational level of participants, more than half of participants, 62.5%, were having educational status of first degree. The second larger portions (25.0%) of the participants were having educational level of college diploma. The remaining, 12.5% were having educational level of second degree and above.

Table 3: Analysis of Demographic Data of Customers

	Description	Frequency	Percent
Age	18-25 years	43	21.5
	26-35 years	99	49.5
	36-45 years	51	25.5
	Above 45 years	7	3.5
Gender	Male	113	56.5
	Female	87	43.5
Education	Diploma	101	50.5
	First degree	89	44.5
	Second degree and above	10	5

Source: own survey SPSS output

Most participants (49.5%) were in the age range of 26- 35 years old. 25.5% of participants were in the age group of 36 - 45 years old, 21.5% were in the age group of 18 - 25 years old while the remained, 3.5% were 45 and above 45 years old. On the other hand, out of total 200 participants involved in this study, 56.5% were male and 43.5% were female. Regarding educational level of participants, more than half of participants, 50.5%, were having educational status of college diploma. The second larger portions (44.5%) of the participants were having educational level of first degree. The remaining, 5% were having educational level of second degree and above.

4.4 Descriptive Statistics of Variables

The descriptive statistics of the study variables were summarized and presented in table 4 below revealing the mean and standard deviation of the variables. The average score from the 5-point Likert scale with 5 referring strongly agree and 1 referring strongly disagree was computed for all the variables to show the proportion of the respondents that either strongly agreed or disagreed with the items of the variables. According to Crewel (2012), mean value of ≥ 4.5 = Very High, 3.51 to 4.51= High, 2.51 to 3.5 = Moderate, 1.51 to 2.5=Low; and < 1.5 =Very Low. Based on this mean score measurement, the researcher described the mean score of the participants for each categories of variable descriptions.

Table 4: Descriptive statistics of variables

Description	N	Mean	Std. Deviation
Physical Environment	200	2.0180	.51047
Training	200	1.6290	.55543
Reward	200	1.6367	.50023
Service quality	200	1.8752	.40064
Customer satisfaction	200	2.4817	.47105

Source: own survey SPSS output.

As indicated in table above, the mean score of Physical environment is 2.0, which is less than the average/moderate score on the 5-point scale, while the standard deviation is 0.5. This result indicates that majority of the employees disagreed that the physical environment is favorable for them.

On the other hand, the mean score of Training is 1.6 while the standard deviation is 0.6. The result implies that on average majority of the employees disagreed that Gap based and on job Training were provided for them.

Similarly, the mean score of Reward is 1.6 while the standard deviation is 0.5. This result indicates that majority of the employees disagreed that reward were provided for the good activities they performed.

The mean score of service quality is 1.88 while the standard deviation is 0.4. This result indicates that majority of the customers disagreed that they are delivered with quality services. The mean score of customer satisfaction is 2.48 while the standard deviation was 0.47. This result indicates that majority of the customers disagreed that they are satisfied towards the services delivered for them.

4.5 Reliability

Reliability is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure (Sekaran and Bougie, 2016). In conducting the reliability test, the researcher retrieved Cronbach’s alpha values using SPSS for the items in each construct as indicated in table below. According to Sekaran and Bougie (2016)

reliabilities less than 0.60 are considered to be poor, those in the range of 0.60 to 0.90 are considered good and acceptable.

Table 5: Reliability Analysis (Cronbach's Alpha)

Variables of the study	No. of items	Cronbach's Alpha value
Physical environment	5	.831
Training	5	.786
Reward	9	.847
Service quality	22	.927
Customer satisfaction	6	.835

Source: own survey SPSS output (2022)

As indicated in table 5, the Cronbach's alpha coefficient for Physical Environment, Training, Reward, Service quality and Customer satisfaction is 0.831, 0.786, 0.847, 0.927 and 0.835 respectively. Hence, the reliability of the measures used in this study can be considered as good and acceptable since the Cronbach's alpha coefficient of each item is greater than 0.60.

4.6 Correlation Analysis

The purpose of correlation analysis is to explore the strength as well as the direction of the relationship among the study variables namely physical Environment, Training and Reward (the independent variables), Service quality (the mediator variable) and Customer satisfaction (i.e. dependent variable). Pearson correlation analysis was used to explore their relationships. As indicated in the table 6 below, correlation matrix showed positive relationships between each of the independent variables (physical Environment, Training and Reward) and customer satisfaction. This finding provided some support to the first set of hypothesis (H1, H2 and H3), which predicted statistically significant relationship between work environment related factors under the study and customer satisfaction. This finding also satisfied one of the important conditions for mediation analysis, which requires a significant relationship between the independent and dependent variables. Another important finding at this point is the relationship between all work environment related factors under the study and service quality, which provides some support for our mediation analysis that requires a significant relationship between the independent variables and mediator (Baron and Kenny, 1986). This finding provided some support to the second set of hypothesis (H4, H5 and H6), which predicted statistically significant

relationship between work environment related factors under the study and service quality. Correlation matrix is reported in Table 6.

Table 6: Pearson Correlation Matrix

	Physical Env't	Training	Reward	Service Quality	C. Satisfaction
Physical Env't	1				
Training	.873**	1			
Reward	.894**	.864**	1		
Service Quality	.861**	.844**	.880**	1	
C. Satisfaction	.931**	.862**	.872**	.879**	1

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

Source: own survey SPSS output (2022)

4.7 Test for Assumptions of Classical Linear Regression Model

To verify the assumptions of classical linear regression model and protect against the chance of getting and interpreting wrong regression results, the researcher conducted a diagnostic test prior to running the regression analysis to test the research hypotheses. Therefore, a preliminary analysis (Regression Diagnostics) like linearity, normality, Multicollinearity, hetroscedasticity, and test for autocorrelation was conducted to make sure that the model is unbiased, consistent, efficient and valid.

4.7.1 Test for Linearity

The relationship between the dependent variables and explanatory variables need to be linear function to conduct linear regression analysis (Darlington, 1968). Therefore, the linearity of the relationship between the dependent variable and the independent variables was checked using scatter plots of the regression residuals for the model through SPSS software. The scatter plot of residuals indicates that the points lie in a reasonably straight line from bottom left to top right. Therefore, we can conclude that the assumption of linearity was not violated.

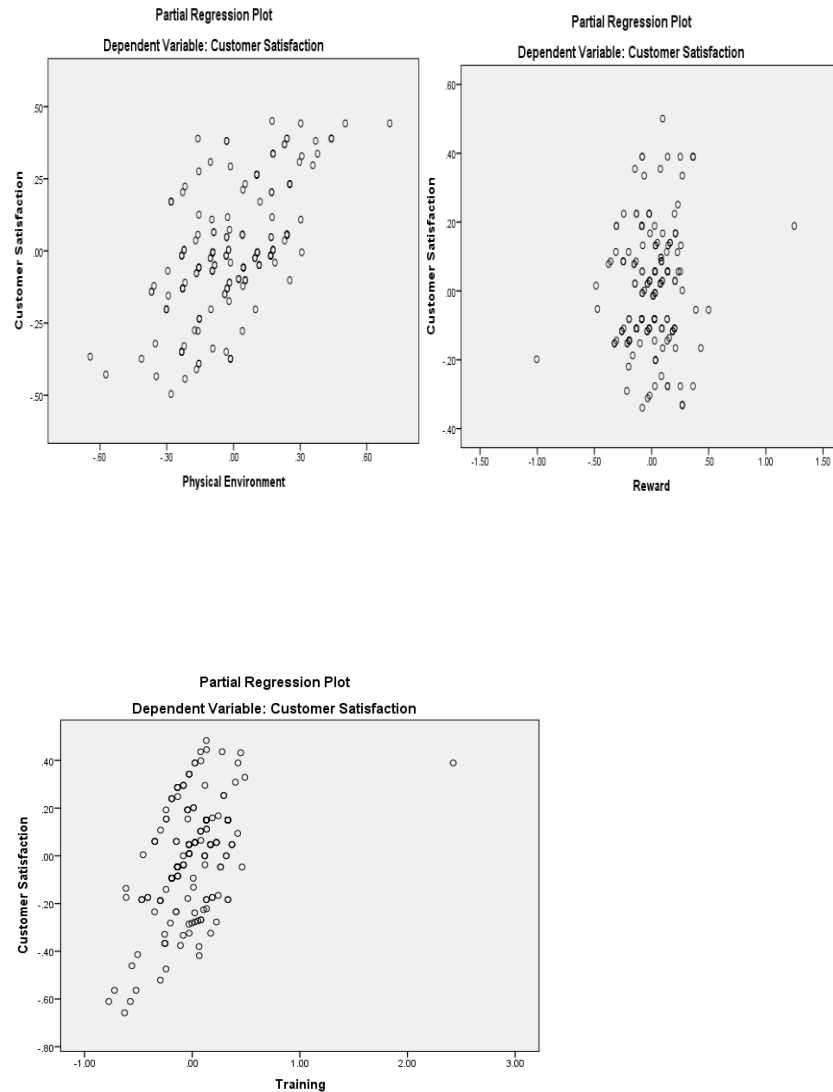


Figure 2: scatter plot

Source: own survey data output

4.7.2 Test for Normality

Classical Linear Regression Model assumes that the distribution of the error term is normally distributed. This test was used to determine whether the error term is normally distributed. The frequency distribution of the standardized residuals was compared to a normal distribution. As we can see, although there are some residuals that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histograms are bell shaped which lead to infer that

the residual (disturbance or errors) are normally distributed for the model. Thus, we can deduce that the assumption of “normally distributed error term” is not violated.

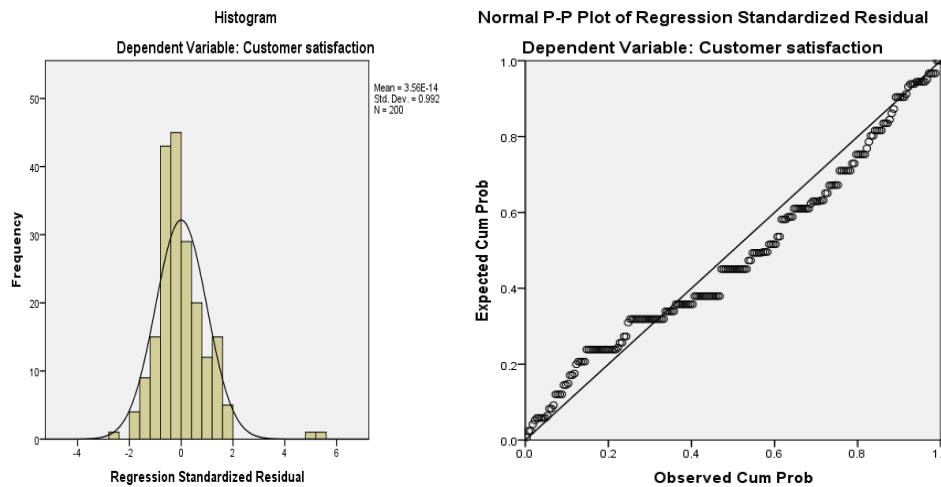


Figure 3: Normality and Linearity Graphs

Source: own survey SPSS output (2022)

4.7.3 Test for Multicollinearity

Classical Linear Regression Model assumes no correlation between explanatory variable. Multicollinearity will occur if some or all of the independent variables are highly correlated with one another or the existence of exact linear association. It shows the regression model has difficulty in explaining which independent variables are affecting the dependent variable (Brooks, 2008). Multicollinearity can be tested either from correlation coefficient results or from the Value of Tolerance and VIF. According to Sekaran and Bougie (2016), the acceptable value of tolerance and Variance Inflation Factor (VIF) is above 0.10 and below 10 respectively. As we can see from table 8 the Tolerance Values are 0.152, 0.192, 0.145 and 0.188 for each independent variable respectively which are above the threshold of 0.10 and the VIF values are also 6.558, 5.206, 6.917 and 5.328 respectively as illustrated in the table below. These VIF values are below the threshold of 10. Therefore, we can conclude that there is no Multicollinearity issue between the independent variables.

Table 7: Collinearity Diagnosis

Model	Variables	Collinearity statistics	
		Tolerance	VIF
1	Physical Environment	.152	6.558
	Training	.192	5.206
	Reward	.145	6.917
	Service Quality	.188	5.328

Source: own survey SPSS output (2022)

4.7.4 Test for Heteroscedasticity

Classical Linear Regression Model assumes the variance of the error term is constant, this is known as homoscedasticity. If the variance of the error term is not the same, they are said to be heteroscedastic. The standard suggestion for examining the assumption of heteroscedasticity in regression analysis is to plot the predicted variable values against the residual values. Heteroscedasticity is indicated when these values spread or fan out. Thus, the scatter plot showed that majority of the points are concentrated around zero (0) which shows that no violation of homoscedasticity. In addition, if the plots have a pattern it implies the presence of heteroscedasticity. Conversely if the plots depict a pattern there is no evidence for the presence of heteroscedasticity. As illustrated in the figure 4, below the graph looks like a random array dots or the plots have no pattern. So, homoscedasticity assumption was not violated.

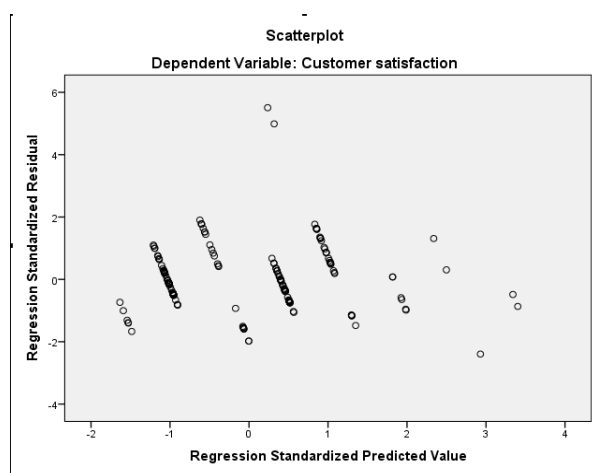


Figure 4: Scatter plot of standardized Residual vs. Predicted values

Source: own survey SPSS output (2022).

4.7.5 Test for Autocorrelation

Classical Linear Regression Model assumes cross-sectionally the covariance between the error terms is zero. In other word it assumes there is no serial correlation among error terms. The research applied Durbin Watson test, which is most commonly used techniques of detecting autocorrelation. Thus, if the value of DW test is between 1.5 and 2.5 there is no evidence for the presence of serial correlation among error terms (Hassen et al, 2017). Therefore, the DW test value is 1.681 which falls in the acceptable range. This implies absence of serial correlation among errors.

4.8 Standard Regression

The researcher applied standard regression to explore the relationship between the independent and dependent variables. The coefficients of determination (R square value), the regression coefficients (Beta coefficient) and the p-values for each of the relationships were reported.

4.8.1 Regression model specification

Model 1

M1: Working environment related factors predicting customer satisfaction

$$Y1 = \alpha1 + \beta1X1 + \beta2X2 + \beta3X3 + \epsilon1 \dots \dots \dots \text{Model 1}$$

Where:

Y1 = customer satisfaction, X1 = Physical environment, X2= Training, X3= Reward, $\alpha1$ = intercept of customer satisfaction, $\beta1$, $\beta2$ and $\beta3$ = coefficient, $\epsilon1$ = the random error.

Model 2

M2: working environment related factors predicting service quality

$$Y2 = \alpha2 + \beta1_2X1_2 + \beta2_2X2_2 + \beta3_2X3_2 + \epsilon2 \dots \dots \dots \text{Model 2}$$

Where:

Y2 = service quality, X1₂ = Physical environment, X2₂= Training, X3₂= Reward, $\alpha2$ = intercept of customer satisfaction, $\beta1_2$, $\beta2_2$ and $\beta3_2$ = coefficient, $\epsilon2$ = the random error.

Model 3

M3: service quality predicting customer satisfaction

$$Y_3 = \alpha_3 + \beta_{33}X_{33} + \epsilon_{y3} \dots \dots \dots \text{Model 3}$$

Where:

Y_3 =customer satisfaction, X_{33} = service quality, α_3 =intercept of customer satisfaction,
 β_{33} =coefficient, ϵ_{y3} = the random error

Model 4

M4: working environment and service quality (hypothesized mediator) predicting customer satisfaction

$$Y_4 = \alpha_4 + \beta_{14}X_{14} + \beta_{24}X_{24} + \beta_{34}X_{34} + \epsilon_{y4} \dots \dots \dots \text{Model 4}$$

Where:

Y_4 = customer satisfaction, X_{14} = Physical environment, X_{24} = Training, X_{34} = Reward,
 m =service quality, α_4 = intercept of customer satisfaction, β_{14} , β_{24} , β_{34} & ϵ_{y4} = coefficients, ϵ_{y4} = the random error.

4.8.2 Results and Hypothesis Testing

The multiple and hierarchical regressions were applied to estimate the hypothesized relationships. First, the dependent variable (customer satisfaction) was regressed on the independent variables to estimate their relationships. Second, the relationships between the independent variables and the hypothesized mediator (service quality) were estimated. Third, the dependent variable (customer satisfaction) was regressed on the hypothesized mediator (service quality). Then the researcher tested the mediating role of service quality on the relationship between work environment related factors and customer satisfaction. Table 8 reports the regression summary of the direct effects.

Table 8: Hierarchical Regression: predicting customer satisfaction and Service quality

Model number	Predictors	Coefficients
1.	Physical environment	.620***
	Training	.136**
	Reward	.125*
	R ²	.879
DV: customer satisfaction		
2.	Physical environment	.201***
	Training	.165***
	Reward	.362***
	R ²	.812
DV: service quality		
3.	Service quality	1.034***
	R ²	.773
DV: customer satisfaction		

Notes: DV, Dependent Variable, *p<0.05; **p<0.01; and ***p<0.001

Source: own survey SPSS output

The first set of hypothesis (H1, H2, and H3) focused on the relationship between work environment related factors under the study and customer satisfaction. Under H1, the researcher hypothesized that there is statistically significant relationship between physical environment and Customer satisfaction. The result of regressions as illustrated in table 8 above revealed that physical environment has positive and statistically significant relationship with customer satisfaction ($\beta = 0.620$, $p < .001$). This implies that, other explanatory variable remain constant, if the mean score value of physical environment increase by 1 unit, on average the mean score value of customer satisfaction increase by 0.620 unit and statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means physical environment has statistically significant relationship with customer satisfaction.

Under H2, the researcher hypothesized that there is statistically significant relationship between Training and Customer satisfaction. The result of table 8 showed that Training has positive and statistically significant relationship with customer satisfaction ($\beta = 0.136$, $p < 0.01$). This implies that, other explanatory variable remain constant, if the mean score value of Training increase by 1 unit on average the mean score value of customer satisfaction increase by 0.136 unit and

statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means Training has statistically significant relationship with customer satisfaction.

Under H3, the researcher hypothesized that there is statistically significant relationship between Reward and Customer satisfaction. As table 8 indicates, Reward has positive and statistically significant relationship with customer satisfaction ($\beta = 0.125$, $p < 0.05$). This implies that, other explanatory variable remain constant, if the mean score value of Reward increase by 1 unit on average the mean score value of customer satisfaction increase by 0.125 unit and statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means Reward has statistically significant relationship with customer satisfaction.

The second set of hypothesis (H4, H5, and H6) focused on the relationship between work environment related factors under the study and service quality. Under H4, the researcher hypothesized that there is statistically significant relationship between physical environment and service quality. The result of table 8 showed that physical environment has positive and statistically significant relationship with service quality ($\beta = 0.201$, $p < .001$). This implies that, other explanatory variable remain constant, if the mean score value of physical environment increase by 1 unit, on average the mean score value of service quality increase by 0.201 unit and statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means physical environment has statistically significant relationship with service quality.

Under H5, the researcher hypothesized that there is statistically significant relationship between Training and service quality. Table 8 depicts that, training has positive and significant relationship with service quality ($\beta = 0.165$, $p < .001$). This implies that, other explanatory variable remain constant, if the mean score value of training increase by 1 unit on average the mean score value of service quality increase by 0.165 unit and the relationship is statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means training has statistically significant relationship with service quality.

Under H6, the researcher hypothesized that there is statistically significant relationship between Reward and service quality. The result of multiple regressions as presented in table 8 above

revealed that, Reward has positive and significant relationship with service quality ($\beta = 0.362$ and $p < 0.001$). This implies that, other explanatory variable remain constant, if the mean score value of Reward increase by 1 unit on average the mean score value of service quality increase by 0.362 unit and the relationship is statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means Reward has statistically significant relationship with service quality.

The third set of hypothesis (H7) focused on the relationship between service quality and customer satisfaction. Under H7, the researcher hypothesized that there is statistically significant relationship between service quality and Customer satisfaction. The result of table 8 showed that service quality has positive and statistically significant relationship with customer satisfaction ($\beta = 1.034$, $p < 0.001$). This implies that, other explanatory variable remain constant, if the mean score value of service quality increase by 1 unit on average the mean score value of customer satisfaction increase by 1.034 unit and statistically significant at 5% significance level. Therefore; the finding is in support of the hypothesis; that means service quality has statistically significant relationship with customer satisfaction.

Service Quality Mediation between working environment Dimensions and Customer Satisfaction.

For testing the mediation, the Baron and Kenny (1986) stepwise approach was used as a guiding framework. Table 9 reports the multiple regression results estimated following the four conditions for mediation analysis of Baron and Kenny (1986), which require significant relationships between the dependent and independent variables, between the mediating and independent variables, between the mediating and dependent variables, and between the dependent and independent variables by controlling the mediator. The findings support all the conditions of Baron and Kenny (1986). The three working environment related factors considered under the study were significantly related to customer satisfaction and service quality (step 1 and step 2). Except for physical environment, the relationship between service quality and customer satisfaction was significant and stronger than the relationships between work environments related factors and customer satisfaction. In addition, the findings suggest that the effect of the independent variables on the dependent variable substantially decreased after the mediating variable was introduced in the regression equation (compare step 1 and 4). In general,

the findings provide support for the mediation of service quality in the relationship between working environment related factors under the study and customer satisfaction. Specifically, service quality partially mediated the relationship between physical environment and customer satisfaction, and fully mediated the relationship between training and customer satisfaction, and the relationship between reward and customer satisfaction.

Table 9: Hierarchical Regression Analysis

	Step 1	Step 2	Step 3	Step4
	CS	SQ	CS	CS
	Standard (β)	Standard (β)	Standard (β)	Standard (β)
Work env't dimensions:				
Physical environment	.671***	.256***		.605***
Training	.161**	.229***		.102
Reward	.133*	.452 ***		.016
Mediator:				
Service quality			.879***	.258***
R ²	.879	.812	.773	.892

Notes: CS, Customer Satisfaction, SQ, Service Quality, *p<0.05; **p<0.01; and ***p<0.001

Source: own survey SPSS output

Step 4 of table 9 above provides regression results of the effect of work environment related factors on customer satisfaction after controlling the effect of the mediating variable (service quality). A hierarchical multiple regressions were ran where the independent variables (physical environment, Training and Reward) and the mediating variable (service quality) were regressed against the dependent variable (customer satisfaction). The fourth set of hypothesis (H8, H9, and H10) focused on the service quality mediation between the three work environment related factors under the study and customer satisfaction. Under H8, the researcher hypothesized that Service quality mediates the relationship between Physical environment and customer satisfaction. The results from the regression shows a significant positive relationship between physical environment and customer satisfaction when mediated by service quality ($\beta=.605$, p

<.001). Further, the result also depicts a significant positive relationship between service quality and customer satisfaction ($\beta=.258$, $p<.001$). According to Baron and Kenny (1986), a partial mediation exists when at the fourth stage; the mediating and independent variable significantly predict the dependent variable. According to the authors, both the relationship existing between the mediator and dependent variable should be positive. Moreover, a positive relationship must also exist between the independent variable and the dependent variable. Based on this premise, it could be justified that service quality partially mediated the relationship between physical environment and customer satisfaction. Therefore; the finding is in support of the hypothesis; that means service quality mediates the relationship between Physical environment and customer satisfaction.

Under H9, the researcher hypothesized that Service quality mediates the relationship between Training and customer satisfaction. The results from the regression shows insignificant positive relationship between Training and customer satisfaction when mediated by service quality ($\beta=.102$, $p >.05$). However, the result depicts a significant positive relationship between service quality and customer satisfaction ($\beta=.258$, $p<.001$). According to Baron and Kenny (1986), a full mediation exists when at the fourth stage; independent variable is no longer significant when Mediator variable is controlled. Based on this premise, it could be justified that service quality fully mediated the relationship between Training and customer satisfaction. Therefore; the finding is in support of the hypothesis; that means service quality mediates the relationship between Training and customer satisfaction.

Under H10, the researcher hypothesized that Service quality mediates the relationship between Reward and customer satisfaction. The results from the regression shows insignificant positive relationship between Reward and customer satisfaction when mediated by service quality ($\beta=.016$, $p >.05$). However, the result depicts a significant positive relationship between service quality and customer satisfaction ($\beta=.258$, $p<.001$). According to Baron and Kenny (1986), a full mediation exists when at the fourth stage; independent variable is no longer significant when Mediator variable is controlled. Based on this premise, it could be justified that service quality fully mediated the relationship between Reward and customer satisfaction. Therefore; the finding is in support of the hypothesis; that means service quality mediates the relationship between Reward and customer satisfaction.

4.9 Discussion

The study result indicated that the effect of physical work environment on customer satisfaction is positive and statistically significant. This indicates that as suitability of physical work environment increase it lead to correspondent increase in customer satisfaction. Hypothesis 1 stated that there is a statistically significant relationship between physical environment and customer satisfaction. Thus, the finding of the study supported hypothesis 1 (H1). It is, therefore, in agreement with the findings of Githiri (2017); Magnini & Parker (2009) who found out that the physical work environment plays an important role in increasing financial performance and the customer's intention to come again as well as customer satisfaction. This study result also consistent with Mahalingam et al., (2016) who stated that customers visited / made repeat visits to restaurants not only for food and drink but also for the physical environment of the restaurant.

Similarly, the study result indicated that the effect of Training on customer satisfaction is positive and statistically significant. This indicates that the customer satisfaction enhances as the employee training enhances. So it is necessary to initiate training of employees in the organizations in order to enhance customer satisfaction. Hypothesis 2 stated that there is statistically significant relationship between Training and customer satisfaction. Thus, the study finding supported hypothesis 2 (H2). Therefore, it is in agreement with the findings of Muhammed et al., (2020) Who stated that if employees are well trained, so they will act and work autonomously which will boost customer satisfaction.

Moreover, the study result indicated that the effect of Reward on customer satisfaction is positive and statistically significant. This indicates that the customer satisfaction enhances as the employee Reward enhances. Therefore, it is important for organizations to reward employees so that they become happy with the work since this will bring effective customer satisfaction. Hypothesis 3 stated that there is a statistically significant relationship between Reward and customer satisfaction. Thus, the finding of the study supported hypothesis 3 (H3). It is, therefore, in agreement with the findings of Gerald and Dorothee (2004) who found that rewards are significantly related to customer satisfaction.

The study result indicated that the effect of physical environment on service quality is positive and statistically significant. This indicates that improving physical work environment will improve the quality of services delivered for customers. Hypothesis 4 stated that there is a

statistically significant relationship between physical environment and service quality. Thus, the finding of the study supported hypothesis 4 (H4). It is, therefore, in agreement with the findings of Bibire and kunle (2020) who found that there was positive and significant relationship between physical work environment and service quality.

Similarly, the study result indicated that the effect of Training on service quality is positive and statistically significant. This indicates that service quality increases when training increases. The higher workers get training tends to have increased service quality. Hypothesis 5 stated that there is a statistically significant relationship between Training and service quality. Thus, the finding of the study supported hypothesis 5 (H5). It is, therefore, in agreement with the findings of Tzafrir (2005) who found out that training is an important element in producing the human capital, it provides employees with the skills, abilities and knowledge required to provide services with high quality.

The study result indicated that the effect of Reward on service quality is statistically significant. This indicates that significant increase in promotions, compensation and benefits helps in increasing production and delivery of quality services. Hypothesis 6 stated that there is a statistically significant relationship between Reward and service quality. Thus, the finding of the study supported hypothesis 6 (H6). It is, therefore, in agreement with the findings of Chiang and Birtch (2011) who found that reward was significantly associated with service quality.

The study result indicated that the effect of service quality on customer satisfaction is positive and statistically significant. This indicates that enhancing quality of service delivery will enhance satisfaction of customers. Therefore it is advisable for service organizations aiming to improve the quality service delivery to satisfy their existing and future customers. Hypothesis 7 stated that there is statistically significant relationship between service quality and customer satisfaction. Thus, the study finding supported hypothesis 7 (H7). Therefore, it is in agreement with the findings of Twum (2015) who revealed that there was significant positive correlation between service quality and customer satisfaction.

The study result indicated that the effect of physical environment on customer satisfaction when mediated by service quality is statistically significant. This indicates that physical work environment needs to be proper so that the employees deliver a quality service which enhances

customer satisfaction. Hypothesis 8 stated that Service quality mediates the relationship between physical environment and customer satisfaction. Thus, the finding of the study supported hypothesis 8 (H8) as there is a statistically significant and partial mediation. The result is neither supported nor rejected by any empirical evidences since there is no any research done on the effect of physical environment on customer satisfaction when mediated by service quality.

The study result indicated that the effect of Training on customer satisfaction when mediated by service quality is positive and statistically significant. This indicates that by initiating training of employees in the organization, the quality of service delivery enhances, which will boost up the customer satisfaction. Hypothesis 9 stated that Service quality mediates the relationship between Training and customer satisfaction. Thus, the finding of the study supported hypothesis 9 (H9) as there is a statistically significant and full mediation. The result is neither supported nor rejected by any empirical evidences since there is no any research done on the effect of Training on customer satisfaction when mediated by service quality

The study result indicated that the effect of Reward on customer satisfaction when mediated by service quality is statistically significant. This indicates that significant increase in employee reward helps in delivery of quality services and in turn increases customer satisfaction. Hypothesis 10 stated that Service quality mediates the relationship between Reward and customer satisfaction. Thus, the finding of the study supported hypothesis 10 (H10) as there is a statistically significant and full mediation. The result is neither supported nor rejected by any empirical evidences since there is no any research done on the effect of Reward on customer satisfaction when mediated by service quality.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents major findings, conclusion on the basis of the study result and relevant recommendations for action based on objectives of the study mentioned in Chapter One.

5.1 Summary of Major Findings

- The descriptive statistics of the variables revealed that, most of the employees disagreed by the physical work environment with a mean value of 2.0 and 0.5 standard deviation, Training with a mean value of 1.6 and 0.6 standard deviation, and Reward with scored mean value of 1.6 and 0.5 standard deviation respectively. On the other hand, most of the customers disagreed by the quality of service delivery with a mean value of 1.88 and 0.4 standard deviation. Similarly customer satisfaction scored a mean value of 2.48 and 0.47 standard deviation.
- The results of hypotheses testing indicated that the three work environment related factors considered in the study (physical environment, Training and Reward) have statistically significant effect on customer satisfaction (H1, H2, and H3).
- The effect of the three work environment related factors considered in the study (physical environment, Training and Reward) on service quality is statistically significant (H4, H5, and H6) whereas; the results also confirmed that effect of service quality on customer satisfaction found to be statistically significant (H7).
- In addition to that the physical environment has statistically significant effect on customer satisfaction when mediated by service quality and Service quality has a partial mediation effect.
- On the other hand, Training and Reward have statistically insignificant effect on customer satisfaction when mediated by service quality and Service quality has a full mediation effect. Therefore, the results reported in this study supported all hypotheses.

5.2 Conclusion

Level of customer satisfaction was affected by the physical work environment. This implies that customers' satisfaction level will increase when suitability of physical work environment increases in this study. Level of customer satisfaction was affected by employee Training. This implies that customers' satisfaction level will increase when employee Training increases in this study. The higher workers get training tends to have increased customer satisfaction. Level of customer satisfaction was affected by employee Reward. This implies that customers' satisfaction level will increase when employee Reward increases. The higher workers get reward, encouraged and motivated tends to have increased customer satisfaction. Service quality was affected by the three work environment related factors considered in this study (physical environment, Training, and Reward) at kaliti dry port. This implies that increasing suitability of physical environment; improving training strategy and Rewarding recognized employees will improve the quality of service delivered at the port. The quality of service delivered will determine the level of customers' satisfaction. This implies that the level of satisfaction of customers delivered with good service quality is better than the satisfaction of those delivered with poor service quality. Finally, Service quality partially mediated the relationship between the Physical environment and customer satisfaction whereas; it fully mediated the Training and Reward with customer satisfaction.

5.3 Recommendation

Based on the findings and the conclusions made thereof, the following recommendations are provided:

- As suitable physical work environment allow worker to perform better, improve productivity, and maximize quality in their service delivery, which also tested and proved to play an important role in bringing customer satisfaction, kaliti dry port needs to improve its physical work environment like port infrastructure, office furniture.
- Since training provides employees with the skills, abilities and knowledge required to provide services with high quality which also tested to bring customer satisfaction, kaliti dry port needs to provide sufficient training for its employees based on their skill gaps on- the job as well as off- the job and should evaluate its effectiveness after training is conducted.

- As appropriate reward will lead employees to be encouraged and motivated at work which also helps to increase customer satisfaction, kality dry port needs to set in place better reward systems for employees who are eligible for recognition.
- The finding encourages kality dry port to focus on how to improve service quality as it is certain that high quality services brings high level of customers' satisfaction.
- Kality dry port should conduct customer satisfaction and service quality survey regularly to gauge the level and take timely measures.

5.4 Limitations and Future Research Directions

The study has certain limitations. In order to broaden the knowledge hub on the study under consideration, future interested researchers can consider the following points:

- This study is limited to the employees and customers of only one dry port and hence can be extended to the employees and customers of all dry ports in Ethiopia so as to increase the sample size to further increase representativeness of the study.
- The relationship between employee working environment and customer satisfaction can be checked by including others work environment related factors, like democratic leadership style, work life balance, work load, and discrimination as the study limited to Physical environment, Training and Reward.
- To improve the result of the study, future researchers can study it by break downning the mediating variable used in this study.
- The quality of the finding can be improved by using additional data collection instruments; like interview, focus group discussion and others as the study limited to questionnaire distribution.
- Further generalization on the findings can be strengthened by conducting the study in multiple service delivering business organizations in Ethiopia.

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Appendix 1: Questionnaire to be filled by employees Addis Ababa University

College of Business and Economics MBA Program

Dear respondents: This questionnaire is prepared for a research study purpose entitled ‘The mediating role of service quality in the relationship between employee working environment and customer satisfaction’. The expected respondents for this questionnaire will be Employees of kality dry port and terminal branch office. The researcher asks respondents to give sincere and accurate data to make proper analysis. The researcher would like to note that data will be kept confidential and will only be used for study purpose. I would like to thank you in advance for your honest cooperation.

A. General demographic information of employee

Direction: Please put an ‘x’ mark in the box of your choice and make it to the nearest year bracket for months in your years of age and service in kality dry port.

1. Age : 18-25 yrs ☐ 26-35yrs ☐ 36-45 yrs ☐ above 45 ☐
yrs
2. Gender : Male ☐ Female ☐
3. Education: college diploma ☐ first degree ☐ second degree
and above ☐

B. Assessment of employee perception about their working environment.

Direction: This part of the questionnaire intends to find your perception towards your Working environment.

Please put ‘√’ mark for every statement based on your level of agreement.

1: Strongly Disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

	Description of Employee Working Environment	Strongly disagree	disagree	Neutral	agree	Strongly agree
		1	2	3	4	5
S.NO.	1. Physical Environment					
1	My furniture is comfortable enough to enable me perform my jobs without getting tired					

2	My workplace provides an undisturbed environment without any noise that gives me alone time to perform my duties.					
3	I am happy with my office space and arrangement.					
4	The equipment I use suits my posture and I can easily adjust.					
5	A better work environment (spacious office, enough lighting etc.) will make me perform better at my job.					
	2. Training					
1	Workers who need training are identified based on their skill gap.					
2	Our organization provides regular training to develop skills that will help us to work properly.					
3	My organization provide training for employees by using on-the job training method.					
4	My organization provides training for employees by using off-the job training method.					
5	My organization conducts training evaluation after training is conducted.					

	3. Reward					
1	The basics of payment, for example, over time payment are reasonable.					
2	I earn the same as or more than other people on a similar job.					
3	My salary is satisfactory in relation to what I do.					
4	The benefit system of the organization treats each employee reasonably.					
5	My medical scheme is satisfactory.					
6	The opportunity for promotion exists in this organization.					
7	I am praised regularly for my good work.					
8	Financial support for learning programs motivates me to perform better at work.					
9	My organization provides incentives that generally support my work.					

THANK YOU AGAIN!!!

Appendix 2: Questionnaire to be filled by customers.
Addis Ababa University

College of Business and Economics
MBA Program

Dear respondents: This questionnaire is prepared for a research study purpose entitled ‘The mediating role of service quality in the relationship between employee working environment and customer satisfaction’. The expected respondents for this questionnaire will be customers of kality dry port and terminal branch office. The researcher asks respondents to give sincere and accurate data to make proper analysis. The researcher would like to note that data will be kept confidential and will only be used for study purpose. I would like to thank you in advance for your honest cooperation.

A. General demographic information of customers

Direction: Please put an ‘x’ mark in the box of your choice and make it to the nearest year bracket for months in your years of age.

1. Age : 18-25 yrs ☐ 26-35yrs ☐ 36-45 yrs ☐ above 45 yrs ☐
2. Gender : Male ☐ Female ☐
3. Education: college diploma ☐ first degree ☐ second degree
and above ☐

**B. Assessment of customer perception about the quality of services
delivered by kality dryort and terminal branch office.**

Direction: This part of the questionnaire intends to find your perception towards the
Service quality of kality dry port and terminal office.

Please put ‘v’ mark for every statement based on your level of agreement.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly Agree.

S.O	Statement of service quality	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Kality dry port has up- to-date equipment and technology.					
2	Kality dry port physical facilities are					

	Visually appealing.					
3	Kality dry port employees are well dressed and appear neat.					
4	The physical facilities and technology of Kality dry port goes with the type of service Provided.					
5	Kality dry port's employees provide service at the Time they promise to do so.					
6	Kality dry port's employees show sincere interest in solving a problem you Face.					
7	Kality dry port's employees perform service right the first time (error free service)					
8	Kality dry port keeps your records Accurately					
9	There are always adequate number of Employees to respond to your needs at the Kality dry port.					
10	Kality dry port employees tells you exactly when the service will be performed					
11	you receive prompt service from kality dry port Employees.					
12	Kality dry port's employees are always Helpful.					
13	Kality dry port 's					

	employees are never busy to respond to your enquires.					
14	Kality dry port's employees give you individual attention					
15	Kality dry port's service hours are Convenient to you.					
16	Kality dry port location is accessible for you					
17	Kality dry port 's forms are easily Understandable.					
18	Kality dry port's employees understand your specific needs.					
19	The behavior of kality dry port 's employees Instills confidence in					
20	you feel safe in transaction with kality dry port					
21	Kality dry port's employees are Consistently polite.					
22	Kality dry port 's employees provide you The adequate information on the service you requested.					

C. Assessment of customer satisfaction with services delivered by kality dry port and terminal branch office.

**Direction: This part of the questionnaire intends to find your overall satisfaction
With services delivered by kality dryport and terminal branch office.**

Please put '✓' mark for every statement based on your level of satisfaction.

1=Very dissatisfied, 2= dissatisfied, 3= Neutral, 4= Satisfied and 5= Very satisfied

S.no	Description of customer Satisfaction	Very dissatisfied	dissatisfied	Neutral	satisfied	Very satisfied
		1	2	3	4	5
1	How much do you rate the custom clearance process in kality dry port?					
2	How much do you satisfied with dry port staff performance?					
3	How do you rate the kality dry port infrastructure, telecom and system network?					
4	How much are you satisfied with the dry port operational activities?					
5	How much satisfied are you with the facility of dry port equipment. For example, port cranes?					
6	How much are you satisfied with the dry port's loading and unloading service?					

THANK YOU AGAIN!!!

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