

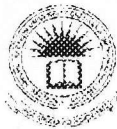
**THE EFFECT OF CUSTOMER PARTICIPATION IN  
HOSPITALITY SERVICES AND EMPLOYEE INNOVATIVE  
BEHAVIOR**

**THE MEDIATING ROLE OF INTERPERSONAL TRUST**

**NERANJANI VEERAPPAN**

**REG.NO: EU/IS/2014/MS 77**

**INDEX NO: MS 1727**



A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka, as a partial fulfillment of the requirement for the Degree of Bachelor of Business Administration (specialization)

**DEPARTMENT OF MANAGEMENT  
FACULTY OF COMMERCE AND MANAGEMENT  
EASTERN UNIVERSITY, SRI LANKA**

**2019**

## ABSTRACT

Every organization including service sectors highly depend on innovativeness. In hospitality services innovative trends can be applicable through the employees who are really connect with customers. But there is a gap when analyzing the existing literature in the Sri Lankan context for evaluates the employee innovative behavior in the hospitality industry. Because of that, the aim of the study is to find out the “effect of customer participation in hospitality services on employee innovative behavior and does interpersonal trust mediate the relationship between customer participation and employee innovative behavior in selected hotels in Nuwara Eliya division”. Here interpersonal trust serves as mediation mechanisms that explain the relationship between customer participation and employee innovative behavior.

Based on the existing literature, conceptual model is created with the dependent variable of employee innovative behavior, independent variable of customer participation and the mediating variable of interpersonal trust. The study is mainly considering primary data collections which were collected through closed structured questionnaire from 198 employees were census survey and 193 customers were convenience sampling in selected hotels in Nuwara Eliya division. Such hotels include three star hotels, four star hotels and five star hotels. To analyze data and identify the outcomes of research objectives, univariate, bivariate and multivariate analytical methods were used.

According to the descriptive analysis results mean score of the study variables indicates high level customer participation, interpersonal trust and employee innovative behavior in selected hotels in Nuwara Eliya division from the both responses of customers and employees. Further customer participation has a strong positive relationship with the both employee innovative behavior and interpersonal trust and also interpersonal trust has strong positive relationship with employee innovative behavior. The mediation effects observed suggests that interpersonal trust is playing partial mediating role in the relationship between customer participation and employee innovative behavior in selected hotels.

Key words: Customer Participation, Employee innovative behavior, Interpersonal trust

## TABLE CONTENTS

ACKNOWLEDGEMENT .....	i
ABSTRACT .....	ii
LIST OF TABLE .....	viii
LIST OF FIGURES .....	x
LIST OF ABBREVIATION.....	xi
Chapter-1.....	1
INTRODUCTION.....	1
1.1 Background of the Study .....	1
1.2 Research Problem / Research Gap .....	5
1.3 Research Questions .....	6
1.4 Research Objectives .....	6
1.5 Significance of the Study .....	7
1.6 Scope of the Study .....	7
1.7 Organizations of Chapters .....	8
1.8 Chapter Summary.....	8
Chapter-2.....	9
LITERATURE REVIEW .....	9
2.1 Introduction.....	9
2.2 Importance of Front-line Employees (FLEs) in Service Sector .....	9
2.3 Employee Innovative Behavior.....	10
2.4 Customer Participation .....	13
2.5 Interpersonal Trust .....	14
2.5.1 Cognitive Trust.....	15
2.5.2 Affective Trust.....	15
2.6 Customer Participation and Employee Innovative Behavior.....	15
2.7 Customer Participation and Interpersonal Trust .....	16
2.8 Interpersonal Trust and Employee Innovative Behavior .....	16
2.9 Customer Participation and EIB Mediated by Interpersonal Trust .....	17
2.10 Chapter Summary.....	17
Chapter-3.....	18
CONCEPTUALIZATION AND OPERATIONALIZATION .....	18
3.1 Introduction.....	18

3.2 Conceptualization.....	18
3.2.1 Conceptual Framework .....	18
3.2.2 Social Exchange Theory .....	19
3.2.3 Customer Participation.....	21
3.2.3.1 Emotional Participation .....	22
3.2.3.2 Behavioral Participation .....	22
3.2.3.3 Information Participation .....	22
3.2.4 Employee Innovative Behavior .....	22
3.2.5 Interpersonal Trust.....	23
3.2.5.1 Affective Trust .....	23
3.2.5.2 Cognitive Trust.....	23
3.3 Operationalization .....	23
3.5 Chapter Summary.....	25
Chapter-4.....	26
RESEARCH METHODOLOGY.....	26
4.1 Introduction with Research Objectives .....	26
4.2 Research Philosophy .....	26
4.3 Research Approach .....	27
4.4 Research Strategy.....	28
4.5 Methodological Choice .....	28
4.6 Time Horizon.....	28
4.7 Research Site or Area .....	29
4.8 Population of the Study .....	29
4.9 Sampling Technique.....	30
4.9.1 Sampling Framework.....	30
4.10 Census Technique .....	30
4.11 Method of Data Collection and Source .....	31
4.12 Research Instrument .....	32
4.13 Source of Measurement .....	33
4.14 The Pilot Study.....	33
4.15 Validity and Reliability of Instruments .....	34
4.16 Unit of Analysis .....	35
4.17 Method of Data Analysis .....	35
4.17.1 Method of Analysis for First Objective .....	35

4.17.2 Method of Analysis for Second Objective .....	35
4.17.3 Method of Analysis for Third Objective .....	35
4.17.4 Method of Analysis for Fourth Objective .....	36
4.18 Method of Data Evaluation.....	37
4.18.1 Univariate Analysis.....	37
4.18.2 Correlation Analysis .....	38
4.18.3 Regression Analysis.....	38
4.18.4 Mediation Analysis .....	39
4.19 Data Presentation .....	40
4.19.1 Data Presentation for Personal Information .....	40
4.19.2 Data Presentation for Research Variables .....	41
4.20 Ethical Consideration .....	41
4.21 Chapter Summary.....	42
Chapter-5.....	43
DATA PRESENTATION AND ANALYSIS .....	43
5.1 Introduction.....	43
5.2 Analysis of Reliability for the Instrument .....	43
5.3 Personal Information of Respondents .....	45
5.3.1 Analysis of Personal Information of Customers .....	45
5.3.1.1 Distribution of Hotel.....	45
5.3.1.2 Distribution of Gender.....	45
5.3.1.3 Distribution of Age.....	46
5.3.1.4 Distribution of the Number of the Visit Times .....	46
5.3.1.5 Distribution of the Educational Level .....	47
5.3.1.6 Distribution of the Income Level .....	47
5.3.1.7 Distribution of Work Place or Sector .....	48
5.3.2 Analysis of Personal Information of Employees.....	48
5.3.2.1 Distribution of Hotel.....	48
5.3.2.2 Distribution of Job Position .....	48
5.3.2.3 Distribution of Gender.....	49
5.3.2.4 Distribution of Age.....	49
5.3.2.5 Distribution of the Educational Qualification.....	50
5.3.2.6 Distribution of the Income Level .....	50
5.3.2.7 Distribution of the Working Experience .....	51
5.4 Research Information of Respondents .....	51

5.4.1 The First Objective of the Study .....	51
5.4.1.1 Customer Participation .....	53
5.4.1.2 Employee Innovative Behavior .....	56
5.4.1.3 Interpersonal Trust .....	58
5.4.2 The Second Objective of the Study .....	60
5.4.3 The Third Objective of the Study .....	63
5.4.4 The Fourth Objective of the Study .....	65
5.4.4.1 Sobel Test-Calculating the indirect effect .....	73
5.5 Chapter Summary .....	75
Chapter-6 .....	76
DISCUSSION AND FINDINGS .....	76
6.1 Introduction .....	76
6.2 Discussion of Personal Information .....	76
6.2.1 Discussion of Personal Information of Customers .....	76
6.2.1.1 Type of the Hotel .....	76
6.2.1.2 Gender .....	77
6.2.1.3 Age .....	77
6.2.1.4 Number of the Visit Times .....	77
6.2.1.5 Educational Level .....	77
6.2.1.6 Income Level .....	77
6.2.1.7 Work Place or Sector .....	78
6.2.2 Discussion of Personal Information of Employees .....	78
6.2.2.1 Type of the Hotel .....	78
6.2.2.2 Job Position .....	78
6.2.2.3 Gender .....	78
6.2.2.4 Age .....	79
6.2.2.5 Educational Qualification .....	79
6.2.2.6 Income Level .....	79
6.2.2.7 Working Experience .....	79
6.3 Discussion of Research Information .....	79
6.3.1 Discussion of First Objective .....	80
6.3.1.1 Level of Customer Participation .....	80
6.3.1.2 Level of Employee Innovative Behavior .....	81
6.3.1.3 Interpersonal Trust .....	81
6.3.2 Discussion of Second Objective .....	82

6.3.2.1 Relationship between Emotional Participation and Affective Trust ....	82
6.3.2.2 Relationship between Behavioral Participation and Affective Trust ...	83
6.3.2.3 Relationship between Information Participation and Affective Trust..	83
6.3.2.4 Relationship between Emotional Participation and Cognitive Trust ...	84
6.3.2.5 Relationship between Behavioral Participation and Cognitive Trust ..	84
6.3.2.6 Relationship between Information Participation and Cognitive Trust .	84
6.3.2.7 Relationship between Affective Trust and EIB .....	85
6.3.2.8 Relationship between Cognitive Trust and EIB.....	85
6.3.3 Discussion of Third Objective .....	86
6.3.4 Discussion of Fourth Objective .....	86
6.4 Chapter Summary.....	87
Chapter-7.....	89
CONCLUSION AND RECOMMENDATION .....	89
7.1 Introduction.....	89
7.2 Conclusion of the Research Objectives .....	89
7.2.1 Conclusion of the Objective One.....	90
7.2.2 Conclusion of the Objective Two .....	90
7.2.3 Conclusion of the Objective Three .....	91
7.2.4 Conclusion of the Objective Four.....	91
7.3 Contribution of the Study .....	91
7.4 Recommendation and Implication of the study .....	92
7.5 Limitation of the Study.....	93
7.6 Direction for Future Research.....	93
LIST OF REFEEENCES .....	95
APPENDIX.....	109
Appendix - A: Questionnaire for Employees .....	109
Appendix - B: Questionnaire for Customers .....	122
Appendix-C: The Outputs of the Data Analysis .....	134