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Driving Strategic Flexibility: Unleashing the Power of Employee Engagement and Customer Experience for Business Recovery

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ABSTRACT

In times of business adversity, the significance of Employee Engagement (EE) and Customer Experience Management (CEM) is often overlooked by companies. This study aims to investigate the roles of these factors in facilitating the Business Recovery (BR) of Small and Medium Enterprises (SMEs) in the post-COVID-19 era, with a particular focus on the food service sector. Data for this investigation was gathered through surveys and subsequently subjected to analysis using Maximum Likelihood - Structural Equation Model (SEM) estimation. The results indicate that Strategic Flexibility (SF) mediates the relationship between CEM and BR, while the mediation of EE to BR by SF was not confirmed. The study underscores the crucial role of CEM as a fundamental capability that supports SF, thereby expediting BR. Additionally, this research confirms the interplay between the Conservation of Resource Theory and the Broaden-and-Build (B&B) theory in the formation of a company's Dynamic Capabilities, which ultimately determine its performance. Limitations of this study include a restricted observation period at a single point in time, a lack of sample diversity, and the possibility of subjective responses from respondents during the questionnaire completion process.

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1. Background

The COVID-19 pandemic has wrought catastrophic impacts on industries globally, leading to shortages in supply and demand, which subsequently affect operations (Fabeil et al., 2020). Studies show that ninety percent of traditional retailers faced fluctuations in demand, while the remaining businesses reported no profits (Sopha et al., 2022).

The existence of food services retailers has played a pivotal role in supporting the economy of Greater Jakarta as the primary business city of Indonesia (Christian et al., 2021; Wiantara, 2022). Based on the report by Mordor Intelligence (2023), the Indonesian food service market is currently valued at 48.73 billion USD and has been predicted to escalate to 103.76 billion USD by 2029. This growth trajectory is expected to maintain its momentum, with a compound annual growth rate (CAGR) of 13.42% forecasted for the period spanning 2023 to 2029. However, the COVID-19 pandemic significantly decreased business revenue to 85% because of the restrictions on activities by the local government and because customers felt it was safer to use take-out services or cook at home than to eat at restaurants (Suh et al., 2022), thus the intention as well as actual degree to visit restaurants decreased significantly (Kim & Lee, 2020).

Efficiency is the most common path taken by companies, especially micro, small, and medium-scale companies, to survive crises (Sopha et al., 2022). However, in response to the increasing variability or even chaos in the environment, recent studies indicate the need to adopt "flexible" or "variable" strategies to attain a competitive advantage in the current business situation (Arsawan et al., 2022). Strategic management theory emphasizes the importance of strategic flexibility (Herhausen et al., 2021).

Since strategic flexibility and resilience are often used interchangeably in strategic management literature (Morais-Storz et al., 2018), both have different emphases. While strategic flexibility involves a proactive approach to changing circumstances (Herhausen et al., 2021), resilience focuses on withstanding shocks and disruptions (Morais-Storz et al., 2018). Previous studies show that strategic flexibility has a greater chance to enhance financial performance regardless of environmental dynamism or firm size (Ouakouak & Ammar, 2015), so it is imperative to prioritize strategic flexibility as it is likely to expedite the enterprise's business recovery, particularly for small and medium-sized enterprises (Arsawan et al., 2022).

Stakeholder theory posits that the prosperity and overall health of a business or organization hinge on its adept management and fulfillment of the diverse interests of its stakeholders (Donaldson & Preston, 1995). The inclusion of stakeholders with varied interests and motivations significantly impacts the trajectory of collaborative innovation (Ozdemir et al., 2023). Customers and employees are vital stakeholders in a firm. Customers provide revenue and drive demand (Brozovic, 2020), while employees contribute to the organization's operations and success (Brozovic, 2020). By considering the interests and needs of these stakeholders, firms can build strong relationships, enhance their reputation, and achieve sustainable competitive advantage (Ozdemir et al., 2023). Further research can explore specific strategies and practices that firms can adopt to effectively manage and engage these stakeholders.

Customer experience (CX) and the management of customer experience (CXM) are fundamental principles in marketing research and management strategy. However, very little research has explored its practices and links to company performance (Wetzels et al., 2023). Employee engagement is rightfully acknowledged as a crucial element in a company's achievements. While the ability to innovate, adjust, and progress may originate from higher management, it is the employees who execute the directives of their leaders, ultimately determining the outcome of the endeavor (Edmans, 2012). Despite the widespread use of stakeholder theory, there is limited research investigating their implementation and its connection to strategic flexibility and enterprise performance. Table 1 highlights that research linking EE, CM SF, and Performance is still very limited.

The central objective of this study is to validate the role of these two factors in fostering the success of strategic flexibility and business recovery within food service enterprise in Jakarta. The subsequent section delineates the theoretical framework and the formulation of research hypotheses.

Table 1. Previous studies investigated EE, CEM on Performance

Author, Year	Finding
(Gupta et al., 2019)	Positive employee engagement has been linked to a growth in terms of organizational performance, financial benefits, and reduced attrition.
(Rana, 2019)	High engagement of an employee with the organization leads to various organizational outcomes.
(Renuka & Krishna Mohan, 2018)	Employee engagement is essential in the success of business enterprises along with financial figures such as ROI and Net profit.
(Lobo & Ashwini, 2015)	Employee engagement goes hand in hand with higher job satisfaction, lower employee turnover, and better profitability.
(Hasan et al., 2021)	Employee engagement and strategic flexibility are related.
(Sivakumar & Vetrivel, 2016)	Customer experience allows a company to tap into a unique set of reducing unwanted cost and increasing revenue that can deliver more profitability in all aspects of strategic and tactical level.

2. Literature review and hypothesis development

The central premise of this research is the interplay between engaged employees, loyal customers with a strong emotional connection to a company's services, and their role in facilitating strategic flexibility, leading to the recovery of business performance. Two prominent psychological theories are employed to establish this framework: the Conservation of Resources (COR) theory and the Broaden-and-Build (B&B) theory. These theories provide a foundation for understanding the dynamics at play in this context.

Conservation of Resources (COR) Theory (Hobfoll & Ford, 2007) posits that human motivation is primarily driven by the desire to build, protect, and nurture their resource reservoirs. These resources are essential for safeguarding the self and the social connections that support one's well-being. COR theory offers a model for preventing resource depletion, maintaining existing resources, and acquiring the resources needed to engage in appropriate behaviors. In the context of this research, engaged employees and loyal customers can be seen as valuable resources for a company. Their emotional investment and commitment can be harnessed to protect and bolster the company's resource base, contributing to strategic flexibility.

Broaden-and-Build (B&B), rooted in positive psychology, suggests that positive emotions, such as happiness, interest, and anticipation, can broaden an individual's cognitive and behavioral scope. These emotions encourage exploratory thinking and actions, fostering creativity and adaptability. Over time, this expanded behavioral repertoire results in the accumulation of valuable skills and psychological resources.

In the context of this research, engaged employees and experienced customers who share a strong emotional connection with the company can be considered sources of positive emotions (Fredrickson, 2004). Their emotional attachment and positive experiences can broaden their perspectives and encourage them to explore innovative solutions and adapt to changing circumstances, thereby contributing to the development of dynamic capabilities within the organization.

Employee engagement (EE) is indeed a comprehensive concept that encompasses various facets of human resource management (Kompaso & Sridevi, 2010a). When any aspect of HR management is not adequately addressed, it can hinder employees from fully engaging in their work. Employee engagement is a concept that builds upon earlier concepts such as job satisfaction, employee commitment, and organizational citizenship behavior (Payne & Webber, 2006; Wibowo et al., n.d.). While employee engagement has a broader scope, the three concepts are interconnected and contribute to a positive work environment and employee behavior within an organization (Kompaso & Sridevi, 2010a)

Customer Experience Management (CEM) serves as a strategic approach aimed at orchestrating and enhancing the customer's overall journey, encompassing their interactions, transactions, and engagements across various touchpoints with a company, product, brand, or service (Keni & Wilson, 2021; Mashingaidze, 2014). This strategy fosters a mutually beneficial value exchange between businesses and their customers (Grewal et al., 2009). In industries, particularly the service sector, where frequent employee-customer interactions are the norm, employees play a pivotal role in crafting these experiences (Arrieta et al., 2022).

Strategic flexibility (SF), deeply grounded in dynamic capability theory, relates to an organization's ability to adjust, and restructure its internal capacities and resources in response to changing market

dynamics (Brinckmann et al., 2017; Han & Zhang, 2021; Herhausen et al., 2021). The success of these strategic endeavors is contingent upon various pivotal factors, such as the severity of the disruption, the availability of resources, the effectiveness of pre-established recovery strategies, and the level of support received from stakeholders, which may include employee creativity and customer cooperation (Fabeil et al., 2020).

Business recovery, as a concept, encompasses the process of revitalizing a business in the aftermath of various disruptions, whether they stem from natural disasters, economic downturns, or service failures (Fabeil et al., 2020; Ralinas et al., 2022). This multifaceted endeavor entails the strategic implementation of measures aimed at restoring operational functionality, rebuilding customer trust, and reestablishing the business's financial stability and reputation (Caballero-Morales, 2021).

Employee engagement, strategic flexibility, and business recovery

SMEs rely only on their internal strength, and this strength lies in their employees (Qalati et al., 2022) and employee positive emotions yield gradual accumulation of skills and personal resources over time (Khan & Abbas, 2022). Engaged employees are deeply committed and enthusiastic, significantly contributing to their organization's success (Kompaso & Sridevi, 2010a). Their engagement is linked to positive organizational performance, surpassing conventional metrics like job satisfaction (Tanwar, 2017). Positive emotions, such as hope and gratitude, during crises like the COVID-19 pandemic drive individuals to explore opportunities and acquire new skills (Arshad et al., 2023). These emotions, although intangible, can lead to the accumulation of adaptive skills over time, improving strategic flexibility. Engaged employees can effectively manage job demands in various circumstances, fostering organizational agility (Prentice et al., 2023). Studies by (Bedarkar & Pandita, 2014; Kompaso & Sridevi, 2010a; Kumar & Pansari, 2015; Tanwar, 2017) have found a positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty, and safety. Research also indicates that the more engaged employees are, the more likely their employer is to exceed the industry average in that revenue growth, which can faster business recovery. Employee engagement is found to be higher in double-digit growth companies.

H1: Employee engagement has an impact on strategic flexibility at the firm level.

H2: Employee engagement has an impact on business recovery at the firm level.

Customer experience management, strategic flexibility, and business recovery.

Reinstating customer experience can adapt micro, small, and medium-sized enterprises to external shocks and new externalities (Doan et al., 2023). It enables firms to remain relevant, competitive, and resilient, ensuring their survival and prosperity in the face of new challenges and opportunities. A study conducted by (Bonfanti et al., 2023) delves into the shifts in CEM strategies witnessed before and after the COVID-19 pandemic, specifically within the upscale restaurant sector. Before the pandemic, customers primarily sought "immersive" and "amazing" dining experiences. However, in the post-pandemic landscape, their preferences evolved towards a desire for "reassuring," "sociable," and "unparalleled" gastronomic experiences, accompanied by a growing interest in experiential home delivery services (Bonfanti et al., 2023). CEM also has a positive correlation to financial performance. This positive impact becomes even more pronounced as market turbulence, competitive intensity, and technological disruptions increase (Klink et al., 2021). This underscores the ability of CEM to facilitate swift business recovery during crises.

H3: Customer experience management has an impact on strategic flexibility at the firm level.

H4: Customer experience management has an impact on business recovery at the firm level.

Strategic flexibility and business recovery.

Businesses can use a variety of strategies to recover from the pandemic. (Ralinas et al., 2022) Found that tourism businesses in Indonesia used strategies such as improving hygiene and health standards, intensifying promotion, and operational cost control to survive the pandemic. (Doan et al., 2023) found that Vietnamese homestay businesses adapted by modifying products and service offerings, reinstating the authenticity of the homestay experience, and adapting operational protocols.

(Caballero-Morales, 2021) Suggests that innovation is a key aspect of business recovery for SMEs in emerging economies during and after the pandemic. Finally, (Dias et al., 2022) emphasizes the importance of creating a favorable environment for small-scale business development, supporting the provision of resources and capabilities, and increasing communication capacity to access niche markets. All the previous papers mentioned suggest that businesses need to be flexible and innovative in their approach to recovery, adapting to new circumstances and finding ways to meet changing customer needs.

H5: Strategic flexibility has an impact on business recovery at the firm level.

Strategic flexibility as mediator

Numerous studies underscore the crucial role of resource and knowledge management in augmenting strategic flexibility and subsequently enhancing firm performance. The capacity to manage organizational resources and the processes related to knowledge positively contribute to the cultivation of strategic flexibility, consequently yielding a favorable impact on overall firm performance (Bamel & Bamel, 2018). The effects of a firm's capabilities on its innovativeness are mediated by resource flexibility (Gao et al., 2022). By increasing the flexibility of existing resources, firms can enhance their innovativeness and adaptability. Restaurants should be flexible and adaptable to changing customer preferences and demands. This may include offering takeout and delivery options, implementing contactless ordering and payment systems, and providing outdoor dining spaces (Suh et al., 2022). Considering that employee engagement is an asset for the company and that customer experience management capabilities are an agility for the company, both will impact performance when mediated by the company's ability to adjust its resources swiftly and without friction.

H6: Strategic flexibility mediates the effect of employee engagement on business recovery.

H7: Strategic flexibility mediates the effect of customer experience on business recovery.

Figure 1 displays the theoretical model that will be tested to examine the influence of Employee Engagement and Customer Experience Management as exogenous variables on Strategic Flexibility and Business Recovery as endogenous variables among SMEs post COVID-19 crisis.

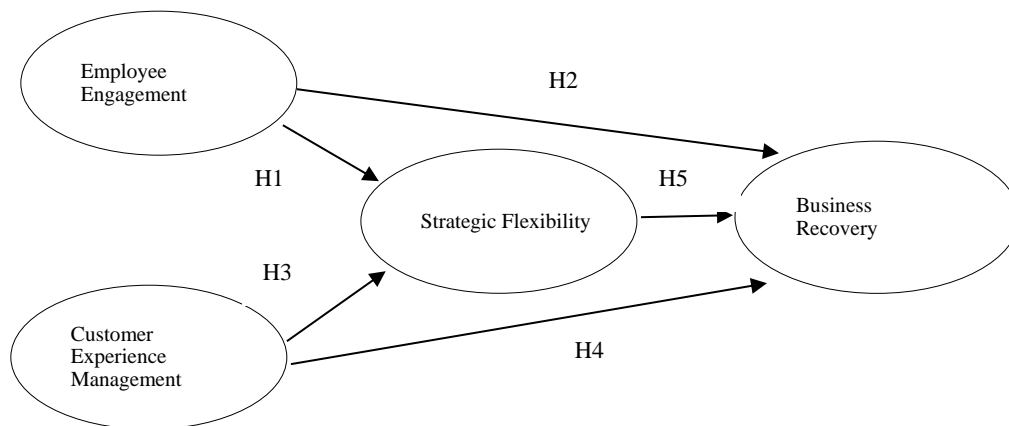


Fig. 1. Research Framework

3. Research Method

3.1 Design and Analysis

This research adopts a quantitative approach with a survey as its research design for systematic data collection. The collected data are analyzed using a Structural Equation Model (SEM) with Maximum Likelihood Estimation. The study utilized the SEM approach to verify the antecedents and consequences of strategic flexibility as a mediating factor in the theoretical model examined. For data processing, IBM-SPSS AMOS was chosen to align with the research objective of theory testing and confirmation, making CB-SEM the appropriate method (Dash & Paul, 2021). Additionally, SPSS version 26 is employed for descriptive statistical purposes and common method bias analysis.

3.2 Sampling and Data Collection

In this study, we opted for a convenience purposive sampling method due to the challenges encountered in identifying food service companies willing to participate as respondents. The criteria for participant selection were thoughtfully defined, encompassing businesses with a minimum of 5 years of operation falling within the small to medium-scale enterprise category as outlined by Law No. 20 of 2008 from the Ministry of Cooperatives and Small and Medium Enterprises (UMKM) in Indonesia. Specifically, local food services with employee counts ranging from 10 to 49 and sales turnovers between IDR 300 million to IDR 2.5 billion were categorized as small enterprises. Those with employee counts ranging from 50 to 99 and sales turnovers ranging from IDR 2.5 billion to 50 billion were classified as medium enterprises and were eligible for participation in this study.

Data collecting period ranging from January until June 2023. Initially, 617 introductory letters were sent to potential food services companies, clearly delineating the research's objectives, and extending an invitation to participate. Subsequently, follow-up communications were conducted through both phone calls and email correspondence. Out of the 617 letters that were sent, a total of 182 responses were received from willing participants. Nevertheless, it is noteworthy that 34 companies declined to participate, while the remaining invitations did not provide any response.

This comprehensive approach facilitated extensive participation in the study, primarily taking place from February to May 2023. Out of the 182 food service companies initially contacted 165 actively engaged in the survey (17 companies declined participation). Questionnaires were completed by key personnel, including those responsible for sales, personnel, and general management. During the study, the personnel manager focused on employee engagement, the sales manager delved into customer experience management and strategic flexibility, and the general manager or their representative addressed business recovery. To enhance convenience, participants were provided with the option to complete the questionnaire online, with the use of corporate email encouraged to ensure data authenticity. Additionally, the interviewee's identity was verified by requesting official identification details or employee credentials that could be cross-referenced with the organization's records.

An ANOVA test was employed to assess potential differences in mean responses across face-to-face, telephone, and email survey methods, revealing no significant differences in responses (prob > 0.05, refer to Table 2).

Table 2. Demographics of Samples

Name	Mean	Number	Percentage
Estimate the number of employees			
– 10 to 49	23	106	64
– 50 - 99	60	59	36
Estimate sales turnover			
– IDR 300 million to IDR 2.5 billion	1.387	60	36
– IDR 2.5 billion to IDR 50 billion	23.162	105	64
Food services SME type			
– Restaurant		85	51
– Catering Service		63	38
– Bakery & Pastries		17	11
Business ownership			
– Sole proprietorship		47	28
– Partnership/Franchise		59	36
– Corporation		59	36

Source: data field collection 2023

Table 1 presents the demographics of the sample. The samples that participate in this study are divided into three categories: restaurants, catering services, and bakeries and pastries. Most participants who took part in the survey are restaurants, classified as small-scale businesses, with an average annual revenue ranging from 2.5 to 50 billion Indonesian Rupiah.

The survey did not include micro-segment food service businesses because they are run by limited personnel (under ten personnel) and do not have an organized division of labor as in the small and medium segments.

3.3 Research Instruments

Employee engagement (EE) and customer experience management (CEM) constructs were adapted from (Rahman et al., 2022). Strategic flexibility (SF) was adapted from (Hoeft, 2022) encompassing product, process, and customer dimensions. Recovery performance (BR) was adapted from (Fabeil et al., 2020). The total items were 15-item scale (see Table 2) with a 7-point Likert scale from "strongly disagree" to "strongly agree." Control variables for firm size, company age, and ownership structure were included based on previous research findings (Amit & Schoemaker, 1993; Johnsen & McMahon, 2005).

Validity and Reliability

Construct validity and reliability were assessed using standardized loading factors (>0.7), Construct reliability (CR >0.7), and Average variance extracted (AVE >0.05). Table 2 presents factor loadings, CR, and AVE for each latent variable, confirming validity and reliability (See Table 3).

Table 3. Research instrument, descriptive statistics, validity, and reliability results

Code	Measurement statement	Mean	Std. Dev	ANOVA	Loading factor	CR	EVA
EE1	Our staff feels like their work is meaningful and makes a difference.	5,59	1,297	,368	.764	.87	.58
EE2	Our staff is excited about their work and looks forward to coming to work each day.	5,51	1,26	,655	.742		
EE3	Our staff feels like they are part of a team and that their contributions are valued.	5,61	1,19	,399	.774		
EE4	Our staff can learn and grow in their role.	5,46	1,29	,120	.776		
EE5	Our staff is satisfied with their compensation and benefits.	5,76	1,25	,939	.683		
CEM1	We try our best to understand and address our customers' needs.	5,70	1,20	,706	.769	.87	.58
CEM2	We try our best to treat our customers with respect and courtesy.	5,69	1,10	,710	.754		
CEM3	We try our best to give our customers value for their money.	5,67	1,15	,958	.769		
CEM4	We try our best to make our customers feel like they would recommend our company to others.	5,53	1,18	,686	.692		
CEM5	We try our best to make our customers feel satisfied with their overall experience.	5,45	1,22	,916	.778		
SF1	We can improve our product flexibility by using modular designs that allow us to easily change the features or components of their products.	5,22	1,14	,657	.751	.89	.63
SF2	We use agile manufacturing techniques that allow us to quickly produce small batches of products to meet changing demand.	5,49	1,15	,775	.750		
SF3	We use just-in-time (JIT) inventory systems that allow us to reduce the amount of inventory we hold	5,33	1,26	,190	.078		
SF4	We use customer relationship management (CRM) software that allows us to track customer interactions and preferences.	5,49	1,18	,111	,317		
SF5	We use social media to engage with customers and get feedback on their products and services.	5,62	1,16	,272	,859		
BR1	Our business revenue has started to recover compared to the crisis period caused by COVID (less than 3% decrease).	5,5	1,14	,306	.774	.89	.62
BR2	Our service offerings have fully resumed, operating at 100% capacity as before.	5,26	1,13	,259	.654		
BR3	We have made new investments to expand our business.	5,41	1,10	,694	.753		
BR4	We have hired our employees on a full-time basis.	5,42	1,14	,284	.727		
BR5	We have a positive cash flow	5,61	1,15	,555	.812		

Outlier Test

The structural equation model (SEM) concept is influenced by the presence of outliers and controlling variables (Abdul-Aziz et al., 2020). Mahalanobis analysis was performed to detect outliers in the sample. The test identified 7 observations with Mahalanobis d-squared values > 42.3124 (Chiinv,

0.001, 18) indicating outlier observation. After removing these outliers, the final sample size is 158, which is sufficient for conducting SEM analysis.

Table 4. Final outlier evaluation

Observation number	Mahalanobis d-squared	p1	p2
157	41.942	.009	.769
153	41.740	.010	.456
16	41.701	.010	.204
24	41.106	.012	.111

3.4 Common Method Bias and Confirmatory Factor Analysis.

Surveys with responses based on respondents' personal views have the opportunity for common method bias. Preventive measures taken according to (Malhotra et al., 2006) by pausing between taking responses to measurement instruments for independent variables and dependent variables. However, due to time constraints and the willingness of respondents, this technique is difficult to do, so data collection for dependent and independent is carried out at the same time. The application of the Harman Single Factor Test to assess Common Method Bias yielded a score of 49.708 in this study. While this score does not exceed the conventional threshold of 50%, it nonetheless suggests the possibility of common method bias in the data (Malhotra et al., 2006).

4. Result and Discussion

4.1 Confirmatory factor analysis

Index	Result	Ideal threshold	Evaluation
Chi-square (χ^2)	266,071		
Probability	0,003	>0,05	Bad fit
CMIN/DF	1,285	<3	Good Fit
RMSEA	0,043	<0,08	Good Fit
CFI	0,969	>0,95	Good Fit
TLI	0,964	>0,90	Good Fit
NFI	0,878	>0,90	Moderate Fit

The Confirmatory Factor Analysis (CFA) results in the provided table need to be evaluated using various fit indices to determine the robustness of the measurement model. The chi-square statistic is significant at 266,071, but caution is needed in interpreting this result due to its sensitivity to sample size. However, the associated p-value of 0.003 indicates a substantial lack of fit, categorizing the model as unsatisfactory or a "Bad Fit" according to established standards.

On the other hand, the CMIN/DF value of 1.285 suggests a "Good Fit" based on the predefined benchmark of less than 3. Similarly, the Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), and Tucker-Lewis Index (TLI) all indicate a "Good Fit" within the specified thresholds. However, the Normed Fit Index (NFI) reports a score of 0.878, indicating a "Moderate Fit" that falls slightly short of the desired threshold.

The discrepancy between the chi-square test and the other fit indices requires a comprehensive evaluation strategy. This may involve refining the model and exploring the underlying dataset further to reconcile these divergent findings and improve the overall.

4.2 Hypotheses Evaluation

With the aid of AMOS computer software, path analysis was conducted to determine the influence of EE and CEM on SF and the influence of SF on BR on food services enterprise. The research hypotheses were tested using Maximum Likelihood Estimation (see Table 5). Furthermore, bootstrapping was performed to determine the mediating effect of SF on the relationship between EE and CEM and BR.

Table 5. Model SEM Result

Path	Estimate	S. E	C.R	P	Result
EE → SF	,488	,118	4,130	,007	H1 Supported
EE → BR	,033	,126	,260	,795	H2 Not Supported
CEM → SF	,388	,122	2,682	,007	H3 Supported
CEM → BR	,219	,119	1,842	,066	H4 Not Supported
SF → BR	,726	,161	4,497	***	H5 Supported
Control Variables					
BR → SIZE	,052	,083	0,624	,532	-
BR → AGE	,007	,008	,871	,384	-
BR → PRO	,075	,050	1,503	,133	-

The results obtained from the covariance-based Structural Equation Model (SEM) using Maximum Likelihood indicate the following outcomes regarding the hypotheses tested:

The first hypothesis (H1) proposed that there is a relationship between Service Performance (SF) and Employee Engagement (EE). This relationship has an estimated value of 0.488 and a standard error (S.E.) of 0.118. Confirming a positive and statistically significant relationship between EE and SF, the critical ratio (C.R) of 4.130 and the p-value of 0.007 indicate favorable support for hypothesis 1.

The alternative scenario is presented by Hypothesis 2 (H2), which proposes a connection between EE and Business Results (BR). In this case, the estimate is 0.033, and the associated C.R. of 0.260 and p-value of 0.795 indicate that H2 cannot be supported. There is insufficient evidence to suggest that EE and BR are significantly related.

The estimate for Hypothesis 3 (H3), which investigated the connection between Service Performance (SF) and Customer Experience Management (CEM), is 0.122, while the standard deviation is 0.388%. With a p-value of 0.007 and a coefficient of determination of 2.682, H3 is strongly supported, indicating a substantial positive relationship between CEM and SF.

The fourth hypothesis (H4) examined the connection between CEM and Business Results (BR). The estimate in this instance is 0.219, and the standard deviation is 0.119. The p-value of 0.066 and the coefficient of determination of 1.842 indicate that H4 cannot be supported due to the limited evidence supporting a significant relationship between CEM and BR.

Hypothesis 5 (H5) concluded by proposing a connection between Service Performance (SF) and Business Results (BR). S.E. is 0.161, and the estimate is 0.726. H5 is strongly supported by a substantial C.R. of 4.497 and an unspecified p-value (represented by "***"), indicating a highly significant positive relationship between SF and BR.

4.3 Test the mediation model.

The subsequent analysis examines SF as a mediator, facilitating the indirect influence from exogenous variables (EM and CEM) to BR. Mediation tests use Bootstrapping (MacKinnon et al., 2004), a non-parametric resampling approach, to estimate the indirect effect. Bootstrapping is preferred over the Sobel test as it does not rely on normality assumptions and generates the distribution empirically (Bhardwaj et al., 2019). Confidence intervals are generated using 2000 resamples.

Table 6. Bootstrapping mediation test

Mediation	Estimate	Lower	Upper	P	Result
EM-SF-BR	,238	,029	,598	,067	H6: Not supported
CEM-SF-BR	,354	,140	,851	***	H7: Supported

When examining the mediating hypotheses, this study investigates the indirect impacts of Employee Engagement (EE) and Customer Experience Management (CEM) on Business Recovery (BR) through the mediating role of Strategic Flexibility (SF).

Initially, the analysis concentrates on the hypothesis suggesting that Strategic Flexibility (SF) mediates the association between Employee Engagement (EE) and Business Recovery (BR). The evaluated parameter for this mediating effect is 0.238, with a 95% confidence interval ranging from 0.029 to 0.598. The mediating effect's p-value is 0.067, indicating a slightly significant indirect impact of EE on BR via SF. Even though the lower limit of the confidence interval is higher than zero and suggests some level of mediation, the outcome does not demonstrate statistical significance at the

usual 0.05 alpha level. Thus, the sixth hypothesis that SF serves as a mediator of the relationship between EE and BR is not supported by data.

Next, the analysis examines the idea that SF plays a mediating role in the correlation between Customer Experience Management (CEM) and Business Recovery (BR). The estimated parameter for this mediation effect is 0.354, within a 95% confidence interval that spans from 0.140 to 0.851. The associated p-value is 0.007, indicating a statistically noteworthy indirect impact of CEM on BR through SF. The confidence interval excludes zero, bolstering the significance of this mediation effect. Thus, compelling evidence indicates that Strategic Flexibility (SF) indeed mediates the relationship between Customer Experience Management (CEM) and Business Recovery (BR). H7 is supported.

4.4 Discussion

The analysis supports the first hypotheses that EE has a positive influence on SF. This finding is supported by research (Bedarkar & Pandita, 2014; Kurniawati & Raharja, 2023; Tanwar, 2017), who also emphasized the significance of employee engagement, especially during turbulent times. Employee engagement is marked by a deep emotional connection and enthusiastic involvement in one's job, as discussed by (Kompaso & Sridevi, 2010b). This emotional attachment and dedication foster trust among employees, instilling a sense of loyalty to the organization. Consequently, employees are more likely to support strategic changes without resistance or protests, significantly reducing transaction costs, bargaining costs, and enforcement efforts, as noted by (Duran & Castillo, 2023). To attain strategic flexibility, a company requires adaptable, multi-skilled resources capable of navigating constraints and challenging environmental circumstances, particularly during crises. Employee engagement facilitates this process.

Next, statistical analysis does not support the second hypothesis that employee engagement has a positive impact on business recovery. Thus, the finding is not supported by the existing research conducted by Bedarkar & Pandita (2014), Kompaso & Sridevi (2010a), Kumar & Pansari (2015), Tanwar (2017), which establishes a positive relationship between employee engagement and various aspects of organizational performance. The COVID-19 pandemic has had a significant impact on organizations and their employees (Surachartkumtonkun et al., 2023). However, positive emotions such as hope and gratitude only serve as catalysts to explore opportunities and expand one's personal skills and resources (Arshad et al., 2023) and based on our result it cannot affect organizational performance directly. Thus, reinforcing the importance of employee engagement only fosters strategic flexibility.

The third hypothesis test shows that CEM has a significant positive effect on strategic flexibility at the firm level. This finding is supported by research results from (Bonfanti et al., 2023; Doan et al., 2023). The company's efforts in implementing CEM play a pivotal role in preserving the emotions and sentiments of customers. This, in turn, ensures their continued engagement with the products and services offered by the company. Drawing from the COR (Conservation of Resources) theory, which posits that humans tend to safeguard their resources when potential threats to those resources arise (Hobfoll & Ford, 2007), the safest course of action in uncertain circumstances is to transact with entities where they have had positive experiences. When a company has earned this trust, it gains greater flexibility in implementing strategic changes, both in terms of products and services (Andajani, 2015; Mashingaidze, 2014). Compelling value propositions from customer experience while concurrently developing flexibility in the organization to create business model innovation could boost transformational performance. Thus, to survive in today's economic climate and competitive retail business requires more than just low prices and innovative products (Andajani, 2015).

The fourth hypothesis is not supported by a statistical outcome. There is no impact of customer experience management on business recovery at the firm's level. This finding is not aligned with (Klink et al., 2021; Wetzels et al., 2023) which support the relationship. Firms are increasingly investing substantial resources in dynamic customer relationship management systems to better engage with customers to sense and respond quickly to their demands. Management of food services can reinstate and even improve the customer experience by embracing digitalization, prioritizing customer needs, and implementing flexible strategies. This not only helps them adapt to external shocks and new externalities but also positions them for long-term success in an ever-changing business environment.

The fifth hypothesis, which examines the positive impact of SF on BR is supported by statistical testing results. This finding is reinforced by numerous earlier studies, including those by Arsawan et al. (2022), Brinckmann et al. (2017), Johnson et al. (2003), Nadkarni & Narayanan (2007), and Ouakouak & Ammar (2015). The research's findings once again underscore the relevance of dynamic capability theory (Bamel & Bamel, 2018) which shows company's ability to adapt in various situations and under any conditions by demonstrating strategic flexibility. Strategic flexibility in the SMEs retail sector involves adapting to changing market conditions, diversifying products, and services (Han & Zhang, 2021), managing costs (Brinckmann et al., 2017), embracing technology (Han & Zhang, 2021), and being responsive to customer feedback (Johnson et al., 2003). By demonstrating these aspects of strategic flexibility, SMEs can enhance their competitiveness and long-term sustainability in a dynamic retail environment.

The sixth hypothesis, which explores the mediating role of SF between EE and BR, did not receive empirical support. Since employee engagement operates at the individual level while business performance is evaluated at the corporate level, management must employ a strategic approach that acts as a bridge linking individual performance to the overall performance of the firm (Dotson & Allenby, 2010).

Finally, it is imperative to underscore that our statistical analysis substantiates the validity of the seventh hypothesis. This hypothesis purports the existence of a mediating function performed SF amidst the realms of CEM and the BR within the food service industry during the COVID-19 epoch. This discovery aligns harmoniously with prior research endeavors by Hensellek et al. (2023; Miroshnychenko et al. (2021; Zhang et al. (2023) all of which have delved into the pivotal role played by strategic flexibility as an intermediary conduit between a company's competencies and its overall performance.

The study's findings provide a contribution to the development of dynamic capability theory by exploring the emotional aspects of key company stakeholders that influence the organization's ability to quickly implement strategic changes. Recognizing the importance of customers as determinants of strategic flexibility performance, company management needs to actively work to meet their needs and expectations about strategic approaches that can drive long-term success and resilience that enable organizations to adapt to diverse stakeholder interests and motivations, positively affecting company recovery performance (Herhausen et al., 2021).

This research contributes valuable insights into the relationships between SF, BR, and the influences of EM and CEM. It highlights the need for further exploration of factors affecting BR and potential mediating factors between EM, CEM, and BR. Control variables (AGE, SIZE, PRO) showed no significant influence on BR, this indicates that the company's ability to recover is not limited by company size, company ownership, and company age. The top management should prioritize SF strategies for improved BR.

The study on business recovery has limitations, including a singular data point, subjective responses, and a lack of diversity in the sample population. These factors may introduce bias into the findings and limit the comprehensive understanding of the recovery process. To improve, a longitudinal study design with multiple data collection points over an extended period can provide a more dynamic understanding. Expanding the recruitment process with multiple institutions, industry associations, or online platforms can also help access a more diverse pool of participants. These strategies can lead to a more robust and inclusive analysis of business recovery and its implications. Conducting further studies and in-depth analysis could yield more profound insights into these intricate interactions.

The managerial implication of this finding is organizations should focus on engaging their employees to contribute positively to problem-solving, adaptability, innovation, efficient resource allocation, communication, team collaboration, and resilience in uncertain times. Prioritizing employee engagement can significantly boost an organization's strategic flexibility, enabling it to thrive in dynamic business environments.

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