

## THE IMPACT OF HOTEL EMPLOYEE SATISFACTION ON HOSPITABILITY PERFORMANCE

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### **Abstract**

**Purpose** – The hospitality industry is characterized by the complexity of managing guest experiences, which forces human resources managers to find new ways of managing relationships with employees and guests. Good relations in an organization (often displayed by organizational culture) are the main incentive for stimulating positive behavior among employees. The purpose of this paper is to examine factors related to employee satisfaction and hospitality in order to understand positive behavior in organizations.

**Design** – Regarding the theory assumptions, the research tests premises about causal relationship between exogenous (3 types of satisfaction inside the organization) and endogenous variables (employee hospitality).

**Methodology** – For the purposes of this paper, quantitative research methods were applied to a sample of 266 questionnaires filled out by the participants of a training program organized by the Association of Employers in Croatian Hospitality (AECH). Firstly, Exploratory Factor Analysis extracts four factors which represent four main latent variables. Results from the EFA are also tested using Confirmatory Factory Analysis. CFA specifies how well measurement variables represent a specific concept. Subsequently, structural equation modelling (SEM) is applied to test the structural connection between concepts and to define which concepts are interconnected in order to help understand the nature of those connections.

**Findings** – this study shows the importance of satisfaction with management relations and coworker relations and their joint influence on overall job satisfaction and hospitality (positive behavior inside the organization)

**Originality of the research** – Findings should be useful for hotel managers who aim to improve their relations with frontline employees and increase productivity.

**Keywords** Job satisfaction, hospitality, employee – management relations, coworker relations

### **INTRODUCTION**

As one of the main goals in everyday hotel practice, profitability is often identified as organizational success. However, a goal set as universally and ideally as that, represents only a generalization of other important organizational factors, which cause the realization of that goal (which would be impossible in their absence). One of those significant influencing factors is employee satisfaction. Authors Heskett et al. (1994) proposed their service profit chain, which explains that profit and growth are stimulated primarily by customer loyalty as a result of customer satisfaction. Furthermore, satisfaction is influenced by the value of services, which is created by satisfied, loyal and productive employees.

Regarding the circumstances which shape the hotel industry today, such as *high labour intensiveness, constant human interaction, dependence on other colleagues* (Galičić & Laškarić, 2016) managing employee satisfaction in the hotel industry compared to other industries represents the most critical point of hotel management.

Diverse scientific literature and practical examples demonstrate the importance of employee satisfaction and its causal connection to job performance (Brayfield & Crockett 1955; Naylor, et al. 1980; Testa, et al., 1998; Judge, et al. 2001). This relationship has been described as “Holy Grail” of industrial psychologists (Landy, 1989). Although there is a significant amount of research where employee satisfaction has been examined by means of numerous motivational factors, the research is lacking in studies which distinguish types of positive employee behavior.

According to Bakker & Schaufeli (2008), positive organizational behavior (POB) studies are, in one way or the other, related to employee well-being or performance improvement. In order to explain positive behavior, organizations should realize that employee behavior is also often manifested outside the organization. For example, employees who are proud of working in a hotel “XY”, also tend to share their positive thinking outside the organization. Unlike outside the organization, internal behavior is controllable and thus more appropriate for analyzing. Positive organizational behavior is described by the Luthans (2002) as the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement in today’s workplace. Practice and research often focus on negative aspects of organizational behavior. Luthans (2002) explains it as “we are more concerned with what is wrong with organizations, teams, leaders than what is right with them”. Like positive psychology, positive organizational behavior doesn’t bring new discovery of the importance of positivity, but emphasizes the need for more positive traits, states and behaviors in organizations (Luthans & Youssef, 2007). Positive behavior inside organization is not only the proper way of serving guests but also the only way in which hospitality organizations could develop healthy relationships with guests in the long term.

Research are also directed toward employee satisfaction as a main cause of guest satisfaction (Bach & Milman, 1996). Some authors pursued a deeper understanding of guest satisfaction. For example, author Kuo (2007) researched employee attitude and its connection to tourist satisfaction. The fact that the only way to provide guests with added value is by maintaining an honest relationship with the guest also highlights the importance of positive behavior. Moreover, employee hospitality is the common denominator of all benevolent relations characterized by willingness to meet and understand the guests. Positive behavior *inside the organization* in this research will be described through three key aspects: relationship with coworkers, relationship with guests and employee – management relationship (Ivanović & Galičić, 2006).

The main purpose of this paper is to examine three types of satisfaction (job satisfaction, satisfaction with management relations and satisfaction with coworker relations) in order to understand the nature of their relationship with employee hospitality. The paper is structured in three main sections. First section, discuss about

theoretical assumptions of employee management relations and employee hospitality. Methodological approach is the title of the second section where research methods are presented. Third section “results” presents empirical findings. In conclusion author summarizes research results and brings new ideas which could help to improve relations with employees and guest experience.

## 1. THEORETICAL FRAMEWORK

Any modern hotel setting depends on its intangible assets which can be viewed as employees’ know-how and skills. Apart from the studies of customer satisfaction, employee satisfaction has been thoroughly examined by experienced researchers. Their research shows a significant positive relationship between *employee satisfaction* and *financial performance* (Chi & Gursoy, 2009; Koys, 2003). Authors Chi and Gursoy (2009) found that the relationship between employee satisfaction and financial performance is mediated by customer satisfaction. Some authors consider *guest satisfaction* to be the most important endogenous variable in studies of *employee turnover* (LaLopa, 1997; Mobley, et al., 1979; Salzar & Hubbard 2000) and *indirect impact on profitability* (Chi & Gursoy, 2009; Koys, 2003).

Yang (2010) indicated that there are influencing factors on job satisfaction in the hospitality industry such as role conflict, burnout, socialization and work autonomy. Authors Slatten & Mehmetoglu (2011) have found a positive relationship between autonomy, strategic attention, role benefit, and employee engagement. Those studies show a direct and indirect correlation between employee retention and customer retention, and their joint influence on organizational effectiveness and efficiency.

### 1.1. Employee Management Relations

The hotel industry in Croatia is still feeling the consequences of the recession due to insufficient support by the Croatian Government, which also negatively influences the investment process and businesses inside the hotel. In such an unsafe investment and working conditions, working capital is usually considered the first choice for cost reduction. Hoteliers (especially small hotels) then turn to the easiest solution by cutting the costs intended for employee training, education, bonuses, or payrolls. Instead of traditional organizational structures that heavily rely on management control and economic principles of cost reduction, efficiency, and cash flow, the focus in modern organizations is on the management of human capital (Bakker & Schaufeli, 2008).

Another problem closely connected with employee hospitality is the issue of high employee turnover rates which is manifested as the inability to hire people for the whole year (tourism seasonality). Those problems are highly reflected on hotel business, and there is only a small possibility for hotel managers to influence this with their skills and knowledge. The only valid way to reduce the high turnover rate is by introducing methods that will encourage employees and by promoting a highly respected organizational culture. Thus, positive managerial influence is displayed by establishing good relations between employees using various motivation techniques.

Managers who show high levels of supervisory support behavior make employees feel understood, valued, and cared about (Kang., et al., 2014).

According to literature from the field of psychology, empowerment is viewed as a motivational technique for building trust in organizations (between managers and employees). The main purpose of empowerment accomplished through work delegation is to create a positive working atmosphere in an organization. Letting employees “call the shots” allows them to feel “ownership” of the job; they feel responsible for it and find the work meaningful (Salazar & Pfaffenberg, 2006). That is to say, the smaller the possibility of controlling the workers, the higher the necessity to have a trusting relationship with employees. Some authors see organizational culture and leadership as an influencing employee empowerment (Christensen-Hughes, 1992; Conger & Kanungo, 1988) which is another perspective of employee performance and culture.

Although there is undoubtedly a high influence of management on employee motivation and satisfaction, the importance and impact of correct management organization behavior is still unexplored. Proper organizational behavior represents the qualifications of the manager, which are manifested as honesty, competitiveness, organization and timeliness.

In an ideal hypothetical situation, by transposing their knowledge and experience, managers positively influence employee satisfaction, and thereby, everyday performance quality. However, practice often shows a reverse process in which employees do not gain organizational values from the supervisor and are still expected to show ideal organizational behavior. In that situation, the chain of trust (employees–managers) is broken, which directly impacts the (non)quality of their hospitality.

## **1.2. Employee Hospitality**

Strategic thinking in creating new individual services or entire hotel products must be based on a prior presentation of organizational culture to the hotel employees. Once the employees have completely embraced the idea of the purpose of their services and organizational concept, it is realistic to expect that they will be able to convey their satisfaction to the guests, i.e. the ultimate consumers of the services. Otherwise, if employees *a priori* do not accept the organizational culture as being beneficial to their interests, the front line employees’ presentation and sales of services is likely to be a failure.

Teng and Chang (2013) define employee hospitality as “customer perceptions of employee characteristics of hospitality during the service encounter and the guest-host interaction”. They also point out that task performance and hospitality performance are different in their outcomes. For example, employee’s task performances enable guests to benefit functionally, while their hospitality performance makes them to react emotionally. Lee & Way (2010) point out that a work environment where employees can achieve a feeling of satisfaction can be linked to quality of service and retaining quality employees. When employees know what is expected of them, they are more likely to meet role obligations and are more satisfied with their job (Bowen &

Schneider, 1985). Furthermore, employee attitudes and opinions about their colleagues and the work environment may make all the difference between workers' merely doing a good job and delivering exceptional guest service (Arnett, et al., 2002).

In order to achieve excellence (as perceived by the guest), service should be viewed as the performance of a worker. Employees share the feeling of pride and satisfaction at the same moment they deliver the service ordered by the guests. Each conversation with the guest is one "moment of truth" when guests evaluate the value for money relation. In Croatian hospitality there is a rare practice of a commonly developed understanding of such moments of truth. The concept of "moment of truth" was popularized by the Scandinavian Airline System (SAS) in the early 80's. Each of their 10 million customers came in contact with approximately five SAS employees, and that contact lasted an average of 15 seconds each time. These 50 million "moments of truth" are the moments that ultimately determine whether SAS will succeed or fail as company (Angelo & Vladimir, 2011). Consciousness about these moments of truth often leads to a higher quality of service atmosphere in hospitality establishments. Because the moment of truth is one of the key moments, management should pay more attention to those moments especially when planning human resources and their processes.

Pride is another crucial emotion which entices positive employee behavior regarding their relationship with guests. Pride in the organization results from specific perceptions of the organization and from experiences with that organization (Arnett, et al., 2002).

The idea of what kinds of skills an organization wants from its employees occurs when organizations realize what kind of mood or feeling they want to achieve. The combination of two factors - ambience and employees creates an atmosphere in a specific space. In that respect, emphasis is placed on employees who have greater value in creating a specific mood. Beautiful architecture and décor cannot provide the desired feeling without the character of the employees. The whole hotel experience is the result of each employee and their interaction with other employees at meeting points.

On the basis of this discussion, this study proposes the following three hypotheses:

1. There is a significant and positive relationship between satisfaction with management relations and job satisfaction.
2. There is a significant and positive relationship between satisfaction with coworker relations and job satisfaction.
3. Job satisfaction is positively related to employee hospitality.

## **2. METHODOLOGICAL APPROACH**

For the purpose of this paper, the questionnaires were distributed to the service staff (professions: waiter, barman, reception clerk, sales officer, hotel housekeeper) during the training program (from 4<sup>th</sup> of October to 10<sup>th</sup> of November 2015) in four tourist destinations. Questionnaires were distributed to all participants. In total, data were collected from 266 hotel employees (197 female, and 69 male respondents).

Questionnaire used in research can be divided into 5 sections. The first section comprised questions related to socio-demographic characteristics (age, gender, job title, qualification). The remaining four sections measure employee perceptions of dependency in service quality and hospitality, regarding factors such as satisfaction with management relations, training programs, satisfaction with coworker relations and overall satisfaction. Items that were used to assess employee perception were measured on five point Likert type scale (from 1= strongly disagree to 5=strongly agree).

Four items adopted from Janssen (2008) were used to measure *employee hospitality*. A sample item is “I create new ideas for difficult issues”. *Satisfaction with coworker relations* in this research originate in part from Spector (1997). The respondents were asked to indicate the extent to which these characteristics were associated with them. For example, “I enjoy work with my coworkers”. The items used for the section *satisfaction with management relations* were from (Schmidt, 2007; Liu et al. 2008; Spector, 1985) and slightly modified to fit this research. The measurement items for *Job satisfaction* were adopted from previous hotel employee satisfaction surveys (Kim & Jogaratnam, 2010; Salzar & Hubbard, 2000; Lyons 1971). A sample item is “Considering your job as a whole, how well do you like it?”

Table 1: Exploratory Factor Analysis

	Factor				% of variance	Cronbach's Alpha
	EH	SMR	SCR	JS		
Guest understanding	0.994				38.442	0.967
Usefulness	0.943					
Hospitable	0.934					
Satisfaction with management relations		0.981			15.887	0.848
Satisfaction with management competencies		0.948				
Managers entice positive organizational culture		0.628				
Regular briefing by the managers		0.597				
Working as equal team member			0.862		10.702	0.742
Satisfaction with team work			0.678			
Satisfaction with working atmosphere			0.548			
Satisfaction with current job				0.782	9.162	0.699
Intention to keep working				0.607		
Satisfaction with salary				0.594		

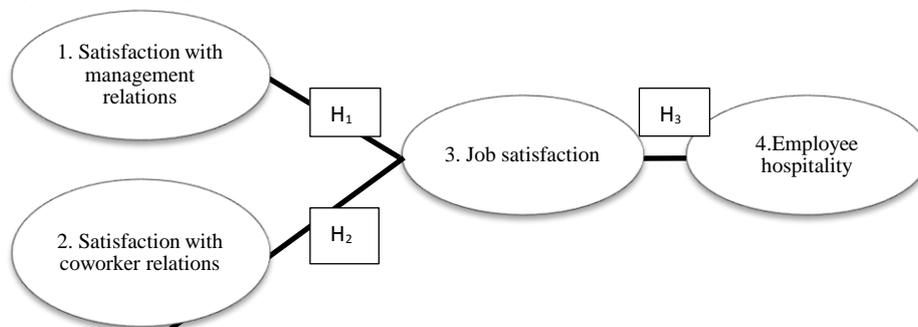
Extraction Method: Maximum Likelihood. Rotation Method: Promax with Kaiser Normalization. a. Rotation converged in 5 iterations.

In order to uncover the structure of the model and relationship between factors and variables, exploratory factor analysis was applied. Results from the exploratory factor analysis revealed four main latent variables (table 1).

Cumulative percentage for the 1<sup>st</sup> factor is 38.444%, the second 54.328% and the third 65.031%. Suitability of data was tested using Kaiser-Meyer-Olkin Measure of Sampling Adequacy. The value of KMO test (0.810) is high and it indicates a sufficient number of variables presented by one factor. Factor loadings greater than 0.5 were consider acceptable for the construct. There is also a high correlation between factors and variables which can be readout from Bartlett's Test of Sphericity ( $\chi^2$  2717.420,  $df=153$ ,  $sig.=0.000$ ). Results clearly indicate significant data correlation suitable for further factor analysis.

Goal is to confirm that the abovementioned factors (latent variables) are positively connected in logical order shown in figure 1. After preforming CFA it is recommended to drop any variables that do not significantly load on factor, and then re-estimate a new, non-nested model (Ullman, 2006), figure 1.

Figure 1: **The Hypothesis model**



Source: author

In order to ensure a positive and valid way of measuring latent variables, Confirmatory Factor Analysis (table 2) was applied to explain how well measurement variables represent the model. The constructs were tested using the software AMOS 21 with the maximum likelihood (ML) method of estimation. Exogenous and endogenous variables in the model were assessed by a collection of measures. Firstly, to assess the validity of the measurement model it is necessary to examine model fit and validity of constructs (table 2).

Table 2: Model fit indicators- CFA

Fitness index	Values	Recommended values
Cmin/df	1.111	1-3 (Byrne, 1994)
Df	59	
Chi-square	65.542	
P value	0.000	
CFI	0.997	>0.93 (Byrne, 1994)
RMSEA	0.020	<0.080 (Hair et al., 2010)
PCLOSE	0.985	>0.050 (Hair et al., 2010)
RMR	0.035	<0.10 (Hair et al., 2010)
GFI	0.965	>0.90 (Byrne, 1994)
NFI	0.975	>0.95 (Schumacker & Lomax, 2004)

N=266

Source: author

According to the goodness of fit indices (table 2), the measurement model demonstrates an acceptable degree of model fit and it is justified to conduct further analysis. Prior to the examination of overall model fit, several tests are applied (table 3): composite reliability-CR, average variance extracted-AVE, maximum shared variance-MSV, average shared variance-ASV and correlation (diagonal line).

Table 3: Reliability and correlation

	CR	AVE	MSV	ASV	SCR	EH	SMR	JS
<b>Satisfaction with coworker relations (SCR)</b>	0.754	0.509	0.132	0.095	<b>0.714</b>			
<b>Employee hospitality (EH)</b>	0.968	0.909	0.349	0.155	0.191	<b>0.954</b>		
<b>Satisfaction with management relations (SMR)</b>	0.881	0.662	0.349	0.223	0.340	0.591	<b>0.814</b>	
<b>Job satisfaction (JS)</b>	0.710	0.466	0.203	0.138	0.363	0.282	0.451	<b>0.682</b>

Source: author

The results show that average variance extracted for the latent variables exceeds the squared correlations between latent variables (SCR, EH, SMR, JS) which provide evidence of *discriminant validity*. Furthermore, in all cases the composite reliability was above minimum threshold of 0.70 indicating acceptable reliability and internal consistency. To assure *convergent validity*, AVE results for all three constructs should be higher than 0.5 (Hair et al., 2010). In this analysis AVE values were above 0.5 except for job satisfaction. However, as this factor is minimally correlated with other factors in the model and its composite reliability is higher than 0.7 it is admissible to conduct structural equation modeling.

Table 4: Model fit indicators – SEM

Fitness index	Values	Recommended values
Cmin/df	2.412	
P value	0.000	
CFI	0.966	>0.93
RMSEA	0.073	<0.080
PCLOSE	0.07	>0.050
RMR	0.087	<0.10
GFI	0.926	>0.90
NFI	0.944	>0.90

N=266

Source: author

Structural equation modeling was performed to test structural connections between relationships. Eight measures – model fit indicators were used to assess the model's overall goodness of fit. After satisfactory results (table 4), the model was tested to assess causal relationship by specifying direct paths between constructs (table 5).

Table 5: Standardized estimates - structural equation modelling

Standardized estimates	C.S.E.	S.E.	t-value	P
Satisfaction with management relations → Job satisfaction	0.47	0.051	9.160	***
Satisfaction with coworker relations → Job satisfaction	0.28	0.066	5.335	0.003
Job satisfaction → Hospitality	0.41	0.082	7.256	***

If a factor is loaded with absolute (t-value  $\geq \pm 1.96$ ), ( $p > 0.05$ ) it would be eliminated from the model.

\*\*\*  $P < 0.001$

Source: author

### 3. RESULTS

Four hypotheses were tested to indicate direct and indirect relationships between constructs. The first hypothesis proposed a significant direct relationship between satisfaction with management relations and job satisfaction. According to values in table 5 (completely standardized  $a = 0.47$ ;  $t$ -value = 9.160), the first hypothesis was supported. The second hypothesis (significant and positive relationship between satisfaction with coworker relations and job satisfaction) was also supported (completely standardized  $a = 0.28$ ;  $t$ -value = 5.335). The proposed relationship between job satisfaction and employee hospitality was also found to be significant (completely standardized  $b = 0.41$ ;  $t$ -value = 7.256). Therefore, third hypothesis was supported.

In order to explain chain of causation the study includes mediation test: direct without the mediator, direct with mediator, and indirect relationship. Mediation effect of job satisfaction was tested using the causal approach by Baron and Kenny (1986).

For *the first relationship* (satisfaction with management relations – job satisfaction – job hospitality) mediation test showed significant mediation of job satisfaction between satisfaction with management relations and employee hospitality ( $\beta = 0.519$ ,  $p < 0.05$ ).

Results for the *second relationship* (satisfaction with coworker relations–job satisfaction–job hospitality) also indicate significant mediation ( $\beta = 0.474$ , ( $p < 0.01$ )).

## CONCLUSION

One of the main goals in this study was to test premises about a causal relationship between satisfaction with management and coworker relations as exogenous variables and job hospitality as endogenous variable, mediated by job satisfaction. Study also explores three major direct relationships and two indirect relationships. According to the results, all parameters are positive which indicates positive connections between variables matched with the proposed hypotheses.

Arnett et al. (2002) claimed that employees who evaluated managers positively tended to be satisfied with their jobs. Findings in this research also indicate importance of job satisfaction in similar way. Namely, results imply that employee satisfaction with management relations has a direct impact on job satisfaction and indirect impact on employee hospitality (mediated by job satisfaction).

This research indicates that there is a direct relationship between employee satisfaction with coworker relationships and job satisfaction, but also an indirect relationship with employee hospitality, mediated by employee satisfaction. Author Oshagbemi (1999) also added satisfaction with co-worker behavior in the model of overall job satisfaction. He revealed the importance of satisfaction with co-workers behavior as strong indicator of overall job satisfaction.

Chi & Gursoy (2008) reported that satisfied employees are highly motivated to provide good service to customers. According to Yang (2010) job satisfaction is a powerful contributor to the affective commitment of individuals to their current organizations. Findings in this research as well indicate that higher level of employee satisfaction leads to a higher level of all types of positive behavior inside the organization. Employees who show satisfaction in their everyday job performance are more likely to provide “service with a smile”, which will result in guests who are more satisfied. In return, it will have a significant impact on repeated business and guest retention.

Employees who are in direct contact with guests have the unique opportunity to collect all information about the satisfaction or dissatisfaction of the guest. Those employees are the most credible source of information about guest satisfaction and with that level of knowledge they represent most the respectable source of new ideas for the organization. This research indicates that employee hospitality is a result of the

successful organization of all factors related with employees and their whole feeling of working in a specific organization.

Guest expectations are another problem of hotel organization and management, which emphasizes the importance of guest - employee relations. Guest expectations are rising simultaneously with the number of guest visits. This means that with every following guest arrival, the effort for meeting guest expectations is increased. Especially because the guest already knows what kind of ambience they will see or feel. The employees' attitude and willingness to understand the guest represent the only unpredictable factor from the guest's point of view.

This research is limited to examining relations of different satisfactory factors that have an impact on positive behavior inside the organization. In this sense, important financial aspects have been neglected. Although there is a possibility of an important influence of satisfaction with the financial situation, the aim was to focus on relations and hospitality without emphasizing the financial aspect. Future research should include other types of positive behavior outside the organization, which will influence the complexity of the model, but also provide better understanding of the whole process of positive behavior. Furthermore, this research was conducted as transversal research, which may be linked to a number of methodological problems such as validity, reliability or causation. Thus, it is preferable to combine different data sources (transversal and longitudinal).

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