



UNIVERSITI PUTRA MALAYSIA

***CAUSAL RELATIONSHIP BETWEEN SERVICE GUARANTEES AND
CUSTOMER SATISFACTION IN FOUR-AND FIVE-STAR HOTELS IN
MALAYSIA***

ASLINDA BINTI MOHD SHAHRIL

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**DOCTOR OF PHILOSOPHY
UNIVERSITI PUTRA MALAYSIA
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By

ASLINDA BINTI MOHD SHAHRIL

**Thesis Submitted to the School of Graduate Studies,
Universiti Putra Malaysia, in Fulfilment of the
Requirements for the Degree of Doctor of Philosophy
January 2014**

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DEDICATION

This thesis is dedicated to my husband, Azmi Maaroff, who have supported all the way since the beginning of my studies.

My mother, Marfuah Annuar and my late father, Mohd Shahril Rais for the endless love and support.

My children, Ahmad Danial, Alia Diana, Ammar Haziq and Amsyar Hasif, who are the strength and light of my life.

And

My brothers, Yusof, Norazman and sisters, Salimah, Rohaizan for the unconditional love and care.

Abstract of thesis presented to the Senate of Universiti Putra Malaysia
in fulfilment of the requirement for the degree of Doctor of Philosophy

**CAUSAL RELATIONSHIP BETWEEN SERVICE
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ASLINDA BINTI MOHD SHAHRIL

January 2014

Chair: Assoc. Prof Yuhanis Abdul Aziz, PhD

Faculty: Economics and Management

One of the main issues in the hotel sector, particularly in the four-and five-star hotel in Malaysia, is the inability to implement full service guarantees since employee cannot deliver the service promise. The four-and five star hotels continuing difficulty in delivering reliable, high-quality service to customers. As a result, it decreased customer satisfaction. Additionally, studies showed that empowerment has also become issues in Malaysian hotel. Due to lack of empowerment, employee motivation and job satisfaction was reported low. On the other hand, in the context of service guarantees, service recovery was inefficient due to lack of employee skill to deal with customers. Consequently, a lack of empowerment and employee participation will affect the hotel service performance and the service guarantees offered by the hotel.

The purpose of the study are to examine the relationship between service guarantees, service quality, empowerment, employee motivation, job satisfaction, service recovery and customer satisfaction in four-and five-star hotels in Malaysia and the study treats empowerment as a mediating variable.

This study is based on the positivism paradigm and employs a quantitative method. The study chose a survey design with questionnaires distributed to front-line employees and hotel customers. It was a self-completion questionnaire for employees; however, the researcher assisted customers when they filling the questionnaire should any ambiguous questions aroused. The structural equation modeling (SEM) analysis results suggested that half of the proposed hypotheses

were supported for the employee study, whereas four out of six hypotheses were supported in the customer study. The study found a positive relationship between service guarantees and service quality in the customer study and that service guarantees assist customers in differentiating between sellers of high-and low-quality services. On the other hand, it was found that empowerment play a significant role in service guarantees and contributes to employee participation.

The results of this study add support to the signaling theory that service guarantees act as quality signal to customers and a marketing tool that conveys an impression of quality service. Additionally, it provides support for total quality management (TQM) theory, which states that empowerment encourages employee participation, leading to service improvements.

This study highlights the importance of service guarantees in delivering and managing quality service in the hotel sector and notes that employee participation is crucial to maintaining the reputation of a business. Finally, service guarantees increase customers' purchase intention and facilitate their selection of quality hotels.

Abstrak tesis yang dikemukakan kepada senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**KAITAN SEBAB HUBUNGAN DI ANTARA JAMINAN
PERKHIDMATAN DAN KEPUASAN PELANGGAN
DI HOTEL EMPAT DAN LIMA BINTANG DI MALAYSIA**

Oleh

ASLINDA BINTI MOHD SHAHRIL

Januari 2014

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Salah satu masalah dalam sektor hotel, terutama hotel empat dan lima bintang di Malaysia ialah ianya tidak dapat menunaikan jaminan perkhidmatan sepenuhnya kerana pekerja tidak dapat memberi perkhidmatan seperti yang dijanjikan. Hotel empat dan lima bintang berterusan menghadapi kesukaran untuk memberi perkhidmatan yang boleh dipercayai dan berkualiti tinggi kepada pelanggan. Oleh itu, kepuasan pelanggan telah menurun. Tambahan pula, kajian menunjukkan pemerksaan pekerja juga telah menjadi isu di sektor hotel. Oleh kerana kurang pemerksaan pekerja, motivasi dan kepuasan pekerja telah dilaporkan rendah. Disamping itu, dalam konteks jaminan perkhidmatan, pemulihan perkhidmatan menjadi kurang cekap kerana pekerja mempunyai kurang kemahiran untuk berhadapan dengan pelanggan. Oleh itu, kurang pemerksaan dan penglibatan pekerja akan mengganggu prestasi perkhidmatan dan jaminan perkhidmatan yang ditawarkan oleh hotel.

Objektif kajian ini adalah untuk menilai hubungan diantara jaminan perkhidmatan, kualiti perkhidmatan, pemerksaan pekerja, motivasi, kepuasan pekerja, pemulihan perkhidmatan dan kepuasan pelanggan di hotel empat dan lima bintang di Malaysia dan kajian ini menjadikan pemerksaan pekerja sebagai pemboleh ubah pengantara.

Kajian ini menggunakan paradigma positivisme dan kaedah kuantitatif. Kajian memilih kaedah tinjauan dengan soal selidik di jalankan kepada pekerja hadapan

dan juga pelanggan. Pekerja perlu menjawab soal selidik itu, manakala penyelidik bersama pelanggan ketika mereka menjawab jika ada kekusaran tentang soalan.

Permodelan persamaan sktruktur mencadangkan separuh daripada hipotesis kajian pekerja disokong manakala empat daripada enam hipotesis kajian pelanggan diterima. Kajian pekerja menunjukkan tiada hubungan penting diantara jaminan perkhidmatan dan kualiti perkhidmatan; walaubagaimanapun kajian pengguna menunjukkan hubungan positif diantara perkhidmatan dan kualiti perkhidmatan dan jaminan pekhidmatan membantu pelanggan membezakan samada penjual berkualiti tinggi dan rendah. Pemerksaan pekerja memainkan peranan penting dalam jaminan perkhidmatan dan menyumbang kepada prestasi pekerja.

Dapatan kajian menyokong teori bahawa jaminan perkhidmatan bertindak sebagai isyarat kualiti kepada pelanggan dan sebagai alat pemasaran yang menyampaikan tanggapan perkhidmatan yang berkualiti. Di samping itu, ia juga menyokong teori pengurusan kualiti yang menyatakan bahawa pemerksaan pekerja menggalakkan penglibatan pekerja dan menyumbang kepada penambahbaikan perkhidmatan.

Kajian ini menekankan kepentingan jaminan perkhidmatan dalam menyampaikan dan mengekalkan kualiti perkhidmatan di sektor hotel dan penglibatan pekerja itu penting untuk mengekalkan reputasi perniagaan. Kesimpulannya, jaminan pekhidmatan meningkatkan keyakinan pembelian pelanggan dan membantu memilih hotel yang berkualiti.

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I certify that a Thesis Examination Committee has met on 20 January 2014 to conduct the final examination of Aslinda binti Mohd Shahril@Mohd Sihir on her thesis entitled “Causal Relationship between Service Guarantees and Customer Satisfaction in Four-and Five-star Hotels in Malaysia” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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TABLE OF CONTENTS

	Page
DEDICATION	ii
ABSTRACT	iii
ABSTRAK	v
ACKNOWLEDGEMENTS	vii
APPROVAL	ix
DECLARATION	xi
LIST OF TABLES	xvii
LIST OF FIGURES	xix
LIST OF ABBREVIATIONS	xx
CHAPTER	
1 INTRODUCTION	1
1.1 Study Background	1
1.2 Statement of the Problem	3
1.3 Research Objectives	5
1.4 Research Contributions	5
1.5 Thesis Organisation	8
2 MALAYSIAN HOTEL SECTOR	10
2.1 Introduction	10
2.2 Malaysia Services Sector	10
2.3 Tourism Sector in Malaysia	11
2.4 The Accommodation Sector in Malaysia	14
2.5 Guarantees within the Tourism Sector	15
2.5.1 Guarantees in the Hotel Sector	16
2.5.2 Explicit and Implicit Service Guarantees in Hotels	18
2.5.3 Empowerment in the Hotel Sector	21
3 LITERATURE REVIEW	23
3.1 Introduction	23
3.1.1 Service Quality	23
3.1.2 Service Quality Dimensions	24
3.1.3 Gaps in Service Quality	26
3.1.4 Service Intangibility and Its Consequences	29
3.2 Service Guarantees	30
3.2.1 Service Guarantees: A New Service Concept?	31
3.2.2 The Meaning of Service Guarantees	33
3.2.3 Characteristics of Effective Guarantees	35

	3.2.4 Why Service Guarantees Work	35
	3.2.5 The Conceptualisation of Service Guarantees	37
	3.2.6 The Role of Service Guarantees	42
	3.2.7 Service Guarantees Implementation in ISROTEL Hotel Chain	44
	3.2.8 The Effect of Service Guarantees on Employee	45
	3.2.9 Consequences of Service Guarantees to Service Firm	48
3.3	Research into Service Guarantees	50
	3.3.1 Literature Gaps	55
4	THE DEVELOPMENT OF A FRAMEWORK AND RESEARCH HYPOTHESES	59
	4.1 Introduction	59
	4.2 Theoretical Perspective	59
	4.2.1 Signaling Theory	60
	4.2.2 Total Quality Management Theory (TQM)	62
	4.3 The Relationship of Service Guarantees and Empowerment	65
	4.4 The Conceptual Framework and Model Development	68
	4.4.1 The Proposed Model of the Study	69
	4.5 The Development of Hypotheses for the Employee Framework	73
	4.5.1 Empowerment as a Mediating Variable	76
5	RESEARCH METHODOLOGY	85
	5.1 Introduction	85
	5.2 The Positioning of the Research	85
	5.3 The Research Method	90
	5.3.1 The Survey Method	90
	5.3.2 The Sampling Procedures	91
	5.3.2.1 The Study Population	91
	5.3.2.2 The Employee Study	91
	5.3.2.3 The Unit of Analysis	93
	5.3.2.4 The Study Population	95
	5.3.2.5 The Customer Study	95
	5.3.3 Data Collection Method	96
	5.3.4 Measurement Development	98
	5.3.5 The Research Instrument	100
	5.3.6 The Measurement Scale	101
	5.3.7 The Questionnaires Translation	102
	5.3.8 Pre-test Questionnaire	103
	5.3.9 The Pilot Study	103
	5.3.10 Reliability Analysis for the Pilot Study	106
5.4	Reliability and Validity	107

	5.4.1 Reliability Analysis	107
	5.4.2 Validity Analysis	107
5.5	Data Analysis Technique	108
	5.5.1 Structural Equation Modeling (SEM)	109
6	DATA ANALYSIS AND RESULTS	112
6.1	Introduction	112
6.2	Analysis Strategy	112
6.3	Preliminary Analysis	113
	A: Employee	113
	6.3.1 Question Recoding	113
	6.3.2 Missing Data Analysis	114
	6.3.3 Outliers	114
	6.3.4 Assumptions of Multivariate Analysis in SEM	115
	6.3.4.1 Normality	115
	6.3.4.2 Linearity	115
	6.3.4.3 Multicollinearity	116
	6.3.4.5 Demographic Analysis of the Employee Sample	117
6.4	Preliminary Analysis	120
	B: Customer	120
	6.4.1 Question Recoding	120
	6.4.2 Missing Data Analysis	120
	6.4.3 Outliers	120
	6.4.4 Assumptions of Multivariate Analysis in SEM	120
	6.4.4.1 Normality	120
	6.4.4.2 Linearity	121
	6.4.4.3 Multicollinearity	121
	6.4.4.4 Demographic Analysis of the Customer Sample	121
6.5	Exploratory Factor Analysis (EFA)	123
	6.5.1 Summary of the Scale Refinement	124
6.6	Measurement Model (Confirmatory Factor Analysis)	125
	6.6.1 Evaluation of Model Fit Statistics	126
	6.6.2 Employee Measurement Model	128
	6.6.2.1 Unidimensionality	130
	6.6.2.2 Construct Reliability and Validity	131
	6.6.3 Customer Measurement Model	134
	6.6.3.1 Unidimensionality	136
	6.6.3.2 Construct Reliability and Validity	136
6.7	Structural Model Analysis	138
	6.7.1 The Employee Study	139
	6.7.1.2 Initial Specification	140
	6.7.1.3 Additional Causal Link	140

6.7.2	The Customer Study	142
6.7.2.1	Initial Specification	142
6.8	The Mediating Role of Empowerment	143
6.8.1	Competing Models	146
6.8.2	Determining the Best-Fitted Model	147
6.9	Discussion on Analysis and Findings	149
6.9.1	Hypotheses Testing on the Employee Study	149
6.9.2	Hypotheses Testing on the Customer Study	156
6.9.3	Discussion of the Research Findings	160
7	SUMMARY, CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH	171
7.1	Introduction	171
7.2	Research Objectives	171
7.3.	Theoretical Contributions	174
7.4	Implications for Practitioners and Policy-Makers	176
7.5	Limitations of the Study	179
7.6	Directions for Future Research	180
7.7	Conclusions of the Study	182
	REFERENCES	183
	APPENDICES	196
	BIODATA OF STUDENT	247
	LIST OF PUBLICATIONS	248

LIST OF TABLES

Table		Page
2.1	Approved Investments in Services Sector (2012 and 2011)	11
2.2	Selected Tourism Indicator, 2000 and 2012	13
2.3	Selected Tourism Destinations in Asia for 2008 – 2011 (in thousand arrivals)	13
2.4	Summary of Hotel and Room Supply, 2011 and 2012	15
3.1	Summary of the Context of Service Guarantees on Service Performance	41
3.2	Conceptualisation of Service Guarantees	46
3.3	Summary of Previous Research into Service Guarantees Impact on Employee and Organizational Performances	51
4.1	Summary of Hypotheses for the Employee Study	84
5.1	Distributions of Hotels by Region and Star Ratings (2011-2012)	93
5.2	Table for Determining Sample Size from a Given Population	94
5.3	Summary of Sources for Variables Measurement	100
5.4	Respondents' Profiles (Employee Pilot Study)	104
5.5	Respondents' Profiles (Customer Pilot Study)	105
5.6	Pilot Study Reliability Analysis (Employee)	106
5.7	Pilot Study Reliability Analysis (Customer)	106
6.1	Relationship between number of constructs, item communality and sample required	116
6.2	Demographic Profiles of Hotel Employee	118
6.3	Summary of Sample for Employee Study	119
6.4	Demographic Profiles of Hotel Customer	122
6.5	Summary of Constructs and Reliability Results	125
6.6	Index Category and the Level of Acceptance for Every Index	127
6.7	Measurement Model Fit Statistic for Employee Study	129
6.8	Summary of Reliabilities of the Final Measurement Model	132
6.9	Correlations of Exogenous Constructs	133
6.10	Measurement Model Fit Statistic for Customer Study	135
6.11	Summary of Reliabilities of the Final Measurement Model	137
6.12	Correlations of Exogenous Variables	137
6.13	Summaries of Specifications and Fit Statistic for the Hypothesised Model - Employee Study	140
6.14	New Added Path Found in the Employee Study	141
6.15	Summaries of Specifications and Fit Statistic for the Hypothesised Model - Customer Study	143
6.16	Results of Structural Analysis for the Three Competing Model	148

6.17	Summary of Hypotheses Testing from the Employee Study	150
6.18	The direct and indirect effects of SG, EMP and SQ	152
6.19	The direct and indirect effects of SG, EMP and EMV	153
6.20	The direct and indirect effects of SG, EMP and SR	154
6.21	The direct and indirect effects of SG, EMP and JS	154
6.22	Summary of Hypotheses Testing from the Customer Study	154
6.23	The direct and indirect effects of SG, EMP and SQ	158
6.24	The direct and indirect effects of SG, EMP and SR	159



LIST OF FIGURES

Figure		Page
3.1	Service Quality Gap Model	28
3.2	Antecedent of Employee Motivation and Job Satisfaction	47
3.3	The relationship between service guarantees and internal service operations	48
4.1	Proposed Conceptual Model	71
5.1	The Research Process	89
6.1	A Measurement Model for Employee Study	130
6.2	A Measurement Model for Customer Study	135
6.3	Proposed Structural Model for Employee Study	139
6.4	Proposed Structural Model for Customer Study	142
6.5	The diagram showing the location of B1, B2, B3 in the analysis of mediator variable	145
6.6	Final Structural Model for Employee Study	151
6.7	Final Structural Model for Customer Study	157

LIST OF ABBREVIATIONS

AMOS	Analysis of a Moment Structures
AGFI	Adjusted Goodness-of-Fit Index
AVE	Average Variance Extracted
AIC	Akaike Information Criterion
CFA	Confirmatory Factor Analysis
CMIN	Chi Square per Degree of Freedom
CFI	Comparative Fit Index
CR	Construct Reliability
C.R	Critical Ratio
CS	Customer Satisfaction
DBP	Dewan Bahasa and Pustaka
ETP	Economic Transformation Programme
EMP	Empowerment
EM	Employee Motivation
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
GFI	Goodness-of-Fit Index
JS	Job Satisfaction
KMO	Kaiser Mayer Olkin
MAH	Malaysian Association of Hotels
MOTOUR	Ministry of Tourism Malaysia
MCAR	Missing Completely at Random
MI	Modification Indices
NFI	Normed Fit Index
PNFI	Parsimony Adjustment Normed Fit Index
RMSEA	Root Mean Square Error of Approximation
SARS	Severe Acute Respiratory Syndrome
SEM	Structural Equation Modeling
SPSS	Statistical Program for Social Sciences
SQ	Service Quality
SG	Service Guarantees
SR	Responsiveness in a Service Recovery
S.E	Standard Estimates
TDC	Tourist Development Corporation
TQM	Total Quality Management
TLI	Tucker Lewis Index
VIF	Variance of Inflation
χ^2	Chi square
χ^2/df	Chi square per degree of freedom



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CHAPTER ONE

INTRODUCTION

This chapter provides general information and overview of the whole thesis. The chapter will begin with the study background. Section 1.2 will focus on the statement of the problem, section 1.3 will discuss on research objectives and section 1.4 will focus on the research questions. Section 1.5 will highlight the research contribution to the body of knowledge and section 1.6 will be the thesis organisation.

The thesis is concerned with service guarantees and the relationship with the service quality in Malaysian hotel sector. In particular, this study will examine the relationship between service guarantees and the service quality, empowerment, employee roles and link to the service quality and customer satisfaction. Finally, the study will assist in providing some understanding on the importance of service guarantees in the context of delivering quality service and customer satisfaction, particularly in hotel sector in Malaysia.

1.1 Study Background

A growing body of knowledge emphasises the importance of service guarantees in the service industry. Such industries as health care, airlines, banking and hotels are among the service organisations that offer service guarantees to its customers (Tucci & Talaga, 1997). The purpose of a service guarantee is to ensure that customer needs and expectations are met and that the company provides superior service quality through its dedicated and knowledgeable employees (Hart, 1988). Previously, research on service guarantees has mostly focused on the conceptual models, which suggests that more empirical evidence needs to be conducted.

Hart's (1988) prominent concept on service guarantees has encouraged research into the service quality in an organisation. Service guarantees, which require total commitment from management and employees, are believed to improve the overall service performance of the organisation and the fulfilment of customers' needs (Hart, 1988).

Intense competition in the service industry has provided customers with a variety of choices. Thus, companies face the challenging task of providing increased benefits and delivering excellent service quality to ensure customer satisfaction and loyalty. Furthermore, in this increasingly competitive global business, understanding and

meeting customers' needs have become key performance indicators for company success (Kandampully & Butler, 2001; Wirtz, 1998).

Due to its important roles in service organisations, service guarantees have been increasingly acknowledged by experts as a means to achieve organisational commitment in the service delivery process (Fabien, 2005) and jump-start quality enhancement in service organisation (Wirtz, Kum, & Lee, 2000; Hart, 1988).

A service guarantee is a tool for promoting service quality consisting of a few main elements (Hart, 1988). It encourage the organisation to focus on customer needs, identify service failures and clarify the company's guidelines and performance standards and increases customer loyalty and sales (Zeithaml, Bitner, & Gremler, 2009; Gronroos, 2007; Lovelock & Wirtz, 2007; Hart, 1988). Its importance is expressed well in the quote, "excellent service is a profit strategy for an organisation" (Berry, Parasuraman, & Zeithaml, 1994, p. 32), from a study highlighting the close relationship between quality service and a company's growth, revenue and customer satisfaction. Therefore, to achieve success, it is vital that a company create clear employee guidelines and an ultimate organisational strategy (Firnsthahl, 1989). For example, for front-line employees to perform as expected by the organisation, they must be taught how to perform the job function through training provided by the employer.

Previous studies have indicated the relationship between service guarantees and organisation's reputation and service quality (Hays & Hill, 2006; Wirtz et al., 2000). Firm quality initiatives demand employee involvement, motivation and participation to communicate to customers the firm's commitment to deliver quality service (Kini & Hobson, 2002), and the management needs to choose and train qualified employees to deliver these services (Kathawala & Elmuti, 1991). Equally important, the impact of service guarantees should be evaluated from a customer viewpoint, as it influences customer's perceptions of and satisfaction with a firm's service performance.

Earlier research on service guarantees has evidenced the importance of service guarantees and their positive correlation with firm reputation (Wirtz et al., 2000), reduced customer risk (Liden & Skalen, 2003), service quality (Hays & Hill, 2006; Liden & Skalen, 2003) and positive consumer perceptions (Tucci & Talaga, 1997) as well as their applicability as a quality signal (Wirtz et al., 2000). Due to the wide coverage of service guarantees, previous research has focused on certain aspects (Wirtz, 1998), and some areas remain unexplored. In particular, the literature is mostly anecdotal, focusing on individual cases (Wirtz, 1998), creating a gap in other areas. Empirical findings on the relationship between service guarantees and

organisation performance and consumer perceived quality have been very limited; an extensive literature search yielded only a very few related studies.

Due to the important roles of service guarantees in the service organisation and positive customer experience, this study considers the constructive recommendations and suggestions from previous studies (see, for example, Fabien, 2005; Kashyap, 2001; Wirtz, 1998) and extends other scholars' work (see Hays and Hill, 2006), which may lead to additional useful findings. The extension of this study includes variables suggested by other scholars, such as empowerment and other management strategies, including employee motivation and job satisfaction (suggestion by Kashyap, 2001; Wirtz, 1998). Wirtz (1998) argued that service guarantees will not be successful without employee empowerment and support from the management.

Accordingly, recent empirical research focusing on the service guarantees domain have been conducted using the hotel setting, where service guarantees are quite common in the sector (for example, Chen, John, Hays, Hill, & Geurs, 2009; Hays & Hill, 2006). Nevertheless, none of the previous researchers have tested the relationship between service guarantees and service quality while including empowerment in a single framework. The potential relationship between service guarantees, empowerment and employee role and its impact on service quality and customer satisfaction in the hotel sector is therefore of interest and is studied in this thesis. This study wishes to contribute and extend the existing literature, as very little empirical research has explored this relationship to date.

1.2 Statement of the Problem

One of the challenging issues in the hotel sector, particularly in four-and five-star hotels in Malaysia is the inability to implement full service guarantees since the hotels are having problem to meet the service promise (Economic Transformation Programme, 2011). In relation to this, the ETP (2011) reported that the front-line employees, who represent a critical service encounter, having difficulty in delivering quality service to customer, as they are unable to deliver the expected standard of service as promised in the service guarantees.

Similarly, the Malaysian Association of Hotels (MAH) published a newspaper review in *The Star*, 12th March 2013, noting that Malaysian hotel services are unable to carry its service guarantees since the service delivered cannot live up the expectations of hotels. Following the information from ETP (2011) and MAH, the study conducted further investigation to capture the real issue of service guarantees

in hotel sector. Therefore, the researcher contacted managers in the four-and-five star hotels to investigate the current problem face by the hotels to implementing service guarantees in their daily operation. Information given by the managers that the upscale¹ hotels in Malaysia having problems to implement full service guarantees due to policy and local hotel practices. Appendix 1 illustrated the questions and answers between the researcher and the managers.

Despite the issue of service guarantees, the managers also admitted that empowerment is also one of important problem in the Malaysian hotels. The managers mentioned that empowerment in Malaysian hotels are not fully implemented since most of the decisions still need to be done by the managers and therefore longer time taken for problem solution. The statement was supported as empirical study conducted in the Malaysian upscale hotels found that hotel employees, particularly front-line employees are not fully empowered and governed by the standard operating procedures (Sumaco & Hussain, 2011). Consequently, studies found that unempowered hotel employees has led to inefficient service recovery (Sumaco & Hussain, 2011), low job satisfaction (Yunus & Ishak, 2012), and low employee motivation (Hemdi & Tamalee, 2005). Following that, customer satisfaction toward the hotel services was reported low due to unsatisfactory service delivery (Yunus & Ishak, 2012).

Based on the situation described above, it is anticipated that hotels face problems in honouring and to implementing service guarantees. Consequently, unempowered employees will lead to lack of employee motivation, low satisfaction and inefficient service recovery. The employee's inability to deliver service at the expected level, particularly for front-line employees, will affect the hotel service quality, performance and the service guarantees offered by the hotels. Hotel sector must honour their service guarantees, especially in the luxury hotel, to adhere to the government vision of sustaining the growth of the tourism industry (ETP, 2011). Therefore, the research problem addressed in this study arises from the need to achieve service quality in the four-and five-star hotels in Malaysia, with service guarantees serving as useful indicators of quality service.

In service guarantees research, an exploration of the relationships between service guarantees, service quality, empowerment, and employee role, which refer to job satisfaction, employee motivation and service recovery effort, is lacking. Little empirical evidence has been reported on the above relationship in any given study, especially in the hotel sector. Empirical research needs to be carried out to examine

¹ Four-and five star hotel is referred as upscale or luxury hotel.

the relationships between these variables. To determine the importance of empowerment, this study will treat empowerment as a mediating variable. Consequently, this study will be able to compare the results between the direct model, indirect model and full mediation model and select the best model accordingly.

This study will investigate from two perspectives, front-line employees and hotel customers as limited study has conduct service guarantees research from two perspectives. Therefore, the study will gain more robust findings on the studied phenomenon and enhance the contribution to the current body of knowledge.

1.3 Research Objectives

This study will examine the causal relationship between service guarantees and service quality in the four-and five-star hotels in Malaysia. The other specific objectives of this study are to examine the following causal relationships:

1. Between service guarantees and empowerment.
2. Between empowerment and employee roles.
3. Between employee roles and service quality.
4. Between service quality and customer satisfaction perceived by the employee and customer.

1.4 Research Contributions

This study seeks to make an original contribution to the current body of knowledge by investigating the relationship between service guarantees and service quality and customer satisfaction, particularly in the four-and five-star hotel in Malaysia. The finding of the study will contribute to the services marketing field and to the literature on service guarantees by assessing the role of empowerment as an important element to the success of using service guarantees in hotel sector. More importantly, this study will test the developed model from two different perspectives, those of the employee and the customer.

The contributions will be useful for academics, practitioners, policy makers and hospitality industry. An academic viewpoint, the results of the study will be useful for hospitality management educators, providing valuable information about the role of service guarantees and filling a gap in the service guarantees context. As such, this study will add to services marketing knowledge and research.

From an industry practitioner's viewpoint, the results of the study will be beneficial for conveying to managers the importance and benefits of service guarantees to firm performance and customers' perceptions of service quality. This study should help organisations understand their customers' needs and preferences with respect to service performance and service reliability. More importantly, this study also investigates how empowerment practices help to increase employee motivation and allow employees to respond effectively to customers. Hoteliers can benefit from the study's findings that managing employees through empowerment is important on overall service performance and customers' perceived service quality.

For Malaysian officials, especially those in the Ministry of Tourism, the findings of this study may be beneficial. The policies of the Malaysian government are to encourage the growth of the tourism industry and persuade hotels to deliver quality service to guests². Currently, the country is promoting Malaysia as a popular destination, and the findings are valuable to the hotel sector in terms of keeping and delivering on reliable service promises and increasing customer confidence and satisfaction with the service quality generally offered by Malaysian hotels. Thus, it is hoped that the findings of this study will provide valuable insights into the hotel and tourism sector, as tourism is becoming a competitive business.

For the hospitality industry, the study will benefit various organisations as service guarantees practices not only limited to hotel sector but can be applied to other services area such as airline, health care, banking, theme parks, cruise ships, trade shows, meeting planning and convention organisation. The model developed in this study can be adapted when conducting research in hospitality areas as hospitality industry involves services and interaction between employees and customers, and the service guarantees serve as useful guideline in achieving quality service and customer satisfaction. The result of the study will highlight on the importance of understanding customer preferences over variety of services offer and that customer will select the best seller known for delivering quality service.

² In the hotel sector, customers who consume hotel services are referred to as guests.

Definition of Terms

Creswell (2009) suggests that researchers to define terms so that readers can understand the term used although they are familiar with the terms used. The study utilized the following operational definitions:

Service Guarantees

A service guarantee is the promise by service provider to deliver the service at certain level, failure which will compensate customer either through monetary or nonmonetary reimbursement (Hays and Hill, 2006).

Empowerment

Sharing information with front-line employees about organization performance, being reward, knowledgeable employees that contribute to organization performance and power to make decision (Bowen & Lawler, 1992, p. 32)

Service Quality

It has been defined as a form of attitude that related to satisfaction that results from the comparison of expectation and actual service performance (Parasuraman, Zeithaml and Berry, 1988).

Service Recovery

Service recovery is “the actions taken by organisation in response to a service failure” (Zeithaml et al., 2009, p. 213).

1.5 Thesis Organisation

This thesis consists of seven chapters. The structure of this thesis is as follows:

Chapter One: Chapter One provided an introduction to the study. This chapter aimed to provide the background of the study and convey the importance of the study to the service industry, particularly the hotel sector. It discussed the problem statement, research objectives, research questions and the significance of the contribution of the study to industry practitioners, educators and policy makers.

Chapter Two: Chapter Two presents the background or setting in which the study is conducted, that is, the Malaysian hotel sector. This chapter also provides an overview of the issues relevant to this study.

Chapter Three: Chapter Three provides an extension of the literature review by examining the service quality and service quality gap and highlighting its relation to this study. This chapter also discusses the nature of service guarantees, particularly in terms of firm service performance. Finally, after reviewing previous empirical and conceptual research, this study identifies the research gap of interest and addresses the intentions of the study.

Chapter Four: Chapter Four is dedicated to a conceptual framework mainly focused on the model and hypothesis development. This chapter also discusses the theory used in the study. The chapter then presents and explains the development of the model based on observations of previous models by Hays and Hill (2006) and suggestions from scholars to improve the previously developed framework. The discussion in the chapter explains the development of the research hypotheses based on the review of the empirical and conceptual literature.

Chapter Five: Chapter Five is dedicated to the research methodology by which the research will be carried out and implemented. This chapter justifies the choice of the method applied in this study. This chapter also concentrates on the scale development used in the study based on the hypotheses formulated in Chapter Four. This chapter then proceeds to discuss the reliability and validity of the research and justifies the usage of SPSS and structural equation modeling (SEM) in the data analysis.

Chapter Six: Chapter Six is devoted to the analysis of the survey responses for the employee and customer studies. A general data examination and initial data analysis follow, including the analysis of missing values, the identification and cleaning of the outliers and the assumptions for multivariate analysis. The chapter

then discusses the results of exploratory analysis for both studies conducted using the SPSS 20.0 statistical programme. The chapter then presents the main analysis, in which structural equation modeling (SEM) is applied using AMOS 20.0.

Chapter Seven: Chapter Seven presents the summary and conclusions of this research. It begins by revisiting the research questions raised in the study. The implications of the study are discussed from theoretical and managerial perspectives. This chapter also highlights the limitations of the study and provides suggestions for future research. The chapter ends by presenting the conclusions of the study.



CHAPTER TWO MALAYSIAN HOTEL SECTOR

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