

# The Relationship between Service Guarantees, Empowerment, Employee Satisfaction and Service Quality in Four and Five Star Hotels in Malaysia

Aslinda Mohd Shahril, Yuhanis Abdul Aziz, Mohhidin Othman, and Jamil Bojei

**Abstract**—Despite the numerous benefits of the implementation of service guarantees in service organizations, there is a dearth of studies that explore the relationship between service guarantees, empowerment, employee satisfaction and service quality, particularly in the hotel industry. The aim of the study is to examine the relationship between service guarantees and employee empowerment and to investigate the correlation between empowerment and employee satisfaction and establish its links to service quality. This study employed the quantitative methodology based on survey questionnaires distributed to frontline employees in various four and five star hotels in Malaysia. The empirical findings provide evidence that service guarantees have a positive relationship with empowerment. However, the study found that empowerment has an insignificant relationship with employee satisfaction. Notably, it was found that employee satisfaction has a significant relationship with service quality. The study's limitations and suggestions for future research are discussed.

**Index Terms**—Empowerment, employee satisfaction, service guarantees, service quality.

## I. INTRODUCTION

Currently, intense competition in the service industry has provided customers with variety of choices and confronted with this, 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, focusing on, meeting and understanding customers' needs have become key performance indicators for company success [1]-[2]. Due to its important role to service organization, service guarantees have been increasingly acknowledged by experts as a means to achieve organizational commitment in its service delivery process [3] and also to jump-start quality enhancement in service organizations [4]-[5].

This study identifies the importance of service guarantees and their related outcomes in relation to employee roles and involvement to support the management's vision and its subsequent impact on service quality. In developing and executing successful service guarantees, employee participation is vital as employees hold the service promise and are those dealing directly with customers. Without employee support, the service promise will be meaningless

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A. M. Shahril is with Universiti Teknologi Mara, Malaysia (email: lindashahril74@gmail.com).

Y. A. Aziz, M. Othman, and J. Bojei are with Universiti Putra Malaysia, Serdang, Selangor, Malaysia (email: yuhanis@putra.upm.edu.my, mohhidin@putra.upm.edu.my, jamil@putra.upm.edu.my).

and invaluable. The study will investigate the effects of service guarantees through management strategies such as employee empowerment and job satisfaction and how these are linked with service quality. In sum, service guarantees will not only assist regular checking of service performance, but serve as an interactive means between customers and organizations to enhance the organization's knowledge in the service delivery process.

## II. LITERATURE REVIEW

A service guarantee is viewed as the company signaling of service quality [5] while Liden and Sanden [6] assume that guarantees act as a service development process for the company. A more recent definition by Hovgreve and Gremler [7] states that service guarantees are akin to promises from service organizations to deliver service at certain standards which if not met, will be remedied by the organization through some form of compensation. However, compensation could also mean that service organizations may do nothing in response to service failure.

Service guarantee is a relatively new service concept that has received attention only in recent years. Christopher Hart, a professor and quality guru from the Harvard Business School introduced the notion of service guarantees in his article, The Power of Unconditional Guarantees which has instilled an urgent and new practical business policy among corporate organizations to become more customer-driven [8]. Following Hart's introduction, research on service guarantees grew [7] and has since revealed the impact of service guarantees on the organization's reputation, operations and service quality [9]-[5]. Thus, it is important to understand the consequences of having service guarantees in an organization. Quality initiatives demand employee involvement, motivation and participation to ensure that the organization's commitment to deliver quality service to customers [10] is communicated to customers. Thus, management needs to select and train qualified employees to deliver the services.

Additionally, service guarantees is a means for firms to improve service quality and a commitment to offer standard services and compensate customers in some way during service failure inadvertently communicates to employees the desired level of service to customers that is expected of them [11]. Service guarantees differentiate high and low quality firms and firms with higher bond credibility will offer more meaningful services as promised.

Accordingly, employees must be given a clear picture of

the expected service delivery and the service outcomes to guide them. Employee interactions with customers is critical since it will build the customer's perception of quality and service guarantees motivate employees to focus on key service performances to meet customers' expectations. Similarly, service guarantees act as quality signals to customers and help reduce their purchase risk due to the intangibility of service offerings [5]. Based on the above discussion, it is argued that service guarantees will have a positive relationship with service quality. Therefore, the study proposes hypothesis one:

**Hypothesis one:** Service guarantees will have a positive relationship with service quality.

The relationship between service guarantees and empowerment was initially suggested by Wirtz [2] and Kashyap [11]. They argue that organizations need to empower the employees to be more independent, able to exercise some power to make decisions during service difficulties and deliver more satisfying service to customers. The term empowerment has been defined in many ways. Lee and Koh [12] present the definition of empowerment (1) as the attitude of supervisors that empower their employees and (2) the psychological state of employees. There is some agreement among scholars where empowerment is defined as sharing power [13], participative management [14] and job enrichment [15]. Empowered employees are believed to be more flexible and will be more productive, thus leading to favorable service delivery and outcomes. In the service guarantees context, empowerment is crucial as empowered employees play significant roles and have positive impacts on customers' perceived service quality. It is argued that empowered employees will be more proactive as they have stronger feelings about the organization and will be more enthusiastic to satisfy the customers and enhance service transactions. Additionally, empowerment is a major resource for bringing competitive advantage to organizations and is the key success factor for service delivery [16]. Hence, the next formulated hypothesis is:

**Hypothesis two:** Service guarantees will have a positive relationship with empowerment.

Following the power and authority given to employees, empowered employees are anticipated to have higher levels of job satisfaction. Several studies have revealed a significant correlation between empowerment and job satisfaction [17], [18] and [19]. Employees with higher levels of empowerment will be more satisfied with their jobs, have a better sense of performance control and can easily make changes to improve the quality of service in their organizations [16]. Additionally, empowered employees feel better about their jobs, are more satisfied and contribute to greater productivity. In the same light, empowered employees will play more active roles as they are recognized and valued by the management. In the hotel setting, consumption and production occur simultaneously and quick resolutions are required to promote customer and job satisfaction [18]. In a recent study on five star hotels in Turkey, Pelit, Ozturk, and Arslanturk [16] found that empowerment has a significant effect on job satisfaction and the effect is much greater when psychological and behavioral empowerment occur simultaneously. Consequently, empowered individuals that

are more active in the organization and more independent in performing their tasks will feel increased job satisfaction and this, it is hoped, will contribute to organizational objectives and service quality improvement [20]. Therefore, the study proposes the next hypothesis:

**Hypothesis three:** Higher levels of empowerment will result in higher levels of job satisfaction.

Previous studies suggest the need for service organizations to pay special attention to employee satisfaction [21]. The relationship between job satisfaction and service quality has been suggested by the "Cycle of Success" model [22]. This model proposes that employee satisfaction leads to increased employee performance, which in turn leads to customer satisfaction, customer loyalty, and the increased financial performance of a firm [23]. Job satisfaction has also been empirically tested and positively related to customers' perception of service quality in several service industries such as banking [24], hotels [21] and education [25]. Gazzoli et al. [23] argue that job satisfaction leads to increased employee performance, which in turn, links to better service performance, customer satisfaction and loyalty and the firm's financial performances. Consequently, the empowerment of service employees is argued to have impact on job satisfaction and service quality. Based on a review of previous research on job satisfaction and service quality, this study predicts the following hypothesis:

**Hypothesis four:** Higher levels of job satisfaction will result in higher levels of service quality.

### III. RESEARCH METHODOLOGY

To test these hypotheses, an empirical study was carried out, using the survey questionnaire. The questionnaire used for this study is a close-ended type and comprises 34 questions inclusive of the demographic section. Responses are recorded on a five-value scale to indicate employees' opinions of service guarantees; empowerment, job satisfaction and service quality. The respondents comprised 200 frontline employees in four and five star hotels in Malaysia. Descriptive statistics and reliability analysis were analyzed using SPSS 20.0. Descriptive statistics was used to disclose the characteristics of the employees.

The variables in this study were analyzed using structural equation modeling (SEM) via AMOS 7.0. The relationships among service guarantees, empowerment, job satisfaction, and perceived service quality were examined using SEM which estimates the relationships between latent variables and indicators simultaneously as well as determines the validity and reliability of the measures. Data was collected via self-administered survey and the convenient sampling method was employed for selecting the respondents as participation in the study depended heavily on the hotels' cooperation.

### IV. RESULTS AND DISCUSSION

In this section, the findings of the study will be discussed. The following table shows the results of four research hypotheses.

TABLE I: SUMMARY OF HYPOTHESES TESTING

Hypotheses	Description	Result
H 1	Service guarantees have a positive relationship with service quality	Not Supported
H 2	Service guarantees have a positive relationship with empowerment	Supported
H 3	Higher levels of empowerment will result in higher levels of job satisfaction	Not Supported
H 4	Higher levels of job satisfaction will result in higher levels of service quality	Supported

Hypothesis 1 predicted that service guarantees will lead the organization to achieve higher levels of service quality. The examination of hypothesis 1 however showed that this hypothesis is not supported. This finding contradicts the proposed assumption that service guarantee will inspire the employees to deliver the expected standard of service quality. However, the findings is consistent with Chen et al.'s [26] study that found no significant relationship between both constructs.

Hypothesis 2 speculated that service guarantees will lead to higher levels of employee empowerment. Results indicated that this hypothesis is supported and this finding confirms the suggestion made by Wirtz [2] that empowered employees are required for the organization to implement service guarantees.

Hypothesis 3 posited that highly empowered employees will also experience job satisfaction. However, the results failed to support this hypothesis and this empirical finding contradicts with previous research done by Hartline and Ferrell [21] and Gazzoli *et al.* [23].

Hypothesis 4 postulated that employees with high levels of satisfaction will report service quality at work. The empirical results showed that this speculation was supported and found a significant relationship between these two constructs.

The statistical analysis and empirical findings of the study show that service guarantees have no significant relationships with service quality. The insignificant result does not mean that service guarantees do not have any impact on service quality but rather, indicates its incapability to adhere to and fully honor the service promised. Service guarantees require the firms to compensate customers for service failure. However, this has not been widely practiced in Malaysian culture and thus, service guarantees are not strong enough to support the relationship with service quality.

The findings from the study provide support for the relationship between service guarantees and empowerment. It is argued that empowered employees have something to offer to ensure the success of service guarantee implementation. It is important that companies provide clear visions and inform employees of the expected service standard; and that giving some authority to employees will maximize their participation and commitment to hold the management's vision.

The study fails to support the relationship between empowerment and employee satisfaction, as predicted in

hypothesis 3. This may be attributed to the fact that employees may associate job satisfaction with the monetary and other rewards that they obtain from the hotels. The current rewards given could have impact on their motivation and the satisfaction was at moderate level.

The study has evidence that employee satisfaction is positively correlated with service quality. As speculated in hypothesis 4, satisfied employees feel better about their jobs and are more productive, thus positive outcomes of service delivery are anticipated. It appears that employee satisfaction contributes to promising service quality and leads to more satisfied customers.

The results from the testing of the proposed hypotheses offer mixed findings for the theoretical predictions made regarding these hypotheses. The study found that empowerment plays a crucial role to the success of service guarantees. It is believed that empowerment brings a lot of benefits to the hotel industry as employees will be more motivated, independent, creative thinkers and able to perform their jobs. Although the study did not find evidence on the relationship between service guarantees and service quality, it can be said that service guarantees have specific impact on service quality and serve as the organization's business strategy to gain competitive edge.

## V. LIMITATIONS

Each research project conducted in any field of study is always constrained by various limitations. Due to the time constraint, this study is cross-sectional, and is limited by the survey method, which prohibits the collection of thorough information. The cross-sectional design limited the findings to the limited period for data collection. The research setting was only focused on four and five star hotels in Peninsular Malaysia. Replicating the study to other segments of the lodging industry will particularly benefit Malaysia's lodging industry.

For the practitioners in the hotel industry, this research revealed that management of employees is important as it may have significant impact on customer and business performance.

## VI. SUGGESTIONS FOR FUTURE RESEARCH

The findings of this study draw attention to some directions for further studies to be conducted in this field. One important note is that future research should employ empowerment constructs that are represented by multi-dimensions in order to capture the essence and employ the fullest extent of empowerment in the final model. Caution should be exercised as empowerment has varied dimensions and researchers must adapt the suitability of each dimension based on the research objectives.

Future studies should employ both quantitative and qualitative methods as this can present more in-depth information and overcome the weaknesses of each methodology.

The study also suggests that future studies cover a wider area of the service industry. Since service guarantees are not

only confined to the hotel industry, similar investigations can be replicated in other service industries such as banks, fast food restaurants, health and care, and the airline industry. Replicating the study is possible since service guarantee practice aligns with the nature of service act. Since this kind of study is relatively new in Malaysia, future studies will enrich the body of knowledge on the hospitality industry in Malaysia.

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**Aslinda Mohd Shahril** was born in Malaysia in October 1974. She is currently a PhD student at Universiti Putra Malaysia. Her research interests include service marketing, marketing and consumer behavior.



**Yuhanis Abd Aziz** was born in Malaysia. She received her PhD from University of Nottingham. She is currently a senior lecturer at the Faculty of Economics and Management, Universiti Putra Malaysia. Her research interests include service marketing, marketing and tourism.



**Mohhidin Othman** received his PhD from University of Strathclyde, Glasgow. He is currently a senior lecturer at the faculty Food Science and Technology, Universiti Putra Malaysia. His research interests include food service, food science and hospitality.



**Jamil Bojei** was born in Malaysia. He received his PhD from University of Strathclyde, Glasgow. He is currently a Deputy Dean at the Faculty Economics and Management, Universiti Putra Malaysia. His research interests include marketing and advanced marketing technology.