



An Assessment of Service Quality Practices and Mediating Effect of Customer Focus in Hospitality Industry

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Abstract

Quality is considered to be the key factor in the growth of hotels. Outstanding quality service not merely gives a profit, however it also motivates staff to do their best to face challenges. In Pakistan's scenario hotel managers are trying their level best to offer quality services to gain successful market share and to sustain in the competitive environment. The purpose of this research is to identify CSF of hospitality industry. The main objective of this research is to study the mediating impact of customer focus among four independent variables and market share. A total of 139 questionnaires covering six critical success factors of service quality, were distributed among management of three, four and five star hotels of Pakistan, out of which 103 questionnaires were received back successfully and were used for analysis. The results imply that success factors of service quality such as leadership and customer focus have a positive relationship with market share.

Keywords: Quality, service quality, hospitality industry, CSF (critical success factors) customer focus, market share.

Introduction

Quality is considered to be an imperative subject matter in research on services¹. The intricacy of today's hard competitive industry environment has made TQM as the most significant managerial method to attain competitive edge for hospitality business¹. Quite a lot of essential managerial techniques such as executive commitment, customer focus, constant innovation and improvement, process and information management and training etc that have displayed positive relationship with quality services in service firms².

Hospitality business is increasing swiftly in Pakistan. The speculation about intercontinental and local hotels has grown with the increase in the number of new hotels with the aim of providing improved customer service. Being aware of the escalated competition between hotels, hotel management is giving importance to quality to put them in a competitive gain. In this severe competitive industry, it is necessary for both international and local hotels to find out excellent values and instruments for refining service quality³.

It is argued that there is unbelievable competition amongst hotels. Hotels cannot continue to exist in this competitive environment, until they do not gratify their customers with satisfying service. The excellence is primarily the service associated with customer wants and every hotel can do well by satisfying the customers⁴.

As improved quality standards are being made for customers, consequently it is necessary to please them in this competitive gain⁵. In order to gain competitive advantage, most companies

are looking for quality advancement systems and are focusing on their customers. Service firms work purely for satisfying the needs of customers by offering quality service to attain competitive edge and many organizations have made service departments that collect information about customers' transactions with products, services and quality⁶.

A study was conducted on relationship between service quality practices, customer focus and loyalty in hotels and was concluded that customer focus significantly mediates the association between service quality and performance⁷.

Problem Statement: Service quality management is a study that looks forward to put together all business functions to emphasize on fulfilling customer wants and goals of the organization⁸. Hotels following quality control and assurance systems show improvement in customer and employee contentment, low operational costs and high revenues as compared to their competitors⁹.

This research involves some critical success factors associated with managing a prosperous service quality management execution in hospitality industry particular in Pakistani hotels. The critical success factors in literature associated with quality will be studied. It involves a research on dimensions linked with having a fruitful market share in hospitality industry particularly in three, four and five star hotels. The purpose is to better identify the role of these critical success factors in affecting market share of hotels.

Literature Review: Quality is one of the key factors in the development of hotel industry particularly TQM¹⁰.

Quality in the Eyes of its Pioneers: The questions regarding quality have been originally addressed by Deming, Crosby, Feigenbaum, Juran and Ishikawa in the beginning of the TQM movement.

Quality is whatsoever the customer expects. He motivates American managers to make prospect preparations and predict problems to get rid of waste. To do so, quality should be planned and designed. He persuades companies to engage employees in decision-making process¹¹.

Quality is a company's finest asset in competitiveness. He describes quality as a method of organizing; managing and that customer satisfaction, lesser costs, and the efficiency of human resources rely on quality control¹².

Quality is constructed on Feigenbaum's notion of total quality control. He identifies total quality control as an approach of manufacturing procedures which makes quality products and services that fulfill customers' wants. He considers quality as the contribution by all workforces from top down, from the executives to the first line workers, so that everyone has a better role to play¹³.

Juran constructs his quality rules on the basis of quality planning, control, and improvement. Similar to Deming, he thinks that customers should be the focal point of quality planning. His policies emphasize on top management participation, planning quality enhancement, and making a training plan for all staff. He focuses on the need for nonstop improvement of the processes involved in producing high quality services and goods in customer oriented organizations¹⁴.

Hospitality: As per Oxford English Dictionary¹⁵ hospitality is regarded as 'gracious and bighearted conduct towards strangers or guests, whereas Chambers English Dictionary¹⁶ considers it as, 'entertaining guests kindheartedly, without any reward: showing gentleness and munificence'. Lashley says, 'hospitality entails the guest to sense that the host is being welcoming through bounteousness, an aspiration to satisfy a guest as an individual'¹⁷.

The concept of relationship between guests and hosts is basically dissimilar to that of customers and managers and is defined in social context. Darke & Gurney investigated the prospects of hospitality, and put forth social set of laws, like not complaining, that are evidently at discrepancy with the relation between clients and managers¹⁸.

Service Quality: Existence of a hotel is based on quality of its service and management¹⁹. It's purely linked with the contentment of customers and customer contentment is connected to their intention of revisiting a hotel^{20,21}. Hotels can get a competitive edge if an effectual image is portrayed to customers²². Two steps come out as a consequence of service improvement, i.e.; arrangement and organization of resources²³.

Hotels with high-quality service will consequently perk up their market share and productivity²⁴. In an extremely competitive hospitality industry, individual hotel managers should find means of making their goods and services rest out between the others. To accomplish this, managers need to understand needs of customers and ways to meet up those wants.

Service quality and Market Share: The services literature suggests a direct link among service quality and market share²⁵. This link is considered to be either by catching the attention of new customers by retaining the already existing customers²⁶. This has shown the way to an growing popularity of quality enhancement programmes and service quality turning out to be a strategic concern in services²⁷.

Quality service has affected several measures for business success in many organizations²⁸. Capon et al have identified a very positive association between business performance and quality²⁹. Two major factors of service quality, i.e., reliability of service and managing requirements of customers, which further add up to market share of the business have also been discovered³⁰.

Critical Success Factors: There are self evaluation models like European Excellence Model 2000 and MBNQA to assess the performance of organizations³¹. Based on these models there are few critical success factors that are stated below in table -1.

Table-1

Winners MBNQA/EQA Criteria	MBNQA / EQA success factors
Leadership	Senior management commitment, Shared values, Senior management involvement, Passion for excellence, Corporate citizenship, Inspire, guidance, coach & support, Public responsibility
Policy and Strategy	Quality function deployment, Performance tracking, Strategic direction, Strategic business and quality plans, Planned development and implementation
Customer Focus	Customer quality measurements, Customer relationships, Customer satisfaction, Market research
Human Resource Focus	Human resource development, Employee well being and satisfaction, Participatory environment
Process Management	Process design, Process management, Process implementation, Supplier and partnering processes Process review and improvement, Product and service processes
Market Share	Stakeholder satisfaction, Customer focused results, Financial and market results, Organizational effectiveness results

Leadership: Yukl says that leadership is the process of being determined and influencing attitudes to accomplish organizational objectives³². Leaders ought to be aware of attitudes and values across unlike cultures to deal with leadership challenges for managers³³. For successful implementation of quality practices there should be proper leadership and involvement of top management along with activities like holding meetings with staff, acknowledgment of work and training employees³⁴. In order to maintain commitment of employees, visionary leadership is very important which consumes a large share of top management's effort and time specifically in the initiation phase of a business³⁵. Leaders should build an environment of learning, development and growth³⁶.

Policy and Strategy: Olian & Rynes argue that for any organization to perform well, it is necessary to align every employee's efforts with the organizational objectives³⁷. Policy is a standard that sets main concerns by recognizing the right things to do³⁶. Best firms are using the method of policy making to assure that staff understands aims of the organization and how will they meet those aims³⁸.

Customer Focus: The key aim of introducing quality management is to gratify customers because satisfying them is the most precious resource that a firm can own in a competitive market. Customer retention is strongly determined by service quality. Meeting customer's want will satisfy them the most³⁹. Most hotels use a number of tools like focus groups, close up interviews and surveys to evaluate contentment of customers³⁸.

The prime trait of quality management is the hotel's emphasis on its consumers. Though, it is difficult to identify real needs of customers, because their priorities change with the passage of time. Moreover, their wants usually vary from one another. Organizations should collect information regarding customer expectations through focus groups, surveys, and customer interviews to stay in touch with what they want⁴⁰.

Human Resource: By associating human resource management with aims of the firm workforce can be motivated towards achieving competitive edge⁴¹. Hospitality industry is no doubt a labor concentrated industry and its achievement relies on expertise of its employees and their commitment towards work⁴¹. By understanding the employees' wants and fulfilling them, firms can lead to greater productivity⁴².

Process Management: Quality process is incomplete if it does not focus on the issue of process management⁴³. Communication is the crucial part that fosters quality process by sustaining management based on people. Identifying world best practices and comparing them with one's own practices to fill gaps is basic objective of process management. According to process management focuses on raising standards of quality and increasing efficiency of staff⁴⁴.

Market Share: Kotler assumes that an organization should market its product or services and popularize their brand⁴⁵. As Page says that if hotel charges will be high as compared to competitors, customers will prefer the one with low prices which will in turn increase the market share of competitor⁴⁶. A study states that there is a relationship between service quality and market share. In the hospitality industry market share could be observed in terms of how well stakeholders' expectations of stakeholders are satisfied⁴⁷. On the other hand, given the array of stakeholders, the role of the differing interests and motives of the different stakeholders should be kept in mind while measuring performance⁴⁸. The literature and research imply a direct linkage between business performance and service quality. This link between market share and quality is supposed to be either via strong marketing by catching the attention of new customers or by hanging on to the existing customers. This has led to an escalating recognition of quality enhancement techniques and service quality as a strategic issue in hospitality industry.

Based on the above literature following research objectives have been developed:

Research Objective: To investigate the influence of service quality practices on market share of hospitality industry.

Research Question: What are the CSFs of quality management in hospitality industry?

Research Hypotheses: Hypothesis I: Customer focus has a significant mediating role between leadership and market share.

Hypothesis II: Customer focus has a significant mediating role between policy and strategy and market share. Hypothesis III: Customer focus has significant mediating role between human resource focus and market share. Hypothesis IV: Customer focus has a significant mediating role between process management and market share.

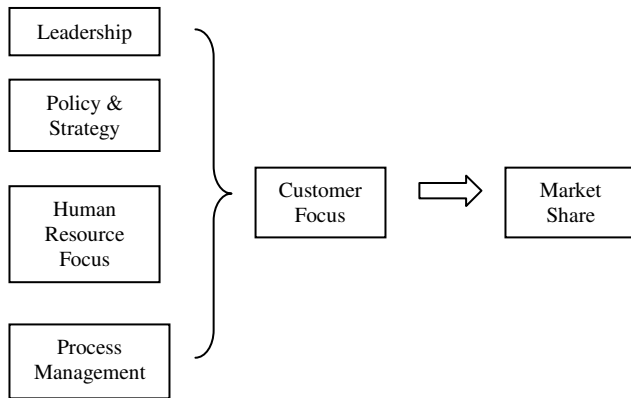
Methodology

Research Type: The research is survey based, considering the examination of three, four and five star hotels.

Sample Size: The absolute size of sample is essential, rather than its size relative to population. So, this study selected top and middle hotel managers and staff of ten five, four and three star hotels namely Serena Hotel, Pearl Continental Hotel, Avari Hotel, Hotel Ambassador, Holiday Inn, Residency Hotel, Bahria Hotel, Park Plaza, Hotel Royal Yorke and Smart Hotel in order to represent the target population.

Sampling Frame: A specific hotel was selected on the basis of its star rating system.

Tool: Data was collected by using a five point likert scale questionnaire.



Research Model

The model shows that customer focus measures the mediating effect between independent variables (leadership, policy and strategy, human resource focus and process management) and dependent variable (market share).

Results and Discussion

Reliability Analysis: Black says that, “reliability is an indication of consistency between two measures of the same thing”⁴⁸. Reliability of data gathered from the questionnaires was analyzed using Cronbach’s alpha, which should have a value equal or greater than 0.68.

Table: 2 shows the values of Cronbach’s alpha of the six dimensions i.e; leadership, policy and strategy, customer focus, human resource focus, process management and market share respectively. The values are 0.886, 0.888, 0.888, 0.901, 0.892, and 0.890 which are all satisfactory because generally a coefficient of reliability above 0.70 is considered adequate for exploratory studies⁴⁹.

Table-2

Items	Cronbach’s Alpha
Leadership	0.886
Policy and strategy	0.888
Customer Focus	0.888
Human Resource Focus	0.901
Process Management	0.892
Market Share	0.890

Pearson’s Correlation: Bivariate correlation procedure was used to compute Pearson’s correlation coefficient. The value of coefficient of correlation lies between -1 and +1⁵¹. A value near to zero or exactly zero signifies that there is no relationship among the variables⁵⁰. Moreover, a value above 0.60 is considered as highly correlated, a value from 0.30 to 0.60 indicates variables are correlated on average, and a value less than 0.30 depicts that there is poor correlation⁵².

Correlation matrix is shown in table no: 3. The correlations among all six dimensions of the questionnaire are addressed in this section. The values of coefficient of correlation in the table show that there is a strong relationship between market share and leadership, policy and strategy, customer focus, human resource focus and process management at 0.01 level of significance. The Sig. (2-Tailed) value in is 0.00. This value is less than 0.05. Therefore, we can conclude that there is a statistically significant correlation among all variables i.e all five service quality practices are strongly correlated with market share of hotels.

Sobel Test for Mediation: Sobel test was used in order to analyze the mediating role of customer focus between service quality practices and market share. It is recommended for testing mediation⁵³.

**Table-3
 Correlations**

	Leadership	Policy and Strategy	Customer Focus	Human Resource Focus	Process Management	Market Share
Leadership	1	-	-	-	-	-
Policy and Strategy	.688**	1	-	-	-	-
Customer Focus	.674**	.675**	1	-	-	-
Human Resource Focus	.563**	.631**	.572**	1	-	-
Process Management	.698**	.580**	.664**	.511**	1	-
Market Share	.627**	.670**	.621**	.624**	.627**	1

Table-4

	Test Statistic	Std.Error	P - Value
Mediation of customer focus between leadership and market share	3.39979827	0.0869981	0.00067436
Mediation of customer focus between policy and strategy and market share	3.04804222	0.10237785	0.00230338
Mediation of customer focus between human resource focus and market share	3.93266133	0.07405621	0.00008401
Mediation of customer focus between process management and market share	3.33865567	0.09349751	0.00084185

In table: 4, test statistic is about 3.3 showing about 3% relation of customer focus as a mediator for leadership, policy &

strategy, human resource focus and process management. Moreover the p-value is within range that is less than 0.05. Therefore, it is verified that mediation exists.

Hypothesis Testing: Significant at $P \leq 0.05$

Hypotheses Relationship		P-Value	Conclusion
H1	Customer focus has a significant mediating role between leadership and market share.	0.000*	Accepted
H2	Customer focus has a significant mediating role between policy and strategy and market share.	0.000*	Accepted
H3	Customer focus has a significant mediating role between human resource focus and market share.	0.000*	Accepted
H4	Customer focus has a significant mediating role between process management and market share.	0.000*	Accepted

Conclusion

This research determined the critical success factors of quality management. Moreover, it examined the impact of customer focus as a mediator between service quality practices and market share of hospitality industry. The critical success factors were leadership, policy and strategy, customer focus, human resource focus, process management and market share. After conducting detailed analysis, it is concluded that customer focus has a strong mediating effect between the independent variables mentioned above and the dependent variable i.e. market share.

For successful service quality implementation, the entire workforce must adopt total quality practices and they must be motivated for improvement continuously. There should be benchmarking to identify opportunities for improving market share. Management should revise their existing specifications as per the requirements of customers.

Limitations and Suggestions: There are some limitations of the current research. For this research, 3 cities of Pakistan were surveyed, out of which 2 are big ones, however few other cities could not be covered. Therefore, generalization of results is not warranted. Since self administered questionnaire was used to gather data and sufficient time was given to complete them but the response rate was not very high. Moreover, this study is conducted at organizational level and excludes additional key factors like customers.

With the aim of adopting the generalization of the proposed methodology it is strongly suggested to apply it in other different areas i.e. international hotel industry. Greater number of cities with larger sample size should be used to get more accurate results.

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