

# The Relationship Between Employee Job Satisfaction, Perceived Customer Satisfaction, Service Quality, and Profitability in Luxury Hotels in Kuala Lumpur

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## Abstract

The research examined the relationship between employee job satisfaction, perceived customer satisfaction, service quality, and profitability in five hotels in Kuala Lumpur, Malaysia. This research explored the relationship between employee job satisfaction, perceived customer satisfaction, service quality, and profitability in the luxury hotels in Kuala Lumpur. It is common knowledge that hoteliers are effectively looking for new approaches in order to increase their service values through their service quality offerings. High rate service quality can only be attained through effective and efficient hotel operations that can surpass customers' expectations and finally increase firm profitability. There were around 150 respondents from the top and middle managers of the hotels in Kuala Lumpur. The period of the study was from January to December 2015. The data was analyzed using the SPSS statistical package. The research found that higher employee job satisfaction increases service quality and this increases hotels' profit. On the other hand, employee job satisfaction generates higher customer satisfaction and increases hotel profitability through future sales and customer positive goodwill. The paper ended with a discussion on implications and limitations of the research and some directions for future studies are suggested.

**Key words :** employee job satisfaction, perceived customer satisfaction, service quality, and profitability

**JEL Classification :** L8, Z0, Z3

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Overall advancement in globalization has prompted consumers to pickup lots of cues with regards to the goods and services offered to them by any organization. Meeting customer satisfaction is an evolving phenomenon in the hotel industry; vast and fast changing technology and current globalization rate has made this task even difficult for hoteliers all over the world (Hussain & Khanna, 2016). The organizations are struggling to offer various goods and services with an expectation that it will exceed the customers' expectations.

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Customers are more selective and are able to judge whether money spent in attaining the goods and services is worth it or not. In addition, customers also place high expectations on goods and services rendered from the branded companies. On the other hand, diverse intrinsic values placed by the customers in judging the quality of goods and services received is also a continuing challenge faced by many organizations.

The case is similar with the luxury hotels in Kuala Lumpur, Malaysia where there is a continuous struggle to exceed the customers' expectations. There is a strong emphasis in luxury hotels for their staff to deliver high quality services to the customers that exceeds the expectations of their hotel guests and the guest loyalty is retained for future visits (Chi & Gursoy, 2009). However, it is believed that this is only feasible if there is a positive environment in the hotel that leads to higher employee satisfaction. When employees' satisfaction is high, then they are able to create positive citizen behavior that exceeds employer expectations and generates higher service quality. Highly satisfied customers would, in turn, spread good word of mouth, resulting in more customers coming to the hotels and increase their profitability (Lee, Magnini & Kim, 2011).

## **Review of Literature and Hypotheses**

**(1) Profitability :** Profitability is a principal system that is used by an organization to measure its overall performance. Profit can be measured in terms of earnings per share, stock price, debt-equity ratio, market share, goodwill, return on assets (ROA), return on investment (ROI), and return on sales (ROS). Many past studies have used financial indicators such as return on assets (ROA), return on investment (ROI), and return on sales (ROS) to measure firms' profitability (Zeithaml, 2000). There are various factors contributing towards firms' profitability, and this research ascertains firm's profitability from three perspectives, that is, employee job satisfaction, customer satisfaction, and service quality. There are various studies supporting this relationship. Employee job satisfaction has a positive relationship with profitability (Chi & Gursoy, 2009 ; Lee et al., 2011; Yee, Yeung, & Cheng, 2010). Service quality is positively related to firm profitability (Chi & Gursoy, 2009 ; Lee et al., 2011; Yee et al., 2010). There is a positive relationship between customer satisfaction and firm profitability (Chi & Gursoy, 2009; Lee et al., 2011; Zeithaml, 2000).

Although there are many studies on employee job satisfaction, customer satisfaction, service quality, and firm profitability, these have been conducted from different organization perspectives and none of the studies have combined these three variables in a single research framework.

**(2) Employee Job Satisfaction and Profitability :** Employee job satisfaction refers to the extent that people are highly satisfied with their job (Chi & Gursoy, 2009). Employee job satisfaction wields a significant impact towards meeting customer satisfaction. Positive organization environment will result in highly satisfied employees who will offer better service quality to customers, and enhance business profitability (Heskett, Jones, Lovemann, Sasser, & Schlesinger, 1994). Organizations that are able to generate a high degree of employee satisfaction would experience higher profitability (Yee et al., 2010). Some strategies such as job design, job characteristics, organizational environment, and also the industry structure can be used to generate higher employee job satisfaction (Govindarajan, 1988). Highly satisfied employees tend to become more productive and increase their own efficiency and effectiveness in their line of work. Numerous studies have found that employee job satisfaction results in increased productivity and generates higher profitability (Chi & Gursoy, 2009; Lee et al., 2011; Yee et al., 2010). Nonetheless, more research is needed to examine the relationship between employee behavior and organization performance. Based on the literature, the following hypothesis is established :

➤ **H1 :** There is a positive and significant relationship between employee job satisfaction and profitability.

**(3) Employee Job Satisfaction and Service Quality :** Customers' judgment about level of service quality provided

by an entity refers to the term service quality (Zeithaml, 2000). Hence, excellent service quality can only be obtained if there is a high level of job satisfaction experienced by the employees (Lee et al., 2011). The principle of social exchange theory exerts that if the working environment is favorable, then employees are more prone to increase their efficiency and effectiveness in delivering high service quality. Therefore, it is important for organizations to maintain high employee job satisfaction as it increases employee loyalty to the organization and subsequently improves higher service quality (Lee et al., 2011). Employees' expectations that a positive working behavior will be rewarded motivates them to exceed employer expectation and thus deliver high service quality to the customer. Many studies have demonstrated that employee job satisfaction is positively related to service quality (Karatepe & Agbaim, 2012; Limpanitgul, Robson, Gould-Williams, & Lertthaitrakul, 2013). Based on the literature, the following hypothesis is formulated:

➤ **H2 :** There is a positive and significant relationship between employee job satisfaction and service quality.

**(4) Employee Job Satisfaction and Customer Satisfaction :** Employees' job satisfaction is one of the crucial factors in determining customer satisfaction in any organization. The most important factors that generate higher employee job satisfaction are working relationship, higher pay, better benefits and self-development program, work environment, leadership style and support, prioritized values, job security, and clear communication (Eapen & Annamalai, 2014). Positive environment in an organization would capture staff loyalty, which would encourage them to be loyal to their organization for a long time (Lee et al., 2011).

Employees with a long term service are familiar with the organization's culture and operations and would be able to meet customers' demands in a timely manner. Based on the learning curve theory, employee experience over the years enables them to provide efficient and effective service delivery and satisfy their customers. In order to satisfy their customers, employees must recognize their needs and take the necessary initiatives to satisfy them (Ma, Qu, & Njite, 2011). Customer satisfaction is an experience on how certain people or an organization has met their demand or requirements (Ariffin & Maghzi, 2012). Employees in the hospitality industry should be able to deliver speedy and excellent service to customers and exceed their expectations (Limpanitgul et al., 2013). Highly satisfied employees would generate positive outcome by exceeding customer expectation. On the other hand, dissatisfied employees would become inefficient and hostile to the customers and tarnish the organization's reputation. There is a positive relationship between employee job satisfaction and customer satisfaction (Pantouvakis & Bouranta, 2013). Therefore, it is posited that employees' job satisfaction will increase customer satisfaction. Based on the literature, the following hypothesis is established :

➤ **H3 :** There is a significant relationship between employee job satisfaction and customer satisfaction.

**(5) Service Quality and Profitability :** Excellence in service quality leads to sustainable competitive advantage such as stronger brand image, superior pricing power, and increased operational efficiencies; it increases customer loyalty and enhances the ability of the organization to attract, retain, and motivate employees (Priya & Jabarethina, 2016). Moreover, there is an important bond between service quality and profitability, and one cannot co-exist without the other (Chi & Gursoy, 2009 ; Lee et al., 2011; Yee et al., 2010). If an organization is generating profit, then it can use many strategies to increase its service delivery. In contrast, high profit can only be realized through high quality of service delivery. Service quality is a determinant of customer satisfaction as it reveals the customers' assessment of the service providers. Service quality has been identified as a key factor of sustainability in tourism and hospitality industry (Chen & Cheng, 2012). Service industries are aware that improving service quality is essential to ensure their sustainability (Luoh & Tsaur, 2011).

Customers who received quality service will say positive things about the hotel which will invite potential guests to the hotel and increase its profit. Numerous studies in the service industry also found that service quality

plays an important role in determining business profits (Chi & Gursoy, 2009; Lee et al., 2011; Yee et al., 2010). Therefore, it is essential for the service industry to uphold their service quality at all times in order to satisfy their customers and increase their profits. Due to its importance, more research is needed in understanding the relationship between service quality and profitability from the luxury hotels' perspective (Ariffin & Maghzi, 2012). Based on the literature review, the following hypothesis is formulated:

➤ **H4** : There is a positive and significant relationship between service quality and profitability.

**(6) Customer Satisfaction and Profitability** : Customer satisfaction is optimized when someone or an organization delivers a service quality greater than what is expected by their customers (Zeithaml, 2000). Highly satisfied customers spread a good word of mouth about their experience in visiting a hotel and become loyal customers of the hotel (Au, Law, & Buhalis, 2010). There is a long-term relationship between customer satisfaction and business performance (Pantouvakis & Bouranta, 2013) such as profitability (Heskett et al., 1994). Customer feedback on hotel websites also makes a significant impact on how their profits are realized (Ariffin & Maghzi, 2012). Positive feedback would lead to greater profitability, and negative feedback would tarnish firm reputation and leads to negative profit performance (Pantouvakis & Bouranta, 2013). Therefore, it is important for an organization to exceed customer expectation, which would lead to customer satisfaction and increase firm profitability. There is a call to explore this relationship further, especially from the luxury hotels' perspective (Ariffin & Maghzi, 2012). Based on the literature, the following hypothesis is established:

➤ **H5** : There is a positive significant relationship between customer satisfaction and firm profitability.

**(7) Service Quality and Customer Satisfaction** : Lately, awareness about spending and value for money has led customers to demand high-quality goods and services which would meet their satisfaction. Hence, when customers visit a luxury hotel, they are willing to make a lucrative payment in return for high service quality and beautiful experience which they can share. Hence, luxury hotels must make a continuous effort to ensure that their staff are fully equipped to serve and surpass customer expectations through versatile efforts. Service quality is a vital factor, and an organization needs to ensure that customer satisfaction is met at all times (Yee et al., 2010). There are various researchers who found that service quality has a positive relationship with customer satisfaction (Pantouvakis, 2010; Yee et al., 2010). Nonetheless, this relationship is not fully understood and more research in this area from a different perspective is also essential to develop the current body of knowledge (Pantouvakis & Bouranta, 2013). Based on the literature, the following hypothesis is established :

➤ **H6** : There is a positive and significant relationship between service quality and customer satisfaction.

**(8) Service Quality Mediates the Relationship Between Employee Job Satisfaction and Profitability** : A good working environment and intrinsic & extrinsic benefits garner employees' satisfaction, which, in turn, stamps their loyalty to the organization. Employees with higher job satisfaction will then improve their service quality and exceed customer satisfaction (Ghorban & Tahernejad, 2012). Employees offering high level of service quality will meet customer satisfaction and this will lead to high organization performance (Cheung, Kong, & Song, 2014). Past studies also conferred that employee job satisfaction increases firms' profitability (Chi & Gursoy, 2009; Lee et al., 2011; Yee et al., 2010). Highly satisfied customers would repeat their visit to the organization in the near future and spread good feedback (Pantouvakis & Bouranta, 2013) and increase its profitability (Ghorban & Tahernejad, 2012). Therefore, it is postulated that service quality mediates the relationship between employee job satisfaction and firm profitability. In addition, the mediating role of service quality between employee job

satisfaction and profitability is not fully understood and needs further testing (Cheung et al., 2014). Based on the literature, the following hypothesis is established:

➤ **H7** : Service quality mediates the relationship between employee job satisfaction and profitability.

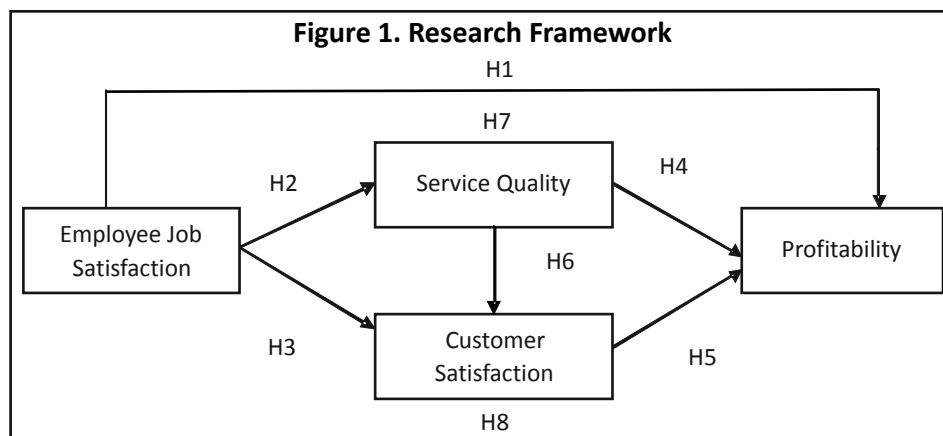
### **(9) Customer Satisfaction Mediates the Relationship Between Employee Job Satisfaction and Profitability :**

There is a positive relationship between employee job satisfaction and customer satisfaction (Pantouvakis & Bouranta, 2013). Employee job satisfaction is a reflection of good working environment, which generates higher customer satisfaction through service quality satisfaction (Ghorban & Tahernejad, 2012). Customer satisfaction will result in their loyalty to the firm and increase the firm profitability. In addition, there is also a positive relationship between customer satisfaction and firm profitability (Cheung et al., 2014). Highly satisfied customers would become loyal to the hotel, and they will draw potential customers to the hotel through their feedback. Positive feedback through hotel websites will attract customers from all over the world to the hotel and increase its profits. Nonetheless, the mediating role of customer satisfaction between employee job satisfaction and profitability is unclear (Hong, Liao, Hu, & Jiang, 2013). Therefore, more research on the mediating role of customer satisfaction between employee job satisfaction and the firm's profitability is needed (Ariffin & Maghzi, 2012). Based on the literature, the following hypothesis is established:

➤ **H8** : Customer satisfaction mediates the relationship between employee job satisfaction and profitability.

## **Research Methodology**

Based on the literature review, the research framework in Figure 1 was developed.



One of the main effects of globalization is that people can cross borders without many hassles. New open policies between countries have made it possible for people to travel easily, especially for vacations. This scenario has also boomed the hotel business, made room for employment, and generates income for nations. Since the hotel industry is so important, the present research was initiated to study the relationship between employee job satisfaction, perceived customer satisfaction, service quality, and profitability in five-star hotels in Kuala Lumpur, Malaysia. There are many hotel categories; however, the customers' experiences in the five-star hotels are well documented and service quality is highly scrutinized as compared with other hotel categories (Heung & Lam, 2003). The online hotel booking website TripAdvisor was chosen to determine tourists' choice of hotels in Kuala



Lumpur (Ayeh, Au, & Law, 2013). Based on this website, 146 most popular five-star hotels in Kuala Lumpur were identified. However, only the top 10 five - star hotels were selected. Furthermore, the top and middle managers from these 10 hotels were identified to be the research respondents because of their knowledge and day to day experience with their customers. Selected respondents must have specific knowledge about the theme of the understudy (Ottenbacher, Harrington, & Parsa, 2009).

The general operation of layout of the hotel consists of five categories : front office, housekeeping, food operations, food and beverages, security, and the service department (NurDalila, Radzi, & Othman, 2013). These five departments are managed by one top level manager, two middle level managers, and two operational managers. Since a hotel is operated in three shifts, 15 top and middle managers were identified to be the research respondents. Based on this, 150 questionnaires were distributed to the top and middle managers of the top 10 hotels in Kuala Lumpur. Judgmental sampling method was chosen as we required specific information from the respondents. The Table 1 shows various research instruments used and the sources. Each item in the questionnaire was measured using a 5- point Likert-scale ranging from 1= “*Strongly Disagree*” to 5 = “*Strongly agree*”.

The reliability of the instruments was measured by using Cronbach's alpha coefficient values. The Cronbach coefficient alpha values for instruments should be above 0.60 for exploratory research (Churchill, 1979). Cronbach's alpha values are above 0.6, which is higher than the recommended values, and this confirms the reliability of the instruments. Kaiser-Meyer Olkin (KMO) measure of sampling adequacy was observed from the diagonal elements of anti-image correlation matrix. The Table 2, Table 3, Table 4, and Table 5 show that the overall measure of sampling adequacy ranged between 0.800 to 0.865, which is considered good based on the recommendations of Hair, Black, Babin, Anderson, and Tatham (2006). Bartlett's test of sphericity provides evidence that there are correlations among variables in the correlation matrix (Hair et al., 2006).

The Tables 2- 5 display that the Bartlett's test of sphericity for all the variables ( $p$ -value < 0.000). This confirms that the correlation between the variables is sufficient to commence the factor analysis process. Principal component analysis (PCA) is a technique used in reducing the dataset into orthogonal Eigen vectors that explain

**Table 1. Instrumentation**

Variables	Items	Sources
Employee Job Satisfaction	4	Chi and Gursoy (2009)
Customer Satisfaction	4	Ariffin & Maghzi (2012)
Service Quality	7	Wu (2013)
Profitability	3	Garrigós-Simón, Palacios-Marqués, and Narangajavana (2005)

**Table 2. Reliability and Validity of Employee Job Satisfaction**

Items	Description	Loadings
EJS1	Overall, I am satisfied with my job at this hotel.	0.890
EJS2	I intend to keep working at this hotel for a long time in the future.	0.883
EJS3	I often think about quitting my job.	0.885
EJS4	As soon as I can find another job, I am going to leave.	0.886
KMO		0.851
Bartlett's Test of Sphericity		0.865
	Approx. Chi Square	2774.63
	Df	143
	Sig.	0.000
Cronbach's alpha		0.850

**Table 3. Reliability and Validity of Customer Satisfaction**

Items	Description	Loadings
CS1	I am satisfied with my decision to visit this hotel.	0.810
CS2	My choice to stay at this hotel was a wise one.	0.804
CS3	I think I did the right thing when I chose to stay in this hotel.	0.866
CS4	I feel that my experience with this hotel has been enjoyable.	0.876
KMO		0.848
Bartlett's Test of Sphericity		0.865
	Approx. Chi Square	1674.63
	<i>Df</i>	168
	Sig.	0.000
Cronbach's alpha		0.778

**Table 4. Reliability and Validity of Service Quality**

Items	Description	Loadings
IQ1	To have excellent quality of interaction with the employees.	0.685
IQ2	To have high quality of interaction with the employees.	0.672
PEQ1	To have a good physical environment that matches its theme, image, and price range.	0.772
PEQ2	To be satisfied with the physical environment.	0.785
SQ1	A prompt and quick service is provided.	0.663
SQ2	Employees helping to maintain speed and quality of services.	0.658
SQ3	To consider service quality superior to similar class and category of hotels.	0.688
KMO		0.850
Bartlett Test of Sphericity:		1528.174
	Approx. Chi Square	1635.63
	<i>Df</i>	156
	Sig.	0.000
Cronbach's alpha		0.767

**Table 5. Reliability and Validity of Profitability**

Items	Description	Loadings
P1	Average economic profitability (return on assets (ROA)) has an acceptable growth rate over the past few years.	0.670
P2	Average financial profitability (return on investment (ROI)) has an acceptable growth over the past few years.	0.688
P3	Average profitability in sales (return on sales (ROS)) has an acceptable growth over the past few years.	0.648
KMO		0.800
Bartlett's Test of Sphericity		0.777
	Approx. Chi Square	1554.63
	<i>Df</i>	158
	Sig.	0.000
Cronbach's alpha		0.783

the variability of the data efficiently (Kendall, 1975). Varimax orthogonal rotation method was utilized in the analysis. In addition, only items with factor loadings greater than 0.50 were selected. Based on the factor analysis, the factor loadings for the entire variables, as depicted in the Tables 2- 5, ranged between (0.658) to (0.890). The factor loading values for the measures can be considered between mediocre and above meritorious according to the cut-off values recommended by Hair et al. (2006). Based on these results, the instruments used in the research are adequate, reliable, and valid for further analysis.

**(1) Correlational Analysis :** Pearson's correlation coefficient was used to establish the relationship between employee job satisfaction and customer satisfaction, service quality, and profitability. Based on the results obtained in the Table 6, the correlation coefficient of 0.706 proves that there is a good relationship between employee job satisfaction and firm profitability. In addition, correlation coefficient of 0.884 shows a strong relationship between customer satisfaction and firm profitability. The correlation coefficient of 0.684 between service quality and profitability shows that there is a good relationship between the variables. The mean value for customer satisfaction (0.884) is higher compared to employee job satisfaction (0.706) and service quality (0.684). Hair et al. (2006) suggested that correlation coefficients within the range of 0.70 and 0.90 reflect a strong correlation between the variables. Hence, the results suggest that customer satisfaction plays an important role in determining firm profitability followed by employee job satisfaction and lastly service quality.

**Table 6. Correlation Matrix**

Variables	Employee Job Satisfaction	Customer Satisfaction	Service Quality	Profitability
Employee Job Satisfaction	1			
Customer Satisfaction	.823**	1		
Service Quality	.718**	.737**	1	
Profitability	.706**	.884**	.684**	1

Note: \*\* $p < 0.01$

Multiple regression analysis was used to examine the relationship between employee job satisfaction customer satisfaction, and service quality against profitability. Based on the results obtained in the Table 7, the research finds that there is a positive relationship between employee job satisfaction and profitability ( $\beta = 0.706$ ,

**Table 7. Regression Results**

Hypotheses	$\beta$	$R^2$	$t$ -value	$p$ - Value	Results
H1	0.706	0.498	10.663	0.000*	Supported
H2	0.607	0.515	11.003	0.000*	Supported
H3	0.823	0.678	15.498	0.000*	Supported
H4	0.684	0.468	10.020	0.000*	Supported
H5	0.884	0.782	20.112	0.000*	Supported
H6	0.737	0.543	11.642	0.000*	Supported
H7	0.301	0.722	11.056	0.000*	Supported
H8	0.942	0.783	12.204	0.000*	Supported

Note: \*  $p < 0.05$



$p$  - value < 0.05). The results reveal that :

- (i) There is a positive relationship between employee job satisfaction and service quality ( $\beta = 0.718$ ,  $p$ -value < 0.05).
- (ii) There is a positive relationship between employee job satisfaction and customer satisfaction ( $\beta = 0.823$ ,  $p$ -value < 0.05).
- (iii) There is a positive relationship between service quality and profitability ( $\beta = 0.684$ ,  $p$  - value < 0.05).
- (iv) There is a positive relationship between customer satisfaction and profitability ( $\beta = 0.884$ ,  $p$  - value < 0.05).
- (v) There is a positive relationship between service quality and customer satisfaction ( $\beta = 0.737$ ,  $p$ -value < 0.05).

**(2) Mediating Test :** The mediating effect between the variables was tested using steps suggested by Baron and Kenny (1986). In the first step, the independent variable (employee job satisfaction) effect was tested against the dependent variable (profitability). The results in the Table 8 show that there is a positive relationship between employee job satisfaction and profitability [H1 ( $\beta = 0.706$ ,  $p$  - value < 0.05)].

In the second step, the independent variable (employee job satisfaction) effect was tested against the mediating variable (service quality). The results show that there is a positive relationship between employee job satisfaction and service quality [H2 ( $\beta = 0.607$ ,  $p$ -value < 0.05)].

In the third step, the mediating variable, service quality effect was tested against the dependent variable (profitability). The results show that there is a positive relationship between service quality and profitability [H4 ( $\beta = 0.301$ ,  $p$ -value < 0.05)].

**Table 8. Mediating Test for H7**

Variables	Model 1	Model 2	Model 3
	Profitability	Service Quality	Profitability
Employee Job Satis'n	0.706*		
Employee Job Satis'n		0.607*	
Service Quality			0.301*
Adj. $R^2$	0.494	0.511	0.464
$F$	113.050	121.055	100.402
* $p$ < 0.05			

**Table 9. Mediating Test for H8**

Variables	Model 1	Model 2	Model 3
	Profitability	Customer Satisfaction	Profitability
Employee Job Satis'n	0.706*		
Employee Job Satis'n		-0.070	
Customer Satisfaction			0.942*
Adj. $R^2$	0.494	0.780	0.464
$F$	113.050	204.349	100.402
* $p$ < 0.05			

The regression analysis shows that the  $\beta$  value for employee job satisfaction reduced from 0.706 to 0.607 with the introduction of service quality as a mediator ; hence, this confirms that service quality is a mediator between employee job satisfaction and profitability. Consequently, H7 is supported.

Based on the results obtained in Table 9, it can be inferred that there is a positive relationship between employee job satisfaction and profitability [H1 ( $\beta = 0.706, p\text{-value} < 0.05$ )]. In the second model, employee job satisfaction does not have a significant impact on customer satisfaction [H3 ( $\beta = -0.070, p\text{-value} > 0.05$ )]. There is a positive relationship between customer satisfaction and profitability [H5 ( $\beta = 0.942, p\text{-value} < 0.05$ )].

The regression analysis shows that the  $\beta$  value for employee job satisfaction reduced from 0.706 to -0.070 with the introduction of customer satisfaction as a mediator. Hence, it can be concluded that customer satisfaction fully mediates the relationship between employee job satisfaction and profitability. Hence, H8 is also supported.

## Discussion

The research findings concur that employee job satisfaction has a significant influence on firms' profit and this is in line with past studies (Ariffin & Maghzi, 2012; Chi & Gursoy, 2009; Ghorban & Tahernejad, 2012). A positive working atmosphere creates greater employee job satisfaction, which, in turn, provides employees positive energy to serve their customers better and increases customer satisfaction.

The results reveal that employee job satisfaction also tempts employees to provide excellent service quality to the customers. This is also in line with the results obtained by previous studies that employee job satisfaction would lead to higher service quality (Cheung et al., 2014; Ghorban & Tahernejad, 2012). Moreover, this research also harmonizes the relationship between service quality and profitability. Service quality plays an important role in determining firm profitability (Cheung et al., 2014 ; Pantouvakis & Bouranta, 2013). There is an important relationship between employee job satisfaction and customer satisfaction (Chi & Gursoy, 2009; Heskett et al., 1994; Lee et al., 2011). Customer satisfaction is a fundamental requirement that a business needs to continuously increase its profitability (Ariffin & Maghzi, 2012 ; Cheung et al., 2014 ; Chi & Gursoy, 2009 ; Lee et al., 2011).

The research also agrees that service quality and customer satisfaction play a mediating role between employee's job satisfaction and profitability. This finding is also similar to other empirical findings that service quality mediates the relationship between employee job satisfaction and profitability (Cheung et al., 2014). Moreover, customer satisfaction mediates the relationship employee job satisfaction and profitability (Ariffin & Maghzi, 2012). All the research hypotheses are supported and concur with past empirical findings. The results suggest that employee job satisfaction and customer satisfaction & service quality are important predictors for firm's profitability no matter what your cultural and organization settings are.

## Managerial Implications

Hoteliers should be able to generate higher employee job satisfaction through intrinsic and extrinsic motivation. Moreover, job rotation, job enlargement, and job enrichment strategies may also help organizations in increasing employee job satisfaction. Dissatisfied employees behave in a negative way which will affect organization workflow and customer complaints. Some of the negative behaviors common amongst employees are high truancy, non voluntary behaviour, and low interest towards their performance outcomes. This may also lead to serious consequences as other employees will have to carry out the duties of absent staff, which adds more burden to their own work load. These will directly affect employee productivity and lead to diminishing organization performance. Highly satisfied employees will generate polite and trustworthy attitudes, which would lead to higher customer satisfaction. Employee job satisfaction would lead to higher organizational citizenship behavior which, in turn, would lead to higher work performance (Kaur, Kaur, & Dhar, 2015). Moreover, higher employee

job satisfaction would also influence employee behavior such as to become courteous and reduce incivility while performing their duties (Kaur et al., 2015). Nonetheless, the hotel managements will have to play a larger role in creating such impact over their employees.

Continuous efforts related to on the job training, team building exercises, workshops, and periodical tests on service performance would create a good platform for the organization in improving their customer service and preserve customer satisfaction. The vibrant feature of service quality requires hoteliers to become more flexible and vigilant in meeting customers' expectations. Although, this strategy is challenging, but if it is properly executed, it will bear fruit and increase profitability of the hotels. Therefore, hoteliers cannot take their service quality performance lightly and should make continuous efforts to identify ways to improve their service quality through customer feedback and learning from their competitors.

## **Policy Implications**

Policy makers should also encourage hotel performance and development through tourism promotion and slacking its policies on goods and service tax (GST) and ease of visa applications, etc. Luxury hotels should determine essential factors that could enhance customer satisfaction by making phenomenal experience during their visits. Hoteliers could also be allowed to provide services such as visa extension, if necessary, on behalf of the tourists. Such an ease could result in convenience to the tourists and make their stay more pleasant. A customer, who is highly satisfied, would then recommend the nation and hotel to their family, friends, and other customers through good feedback, which will increase hotel profitability.

## **Conclusion**

The hotel managements should change their service quality features from local to world class standards. Hoteliers that are able to provide superior service quality to their customers will retain them forever. Moreover, good feedback from the customers through the hotel web pages will draw more customers to the hotels. The increase in the number of customers will then generate higher profits, which would ensure hotel sustainability. The managements of hotels should invest some of these retained profits for continuous research and development plan for the hotel. The hotel management could employ consultants to carry out studies on how to improve their customer welfare and service quality. Hotels that engage in corporate social responsibilities activities would also increase their reputation through positive brand image which would capture customer loyalty (De Souza & Pai, 2013) and increase their profits (Cheung et al., 2014). Moreover, there must be some strategy placed on how to expand the hotel features from time to time. Long-term development plans such as expanding branches locally and abroad can also be placed and shared with their employees. Past success stories can be used as a tool for future expansion; rather, firms need to adopt multiple strategies for face extension.

## **Limitations of the Study and Scope for Future Research**

Although the research made some significant contribution in determining the relationship between employee job satisfaction, perceived customer satisfaction, service quality, and profitability in luxury hotels in Kuala Lumpur; nevertheless, there are some implications of the study that need to be highlighted here. Kuala Lumpur is the capital of Malaysia, and most the hotels are concentrated in this area. Therefore, the study was based on the top 10 luxury hotels around Kuala Lumpur. Hence, the results cannot be generalized for the entire hotel industry in Malaysia. In addition, this was a cross sectional study that was conducted from Jan - Dec 2015; hence, it only illustrates a snapshot of the time. This is a correlation study which only explains the relationship between the

variables and not the causal relationship. Readers may exercise caution while interpreting its results.

Further research can extend the current body of knowledge through research in different cultures and organizations. Moreover, future research could also look into other factors such as social climate, policies, or brand affiliations that could lead to higher organization performance. Brand affiliation may impact guest expectations relative to service quality (Rauch, Collins, Nale, & Barr, 2015). Also, social climate could have a negative impact on customer satisfaction (Dedeoğlu & Demirer, 2015).

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