



## The Mediator Role of Customer Satisfaction on the Effects of Employee Satisfaction and Service Quality on Hotel Performance

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### Article History

Received: 10.01.2020

Accepted: 26.03.2020

### Keywords

Employee job satisfaction

Customer satisfaction

Hotel performance

Service quality

Hotel industry

### Abstract

The aim of this study is to scrutinize the effects of employee satisfaction, one of the internal factors of Resource Based View on firm performance in the tourism and hospitality industry. In this study, it was empirically surveyed through a questionnaire at 15 hotel companies in Northern Cyprus and was also analyzed whether there were positive relationships among employee satisfaction, service quality, customer satisfaction and firm performance. Hierarchical regression analysis was used to analyze the data. Few studies have been carried out regarding the relationship between employee satisfaction and hotel firm performance in Northern Cyprus Tourism Industry. Thus, this study reveals important results for the hoteliers and marketers in Northern Cyprus. The findings posed that service quality had a significant effect on customer satisfaction and hotel performance, while customer satisfaction fully mediated the effect of service quality on hotel performance. Discussion section along with implications and limitations including future directions were given at the end of the study.

### Article Type

Research Article

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DOI:10.21325/jotags.2020.532

## INTRODUCTION

High performance of an organization can be attained through building and conserving the advantage of competition (Slater & Narver, 1994) with the internal factors of Barney (1991) stated in his Resource Based View (RBV). Satisfied workers are the ones who produce and have their own ideas and point of views about the facets of their job, their firm and their career (Lise, 2004). As Locke (1976) defined job satisfaction, it refers to “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”, being a significant element for the workers.

The literature has to a great extent lacked the significance of employee outcomes, such as job satisfaction, employee loyalty, organizational commitment, and their effects upon operational performance (Boudreau, 2004). Not only theoretical but also empirical studies about human resource management show that recruiting the appropriate workers boosts the organizational performance (e.g. Schmidt, Hunter, Outerbridge & Trattner, 1986; Terpstra & Rozell, 1993). However, research regarding human resources has been many times conducted in the area of organizational behavior (OB) and psychology for years. The key motive of the ample study in human resources comes from the basic point that worker characteristics are vital for the organizations (Schwab & Cummings, 1970) and this affects an organization’s profitability.

On the other hand, a great many studies have been carried out in order to investigate worker characteristics and their effects on worker morale, commitment, and job performance (e.g. Meyer, Becker & Vandenberghe, 2004). Specifically, Kirca, Jayachandran, and Bearden (2005) claim that more studies are to include internal employee-related factors like employee satisfaction.

The quest for this study comes from former researches showing that internal resources impact firm performance in a direct or indirect way. In this study, the main question was: Does employee job satisfaction directly and indirectly affect organizational performance at hotels where the association between the workers and the customers is important? When there is such a relationship, what kind of a relationship is it among employee satisfaction, service quality, customer satisfaction and organizational profitability (Yee, Yeung & Cheng, 2010)? In addition, academic comprehension of the processes through which employee satisfaction and service quality increase or reduce hotel performance is far from complete and some main parts are lacking. To illustrate, hotel employees’ direct contribution to a hotel’s performance in the industry is not a logical and compelling claim without any intervening variable. As recommended by Whetten (1989), empirical investigations should identify causal relations in a phenomenon via considering mediator variables between independent and dependent variables. Therefore, this present study has started to question the employee satisfaction and service quality – firm performance framework and to conceive how (via which mediator) these predictor variables (i.e., employee satisfaction and service quality) may lead to higher or lower levels of hotel firm performance in the hospitality industry. Primarily, this research aims to unlock the box through testing the relationships, concentrating on the mechanism which leads to firm performance. Based on the RBV, this study suggests the phenomenon of customer satisfaction. This phenomenon is expected to be a crucial determinant which links employee satisfaction and service quality to hotel firm performance.

Barney (1991) in his Resource Based View claims that compatibility originated from organizational sources which are unique, worthy, scarce, and not imitable. The sources of firm contain properties and abilities. Properties are observable and to be worth. Patent and brand name can be given as an example in this issue. On the other hand,

abilities cannot be observed and not easy to measure. In spite of that, many researches have been studied with respect to employee behaviors and their job satisfaction; few studies about the employees of Northern Cyprus' tourism industry have been made. This paper aims to fill this gap by investigating the direct and indirect effects of hotel employees' satisfaction and service quality on hotel performance via intervening role of customer satisfaction in Northern Cyprus.

At baseline, the research clarifies the resources of firms which contain firm's assets and capabilities according to RBV and employee satisfaction which is one of the most valuable factors of internal process will be illustrated. Barney's RBV is widely used in researches and study areas of competitive strategies to structure theories and this study is also based on this view. This paper reviews and discusses existing studies, and describes the effects of worker satisfaction and service quality on hotel performance through customer satisfaction.

Some studies try to test the relations between firm's approaches and worker attitudes (e.g., Hartline, Maxham & McKee, 2000; Sirdeshmukh, Singh & Sabol, 2002). However, limited researches scrutinized the association between workers' features and customer satisfaction (Hartline et al., 2000; Singh & Sirdeshmukh, 2000). In a previous investigation Brown and Peterson (1993) explained a low relevant between employee satisfaction and firm performance ( $r = 0.15$ ). Even so, it seems appropriate to anticipate that the relevance could also be significant in the hotel industry.

Based on the RBV, many scholars recommend that internal factors can present a significant ability that may convert firm properties into high performance. Market orientation culture advances collaboration between squads and personal to succeed the similar targets and it causes shared sensitivity of employee additives to the company. Therefore, employees obtain a feel of honor from being a part of the organization and feel more satisfaction with their work (Kohli & Jaworski, 1990). Thus, internal factors are worthy since they increase work satisfaction, develop service quality, and allow organizations to produce or serve more qualified product in the market and consequently accomplish high performance.

This current research aims at examining the direct and indirect effects of employee satisfaction and service quality on hotel performance by focusing on mediator role of customer satisfaction in the hospitality industry. In doing so, this study utilizes the Resourc Based View of Barney (1991). It has several contributions to the hospitality literature. First, this empirical study is important because a higher level of employe satisfaction and service quality have a vital role in getting high firm performance in the hospitality industry, where the guests and workers need close care, face to face, and voice to voice relation in which excellent service to customers may only be succeeded through owning satisfied employees. Second, using two different sources to examine the hypothesized relationships illustrated in the study model could add to the hospitality industry thanks to its opportunity of comparing the aspects of employees and managers. Third, the present work contributes to research on the RBV via investigating the effects of rare, unique, and inimitable internal resources, such as employees and excellent service on firm performance. This finding is vital since hotel organizations's performance depends on employee performance due to its labour intensive characteristic.

## **Literature Review**

Employee satisfaction is the employees' feeling to what degree that their concerns are being interested by the administration. If employees are happy in their organization they could please ably and efficaciously the expectation

of the consumers. Internal satisfaction together with external one causes workers to feel a complete satisfaction with their work (Herzberg, Mausner, Peterson & Capwell, 1957). Internal satisfaction includes compromise, acknowledgement, development and promotion and external one includes paying and related issues, physical circumstances, attitudes of seniors and underlings (Sharma & Jyoti, 2006).

The relationship between satisfied employees and high firm performance has been researched for three decades. Iaffaldano and Muchinsky (1985) revealed in a study that there is a positive relation between attitude of the workers and firm performance. Similar consequences were found out by the search of (Judge, Thoresen, Bono & Patton, 2001) that there is a positive relation between job satisfaction and individual performance. Similarly, scholars like Schneider, Hanges, Smith, and Salvaggio (2003) explored that approach of the workers is positively related with firm performance. However, it seems sensible that satisfied employees with their work become more prolific and link up stronger in attitudes useful to the organization. Initial searches explain that there are weak associations between job satisfaction and firm performance (Iaffaldano & Muchinsky, 1985). The failure to reveal the intended result which a personal association encouraged researches forward to an employee satisfaction – firm performance correlation as an organization (Ostroff, 1992). Moreover, few studies seeking the association between collected behaviors and performance yields proof for job satisfaction to corporate with performance (Harter, Schmidt & Hayes, 2002; Ostroff, 1992; Schneider et al., 2003). In the past years, the significance of human sources on institutional performance has been distinguished by some scholars. Roth and Jackson (1995) discovered that corporate information of workers is the fundamental factor of service quality, affecting competitive performance in the market. In the same way with this study flow, I anticipate that employee satisfaction influences positively firm performance.

Contented employees are committed to their job and firm. Delighted frontline employees, for instance, derive dependable, and service to customers with empathy (Singh & Sirdeshmukh, 2000).

Yoon and Suh (2003) stated that happy workers perform harder and obtain better service through institutional citizenship behaviors. Satisfied employees in their work are liable that they are more indulged within the firm, and more committed to higher quality service.

The notion of employee satisfaction, which develops higher service quality, is based upon equity theory within social contexts (Blau, 1964). In spite of diverse opinions about social exchange theory, researchers acknowledge that social exchange includes a couple of interactions to create commitment (Blau, 1964; Cropanzano & Mitchell, 2005). According to social exchange theory, if an employee is provided with pleasant work atmosphere and circumstances, s/he feels satisfied and then is likely to be committed to additional work for the sake of the organization as a thank for the employer, which develops the quality of the service (Flynn, 2005; Wayne, Shore & Linden, 1997).

### **Conceptual Framework**

As far as the literature is concerned, there are two main elements called internal and external affecting organizational performance. Barney's Resource Based View claims that the internal ones refer to assets and capabilities which can be named as rarity, inimitability, value and substitute. Barney (1991) argues that rare resources that cannot be commonly held and valuable resources which make contributions to organization's efficacy could bring about competitive advantage. Moreover, not imitability of the resources referring to not being copied by others, not substitutability resources referring to not being replaced by others and not transferability (Dierickx & Cool, 1989)

referring to not being bought in markets can provide competitive advantage to the firms. Moreover, attitudes of the workers within human resources could be classified as important internal factors. It could be seen in a quantity of studies that job satisfaction of the workers can have a positive impact on the economic performance of an organization when high quality of service and high levels of satisfied customers. In the light of this view, it can be claimed that organizations can compete through utilizing with some resources, such as high technology, strategic performance (Michalisin, Smith & Kline, 1997), HR management, trust (Barney & Hansen, 1994), organization culture, management skills, and good relationships. Furthermore, many followers of RBV have made it turn into from a view to a theory through calling it in several platforms, which resulted in its common acknowledgement (Barney, 1996).

### **Proposed Model**

The present study tries to make the final hotel financial performance clearly understood by the hoteliers with the help of a proposed model shown in Figure 1 below. This model starts with the employee satisfaction. As Yoon and Suh (2003) defined, employee satisfaction makes the workers struggle more and with the help of organizational citizenship tendency. In other words, satisfied workers feel higher levels of involvement to in their jobs and higher levels of dedication to their organization resulting in higher service quality. Recent studies have also showed that loyal workers are more likely to better perform in a more competent way of service (Lee, Lee & Kang, 2012; Loveman, 1998; Yee, Yeung & Cheng, 2010). Several scholars have claimed that employee job satisfaction affects service quality (Bowen & Schneider, 1985; Sharpley & Forster, 2003; Wang, 2011; Yeh, 2013). The second step of the model is that service quality positively impacts the customer satisfaction. Many studies have been conducted in this area and they posed that quality of service is associated with to customer satisfaction (Babakus, Bienstock & Scotter, 2004; Oh & Parks, 1996; Osman & Sentosa, 2013; Silvestri, Aquilani & Ruggieri, 2017; Soutar, 2001). The satisfied customers with high levels of perceived service quality tend to hold a positive feeling of customer satisfaction. The following step is the positive effect of employee satisfaction to the customer satisfaction. Satisfied employees serve to the customers in a more balanced and pleased way and this leads to positive effect on customer satisfaction. On the other hand, employees with a level of low satisfaction present unfavorable emotions and behaviors to customers and this leads the customers less likely to consume that product or service. The last step of the hypthosized model is that customer satisfaction positively affects the final financial hotel performance. The customers of an organization with high satisfaction tend to buy more, more often and together with many other products and services of the same organization (Anderson, Fornell & Lehmann, 1994; Gronholdt, Martense & Kristensenet, 2000; Homburg, Koschate & Hoyer, 2005; Seiders, Voss, Grewal & Godfrey, 2012). Customer satisfaction positively influences hotel financial performance in different ways. Formerly, satisfied customers tend to be more loyal to the hotels and they intend to repurchase the products and the services of the hotels. Customers with high levels of satisfaction tent to spend more and are not so price-sensitive (Anderson et al., 1994; Stock, 2005). Customers going back their homes satisfied from the hotel generally recommend the service of the hotel to their environment and this enhances the fame of the firm. By this means, the hotel holds the advantage of competition in the market. Based on the discussion above, the following hypotheses were developed:

H1: Job satisfaction has a significant positive effect on customer satisfaction.

H2. Service quality has a significant positive effect on customer satisfaction.

H3: Service quality has a significant positive effect on hotel performance.

H4: Customer satisfaction mediates the effect of a) service quality and b) job satisfaction on hotel performance.



**Figure 1.** Proposed model of the study

**Methodology**

The research examines the impacts of employee satisfaction on firm performance in tourism and hospitality industry in Northern Cyprus. This paper reviews and discusses existing studies, and reveals relationships among employee satisfaction and firm performance through survey questionnaire.

After the empirical study with the questionnaire, present research aims to offer a suggestion to firms in conclusion.

**Data and Procedure**

After the literature review, the effects of employee satisfaction were surveyed on hotel firm performance in Northern Cyprus through utilizing convenience sampling method because of time, place, and financial limitations (Dörnyei, 2007). Based on the year of 2019 data taken from T.R.N.C. Ministry of Tourism Environment and Culture, the total number of hotel firms in Northern Cyprus and the bed capacity of them are 150 and 25 438 respectively. Besides, the number of five-star hotels and the bed capacity of these hotels are respectively 22 and 15 690. Despite it seems the number of the five-star hotels is little among the other firms, over 50 percentage of the bed capacity of the total number shows that five-star hotels are dominant in Northern Cyprus tourism sector. Because of this fact, these hotels were selected for this study to reflect the real situation of the industry in Northern Cyprus. Moreover, all of these hotels are suitable for this study because they are professional in the sector and are open for the service 12 months a year.

Based on the statistics, the questionnaire was applied at 15 different five-star hotels, 8 hotels from Kyrenia, 2 hotels from Nicosia, 2 hotels from Famagusta, 2 hotels from Bafra Tourism Center and 1 hotel from Iskele in Northern Cyprus. The Table 1 below shows the hotels and their locations.

**Table1.** Location of the Hotels

Name of the hotel	Location of the hotel
Cratos Premium	Kyrenia
The Savoy Ottoman Palace& Casino	Kyrenia
Liman Hotel & Casino	Kyrenia
Cpyrus Merit Cyristal Cove & Casino	Kyrenia
Merit Lefkoşa Hotel & Casino	Nicosia
Golden Tulip Nicosia Hotel & Casino	Nicosia
Kaya Artemis Resort & Casino	Bafra Tourism Center
Merit Cprus Gardens Holiday Village	Iskele

Nuh'un Gemisi Deluxe Hotel & Spa	Bafra Tourism Center
Arkın Palm Beach Hotel	Famagusta
Oscar Resort Hotel	Kyrenia
Rocks Hotel & Casino	Kyrenia
Salamis Bay Conti Resort Hotel & Casino	Famagusta
Vuni Palace Hotel	Kyrenia
The Colony Hotel	Kyrenia

According to Cetin and İçöz (2017), a total number of employees working at five-star hotels was around 3450 in Northern Cyprus.

At the first step, a pilot study was conducted including 20 people – 2 managers and 18 employees- in August 2019. The pilot study showed that all the questions were adequate for the aimed study and there was no change needed. After the pilot study, the questionnaires were delivered to 180 of these employees face to face and individually in the defined 15 hotels in the first week of August 2019 and all the questionnaires were gathered at the end of August 2019 for about one-month period. Because of the high season, employees were quite busy, so 165 questionnaires returned. After excluding the reckless and incomplete questionnaires, 150 usable surveys were analyzed.

The questionnaire was comprised of two main parts. The first part included the demographic elements of the employees, such as sex, age, education level, department, tenure and the location of the hotel. The second part was separated into four sub sections including the 18 scale items adapted from Yee, Yeung, and Cheng (2011). The first five questions about the employee satisfaction were applied to employees. The second five questions measuring the service quality were also applied to the employees. However, the other two sub sections including eight questions were applied to the managers with the aim of measuring the customer satisfaction and the financial performance of the hotel firm. The people in-charge of a hotel or one of its departments are responsible for answering questions on customer satisfaction and financial performance of the hotels. They are able to provide quite trustworthy financial information. They are also capable of presenting information about their customers' profile, according to their experience and their own customer satisfaction surveys (Yee et al., 2011). Even though it can be disputed that customers are generally asked about their satisfaction level, results of some studies presented that there is a high correlation between the internal and external measures of customer satisfaction (e.g., Schneider and Bowen, 1985), confirming the utilization of internal measures for customer satisfaction in this study.

### Data Analysis

In this study, four analytical approaches were adopted to analyze the data. First, exploratory factor analysis (EFA) by Anderson and Gerbing (1988) was performed to examine the convergent and discriminant validities of the factors. Internal consistency reliabilities were analyzed through the cut-off level of 0.70. Second, Pearson correlation analysis was conducted to define the relationships among the variables. Third, so as to analyze the data, hierarchical regression analysis was conducted. In addition, the guidelines produced by Baron and Kenny (1986) were applied to examine the mediation analysis.

## Results

### Respondents' Profile

Table 1 provides results about respondents' profile. As presented in Table 1, the majority of respondents were male with the percentage of 61%. Thirteen per cent of respondents were between ages of 18-24, 29% were between ages of 25-30. The rest were older than 30. Nine per cent of respondents had primary school education, while 55% had secondary school education. Thirty per cent of respondents had undergraduate education, 5 % had master degrees. The rest had graduate/PhD degrees. Twenty eight of respondents worked at restaurant service, 14% worked in kitchen department. Nine per cent of respondents worked in front office, while 4% worked in marketing department. Eight per cent of respondents worked in purchasing department, 16 % worked in management, and 16% worked in housekeeping department. The rest worked in human resources department. Eighty-one per cent of respondents had organizational tenure of less than three years. The rest were with their hotels for more than three years. Thirteen per cent of hotels were in Nicosia, and 53% were in Kyrenia. Thirteen per cent of hotels in Famagusta, also 13% were in Bafra Tourism Center. The rest were in Iskele region.

**Table 2.** Respondents' Profile

	Frequency	Percentage
<b>Gender</b>		
Male	91	60.7
Female	59	39.3
Total	150	100.0
<b>Age</b>		
18-24	20	13.3
25-30	43	28.7
31-36	45	30.0
37-42	33	22.0
43-49	6	4.0
50 and above	3	2.0
Total	150	100.0
<b>Education</b>		
Primary school	14	9.3
Secondary or high school	83	55.3
Undergraduate	45	30.0
Master degrees	7	4.7
Graduate/PhD	1	.7
Total	150	100.0
<b>Department</b>		
Restaurant service	42	28.0
Kitchen	21	14.0
Front Office	14	9.3
Marketing	6	4.0
Purchasing	12	8.0
Management	24	16.0
Housekeeping	24	16.0
Human resources	7	4.7
Total	150	100.0
<b>Organizational tenure</b>		
Less than 1	36	24.0
1-3	56	37.3
3-5	35	23.3
5-7	6	4.0
7 and above	17	11.3
Total	150	100.0
<b>Hotel location</b>		
Nicosia	20	13.3
Kyrenia	80	53.3
Famagusta	20	13.3
Bafra tourism center	20	13.3
Iskele	10	6.7
Total	150	100.0



Each item was applied exploratory factor analysis, in which main component analysis with varimax rotation was computed. As reported in Table 3, the magnitudes of the loadings ranged from .52 to .89. The rest of the items were significant and there was no cross loading equal to or more than .30 (Demetrovics et al., 2011; Rahimi et al., 2018; Vatankhah, Javid, & Raoofi, 2017). Nonetheless, one item from job satisfaction measure and one item from service quality measure were extracted because of low factor loading. Thus, exploratory factor analysis showed four factors whose eigenvalues were over 1.00. 60.63 % of the variance was explained by these factors. It was also presented with the help of these results that it had internal consistency reliabilities. Coefficient alphas were acceptable, because they were over the widespread acknowledged cut-off level of .70. As demonstrated, these results in Table 3, the convergent and discriminant validity scores showed the reliability of all the items.

**Table 3.** Item Scales, Reliability, and Exploratory Factor Analysis Results

Scale Items	Factor Loadings	Eigenvalue	% of variance	$\alpha$
<b>Job satisfaction</b>		3.60	45.0	.80
I am satisfied .....	.87			
I am .....	.82			
I am .....	.72			
I .....	-*			
I .....	.52			
<b>Service quality</b>		1.25	15.58	.70
My appearance .....	.64			
I provide .....	.70			
I .....	.67			
I can .....	.76			
I do.....	-*			
<b>Customer satisfaction (Our customers satisfied ...)</b>		3.56	44.5	.87
the price .....	.82			
the inquiry .....	.86			
the .....	.89			
the service .....	.77			
<b>Hotel performance</b>		2.25	28.1	.86
Overall .....	.86			
Return .....	.85			
Return .....	.84			
Return .....	.79			

Notes: Each item is measured on a seven-point scale. KMO Measure of Sampling Adequacy = .707, Barlett's Test of Sphericity = 119.559, df = 28,  $p < .001$ . Total variance explained by all factors is 60.63 %  
 \*Dropped as a result of exploratory factor analysis.  $\alpha$  denotes cronbach alpha coefficient.

With the aim of controlling the common method bias, Harman's' single-factor test was applied. The items loaded on one factor and its results posed that 45.05 % of the variance were explained by one factor. This result referred that common method bias did not seem as a menace for the association range among variables.

**Table 4.** Means, Standard Deviations, and Correlations of Study Variables

Variables	Mean	S.D.	1	2	3	4
Job satisfaction	4.49	1.42	-			
Service quality	6.22	.96	.512**	-		
Customer satisfaction	5.24	.73	.190*	.510**	-	
Hotel performance	5.23	.78	.154*	.271**	.392**	-

Note: Composite scores for each variable were computed by averaging respective item scores. SD denotes Standard Deviations. \*  $p < .05$ , \*\*  $p < .01$ .

Table 4 presents means, standard deviations, and correlations of the research variables. As reported in Table 3, all correlations were significant.

Table 5 shows that job satisfaction did not have a significant effect on customer satisfaction ( $\beta=.10, t= 1.04, p >0.05$ ). Thus, H1 was rejected. On the other hand, service quality had a significant effect on customer satisfaction ( $\beta= .56, t=6.06, p<0.05$ ), which proved that H2 was accepted. The results also showed that service quality had a significant effect on hotel performance ( $\beta= .27, t=3.06, p<0.05$ ), supporting H3. To test H4, which proposed the mediation effect of customer satisfaction, the guideline developed by Baron and Kenny was followed. According to Baron and Kenney (1986), there are four conditions for full mediation analysis. The first condition refers to significant association between predictor variable and the mediator. The results in Table 5 demonstrated that while job satisfaction ( $\beta = .10$ ) was not significantly associated with customer satisfaction, service quality ( $\beta = .56$ ) was significantly associated with customer satisfaction. The first condition of Barron and Kenney was met for only the variable of service quality. Therefore, job satisfaction was excluded from the analysis which resulted in rejection of H4b. The second condition refers to significant association between independent variable and dependent variable. The results indicated that service quality ( $\beta = .27$ ) was significantly associated with hotel performance. Therefore, the second condition was met. The third condition refers to significant association between the mediator and dependent variable. According to the results in Table 5, there was significant association between customer satisfaction and hotel performance ( $\beta = .34$ ). The last condition refers to full mediating effect. According to the last step of Baron and Kenny, when the mediator is added into the model, the effect of independent variable on dependent variable should be non-significant or reduced. The results demonstrated in Table 4 that when customer satisfaction was included into the model, the effect of the service quality on hotel performance was non-significant ( $\beta=.10, t=0.98, p>0.05$ ). The results showed that customer satisfaction fully mediated the effect of service quality on hotel performance, therefore, H4a was supported.

**Table 5.** Regression Results: Direct and Mediating Effects

Variables	Dependent variables and standardized regression weights						
	Customer satisfaction		Variables	Hotel performance			
	$\beta$	t		Step 1		Step 2	
Job satisfaction	.10	1.04					
Service quality	.56	6.06**	Service quality	.27	3.06**	.10	.98
			Customer satisfaction	-	-	.34	3.48**
F	21.25	-	F	9.37	-	12.14	-
R <sup>2</sup> at each step	.27	-	R <sup>2</sup> at each step	.07	-	.16	-
$\Delta R^2$	-	-	$\Delta R^2$	-	-	.09	-
<b>Sobel test for:</b>							
Service quality → customer satisfaction → hotel performance			.021**				

Note: The results do not show any problems of multicollinearity. \* $p < .05$ , \*\* $p < .01$

## Discussion

The aim of the study was to examine the hypothesized relationships illustrated in the study model. The results of this research help the researchers and hoteliers to understand the effects of employee satisfaction on hotel performance. Therefore, this research has great importance for both theoretically and practically.

The findings showed that job satisfaction did not have an impact on customer satisfaction, opposite to the expectation. This finding was congruent with the study of Testa, Skaruppa, and Pietrzak (1998). However, several scholars found significant relationships between these two constructs (Chi & Gursoy, 2009; Jung & Yoon, 2013). These contradictory findings call for further studies to highlight relationship between employee job satisfaction and customer satisfaction in the hospitality industry.

Moreover, in line with the findings of previous studies (Oh, 1999; Zaibaf, Taherikia & Fakharian, 2013), the findings propose that a higher level of service quality leads to higher levels of customer satisfaction. In addition, the findings of the present study suggest that high service quality has a potential to increase hotel financial performance. This significant finding is also consonant to empirical findings of previous studies (Chand, 2010; Claver, José Tari & Pereira, 2006).

Furthermore, the study findings have confirmed the full mediation effect of customer satisfaction on the relationship between service quality and hotel performance. The findings on the mediator role of customer satisfaction endorse the statistical results of past investigations performed in the tourism and hospitality context (e.g. Chi & Gursoy, 2009; Heung & Ngai, 2008; Lee & Heo, 2009; Tarn, 1999).

## Practical Implications

This study has posed that hotel managements are to focus on providing higher quality service to enhance customer satisfaction and hotel performance. Findings have also revealed that hotel administrations need to keep in mind that customer satisfaction is vital for increasing hotel performance. The results of this study enlighten the way of the hoteliers, whose aim is to make their hotels' financial performance high in order to compete in the industry. In order to compete in the industry, one of the most important ways to enhance the financial performance of an organization is to keep the current customers. Therefore, the hoteliers should concentrate on increasing the level of customer satisfaction. As a recommendation, the managements of the hotels classify the customers into specific smaller groups according to their expectations and needs to serve them in a more customized way. In addition, as seen in the findings of the study, they need to develop the quality of service for these groups with special additions or activities. To achieve that, as an example, hoteliers could organize training programs for the employees to increase their motivation skills and capabilities, which results in excellence in service for a better competence in the labor-intensive tourism industry.

The managers in the hospitality industry of North Cyprus need to show maximum attention to employee job satisfaction. Such supportive proactive strategies increase employee's satisfaction and service quality, which could also increase customer satisfaction. In return, high levels of customer satisfaction may result in increased hotel performance. Therefore, hotel managers could use intrinsic and extrinsic motivations factors to increase employee job satisfaction and decrease dissatisfaction in hotel organizations in Northern Cyprus. It can be indicated that in the

hotel industry in Northern Cyprus, the management of hotel organizations could gain sustainable competitive advantage through ensuring high customer satisfaction resulting from excellent service and satisfied employees.

### Limitations and Future Research Directions

This study has several limitations. First, it concentrated on the hotel organizations of Northern Cyprus but it may be scrutinized in other sectors and countries. Second, this research utilized convenience sampling technique; thus, the findings of the study cannot be generalized for all employees in the hospitality industry. In the future studies, using one of the probability sampling methods would pay dividends. Furthermore, for future research, it could be useful to show the relationships among employee satisfaction and the other strategies, such as innovativeness and operational learning. Even though this items of this study were translated into Turkish using back translation method, there could be some wording misunderstood by the participants.

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