THE RELATIONSHIP BETWEEN MANAGERIAL CHARACTERISTICS OF FRONTLINE STAFF AND CUSTOMER LOYALTY IN MALAYSIAN 5-STAR HOTELS

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ABSTRACT

Customer loyalty has been an important topic for business sustainability because research shows that loyal customer will lead to increased financial performance in a long run. Previous studies have stated that customer satisfaction is an antecedent of customer loyalty and suggested that frontline managers play a vital role in this relationship. However, few studies have explored the relationship between frontline manager's characteristics and customer loyalty. This study adapted quantitative methods to determine which managerial characteristics (i.e. managerial competencies, service quality, personality traits & technology acceptance) have a significant relationship with customer satisfaction and customer loyalty. The respondents were the team leaders, supervisors, assistant managers and managers from front office department, housekeeping department, food & beverage department and sales department from 10 selected 5-star hotels located in major tourism destinations in Malaysia. The respondents completed a survey questionnaire to measure their managerial characteristics, customer satisfaction and customer loyalty. Through correlation, regression and mediation analysis, the result demonstrated that customer satisfaction mediates the relationship between service quality and personality traits of frontline managers and customer loyalty. The results provide a better understanding of the managerial characteristics which has a significant effect on customer loyalty in the hospitality industry which has not been highlighted in previous studies.

APPROVAL

I certify that I have supervised / read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfillment of the requirements for the degree of Doctor of Philosophy.

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DECLARATION

I hereby declare that the thesis submitted in fulfillment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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Signature of Candidate: **Date**: 10 September 2021

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LIST OF ABBREVIATIONS

AAA	American Automobile Association
ACSI	American Customer Satisfaction Index
BFI	Big Five Inventory
BOH	Back of House
CBX	Centralized Branch Exchange
DINESERV	Dining Service Quality Scale
DISC	Dominance, Influence, Steadiness, and Conscientiousness
F&B	Food & Beverage
FOH	Front of House
HOLSERV	Hotel Service Quality Scale
ICT	Information and Communication Technology
IoT	Internet of Things
IS	Information Systems
ISO	International Organization for Standardization
IT	Information Technologies
KPI	Key Performance Indicator
KSAA	Knowledge, Skills, Abilities, Attitudes
LODGSERV	Lodging Service Quality Scale
LQI	Lodging Quality Index
MBTI	Myers Briggs Type Indicator
MOTAC	Ministry of Tourism, Arts & Culture
NCSB	Norwegian Customer Satisfaction Barometer
NKEA	National Key Economic Area
NVQs	National Vocational Qualifications
PBX	Private Branch Exchange
POS	Point-of-sale
PMS	Property Management Systems
RevPAR	Revenue Per Available Room

RSQS	Retail Service Quality Scale
SCSB	Swedish Customer Satisfaction Barometer
SERVQUAL	Service Quality
SERVPERF	Service Performance
SNVQ	Scottish National Vocational Qualifications
SPSS	Statistical Package for Social Sciences
SWICS	Swiss Index of Customer satisfaction
TAM	Technology Acceptance Model
UNWTO	World Tourism Organization

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides a general outline on the whole study. As the growth continues for the tourism industry, the key to sustainability is to ensure customer satisfaction is achieved. This is because customer satisfaction influences customer loyalty which enhances financial performance of a firm. Studies have shown that the antecedent of customer satisfaction includes the employees' competencies, personality, technology acceptance, service quality and that the key determinant of customer satisfaction is the frontline employees. Above all, the frontline managers have a vital role to play in this process because they are the ones who lead and motivates the team. This study aims to evaluate the effect of the characteristics of the frontline managers in the hospitality industry towards customer satisfaction and customer loyalty. A brief description of the background, research problem, the objectives of the study, the significance of the study, the scope of study, the limitation, the aim and objectives of the study is outlined in this chapter.

1.1 Background of the Study

The latest tourism UNWTO statistics guidelines explain that "Tourism refers to the activities of the individual which is known as visitors. When an individual makes a visit to certain main places which is not within his or her normal environment for any main reasons which includes business, holidays, education, health, leisure and recreation, or other purposes for less than a year, he or she is identified as a visitor" (United Nations Department of Economic and Social Affairs, 2010).

On the other hand, according to the Dictionary of Hospitality, Travel, and Tourism, hospitality industry, tourism and tourism industry is often being used interchangeably, but the key area of focus for hospitality industry is on the staff's responsibility as a hospitable host. At times, hospitality industry is also used to describe the groups of accommodations including hotels and motels which forms a major part of tourism. (Metelka, 1990).

Hospitality is an action that reflects empathy in welcoming and taking care of the fundamental needs of strangers or customers, primarily in the area to accommodation, food, and drink. An up-to-date description of the term hospitality is associated to the relationship process between a host and a customer (Nagarjuna & Sudhakar, 2015). According to Guerrier (1999), the hospitality industry is described as a diverse industry that covers any businesses that provide food, drinks or offers place to stay for people who are not in their place of residency, this encompasses establishments such as hotels, guesthouses, restaurants, holiday homes, licensed bars and catering in public and private sector.

Barrows and Bosselman (1999) said that the hospitality industry is unlike other industries, particularly the industry that produce tangible products. They stressed that hospitality refers to when a person deals with another person and the core of the hospitality industry is the people interaction where the human component is the main part of the hospitality business. They added that true personal service is not able to be automated nor mechanized.

Hung et al. (2003) also agreed that the hospitality industry differs from other sectors because they focus heavily on the part of human exchange in the process of the delivery of service and its unique nature which is more inclined towards service orientation. As such, it is not surprising that providing high level service quality and ensuring of high satisfaction level of the customer has become a main topic emerging in the contemporary service industry today.

As shown in Figure 1.1, the characteristics of hospitality Industry include the product-service mix, relationship building and communication. It is also considered as a labor intensive industry with diversity of culture (Chan, 2009).

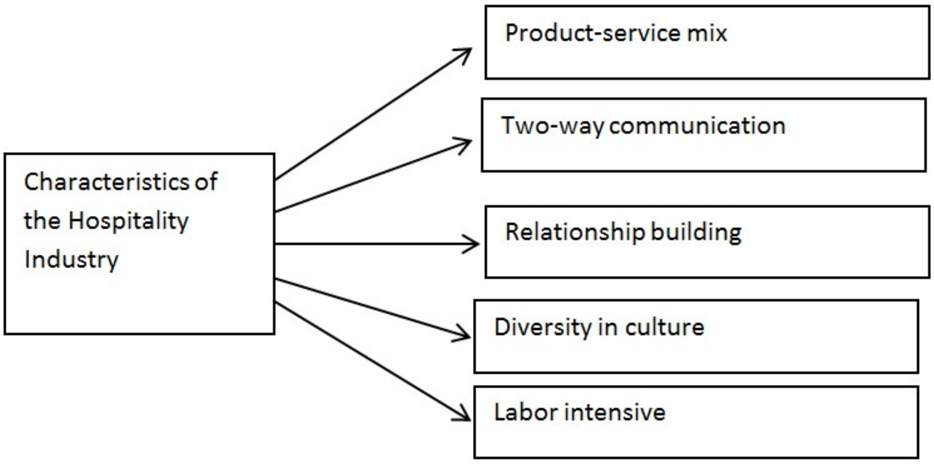
Characteristics of the Hospitality Industry
Product-service mix
Two-way communication
Relationship building
Diversity in culture
Labor intensive

Figure 1.1: Characteristics of the hospitality industry (Chan, 2009)

Musaba et al. (2014) stressed that one critical factor for the success in the hospitality industry including hotels is the availability of high-quality staff. Thus, hospitality organizations like hotel must be aware that it is not possible that there will be organizations without people and that their human resource is the main ingredient to the success to the organizations. Greenberg & Baron (1997) also claim that it is necessary to understand that the human part of work is vital in the smooth operation and also a fundamental presence of any organizations because even though they might have high technology and strong financial status, people problems can drastically bring down an organization.

Keshavarz and Nezakati (2013) stressed that the hotel industry is one of the most significant industry which supported the growth of the tourism industry in Malaysia, hence leading to the country's economic development. Hsieh and Lin (2010) reported that accommodation takes up about 45% of the tourists` daily expenditures and 91% of this is amount is directly expended in international tourist hotels.

The tourism industry bloomed in the early 1970s when a huge rise in foreign exchange revenue and tourism job opportunities in tourism was reported in Malaysia (Goldsmith & Zahari, 1994). In 1990, the industry rose to become the third largest source of income in terms of foreign exchange revenue in conjunction with the successful introduction of "Visit Malaysia Year" campaign (Poon & Low, 2005). The significant economic impact that stems from the tourism industry has therefore resulted in the government's recognition of the tourism industry's importance and hence their effort to brand Malaysia as one of the main tourism destinations in the region (Nair & Whitelaw, 2008).

In 2019, the tourism industry in Malaysia has contributed a total of 240.2 billion Ringgit Malaysia (15.9%) of Gross Domestic Product (GDP) and provides approximately 3.6 million jobs (23.6%) of employment in total (Department of Statistics Malaysia, 2020). The latest figure provided by the Tourism Malaysia website (refer to Table 1.1) indicates that the number of tourist arrival and total tourist receipts to the country has been increasing throughout the years despite a drop in 2015 and 2017 due to the economy downturn. On top of that, Visit Malaysia 2020 secretariat chief Datuk Dr Ammar Abd Ghapar said that Malaysia was still among the preferred destinations for foreign tourists especially from countries like Middle-East, China, Europe and India (The Sun Daily, 2018).

Table 1.1: Tourist arrivals & receipts to Malaysia (Ministry of Tourism Malaysia, 2020)

Year	**Arrivals**	**Receipts (RM)**
2019	26.70million	86.1billion
2018	25.83 million	84.1 billion
2017	25.95 million	82.1 billion
2016	26.76 million	82.1 billion
2015	25.72 million	69.1 billion
2014	27.44 million	72.0 billion
2013	25.72 million	65.4 billion
2012	25.03 million	60.6 billion
2011	24.71 million	58.3 billion
2010	24.58 million	56.5 billion
2009	23.65 million	46.1 billion

Riegel and Dallas (1999) concluded that the tourism industry has been more commonly broken down into five specific areas which includes lodging, food service, travel, recreation, and convention and meetings. Cooper et al. (2008) noted that within the tourism economy, accommodation or lodging has been the biggest and utmost important sub-sector comparatively to others. This is because tourists need to have a place where they can take a break and refresh themselves during their journey, or to stay over at a tourism destination. Page (2009) state that accommodation has become the main element which receives a lot of attention when it comes to hosting tourist over the years. For the tourist, this is an important component to be taken care of when one is preparing for a trip, reason is because it covers a major part of the tourists' expenditure during a trip. In fact, Amir et al. (2015) reported that 48% of the total tourism expenditure of the local tourist was spent on accommodation and 42% for international tourist in Melaka.

As the 3th largest contributor to the Malaysian national economy, the tourism industry has positively contributed to the economy of Malaysia in terms of boosting job opportunities and also foreign exchange earnings (Hirschmann, 2020). As such, tourism has been identified as a potential National Key Economic Area (NKEA) for 2020 vision in Economic Transformation Programme (ETP) in Malaysia. According to Performance Management and Delivery Unit's (2013) forecast, it's been predicted that by the end of 2020 Malaysia will gain RM 168 billion tourist receipts and 36 million of tourist arrivals. To achieve the target for 2020, NKEA have also put together 12 initiatives for the development of the tourism industry in the country which is also defined as entry point projects (EPPs) categorized into five themes to boost the tourism sector.

Hotel News Resource (2015) believed that the long-term demand for hotels will continue to be strong since Malaysia is considered an attractive travel destination with a few gateway cities which includes Kuala Lumpur, Johor Bahru and George Town. With the persistent growth in tourists' arrival, there has also been an escalation of average occupancy rates of hotels and rooms supply to meet the growing demand. It is speculated that around 10,000 rooms have been forecasted to enter the market by the end of 2020 and the key brand openings in the upscale and luxury segment will comprise of the country's first Harrods hotel and the first Fairmont hotel together with international acclaimed brands such as the St. Regis, Westin, Banyan Tree and the Alila.

As competition becomes more intense today, hospitality firms like hotel's survival requires them to satisfy their guests who are increasingly more discerning and expect superior hospitable services by offering them a more complete end-to-end experience (Evans, 2015). Chen and Chen (2014) state that organizations are shifting their priority towards service quality so that they could achieve competitive edge and retain customers. Wu et al. (2012) also note that the demand for better customer service has increased the need for managing service quality significantly. Gounaris et al. (2003) stressed that this change is vital because enhanced service quality leads to greater level of satisfaction and commitment from the customer. Ladhari (2009) and Vlachos and Vrechopoulos (2008) both agreed that such commitment will in turn lead to customer loyalty and enhanced business performance.

Crawford and Riscinto-Kozub (2010) explain that service quality is the main element in order for the hotel industry to achieve competitive edge. This is achieved via their service staff because most of the interactions between the service provider and the guest comes in the form of face-to-face interaction in the hotel industry, therefore, the level of service provided to the guest is vital. Mahesh (1988) states that the customers' perception of service quality is directly related to the front-line staff's motivation, morale, level of authority, knowledge and skills who are directly serving the customers. Heskett et al. (2011) added that attitude of the service staff and their behaviour is the main influence in service quality which have a direct connection with customer satisfaction and loyalty.

Above all, Purcell and Hutchinson (2007) explain that frontline managers play a vital role in ensuring effective performance by the staff because they are the main person who is capable of creating an effective team functioning. Recent survey shows that 78% of survey respondents said that front-line managers were important in aiding their organization to attain a high level of customer satisfaction (Neal, McKinney & Bailey, 2015).

1.2 Problem Statement

Hill (2013) stressed that front-line managers are vital in sustaining the organization’s service level, quality, innovation and financial performance. Survey shows that 78% of survey respondents said that frontline managers are important in aiding their organization to attain a high level of customer satisfaction (Neal et al., 2015).

However, recent studies in the hospitality and tourism industry were concentrated to strategic human resource management and human resource practices (i.e. Madera et al., 2017; Gannon et al. 2012; Ladkin & Buharis, 2016), organizational behaviour topics such as work engagement, job satisfaction, quality work life, occupational stress and employee turnover (i.e. Davidson et al., 2010; Goswami & Dsilva, 2019; Karatepe & Olugbade, 2016; Kim et al., 2017; Naidu & Chand, 2014), sustainable development (i.e. Coros et al., 2017; Eisemen, 2018; Lemy et al., 2019), inbound and outbound tourists and tourism development (i.e. Javed et al., 2021), medical tourism (i.e. Collins et al., 2019; Pagan & Horsfall, 2020), technology innovations and adoption (i.e. Brochado et al., 2016; Jung et al., 2014; Sharma, 2016), customer relationship management (i.e. Hassan et al., 2018; Luck & Lancaster, 2013; Sofi et al., 2020; Shin et al., 2020).

Evanschitzky et al. (2012) highlighted that while numerous studies have examined antecedents and consequences of customer satisfaction, researchers suggest that more studies are still in need to be conducted in this area. Previous studies on customer satisfaction and loyalty in the hospitality & tourism industry mainly focused on customer’s perception on service quality (i.e. Adzoyi et al., 2018; Keshavarz & Jamshidi, 2018), ambience and hotel image (Han et al., 2019), influence of customer’s personality (Kim et al., 2016), employee job satisfaction (Kim et al., 2019), technology (Velazquez et al., 2015) and front-line employees (Sarkey et al., 2013; Cambra-Fierro et al., 2014; Masdek et al., 2011). While research on managerial characteristics were found to minimize employee turnover (i.e. Yang et al., 2012), improving attitudes of employee, improve organization performance (Jiang & Alexakis, 2017; Tracey & Hinkin, 1998) and improving organizational practices in recruitment and hiring (i.e. Tesone and Ricci, 2006).

Despite this surge in research, there remains a gap in effective managerial characteristics of the front-line managers in relation to customer satisfaction and customer loyalty in the hospitality industry. Hence, the purpose of this study is to find out which managerial characteristics which could improve customer satisfaction and ultimately leads to customer loyalty.

1.3 Objectives

The objectives of the study are:

1) To determine whether the managerial characteristics (i.e. managerial competencies, personality traits, technology acceptance and service quality) of the front-line managers in the 5-star hotels will have a significant relationship with customer satisfaction.

2) To identify which managerial characteristics (i.e. managerial competencies, personality traits, and technology acceptance and service quality) of the front-line managers in the 5-star hotels have greater influence on customer satisfaction.

3) To determine the relationship between customer satisfaction and customer loyalty.

1.4 Research Questions

The study focuses on the following research questions:

Research question 1: Which managerial characteristics (i.e managerial competencies, personality traits, technology acceptance and service quality) have a significant relationship with customer satisfaction in relation to the 5-star hotels in Malaysia?

Research question 2: Which managerial characteristics (i.e. managerial competencies, personality traits, technology acceptance and service quality) have greater influence on customer satisfaction?

Research question 3: Is there a significant relationship between customer satisfaction and customer loyalty?

Research question 4: Does customer satisfaction have any mediating effect on the relationship between managerial characteristics (i.e. managerial competencies, service quality, personality traits, and technology acceptance) and customer loyalty?

1.5 Scope of Study

The aim of this study is to find out the relationship between the frontline managers' characteristics on customer satisfaction and customer loyalty. To achieve this, the researcher recruited at least 300 frontline managers from the selected 5-star hotels to participate in the study. According to the Malaysia Tourism Board, luxury hotel covers star rating of four-star and five-star. However, only 5-star hotels were selected in this study because both category of hotels are different in terms of the facilities and level of service offered. Hence, to ensure that the respondents have similar background, only 5-star hotels situated in the major tourist destinations in Malaysia were selected based on the target market, location, facilities, services and customer rating. Ten hotels located in Klang Valley, Melaka, Pahang and Langkawi were confirmed after approaching the hotel's General Manager or director of Human Resources for their permission to conduct the study. Once permissions were obtained