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# The structural relationship between TQM, employee satisfaction and hotel performance

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## Abstract

**Purpose** – The purpose of this paper is to investigate the structural relationships between total quality management (TQM) and employee satisfaction and hotel performance.

**Design/methodology/approach** – A judgmental sampling technique was employed in this study. A total of 25 (four- and five-star) hotels were selected in four cities in Malaysia. A total of 625 questionnaires were distributed randomly to both employees and managers.

**Findings** – The results of this study showed that seven TQM constructs have significant relationships with employee satisfaction and hotel performance. Leadership and customer focus play significant roles in enhancing employee satisfaction and hotel performance.

**Practical implications** – Employees who are highly satisfied with their jobs will be willing to support their coworkers. They will be loyal to their jobs and enhance hotel performance. Hoteliers must provide a friendly working atmosphere, as well as a blueprint and strategic map, to increase employee satisfaction and improve hotel performance.

**Originality/value** – This research study provides a substantial contribution to the hospitality management literature by explaining how TQM practices can be used as a predictor of employee satisfaction and consequently improve hotel performance. A better understanding of these relationships will help hoteliers in developing their marketing strategies to maintain the relationship with hotel customers.

**Keywords** Total quality management, Malaysia, Employee satisfaction, Hotel performance

**Paper type** Research paper



## 1. Introduction

Over three decades, total quality management (TQM) became a management philosophy that is equally applied across industries and countries, which means that TQM has been successfully implemented (Arsić *et al.*, 2012; Claver-Cortés *et al.*, 2008; Brah *et al.*, 2000; Akgün *et al.*, 2014; Samson and Terziovski, 1999; Jaca and Psomas, 2015). Research has shown that the strategic benefits of TQM will result in improved competitive advantage (Antony *et al.*, 2002; Samat *et al.*, 2006; Nadarajah and Kadir, 2014), continuous improvement (Sanchez and Blanco, 2014; Lam *et al.*, 2015) and increased organizational performance (Talib *et al.*, 2011, 2013, 2014). However, one key component of TQM implementation is a consensus regarding the importance of leadership support from top management when a firm is implementing TQM practices. For example, Soltani *et al.* (2004) identified that top management commitment, employee commitment and employee effectiveness are the main factors in successful TQM implementation. Other studies found unsuccessful results due to failed TQM implementation, such as (Kaynak, 2003; Fotopoulos and Psomas, 2010; Jitpaiboon and Rao, 2007; Garengo and Sharma, 2014). For example, Soltani *et al.* (2005) emphasized that a lack of understanding of the TQM philosophy has created less commitment to TQM implementation. Similarly, Calabrese and Corbò (2014) and Dubey *et al.* (2015) revealed that a lack of leadership regarding quality and customer focus will negatively impact TQM implementation. For this reason, top management should actively promote TQM goals, missions and benefits to increase firm's performance and competitive advantages.

In the competitive global hospitality industry, hotels are looking to improve their performance by increasing sales and profit, rather than by adopting a TQM approach (Wang *et al.*, 2012; Harris and Watkins, 1998; Claver *et al.*, 2006). In this context, TQM research has overlooked human factors and focused on methods, rather than on the people who implement them (Campbell-Allen *et al.*, 2008; Rodríguez-Antón and Alonso-Almeida, 2011; Yee *et al.*, 2008). In the hotel industry, products and services are heterogeneous and inseparable, and better guest services, as well as human factors, play an important role because employees have a high level of interaction with hotel customers. A customer's first interaction with hotel services usually occurs via the front desk. In this context, front-line employees are expected to deliver high-quality service to the customer (Karatepe and Karadas, 2015; Lee *et al.*, 2015; Lin *et al.*, 2015; Lee, 2016; Jha *et al.*, 2017) and handle customer complaints and requests effectively (Karatepe and Vatankhah, 2015; Karatepe, 2015; Baker *et al.*, 2014). Both TQM and employees are critical management approaches in the hotel industry because the customers expect high standards of hotel service delivery and facilities. This significantly affects customer's expectation and performance (Chi and Gursoy, 2009; Brown and Lam, 2008; Malan *et al.*, 2014) and determines the success of the business (Choi and Dickson, 2009). This is in line with the TQM philosophy, which involves matching customer expectations and performance (Oakland, 2011; Baldacchino, 1995). In addition, TQM emphasizes the importance of culture in designing, producing and improving products and services to satisfy customers' wants and needs (Collins, 1994; Dahlggaard-Park *et al.*, 2013; Douglas, 2013). For this reason, having the right employees can significantly improve the possibility of success for any hospitality industry (Karatepe *et al.*, 2006; He *et al.*, 2010, 2011). In fact, human capital is an important aspect of the hotel industry, and the quality of services is determined by the willingness and ability of employees to provide high-quality service delivery to customers (Yang *et al.*, 2015; George and Hegde, 2004).

Hotel customers are becoming more exposed to competitive expansion. Thus, TQM practices alone may not ensure a long-term relationship between customers and hotels. Therefore, high-quality customer service is crucial to long-term corporate success in the

services and hospitality industries (Loveland *et al.*, 2016; Rathi *et al.*, 2013). This has encouraged many hotels to support TQM practices and improve employee satisfaction. However, existing research has not paid much attention to human factors in TQM implementation, which are associated with employee satisfaction and hotel performance (Benavides-Velasco *et al.*, 2014; Lee *et al.*, 2015; Sadikoglu and Zehir, 2010; Wang *et al.*, 2012). This study attempts to investigate the structural relationship between TQM practices and employee satisfaction and hotel performance based on distinct constructs. In this study, the relevant constructs from TQM practice (Arasli, 2002; Grandzol and Gershon, 1998; Wang *et al.*, 2012), employee satisfaction (Chi and Gursoy, 2009) and hotel performance (Wang *et al.*, 2012) scales are adapted and incorporated. This approach is appropriate in the hotel industry and emphasizes the soft aspects of TQM. In this study, seven soft TQM practices (leadership, training, employee fulfillment, customer focus, continuous improvement, supplier quality management and process management) have been identified as the main factors influencing employee satisfaction and hotel performance. In addition, this research study provides a substantial contribution to the hospitality management literature by explaining how TQM practices can be used as a predictor of employee satisfaction and consequently improve hotel performance. A better understanding of these relationships will help hoteliers to develop their marketing strategies so as to maintain a positive relationship with their customers.

## 2. Literature review

### 2.1 Total quality management

Researchers have defined the TQM concept in different ways. For example, Grandzol and Gershon (1998) broke TQM down into a strategic approach (Garvin, 1987), a programmatic approach (Deming, 1986; Juran, 1992), a descriptive approach (Anderson *et al.*, 1994) and an outcome-oriented approach (Loomba and Johannessen, 1997; Bou-Llusar *et al.*, 2009). In this context, Evans and Lindsay (1996) defined TQM as a management technique that focuses on quality and aims to improve organizational effectiveness and flexibility. Similarly, Wang *et al.* (2012) defined TQM as a comprehensive management approach that focuses on continuous improvement within organizations to provide superior customer value and meet customer needs. This definition is in line with Oakland and Tanner (2008), Dubey *et al.* (2015) and Dubey (2015), who defined TQM as an approach used to improve firm effectiveness and fulfill internal and external customer expectations. Consequently, Hung *et al.* (2011) explained that TQM is a management philosophy for improving organizational performance that encompasses a variety of technical and behavioral factors. Despite TQM being incorporated into mainstream quality management, its description differs from researcher to researcher. In this study, TQM is defined as a management philosophy that emphasizes the involvement and commitment of all employees throughout the entire organization to provide high-quality products and services and fulfill customer expectations (Wang *et al.*, 2012; Prajogo and Sohal, 2004; Evans and Lindsay, 1996; Grandzol and Gershon, 1998; Ahire *et al.*, 1996).

Although TQM is widely recognized as a management philosophy, there is no consensus in the literature in term of TQM's dimensions and application (Garengo and Biazzo, 2013; Montes *et al.*, 2003; Wang *et al.*, 2012; Martínez-Costa *et al.*, 2009; Ahire *et al.*, 1996; Sureshchandar *et al.*, 2001; Prajogo and Sohal, 2004). Many organizations have applied TQM practices based on what they aim to achieve, such as the Malcolm Baldrige National Quality Award, the approval of the European Foundation for Quality Management, ISO-9000 quality certification or a country quality award (e.g. the Malaysia Prime Minister Quality Award or the Malaysia Quality Management Excellent Award). These quality awards have been designed to encourage business organizations to implement TQM practices and have

become prominent benchmarking models for many organizations (Abdullah, 2010; El Shenawy *et al.*, 2007; Lam *et al.*, 2012; Samat *et al.*, 2006). For example, Sadikoglu and Zehir (2010) identified leadership, training, employee management, information and analysis, supplier management, process management, customer focus and continuous improvement as measures of TQM in Turkish firms. Meanwhile, Samat *et al.* (2006) classified TQM practices into management support and commitment, employee involvement, employee empowerment, information and communication, training and education, customer focus and continuous improvement in Malaysian service organizations. In addition, Montes *et al.* (2003) synthesized five TQM constructs, namely, managerial leadership and commitment, human resource management, the relationship between customers and suppliers, internal organizational culture and process management. In the hotel industry, Arasli (2002) found seven TQM dimensions, namely, top management leadership, participation, empowerment, employee satisfaction, training, teamwork and change. Similarly, Wang *et al.* (2012) identified customer focus, internal/external cooperation, continuous improvement, leadership, employee fulfillment, learning and process management as TQM dimensions and found that customer focus and internal/external cooperation are the most important for hotel TQM practice. In this study, the following TQM practices are measured: leadership, employee fulfillment, training, customer focus, continuous improvement, supplier quality management and process management (Arasli, 2002; Grandzol and Gershon, 1998; Wang *et al.*, 2012). These dimensions have contributed to improving hotel service quality and performance.

## 2.2 Employee satisfaction

Employee satisfaction is the fulfillment or satisfying emotional state that results from the positive appraisal of job experiences on the part of the employee (Chang *et al.*, 2010; Locke, 1991; Karatepe, 2012; Al-Refaie, 2015). Other scholars define employee satisfaction as a person's assessment of the overall quality of his or her current job assignment (Hsu and Wang, 2008; Prajogo and Cooper, 2010; Jung and Yoon, 2015). In addition, Oakley (2012) states that job satisfaction is related to job performance appraisals, stress and work pressures, conflict and work conditions and the quality of service provided to customers. There are many factors that influence employee satisfaction across industries and countries. The most important are wage structure, working conditions, work group, the nature of the work and the quality of supervision and salary (Sousa-Poza and Sousa-Poza, 2000; Jun *et al.*, 2006; Rogelberg *et al.*, 2010). Training and career development (Burke *et al.*, 2005; Amin *et al.*, 2014) and work-life balance (Ooi *et al.*, 2013; Lee *et al.*, 2015) also play important roles in employee satisfaction. In addition, Hsu and Wang (2008) explain that supervisory support, fairness, autonomy, corporate image, affiliation and employee development affect employee satisfaction. Rodríguez-Antón and Alonso-Almeida (2011) find that salary conditions (salary, salary complements, and job stability, among others), employee involvement, motivation in assigned tasks, improved occupational health and safety conditions and employee learning contribute to employee satisfaction. Interestingly, in the hotel industry, Chi and Gursoy (2009) suggest that taking care of employees by providing them with good pay, ongoing training and a feeling of security will significantly affect employee satisfaction. In fact, the important factors influencing employee satisfaction are relationships with co-workers and supervisors (Rogelberg *et al.*, 2010; Baldacchino, 1995). Thus, if employees perceive that these requirements are fulfilled, then this will enhance the level of employee satisfaction.

Previous studies have supported the notion that employee satisfaction is the most important driver of employee loyalty and productivity (Al-Refaie, 2015; Lee, 2016; Pan, 2015).

From a practical perspective, satisfied and motivated employees will remain with organizations because they perceive more benefits in continuing to working with these organizations (Arsić *et al.*, 2012; Boselie and Van der Wiele, 2002; Koyuncu *et al.*, 2013). As Chi and Gursoy (2009) suggest, satisfied employees are likely to provide better services to hotel customers and improve hotel performance. In this regard, hotel employees have an essential role in the service delivery process, and hotel management should consider them to be strategic partners in the delivery of quality hotel services to retain satisfied employees and customers. In this study, employee satisfaction is a person's perception or appraisal of the degree of fit between an individual and the organization's values (Chi and Gursoy, 2009; Karatepe *et al.*, 2006). This is consistent with Locke's (1969) classical definition of employee satisfaction as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences as enabling the achievement of one's job values.

### 3. Hypothesis development

#### 3.1 TQM, employee satisfaction and hotel performance

Several studies have investigated the relationships between TQM and employee satisfaction and firm performance (Kaynak, 2003; Taylor and Wright, 2003; Prajogo and Sohal, 2006; Sila, 2007; Claver-Cortés *et al.*, 2008; Corredor and Goñi, 2011; Pereira-Moliner *et al.*, 2012; Augusto *et al.*, 2014; Herzallah *et al.*, 2014; Dubey *et al.*, 2015; Dubey, 2015). For example, Chang *et al.* (2010) argue that TQM practices, such as management leadership, empowerment, teamwork and employee compensation, have a significant impact on employee satisfaction. In the Malaysian context, Ooi *et al.* (2007) reveal that teamwork, organizational trust, organizational culture and customer focus have significant relationships with employees' job satisfaction. As Karia and Asaari (2006) suggest, companies that implemented TQM practices improved their employee satisfaction and organizational commitment. Satisfied employees will contribute to continuous improvement (Matzler *et al.*, 2004; Sadikoglu and Zehir, 2010) and more enthusiastically deliver high-quality services (Al-Refaie, 2015). Thus, they are more dedicated to work (Matzler and Renzl, 2006; Matzler *et al.*, 2004; Koyuncu *et al.*, 2013), share their knowledge and improve their work performance (Arsić *et al.*, 2012; Mohammad *et al.*, 2013; Ayupp and Kong, 2010; Lee *et al.*, 2015). In this context, TQM practices provide opportunities for every employee to enrich his or her motivation and achieve his or her career objectives by using their skills and abilities to improve the quality of their work.

Other scholars claim that some firms do not experience this positive effect (Taylor and Wright, 2003; Garengo and Sharma, 2014; Fotopoulos and Psomas, 2009). Reasons include a lack of top management support, a lack of customer focus and a lack of planning for quality, which result in a failure to implement TQM effectively and consistently (Pereira-Moliner *et al.*, 2012; Calabrese and Corbò, 2014). Therefore, TQM does not adapt to dynamic situations, and many employees become demotivated (Arasli, 2002, 2012). Consequently, a conflict between organizational levels arises (Arasli *et al.*, 2006; Dooley and Flor, 1998). In addition, regarding the relationship between TQM and hotel performance, several studies suggest that hotels experience improved financial performance after TQM implementation. For example, Wang *et al.* (2012) reveal that TQM practices significantly affect both hotel performance (financial and customer). Similarly, Benavides-Velasco *et al.* (2014) investigated the effect of TQM on hotel performance in Spain, and the results of the study show that TQM plays an important role in increasing hotel performance. In addition, Claver-Cortés *et al.* (2008) explain that hotels with higher degrees of TQM commitment will obtain significantly higher gross operative profits per available room per day, competitive performance and stakeholder satisfaction levels. Other studies recognized that TQM can be implemented to

increase market share and profit and reduce costs (Yusof and Aspinwall, 2000; Liao *et al.*, 2010). Thus, the following two hypotheses are proposed:

- H1. There is a significant relationship between TQM and employee satisfaction.
- H2. There is a significant relationship between TQM and hotel performance.

### 3.2 Employee satisfaction and hotel performance

Previous studies have identified the relationship between employee satisfaction and firm performance (Chang *et al.*, 2010; Matzler and Renzl, 2006; Matzler *et al.*, 2004; Al-Zoubi, 2012; Arsić *et al.*, 2012; Credé *et al.*, 2009; Gursoy and Swanger, 2007; Amin *et al.*, 2014; Baker *et al.*, 2014; Álvarez-García *et al.*, 2015). For example, Chi and Gursoy (2009), Gursoy and Swanger (2007) and DiPietro *et al.* (2014) examine the relationship between employee satisfaction and hotel financial performance, and the results show that employee satisfaction plays an important role in enhancing financial performance. Additionally, employees who are satisfied with their jobs are significantly associated with both improved profit margins and improved productivity (Silvestro, 2002; Wangenheim *et al.*, 2007; Jun *et al.*, 2006; Decramer *et al.*, 2013; Al-Refaie, 2015). Employees with high levels of job satisfaction will produce satisfied customers and increase hotel revenue and profitability (He *et al.*, 2011; Al-Refaie, 2015). Satisfied employees are more dedicated to continuous improvement and quality (Matzler *et al.*, 2004; Matzler and Renzl, 2006; Guimaraes, 1996; Sanchez and Blanco, 2014) and reduced turnover (Loveland *et al.*, 2016; Rathi *et al.*, 2013). Satisfied employees are typically motivated and work harder than dissatisfied employees (Arasli *et al.*, 2006; Chi and Gursoy, 2009; Hsu and Wang, 2008; Schmit and Allscheid, 1995; Gillen and Chung, 2005). Although hotel management has played a significant role in enhancing employee satisfaction, some hotel employees continue to suffer from low salaries, overwork and emotional exhaustion (Al-Refaie, 2015; Lee, 2016; Pan, 2015). Consequently, dissatisfied employees tend toward absenteeism (Chen *et al.*, 2006; Arasli *et al.*, 2006; Böckerman and Ilmakunnas, 2012), high labor turnover (Chi and Gursoy, 2009; Silvestro, 2002) and low productivity (Böckerman and Ilmakunnas, 2012). In fact, if dissatisfied employees think about changing jobs but decide to remain with their current organization, this will create demotivation and affect overall organizational performance (Wang *et al.*, 2012; Jung and Yoon, 2015). Thus, the following hypothesis is proposed:

- H3. There is a significant relationship between employee satisfaction and hotel performance.

## 4. Methodology

### 4.1 Sample and data collection

A judgmental sampling technique was used in this study. From the estimated 1,030 hotels registered in the Malaysian Association of Hotels directory, 77 four- and five-star hotels in four cities were initially selected (MAH, 2013). From the complete listings of four- and five-star hotels from the Malaysian Association of Hotels directory, shortlisting was performed to finalize the total sample of 25 hotels. A total of 25 (four- and five-star) hotels was randomly selected; these hotels were located in four cities in Malaysia (Kuala Lumpur, Putrajaya, Johor Bahru and Pulau Pinang). One city represents the levels of economic development seen in the southern area (Johor Bahru); one city represents the northern area, with its developing economic growth (Pulau Pinang); and two cities represent the central areas, where most hotels in Malaysia are located (Kuala Lumpur and Putrajaya). The selection of hotels from various cities as a sampling frame is intended to represent diversity in terms of population size, geographic location and socioeconomic level (Kim and Kim, 2008,

Chi and Gursoy, 2009). Each hotel was given 20 questionnaires for employees and five questionnaires for managers and those above managers.

A total of 625 questionnaires were distributed randomly to 25 hotels (500 questionnaires for employee and 125 for managers and above). Respondents were reached via mail and follow-up telephone calls asking that they join in this study as a respondent from January to April 2013. The questionnaires were mailed, along with a cover letter explaining the purpose of the study and stressing the confidentiality of the responses. In addition, the return envelope had the address of the researcher; affixed postage stamps were included to encouraged the respondents to return the filled-out questionnaires. The questionnaire also stated that it should be filled out by employees of managerial level or higher rank. To ensure that they filled out the questionnaires, a company stamp and signature were requested on the questionnaire form. Table I shows the demographic profile of the respondents. The response rate was 33 per cent (210 respondents of 625).

In this study, because all construct procedures were derived from the same survey instrument obtained from the same respondent (Podsakoff *et al.*, 2003), the possibility of common method variance existed. Following Podsakoff and Organ (1986), Harman's single factor test was applied by:

[...] entering all the principal constructs into a principal component factor analysis. Evidence method bias exists when a single factor emerges from the factor analysis or one general factor accounts for the majority of the covariance among the measures. (Podsakoff *et al.*, 2003, p. 889)

All factors were extracted, with the first factor accounting for 37.16 per cent of total variance, which confirms that common method bias is not a problem in this data set.

#### 4.2 Questionnaire development

A seven-point Likert Scale was used to measure the three construct categories – TQM, employee satisfaction and hotel performance. Seven constructs for TQM, consisting of leadership, training, employee fulfillment, customer focus, continuous improvement, supplier quality management and process management, were adapted from Arasli (2002), Grandzol and Gershon (1998) and Wang *et al.* (2012). A scale ranging from “1” (strongly disagree) to “7” (strongly agree) was used to measure the TQM construct. The employee satisfaction and hotel performance constructs were measured by four and five items, respectively, which were adapted from research studies conducted in the hotel industry by Chi and Gursoy (2009) and Wang *et al.* (2012). A seven-point scale ranging from “1” (strongly unsatisfied) to “7” (strongly satisfied) was used to measure employee satisfaction, and a scale ranging from “1” (much lower) to “7” (much higher) was used to measure hotel performance.

Characteristics	Group	No. of respondents	(%)
Industry	Hotels	210	100
Respondent's position	Employees	160	76.19
	Managers	50	23.81
TQM program	With TQM	18	72.0
	Without TQM	7	28.0
Years of implementing TQM	Less than 1	10	40.0
	1-3	6	24.0
	4-6	4	16.0
	More than 6	5	20.0

**Table I.**  
Demographic profiles



## 5. Data analysis and results

### 5.1 Measurement model

The partial least square structural equation modeling (PLS-SEM) technique was performed to analyze the measurement (Fornell and Larcker, 1981) and structural models (Hair *et al.*, 2013) using Smart PLS software (Ringle *et al.*, 2005). The measurement model was created to assess convergent validity. Convergent validity is the degree to which multiple items used to measure the same concept are in agreement. Factor loadings, composite reliability (CR) and average variance extracted (AVE) were used to assess convergence validity (Hair *et al.*, 1998). The recommended values for loadings are set at  $>0.5$ , the AVE should be  $>0.5$  and the CR should be  $>0.7$ . In this study, the TQM construct was conceptualized as a second-order construct, as suggested by the PLS analysis (Hair *et al.*, 2013). Table II shows that the results of the measurement model exceeded the recommended values, thus indicating sufficient convergence validity. To assess the convergent validity for each construct, the standardized factor loadings were used to determine the validity of the three constructs (Anderson and Gerbing, 1988; Yang and Jolly, 2008). The findings indicated that each factor loading of the reflective indicators ranged from 0.739 to 0.963 and exceeded the recommended level of 0.50. Because each factor loading on each construct was more than 0.50, the convergent validity for each construct was established, thereby providing evidence of construct validity for all the constructs in this study (Anderson and Gerbing, 1988; Hair *et al.*, 1998). In addition, the AVE was calculated to assess the discriminant validity for each construct (Hair *et al.*, 1998), and the AVE ranged from 0.745 to 0.939.

Table III shows the discriminant validity of the construct using Fornell and Larcker (1981) approach. Discriminant validity is the degree to which items differ between constructs or measure distinct concepts. The criterion used to assess this is comparing the AVE with the squared correlations or comparing the square root of the AVE with the correlations. Because the square root of the AVE between each pair of factors is higher than the correlation estimated between factors, this confirms their discriminate validity (Hair *et al.*, 2013; Bagozzi and Yi, 1988, 1991). The comparison of cross-loadings in Table III and Table IV indicates that an indicator's loadings are higher than other loadings for its own construct in the same column and same row, indicating adequate discriminant validity.

### 5.2 Structural equation modeling

SmartPLS 2.0 was used to test the structural model and hypotheses (Ringle *et al.*, 2005). To evaluate the predictive power of the structural model,  $R^2$  was calculated.  $R^2$  indicates the amount of variance explained by the exogenous variables (Hair *et al.*, 2012). Using a bootstrapping technique with a re-sampling of 1,000 (Hair *et al.*, 2012, 2013), the path estimates and t-statistics were calculated for the hypothesized relationships. Table V and Figure 1 show the structural model analysis. The results showed that the relationships between TQM practices and employee satisfaction and hotel performance were significant ( $\beta = 0.967$ ,  $t$ -value = 251.504;  $\beta = 0.515$ ,  $t$ -value = 3.964) and that the explanatory power ( $R^2$ ) of the relationship was 0.936. Thus,  $H1$  and  $H2$  were supported. The relationship between employee satisfaction and hotel performance was significant ( $\beta = 0.426$ ,  $t$ -value = 3.211), and the explanatory power ( $R^2$ ) of the relationship is 0.871. Thus,  $H3$  was supported.

## 6. Discussion and conclusions

The objective of this study is to investigate the structural relationship between TQM practices and employee satisfaction and hotel performance. The results confirm that the high commitment from top management of TQM practices has significant effect on employee satisfaction. The results of this study are consistent with the previous studies by

First-order construct	Second-order construct	Item	Loadings	AVE	CR	Cronbach's $\alpha$
Customer focus (CF)		CF1	0.948	0.880	0.957	0.814
		CF2	0.953			
		CF3	0.914			
Continuous improvement (CI)		CI1	0.916	0.818	0.931	0.892
		CI2	0.955			
		CI3	0.839			
Employee fulfillment (EF)		EF1	0.915	0.840	0.94	0.921
		EF2	0.932			
		EF3	0.903			
Supplier quality management (SQM)		SQM1	0.829	0.808	0.954	0.855
		SQM2	0.921			
		SQM3	0.908			
		SQM4	0.936			
		SQM5	0.896			
Leadership (LD)		LD1	0.925	0.860	0.961	0.808
		LD2	0.939			
		LD3	0.941			
		LD4	0.904			
Training (TN)		TN1	0.912	0.745	0.921	0.945
		TN2	0.899			
		TN3	0.891			
		TN4	0.739			
Process management (PM)		PM1	0.826	0.795	0.959	0.889
		PM2	0.907			
		PM3	0.892			
		PM4	0.891			
		PM5	0.922			
		PM6	0.908			
TQM practices		Customer focus	0.926	0.874	0.980	0.950
		Continuous improvement	0.940			
		Employee fulfillment	0.892			
		Internal/external cooperation	0.959			
		Leadership	0.942			
		Learning	0.922			
		Process management	0.963			
Employee satisfaction		ES1	0.960	0.939	0.984	0.887
		ES2	0.971			
		ES3	0.972			
		ES4	0.972			
Hotel performance		HP1	0.911	0.817	0.957	0.843
		HP2	0.895			
		HP3	0.891			
		HP4	0.916			
		HP5	0.905			

**Table II.**

Measurement model

**Notes:** AVE = average variance extracted; CR = Composite reliability;  $\alpha$  = Cronbach's alpha

Sadikoglu and Zehir (2010), Hsu and Wang (2008), Jun *et al.* (2006), Ugboro and Obeng (2000), Silvestro (2002), Prajogo and Cooper (2010) and Shieh and Wang (2006). Moreover, study results also support the relationship between employee satisfaction and hotel performance. This study is consistent with Chi and Gursoy (2009), Sadikoglu and Zehir (2010), Jun *et al.*

Research construct	CF	CI	EF	ES	HP	SQM	LD	TN	PM
CF	0.880								
CI	0.615	0.818							
EF	0.535	0.577	0.840						
ES	0.527	0.541	0.584	0.939					
HP	0.533	0.599	0.537	0.638	0.817				
SQM	0.469	0.608	0.592	0.653	0.580	0.808			
LD	0.554	0.557	0.568	0.572	0.567	0.428	0.860		
TN	0.513	0.638	0.508	0.545	0.475	0.497	0.596	0.745	
PM	0.538	0.580	0.545	0.609	0.578	0.370	0.577	0.437	0.795

**Table III.**  
Correlations matrix of  
the construct

**Note:** The off-diagonal values in the above matrix are the square correlations between the latent constructs, and the diagonal values are AVEs

(2006), Hsu and Wang (2008), Akgunduz (2015) and Al-Refaie (2015) points out that employee satisfaction enhanced hotel financial performance. The findings indicate that employees are most concerned with the leadership dimension of TQM practices. This means that employees are looking for long-term plans focused on quality development, clear quality direction from top management and employee empowerment. More specifically, this result determines the main role of top management commitment and its support for both the successful implementation of TQM and hotel success. As Dominguez-Falc3n *et al.* (2016) point out, hotel managers and supervisors actively encouraged the implementation of human resource practices to achieve employee satisfaction. Additionally, Bouranta *et al.* (2017) suggest that for improving hotel performance, it is important for hotel managers to implement TQM practices holistically and systematically and ultimately leads to higher employee satisfaction and hotel performance.

### 6.1 Theoretical implications

From an academic perspective, this study contributes to the literature by addressing the consequences of TQM practices on hotel performance. The study determines empirical support of the structural relationship between TQM practices, employee satisfaction and hotel performance. Seven of the TQM practices consisting of leadership, training, employee fulfillment, customer focus, continuous improvement, supplier quality management and process management play a significant role in enhancing employee satisfaction and hotel performance. The findings of this study support the validity of TQM practices as a latent construct consisting of these seven dimensions. In this study, leadership and customer focus are considered the most important dimension of TQM practices, followed by training, employee fulfillment, continuous improvement, process management and supplier quality management. Drawing on the concept of TQM practices, the findings imply that TQM practice implementation differs across industry and country. Therefore, this study contributes to the literature by providing the specific construct to measure TQM practices, employee satisfaction and hotel performance specifically in developing countries.

### 6.2 Practical implications

The results of this study will encourage hotel managers to apply TQM practices to enhance employee satisfaction and hotel performance. For example, if hotel companies take care of their employees, the employees will serve the hotel customers accordingly. Although employee satisfaction is not an easy task due to the complexity of human nature, hospitality

Research construct	CF	CI	EF	ES	HP	SQM	LD	TN	PM
CF1	<i>0.948</i>	0.590	0.455	0.546	0.58	0.643	0.613	0.579	0.605
CF2	<i>0.953</i>	0.587	0.649	0.552	0.595	0.607	0.611	0.571	0.593
CF3	<i>0.914</i>	0.403	0.539	0.561	0.634	0.618	0.619	0.625	0.62
CI1	0.518	<i>0.916</i>	0.543	0.576	0.641	0.648	0.624	0.622	0.646
CI2	0.524	<i>0.955</i>	0.586	0.500	0.673	0.672	0.632	0.626	0.669
CI3	0.636	<i>0.839</i>	0.501	0.595	0.499	0.508	0.495	0.472	0.466
EF1	0.562	0.61	<i>0.915</i>	0.607	0.607	0.553	0.576	0.505	0.577
EF2	0.518	0.663	<i>0.932</i>	0.585	0.567	0.563	0.54	0.513	0.592
EF3	0.511	0.438	<i>0.903</i>	0.562	0.516	0.555	0.55	0.516	0.554
ES1	0.563	0.479	0.436	<i>0.960</i>	0.692	0.702	0.683	0.632	0.501
ES2	0.678	0.584	0.508	<i>0.971</i>	0.504	0.685	0.69	0.647	0.684
ES3	0.615	0.507	0.640	<i>0.972</i>	0.686	0.704	0.696	0.678	0.414
ES4	0.368	0.584	0.534	<i>0.972</i>	0.698	0.68	0.686	0.661	0.503
HP1	0.574	0.526	0.568	0.867	<i>0.911</i>	0.614	0.613	0.593	0.645
HP2	0.553	0.570	0.658	0.818	<i>0.895</i>	0.573	0.608	0.591	0.567
HP3	0.646	0.467	0.535	0.790	<i>0.891</i>	0.57	0.557	0.54	0.508
HP4	0.582	0.614	0.545	0.835	<i>0.916</i>	0.601	0.541	0.606	0.603
HP5	0.512	0.557	0.557	0.862	<i>0.905</i>	0.617	0.599	0.621	0.636
SQM1	0.696	0.693	0.631	0.831	0.567	<i>0.829</i>	0.603	0.577	0.614
SQM2	0.518	0.675	0.533	0.837	0.585	<i>0.921</i>	0.581	0.576	0.622
SQM3	0.534	0.676	0.538	0.782	0.563	<i>0.908</i>	0.567	0.524	0.584
SQM4	0.595	0.551	0.559	0.853	0.624	<i>0.936</i>	0.621	0.584	0.616
SQM5	0.594	0.640	0.647	0.833	0.611	<i>0.896</i>	0.593	0.575	0.641
LD1	0.575	0.405	0.641	0.838	0.602	0.586	<i>0.925</i>	0.567	0.601
LD2	0.474	0.578	0.624	0.824	0.578	0.595	<i>0.939</i>	0.538	0.575
LD3	0.502	0.575	0.660	0.838	0.588	0.602	<i>0.941</i>	0.565	0.603
LD4	0.562	0.563	0.524	0.897	0.644	0.685	<i>0.904</i>	0.618	0.684
TN1	0.580	0.585	0.560	0.803	0.611	0.597	0.562	<i>0.912</i>	0.637
TN2	0.528	0.589	0.658	0.741	0.555	0.508	0.501	<i>0.899</i>	0.537
TN3	0.507	0.623	0.544	0.866	0.626	0.627	0.617	<i>0.891</i>	0.619
TN4	0.472	0.556	0.580	0.606	0.406	0.392	0.673	<i>0.839</i>	0.412
PM1	0.386	0.565	0.555	0.780	0.559	0.549	0.515	0.523	<i>0.826</i>
PM2	0.451	0.513	0.488	0.838	0.609	0.647	0.606	0.621	<i>0.907</i>
PM3	0.550	0.569	0.580	0.829	0.564	0.58	0.571	0.584	<i>0.892</i>
PM4	0.559	0.566	0.640	0.785	0.549	0.573	0.555	0.579	<i>0.891</i>
PM5	0.615	0.486	0.676	0.835	0.592	0.637	0.611	0.594	<i>0.922</i>
PM6	0.529	0.425	0.474	0.899	0.621	0.663	0.65	0.588	<i>0.908</i>

**Table IV.**  
Cross-loadings

**Notes:** Italic values are loadings for each item that are above the recommended value of 0.5; an item's loadings on its own variable are higher than all of its cross-loadings with other variables

**Table V.**  
Result of hypothesis testing and structural relationships

Hypothesis	Beta	Standard error	t-value	Decision
TQM → ES	0.967	0.004	251.504*	Supported
TQM → HP	0.515	0.130	3.964*	Supported
ES → HP	0.426	0.133	3.211*	Supported

**Notes:** Significant at \*\* $p < 0.01$ ; \* $p < 0.05$

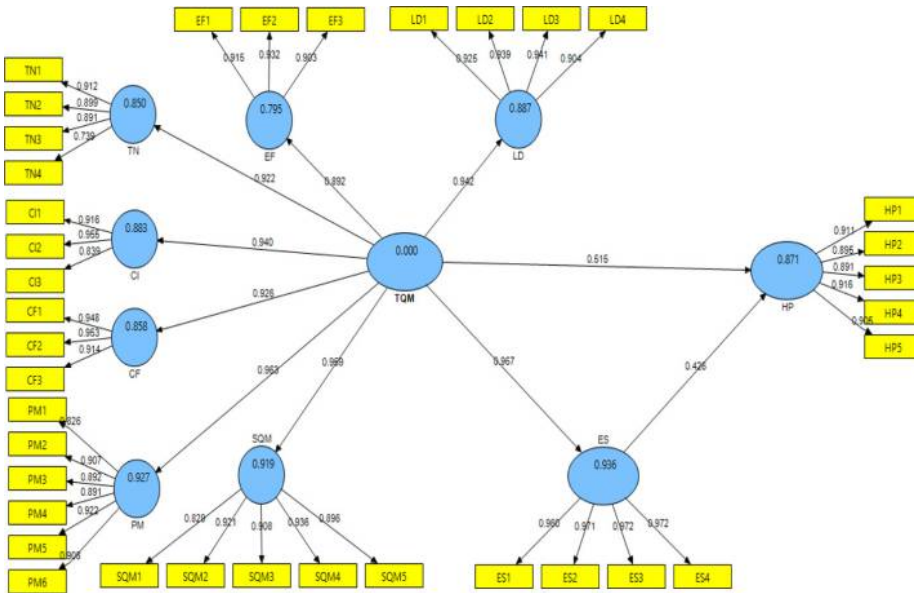


Figure 1. The PLS algorithm results

industries cannot survive without satisfied employees because satisfied employees provide a satisfactory service experience to customers (Chi and Gursoy, 2009). In addition, the failure to improve employee satisfaction will significantly increase employee frustration and result in lower performance (Hsu and Wang, 2008; He *et al.*, 2011). Silvestro (2002) indicate that employee frustration leads to high turnover and declining levels of customer service. As a result, employees will not contribute to maximizing customer satisfaction. Consequently, Boselie and Van der Wiele (2002) suggest that satisfied employees have less intention to leave the organization and reducing employee turnover. Kim and Min Park (2014) suggest that employee turnover will generate costs in the form of new human resource recruitment and training, low productivity due to the loss of skilled labor and declining trust among employees. If hotel employees are highly satisfied with their jobs, their willingness to support their coworkers and colleagues will be high, and consequently, they will be loyal to their jobs. On the other hand, manager dedication is the main indicator that significantly has an effect on employee satisfaction and enhances employee loyalty in hotel industry (Lu *et al.*, 2016).

In addition, leaders' willingness to share their knowledge and skills and create a harmonious culture significantly affects the success of TQM practices. Increasing employee fulfilment and participation in decision-making regarding their career plans will enhance hotel performance. Satisfied employees are more dedicated to continuous improvement and quality (Matzler *et al.*, 2004; Matzler and Renzl, 2006; Guimaraes, 1996; Sanchez and Blanco, 2014) and reduced turnover (Loveland *et al.*, 2016; Chi and Gursoy, 2009; Silvestro, 2002). For this reason, specific training and employee participation in TQM programs should be organized and encouraged to continuously improve the skills of hotel employees. Training programs should be developed based on a training need assessment. For example, Jun *et al.* (2006) suggest that well-trained employees will become qualified for higher levels of employee empowerment and teamwork and that as a result, employee satisfaction and organization performance will be improved. As suggested by Mehralian *et al.* (2017),

employees should continuously learn from internal and external organization to improve employees' skills and meet customers' expectation. As a result, this program will motivate the learning culture in hotel industry.

Hence, in a hotel workplace environment, the relationship between employee and employer is important. Employees will feel safer and more positive about their managers when they believe that their leaders and peers are trustworthy (Matzler and Renzl, 2006; Cho and Lee, 2011). Additionally, clear communication between top management and employees is critical. For example, Zelnik *et al.* (2012) suggest that communication is an essential element of successful and continuous quality management system improvement and will significantly improve the relationship between employee and hotel management. If TQM programs are understood and implemented accordingly, it will affect the organizational performance. When employees have a better understanding of the standard, it will be easy for them to be motivated and involved in organizational efforts (Park *et al.*, 2007; Zelnik *et al.*, 2012). On the other hand, hoteliers must provide a friendly working atmosphere, blueprints and strategic maps to increase employee satisfaction and hotel performance. Furthermore, hotel management is advised to consider TQM practices as a facilitating instrument for improved hotel performance and employee satisfaction.

### 6.3 Limitations and future research

This study has certain limitations. The hotels should be representative of those throughout the entire country to achieve a proper result. The hotel performance measurement scale should be based on both financial and non-financial factors. Employee satisfaction should be measured based on a multidimensional construct, and employee loyalty should be considered in future research study. In addition, control variables such as hotel size and external environmental factors, as well as various segments of hotels, should be considered for future research to rigorously capture TQM practices, employee satisfaction and hotel performance.

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## Appendix

Construct	Sources
<i>TQM practices</i>	
Customer focus	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
Our activities are centered on satisfying our customers	
Customers' feedback is used to determine their requirements	
Senior executives behave in ways that lessen the importance of customers	
Our hotel is frequently in close contact with our customers	
<i>Supplier quality management</i>	
Suppliers have programs to ensure quality of their products	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
Our hotel is more interested in developing a long-term relationship with our suppliers	
Quality is a more important criterion in selecting suppliers	
Small number of high-quality suppliers	
Suppliers are given assistance in improving quality	
<i>Continuous improvement</i>	
All employees' suggestions are evaluated	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
We often work in teams, with members from a variety of departments	
Our organization uses the ability to work in a team as a criterion in employee selection	
<i>Leadership</i>	
Long-term plans focused on quality are developed	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
There are clear quality goals identified by top-level managers	
Managers and supervisors allow employees to take necessary action on their own	
Senior executives anticipate change and make plans to accommodate it	
<i>Employee fulfillment</i>	
Managers and supervisors create a work environment that encourages employees to achieve performance	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
I like my job because I'm doing what I want to do	
Employees in our organizations are dedicated to their jobs	
<i>Learning</i>	
Employee training is provided in quality principles	(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i> , 2012)
Resources are available for employee quality training	
Top management are often involved in quality training	
Top management has established an environment that encourages continuous education	

(continued)

Table AI.  
Measurement items

Table AI.

Construct	Sources
<p><i>Process management</i></p> <p>Our hotel use inspection for quality control</p> <p>The processes used in the organization do include in-process measures of quality</p> <p>The processes for designing new products/service in the organization ensure quality</p> <p>Our hotels have standardized process instructions which are given to employees</p> <p>Senior executives look at the total costs of products and service, including indirect overhead costs</p> <p>Managers and supervisors understand how to motivate employees and encourage them to perform at their highest levels</p>	<p>(Arasli, 2002; Grandzol and Gershon, 1998; Wang <i>et al.</i>, 2012)</p>
<p><i>Employee satisfaction</i></p> <p>Overall, I am satisfied with my job at</p> <p>I intend to keep working at the ____ long into the future</p> <p>I often think about quitting my job</p> <p>As soon as I can find another job I am going to leave</p>	<p>(Chi and Gursoy, 2009)</p>
<p><i>Finance performance</i></p> <p>Our market share is growth</p> <p>Our sales are growth</p> <p>Our selling cost is reducing</p> <p>Our ROI is growth</p>	<p>(Wang <i>et al.</i>, 2012)</p>

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