

**THE ROLE OF BUSINESS PROCESS MANAGEMENT (BPM)
AS A MEDIATOR BETWEEN EMPLOYEE JOB SATISFACTION AND
CUSTOMER SATISFACTION IN THE HOSPITALITY INDUSTRY
IN HONG KONG AND MACAU**

WAI FONG KAYOTT KATHRYN HO

BA(Hons) The University of Hong Kong
MBA The University of Technology, Sydney

A dissertation submitted for
The Doctorate Degree of Business Administration

February 2013

The University of Newcastle
Australia

STATEMENT OF ORIGINALITY

This dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by any person, except where due reference has been made in the text. I give consent to this copy of my dissertation, when deposited in the University of Library being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

Signed:

Acknowledgements

I would like to express my wholehearted appreciation to my Supervisor, Professor Ananda Kumar Palaniappan, for his great support, guidance and advice during the whole period of my dissertation study. I sincerely thank him for his professional supervision.

I would like to extend my special thanks to Mr. Michael Kam for his encouragement, professionalism and continuous assistance during the preparation of my dissertation.

I wish to take this opportunity to thank Ms Andrea Kam and Ms Wendy Tsang for their sincere support and love during the tough time of my study.

Abstract

It is widely recognized that customer satisfaction is imperative to the success of an organization. Investigating the factors affecting customer satisfaction is one of the strategic objectives of business leaders. This study aims to demystify the inconsistency of previous literature on the relationship between employee job satisfaction and customer satisfaction link in the hospitality industry. More recent research shows that Business Process Management (BPM) is the main driver for customer satisfaction; and the relationship of employee job satisfaction, technical service quality – a business process, and customer satisfaction. However, the inter-relationship of the three important variables – employee job satisfaction, BPM and customer satisfaction – in the same setting is unexplored. Investigating this unexplored gap is worthwhile as BPM may be a mediator in the employee-customer satisfaction link. Hospitality is a growing and important industry, which makes it appropriate for this study. Data was collected from 188 employees and 189 customers from nine hotels in Hong Kong and Macau to test the hypotheses in a thriving industry. Exploratory factor analysis followed by confirmatory factor analysis indicated two factors in employee satisfaction, one factor in BPM, and three factors in customer satisfaction. Findings showed that there is a positive relationship between employee job satisfaction and customer satisfaction, and that BPM is a significant mediator between these two variables from Structural Equation Modelling (SEM) – path analysis, as well as from regression analysis. Moreover, the results also highlight the effect of climate and culture of an organization in creating a homogenous effect of employee job satisfaction amongst all

employee groups with different levels of customer contact intensity. The empirical results of this study support the conceptual framework of BPM as a mediator between employee job satisfaction and customer satisfaction, which helps future research in BPM.

Table of Content

	Page
Title of Dissertation	i
Statement of Originality	ii
Acknowledgements	iii
Abstract	iv
Table of Content	vi
List of Tables	xi
List of Figures	xvi
List of Appendices	xviii

		Page
Chapter 1	INTRODUCTION	
1.1	Background	1
1.2	Purpose of the study	11
1.3	Significance of the study	11
1.4	Structure of the thesis	11
Chapter 2	LITERATURE REVIEW	
2.1	Impact of customer satisfaction on financial performance	13
2.2	Relationship between employee job satisfaction and customer satisfaction	17
2.3	Relationship among employee job satisfaction, Business Process Management (BPM) and customer satisfaction	27

	2.4	Summary	39
	2.5	Theoretical framework	45
	2.6	Hypotheses	50
Chapter 3		RESEARCH METHODS	
	3.1	Measurement of constructs	51
	3.2	Research methodology	54
	3.3	Sample	54
	3.4	Instrument	57
	3.5	Data collection	64
	3.6	Data analysis	66
	3.7	Pilot study	68
	3.8	Summary	70

Chapter 4	ANALYSIS AND RESULTS	
4.1	Introduction	71
4.2	Findings and analysis	77
4.2.1	Exploratory factor analysis of employee and customer questionnaires	82
4.2.2	Confirmatory factor analysis of employment contexts	91
4.2.3	Confirmatory factor analysis of customer questionnaire	93
4.2.4	Path analysis to explore the mediating role of BPM between job satisfaction and customer satisfaction	106
4.2.5	Path analysis of relationships among employee job satisfaction, BPM, and customer satisfaction	109

4.2.6	Regression analysis of customer satisfaction variables	111
4.3	Discussion	120
4.4	Implications for management	128
4.5	Implications for research	136
4.6	Limitations of the study and recommendations for future research	137
Chapter 5	CONCLUSION	139
	REFERENCES	148
	APPENDICES	169

List of Tables

		page
Table 3.1	Means, Standard Deviations, Reliabilities and Correlation among Variables of Employee questionnaire – Pilot study	69
Table 3.2	Means, Standard Deviations, Reliabilities and Correlation among Variables of Customer questionnaire – Pilot study	69
Table 3.3	Means, Standard Deviations, Reliabilities and Correlation among Variables of BPM – Pilot Study	70
Table 4.1	Descriptive Statistics of items in the Employee Questionnaire	73
Table 4.2	Descriptive Statistics of items in the Customer Questionnaire	76

Table 4.3	ANOVA of Employees with Different Degree of Customer Contact Intensity	80
Table 4.4	KMO and Bartlett's Test of items in the Employee Questionnaire	83
Table 4.5	The Scree-plot of the Factor Analysis of items in the Employee Questionnaire	83
Table 4.6	Factor grouping of items measuring Employee Job Satisfaction (Varimax Rotated)	84
Table 4.7	KMO and Bartlett's Test of items in the BPM	85
Table 4.8	Factor grouping of items measuring Business Process Management	86
Table 4.9	KMO and Bartlett's Test of items in the Customer Questionnaire	87
Table 4.10	The Scree-plot of the Factor Analysis of items in the Customer Questionnaire	88

Table 4.11	Factor grouping of items Measuring Customer Satisfaction (Varimax Rotated)	89
Table 4.12	Goodness of fit indices for CFA of 5 dimensions of employment contexts with 16 items	92
Table 4.13	Goodness of fit indices for second-order CFA of 5 dimensions of employment contexts with 16 items	93
Table 4.14	Goodness of fit indices for CFA of 3 factors of customer questionnaire with 21 items	94
Table 4.15	Correlation between Employee Job Satisfaction and Customer Satisfaction (all employee groups)	100
Table 4.16	Regression Analysis of Employee Job Satisfaction and Customer Satisfaction	102

Table 4.17	Correlations between Employee Job satisfaction and Customer Satisfaction (by different groups of employees with different degrees of customer contact intensity)	105
Table 4.18	Parameters and fit indices of structural models on mediating effect of BPM	107
Table 4.19	Parameters and fit indices of structural model (Full model)	111
Table 4.20	Hierarchical Regression Analysis for Effects of Overall Job Satisfaction and BPM on Overall Customer Satisfaction (all employee groups)	114
Table 4.21a	Hierarchical Regression Analysis for Effects of Overall Job Satisfaction and BPM on Overall Customer Satisfaction (by employee groups with different degrees of customer contact intensity)	116

Table 4.21b	Hierarchical Regression Analysis for Effects of Team Climate & Superiors and BPM on Overall Customer Satisfaction (by employee groups with different degrees of customer contact intensity)	117
Table 4.21c	Hierarchical Regression Analysis for Effects of Overall Job Satisfaction and BPM on Service Quality (by employee groups with different degrees of customer contact intensity)	118
Table 4.21d	Hierarchical Regression Analysis for Effects of Team Climate & Superiors and BPM on Service Quality (by employee groups with different degrees of customer contact intensity)	119

List of Figures

		Page
Figure 2.1	Graphical Representation of Best Fit Structural Equation Modelling (Kumar et al., 2008, p.182)	39
Figure 2.2	Conceptual Framework of BPM as a Mediator Between Employee Job Satisfaction and Customer Satisfaction (Source: Designed for this study)	48
Figure 2.3	Proposed Model of BPM as a Mediator Between Employee Job Satisfaction and Customer Satisfaction (Source: Designed for this study)	49
Figure 4.1	Path diagram for second-order Confirmatory factor analysis of employment contexts	92
Figure 4.2	SEM results for the direct and mediating effects between job satisfaction and customer satisfaction	106

Figure 4.3	Structural Model of Employee Job Satisfaction (all employee groups), BPM and Customer Satisfaction (Full model)	110
Figure 4.4	The nature of mediator variables	112

List of Appendices

	Page
Appendix1a	Questionnaire for employees 169
Appendix 1b	Information statement for employee questionnaire 171
Appendix 1c	Questionnaire for employees (Chinese version) 173
Appendix 1d	Information statement for employee questionnaire (Chinese version) 175
Appendix 2a	Questionnaire for customers 177
Appendix 2b	Information statement for customer questionnaire 179
Appendix 2c	Questionnaire for customers (Chinese version) 181
Appendix 2d	Information statement for customer questionnaire (Chinese version) 183
Appendix 3a	Invitation letter to the Head of Human Resources 185
Appendix 3b	Invitation letter to the Head of Human Resources (Chinese version) 188