

## The role of service performance mediating the effect of management commitment to service quality structure on the reputation of hospitality industry companies in West Java

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ABSTRACT

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This study seeks to analyze the effect of management commitment to service quality on service performance, the effect of management commitment to service quality on company's reputation, the effect of service performance to company's reputation, and the effect of management commitment to service quality on company's reputation through service performance. The study employed structural equation modeling (SEM) as an analysis technique. The analysis shows that management commitment to service quality had a significant and positive effect on service performance, management commitment to service quality had a significant and positive effect on the company's reputation, service performance affected the company's reputation and management commitment to service quality affected the company's reputation through service performance.

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### 1. Introduction

In the hospitality service industry, the company's reputation is thought the key factor in the evaluation of overall strength by customers upon hearing the company's name and seeing its label/logo. The company's reputation also displays the company's position in being different from or superior to competitors; it is one of the key elements of intangible resources creating conditions for sustainable competitive advantage (Alvarez Dominguez, 2011). In service products, the value will be fulfilled if management is committed to service quality and has customer-oriented service staff (Chahal & Kumari, 2012; Demirbag, Sahadev, Kaynak, & Akgul, 2012; Lytle & Timmerman, 2006). Management committed for providing quality services to customers will provide support to every service development need accompanying the company's products; thus, the products always meet customers' ever-changing expectations corresponding to environment development. Additionally, committed management will continue to empower the company's human resources because human resource services play a key role; in addition to being a service provider, it is also a display of service performance viewed by consumers, therefore, it is the tip of the spear in the success of products and companies (Demirbag et al., 2012; Lytle & Timmerman, 2006; Triatmanto, Wahyuni, & Respati, 2019). Many studies on the company's reputation (Alvarez Dominguez, 2011; Caruana & Ewing, 2010; Heinberg, Ozkaya, & Taube, 2018; Park, 2019) prove that corporate reputation is influenced by management commitments to service quality and this is also shown by Cojocar (2011). Furthermore, management's commitment to service quality has a positive and significant effect on the company's reputation (Kurd, Medeni, Medeni, & Sagsan, 2017; PourKiani & Tanabandeh, 2016). Mok et al. (2009) define management commitment to service quality as a strong management drive to provide services to the desired target market (Babakus, Yavas, Karatepe, & Avci, 2003; Cronin & Taylor, 1989; Mmutle & Shonhe, 2017). According to Lisch (2014), service performance is the value for services obtained by comparing the services provided with services

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received or expected. In other studies, it is found that service performance has a positive and significant effect on the company's reputation (Mmutle & Shonhe, 2017; Selnes, 1993). The research also shows that service performance and the company's reputation significantly affect each other (Jalbani & Soomro, 2017).

This study aims to analyze the effect of management commitment to service quality on service performance, the effect of management commitment to service quality on company's reputation, the effect of service performance to company's reputation, and the effect of management commitment to service quality on company's reputation through service performance

## 2. Critical Review

### 2.1 Company's reputation

Reputation is the company's recognition obtained through showing excellence (such as the company's capabilities). Thus, the company will continue to develop the company and to create new products to meet the consumers' needs (Balmer & Gray, 2003; Herbig & Milewicz, 1993; Resnick & Resnick, 2012). Furthermore, Weiss et al. (1999) assert that a reputation is a public view of a company as it is being evaluated globally on its openness, quality, and others; thereby, it can be argued that it is a public view of the company's movement.

### 2.2 Service Performance

Service performance is assessed by the consumers; they assess the quality of service received (Cronin & Taylor, 1992, 1994, 2013; Parasuraman, Zeithaml, & Berry, 1994). The overall customer assessment of services provided by the company displays the quality of the service more precisely and specifically; the better the company service performance, the higher the level of customer loyalty (Liang, Tseng, & Lee, 2010; Minkiewicz, Evans, Bridson, & Mavondo, 2011; Suliman & Al Kathairi, 2013). Consequently, if the product/service does not meet their needs, does not function satisfactorily, or is not commensurate with the cost, the consumers will be unhappy about their purchase and will likely associate this dissatisfaction to several sources, viz. service providers, retailers or even themselves since customers take part in the production and delivery of services. The SERVQUAL model (Service Quality) highlight the importance of customer expectations before purchasing or consuming a service as a reference in evaluating the performance of the service (Parasuraman, Berry, & Zeithaml, 1991; Parasuraman, V, & Berry, 1998; Parasuraman, Zeithaml, & Berry, 2010).

### 2.3 Management Commitment to Service Quality

Management commitment to service quality is characterized by the extent to which management can create a conducive work climate; if the management can provide greater support, employees will improve their performance and carry out their obligation better (Roca-Puig, Beltran-Martin, & Segarra-Cipres, 2012; Rod & Ashill, 2010; Wang, Qu, & Yang, 2019). The company's commitment shows that it considers the continuation of the relationship with the buyer as it is something that must be well maintained (Morgan & Hunt, 1994). Management commitment to service quality is the manager's effective desire to improve the quality of service units (Hartline, Michael D, 2010). The best indicators of building management commitment to service quality are training, empowerment, and appreciation (Helm, 2011; Lytle & Timmerman, 2006; Polnaya, Nirwanto, & Triatanto, 2018).

### 2.4 Hypothesis

- H<sub>1</sub>: Management commitment to service quality has a significant and positive effect on service performance.
- H<sub>2</sub>: Management commitment to service quality has a significant and positive effect on the company's reputation.
- H<sub>3</sub>: Service performance has a significant and positive effect on the company's reputation.
- H<sub>4</sub>: Management commitment to service quality affects the company's reputation through service performance.

## 3. Method

This study was designed with a causality approach analyzing the relationship and influence among the variables: Management Commitment to Service Quality, Customer-Oriented Service Staff, Customer Value, Service Performance, and Company's reputation; therefore, it is safe to say that this is an explanatory research disclosing the causal relationship and testing the research hypotheses.

### 3.1 Population, Sample dan Sampling Technique

The study population was four-star hotel guests in West Java. The total population in 2018 was 2,536 (Bandung Central Statistics Agency or *Badan Pusat Statistik Kota Bandung*, 2019). The sample was guests staying at four-star hotels when the study was conducted. The sample size was determined based on Slovin and the researchers obtained a sample of 189 respondents. The collected data were analyzed using a multivariate statistical analysis of Structural Equation Modeling / SEM.

## 4. Results

### 4.1. Confirmatory Analysis

Confirmatory analysis of exogenous, intervening and endogenous variables have been carried out to confirm whether the observed variables can reflect the analyzed factors, viz. having a model suitability test - the goodness of fit test, significant factor weight, and lambda value or factor loading.

**Table 1**  
Confirmatory Analysis Test Results

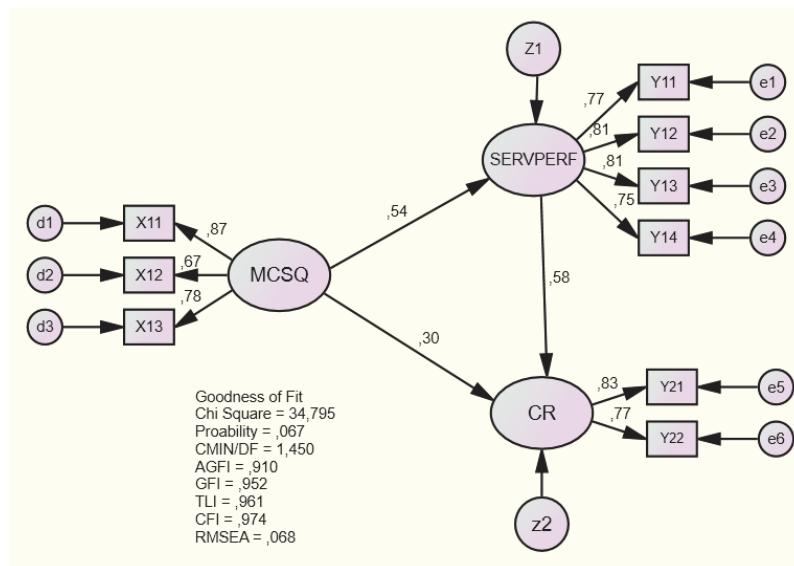
| Indicator             | Latent Variable                          | LoadingFactor | CR     | P-value | Description |
|-----------------------|--|---------------|--------|---------|-------------|
| Management support    | Management commitment to service quality | 0.87          | Fixed  | 0.000   | Valid       |
| Technology investment | Management commitment to service quality | 0.67          | 9.263  | 0.000   | Valid       |
| Servant Leadership    | Management commitment to service quality | 0.67          | 10.668 | 0.000   | Valid       |
| Process quality       | Service Performance                      | 0.77          | 11.196 | 0.000   | Valid       |
| Interaction quality   | Service Performance                      | 0.81          | 11.826 | 0.000   | Valid       |
| Environment quality   | Service Performance                      | 0.81          | Fixed  | 0.000   | Valid       |
| Cost                  | Service Performance                      | 0.75          | 10.788 | 0.000   | Valid       |
| Image                 | Company's reputation                     | 0.87          | 9.599  | 0.000   | Valid       |
| Identity              | Company's reputation                     | 0.77          | Fixed  | 0.000   | Valid       |
| Reliability Construct | = 0.933 (cut-off value = 0.7)            |               |        |         | Reliable    |
| Variance Extract      | = 0.608 (cut-off value = 0.5)            |               |        |         | Reliable    |

Source: Primary data processed, 2019.

Based on the information in Table 1, the factor loading value of each indicator exceeds the cut-off value of 0.5, the probability value (p) is less than or equal to 0.05, the Reliability Construct value of 0.933 is greater than the cut-off value of 0.7, and the Variance Extract value of 0.608 is greater than the cut-off value of 0.5. Moreover, management commitment to service quality indicator showing the highest factor loading value is management support with a value of 0.87, while service performance indicator showing the highest factor loading value is interaction quality and social skills respectively of 0.81, and the company's reputation indicator showing the highest factor loading value is the image with a value of 0.87. These results demonstrate that the indicators tested have good reliability in shaping and operating latent variables of management commitment to service quality, service performance, and the company's reputation.

### 4.3 Model Suitability Test (Goodness Of Fit)

Based on the literature review and research objectives, the overall structural model is developed as follows:



**Fig. 1.** SEM Analysis Results

According to the AMOS 18 computation for this SEM model, generated goodness of fit indexes is presented in Table 2. Furthermore, the index values are compared with the critical value (cut-off value) of each index. A good model is expected to have the goodness of fit indexes that are greater or equal to the critical value.

**Table 2**

## Modification of Goodness Of Fit Structural Model Test Results

| <i>Goodness Of Fit Index</i> | <i>Cut-off Value</i> | Model Result | Description |
|------------------------------|----------------------|--------------|-------------|
| Chi-Square (df = 24)         | 36.42                | 34.795       | Good        |
| Probability Chi-Square       | ≥ 0.05               | 0.067        | Good        |
| CMIN/DF                      | ≤ 2.00               | 1.450        | Good        |
| RMSEA                        | ≤ 0.08               | 0.068        | Good        |
| GFI                          | ≥ 0.90               | 0.952        | Good        |
| AGFI                         | ≥ 0.90               | 0.961        | Good        |
| CFI                          | ≥ 0.95               | 0.974        | Good        |
| TLI                          | ≥ 0.95               | 0.961        | Good        |

Source: Primary data processed, 2019.

Viewing the results of the evaluation criteria of Goodness of Fit Indices in Table 2, the evaluation of the model as a whole has met and the model can be accepted.

**Table 3**

## Hypothesis Test

| Hip            | Variable                                 |                     |                      | Direct Influence |        | Indirect Influence | Total Influence | Description |
|----------------|--|---------------------|----------------------|------------------|--------|--------------------|-----------------|-------------|
|                | Exogeneous                               | Intervening         | Endogeneous          | Coef.            | Prob.  |                    |                 |             |
|                |  |                     |                      |                  |        |                    |                 |             |
| H <sub>1</sub> | Management commitment to service quality | Service Performance | -                    | 0.54             | 0.000* | -                  | -               | Accepted    |
| H <sub>2</sub> | Management commitment to service quality | -                   | Company's reputation | 0.30             | 0.000* | -                  | -               | Accepted    |
| H <sub>3</sub> | -  | Service Performance | Company's reputation | 0.58             | 0.000* | -                  | -               | Accepted    |
| H <sub>4</sub> | Management commitment to service quality | Service Performance | Company's reputation | 0.30             | 0.000* | 0.31               | 0.61            | Accepted    |

\* significant at  $\alpha = 5\%$ .

**5. Discussion**

Management commitment to service quality that can improve service performance is the support reflected in the hotel management; they hire employees having expertise in the respective fields. Service performance is displayed through the interaction quality in which consumers love staying in the hotel because the employees are friendly. Furthermore, the environment quality is reflected through consumers admiring its beautiful exterior arrangement. Employees are required to respond quickly and efficiently in meeting guests' needs. Management commitment to service quality is characterized by the extent to which management can create a conducive work-climate; if management can provide greater support, the employees will improve their performance and carry out their obligations better. Management commitment plays a major part in supporting success in improving hotel service performance. The results of this study support several previous studies stating that management commitment to service quality affects service performance (Ashill, Rod, & Carruthers, 2008; Babakus et al., 2003; Hartline & Ferrell, 1996). Nevertheless, the results of this study do not support those of Kiani & Tanabandeh, (2016) stating that management commitment to service quality does not affect service performance. Management commitment to service quality substantially affects the company's reputation. This shows that when carried out continuously, it can improve the company's reputation. Management commitment to service quality is an awareness to improve the quality and operation of the organization; the management selects the strategies for hotels and engages in activities that provide direction to the leader in improving the hotel quality. The management, through its participation in quality development, provides direction and encouragement for employees during the process of providing services. Management commitment to the service standards will be reflected in the quality of service that employees provide. When the quality of service conforms to the expectations of hotel guests, the company's reputation will be improved. Challenges and competition in the business world also affect the industry related to hotel services. Every hotel guest not only expects to receive the checking-in service but the best services the hotel has to offer. (Herbig & Milewicz, 1993) pointed out that reputation is an award the company's recognition obtained through showing excellence (such as the company's capabilities); thus, the company will continue to develop the company and to create new products to meet the consumers' needs. The results of this study support research conducted by Mmutle & Shonhe (2017) asserting that management commitment to service quality affects reputation. Service performance is displayed through the interaction quality in which consumers love staying in the hotel because the employees are friendly, while the environment quality is reflected through consumers admiring its beautiful exterior arrangement; thus, it can improve the company's reputation. Good service performance is a crucial aspect of determining hotel success, particularly in organizations engaged in services. Service performance is the tip of the spear in seizing opportunities and understanding consumers using the services

offered by the hotel. Service performance is the customer's assessment of the overall excellence or features of a product or service. In addition, service performance is a benchmark in determining a user's decision in using the services offered by service providers. The services received are utilized to assess service performance because it can be used to evaluate customers' satisfaction; the better a company's service performance, the better the company's reputation. Previous research findings (Cronin & Taylor, 1994, 2013; Parasuraman et al., 1994) show that service performance is assessed by the consumers; they assess the quality of service received. The overall customer assessment of services provided by the company displays the quality of the service more precisely and specifically. Management's commitment to service quality is reflected in management support, investment in technology, and servant leadership. Management commitment to service quality, customer-oriented service staff, and customer value affect service performance; this is illustrated as follows: if the hotel management has hired employees who have expertise in their respective fields, provides alternative ways of payment, ensures that hotel facilities function properly, guarantee the safety of hotel guests, and provides parking space for all hotel guest, the service performance is eventually increased as the cost commensurate additional services; additional room charges are incurred in accordance with the additional facilities. Consumers love staying in the hotel because the additional cost of facility reservation is affordable; this will improve the company's reputation.

## 6. Conclusion and suggestions

Management commitment to service quality affects service performance. In this research, it is shown by the management support in ensuring that guests are provided with parking spaces. This can display the service performance through the interaction quality as consumers love staying in the hotel because the employees are friendly and trustworthy, while the environment quality is reflected through consumers admiring its beautiful exterior arrangement. Service performance affects the company's reputation. This finding explains that interaction quality is depicted from liking staying at this hotel because employees are friendly to guests and environmental quality is depicted from liking at this hotel because of the beautiful exterior arrangement, this can enhance the company's reputation as reflected in the image reflected by liking at this hotel because hotel employees can be trusted. Service performance is a strengthening (mediating) management commitment to service quality, toward the company's reputation. It means that the company's reputation (image) can be improved if the hotel management supports providing parking space for all hotel guests. It is expected that future researchers conduct further exploration related to variables affecting corporate reputation, especially in the hospitality industry to broaden and generalize research results. Research in other service industries is recommended as well. Practitioners in the hospitality industry are advised to apply the research results.

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