

## **The Impact of Organizational Climate, Service Quality and customer Satisfaction on Organizational Performance: a Case of International Tourist Hotel Industry in Taipei City**

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**ABSTRACT:** *The demand for vacation and accommodation has grown greatly because of the government's policy on promoting tourism which is in line with the two-day weekend policy in Taiwan. Therefore, the demand for domestic tourist hotels has been growing accordingly. The purpose of this study is to explore the impacts of organizational climate, service quality and customer satisfaction on organizational performance. This study focused on section managers and front-line staff of international tourist hotels in Taipei City as the population of the study. Convenience sampling was used to draw samples from the population. The study results showed (1) organizational climate has significant positive impacts on organizational performance; (2) service quality has significant positive impacts on organizational performance; and (3) customer satisfaction also has significant positive impacts on organizational performance. In addition, the results of this study can be used by the relevant industry as a reference for business-related decision-making so as to get ahead of the game, grasp the profit-making opportunities and improve the organizational performance.*

**Keywords:** *Organizational climate, service quality, customer satisfaction, organizational performance, international tourist hotel industry*

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### **I. INTRODUCTION**

#### **1.1 Motivation and Purpose**

The demand for vacation and accommodation has been increasing because of the government's policy on promoting tourism. Many business groups have been preparing to invest in and build international tourist hotels. As of the April of 2016, there were 75 international tourist hotels in Taiwan, and currently 35 applications for constructing international tourist hotels have been approved by the Tourism Bureau, Ministry of Transportation and Communications (Tourism Bureau, Ministry of Transportation and Communications, 2016).

With the increase in the total number of international tourist hotels, it requires more professional managers to be engaged in the operation and management. One of the functions of international tourist hotels is to provide food, accommodation and relevant public facilities. The services, regardless of catering, reservations, accommodation, travel arrangements and airport pick-up/drop-off serves, involve complex operation. Therefore, the international tourist hotel industry is an industry with comprehensive, diversified and multi-functional services(Wu, 2002). Moreover, with the change of social environment and increase in travel experiences, the quality of accommodation of the international tourist hotels has been emphasized, calling for higher quality of accommodation and service standards. As a result, the managers of the international tourist hotels have to continue to learn, grow and acquire more professional knowledge and capability of operation and management, especially create an appropriate organizational climate to meet the new demands of the customer and the challenge of ever-changing market.

In recent years, international tourist hotels are committed to customer services. The constant innovation on services indicates their emphasis on the customers. For example, the development of international chain system by Hyatt Taipei and Landis' hotel services management consultant team are examples demonstrating the international tourist hotel industry's active introduction of internationalization and continuous improvement on the business strategies and service quality. The hotel industry is heading toward a labor-intensive industry that requires a large number of professional workforces.

Based on the above motivation, the study intends to understand the impacts of organizational climate, service quality and customer satisfaction on the international tourist hotel industry in Taipei city. The population of the study is focused on the section managers and front-line staff in the international tourist hotels in Taipei City. The main purposes of the study are as follows:

- (1) To understand whether organizational climate has a significant positive effect on organizational performance;
- (2) To understand whether service quality has a significant positive effect on organizational performance; and
- (3) To understand whether customer satisfaction has a significant positive effect on organizational performance.

## **II. LITERATURE REVIEW**

Literatures on the main dimensions of this study, including organizational climate, service quality, customer satisfaction and organizational performance, were reviewed as below:

### **2.1 Conceptual Definition of Main Dimensions**

#### **2.1.1 The Definition of Organizational Climate**

There are many literatures on organizational climate. In this study, the organizational climate is conceptually defined as “a holistic concept which consists of the staffs’ subjective view on institution, organization and management. It is a property to describe behavior patterns in an organization. Some organizations have open and harmonious organizational climate while others show strict and depressed organizational climate. Different organizational climates will have different impacts on the staffs’ behavioral motivation and work morale.” The above conceptual definition is summarized from the following literature, and is hereby briefly described:

Desseler (1976) believed that organizational climate is staffs’ perception and feeling toward an organization’s autonomy, remuneration, compassionate, warmth, support and openness.

Litwin and Stringer (1968) divided organizational climate into nine dimensions: (1) structure; (2) responsibility; (3) rewards; (4) risk; (5) warmth; (6) support; (7) standard; (8) conflict; and (9) identity.

#### **2.1.2 Definition of Service Quality**

Over the years, many scholars have come up with different definitions for service quality. In this study, “service quality” is conceptually defined as “the appraisal arisen from a customer after he/she receives services. The customer’s perception before and after receiving the service or interacting with the service providers is consistent, and no ‘bad mood’ is arisen.” The above conceptual definition is summarized from the following literature:

Parasuraman, Zeithaml and Berry (1988) pointed out that service quality is a comprehensive appraisal or attitude toward the superiority of service wherein superiority arises when the actual service exceeds the customer’s expectation. Parasuraman, Zeithaml & Berry further summarized the abovementioned service quality into five dimensions: (1) reliability; (2) responsiveness; (3) assurance; (4) empathy and (5) tangibility, and came up with a service quality scale “SERVQUAL.”

In addition, Weng (2000) also believed that service quality is derived from the comparison between a customer’s expectation on service prior to receiving the service and the actual perception of the service while receiving the service.

Furthermore, Fan (2012) also pointed out that service quality is customers’ subjective perception on the evaluation of expected and actual services which vary depending on internal and external environment.

#### **2.1.3 Definition of Customer Satisfaction**

The study’s conception definition of customer satisfaction refers to “the summarized emotional response to product acquisition or consumer experience during a time point or a period of time.” The above conceptual definition is summarized from the following literature:

Cardozo (1965) was the first scholar proposing the concept of consumer satisfaction. Based on the concept of cost and remuneration, he believed that if a customer’s perception on product remuneration is higher than the cost, satisfaction arises, and it might lead to another purchase behavior. Fornell (1992) thought customer satisfaction is an overall feeling, i.e., customer satisfaction is a form of consumer attitude which reflects an overall feeling of like or dislike after the consumer receives the service or uses the product. Anderson & Sullivan (1993) proposed that the process customers used to evaluate satisfaction is called the difference between “expectation and actual experience,” i.e., the customer satisfaction depends on the expectation and actual performance of a product or service. Giese & Cote (2000) held that customer satisfaction refers to summarized emotional response to product acquisition or consumer experience during a time point or a period of time.

Szymanski & Henard (2001) pointed out that variables that affect satisfaction include expectation, loss, performance and emotion, and fairness is also an important determinant. Yeung (2002) thought customer satisfaction can be viewed as a way to identify customer expectation and it almost began to be conceptualized as a threshold of customer’s satisfaction on services.

The study refers to the classification of Fornell (1992), and classifies customer satisfaction into five sub-dimensions: (1) pre-purchase expectations: the degree of expectation; (2) post-purchase perception performance: level of quality with respect to price and level of price with regard to quality; (3) degree of satisfaction: overall satisfaction, degree of which expectation is met and the gap between ideal and actual situations; (4) complaint: number of complaints made to sales and management personnel; and (5) customer loyalty: price tolerance and intention of repurchase. The sub-dimensions of customer satisfaction in this study are referred to the following literature.

Oliver & Desarbo (1988) divided the theories of customer satisfaction into five theories: (1) expectation; (2)

disconfirmation; (3) equity theory; (4) attribution; and (5) performance.

And Fornell (1992)divided customer satisfaction into five sub-dimensions: (1) pre-purchase expectation; (2) post-purchase perception performance; (3) degree of satisfaction; (4) complaints; and (5) customer loyalty.

In addition, Oliver(1997)thought when measuring overall satisfaction, properties that customer value should be weighted so that they would more accurately reflect the true degree of satisfaction in customers' mind.

Yu (2015)pointed out that measurement of customer satisfaction can be divided into two categories, namely (1) overall evaluation: only a single dimension is measured; and multi-dimensional measurement: measuring satisfaction from multiple dimensions based on different properties.

Organizations exist because they create products and services that people consider valuable. The better an organization operates, the higher value it can create. With dramatic changes in the competitive environment, the importance of performance to a company has increased gradually. When evaluating corporations, the investors nowadays tend to make their investment based on whether the companies can bring them great benefits. Because the environment and situations every company faces are different, the business strategies it adopts are different. Therefore, when determining how to design the organizational structure and which strategies to adopt, the organizations have to match the companies' business strategies in order to enhance the satisfaction of business outcome and the level of achievement of preset goals.

#### **2.1.4 Definition of Organizational Performance**

In this study, the conceptual definition of organizational performance refers to "A quantitative standard or subjective perception to evaluate the level of achievement of preset goals or level of satisfaction of business outcome of a company during overall operation. It can be divided into strategy performance and operation performance. The measurement indicator of the former includes return on investment and the measurement indicator of the later is employee satisfaction." The above conceptual definition is summarized from the following literature:

Robbins & Coulter (2002)considered organizational performance as the final result accumulated from all operating procedures and activities of an organization. WhileLee (2004)thought organizational performance is the result of measurement that assesses the level of achievement of preset goals and level of satisfaction of operation during the organization's overall operation.

With regard to measurement of performance, Woo & Willard (1983) pointed out fourteen variables that are commonly used in measuring performance, including: return on investment (ROI), return on sales, sales revenue, cash flow/investment, market share, acquisition of market share, quality of product relative to competitors, activities of new products relative to competitors, direct costs relative to competitors, product R&D, difference in ROI, Rate of change of ROI and cash flow/percentage change rate of investment. In addition, Venkatraman & Ramanujam (1986) pointed out that measurement of performance include: (1) financial performance: it is the most common indicator in general research, including return on assets and sales growth rate; (2) operational performance: financial performance pluses non-financial indicators such as market share, product quality, introduction of new products and value added rate; and (3) organizational effectiveness: non-financial indicators with a wider range such as employee morale, turnover rate.

## **2.2 Relationship between Two Dimensions**

### **2.2.1 Organizational Climate and Organizational Performance**

So far, no literature has discussed the relationship between organizational climate and organizational performance. However, we subjectively think organizational climate and organizational performance are related. Therefore, this study proposes the following hypothesis: H<sub>1</sub>: Good organizational climate has a significant positive impact on organizational performance in the case of international tourist hotels in Taipei City.

Although the study proposed the above hypothesis, for the purpose of objectiveness, it is necessary to examine whether the hypothesis is valid through questionnaire and statistical analysis.

### **2.2.2 Service Quality and Organizational Performance**

After reviewing literature related to service quality and organizational performance, the study proposed the hypothesis 2:H<sub>2</sub>: Good service quality has a significant positive impact on organizational performance in the case of international tourist hotels in Taipei City.

Guo (2012) believed that there is a positive correlation between quality of staff service and organizational performance.

Lu(2013)also thought that good service quality brings out a sense of trust from customers during consumption process which in turn raises the possibility of re-consumption, and thus increases the organizational performance.

In addition,Chen (2013)pointed out that, in small and medium sized accounting firms, the higher the sense of responsibility is, the higher the quality of service and organizational performance are.

Taking a broad view of the above, the subjects in the literatures were different from that of this study. Therefore, it is necessary to examine whether the hypothesis 2(H<sub>2</sub>) proposed in this study, i.e., good service quality has significant positive impact on organizational performance in the case of international tourist hotels in Taipei City, is valid through questionnaire and statistical analysis.

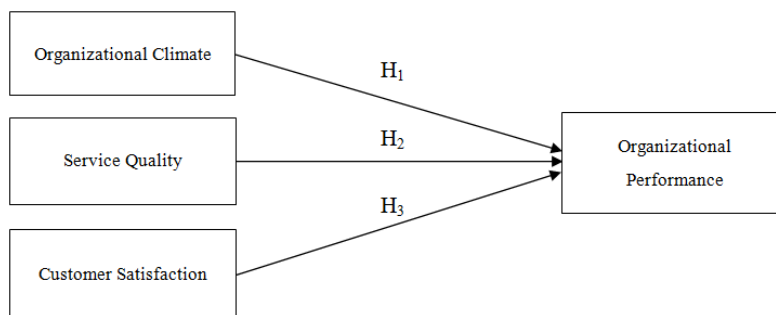
**2.2.3 Customer Satisfaction and Organizational Performance**

So far, no literature has discussed the relationship between customer satisfaction and organizational performance. However, we subjectively think organizational climate and organizational performance are related. Therefore, this study proposes the following hypothesis: H<sub>3</sub>: Good customer satisfaction has a significant positive impact on organizational performance in the case of international tourist hotels in Taipei City.

Although the study proposed the above hypothesis, for the purpose of objectiveness, it is necessary to examine whether the hypothesis is valid through questionnaire and statistical analysis.

**2.3 Research Framework**

The following research framework, as shown in Figure 1, can be drawn from the above research purposes, hypotheses and literature review:



**Figure 1:** Research framework

**III. RESEARCH METHOD**

**3.1 Research Subject and Questionnaire Design**

The research population of this study is limited to the section managers and front-line staff of international tourist hotels in Taipei city. Convenience sampling was used to sample the population. To increase the content validity and reliability, we first conducted expert questionnaire after the questionnaire was designed, and then conducted the pilot test which revised or removed inappropriate questions in the questionnaire followed by the post-test. A total of 250 copies of questionnaire were distributed and 232 valid responses were collected, rendering the effective response rate 92.80%. Figure 1 shows the number of questions in the main dimensions (conceptual dimensions) and sub-dimensions (operational measurement) in the questionnaire.

**Table1:** Questionnaire Question Structure

Main dimension	Number of Questions	Source of reference for the questionnaire
OC	3	Gary Desseler(1976) and the study's own design
SQ	4	Parasuraman et al (1988) & Fan (2012)
CS	3	Fornell(1992) and the study's own design
OP	3	Lee (2004)

**3.2 Statistical Methods Used in this Study**

This study mainly used Pearson correlation and multiple regression analysis as the statistical methods for the quantitative research which are shown in the following Results and Analysis.

**IV. RESULTS AND ANALYSIS**

**4.1 The Purpose of this Study is to explore the Impacts of Organizational Climate, Service Quality and Customer Satisfaction on Organizational Performance.**

Using questionnaire as a research tool, data collected by the questionnaire were processed and analyzed statistically. Indicators with regard to the questionnaire such as convergence validity, discriminate validity and average variance extracted (AVE) are briefly described below.

**Table2** Convergence validity, AVE and discriminate validity in this study

	AVE	Composite Reliability	Cronbach's $\alpha$	(1)	(2)	(3)	(4)
(1) OC	0.651	0.863	0.842	0.807			
(2) SQ	0.682	0.892	0.873	0.703	0.826		
(3) CS	0.663	0.871	0.824	0.631	0.642	0.814	
(4) OP	0.652	0.863	0.816	0.584	0.572	0.581	0.807

Table 2 shows reliability (Cronbach's  $\alpha > 0.7$ ), but also discriminate validity and convergence validity (AVE  $> 0.5$ ; CR  $> 0.7$ ) in this questionnaire.

**4.2 Correlation Analysis on the Impacts of Organizational Climate, Service Quality, Customer Satisfaction on Organizational Performance**

The impacts of organizational climate, service quality and customer satisfaction on organizational performance were analyzed by Pearson product-moment correlation.

**Table 3:** Correlation analysis of each dimension

		Organizational Climate	Service Quality	Customer Satisfaction	Organizational Performance
Organizational Climate	Pearson correlation	1			
	Significance (two-tail)				
Service Quality	Pearson correlation	.136	1		
	Significance (two-tail)	.054			
Customer Satisfaction	Pearson correlation	.479**	.061	1	
	Significance (two-tail)	.000	.391		
Organizational Performance	Pearson correlation	.693**	.287**	.474**	1
	Significance (two-tail)	.000	.000	.000	

\*\* When the significant level is 0.001 (two-tail), the correlation is significant

As shown in Table 3, there is a positive relationship between organizational climate and organizational performance, and the correlation coefficient is 0.693. In addition, service quality and organizational performance are positively correlated, and the correlation coefficient is .287. Finally, the correlation coefficient of the correlation between customer satisfaction and organizational performance is .474. The results of correlation analysis show that organizational climate and organizational performance are positively correlated. Service quality and organizational performance are positively correlated, and customer satisfaction and organizational performance are also positively correlated.

**4.3 Regression Analysis on the Impacts of Organizational Climate, Service Quality and Customer Satisfaction on Organizational Performance**

This section analyzes the level of impact of organizational climate, service quality and customer satisfaction on organizational performance using linear regression as well as determines whether there are significant impacts among variables as shown on the following Table 4 and Table 5.

**Table 4:** Regression analysis coefficients

Model	Non-standardized coefficient		Standardized coefficient	t	Significance	Collinearity statistics	
	Estimate of B	Standard error	Beta distribution			Tolerance	VIF
(Constant)	.597	.321		1.861	.064		
Organizational Climate	.456	.044	.579	10.338	.000	.750	1.333
Service Quality	.207	.053	.495	9.340	.000	.963	1.039
Customer Satisfaction	.168	.051	.486	9.529	.001	.752	1.330

a. Dependent variable: organizational performance

**Table 5:** Summary of regression analysis models

Model	R	R square	Adjusted R square	Estimated standard error	Statistical change				
					R squared change	F change	df1	df2	Significant F change
2	.695 <sup>b</sup>	.483	.469	.36017	.476	179.452	1	195	.000
3	.721 <sup>c</sup>	.519	.504	.34803	.037	14.840	1	194	.000
4	.738 <sup>d</sup>	.545	.529	.33935	.026	11.041	1	193	.001

Based on Tables 4 and 5, the validation results of the hypotheses in this study are as follows:

H<sub>1</sub>: Organizational climate has direct impacts on organizational performance (valid)

H<sub>2</sub>: Service quality has direct impacts on organizational performance (valid)

H<sub>3</sub>: Customer satisfaction has direct impacts on organizational performance (valid)

## V. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

Based on the above analyses and results, the following conclusions can be drawn:

- (1) Organizational climate has significant positive impacts on organizational performance in the case of international tourist hotels in Taipei City (path coefficient = .579);
- (2) Service quality has significant positive impacts on organizational performance in the case of international tourist hotels in Taipei City (path coefficient = .495); and
- (3) Customer satisfaction has significant positive impacts on organizational performance in the case of international tourist hotels in Taipei City (path coefficient = .486).

### 5.2 Contribution of this Study (Management Implication)

This study explores a practical issue using exploratory factor analysis (EFA). It is a topic worth further exploration. This study not only provides a reference for further study, the results can also be used as a reference in business-related decision-making in relevant industry so as to get ahead of the game, grasp the profit-making opportunity and improve the organizational performance. Therefore, this study is a valuable reference.

In addition, organizational climate, service quality and customer satisfaction have positive significant impacts on organizational performance. The results of this study reveal the key factors to enhance the organizational performance of international tourist hotels.

### 5.3 Research Limitations and Recommendations

After careful consideration, although this study has strived to be as comprehensive as possible while using the existing research resources, the following limitations still exist during the implementation.

- (1) The scope of this study is limited to Taipei City. Due to limited research resources, the questionnaire could not be distributed all over Taiwan. In addition, the subject of this study was limited to the customers of international tourist hotels and is not universal enough. We recommend that the subsequent researchers can expand the scope of the study.
- (2) This study used convenience sampling method for sampling. Even though the response rate is higher, the samples might not represent the population. We recommend the subsequent researchers to use other sampling methods such as simple random sampling or stratified sampling.
- (3) The framework of this study did not consider the impact of customer satisfaction of international tourist hotels on the customers' behavioral intention. The subsequent researchers can expand the scope of the research. We believe, with expanded scope, it will provide further understanding in this field.

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