

## EVALUATING THE RELATIONSHIP BETWEEN SERVICE QUALITY AND EMPLOYEE SATISFACTION OF RESTAURANT CHAINS IN MANILA CITY

M. K. Baring- Arreza

Surigao Del Sur State University

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### ABSTRACT

Existing literature was pointing out that high rate of employee satisfaction is the key to providing excellent service quality. This study was established as a response to the limiting research in the exploration of the difference amid the ratings of employee satisfaction and service quality between the two types of restaurant chains, international and domestic restaurant chain in the Philippine setting.

The study was conducted in Manila City assessing restaurant chains that provide table service. Ten restaurants participated. These are similar restaurant types with same seating capacity. The findings of this study proved the following; There is a significant relationship between employee satisfaction and service quality; there is a significant relationship between the employee satisfaction and restaurant chain type and There is a significant relationship between service quality and restaurant chain type. It also revealed that the international restaurant chain has much higher employee satisfaction and service quality rate over domestic restaurant chain.

**Keywords:** Service Quality, Employee Satisfaction, International Restaurant Chain, Domestic Restaurant Chain

### INTRODUCTION

Dining out is not only a necessity but also an experience, for some people it is even a way of the modern life. The generation today, posts in social media about amazing restaurant experiences and at times the other way around.

Author Correspondence, e-mail: [mariae\\_arreza@outlook.com](mailto:mariae_arreza@outlook.com)

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The world has become a much smaller place credits to the advances of technology (Khan, 2015) and businesses are taking their slice of the pie. This delivers a favorable environment for the rise of restaurant franchises. It is the most vigorous business arrangement and has become the leading force in the supply of goods and services in many countries (Khan, 2015). The Philippine cities are plagued by international restaurant brands especially in the country's capital. Manila City represents commerce and globalization. In cities like Manila, outsized business revenue from foreign units in comparison to the domestic business gives more power to international brands over the domestic restaurants. In numerous countries, Eating out has boosted in relevance (Medeiros & Salay, 2013). International and domestic restaurant chains are filling customer demands in a diversity of products and services, the selection factors vary according to the different type of service and product, providing a variety of choices and excellent service quality ensures customer satisfaction and loyalty (Medeiros & Salay, 2013) ; (Sabir et al., 2014) ; (Shahril et al., 2013). Franchising restaurants have shaped a whole new dimension to the food industry (Sabir et al, 2014), Thus, making the restaurant industry one of the most lucrative and important industries in the world (Nazir et al., 2014) ; (Sabir et al., 2014). Preferences of the restaurant brand are subjective most of those who cannot travel just so easily, enjoy the international brands of restaurants that may remind customers of their past travels or for those who haven't been, Perhaps it is a peek of the restaurants' country of origin. Domestic brands are not that far off either, it is a representation of the diverse culture of the Filipino people and the pride of creating an original or inspired restaurant impression simply making it a Filipino original or a Filipino version.

While the fast growth of restaurants in Manila City is apparent, the tight competition in restaurants and market deviations results to many of these businesses making efforts to execute continuous improvement and essential immediate action to make the specified end of not being left behind the competition. It is significant for these businesses to deliver good food and satisfying service through delivering quality services that at least meets the customer's expectation. If it exceeds expectation, the better (Tarigan & Widjaja, 2011) ; (Shahril et al., 2013) ; (Kattara, Weheba, & Ahmed, 2014)

Service quality is vital to the achievement of any corporation of its close connection with customer satisfaction. It is globally accepted that customer satisfaction is one of the pinnacle reasons of the business survival. Customer will recognize and value the excellent service, which results in increased customer retention and upshots to repeat purchase behavior (Shahril et al., 2013) ; (Tan & Fallon, 2014) ; (Chi & Gursoy, 2011); (Jeon & Choi, 2012).

Perceived service quality is unlike customer satisfaction. It is outlined as a form of attitude and long duration inclusive assessment of a product or service whereas customer satisfaction is a transaction specific assessment (Tan & Fallon, 2014) ; (Kattara, Weheba, & Ahmed, 2014). In many studies, it has been discovered that service quality has a strong relationship with customer satisfaction (Tan & Fallon, 2014). Job satisfaction of employees will ascertain the service quality delivered by the restaurants to customers (Tarigan & Widjaja, 2011). In this case, service quality will have a direct influence in customer satisfaction.

Basing on the Balance scorecard framework the fundamental factor of service quality is employee satisfaction (Kaplan & Norton, 2007). According to Kotler (2007), Service is an intangible product because it is shaped by a series of support from facilities, amenities, good skills and knowledge of the service provider. Basing the study of Tarigan & Widjaja (2011), Job satisfaction is a basic factor, which makes out the business profitability performance. It is further supported by the study of Evanschitzky et al., (2010); Ariani (2015), that an employee who has high job satisfaction is more probable to validate positive attitude toward his job whereas the opposite for an employee who is not satisfied. Employee satisfaction indicates feelings of employees toward the work. It is also defined as a complete evaluation of work. Satisfied employees are more productive, innovative and loyal. Employees who are satisfied are able involved of a solid core in realizing excellence and organizational effectiveness (Ariani, 2015).

Although there are researches that have been conducted on the relationship between employee satisfaction and customer satisfaction and service quality results have been inconsistent (Jeon & Choi, 2012). Apart from questioning if there is a relationship with employee satisfaction and service quality, with all the available literature about service quality and employee satisfaction, a comparison between the type of franchise domestic and international restaurant chains was not found. The study desires to respond to the gap and find out if the type of restaurant chain matters to the results of employee satisfaction and service quality.

## **METHODOLOGY**

This study is a descriptive type of research that administered a quota sampling method. The respondents of this study were divided into two (2) groups. Each of the group has (100) one hundred respondents; they filled two separate questionnaires with different response anchors. Furthermore, the following respondents in answering the employee satisfaction questionnaire are required with the following qualifications. First, there should be (10) ten employees in the selected restaurant who are between the ages of 18 years old to 60 years old and second, they

have worked in the restaurant for more than (6) six months. Lastly, they should have previous work experience for at least (6) six months in a similar capacity. On the other hand, restaurant customers should be at least 18 years old and are dining in the rated restaurant at least once a month for the past 6 months. The reason behind the qualification is in the method of data gathering. Quota sampling has several flaws. I want to ensure that I have a certain degree of control over the flaws that typically arise from using this method.

To capture the employee satisfaction, I adapted a likert scale with following response anchors, 5 as in excellent /very satisfied, 4 as in very good/satisfied, 3 as in good/unsure, 2 as in fair/dissatisfied and 1 as in poor/very dissatisfied. Upon calculation, an interval of 0.79 was set. The instrument includes translated questionnaires from the English language to Tagalog dialect that ensured Filipino respondents easily understand the statements.

The employee satisfaction questionnaire is based on its five factors. The following are career growth; work environment; salary; job security and HR / management access of the employees. The questionnaire was for the employees of the chosen restaurant. Whereas, the service quality questions are based on SERVQUAL dimensions the following are tangibles; reliability; responsiveness; assurance and empathy.

The chosen restaurants in this study are chain casual dining restaurants in Manila City that provide table service. These are similar restaurant types with same seating capacity. A total of (10) ten restaurants participated. These restaurants are grouped in to (2) two categories. International restaurants identify as franchised restaurants that are of foreign origin. Simultaneously, domestic restaurants identify as franchised restaurants that are of original Filipino concept.

Before the distribution of the questionnaires, an email was sent to the company asking for permission to conduct the study. I was able to secure consent through a series of follow-up. To protect the brand of the restaurants, I was made well aware not to disclose any information that may reveal the business identity.

## RESULTS AND DISCUSSION

**Table 1.** Respondent's Profile

Age	Employees	Customer
	Percentage	Percentage
18-24	46	16
25-35	38	32
36-45	16	35
46-60	0	10
60 above	0	7
Total	100	100
<b>Gender</b>		
Male	56	59
Female	44	41
Total	100	100
<b>Reasons for Dining (Customer only)</b>		
Usual business/ Friends meeting		51
Reasonable price		54
Avoid manila traffic		66
Accessibility		60
Food taste		48
Food portioning		42
Location is near the other important outlets/ office		55
Family tradition		6
<b>Reasons for Employees Application to the Restaurant</b>		
Well known-brand	66	
Location	32	
Years of operation	44	
Recommended by friends and family	18	
Easy application process	22	

Table 1 presents the respondents from both categories. Most of the employees from the restaurants are of Ages 18-24. This is followed by ages 25-35 and ages 46-60 have the least representative. This result is understandable since it is known that people tend to work in the service industry while they are younger. In comparison, the customer respondents are mostly from the ages 36-45, this is actually the age representing the stable working and business class. It is also understandable that least representation goes out to the senior citizens. There are more male than female participants from both sides. Respondents were asked to tick whatever applies in the reason for dining in the restaurant and reason for employees' application to the restaurant. It is shown in table 1 that one of many reasons for customer's selection of restaurant was to avoid Manila traffic, In heavily congested cities such as Manila as traffic gets worse, it becomes part of the customer selection of restaurants. as well as accessibility only a few selected family and friends' tradition. In contrast, with the reason for employees' application, Most of the employees did highly consider the brand of the company they want to be part of. The least represented reason is the recommendation by family and friends.

**Table 2.** Level of Employee Satisfaction and Level of Service Quality of International and Domestic Restaurants in Manila City

Restaurant Name	Employee Satisfaction		Service Quality	
	Mean	Verbal Translation	Mean	Verbal Translation
<b>International Restaurant Chain</b>				
A	3.68	Satisfied	3.82	Very Good
B	3.14	Unsure	3.56	Very Good
C	3.88	Satisfied	4.72	Excellent
D	4.10	Satisfied	4.62	Excellent
E	3.80	Satisfied	4.22	Excellent
<b>Domestic Restaurant Chain</b>				
F	4.20	Very Satisfied	3.70	Very Good
G	3.12	Unsure	3.54	Very Good
H	2.56	Dissatisfied	3.18	Good
I	2.98	Unsure	3.64	Very Good
J	4.14	Satisfied	4.10	Very Good

The results of the gathered data are from the employees and customers in the participating (10) ten restaurants. The mean was calculated which was necessary to analyze the data collected. This shows that in the category of international restaurants, restaurant D attained the highest mean in the employee satisfaction category attaining a 4.10 mean as in satisfied and the highest for service quality is from restaurant C with a mean of 4.72 as in excellent. The lowest mean for employee satisfaction and service quality is from restaurant B with a mean of 3.14 as in unsure and 3.56 as in very good.

Focusing on the domestic restaurant category, the highest rate for employee satisfaction is from restaurant F attaining a 4.20 mean as in very satisfied. Restaurant F managed a higher rating than any of the international restaurants. Restaurant J got the highest of the domestic restaurant category in service quality at 4.10 as in very good. The lowest mean for employee satisfaction and service quality is from restaurant H managing a mean of 2.56 as in dissatisfied and a 3.18 mean as in good.

The results concur with Chi & Gursoy (2009), The logic for the making employees satisfied is based on the argument that if a company takes care of its employees. The employee will return that favor to the customers. It has been established in several studies that customers have a better experience with business with higher levels of satisfaction. This is also true of the study of Spiro & Weitz (1990) ; Sclesinger & Zornitsky (1991); Brief & Motowidlo (1986) ; Brown & Lam (2008), Employees who are dissatisfied or unhappy would not be able to deliver excellent service to customers. It was also further discussed on the research findings of Xu & Goedegebuure (2005), that handling the quality of employees and enhancing employee satisfaction could increase customer satisfaction that leads to customer loyalty which outcomes to profitability.

**Table 3.** Itemization of Service Quality based on dimensions

Restaurant	Tangible	Assurance	Empathy	Responsiveness	Reliability	WM
<i>International</i>						
A	3,8	3,7	3,9	3,8	3,9	3,82
B	3,6	3,7	3,5	3,6	3,4	3,56
C	4,6	4,7	4,6	4,8	4,9	4,72
D	4,6	4,6	4,8	4,6	4,5	4,62
E	3,5	4,6	4,6	4,5	3,9	4,22
<b>WM</b>	4,02	4,26	4,28	4,26	4,12	4,18
Interpretation	Very Good	Excellent	Excellent	Excellent	Very Good	Very Good
<i>Domestic</i>						
F	3,5	4,2	3,8	3,2	3,8	3,70
G	3,5	3,6	3,8	3,1	3,7	3,54
H	2,8	3,0	3,6	3,5	3,0	3,18
I	4,1	3,3	3,4	3,4	4,0	3,64
J	4,5	4,1	3,6	4,6	3,7	4,10
<b>WM</b>	3,68	3,64	3,64	3,56	3,64	3,63
Interpretation	Very Good	Very Good	Very Good	Very Good	Very Good	Very Good

Service quality of the international restaurants managed a weighted mean (as shown in table 3 WM) of 4.18 as in very good. Among the service quality dimensions, the international restaurants achieved considerably higher ratings than of Domestic Restaurant Category; the domestic restaurant reached a mean of 3.63 as in very good. It is shown in table 3 the comparison among dimensions and the clarity of the difference between both restaurant categories. This might be because international restaurant brands have the means for international accreditation; international connection and a much greater funding for providing the overall service quality. Part of the particular status of being qualified checks the well being of employees.

**Table 4.** Itemization of Employee Satisfaction based on factors

Restaurant	Career Growth	Work Environment	Salary	Job Security	HR access	WM
<i>International</i>						
A	3,0	3,6	4,0	3,8	4,0	3,68
B	3,5	4,6	3,1	2,2	2,3	3,14
C	4,0	4,2	4,4	3,6	3,2	3,88
D	3,6	3,2	4,4	3,8	4,4	4,10
E	4,1	4,0	3,2	4,6	4,2	3,80
<b>WM</b>	3,64	3,92	3,82	3,60	3,62	3,72
Interpretation	Satisfied	Satisfied	Satisfied	Satisfied	Satisfied	Satisfied
<i>Domestic</i>						
F	3,6	4,4	4,2	4,3	4,6	4,20
G	2,8	4,2	2,6	2,4	3,6	3,12
H	2,6	3,2	1,8	2,7	2,5	2,56
I	3,2	2,6	2,6	2,7	3,8	2,98
J	4,1	3,4	4,6	4,2	4,4	4,14
<b>WM</b>	3,26	3,56	3,16	3,26	3,78	3,40
Interpretation	Unsured	Satisfied	Unsured	Unsured	Unsured	Satisfied

The employee satisfaction results as presented in table 4 displays the international restaurant employees are far more satisfied than the domestic restaurant employees. The response of the international restaurant employees managed a 3.72 mean as in satisfied. In comparison with the domestic restaurants, they barely reached the minimum for satisfied with a mean of 3.40.

As shown in Table 4 most of the factors of the domestic restaurant category are labeled as unsure.

In identifying relationships, the gathered data was checked to test its normality. This is done to determine the type of statistical tool needed for data treatment. In checking the relationship between employee satisfaction and service quality. The data passed all the assumptions of the Pearson's Correlation statistical tool. As revealed in table 2 the lower the satisfaction of the employees the lower the service quality rated by the customers. It also shows that the international restaurant chain has much higher service quality ratings and employee satisfaction compared with the domestic restaurant chain. Although there are some consistencies in the results, It doesn't constantly point out that in the aspect of domestic restaurant chains, that the lower the service quality the lower the satisfaction this is shown in table 2 restaurant J managed a rate of 4.14 complimenting a service quality rate of 4.10 which is as high as the international restaurants rate. It is fair to say that based on the results it shows that employee satisfaction can influence the service quality rate.

**Table 5.** Relationship between Service Quality and Employee Satisfaction using Pearson Correlation

	SQ	ES
SQ Pearson Correlation	1	.506**
Sig. (2-tailed)		.000
N	100	100
ES Pearson Correlation	.506**	1
Sig. (2-tailed)	.000	
N	100	100

The results presented in table 5 as shown above that the correlations are repeated. This shows that the Pearson's correlation coefficient, its significance value and the sample size of 100 that is based on. By using test I was able to determine the relationship between service quality and employee satisfaction. There were a strong, positive correlations between service quality and employee satisfaction, which was statistically significant ( $r = .506$ ,  $n = 100$ ,  $p = .000$ ). This result is similar to the study of Bolton & Drew (1991) ; Oh & Yoon (2011) ; Shahril et al., (2013) ; Kattara, Weheba, & Ahmed (2014), Employee satisfaction has a significant relationship with service quality. It has been justified in more arguments in the most available literature focusing on employee's satisfaction covering all the factors that surround it can improve service quality.



**Table 6.** Relationship between Chain type and Service Quality using Kendall tau b

Kendall's tau_b		ChainType	SQ
ChainType	Correlation Coefficient	1.000	-.403**
	Sig. (2-tailed)	.	.000
	N	100	100
SQ	Correlation Coefficient	-.403**	1.000
	Sig. (2-tailed)	.000	
	N	100	100

**Table 7.** Relationship between Chain type and Employee Satisfaction using Kendall tau b

Kendall's tau_b		ES	ChainType
ES	Correlation Coefficient	1.000	-.210**
	Sig. (2-tailed)	.	.000
	N	100	100
ChainType	Correlation Coefficient	-.210**	1.000
	Sig. (2-tailed)	.000	
	N	100	100

Kendall Tau-b is used in this study to determine the relationship between chain type and service quality; chain type and employee satisfaction. This non-parametric test was used since the data satisfy all the assumptions of using Kendall tau-b. As presented in table 6 and 7, the results among 100 participants shows a strong positive correlation between chain type and service quality; chain type and employee satisfaction were high which was statistically significant for both.

The results are presented above in tables 6 and 7 using Kendall tau-b's correlation, the correlations are repeated. Its significance value and sample size that the calculation was based on. In table 4, determining chain type and service quality (SQ)  $\tau_b$ , -.043, this is statistically significant ( $p = .000$ ); In table 5 chain type and employee satisfaction (EQ)  $\tau_b$ , -.210 and is statistically significant at ( $p = .000$ ).

## CONCLUSION

The result points out the that there is a significant relationship between employee satisfaction and service quality it also shows that the type of restaurant chain is an element in providing a higher employee satisfaction and a much higher service quality. Although the result of the study shows the triumph of international restaurant chain over domestic restaurant chain, in terms of service quality and employee satisfaction, it is important to note that that the improvement of service quality is through focusing on the employee's satisfaction no matter what restaurant chain type.

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