

# Internal Measure of Service Quality and Its Relation to Firm Performance: A Case of Hotel Industry in Addis Ababa

By: Resom Hailekiros



Addis Ababa University  
College of Business and Economics  
MBA Program

Research paper submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the requirements for the Degree of Master of Business Administration (MBA)

Advisor: Dr. Mohammed Seid

Oct 14, 2013

ADDIS ABABA UNIVERSITY  
School of Graduate Studies

Internal Measures of Service Quality and Its Relation to firm  
Performance: A Case of Hotel Industry in Addis Ababa

By: Resom Hailekiros

College of Business and Economics  
MBA Program

**Approved by Board of Examiners:**

\_\_\_\_\_

Advisor Signature date

\_\_\_\_\_

Examiner Signature date

\_\_\_\_\_

Examiner Signature date

\_\_\_\_\_

## **DECLARATION**

I, the undersigned, declare that, this study “Internal Measures of Service Quality and Its Relation to Firm Performance: A Case of Hotel Industry in Addis Ababa” is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

### **Declared by:**

Name \_\_\_\_\_

Sign \_\_\_\_\_

Date \_\_\_\_\_

### **Confirmed by Advisor:**

Name \_\_\_\_\_

Sign \_\_\_\_\_

Date \_\_\_\_\_

## **Acknowledgement**

First and foremost, I would like to express my deepest gratitude, special thanks and sincere appreciation to Dr. Mohammed Seid, my thesis advisor, for his precise directions and commitments in assisting me in shaping this research paper. Special thanks should also go to the department of management for all cooperation. Moreover, I would like also to thank the staffs of ministry of Culture and Tourism for their honest and provision of necessarily documents the updated lists of hotel service providers that are currently operating in Addis Ababa. My heartfelt indebtedness goes to my brother Zeray Hailekiros pursuing his PhD study in literature, for editing the researcher's language (grammatical patterns and dictions). Besides, I extend my sincere gratitude to Abudrahman Seid and Amha for their assistance in arranging the questionnaires and in feeding the data to SPSS. Equally, my thanks go to the university's library staffs that helped how to search necessary materials for the research. In addition to that, I would like to appreciate the University for the Provision of internet services. Last but not least, without the help and assistance of the above people and institutions, my study would have been impossible.

## **Table of Contents**

Acknowledgement .....	I
Table of Contents.....	II
List of Tables .....	V
Acronyms.....	VI
Abstract.....	VII
CHAPTER ONE: INTRODUCTION.....	1
1.1 Statement of the Problem.....	2
1.2 Objectives of the Study.....	3
General Objective.....	4
Specific Objectives:.....	4
1.3 Research Hypotheses .....	4
1.4 Definitions of Terms .....	5
1.5 Delimitation of the Study.....	5
1.6 Significance of the Study .....	6
1.7 Organization of the Paper .....	6
CHAPTER TWO: LITERATURE REVIEW.....	7
2.1 Definition of Service Quality.....	7
2.2 Service Quality in Hotel Industry .....	8
2.3 Characteristics of Service Quality .....	9

2.4 Importance and Benefits of Service Quality.....	10
2.5 Some Models of Service Quality .....	11
2.6 Measurements of Service Quality.....	16
2.7 Measurements of Firm Performance.....	17
2.8 Service Quality and Firm Performance.....	18
CHAPTER THREE: METHODOLOGY .....	23
3.1 Research Design.....	23
3.2 Sample, Population and Participants.....	23
3.3 Data Collection Instruments, Variables and Materials .....	25
3.4 Data Analysis Procedure.....	26
3.5 Validity Analysis .....	26
3.6 Reliability Analysis.....	29
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION .....	30
4.1 Data Distribution Procedures and Collection .....	30
4.2 General Profile of the Industry .....	31
4.3 General Profile of the Organizations .....	33
4.4 Descriptive Statistics of Service Quality Dimensions and Firm Performance .....	38
4.5 Spearman’s Correlation Matrix for Service Quality and Firm Performance.....	41
4.6 Using One Way ANOVA to Analyze Service Quality and Firm Performance .....	45
4.6.1 Assumptions Testing for Analysis of Variance .....	46

4.6.2 Discussion of Analysis of Variance Results .....	48
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS .....	52
5.1 Conclusion .....	52
5.2 Recommendations.....	53
5.3 Limitations and Further Study .....	55
REFERENCES .....	57
Appendix A: Research Questionnaire .....	63
Appendix B: List of Accommodations .....	72

## **Table of Contents**

Table 1: Sample Size Determination .....	25
Table 2: Reliability Analysis .....	29
Table 3: General Profile of the Industry .....	32
Table 4: General Profile of the Organizations .....	35
Table 5: Descriptive Statistics of Service Quality Dimensions and Performance .....	39
Table 6: Spearman Correlation Matrix for Service Quality and Performance .....	43
Table 7: Test of Homogeneity of Variances .....	47
Table 8: ANOVA Results for Service Quality and Overall Firm Performance .....	49

## **Acronyms**

BP – Business Performance

CE – Customer Expectation

CT – Cross Training

ES – Ethical Service

FPov/OVP – Overall Firm Performance

INTQUAL – Internal Quality Model

ROC – Return on Capital

SERVQUAL – Performance –Expectation Model of Service Quality

SERVPERF – Performance only Model

SG – Sales Growth

SPI –Service Performance Index

SQ – Service Quality

SQI - Service Quality Index

TP – Training Program

UK – United Kingdom

## **Abstract**

The general objective of this research was to assess the effects of internal service quality on firm performance. It was an undertaking to verify the hypothesis that dictate the influence of each specific internal service quality dimension on firm's performance. The research aimed at testing the influence of independent variables such as management of expectation (including training programmes, customer expectations) and service reliability (including cross training and ethical services) on firm performance in case of hotel industry in Addis Ababa. Regarding the research methodology, deductive approach or quantitative research inquiry was utilized as a research design. Sample of 100 participants out of 119 hotels were selected using random sampling technique, 92 completely filled questionnaires were returned. The questionnaires and recorded documents served as data collection instruments. The collected data were analyzed using descriptive and inferential statistics such as correlation, analysis of variance and other descriptive statistics. In conclusion, the dependent and independent variables scored a positive and significant correlation. The results of the study come up with new findings that greater portion of hotel performance for last five years was due to service quality performance. The result shows the level of internal service quality and its dimensions had significant influence on firm performance. The research have faced major limitations including existence of non-responses questionnaires, inclusion of positively worded items, limited research existed in service quality and unwilling of the respondents.

## CHAPTER ONE

### INTRODUCTION

Quality is defined by the customers. Conformance to customers' specifications is quality, but it is conformance to a company's specifications. Since customers' research shows the weaknesses and strengths of a company's service that come from the users, cost efficient expenses to improve service come from continuous learning about the expectations and the perceptions of customers and noncustomers. Noncustomer research reveals how competitors perform on service and provide a basis for comparison (Berry, Parasuraman, and Zeithaml, 1994). However, the problem with management of service quality in service firms is that quality is not easily identifiable and measurable due to inherent characteristics of services which make them different from that of goods (Jain and Gupta, 2004).

For hotel managers, it is necessary to employ multi-faceted approaches that incorporate quantifiable measures and customer assessments that should also include employee perceptions of customer satisfaction (Suleiman and Aldehayyat, 2011). Service quality is a key factor for success in any service industry. Many studies and researches on service quality have been conducted; however, there are only few researches and studies carried out on internal factor such as from management perspectives (Zailani, Din & Wahid, 2006). Not surprisingly, service-quality measurement has become a main subject of several empirical and conceptual studies in service marketing. Various scales and indexes- such as SERVQUAL, SERVPERF- service quality index (SQI), and service performance index (SPI) - have been developed and extensively used by academician and practitioners (Atilgan, Akinci and Aksoy 2003).

Finally, according to the above scholars, there is no single universally accepted measurement of service quality as a concept, but there are various measurements, scales and indexes that are being used by service researchers. The basic reason for variation of measurements comes from the inherent characteristics of service that makes them different from that of goods.

### **1.1 Statement of the Problem**

The philosophy behind service quality philosophy has gained importance in recent years and thus it has become the focus of many conceptual and empirical researches. The studies undertaken so far; however, have primarily much more focused on other service sectors than hotel industry and they have been preoccupied with analyzing psychometric and methodological soundness of service quality scales in the context of the developed countries (Harrington and Akehurst, 1996; Jain and Gupta, 2004). In the first place, this study focuses on the analysis of methodological soundness of internal service quality in the context of the developing countries in the case of hotels operating in Addis Ababa.

Although the importance of service quality and service quality measurements have been recognized, there has been limited researches that have addressed the structures and antecedents of the concept for the hotel industry (Grzanic, 2007; Suleiman and Aldehayyat, 2011). In addition to that, since service quality is gaining importance in parallel with economic development and increasing standards of living, delivery of high quality services to consumers is increasingly considered as a key factor affecting firm performance especially in travel, tourism, catering and banking organizations (Atilgan et al., 2003; Jain and Gupta, 2004). Thus, this study emphasized on the assessment whether there are significant differences of firm performance due to the differences that avail in service quality achievements of hotel firms.

Most debates on service quality studies nowadays are the impossibility to have one single measurement of quality in order to assess its level and much literature suggests that the customer is the only real judge of service quality. However, this approach can be criticized as far as it fails to take into account the differing perceptions of customers (Suleiman and Aldehayyat, 2011). This indicates that service quality process can be examined in terms of the gaps between expectations and perceptions on the part of management, employees and customers (Kavitha, 2012), because customers are not always certain about what they actually need from service providers. This implies the needs for the wise uses of customers' and noncustomers' inputs about their expectations and perceptions, and inputs from managers' perceptions about service quality. Thus, periodical follow-up of customers' expectations and ensuring service reliability have paramount contributions and valuable ingredients for managerial decision making together with the gap analysis.

Since few researches have been undertaken in the areas of service quality of the firms in the developing countries and no research has examined the internal issues of service quality, this study tried primarily to assess the perceptions of managers about the service quality performance and its relation to the level of firm performance in case of hotel industry. Besides, this study focused on analyzing the validity and reliability of the instrument as internal service quality model as well as the methodological soundness of the model. Therefore, this study made an attempt to answer the following research questions: Which internal service quality variables make significant contribution and how they influence a firm's performance? What managerial implications have these variables had in supporting managerial decision making?

## **1.2 Objectives of the Study**

### **General Objective**

- The general objective of this study was to assess the effects of internal service quality on firm performance of hotel industry in case of Addis Ababa from the management point of view

### **The Specific objectives of the study:**

- To assess internal service quality characteristics
- To distinguish the influence of training programs for employees from management expectations perspective on firm performance
- To investigate the influence of customer expectations on firm performance
- To evaluate the effect of cross training to assure service reliability on firm performance
- To examine the influence of delivering ethical services to assure service reliability on firm performance

## **1.3 Research Hypotheses**

H<sub>1</sub>: Internal service quality had a significant impact on the level of firm performance

H<sub>2</sub>: Training programmes for employees had a significant impact on the level of firm performance

H<sub>3</sub>: Customer expectations had a significant influence on the level of firm performance

H<sub>4</sub>: Cross training within organization had a significant influence on the level of firm performance

H<sub>5</sub>: Delivering ethical services for customers significantly influences the level of firm performance

## **1.4 Definitions of Terms**

- ❖ SERQUAL – is service quality measurement based on the expectation and perception gaps of customers about service quality from customer perspectives
- ❖ SERVPERF – is service quality measurement based on perception only from customer perspectives
- ❖ INTQUAL – is service quality measurement based on management perceptions of service quality
- ❖ Management of expectation – is a construct to measure internal service quality emphasizes on management of varied customer expectations
- ❖ Service reliability – is a construct of internal service quality which is focus on delivering of service accurately and dependably (Caruana and Pitt, 1997).
- ❖ Accommodation – is a place where tourists used to seat overnight such as establishments including hotels, pension, guest house and others

## **1.5 Delimitation of the Study**

The boundary limits of the research were the effects of internal service quality dimensions specifically training programs, customer expectations, cross training and ethical services influences on firm performance in case of hotels of Addis Ababa. The researcher took 100 participants out of 119 hotels in the industry and questionnaires were filled by managers concerned with service quality management. The data analyses of the final findings of the study were cross-sectional data. The study was delimited to Addis Ababa city because the researcher was unable to cover the country as whole, due to accessibility of the city to the researcher and the existence of more than half of hotel establishments in Addis Ababa.

## **1.6 Significance of the Study**

The research can be helpful for the managers of hotel firms in Addis Ababa in developing effective quality excellence and satisfying customers by having clear understandings of the influence of each internal quality dimension on firm's performance. Hopefully, the study results may contribute some inputs to wider spectrum knowledge of business management and may be helpful to make generalization or draw theories. Managers of larger tourist class hotels will find this study as useful reference for decision making regarding the enhancement of service quality to link with performance. It can also be useful resources for future researchers to use this study to get insight about issues related area of internal service quality and firm performance.

## **1.7 Organization of the Paper**

This research paper is organized into five chapters: Chapter one includes the introduction part deal with the general overview about service quality, statement of the problem, objectives of the study, scope and significance of the study. The second chapter deals about the literature review about the research topic. Research design, methods and data analysis tools were presented in chapter three. Chapter four discusses about data analysis and interpretation of the study whereas chapter five presents the conclusions inclusion of major findings, forwarded recommendations and limitation and further researchable areas.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Definition of Service Quality

Service quality measurement is an area of growing interest to researchers and managers. It is also considered as an area characterized by arguments regarding the need for measuring customer expectations. Quality can be defined as Japanese consider production philosophy that quality is delivering zero defects in the firm's offerings in a significant time (Bhattacharjee, 2010). However, quality must be free from making errors in service production to deliver consistent or reliable service quality in every customer encounter of all the time. Since service reliability is the most important dimensions of all service quality models; once service offering of firm's business encounter errors in delivering service, customer will not compromising for defection as result that the number of lost of customers will be increased.

Quality concept can be viewed in various perspectives in order to fully appreciate the role it plays in many parts of business organization. In terms of the role it plays in different parts of business units, quality concept can be seen in various angels (Richard et al., 2003). Due to the inherent characteristics of service, service quality definitions become much more indefinable. It also creates difficulty in developing clear cut measurements of service quality in service literatures.

Therefore, according to the above scholars' insights, service quality can be defined briefly defined as the difference between customer expectation prior to service encounter and the perceptions of customers on "the domain of experience and credence properties due to the existences of non-tangible clues that makes service difficult to measure and evaluate" (Zeithaml and Bitner, 2001) about the service delivered. It is also an area of growing interest in research and defining it in various perspectives based on various industries.

## **2.2 Service Quality in Hotel Industry**

Service quality concept in hotel and tourism is not basically differing from service philosophy in other service sectors. What makes it different from other service rendering business is that most hotel products are service. Hotel industry as subcomponent of tourism is offering service to customers needs to generate profitability. According to Joseph et.al, (2012) clarification that because tourist will always use perceptions to make decision and take an action, there is urgent need for hotel firms to take an attempt in following and understanding tourists' expectation in order to provide good quality services.

Many researches assumed using different models of service quality from customers' view point or customers' perspectives with commonly used SERQUAL model based on the expectation and perception gap; and SERVPERF model only perception though those two models had their one weakness as most scholars criticisms forwarded. Zailani et al., (2006) explain tourism and hotel industry have played a significant function in changing today's business activities to share huge world economy. Many research undertakings were conducted on service quality which was a key success for any service industry; however, only few analyzed internal issues of service quality from management point of view.

An organizational ability to provide customer oriented service becomes a particular challenge in an environment where matters of security are concerned. It would appear too difficult to become excessively intrusive and aggressive in some business environments such as international airline travel and hotel industry that increase reaction and resistance from customers (Fuller et al., 2006). Although many researches had been undertaken in various industries and businesses, the researcher identified little efforts were devoted to study service quality from management perspectives in hotel industry in which a business area most of their products' offers are service specifically. Since the

customer and customer contact employees interaction is a service quality element in tourism service providers, it is considered as something that increases the value of an organization's product – service offering.

To sum up, the nature of service quality in hotel industry is similar to other industry that can be viewed and researchable from both customer and management point of view. However, it needs to be researched in consideration to the inherent nature of the industry that makes it different from other sectors to develop clear cut and reliable analytical tools to measure service quality.

### **2.3 Characteristics of Service Quality**

As most agreed, different characteristics of service quality are basically the reasons creating difficulty in sitting general definition and becoming an area of research. As explained by Jain and Gupta, (2004) being inherently and essentially intangible, heterogeneous, perishable, and entailing simultaneity and inseparability of production and consumption, services require a distinct framework for quality explanation and measurement. This creates complicated problems to standardizing production in service environment that involves human elements in production and consumption of service products. According to Fuller et al., (2006), this lack of standardization increases the importance of service delivery processes and effective people management as integral elements of the marketing mix.

While tangible clues exist to satisfy consumers by product quality in tangible goods' market, quality in the service sector is accompanied in terms of the parameters or attributes under the domain of practice and confidence properties (Bhattacharjee, 2010). In addition to this, the perishability nature of service makes service difficult to hold goods in inventory as a means of harmonizing and managing supply and demand.

The most important characteristics of services are the impossibility to separate production from consumption; the impossibility to store services; their non material quality; transience and heterogeneity. The same service can be provided by different persons in organization in their own way so that heterogeneity also counts among characteristics of services that makes different from tangible products (Gzrinic, 2007).

Finally, because services are often characterized by the existence of human contact between employee and the customer, simultaneity is another characteristic of service which means most services are produced and consumed at the same time. It represents a complexity in quality management of services because it is not usually reasonable to actively monitor all service deliveries that are taking place and the service cannot be inspected before its consumption (Othman & Owen, 2001). In general, service quality becomes more difficult to evaluate and measure than to evaluate and measure goods due to the intangible, the concept of inseparability, heterogeneity of the variation and perishability nature of service (Zailani et al., 2006).

Few researchers have attempted to define and model service quality because of the difficulties involved in delimiting and measuring the construct. Managers have less managerial control over quality in services than tangible products, especially where consumer involvement in service rendering is intense. The inherent characteristics of service by its nature create that measurement of services require comprehensive analysis and some improvements in service quality researches.

#### **2.4 Importance and Benefits of Service Quality**

Many benefits can be attained because of service quality. Service quality benefits are wide range having various benefits for customers' satisfaction that enable an organization to be competitive and

survive in the business. Service quality offers a way of achieving success among competing services. According to Kavitha, (2012) explains that the benefit of repeat customers is such lower cost of marketing than attracting new customers. Benefits arising from a high quality are not only reflected in a more competitive market to hold certain position, but also in a better business result. Grzanic, (2007) justifies that the results of a research carried out in USA on a sample of 2600 companies in the period between 1987 and 2002 show direct connection between the level of quality of goods and services and their financial performances.

Particularly, when several firms like hotel businesses organization, that offer nearly identical services are competing within a small area. Service quality differences can be seen as success or failure in business environments and as competitive strategy of business sectors to stay in the business. This also leads to the coming again of customers or repeat customers and attracting of new customers. But, since achieving excellence in quality for service organizations are expecting to incur cost, the benefits of service quality have to be measured in terms of the cost expenses.

In my observation, when we see hotel business having desirable quality preferred by customers, after some years of operation, the customers flow gradually decline. Some factors must be considered such as increasing competition, market globalization, the development of modern technology and consequential result of customers' needs change over a time in order to be competitive and retain the benefits of service quality.

## **2.5 Some Models of Service Quality**

### **I: Technical and Functional Quality Model (Gronroos, 1984)**

**Gronroos, 1984** explains service quality in terms of technical and functional perspectives. For becoming successful competitors, firms should have understandings of customers' service

perception and the way service quality is influenced. Customer satisfaction can be obtained through management of perceived service quality based on matching concept of expectation and perception. Therefore, three components of service are identified by the author including technical quality, functional quality and image.

First, technical quality is what actually a customer receives as result of the interaction with service provider and it is important for a customer to evaluate the service quality. Second, functional quality is all about that how customer comes across the technical outcome which is important for his/her views about the service quality. Third, image is very important to service firms that can be built primarily by technical and functional quality of service and other factors such as tradition, ideology, word of mouth, pricing and public relations (Seth, Deshmukh, and Vrat, 2005).

However, the researcher recognized the model is exposed for many criticisms, including the model is directed to the process of service deliver and not to the result of service experience; and there is high degree of inter-correlation among the service quality dimensions (Grizinic, 2007). In addition to this, it is difficult to say customers can clearly measure their service expectation relative to their perception and using the gap scores to evaluate quality of services is not sufficient for carrying out of managerial decision making.

## **II: GAP Model (Parasuraman et al., 1985)**

The scholars propose that service quality is measured in terms the differences between service expectation and perception along the service quality dimensions. They have developed a service quality model based on gap analysis. The various gaps pictured in the model are:

*Gap1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.*

*Gap2: Difference between management's perceptions of consumer's expectations and service quality specifications i.e., improper service-quality standards.*

*Gap3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.*

*Gap4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery?*

*Gap5: Difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.*

*(Source: Seth, Deshmukh, and Vrat, 2005:916).*

Customers are not always acquainted with evaluating service quality of certain service firm in a sense of perception-expectation difference (Grizinic, 2007), to help the firm to make remedial actions at the time of quality shortfalls. Despite its various criticisms forwarded from many scholars of service quality, the gap model is still a useful instrument in measuring service quality in stand of customers' point of view. The researcher agreed, however: other thing that must be considered is the position of customers' view; customers might not often feel a sense of ownership even if it depends on the strength of the relationship between service renderer and receiver.

### **III Extended Model of Service Quality (Zeithaml et al., 1988).**

This research came up with refined scale of measurements named SERVQUAL for measuring perceptions of customers about service quality (Parasuraman et al., 1988). Their research results finally arrived at collapsing the original ten dimensions of service quality into five dimensions such as reliability, responsiveness, tangibility, assurance (communication, competence, credibility, courtesy, and security) and empathy. The model was revised in 1991 by replacing the word "should" of statement by "would" and the authors reduced the total items to 21 in 1994, but five dimensional

structures remained the same. In addition to this empirical research, the authors characterized and further outlined the four gaps identified in their research of 1985. This led to extended service quality model (Zeithaml et al., 1988).

Despite its popularity and wide implication in service research, SERVQUAL is exposed to various criticisms from both conceptual and operational aspects (Seth, Deshmukh, and Vrat, 2004). Among the criticisms Grizinic, (2007) explains that SERVQUAL model is more based on the affirmative pattern than the pattern of understanding; it does not manage to link with proved economical, statistical and psychological theories. Besides, there is little evidence that the customer appraisal of service quality in sense of gap model.

#### **IV. Performance Only Model (Cronin and Taylor, 1992)**

These authors investigated the measurement of service quality and its relationship with consumer satisfaction and purchase intentions. They argued on the framework of Parasuraman et al., (1985), with respect to the conceptualization and the measurements of service quality; they developed performance only measurement of service quality named as SERVPERF based on the computed difference scores with perception to conclude that perceptions are better predictor. Finally, they come up that service can be conceptualized by “similar to an attitude” and can be operationalized by the adequacy-importance model. Particularly, they agreed that performance determines service quality instead of “Performance-Expectation”. The perception only model of service quality is better in terms of avoidance of certain criticisms than perception-expectation model as stated by Grizinic, (2007) that customers are directed to evaluating of the result of service experience than the service delivery process.

## **V. INTQUAL Model (Caruana and Pitt, 1997)**

They involved in developing an internal measure of service quality. This measure is an adoption of SERVQUAL model. They used Berry and Parasuraman (1991) service quality measurements on management of expectations and service reliability as an adapted model for internal measure of service quality. They broadly classified internal service quality into two constructs: management of customer expectations and service reliability.

Management must describe a realistic picture of service to customers by identifying explicit service promises (in terms of advertising, personal selling, contracts, and other communications) together with implicit service promises (in terms of tangibles and price) as two antecedents to expected service. Reliability as the most important of the five dimensions with its emphasis on “keeping promises” and “zero defects” is also an aspect of managing expectations (Caruana and Pitt, 1997). The original developer of this model use reliability the most important dimension of SERVQUAL elements and management of expectation from a survey of hotel managers in UK collectively named the model as INTQUAL. The model differs from both SERVQUAL and SERVPERF models of service quality, and INTQUAL is a measure service quality based on management of expectations and service reliability from the managers’ point of view.

This study does not consider the perceptions of customers rather managers’ perception of service quality. In the first place, the researcher chooses managers than customers, customers are mostly influenced by and they become eventually victims of first impressions that last long and will limit an overwhelming use of customers to measure their perception in evaluating service quality. Furthermore, customers are not always certain about what they actually need will lead them to say one thing today and they do say something different another day. Although making unrecoverable errors in service delivery will affect the customers’ perception, repeat behavior and the

consequential word of mouth; managing expectations of customers relative to the dynamic external environment, and changing market needs of customers are also equally important. Therefore, the researcher chose internal service quality model to measure service quality that basically focuses on management of expectations and ensuring service reliability (i.e. delivering service free from errors).

## **2.6 Measurements of Service Quality**

The intense competition and increased hostility of environmental factors enhance the concern for service quality. Joseph et.al, (2012) explains that in today competitive environment, everyone knows spreading widely consequences of quality as well as its difficulty in grasping its many dimensions which becomes a key concern in the management of hospitality industry. Measuring service quality becomes the key concern of current researchers due to the inherent characteristics of service being essentially intangible, heterogeneous, perishable, and inseparability of production and consumption; services require a distinctive framework for quality explanation and measurement (Jain and Gupta, 2004). Taking in to considerations the benefits of service and nature of service quality concept had in various industries; measuring service quality becomes difficult.

Problems in service quality measurement arise from a lack of clear and measurable parameters for the determination of quality. It is not the case with product quality since products have specific and measurable indicators like durability, number of defective products and similar, which make it relatively easy to determine the level of quality (Grzanic, 2007). Kavitha, (2012) adds that among the most commonly known, highly debated and acceptable model of service quality is SERVQUAL. It is based on measuring service quality and customers' satisfaction by comparing the perceptions and the expectations of the customers.

According to its developers, it is an analytical tool that reveals a firm's extensive weaknesses and strengths in the area of service quality. Furthermore, comparing the expectation gaps with perception only model called SERVPERF, Cronin and Taylor conclude that measurement of service quality based on perception is enough (Jayawardhana et.al 2004). The researcher realizes that service quality is not new concept; however, measuring and managing service quality from customers' point of view is still on the way of developing and challenging issues.

In general, service quality was measured by various models basically classified into three that both SERVQUAL and SERVPERF from customer stand points; and INTQUAL from management point of view. Though there is some difference among those service quality models; their level of similarity is high as clearly explained in the previous sections. Since customers' evaluations of quality mostly based on giving greater credence for first impression, level of customers' experience and encounter. Then using different perspectives including customers, employees and managers can be used as supplementary for each other to enforce better managerial decision making.

## **2.7 Measurements of Firm Performance**

Firm performance is a significant construct in strategic management research and often used in many researches as a dependent variable. There is no clear cut consensus about its definition, dimensionality and measurement although it is relevant to strategic management (Carton & Hofer; 2006; Richard *et al.*, 2009; Santo and Brito, 2011). But nowadays researchers are using some performance measures that are conduct research topics in various business organizations.

According to Kellen, (2003) explanation, there are both financial and non-financial measures of performance. Typically financial measures are derived from or directly related to an account of charts and it can be sought in a company's balance of statements while non-financial measures can't

be found in the charts of account such as customers' satisfaction and managers' perception about business performance.

For the purpose of this study, the researcher used a reasonably "balanced perspective" (Doyle, 1994) and employ both financial and competitive measures in evaluating overall business performance: financial- return on capital; and sales growth. For non-financial measurements, the researcher used the business performance of hotels relative others in the industry.

## **2.8 Service Quality and Firm Performance**

Although many researches that are conducted in service quality area emphasized on the customer side, taking into consideration the constraints, many organizations facing today it would be equally important to see internal issues of an organization to prioritize and concentrate to the organization's operation. The results of Zailani, (2006) shows that managers also need to know what actions they have to do in order to deliver quality service since the managers' perception of hotel business performance were linked positively to service performance of the respondent hotel over the last five years in Malaysian hotels. According to the explanation of Ahmad and Sungip, (2008) satisfied customers are the result of delivering high quality service that will be key for winning new clients, retaining current customers, and sustainable competitive advantage. Therefore, the need for striving for service quality will result in economic success in competitive business world. Customer satisfaction is considered as a precondition of customer retention and loyalty.

On the one hand, as many efforts were devoted for the development adequate measurement of service perceptions for variety of service firms; in the same way there has been a lot of concern in understanding the relationship between customer service perceptions and firm performance (Blose, Tankersley and Flynn, 2005). Though there are lots of efforts done for management of customers'

quality perceptions, still it is fairly important to link customers' perceptions and firm performance. This is clearly showed that developing clear and reliable measurements of service quality is the key concern of today's researchers than linking service quality to performance. According to Zisis et al., (2009), firms attempt to improve superior service quality for the final customers for the reason that organizations face considerable challenges that affect their operational performance. It has generally acknowledged that measuring the SQ concept is of great importance to control and monitor the efficiency and effectiveness of their operations and to maintain their competitive position in the market.

On the other hand, due to the inherent characteristics of service that makes different from tangible products, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instrument for measuring service quality. SERVQUAL is the most prominent and the most widely used among these models. It is based on measuring service quality as a gap analysis in which there are the differences between expectation and perception customers and the satisfaction of service perception (Kavitha, 2012). The researcher view here is if service quality is to become the basis of marketing strategy, the marketer should have the means to measure it. If there are clear and reliable measurements of service quality, the marketers and service firms can easy link service quality performance with other "organizational variables" beyond performance for better outcomes.

SERVQUAL can be widely applied, both scientifically and practically in different services. Furthermore, the ultimate goal of scientists is to work out and test reliable instruments for managers to make decisions on organizational variables such as policy, staff, structure, technology and processes that will assure the greatest service quality with minimum costs (Gržinić, 2007). Nevertheless, it is equally important to measure and analyze the managers' perception of service

quality and its relationship with the level of firm performance. Suleiman and Aldehayyat, (2011) explains that, in a highly competitive hotel industry, individual hoteliers must find ways to make their products and services better off among the competitors. To achieve this, hoteliers must understand their customers' needs – and then set out to meet (or exceed) these needs.

Because the service quality model based on gap analysis can't escape from various criticisms; among the criticisms were the difficulties of using gap score as input for managerial decisions. What it matters for decisions is perception; however, many questioned about the usefulness of collecting separate expectation data (Grzanic, 2007). Most researchers used gap model to measure service in the hotel industry. However, there existences of many unpublished researches about the performance only measurement of service quality (SERVPERF) in the hotel industry (Suleiman and Aldehayyat, 2011).

The constant needs of improvements of service quality rendering and following the changing customer needs would be useful for having competitive advantage to service businesses due to the swift competition of tourist market. The efficiency of the whole system is possible if we monitor and analyze the changing demands of customers as well as defining and controlling the process and implementation of constant improvements (Grzanic, 2007). The application of system approach of organizational philosophy is much more effectively operating in service industries because making unrecoverable errors or not ensuring service reliability and management of expectations in time will be like falling ourselves on risk of death. Besides, users' friendly system of providing services for customers is useful for success of an organization.

Both from the outlooks of academic community, and business practice, developing well organized measurements of service quality are important procedure for improvements of service quality

performance (Jayawardhena et.al, 2004). Moreover, Service quality is a way to manage business processes in order to ensure total satisfaction of customers on all levels internally and externally. It is an approach that leads to increase competitiveness as well as effectiveness to ensure the entire company's flexibility (Grzanic, 2007). One of the major problems of the past studies has been their concern with "assessing psychometric and methodological soundness of service scales" that focus too much in the context of service industries of the developed countries. Practically, there have been no empirical efforts made to assess the analytical capability of the scales in providing managerial approaches for making interventions in the incident of quality deficiencies (Jain and Gupta, 2004). Consequently, the preoccupation of the past studies with industries of the developed world that didn't include analysis service quality in the context of firms operating in the developing countries bearing in mind the differences of cultural background of service renderer and business environment. In the first place, those points become an ideal to the researcher in order to undertake study in the areas of service quality and brought internal issues of the hotel firms as researchable area for managerial interventions.

Even though there were some researchers undertake research that showed significant link between service quality and business performance using different models, there is no universal framework to measure service quality performance and still service quality measurements need many efforts in developing instruments. In addition, service quality philosophy has been the subject of many conceptual and empirical studies and it is generally accepted that quality has positive implications for an organization's performance and competitive position. The researchers conclude, however; the empirical studies to date have in the main, concentrated on the financial services, professional services and health care sectors, and they did not included analyses of service quality in the hotel industry. Furthermore, they didn't incorporate analyses of service quality from managers' point of

view. What makes service different from tangible products, when production errors happen in manufacturing of products, they will be accounted for defected products and return for reproduction. But, once defection or errors encountered in service production, it will be difficult to return the perception of the customers, and thus repeat behavior of customers will be influenced.

This research, therefore, designed to fill the existing knowledge gap in service quality literatures. Based on the survey of randomly selected managers, who were working in hotel industry in the course of this study; this paper tried to assess the validity and reliability of the instrument as internal service quality model as well as the methodological soundness of the model and its relation to the level of firm performance. In addition to this, the link of service quality and performance, and developing of reliable instruments still need further research especially in hotel industry. Based on the stated gaps, the researcher focused on the internal issues to measure service quality and its link with firm performance hotels found in Addis Ababa.

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Research Design

This research is entitled with “The Effects of Internal Measures of Service Quality on Firm’s Performance in Hotel Industry: A Case of Addis Ababa”. It was designed to assess and test hypotheses regarding the influences of internal service quality dimensions on firm performance. Since the knowledge claim of the study was postpositive knowledge claims<sup>1</sup>, the researcher applied the scientific or quantitative methods of inquiry<sup>1</sup>. This means that the method of inquiry is based on deterministic philosophy<sup>2</sup> in which internal service quality most likely causes firm performance or outcomes<sup>2</sup>. Using survey with sampling and statistical design, questionnaires were administered for managers of any level within the hotels. Because of this, they were helpful to make a generalization about the populations parameters. Moreover, the researcher supposed that managers have well acquainted knowledge about how to address the management of expectations and attaining service reliability. Besides, it was helpful for the researcher to use inferential statistics to make inference about the entire population’s parameters.

#### 3.2 Sample, Population and Participants

Due to all rounded knowledge of the managers about internal service quality on performance from the management perspectives, the researcher used random sampling techniques. Since the study focused on the hypothesis testing of service quality and performance based on the data collected through questionnaires, stratified random sampling was used based on the appropriate and scientific

---

<sup>1</sup>Traditionally, the postpositive assumptions have governed claims about what warrants knowledge. This position is sometimes called the “scientific method” or doing “science” research. It is also called quantitative research, positivist/post positivist research, empirical science, and post positivism. The last term, “post positivism,” refers to the thinking after positivism, challenging the traditional notion of the absolute truth of knowledge (Phillips and Burbules, 2000)

<sup>2</sup> Post positivism reflects ad deterministic philosophy in which causes probably determine effects or outcomes (John W. Creswell, 2005)

methods of determining sample size. The participants were managers of any level responsible for service quality of their respective hotels. The whole population as a sampling frame was first classified into categories of comprising basic level hotels recommended for visitors up to five star categories. Each hotel was given equal probabilities and respective proportions to be represented in the final sampled population. The researcher took 92 hotels randomly out of 119 hotels listed in appendix B as sampling frame. The samples were determined using a simplified formula of proportions forwarded by Israel, (2009) on how to determine sample size that assumes a normal distribution and it is shown below in table 1. The required sample was determined on the assumption that internal service quality practice survey has 95% confidence level and potential error limit of 0.05 or 5%. But one hundred (100) questionnaires were distributed to 8 hotels that had been already taken being presumed as contingency; 96 questionnaires were collected that were subjected to further analysis with 100% responses rate compared to the required sample. However, as clearly stated in the table 1, 4 incomplete questionnaires were omitted while the rest 4 were remained in the hands of the respondents. Therefore, the data collected from 92 respondents were used for analysis.

**Table 1: Sample Size Determination**

Sample size determination according to Israel's formula at 0.05 error limit and 119 sampling frame of the population.	$n = \frac{N}{1+N(e)^2}$ $n = \underline{92}$ <p>Contingency had been taken around 8.7%</p>			
Star category of hotels	Total number of hotels in the sampling frame	Required proportions in the sampled population or sample taken	Distributed questionnaires	Collected questionnaires
Five star	4	3	4	3
Four star	12	9	11	10
Three star	38	29	31	31
Two star	35	27	28	28
One star	15	12	13	12
Basic level or no star	15	12	13	12
Total	119	92	100	96

(Source: Ministry of Culture and Tourism or MOCT)

### 3.3 Data Collection Instruments, Variables and Materials

The researcher used questionnaires as primary data to make analysis about the population parameters; and books, articles or various related literatures and written materials pertinent to study as secondary data were also used. Questionnaires (basically closed ended) constructed on a way of expected simplicity and privacy of the respondents while they were filling them. The independent

variables for analysis were four internal service quality dimensions basically classified into two: management of expectations and service reliability constructs constitute of 34 items (as proposed by Carusana and Pitt, 1997; later adapted by Zailani et al, 2006). The items identified from various literatures incorporated in the study were organized in questionnaire format measured in seven point likert scale ranging from 1-strongly disagree to 7-strongly agree. Finally, a seven points Likert scale was used to measure the level of perception of the respondents towards the internal perception on service quality and business performance.

### **3.4 Data Analysis Procedure**

Questionnaires were distributed in accordance with the time schedule. They were prepared in English language because the subjects of the study were managers of the organizations or section heads. After the data had been collected, various statistical applications were utilized including descriptive and inferential statistics. Various descriptive statistics particularly correlation and inferential statistics specifically analysis of variance were used for the data analysis. SPSS was used for the analysis of the data obtained through questionnaires whereas Microsoft Excel software was utilized to assess the general profile of the industry characteristics.

### **3.5 Validity Analysis**

Validity emphasizes on creating meaningfulness of the research components (Drost, 2011). This implies that when the researchers measure service quality, they are concerned with whether they are measuring what they initially intended to measure. Up to this date, there are four types of validity to be tested in a research.

**1. Statistical Conclusion Validity:** This focus on testing whether or not relationships exist between the two variables (i.e., dependent and independent variables). According to Drost, (2011), the

violation of this validity would result in low statistical power, violation of assumptions, reliability of measures, reliability of treatments, random irrelevancies in experimental setting and random heterogeneity of respondents. The results showed that there was a significant relationship between the two variables.

**2. Internal Validity:** If there is relationship between dependent and independent variables, internal validity concerns with whether or not the relationships are the causal one or significant difference in this specific instance (Heukelom, 2009; Drost, 2011). In addition to this, it tells us about the validity of the research itself and whether the research comprises a representative sample or biased sample. Since the researcher gave great attention to sample size determination (refer to table 1) and the existence of the confounding factors that could lead to wrong findings, the internal validity was successfully met.

**3. Construct Validity:** If the relationship is causal, what are the particular cause and effect behaviors involved in the relationship (Drost, 2011)? Construct validity refers to how well the researcher transformed the construct into functioning and operating real world (Trochim, 2006). It involves collecting evidence in six validity types broadly classified into two such as translation validity including face validity and content validity; and criterion related validity which constitutes concurrent, predictive, and convergent and discriminant validity.

Translation validity focuses on functionality of the construct into the real world - that is face validity and examining content domain – that is content validity using subjective judgment of researchers (Heukelom, 2009; Drost, 2011). Translation validity was already undertaken by the developer of the model and the items within the model of Berry, Parasuraman and Zeithaml (1985); Caruana and Pitt,

(1997). According to these authors, the items within each internal service quality constructs are valid instrument to measure service quality.

The second construct validity was criterion-related validity which emphasizes the degree of association between a test measure and one or more external referents usually measured by their correlation of the two variables (Brown, 2000; Drost, 2011). While convergent and discriminant validity are tested using correlation value more than 0.6 raises concerns about discriminant validity (Cronbach, 1990); both concurrent and predictive validity refer to the ability of a test to predict an event in the present and to measure some outcome in the future respectively (Malhotra and Grover 1998; Brown, 2000; Rosenthal and Westen, 2003). From the results of the correlation analysis (refer to table 6), it was noted that all of the four service quality constructs had statistically significant correlations with firm performance and the correlations results is shown in table 6 can enable us to predict an event in the present and future. Since the correlation coefficients between the two variables ranging from 0.44 to 0.59 which were not above 0.60, it was not raises a concern for convergent and discriminant validity. Thus, criterion related validity was supported for all the constructs.

**4. External Validity:** If the relationship is a causal relationship between the dependent and independent variables, the external validity concerns whether or not the relationship can be generalized across industries, settings and times (Drost, 2011). To mean that the instrument met the external validity, the interaction and treatments cause-effect relationship can be replicated in other service sectors. Heukelom, (2009) explains that external validity deals with representativeness, or generalizability of a construct in other populations, settings and variables which means that in this research the generalizability of internal service quality constructs could be used in other service sectors.

### 3.6 Reliability Analysis

Reliability has been seen as consistency from one measurement to another. Reliability was preferred by some scholars as the correlation of an instrument with itself even if it was a permanent source of dispute (Cronbach, 2004). In the situation of more independent variables with low reliability added to the equation, there will be a greater likelihood of variance not allocated correctly. And also it will lead us to erroneous findings, increased potential for Type II and Type I errors (Osborne and waters, 2002). The overall Cronbach alpha for the entire 34 items was 0.87, which was greater than the acceptable internal consistency cut-off point 0.70 as most scholars agree. As table 2 clearly indicated the four independent variables dimensions considered in the study also scored greater than 0.70 cut-off point. Therefore, the assumption of reliability analysis was met and the consequential effects because of not attaining reliability analysis were resolved.

**Table 2: Reliability Analysis**

Variables	Cronbach's Alpha	Number of items	Sampled population
Internal service quality	0.919	34	92
Training program	0.780	11	92
Customer expectation	0.760	8	92
Ethical services	0.712	3	92
Cross-training	0.827	12	92
Performance items	0.714	3	92

(Source: The Researcher's Survey)

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Data Distribution Procedures and Collection

This chapter deals with detail explanation of data analysis and interpretation that was used to determine whether firm performance was influenced based on the level of service quality performance of what the hotels' service providers achieved in practice. The purpose of this chapter was to analyze and interpret the data collected through the structured questionnaires. The data were analyzed and interpreted and the report was based on various statistical analyses to enable the researcher attain the research objectives and testing the null hypothesis. The discussion particularly focused on the general organizational and industry profile, descriptive statistics and correlations of internal service quality dimensions and firm performance, analysis of variance and testing the null hypothesis.

The population of this study comprised of the entire hotels' service providers in Addis Ababa. The population sampling frame the updated list of hotel business (refer to appendix B) prepared by culture and tourism bureau that has been carrying out updated surveys on hotel service providers for the state government since 2013. Out of this updated list with a total of 119 hotel service providers, the data collected from 92 hotels were used for the final analysis in which the sampled populations were established by applying Israel, (2009) formula on how to determine the final sample size randomly. However, total of 100 questionnaires were distributed for the respective strata of hotels as clearly explained in the methodology part. Eight of them were taken for the contingency purpose, because the final sample required for the analysis were the data collected from the targeted 92 respondents. Out of the total distributed questionnaires, 92 of them that constituted 92.0% of the

response rate subject to the analysis were collected while 8 or 8.0% questionnaires remained in the hands of the respondents. Though the return rate of the questionnaires was successful that was more than three fourth (75%) attained by the researcher for the analysis ahead, it was obvious that the unreturned questionnaires might have had some impacts on the results of the study. Many reasons can be mentioned for questionnaires that remained in the hands of the respondents: one of the most awful reasons was the incredible and unexpected bureaucracy of the hotel organization, the unwillingness of the respondents, fear and frustration, poor communication among the employees and the infancy stage of operation of some hotels due to being unfamiliar with such practices. Finally, the analysis was carried out based on the required sample data surveyed and collected from 92 respondents of hotel service providers operating in Addis Ababa.

#### **4.1 General Profile of the Industry**

The researcher emphasized the general profiles of the industry's attributes to see the trends of hotels development to enhance room capacity of the industry and flows of visitors. The purpose of assessing flows and changes of arrivals pattern, room and bed places capacity was to notice the trends and also to give some insights about the nature of the industry in the country. Hence, the general profile of the industry was presented and analyzed below.

**Table 3: General Profile of the Industry**

<b>Year</b>	2007	2008	2009	2010	2011
Arrivals of tourists	357,847	383,399	427,286	468,305	523,438
Room capacity	12,498	13,358	14,118	18,128	19,025
Bed places capacity	16,250	16,848	17,936	21,937	24,083
Arrivals % growth	8.4	7.1	11.5	9.6	11.8
Room capacity percentage change	31	6.9	5.7	28.4	4.9
Bed places capacity change	32.8	3.9	6.5	22.3	9.8

(Source: Ministry of Culture and Tourism or MOCT)

It is obvious when tourists get away from their homes, they need a temporary place to stay contain buildings and sites literally known as accommodation (Microsoft Encarta, 2009). The researcher had to consider the industry performance through analyzing the trends of accommodation development and visitors' flow whether each hotel performance indicators were the result of industry growth or due to the achievements of the service quality performance. The purpose of analysis of the visitors' trends was to see whether the contribution of industry growth was high to firm performance or the service quality performance is factor that contributes to firm performance. Customers might have become indifferent to choose among the competing hotels that can better fit their needs if there is high visitors flow relative to capacity of the industry.

Though the arrivals of visitors to the country showed increasing trends for the last five years except in 2008 and 2011, the room and bed places capacity demonstrated great changes only in 2011 while the changes of the rest years were not promising compared to the increasing flow of visitors as

showed in table 3. For instance, in 2007 and 2008, the number of tourists who visited the country for various purposes were 357,847 and 383,399 respectively; however, the number of arrivals greatly changed in 2011 to around 523,438 tourists. As table 3 illustrates the percentage of arrivals changes proved that the pattern of visitors flow demonstrated improvements except in 2008 (7.1%) growth and 2010 (9.6%) were less than respective of the previous years.

Then table 3 demonstrates that the variability was clearly visible and not great especially when we compare the visitors' flow and accommodation pattern of growth. In other words, visitors flow change in each year was somewhat higher than the accommodation development except the accommodation facilities growth rate of 31% and 28.4% in 2007 and 2011 respectively. In general, the rate of change for room capacity and bed places capacity showed a similar trends as one increases the other will increase or vice versa. However, the percentage change of visitors arrivals were better yearly, which showed a little bit similar change, than room capacity change that showed greater fluctuation in some years.

The results in table 3 shows that industry growth, which constituted visitors' trend and capacity change, wouldn't make the industry demonstrate great change in comparison with other service sectors. Therefore, the researcher concluded that the contribution of the industry growth couldn't be considered as greater contributing factor to performance so that it can be taken as factor being constant.

#### **4.2 General Profile of the Organizations**

Hotel service providers' organizations specifically data collected through questionnaire from managers were used as the unit of analysis in accordance with the aim of the study, which is to confirm the establishment of internal measures that affect hotel business performance. Data

collection was conducted based on personally administered questionnaires. The respondents for the study were targeted to be the managers of any level considering that they have a presumed knowledge and experience regarding service quality implementations in the organizations.

Each questionnaire had questions that inquired background information from the respondents. This information was tabulated to provide additional information on the characteristics of the industry and to expand the analysis using chi-square to distinguish whether there were significant difference of those characteristics among sampled population or not in order to make inference about the population parameters. The purpose of assessing the general profiles of the organizations was to determine whether the researcher considered heterogeneity of sample units and also to give an idea about an overview of the industry.

**Table 4: General Profile of the Organizations**

General profile	Description	Frequency	Percent	Observed frequencies	Expected frequencies	Chi-square tests
Star category of sampled hotels	Five star	3	3.3	3	15.3	$\chi^2 = 35.04$ df = 5 Asymp.sig= 0.000
	Four star	9	9.8	9	15.3	
	Three star	29	31.5	29	15.3	
	Two star	27	29.3	27	15.3	
	One star	12	13.0	12	15.3	
	Non-star	12	13.0	12	15.3	
	Total	92	100	92	92	
Number of employees	<50	36	39.1	36	30.7	$\chi^2 = 45.48$ df = 2 Asymp.sig= 0.000
	50-450	54	58.7	54	30.7	
	451-850	2	2.2	2	30.7	
	Total	92	100	92	92	
Owner of the hotel	Foreigner	2	2.2	2	30.7	$\chi^2 = 155.24$ df = 2 Asymp.sig= 0.000
	Local	87	94.6	87	30.7	
	Government	3	3.3	3	30.7	
	Total	92	100	92	92	
Years of operation	1-5	16	17.4	16	18.4	$\chi^2 = 26.370$ df = 4 Asymp.sig= 0.000
	6-10	36	39.1	36	18.4	
	11-15	21	22.8	21	18.4	
	16-20	8	8.7	8	18.4	
	>20	11	12.0	11	18.4	
	Total	92	100	92	92	

(Source: The Researcher's Survey)

The researcher utilized Chi-Square tests to verify whether there were real differences of the characteristics tabulated among the organizations in the industry or due to sampling error. Technically, Chi-Square tests were used for addressing the issue essentially by comparing the observed frequencies of each cell with their corresponding expected frequencies computed from the

data on the basis of the assumption that null hypothesis stated the difference of star proportion in the sample was due to chance alone or sampling error (Waller and Johnson, 2013). And the alternative hypothesis that declared the difference was not due to sampling error.

As the results are shown in table 3, the researcher sufficiently rejected the null hypothesis which dictated that the star grouping distribution or proportions of hotels was significantly different in the industry at alpha level of 0.05, since  $p=0.000$  and  $\chi^2 = 35.04$ . Nevertheless, it should be recalled that the proportions of the sampled populations for star grouping presented in the table 3 were the same to the sample design determined in the methodology part of the study (refer to table 1). According to the test, therefore, among the respondents' organization as an inference to population parameters; the highest number of hotels in the industry were represented by three stars (31.5%) and two star categories (29.3%) consecutively while five star hotels (3.3%) occupied the smallest portion of the industry. The rest star grouping distribution demonstrated that four star hotels stood for 9.8%; whereas one star and non-star hotels accounted around 13% each.

Most (58.7%) of hotels in the sample were held between 50 and 450 employees. The highest number employees consisting more than 450 were occupied by smallest proportion of hotels (2.2%) in the industry. The remaining portion of hotels hired less than 50 manpower accounted for 39.1%. In other words there were a large number of hotels holding small numbers of employees relative to hotels, which employed large numbers of workforces in the industry.

“A chi-square test of homogeneity is used to determine if the distribution of one categorical variable is similar or different across the levels of a second categorical variable” (Waller, 2012:2). Chi-square was employed to test that as null hypothesis stated whether there was no significant difference of proportions between categorical variables, which is used to describe number of

employees hired among the hotels in the sector. However, the researcher rejected the null hypothesis for which the result showed that there was significant difference of employed manpower within every hotel with respective proportions depicted in table 3. The test was significant at the given level alpha since the p value was 0.000 and chi-square result was 45.48.

Regarding the ownership of the hotels, the industry was characterized by almost the entire possession resided in the local investors that is, out of 92, 87 (around 95%) hotels were owned by local investors. As only 5% of the ownership of the hotels belonged to foreign investors and the government owned. Thus, the researcher decided to conduct a test difference of ownership using chi-square similar with other variables that had already been done earlier. The null hypothesis assumed that there was no significant difference of ownership due to chance alone or sampling error. But the result supported the rejection of the null hypothesis which implied that there was a significant difference of ownership possession percentage among the local investors, the foreign investors and the government. The test was significant at alpha 0.05 in which p value was 0.000 and  $\chi^2$  was 155.24.

The last categorical variable used for this study was the length years of service operation of hotels in the industry. The period of operation ranging from 6 to 10 years and 11 to 15 years were among the highest percentages accounted for 39.1% and 22.8% respectively, as compared to other service operation periods. The remaining hotels had more than 16 years of operation, which collectively represented around 20%, and on other hand, out of the sampled hotels that accounted for 17%, were those with 1 to 5 years of service delivering. The researcher, thus, conducted chi-square test similarly to the null hypothesis assuming that there was no a real significant difference of the

hotels' periods of operation. However, as the result indicated in table 3, there was sufficient evidence to reject the null hypothesis at alpha 0.05 since p value was 0.000 and large  $\chi^2$  of 26.370.

Therefore, the researcher asserted that the categorical variables used for this study fitted with the concept of sample heterogeneity to ensure the best inference for the population parameters. Hence, that was the reason why the researcher made use of Israel, (2009) sampling determination to ensure the representativeness of the sample in order to make scientific inference or draw conclusions about the entire population. From the chi-square results, there was a significant difference of the already used categorical variables in the industry.

#### **4.3 Descriptive Statistics of Service Quality Dimensions and Firm Performance**

The researcher run a series of tests for the categorical variables to verify whether or not they were met the concept of sample heterogeneity inclusiveness for proper analysis to make inference about the population parameters. Thus, the sample heterogeneity as concept helped the researcher in order to make inference whether or not there were firm performance differences among the hotel service providers due to differentiation on service quality performance. The discussion further extended by utilizing non-parametric descriptive including mode, median and percentage median coverage in the order. Both median and mode were used by the researcher to measure and assess central tendency of a distribution accounted for managers' perceptions of service quality dimensions and firm performance for the last five years.

**Table 5: Descriptive Statistics of Service Quality Dimensions and Performance**

Service quality and performance	Median	Mode	Minimum	Maximum	Frequency of median in percent
Training program (TP)	5	6	3	7	37%
Customer Expectation (CE)	5	5	3	7	32.6%
Ethical Services (ES)	5	6	3	7	27.2%
Cross-Training (CT)	5	6	3	7	37%
Return on Capital (ROC)	5	5	3	7	25%
Sales Growth Rate (SG)	6	6	3	7	46.7%
Business Performance (BP)	5	5	2	7	25%
Overall performance (OVP)	5	6	3	7	31.5%

Sample size was 92 hotels

(Source: The Researchers' Survey)

Median is the score found at the exact middle of the set of values. One way to compute the median is to list all scores in numerical order, and then locate the score in the center of the sample. Table 5 demonstrates statistical results for median and mode of each score of service quality and firm performance. The median result shows that the four service quality variables scored 5 for which this implied that the respondents on average somewhat agree for each item. Based on the level of agreements of managers' perception of service quality items, five order in likert scale represents "somewhat agree". Similarly, managers' perception of firm performance for the last five years of every hotel scored 5 or "somewhat agree" except sales growth showed 6 or "agree" likert scale point on average. This entailed most of the respondents somewhat agree for the return on capital and the business performance had been increasing for the last five years.

Mode as measure of central tendency was used for both service quality variables and firm performance. Theoretically, mode is the most frequently occurring value in a set of scores using ordering of scores method what actually SPSS calculated and it is used for either numerical or categorical data. The mode score for training program, ethical services and cross training was a likert point of 6 or “agree” except for customer expectation variable. As the table 5 revealed the perception of most respondents about firm performance for the randomly selected hotels scored 5 or “somewhat agree” and 6 or “agree”. Specifically, the modes of return on capital and business performance scored 5 or “somewhat agree” while sales growth and overall performance obtained a mode value of 6 or “agree”. In other words, this illustrated that the level of firm performance for the last five years for most of the selected hotels were relatively better off.

As other descriptive statistics results showed in table 5, the four service quality variables scored a median ranging between minimum value of 3 or “somewhat disagree” and maximum value of 7 or “strongly agree”. Furthermore, the median distribution of each dimension of SQ, other than within each service quality variable, held a frequency in between 27.2% and 37%. Similarly, as most of the respondents replied, the firm performance items demonstrated a minimum score of 3 or “somewhat disagree” and maximum value of 7 or “strongly agree” for the last five years except the business performance item scored a minimum value of 2 or “disagree”. Regarding their perception of hotel performance achieved in the last five years, the respondents reply ranged between 25% and 47% based on the median distribution coverage. Most respondents on average about their perception of hotel performance achieved in five years were reply between 25% and 47% for three measures of firm performance.

In conclusion, the distribution of median and mode for each SQ variables attained a likert orders of 5 and 6 that represented “somewhat agree” and “agree” respectively (refer to appendix A; Research

Questionnaire). Moreover, the distribution of median and mode for performance items scored a similarly likert orders of 5 or “somewhat agree” and 6 or “agree”. When the frequency of median distribution was explained in terms of percentage, the frequency of occurrence for median value calculated for both service quality variables and performance out of the total sampled population ranged between 25% and 47%.

#### **4.5 Spearman’s Correlation Coefficients for Service Quality and Firm Performance**

The spearman’s correlation coefficients as non-parametric test were used to analyze the correlation between independent and dependent variables. This research examined the nature and strength of the relationship between service quality dimensions and firm performance. The Spearman correlation analysis indicated that each of the four independent internal service measuring factors was positively correlated with the dependent variables of firm performance. This finding was consistent with the previous studies that indicated the service quality dimensions performance efforts did improve firm performance (Caruana and Pitt, 1997; Zailani, 2006)

The inter-correlation of independent variables among themselves can also be carried out to test some concerns in a research in order to analyzing the existence of Multicollinearity problems and, Discriminant and Criterion validity. Multicollinearity occurs when a single predictor variable is highly correlated with a set of other predictor variables. Accordingly, Anderson et.al, (2011) explains that Multicollinearity is a potential problem if the absolute value of the sample correlation coefficient exceeds 0.7 for any two of the independent variables. Pallant, (2005) added that the variance inflation factor (VIF) is commonly used as a measure of Multicollinearity. If a value becomes above 10, there is Multicollinearity problem. As it is shown in table 6, the results of spearman’s correlation coefficients between the independent variables among themselves were far below 0.70. This result indicated that there was no Multicollinearity problem.

Table 6 clearly shows the correlation of service quality dimensions within themselves were positive with the existence of non-negative coefficients at the given level of significance. This implied that there were positive and significant correlations among service quality dimensions ranging from 0.443 to 0.590 and thus they indicated that there was no Multicollinearity problem. Hence, the correlation coefficients within the independent variables collectively known as internal service quality were significant and positive at alpha 0.05 as well as 0.01.

**Table 6: Spearman Correlation Matrix for Service Quality and Performance**

Spearman's rho	TP	CE	ES	CT	FPrC	FPsg	FRbp	FP
Training program (TP)	1.000 .000	.479** .000	.524** .000	.517** .000	.554** .000	.495** .000	.499** .000	.586** .000
Customer expectation (CE)	.479** .000	1.000 .000	.443** .000	.556** .000	.522** .000	.454** .000	.429** .000	.594** .000
Ethical services (ES)	.524** .000	.443** .000	1.000 .000	.590** .000	.507** .000	.380** .000	.444** .000	.473** .000
Cross-training (CT)	.517** .000	.556** .000	.590** .000	1.000 .000	.494** .000	.369** .000	.439** .000	.526** .000
Return on capital (FPrC)	.554** .000	.522** .000	.507** .000	.494** .000	1.000 .000	.388** .000	.316** .002	.654** .000
Sales growth (FPsg)	.495** .000	.454** .000	.380** .000	.369** .000	.388** .000	1.000 .000	.575** .000	.795** .000
Business performance (FRbp)	.499** .000	.429** .000	.444** .000	.439** .000	.316** .002	.575** .000	1.000 .000	.767** .000
Overall firm performance (FP)	.586** .000	.594** .000	.473** .000	.526** .000	.654** .000	.795** .000	.767** .000	1.000 .000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

(Source: Researchers Survey)

Strong correlation was also found between performance of service quality dimensions and most of the selected performance indicator factors of firm performance outcomes. Table 6 clearly shows that there was positive correlations exist between the dependent and independent variables. The results in table 6 indicate that there was clear strong positive correlation between each of the service quality elements constituted of four dimensions and all indicators of firm performance. The correlation coefficients ranged from 0.37 to 0.55, which proved significant at alpha 0.01 (2-tailed).

Meanwhile, the service quality dimensions had significant and positive correlations at alpha 0.01 (2-tailed) as far as the overall firm performance scored minimum value of 0.47 and maximum value of 0.59 coefficients for the last five years. Specifically, as the table 6 demonstrates, the rest correlation coefficients proved that the positive and significant correlations of the four independent variables at the given level of significance such as training programmes, customer expectations, ethical services and cross-training with overall performance scored a spearman's correlation coefficients of 0.586, 0.594, 0.473 and 0.526 respectively.

The outcome of spearman's correlation was a good pointer result for hospitality service providers of the industry currently operating in Addis Ababa with the implication that they must work hard in enhancing service quality measurements to improve performance. However, hotels service providers must not hold blindfold movements concentrate totally on service quality improvements and they must notice what competitors are actually doing to improve their performance because service differences as competitive strategy can easily be copied. Looking into other competitive tools can be viewed as supplementary factors to become a greatest rival in the industry and service quality excellence must always cost efficient relative to the presumed benefits to be acquired. In general, this suggested that efforts devoted for service quality performance activities were not an isolated factor of the hotel firms and they should be related to firm performance of hotel organizations.

#### **4.6 Using One Way ANOVA to Analyze Service Quality and Firm Performance**

One-way analysis of variance (ANOVA) tests allow researchers to determine if one given factor, such as service quality, has a significant effect on firm performance across any of the groups under study; null hypothesis could be formulated based upon no significant mean differences on firm performance outcome as dependent variable and the impact of service quality elements as independent variables. The hypothesis for firm performance was that there was no difference in the mean firm performance in the scores for each dimension of service quality. In other words, the hotel-firm performance had equal means across every score for each quality measurements.

For instance, specifically null hypothesis was that there was no difference in the mean firm performance for the last five years across all hotel categories practicing differentiation in service quality performance. The Analysis of variance indicated that the probability of getting a mean difference between the hotel groups due to service quality measurements as high as what was observed by chance. The lower the p-value, the more significant difference there will be between the groups. The null and alternative hypothesis can be illustrated as follows:

Ho:  $\mu_1 = \mu_2 = \mu_3$  or means for all hotel categories are equal

There was no significant difference in firm performance between hotel categories due to service quality performance

Ha: at least one mean differs from the rest

##### **4.6.1 Assumptions Testing for Analysis of Variance**

***Assumption 1: Normally distributed data:*** It is assumed that the collected data were acquired from a normally distributed population. The rationale behind the hypothesis testing relied on having normally distributed populations and so if this assumption was not met, then the logic behind the

hypothesis testing would be inconsistent. Most researchers look at their sample data by using a histogram or bar charts. Hence, the researcher examined through visual inspection of the data distribution using histogram and bar charts. These results, thus, showed the data were normally distributed.

**Assumption 2: Independence:** This is based on the data collected for analysis from different subjects who were independent of each other. In other words, the behavior of one subject didn't influence the behavior of another. My research was conducted based on the data that was collected from different/independent subjects. According to the explanation of Larson, (2008), this assumption could be met through an examination of the design of the study. The research design confirmed that the K groups/levels or sample of hotels taken are independent of each other.

**Assumption 3: Homogeneity of variance:** This assumption focused on the variances that should not change systematically throughout the data. The null hypothesis assumed this assumption that each of these groups should have the same variance. As the name itself indicates, homogeneity of variance emphasized that variances of each group used in the study had equal variances. In other words, the variances of scores in different populations were not heterogeneous. Several tests can be used to examine homogeneity of variance such as levene's test and homogeneous subsets.

Welch statistic or the Brown-Forsythe statistic could have been also by applying an adjusted F test. If the result had been significant ( $p < \alpha$ ) which implied that the assumption was not met. If there are extreme violations to the assumption of normality and the assumption of homogeneity of variance, a nonparametric test such as Kruskal-Wallis tests could be used.

\

**Table 7: Test of Homogeneity of Variances**

	Tests	Statistic	df1	df2	Sig.
Training program	Levene	2.103	4	87	.087
	Welch	17.733	4	26.588	.000
	Brown-Forsythe	16.815	4	42.725	.000
Customer expectations	Levene	.528	4	87	.715
	Welch	20.325	4	18.950	.000
	Brown-Forsythe	17.483	4	62.255	.000
Ethical services	Levene	2.763	4	87	.063
	Welch	12.626	4	28.641	.000
	Brown-Forsythe	9.910	4	38.411	.000
Cross-training	Levene	.738	4	87	.569
	Welch	10.125	4	9.906	.002
	Brown-Forsythe	15.302	4	74.798	.000
Overall Service quality	Levene	2.273	7	84	.066
	Welch	11.513	7	15.686	.000
	Brown-Forsythe	11.474	7	16.612	.000

(Source: The Researcher's Survey)

Table 7 demonstrates the Levene's test, Welch and Brown-Forsythe statistic used to test the assumption of homogeneity of variance. The Levene's test was not significant and retained null hypothesis in which the data used for the study had equal variances for all independent variables; (i.e., not significantly different). The significance level or p-value exceeded alpha level of 0.05, suggesting that the variances for all groups of the subjects were equal; therefore, the assumption was justified. Furthermore, as table 7 displays, the Welch statistic or the Brown-Forsythe statistic showed the same and significant result as far as the data had equal variances since p-value was less than the given alpha level for all variables. Thus, the assumption of homogeneity of variance was met (i.e., not violated) for this sample.

#### **4.6.2 Discussion of Analysis of Variance Results**

In some service businesses, when every competitor reaches at a state of business maturation, they will be utilized various factors to be competitive in their respective industry that make them different from others such as having special offers to customers, and using physical setup or scenery as competitive tools. The other causal factors that will enhance performance are the industry growth rate and the size of competitors in the industry. Since service quality supposes to be taken part as pivotal role in enhancing firm performance; this study was primarily designed to test whether there was a statistically significant mean difference of firm performance due to service quality performance among the competing hotels in hotel industry.

Internal service quality issues from the managers' point of view were considered as the study purpose and to analyze the impacts of each dimensions of service quality which had on the hotels performance operating in Addis Ababa. Based on this, the researcher stated five hypotheses that were tested using analysis of variance. The main null hypothesis was that there was no difference in the mean firm performance due to being the service quality as independent variables. Besides, the sub-null hypotheses declared that there were no differences in the mean of firm performance with different scores for each dimension. Since serious of assumptions were tested for the analysis of variance in previous section and the three assumptions were successfully met. Hence, table 8 presents the analysis of variance output for each service quality dimensions including mean squares, F test statistics and their associated level of significance.

**Table 8: ANOVA Results for Service Quality and Overall Firm Performance**

	Firm performance	Sum of Squares	Df	Mean Square	F	Sig.
Training program	Between Groups	34.929	4	8.732	17.005	.000
	Within Groups	44.675	87	.514		
	Total	79.604	91			
Customer expectations	Between Groups	30.683	4	7.671	13.642	.000
	Within Groups	48.920	87	.562		
	Total	79.604	91			
Ethical services	Between Groups	26.857	4	6.714	11.075	.000
	Within Groups	52.747	87	.606		
	Total	79.604	91			
Cross-training	Between Groups	26.725	4	6.681	10.993	.000
	Within Groups	52.879	87	.608		
	Total	79.604	91			
Overall Service quality	Between Groups	41.848	7	5.978	13.300	.000
	Within Groups	37.756	84	.449		
	Total	79.604	91			

(Source: The Researcher's Survey)

The major null hypothesis was identified by the researcher to analyze whether differences in the hotel-firm performance were associated with differences in respective performance achieved in the service quality constructs. On the contrary, the alternative hypothesis explained that there was a difference of firm performance for the last five years as a result of service quality. Table 8 demonstrated the F test statistic was significant with p-value fell well below the required alpha level of 0.05. The researcher could conclude that the differences found between service qualities performances of each hotel were significant and that there was an association of service quality and firm performance. Thus, there was sufficient evidence to reject the null hypothesis, as the results

depicted in table 8; the mean difference in the hotel-firm performance was due to the differences on the service quality performance.

The four sub-hypotheses were organized that explained each of service quality dimensions had significant impact on organizational performance. The first sub-null hypothesis stated that there was no significant difference in mean firm performance according to the achievements in training program, whereas an alternative hypothesis explained the opposite way of significant association of training program variable and performance. Table 8 shows the training program variable with F ratio statistic = 17.005 had a significant effect on firm performance since the p- value was less than 0.05 level of alpha. In other words, the P-value indicated that the probability of obtaining F ratio by chance alone is less than an alpha level of 0.05. The researcher had rejected the null hypothesis that mean differences of firm performance were equal at every level of training program variable achievement, since  $p < \alpha$ . The result suggested that there was an adequate evidence to reject the null hypothesis and that there was mean differences in performance due to the achievements on training program variable as service quality dimension.

The second sub hypothesis explained that there was no statistically significant difference in the means of firm performance between the scores of customer expectation variable. In contrast, the alternative hypothesis explicated the reverse. The finding illustrated in the table 8 shows that F ratio test = 13.642 was significant at alpha level for this study; for further clarification p-value was adequately below 0.05. This implied that P-value indicates that the probability of obtaining F ratio by chance alone was less than an alpha level of 0.05. There was a sufficient ground to reject the null hypothesis that stated no significant mean difference of firm performance between the scores attaining of customer expectation variable. Therefore, the mean difference in performance for the last five years was achieved due to the difference accomplished in customer expectation variable.

The third null hypothesis was that there was no significant mean difference in hotel-firm performance between the different scores of ethical services variable. An alternative hypothesis described that the existence of significant mean difference due to delivering ethical service to the customers accordingly. The F ratio 11.075 was the obtained result as depicted in table 8, and the  $p < 0.05$  was the probability of obtaining F ratio by chance alone. This result demonstrated that the probability of getting the mean difference in firm performance by chance was even less than 0.001. The researcher had subjected to reject the null hypothesis that mean difference of performance across different level of delivering ethical services were equal, because  $p < \alpha$ . As the result, there was a significant mean difference among competing hotels based on their level of performing ethical services.

The fourth null hypothesis stated that there was no significant association between means of firm performance and cross-training variable. The reverse was true for an alternative hypothesis. Table 8 depicted the F ratio 10.993 which was significant at alpha level of 0.05. This supported the researcher to reject the null hypothesis explained the equality of means in firm performance across the scores of cross-training variable. In other words, the probability of getting mean difference of performance by chance alone was less than 0.05. Hence, there was a sufficient evidence to retain an alternative hypothesis that depicted the existence of a significant impact of cross-training variable on firm performance.

Finally, the results of this study suggested that the application of service quality constructs had contribution to enhance firm performance which was consistent with results obtained so far (Caruana and Pitt, 1997; Atigan et al., 2003; Jain and Gupta, 2004; Blose et al., 2005; Zailani et al., 2006; Grzanic, 2007; Zisis et al., 2009; Suleiman and Aldehayyat, 2011).

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

Based on the analysis of internal service quality and its influence on firm performance, the researcher concluded as follows:

- The results suggested arrivals of international visitors and the related development of accommodation facilities demonstrated incremental patterns of growth even if it showed decline in some years. However, the level of contribution of these growths towards firm performance relative to industry could not be considered too great.
- The statistical result revealed that most of the hotels selected as sampled population had been characterized as follows: most hotels were owned by local business holders with 6 up to 10 years period service operation. More than half of them had incorporated employees ranging 50 to 450 and the highest composition of the hotels were with ranks of three star hotels. The hotels were significantly different among themselves based on categorical variables used for this study according to the chi-square test results.
- Most respondents replied for their perception about service quality between likert scale value of 5 or “somewhat agree” and 6 or “agree” for each item used to measure service quality on average. A similar result was also obtained for firm performance like service quality items having achieved among hotel-service providers in the city
- It can be concluded that the correlation revealed that the existence of positive and significant correlation coefficients among independent and dependent variables at alpha level of 0.05. The result suggested that there was no Multicollinearity problem since the coefficients of

every independent variable among themselves were less than 0.70. Furthermore, the results did not raise the issues of discriminant and convergent validity.

- The researcher concluded that the managers' perception of internal service quality had a significant impact on the level of overall firm performance in case of Addis Ababa hotels. This result concurred with the findings of Caruana and Pitt, (1997); Suhaiza, Saari and Nabsiah, (2006); that showed a relationship that exist between service quality and firm performance. This means internal service quality could create a significant difference as well as influence on firm performance.
- The study came up with new findings which is quite different from the results obtain in Malaysian hotels by Suhaiza, Saari and Nabsiah, (2006) that four dimensions had a significant influence on the overall firm performance for the last five years because customer expectation was the only hypothesis supported in the study.

## **5.2 Recommendations**

Based on the results found in this study, the following points were recommended by the researcher:

- ✓ As the results of the study and other researchers showed a positive and significant effect of service quality on firm performance, the researcher suggested that the hotel service providers should work hard in improving service quality delivering in order to enhance hotel performance. According to Caruana and pitt, (1997) conclusion, service quality had practical implications in which it will become worthwhile aspiration for organizations that managers seek to improve performance but this does not imply that a firm should continue to strive for quality at any cost.
- ✓ As Caruana and Pitt (1997) explain the link between service and performance also needs further study, the researcher also recommended that the relationship between service quality and firm

performance needs further study and extended its spectrum in other sector including healthcare, professional service and tour operating company currently operating in Ethiopia.

- ✓ As most respondents informally explained communication is important in service delivering because most customers' complains come from problems happened due to communication failures between customers and customer contact employees. Improving communication between customers and employees should be handled effectively in satisfying customers and thus improving profitability.
- ✓ Although some endeavors were undertaken by ministry of culture and tourism such as creating new classification in categorizing hotels based on the products they deliver, developing reliable service quality instruments still demands further consideration. Since it is not only the responsibility of hotels, every stakeholder should some endeavors in creating reliable instruments to measure service quality.
- ✓ Every stakeholder should take their responsibility in developing and maintaining quality documentation. Besides, service quality assessments are necessary tools that lead to the development of service quality measurement to more advanced level.
- ✓ Customer service training for employees should be organized periodically by hotels operating in Addis Ababa. Periodically means continual training to cope up with the changing external competitive environment as customers always say one thing and do other things.
- ✓ Since most hotel products are service products and customer satisfaction outcomes are the result of service delivering, training programs in service quality should be organized in such a way that it would satisfy customers and attain productivity and profitability
- ✓ The study results showed that significant impact or link between service quality and performance. Hotels can use considering service quality improvements as competitive

strategy or advantage. Service quality was perceived as a critical differentiation strategy that offers competitive advantages for the hotel sector. “Managers conceptualized business performance in terms of how an organization utilizes its resources in order to achieve organizational goals” (Murasiranwa, Nield and Ball, 2010).

- ✓ Quality certification for quality initiatives or best practice awards should be introduced in a way of enhancing performance and minimizing overriding costs to improve quality

### **5.3 Limitations and Further Study**

The researcher was faced certain limitations while conducting the study, which should be considered in further studies, are listed as follows:

- The researcher faced certain limitations conducting this study such as the existence of unreturned questionnaires and unwillingness in filling for the questionnaires in the respondents' side.
- The existence of limited research conducted in the area of service quality and non-scientific classification of variables needs still further study on service quality in Ethiopia.
- Similar to other research conducted in service quality, this study measurements items in INTQUAL model, like other models of service quality, consists of positively worded statements. This is considered as limitation.
- Problems were faced associated with budget allotted to the research that could be necessitating effective and efficient utilization while the researcher was conducting of the study. Other problems that the researcher faced were unwillingness, lack of cooperation's and commitments of the respondents.

- Unavailability of data for the study was also an obstacle for the research project. Surprisingly, the existence of incredible and unexpected bureaucracy in the hotel organizations was also another problem. The respondents unwilling, fear, frustration and poor communication among employees were among the problems in the data gathering.
- The link between service quality and firm performance still needs further study. Developing measurements of service in different industries through intensive research will also given due attention in further study
- Further study is also necessarily to identify some communication items in addition to the items in INTQUAL. Therefore, INTQUAL measurement items used in this study must include more communication items. Caruana and Pitt, (1997) suggests that future researchers should also include other internal issues constructs such as entrepreneurial orientation, managerial ethics, organizational commitment, market orientation and excellence
- Future researches must also consider customer satisfaction as measure to improve performance that is customer satisfaction as intervening variables in predicting INTQUAL relationship with profitability of an organization.
- Finally, the performance measurements used in this study were sales growth, return on capital and business performance of hotels relative to others in the industry but those performance measurements are not sufficient. The researcher recommended future researchers should include other performance measurements such as return on assets, and profitability. According to Valarie A. Zeithaml, (2000), we know the key drivers of service quality but we need to learn the key drivers of behavioral intentions, purchase, customer retention, and financial outcome.

## References

1. Ahmad, A., and Sungip, Z. (2008). "An Assessment on Service Quality in Malaysia Insurance Industry", *Communications of the IBIMA Volume 1*(2).
2. Anderson, D.R., Sweeney, D.J. and Williams T.A., (2011). "Statistics for business and economics", Nelson Education, Ltd. Canada: South-Western, Cengage Learning.
3. Atilgan, E., Akinci, S., and Aksoy, S. (2003). "Mapping service quality in the tourism industry", *Managing Service Quality*; 13(5), 412 - 422. DOI10.1108/0960452031049877.
4. Berry, L.L., Parasuraman, A., and Zeithaml, V.A. (1994). "Improving service quality in America: Lessons learned", *Academy of Management Executive* 8(2), 32-52.
5. Bhattacharjee, P.K. (2010). "A Novel Service Quality Measurement Method with Minimum Attributes (SERVQUAL-MA) of a Service Industry Involving Human Interactions", *International Journal of Innovation, Management and Technology*, 1(1).
6. Blose, J.E., Tankersley, W.B., and Flynn, L.R. (2005). "Managing service quality using data envelopment analysis", *Quality management journal* 12(2), 7-24.
7. Brown, J.D. (2000). "Statistics Corner Questions and answers about language testing statistics: What is construct validity?" *Shiken: JALT Testing & Evaluation SIG Newsletter*, 4 (2) Oct 2000 (p. 8 - 12).
8. Carton, R. B., & Hofer, C. W. (2006). "Measuring organizational performance: metrics for entrepreneurship and strategic management research", Cheltenham, UK; Northampton, MA: Edward Elgar.
9. Caruana, A., and Pitt, L., (1997). "INTQUAL – an internal measure of service quality and the link between service quality and business performance", *European Journal of Marketing* 31(8), pp. 604-616.

10. Creswell, J.W. (2005). "Qualitative, Quantitative, and mixed methods approaches", Journal of Counseling - psycnet.apa.org Saddle River, NJ: Prentice Hall.
11. Cronbach, L.J. (1990). Essentials of psychological testing. (5th edn. ed.), Harper & Row, New York (1990).
12. Cronbach, L.J. (2004). "My current thoughts on coefficient alpha and successor procedures. Educational and Psychological Measurement", 64(3), 391-418 DOI: 10.1177/0013164404266386.
13. Cronin, J.J., and Taylor, S.A. (1992), "Measuring service quality: a reexamination and extension", Journal of Marketing, Vol. 6, 55-68.
14. Doyle, P. (1994). "Setting business objectives and measuring performance", European management journal 12, 123-132.
15. Drost, E.A. (2011). "Validity and Reliability in Social Science Research", Education Research and Perspectives, Vol.38, No.1.
16. Fuller, D., Hanlan, J., and Wilde, S.J. (2006). "Enhancing service quality and firm competitiveness within the tourism sector", Proceedings of To the city and beyond", Council for Australian University Tourism and Hospitality Education (CAUTHE) Conference, Melbourne, Vic., 6-9 February, Victoria University, Melbourne, Vic.
17. Gronroos, C. (1984), "A service quality model and its marketing implications", European Journal of Marketing, Vol. 18 (4). 36-44.
18. Gržinić, J. (2007). "Concepts of service quality measurement in hotel industry", Journal of Tourism and Hospitality Management 1, 81-98.
19. Harrington, D., and Akehurst, G. 1996. "Service quality and business performance in the UK hotel industry", International journal of hospitality management 15(3), 283-298.

20. Heukelom, F. (2009). "Origin and Interpretation of Internal and External Validity in Economics", Nijmegen Center for Economics (NiCE) Working Paper 09-111., Institute for Management Research.
21. Israel, G.D. (2009). "Determining Sample Size by University of Florida IFAS Extension", Wiley Publishing, Inc. 2001.
22. Jain, S.K., and Gupta, G. (2004). "Measuring Service Quality: SERVQUAL vs. SERVPERF Scales", Journal of VIKALPA 29(2), 25-37.
23. Jayawardhena, C. (2004). "Measurement of service quality in Internet banking: the development of an instrument", Journal of Marketing and Management, Volume 20, pp. 185-207.
24. Joseph, U.K., Eja. L., and Chibuzo, U.C. (2012). "Assessment of Tourist Perception on Service Quality in the Hospitality Industry in Cross River State", Journal of Sociological Research 3(2), 1-10, Doi:10.5296/jsr.v3i2.2117.
25. Kavitha, R. (2012). "Service quality measurement model", International Journal of Business and Management Tomorrow, 2(8), 1-6.
26. Kellen, V. (2003). "Business Performance Measurement. At the Crossroads of Strategy, Decision Making, Learning and Information Visualization", retrieved from <http://www.depaul.edu>.
27. Khattab, S.A.Al, and Aldehayyat, J.S. (2011). "Perceptions of Service Quality in Jordanian Hotels", International Journal of Business and Management, Vol. 6 (7), 226-233.
28. Larson, M.G. 2008. "Analysis of Variance." Circulation: Journal of American Heart Association. Vol. 117: 115-21.
29. Malhotra, M., and Grover, V. 1998. "An assessment of survey research in POM: form constructs to theory", Journal of Operations Management, 16 (4), 407-425.

30. Microsoft Encarta, 2009. "In Microsoft Encarta Dictionary", Microsoft Company.
31. Murasiranwa, E.T., Nield, K., and Ball, S. (2010). "Hotel Service Quality and Business Performance in five hotels belonging to a UK Hotel Chain", International CHRIE Conference-Refereed Track. Paper 11.
32. Osborne, J.W., and Waters, E. (2002). "Four Assumptions of Multiple Regression That Researchers Should Always Test", Practical Assessment, Research, and Evaluation, 8(2).
33. Othman, A.Q., & Owen, L., (2001). "Adopting and measuring customer service quality (sq) in Islamic banks: a case study in Kuwait finance house", International Journal of Islamic Financial Services 3(1).
34. Pallant, J. (2005). "SPSS survival manual: A step by step guide to data analysis using SPSS for windows" (version 12), Allen & Unwin, Crows Nest NSW 2065 Australia.
35. Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1994). "Alternative scales for measuring service quality: a comparative assessment based on psychometric and diagnostic criteria", Journal of Retailing 70(3), 201-230.
36. Parasuraman, A., Zeithaml, V.A., & Berry, L.L., 1985. "A Conceptual Model of Service Quality and Its Implications for future Research", Journal of Marketing 49, 41-50.
37. Phillips, D. C., & Burbules, N. C. (2000). "Postpositivism and Educational Research", Lanham, MD: Rowman & Littlefield.
38. Richard, M.D., and Allaway, A.W. (2004). "Service quality attributes and choice behavior", Journal of Services Marketing, Vol. 7 No. 1, pp. 59-68.
39. Richard, P.J., Devinney, T.M., Yip, G. S., & Johnson, G. (2009). "Measuring organizational performance: towards methodological best practice", Journal of Management, 35(3), 718-804. doi: 10.1177/0149206308330560.

40. Santos, J.B., and Brito, L.A.L. (2011). "Toward a subjective measurement model for firm performance", Lancaster University Management School, Lancaster University, Lancaster, LA1 4YX, UK.
41. Seth, N., and Deshmukh, S.G., and Vrat, P. (2005). "Service quality models: a review", *International Journal of Quality & Reliability Management* 22(9), pp. 913-949. DOI 10.1108/02656710510625211.
42. Suleiman, A., Khattab, A.I., and Aldehayyat, J.S., (2011). "Perceptions of Service Quality in Jordanian Hotels", *International Journal of Business and Management* 6(7). doi:10.5539/ijbm.v6n7p226.
43. Trochim, W. M. K. (2006). "Introduction to Validity", *Social Research Methods*, retrieved from [www.socialresearchmethods.net/kb/introval.php](http://www.socialresearchmethods.net/kb/introval.php), November, 2013.
44. Waller, J.L., and Johnson, M.H., "Chi-Square and T-Tests Using SAS®: Performance and Interpretation", SAS Institute Inc., 2013.
45. Waller, J.L., "How to Perform and Interpret Chi-Square and T-Tests", SAS Institute Inc., 2012.
46. Westen, D., and Rosenthal, R. (2003). "Quantifying Construct Validity: Two Simple Measures", *Journal of Personality and Social Psychology* Vol. 84, No. 3, 608–618. American Psychological Association, Inc. DOI: 10.1037/0022-3514.84.3.608.
47. Zailani, S., Din, S.H., & Wahid, N.A. (2006). "The Effect of Internal Measures of Service Quality on Business Performance: A Case of Hotel Industry in Malaysia", 6th Annual Hawaii International Conference on Business, 1-25.
48. Zeithaml, V.A., and Bitner, M.J. (2001). "Services Marketing: Integrating Customer Focus Across the Firms", 2nd Edition, Boston: Tata-McGraw Hill.

49. Zeithaml, V.A., Berry, L.L., and Parasuraman, A. (1988). "Communication and control processes in the delivery of service quality", *Journal of Marketing*, 52 (2), 35-48.
50. Zeithaml, V.A. (2000). Service Quality, Profitability, and the Economic worth of Customers: What We Know and What We Need to Learn. *Journal of the Academy of Marketing Science*. Volume 28, No. 1, pages 67-85.
51. Zisis, P., Garefalakis, A., and Sariannidis, N (2009). "The Application of Performance Measurement in the Service Quality Concept: The Case of a Greek Service Organization", *Journal of Money, Investment and Banking* issue 9, 21-47.

## **Appendix A**

Addis Ababa University  
College of Business and Economics  
MBA Program

Questionnaire for managers

Name of student: Resom Hailekiros

Address: email, [meetresom@gmail.com](mailto:meetresom@gmail.com) Tel: +251913870348/+251912675203

**Dear respondents:** This questionnaire is prepared for research purpose entitled “*The Effects of Internal Service Quality Measures on Firm Performance: A Case of Hotel Industry in Addis Ababa*”. The expected respondents of this questionnaire will be managers, especially those who are concerned with service quality. The study focuses on the link between service quality and firm performance; the respondents will be expected to give accurate data to make proper analysis. The data will be kept confidentially and it will be used for study purpose. I would like to thank in advance for your honest cooperation.

### **1. General background about the organization**

1.1 Number of employees

- Less 50
- 50-450
- 451-850
- Above 850

### 1.2 Owners of the hotel

- Foreigner
- Local
- Government
- If Other please specify \_\_\_\_\_

### 1.3 This hotel period of operation

- 1-5 years
- 6-10
- 11-15
- 16-20
- Above 20 years

## **2. Internal measures of service quality**

**2.1 Training programmes:** The table in the next page consists list of training programme items (1-11) to bring service quality, Please put “X” mark for every statement based on your level of agreement.

No.	Description of items	Strongly disagree	disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
1.	In this hotel, systems for delivering service are in place that utilizes the recovery situation.							
2.	This hotel performs its contractual agreement with greater ability and capability all the time.							
3.	This hotel shows how much cares and values give its customers in delivering service.							
4.	This hotel considers error free service delivery as a guide in recruiting employees.							
5.	Employee empowerment is being practiced.							
6.	Employees' roles awareness about delivering service free from errors is in consideration of economic success.							
7.	Regular Communication between senior managers and employees is important in service delivering.							
8.	Fostering regular inter-departmental communication to ensure error free service is important.							
9.	Managers in this hotel are generally convinced that making no service errors will improve							

	marketing effectiveness							
10.	This hotel shows appreciation and reward to its employees for their constructive suggestions.							
11.	Training programmes always focuses on how to provide error free service.							

**2.2 Customer expectation:** The table below shows list of customer expectation items (1-8), please put “X” mark for every statement based on your level of agreement.

No	Description of items	Strongly disagree	disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
1.	Customer expectations of service are measures against that this hotel evaluate its performance.							
2.	This hotel has a good idea about what customers expect.							
3.	Regular contact of customers is very significant to enrich our understanding of customer expectations.							
4.	This hotel works hard to guarantee hotel representatives easily accessible to customer.							
5.	Accepting suggestion and entertaining inquiries with courtesy is being exercised in this hotel.							
6.	Promoting our services to customer is accomplished by paying strong attention on providing accurate information.							
7.	Service charges for every product are exhaustively identified and listed.							
8.	Employees tend to be sufficiently motivated to deliver a little beyond what customers would expect.							

**2.3 Ethical services:** The table below contains list of ethical service items (1-3) in delivering service to customers, Please put “X” mark for every statement based on your level of agreement.

No.	Description of items	Strongly disagree	disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
1	Performing the services ethically is our main concerns in this hotel.							
2	Performing the service accurately and error free is our focus.							
3	Zero errors in service delivering at first time is a worthwhile goal.							

**2.4 Cross-training:** The table below incorporates list of cross-training items (1-12) to bring service quality and, Please put “X” mark for every statement based on your level of agreement.

No.	Description of items	Strongly disagree	disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
1.	Investing money on operation infrastructure is significant to perform service right in the first time.							
2.	Employees are given due attention to the importance of performing the service correctly at the promised time.							
3.	The existences of teams from various functional areas (e.g. finance, marketing, operations, and distribution) which are charged with ensuring that service is free from errors.							
4.	There is continuous improvement of effort in increasing employees’ awareness of roles to enhance customer satisfaction.							
5.	Before releasing service product, it is significant to use thorough testing procedures.							
6.	After releasing service product, it is important to use thorough evaluation of performances to ensure continuous improvement.							

7.	Operational manual blueprint involves designing, analyzing and documenting all processes involved in providing a service.							
8.	All Communications within this hotel (such as newsletters and notice boards) focus on the importance of delivering service that is free of errors.							
9.	Suggestion boxes are made available for every employee within the hotel.							
10.	There are trainings for employees as a purpose to search ways to delight customers.							
11.	Employees perform various tasks outside their given duties and responsibilities to ensure understandings of other tasks and functions.							
12.	Employees are trained to be clear on their career paths through quality and excellence job performance.							

### **3. Business performance**

**Direction:** The respondents kindly requested to fill the exact answer of the hotel performance for the previous five consecutive years based your level of agreement.

No.	Description of items	Strongly disagree	disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	agree	Strongly agree
1	In this hotel, the return on capital has increased for the last five years consecutively relative to others in the industry.							
2	In this hotel, sales growth has increased for the last five years consecutively relative to others in the industry.							
3	Our business performance has been better relative to others in the industry for the last five years.							

4. What can you suggest to better serve customers based on your observations in customers-service providers interactions? \_\_\_\_\_

---



---



---



---



---

**Appendix B****List of accommodations which can be classified****From basic level to star category****Addis Ababa, Feb 2013 with data of no of employees data**

S.N	Name of Hotels	No.of Roo ms	No.of Beds	Tel.No.	No. of empl.	
					Male	Female
1	Adam's Hotel	30	36	0911161316	42	48
2	Adotina Hotel	32	32	0114674101	49	51
3	Addis Regency Hotel	33	41	0913141583	19	37
4	Addis View Hotel	18	23	0111249766	32	46
5	Africa Hotel(d'Afric)	74	138	011 5517385	48	73
6	Alexandria Apartment Hotel	16	32	0911 103857	12	10
7	Ambassador Apartment Hotel	48	60	0116187098	40	43
8	Airport Motel	19	19	011 6610422	15	6
9	Archi Hotel	12	32	011 646 6959	10	8

10	Ararat Hotel	33	36	011 6461166	27	38
11	Astara Hotel	45	51	0911 056912	20	27
12	Atlas Int. Hotel	65	83	011 6187432	45	64
13	Atlas Resort	18	22	0111 207662	18	8
14	Awraris Hotel	23	26	011 6614933 011 6614935 011 6614952	23	28
15	Axum Hotel	63	73	011 6613916	53	66
16	Ayma Int. Hotel	33	33	0116 604265/66	-	-
17	2A3B Bete Abraham Hotel	10	12	011 6622245	-	-
18	Baks Hotel	12	12	0116296000	8	5
19	Beer Garden Inn	32	36	0116182595 0116182591	39	54
20	Beshale Hotel	64	88	0116478181/88	47	56
21	Bole international Hotel	51	54	011 6633000 011 6633840 011 6633844	39	43

22	Bole Rock	14	17	0116188171	11	15
23	Central Shewa Hotel	53	65	011 6611454	32	41
24	Caesar's Court Hotel	16	16	011 618 9600	18	7
25	Churchill Hotel	53	83	011156 8648 011 111 1212	62	48
26	Classic Hotel	19	29	011 6613598	18	22
27	Concord Hotel	22	22	011 4654959	16	9
28	Crown Hotel	71	93	011 4391444	56	67
29	DE Leopold Hotel	72	86	011 5514146 011 5157238	71	85
30	Dagim millennium Hotel	36	42	011372 0304	-	-
31	Damu Hotel	20	20	0115509828	26	24
32	Desalegn hotel No.1	33	60	0115521795	21	38
33	Desalegne Hotel No.2	25	28	011 6624524	29	35
34	Desalegn Hotel No.3	28	28	0116183030	16	20
35	Dimetri Hotel	20	20	011 645 3307	14	7

				011 645 3282		
36	Destini Addis Hotel	33	40	0911202904	20	14
37	Dreamliner Hotel	96	110	011 467 4000-7	62	63
38	Edena Addis Hotel	33	37	0910646962	19	21
39	Ethiopia Hotel	110	151	011 5517400 011 5510134 011 5151823	116	66
40	Emad Hotel	26	26	0116294129	25	44
41	Embilta Hotel	39	49	011 275 8787	63	66
42	Empire Addis inter. hotel	39	39	0116614523	11	14
43	Extreme Hotel	47	53	011 1553777	21	39
44	Faro Hotel	50	54	0116 621186	30	28
45	Finfine Hotel	44	44	011 5514711	180	120
46	Gedera Resort Center	12	16	0911 400826	14	8
47	Getasetegn Tilahun Hotel(SGS)	44	45	011 155 0128	37	46
48	GG. Royal Hotel	12	12	011 6292329	18	22

49	Global Hotel	50	70	011 4663906 011 4664766	71	76
50	Ghion Hotel	190	298	011 5513222	237	224
51	Genet Hotel	-	-	011 5518125	60	37
52	Gofa Hotel	12	17	0115657876	11	9
53	Green Valley Hotel	18	23	0116543298	11	16
54	Harambe Hotel	47	97	011 5514000	39	36
55	Harmony Hotel	66	73	0116183100	45	63
56	Hilton Addis Ababa	400	705	011 5170000 011 5518400	399	210
57	Holiday Hotel	25	34	011 6612081	17	19
58	Hotel De France	14	14	0115547389	9	20
59	Ibex Hotel	25	40	011 4654400	15	17
60	Imperial Hotel	63	75	011 6293329 011 6293395	-	-

61	Intercontinental Hotel	151	190	011 550 5066 0115540087/90	102	118
62	Itege Taitu Hotel	83	102	011 1553244	45	65
63	Jerusalem Hotel	50	50	011 1551712 01 1111369	45	49
64	Jovanni Hotel	17	17	011 6187480	9	15
65	Jupiter int. Hotel (kazanchis)	102	112	0116616969	100	87
66	Jupiter Int. Hotel (Bole)	40	52	0115527333	56	44
67	Kaleb Hotel	64	84	011 6622 200	54	66
68	Kas Union Hotel	22	30	0113726020	10	10
69	King's Hotel	34	54	011 3711300	56	47
70	KZ Hotel	32	42	011 661 1206 011 662 1607	29	29
71	Lalibella Hotel	36	46	011 6614917	21	28
72	Lion's Den Hotel	20	20	0115547735	15	12
73	Lozan Hotel	17	18	0913849645	4	8

74	Mola guest house	14	16	0911249607	11	9
75	M.N Int. Hotel	91	118	0116620831 0116333435	56	92
76	Motera Hotel	26	32	011 2754633	-	-
77	Meridian Hotel	28	56	011 6615050	16	20
78	Meskel Flower Hotel	23	35	011 4651900	30	52
79	Mimosa Hotel	16	19	011 661 6690	13	14
80	National Hotel	34	61	011 5515166 011 5513768	25	28
81	New Filewha Hotel	12	18	011 5519316	180	120
82	Pacific Hotel	45	49	011 645 6371	32	27
83	Panorama Hotel	65	85	0116616070	45	63
84	Paramount Hotel	27	27	0911686970	16	13
85	Plaza Hotel	39	39	011 6612200	25	28
86	Queen of Sheba Hotel	32	56	011 6615400 011 6180000 011 6188200	31	25

87	Ras Amba Hotel	25	25	011 1228080	38	29
88	Ras Hotel	100	182	011 5517060	83	89
89	Renaissance hotel	63	86	0116627055 0911081071	35	51
90	Rivera Hotel	72	72	011 419 7749/54	72	59
91	Sadula Hotel	29	48	011 618 8519/87/89	18	34
92	Semien Hotel	60	65	011 1550067	63	76
93	Sheraton Addis Hotel	293	369	011 5171717	451	369
94	Seyonat hotel	40	50	0911237070	53	67
95	Sky Hotel	20	22	011 6292188/89	11	16
96	Soramba Hotel	60	70	011 1565 633	27	53
97	TDS Hotel	25	29	0116635831/16	21	28
98	Tegen Guest Accommodation Hotel	32	64	011 618 2870	43	52
99	Tourist Hotel	66	76	011 1550122	32	40
100	Tsion Hotel	60	60	0112272800	24	28

101	Top Ten hotel	48	53	0116464449	33	50
102	Umma Hotel	33	45	0113719445	24	35
103	Veronica hotel	37	37	0116632471	27	35
104	Wabi Shebelle Hotel	108	185	011 5517187	120	104
105	Wassamar Hotel	66	72	011 661 0055	42	66
106	Weberi Hotel	18	18	0911203150	11	14
107	Wetema hotel	15	15	0930013114	9	9
108	Yilma Hotel	16	18	0113201269	3	5
109	Yetem Hotel	18	21	0114667641/2	16	16
110	YGF Hotel	10	10	0116464725	5	9
111	Yordanos Hotel	36	42	011 5515711	20	30
112	Yoly Hotel	19	28	0116632828	16	27
113	Yonas Hotel	28	28	011 6626440	14	19
114	Radison Blue hotel	204	235	0115544412/13	203	95
115	Haile hotel	104	119	0111567621 0911134882	30	35

116	Sidama lodge	12	15	0116187946	14	11
117	Cortaint .n Hotel	27	32	0115538604		
118	Diplomat Luxury hotel					
119	Capital hotel					