

# The employees and customers' satisfaction perception on financial performance: A model of service-profit-chain in Jakarta

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## ABSTRACT

The purpose of this study is to examine the impact of the relationship between employee satisfaction and customer satisfaction, and also to examine the impact of both on a hospitality company's financial performance utilizing service-profit-chain framework as the theoretical base. Specifically, this study explores four major relationships: 1) The direct relationship between customer satisfaction and financial performance; 2) The direct relationship between employee satisfaction and financial performance; 3) The direct relationship between customer satisfaction and employee satisfaction; and 4) The indirect relationship between employee satisfaction and financial performance. Furthermore, this study examines the mediating role of customer satisfaction on the indirect relationship between employee satisfaction and financial performance. The data were collected from employees, customers and managers of hotels in Jakarta. LISREL 8.8 Structural Equation Modeling (SEM) with a two-step approach was utilized to empirically test the proposed hypotheses and the relationships between the constructs. Findings suggest that while customer satisfaction has positive significant effect on financial performance, employee satisfaction has no direct significant effect on financial performance. Instead, there is an indirect relationship between employee satisfaction and financial performance, which is mediated by customer satisfaction.

## ABSTRAK

Tujuan penelitian ini mengkaji pengaruh hubungan antara Kepuasan Karyawan dan Kepuasan Pelanggan terhadap Kinerja Keuangan perusahaan perhotelan dengan menggunakan model service-profi-chain. Penelitian ini mengkaji hipotesis sebagai berikut: 1) Hubungan langsung antara Kepuasan Pelanggan dan Kinerja Keuangan; 2) Hubungan antara Kepuasan Karyawan dan Kinerja Keuangan; 3) Hubungan antara Kepuasan Pelanggan dan Kepuasan Karyawan; dan 4) Hubungan tidak langsung antara Kepuasan Karyawan dan Kinerja Keuangan. Penelitian ini juga mengkaji peran mediasi Kepuasan Pelanggan terhadap hubungan antara Kepuasan Karyawan dan Kinerja Keuangan. Responden penelitian ini terdiri dari Manajer Hotel, Karyawan Hotel, dan pelanggan hotel di Jakarta. Analisis penelitian menggunakan perangkat lunak LISREL 8.8. Model Persamaan Struktural (Structural Equation Modeling) dengan menggunakan pendekatan dua tahapan proses untuk menguji hipotesis secara empiris dan hubungan antar variabel. Temuan penelitian menunjukkan kepuasan pelanggan berpengaruh signifikan positif terhadap kinerja keuangan, kepuasan karyawan tidak memiliki dampak langsung signifikan terhadap kinerja keuangan. Sebaliknya, ada hubungan langsung antara Kepuasan Karyawan dan Kinerja Keuangan dengan mediasi Kepuasan Pelanggan.

## 1. INTRODUCTION

Some previous studies have shown a positive relationship between employee satisfaction and customer satisfaction (Bernhardt et al. 2000; Harter et al. 2002; Koys 2003; Tornow and Wiley 1991; Wangenheim et al. 2007). Given that there is an existing-

positive relationship, the research on employee satisfaction has attracted researchers and has become an important topic in the last two decades (Matzler and Renzl 2007). Thus, research on employee satisfaction is very important in the service industry in accordance with the nature of the ser-

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vice industry (Lam et al. 2001). Model service-profit chain has the ability to make employees with superior internal work environment tend to influence and make employees feel satisfied and loyal to the company, so that employees are able to provide excellent customer service experience.

In general, customers recognize and appreciate the exceptional service offered. Customers show loyalty behavior and will continually increase purchasing. This loyalty behavior resulted in an increase in both the market share and profitability in service companies (Heskett, Sasser and Schlesinger 2014). Satisfied employees will create customer satisfaction and loyalty, and generate higher sales and lead to higher profits for the financial services company has allocated significant resources to improve employee satisfaction, customer satisfaction and employee retention. However, some previous researchers feel their serious concerns about the emphasis placed on employee satisfaction and customer satisfaction, whether they exist or not related to the final value of the company's performance (Bernhardt et al. 2000; Zeithaml et al. 1990).

For another example, Gursoy and Swanger (2007) found, in the hotel and tourism industry, customers pay attention to service and customer satisfaction is considered as a mandatory factor in nature, and it is expected and natural part of daily operations. Hotel and tourism companies cannot survive without customer satisfaction; but after a satisfied customer does not guarantee the success of any business of hotel and tourism. To be successful, companies must conduct their activity better in creating a satisfying experience for employees and customers than competitors. Although customer satisfaction and employee satisfaction and employee retention have been studied extensively, the impact of employee satisfaction and customer satisfaction measurement of financial performance has not been paid much attention in previous studies.

In this occasion, the researcher attempts to examine the relationship between employee satisfaction and customer satisfaction as well as examine the effect on financial performance of hotel companies. In particular, this research explores the relationship of direct and indirect relationships between employee satisfaction and financial performance as well as the mediating role of customer satisfaction in the relationships. This study examines three direct relationships, namely: 1) the relationship between customer satisfaction and financial performance; 2) the relationship between employee satisfaction and financial performance; and 3) the

relationship between employee satisfaction and customer satisfaction.

Besides the above purpose, this study discusses the theoretical overview of previous studies on the relationship of employee satisfaction to customer satisfaction and its impact on financial performance measures. After exposure of the theoretical framework of understanding regarding employee satisfaction, customer satisfaction and the relationship between employee and customer satisfaction and financial performance, the filing of appropriate presentation of exposure theoretical hypotheses, methodology and research findings. Finally, the discussion of conclusions and limitations of the study are presented along with managerial implications and future search of the research findings.

## 2. THEORETICAL FRAMEWORK, AND HYPOTHESIS

As Kotler & Bowen (2014: 44) investigated, in the service industries, customer and employee interactions create services. Effective interaction is highly dependent on the skills of employees and infrastructure that support the process of service. Company services with a focus on customer success and employees who understand service-profit chain, which relates Profit Company with customer satisfaction and employee. Kotler & Bowen (2014: 44), also agree that service profit chain consists office, the Internal Service Quality of Service, Satisfaction and Employee Productivity, Value greater Services, Satisfaction and Customer Loyalty, and Profit Growth Healthy Company.

In the global era and free trade, all continue to transform the business environment and enhance the global competitiveness into being more competitive. In today's business environment, in order to remain competitive and provide satisfactory financial returns to owners and shareholders, managers depend on how effectively address the constantly changing and unpredictable. The ability to respond quickly and effectively (time-based competition) and to meet the needs of customers have become the hallmark of success and competitiveness for companies (Gursoy and Swanger 2007; Chi & Gursoy 2009; Heskett, Sasser and Schlesinger 2014).

In the phenomenon above, customer satisfaction has become one of the most frequently discussed topics in the hotel and tourism literature. The findings of previous studies showing employees tend to play an important role towards customer satisfaction (Spinelli and Canavos 2000; Wu

2007). Hotel and tourism is a product of heterogeneous services, and attached to the hotel and tourism employees. Hotels and tourism employees tend to be more involved in providing service. Involvement and interaction between employees and customers tend to play an important role in generating the perception of quality and customer satisfaction, because the hotel and tourism products are often very complex and presents the cumulative interactions that lead to an exchange between employee performance and customer satisfaction (Bitner et al. 1990; Kotler & Bowen 2014).

Again, employees as an intangible asset the company is in the knowledge and skills of each employee, the company's future depends heavily on employees and the perceived quality of the interaction between customers and employees, employee satisfaction and employee retention has become one of the most critical issues facing the hotel industry and tourism (Matzler and Renzl 2007). According to Heskett, Sasser and Schlesinger (1997; 2014), service companies allocate significant resources for employee retention because most of the employees of hotel are professionals, and showed a decrease in worker turnover is likely to have a significant impact on the lower limit. Advanced research of Heskett, Sasser and Schlesinger (2014) shows employee retention and customer retention are closely correlated.

Moreover, employees who are happy and satisfied with the work environment are more likely to remain loyal to the company. This tends to generate more sales levels and therefore better financial performance due to decreased costs to train new employees. Research shows that satisfied employees tend to provide better services, the possibility of generating satisfactory service experience for the customer. Satisfactory service experience, in return, is likely to have a significant impact on repeating business and customer retention. The study shows the possibility of improving customer retention of the company because the cost of maintaining existing customers is much less than getting new customers.

Service-profit chain Heskett, Sasser and Schlesinger (1997; 2014) in fact, was developed from the results of the analysis of the service organization with the goal of connecting the investment of operational resources for marketing, operations, and financial results. Service-profit chain Heskett, Sasser and Schlesinger (1997; 2014) combines three different grooves, but are intertwined closely in the study as follows: the cycle of employee capability, quality equation (value) custom-

ers, and customer loyalty cycle. Cycle the ability of employees taking the perspective of human resources on the relationship between employee satisfaction, sales, and productivity.

Quality equation illustrates how customers perceive value and assess service. Customer loyalty cycle examined the effect of customer satisfaction on customer loyalty owned and how they play an important role in determining the financial results (Loveman 1998; Loveman and Heskett 1999; Heskett, Sasser and Schlesinger 1997; 2014). Although some studies with models of service-profit chain shows employee satisfaction and customer satisfaction tend to produce better financial performance, this relationship empirically test has not yet been noted much. Only a small number of empirical studies has been conducted linking satisfaction and performance (Bernhardt et al. 2000; Zahorik and Rust 1992). However, the above study that examined the relationship between satisfaction and performance, resulting in conflicting findings (Anderson et al. 1994; Boulding et al. 1993).

#### **Customer Satisfaction and Financial Performance**

Based on the model of service-profit chain of Heskett, Sasser and Schlesinger (1997; 2014), the relationship between customer satisfaction and financial performance is positive and higher customer satisfaction, more profitable company performance measures. Several studies have shown that there is a positive relationship (Bernhardt et al. 2000; Nelson et al. 1992), others argue perception of service quality and customer satisfaction are sometimes, but not always, reflected in earnings (Schneider 1991). Bernhardt et al. (2000) expressed a positive and significant relationship between changes in customer satisfaction and changes in the financial performance of a company.

Several studies have shown the relationship between customer satisfactions and financial performance is not correlated positively (Tornow and Wiley 1991; Wiley 1991). Research by Bernhardt et al. (2000) provides the opposite result, and it was not significant. Gursoy and Swanger (2007) and Chi & Gursoy (2009) argue that customer satisfaction is the core of the hotel business; customer satisfaction can not lead to higher financial performance because it is considered as natural factors, and a hope and a natural part of daily operations. Customers expect to be satisfied if the company patronizes any service business of hospital and tourism business can not survive without customer satisfaction.

There are several factors that cannot disclose the true relationship between variables in the re-

search model. When the company decided to increase customer satisfaction, end up spending a large amount of investment funds to carry out this service. Total investment on several factors such as training, improved facilities and others in the business that may be able to improve customer satisfaction, but this can result in lower profits. On the other hand, according to Kotler & Bowen (2014), the use of internal measures, such as cutting costs such also wearing the cost of raining or delay an increase in the facility can make the company look more profitable within a certain time period, even though the customer is not satisfied. The amount of influence and direction of the relationship between the two constructs were examined using data obtained from a number of hospital industries, which aims to reveal the relationship between the two constructs.

Hypothesis 1: Customer satisfaction has a positive and significant relationship with Financial Performance.

### **Employee Satisfaction and Financial Performance**

Research by Koys (2003) found that employee satisfaction plays a major role in helping the company achieve financial goals. The logic of this argument is that if a company pays attention to employee, the employee will pay attention to the customer. It is true that customers tend to have a better experience with organizations that have high levels of satisfaction and employee engagement. It can be noted that the employee can be defined as the provision of better wages, on going training, and make employees feel safe (Gursoy and Swanger 2007; Koys 2003; Schneider 1991; Heskett, Sasser and Schlesinger 1997; 2014). Satisfy employees tend to be more motivated and work harder than employees who are not satisfied.

However, despite the company's employees are willing to work together, being able to work beyond expectations, and to put themselves as instructed managers tend to work more efficiently, provide better service, and will create higher customer satisfaction (Koys 2003; Chi & Gursoy 2009; Heskett, Sasser and Schlesinger 1997; 2014). Some studies have reported a direct correlation between employee satisfaction and financial performance are likely to produce significant research results do not indicate a significant correlation between the indirect employee satisfaction and financial performance.

Some studies even indicate a negative correlation between employee satisfaction and customer satisfaction. For example, Tornow and Wiley (1991)

reported a consistent negative relationship between employee satisfaction and factors such as salary and benefits, and financial results. However, many other studies have shown a significant direct relationship between employee satisfaction and financial performance. For example, Wiley (1991) could not find a significant direct relationship between overall employee satisfaction and financial performance. Similar findings were reported by Bernhardt et al. (2000) that the relationship between employee satisfaction and financial performance is very weak.

Yet, so far, there has no significant direct relationship that can be explained by the fact that the relationship between employee satisfaction and financial performance may not be immediate. It needs an appropriate model of service-profit chain of Heskett, Sasser and Schlesinger (2014), if employees feel the company pays attention to employee well, in return, perhaps to do a better service to meet and/or exceed customer expectations. This is likely to lead to higher satisfaction among customers, which will lead to repeat business, word-of-mouth behavior of positive and, therefore, increased sales of higher and better financial performance (Koys 2003; Chi & Gursoy 2009; Heskett, Sasser and Schlesinger 1997; 2014).

As discussed previously, the relationship between employee satisfaction and financial performance may be mediated by customer satisfaction directly and indirectly (Yaacob 2014), the following hypothesis is proposed:

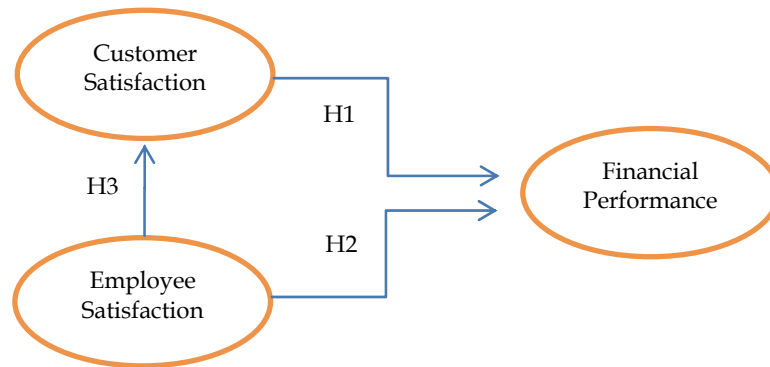
Hypothesis 2: There is a relationship between Employee Satisfaction and Financial Performance mediated by Employee Satisfaction.

### **Employee Satisfaction and Customer Satisfaction**

The relationship between customer satisfaction and employee satisfaction is one relationship that does not seem to provide conflicting results. Research shows employee satisfaction and customer satisfaction were positively correlated (Spinelli and Canavos 2000; Matzler and Renzl 2007; Tornow and Wiley 1991; Wiley 1991; Wu 2007; Chi & Gursoy 2009; Heskett, Sasser and Schlesinger 1997; 2014). It requires some efforts such as to have an appropriate model of service-profit chain, pay attention to employees with superior internal work environment will cause employees to feel satisfied and loyal to the organization and is able to provide excellent customer service experience, which would make customers satisfied. Therefore, the hypothesis is proposed as follows:

Hypothesis 3: There is a direct positive significant

**Figure 1**  
**Model of the Present Research**



Source: Adapted from the Research Model by Gursoy & McCleary, 2004; Gursoy & Swanger (2007).

relationship between Customer Satisfaction and Employee Satisfaction.

### Research Model

As it has been discussed and in relation to the literature review, this study mode proposes to examine three direct relationships, namely: 1) the relationship between customer satisfaction and financial performance; 2) the relationship between employee satisfaction and financial performance; and, 3) the relationship between employee satisfaction and customer satisfaction. It also discusses the theoretical overview of previous studies on the relationship of employee satisfaction to customer satisfaction and its impact on financial performance measures. The clear concept of the model in this research can be seen in Figure 1.

### 3. RESEARCH METHOD

The data were taken from 250 hotel industries since February 2014 until July 2014 in Jakarta. The sample size is to minimize the impact of variables that are beyond the control and reveal the relationship between customer satisfaction and financial performance. The respondents are the employees, customers and managers of hotels located in Jakarta. These hotels were selected using snow ball sampling technique (Cooper & Schindler 2014:360-361). The questionnaires were sent to each hotel. Each questionnaire contains 10 sets of copies to employees 20 sets of copy tot he customer and one set of copies of questionnaires to the hotel manager.

The data concerning customer satisfaction were collected through a series of distribution, while the financial data collected from the managers of each hotel. Questionnaires were distributed to employees and selected at random to the 10 em-

ployees who have worked at the hotel at least about 6 months. By doing so, the respondents could fill the questionnaires accurately. The researchers kept a secret the employee's name. A total of 2,023 respondents' from 2,500 employees returned the questionnaire and response rate of about 81%.

The questionnaires for the customers were distributed randomly by selecting 20 customers who have stayed in each of the hotels. About 3,346 questionnaires of the customer could be used with a response rate of about 67%. All hotels from 250 hotel managers agreed to participate in the study before data collection began. The researchers summed up the individual data through cross-level data transformation for this is necessary to ensure that the individual ratings are fairly stable in each company (Chen et al. 1993). The estimated reliability level between groups formulate-item scale was assessed using inter-class correlation coefficient (Interclass Correction Coefficient) to ensure individual assessment is quite stable on any hotel company. Beside, the researchers also examines whether there was consistent perceptions of employees and customer perception (George and Bettenhausen 1990).

This reliability is approximately equal to other reliability coefficient. If the reliability value is 0.70 or higher, it indicates a good level of reliability and reliable in between groups of respondents (George and Bettenhausen 1990). The findings showed the reliability coefficient between groups of respondents for each construct of the customer satisfaction and employees' satisfaction that is 0.81 and 0.68. Construct reliability values between Employee Satisfaction levels below 0.70 (0.68), is set to be close enough (marginal) for reliability values between 0.60 and 0.70 is the lower limit to acceptance (Gursoy and McCleary 2004).

**Table 1**  
**Measurement of Variables and Indicators**

Variables & Indicators	Standard Loading	Reliability Construct-Indicators	Variance of Errors
Financial Performance		0.79 <sup>a)</sup>	0.21 <sup>b)</sup>
KK1	0.83	0.69	0.31
KK2	0.80	0.64	0.36
KK3	0.58	0.34	0.66
Customer Satisfaction		0.83 <sup>a)</sup>	0.17 <sup>b)</sup>
KP1	0.91	0.83	0.17
KP2	0.77	0.59	0.41
KP3	0.67	0.45	0.55
Employees Satisfaction		0.71 <sup>a)</sup>	0.29 <sup>b)</sup>
KY1	0.72	0.52	0.48
KY2	0.63	0.40	0.60
KY3	0.54	0.29	0.71
KY4	0.58	0.34	0.66

<sup>a)</sup> Reliability of The Whole Constructs

<sup>b)</sup> Error Variance of the Whole Constructs

Source: Processed Data (2014).

### Measurement of Variables

Figure 1 presents the research model which has been tested, consisting of an exogenous variable (Employee Satisfaction) and two endogenous variables (Customer Satisfaction and Financial Performance). In Table 1, the variable of Employee Satisfaction was measured by four indicators, and Customer Satisfaction and Financial Performance, each measured by three indicators. The indicator is measured by six points Likert scale, ranging from 1='strongly disagree' to 6='strongly agree'. Financial Performance was assessed by asking managers to assess the financial performance (financial performance) companies relative to the three main contenders during the last 12 months using a six-point Likert scale ranging from 1='significantly lower' to 6='much higher', adopted the research measurement by Gursoy and Swanger (2007) to assess the financial performance of hotels.

### Data Analysis

The data testing was done using LISREL 8.8 software, the Structural Equation Modeling (SEM) with Maximum Likelihood estimation method (ML) (Anderson and Gerbing 1988), the combination of two-stage process (Sethi & King 1994; Anderson and Gerbing 1988).

The Model of confirmation measurement was used to test and determine the relationship observed variables with the basic construct, in which the construct is assumed to freely interact (inter correlate freely). The adequacy of the value of each indicator and the composite is calculated by measuring the reliability and validity. Composite reliability estimation was calculated by LISREL, alpha coefficients for the formula Fornell and Larcker (1981). Next, test the convergent validity and dis-

criminant validity. The test of convergent validity of the measurement model is done to determine the significance of the estimated coefficients of each indicator pattern on basic constructs factor (greater than two times the standard error).

The next is the discriminant validity assessment for every possible pair of construct by limiting parameters estimated correlation and then to test the value obtained X2 difference between models is limited and unlimited models (Anderson and Gerbing 1988; Joreskog 1993). The X2 value was significantly lower in the model without limitation as demonstrated discriminant validity that is reached.

The test of the structural equation model (SEM) is possible to test some similarities with several dependent variables. This statistical method gives the value of the parameter (path coefficients) for each of the tested relationship and the significance of each. Customer Satisfaction mediation effects were assessed using a causal approach (Baron and Kenny 1986).

Suitability index, X2 statistics (and associated p-values) and other index suitability were recommended by some researchers from a number of different disciplines. The suitability indexes are GFI, NFI, PNFI, NNFI, CFI, and N-critical statistics. Values of GFI, NFI, CFI, NNFI, and PNFI range of zero to 1.00 with a value close to 1.00 indicates a good fit (Byrne 1989).

### 4. DATA ANALYSIS AND DISCUSSION

As seen in Table 1, all of the above composite reliability is 0.70. The overall Suitability Model Measurement is X2 (32) = 85:27 (p = 0.0); GFI = 0.98; NFI = 0.97; CFI = 0.98; and IFI = 0.98; RMR = 0.028 and standard RMR = 0.038. The discriminant validity

**Table 2**  
**Results of Discriminant Validity Test**

Description	Customer satisfaction → Financial Performance	Employees satisfaction → Financial Performance	Employee satisfaction → Customer satisfaction
Correlation value	0.29a	0.17a	0.32a
X2 with fixed correlation & degree of freedom	71.45 – 14	59.22 -14	63.80 – 9
X2 with free correlation & degree of freedom	35.75 – 13	47.28 – 13	11.58 – 8
Changes X2	1	1	1
Change of Degree of freedom (d.f.)	35.70	11.94	52.22
Level of Significance	0.00	0.00	0.00

<sup>a)</sup>Level of significance at 0.05

Source: Processed data (2014).

shows that the observed indicators of different construction theoretically should not be related to each other. In fact, the results are not related to each other (Zikmund 2013). This means that the observed indicators measure the construct does not have to be related to other construction steps in the measurement model if construct the proposed measurement model has discriminant validity.

To ensure the constructs, it is necessary to measure the same concept or idea, discriminant validity and this was assessed for each construct models to test the construct measurement in two stages (Joreskog & Sorborn 1993). Employee Satisfaction constructs were tested to construct Customer Satisfaction, each of which has discriminant validity (do not measure the same concept). Then, the construct of Employee Satisfaction was tested to construct Financial Performance and Customer Satisfaction constructs were tested against the constructs of Financial Performance. Two models were tested for every possible pair of construct estimates.

The first model is a limited model in which the parameters of correlation between each pair of constructs are limited to the value of 1.00. The second model is a free model, in which the parameters of the correlation between the two constructs are not manipulated (not fixed at a value of 1.00) (Joreskog 1971). X2 value results for both models with degrees of freedom respectively. The X2 test differences on the two models. X2 value was significantly lower for the free model show discriminant validity has been achieved (Anderson and Gerbing 1988). Table 2 shows the three constructs have good discriminant validity.

The convergent validity is an alternative measurement of cross-linked with a view to measuring the same construct but have different sources of unwanted variation (Judd et al. 1991). Some of the observed indicators were used to measure theoretical constructs (latent variables), all variants tested simultaneously. In estimating the convergent valid-

ity of the structural equation model is done by testing standard of confirmatory factor analysis to estimate the parameters of the pattern coefficient, a commonly used method (Marsh and Grayson 1995).

The convergent validity of the measurement model can be assessed by determining whether the estimated coefficients of each indicator pattern based on significant constructs (Anderson and Gerbing 1988). That is, if the value is a large diagonal, then the convergent validity is achieved. The weight value factor (factor loadings) is statistically significant which shows that it is of a good convergent validity.

Table 3 presents the parameter estimates for the third standard measurement models. The results of the analysis for each observed indicator consists of the estimated weight factor (standardized factor loading), standard error, and value-t, signs and sizes that are correct and consistent with the underlying theory. Table 3 presents the estimated coefficients of all patterns of each construct with a significance level of 0.05 (each having a value of  $t > 1.96$ ), therefore it has good convergent validity.

Figure 2 shows the estimated path coefficients and significance of the relationship between the constructs of exogenous and endogenous constructs. This study examines three main direct relationships, namely: (1) the relationship between customer satisfaction and financial performance; (2) the relationship between employee satisfaction and financial performance; and (3) the relationship between customer satisfaction and employee satisfaction. It also examines the indirect effect of Employee Satisfaction on Financial Performance and Customer Satisfaction mediating role in the relationship. The theoretical model has a value of X2 with 32 degrees of freedom is 85.27. All indexes match to the proposed Theoretical Model tested shows that it is acceptable with GFI = 0.98; NFI =

**Table 3**  
**Estimation of Construct Parameter for Research Model**

Parameter		Financial Performance	Customer Satisfaction	Employee Satisfaction
Profitability	Estimation S.E. <sup>b)</sup> t- Value	0.83 (0.04) 22.78		
Degree of Investment	Estimation S.E. <sup>b)</sup> t-Value	0.80 (0.03) 21.68		
Net Profit	Estimation S.E. <sup>b)</sup> t-Value	0.58 (0.03) 15.67		
I am satisfied staying in this hotel.	Estimation S.E. <sup>b)</sup> T-value		0.91 (0.03) 27.19	
I am glad with the service offered by the hotel	Estimation S.E. <sup>b)</sup> t-value		0.77 (0.03) 22.19	
This hotel service surpasses my expectation	Estimation S.E. <sup>b)</sup> t-value		0.67 (0.03) 19.10	
As a whole, I am satisfied working in this hotel.	Estimation S.E. <sup>b)</sup> t-value			0.72 (0.04) 17.88
I intent to work in this hotel for a long time in future.	Estimation S.E. <sup>b)</sup> t-value			0.63 (0.04) 15.80
I always think for resigning from my job. <sup>a)</sup>	Estimation S.E. <sup>b)</sup> t-value			0.54 (0.03) 13.36
Once after I find a job. I will resign from this hotel. <sup>a)</sup>	Estimation S.E. <sup>b)</sup> t-value			0.58 (0.04) 14.32

<sup>a)</sup> Reversed Scale Value

<sup>b)</sup> Standardized Estimate

Source: Processed data (2014).

0.97; CFI = 0.98; IFI = 0.98; RMR = 0.028 and standard RMR = 0.038.

### Results and Discussion

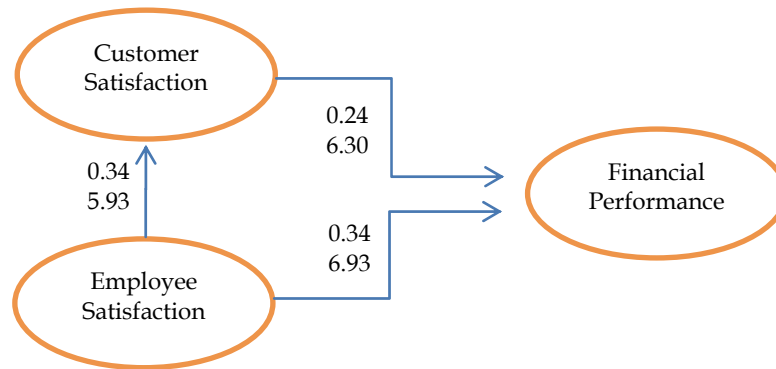
Recently, customer satisfaction has emerged as one of the most important factors for the financial success of hotels and tourism industries (Iacobucci et al. 1994). In accordance with the results of previous research, It was found that the level of customer satisfaction plays an important role on the financial performance of the company. Basically, this study shows that the higher level of customer satisfaction, the financial performance is getting better. The

findings of this study also indicate Employee satisfaction is one of the significant determinants of Customer Satisfaction and Employee Satisfaction indirectly affects financial performance.

Customer satisfaction is crucial for services businesses because it is a prerequisite for loyalty and behavior of word-of-mouth (Spinelli and Canavos 2000). The cost of retaining existing customers is much less than acquiring new customers (TARP 1986; Gursoy et al. 2007) and customers remain much more profitable than transactional customers (Reichheld and Sasser 1990). The findings of this study indicate Customer satisfaction is impor-



**Figure 2**  
**Research Results**



Source: Processed data (2014).

tant for better financial performance, providing services to exceptional customer by exceeding customer expectations, allowing the opportunity for growth. Clifford and Cavanagh (1985) suggest a high-growth company in the industry that is being decreased over the company is able to identify and pay attention to the key factors of success.

The example is how a company can survive and even thrive, when the industry is in turmoil of the financial crisis. Many competitors are on the verge of bankruptcy. As suggested by the theory of steroids, the answer to the above question is that some companies do a better action strategy in identifying and utilizing internal strategic success factors, by taking advantage of external opportunities and minimize the threats-the company's focus on the factors that can improve performance or so-called core competencies (Gursoy and Swanger 2007; Boley & Uysal 2013).

The findings of this study indicate Customer satisfaction is one of the factors in improving he performance of the company which is the key to success for any company's internal services. The results showed Customer Satisfaction has a significant impact on the financial performance and employee satisfaction has a direct impact on financial performance because the relationship between employee satisfaction and financial performance is one of the indirect relationships, which is mediated by the Customer Satisfaction.

The results clearly show there is a direct correlation between employee satisfaction and customer satisfaction and between Customer Satisfaction and Financial Performance. This indicates that satisfied employees are motivated to provide good service to customers. The results of this study are consistent with previous studies, which showed employee satisfaction plays a major role in helping the company achieve financial goals because if the com-

pany is able to give satisfaction to the employee, the employee will provide quality services to customers (Loveman 1998).

The finding shows the relationship between financial performance and employee tends to be mediated by the Customer Satisfaction. Employee satisfactions tend to be more motivated and work harder to provide services that satisfy customers rather than making them dissatisfied (Paradise - Tornow 1991). In accordance with the model of service-profit chain, if employees feel well treated by the company, in return, the possibility of employees will take the time to provide better services to meet and even exceed customer expectations. This is likely to lead to higher satisfaction among customers, which again will lead to greater profits (Koyo 2003; Mayer, Gremler & Hogreve 2014).

The above findings suggest though it is difficult to observe directly the impact of employee satisfaction on financial performance, service companies can not survive without employee satisfaction because satisfied employees are the one s who can give satisfactory service experience to customers. Therefore, companies must ensure that employees are happy and satisfied with what employees are doing.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

It can be concluded that customer satisfaction is a very important factor for business services. It is a prerequisite for loyalty and behavior of word-of-mouth. The cost of retaining existing customers is much less than acquiring new customers, besides that, customers remain much more profitable than transactional customers.

In addition, customer satisfaction can increase better financial performance, providing services to exceptional customer by exceeding customer expectations.

tations, allowing the opportunity for growth.

Another key important factor is employee satisfaction and customer satisfaction and customer satisfaction and Financial Performance. The fact is that satisfied employees are motivated to provide good service to customers. So, they are satisfied, the company can also achieve better financial performance. For service companies, they cannot survive without employee satisfaction. Therefore, the companies must ensure that employees are happy and satisfied with what employees are doing.

Above all, the model provides a framework for understanding how the integrative work investment in the company's operations related to the perception of service operations and customer behavior, and how this create profits. The complexity of the framework and objectives of this study focuses only on the relationship between Employee Satisfaction, Customer Satisfaction, and Financial Performance. In other words, this study does not examine the effect of the constructs (variables) which are included in the framework of the discussion as overall such as the Internal Service Quality, Service Conduct Productive Employee, Customer Value and Customer Loyalty.

Due to the fact above, there seems a possibility that these variables can significantly affect relationships between the variables examined in this study; yet it has an intervening variable and the moderating variable, as based on the foundation of the theory. Therefore, future research should include factors that may affect the relationship of the constructs examined in this study. For example, one major limitation of this study is customer satisfaction and employee satisfaction as a unidimensional construct. However, other research shows customer satisfaction and employee satisfaction is a multidimensional construct. Measuring a construct of unidimensional variable is likely to limit the generalizability of the research findings.

For future research, the researchers should use a multidimensional construct to get the true essence of employee satisfaction and customer satisfaction. In addition, the company financial performance can be affected by several factors, including satisfaction (Way, Sturman & Raab 2010). However, this study did not examine other factors that may affect the financial performance of other types of companies. Therefore, it limits only in hotel industries and tourism for generalizability.

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