

**EFFECT OF CORPORATE GOVERNANCE ON THE RELATIONSHIP BETWEEN
SERVICE QUALITY AND CUSTOMER SATISFACTION IN NAIROBI COUNTY
HOTELS**

BY

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DECLARATION

This research dissertation is my original work and has not been presented for any degree in any other University.

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ABSTRACT

The service sector is highly driven by customer satisfaction. Every firm aims at retaining its existing clients rather than losing them. One great contribution of client not returning for the same service could arise when the customer is not satisfied with the quality of the service. This study investigated the effect of corporate governance on the relationship between service quality and customer satisfaction in the hotel industry in Nairobi County. The study specifically addressed how service reliability affects customer' satisfaction, the relationship between hotel responsiveness and customer satisfaction and how physical environment affected customer satisfaction. Lastly, it sought to find out how corporate governance affected the relationship between service quality and client satisfaction. A predefined statement to formulate hypotheses was formulated from the research objectives as well as research questions were developed to address the key issues on customer satisfaction and service quality. The research employed a cross sectional survey to gather information from 100 stratified randomly selected respondents from the identified hotels in Nairobi county. The study used questionnaire as data collecting tool where the questionnaires were administered personally in the hotels to clients to ensure high authenticity of the information. Descriptive analysis was used to profile the respondents and describe the key constructs in the study. Multiple regression analysis was used to test the research hypotheses and ascertain the predictive power of the service quality dimensions on customer satisfaction. The study established a strong positive relationship between service quality and customer satisfaction. Service quality had three dimensions out of which responsiveness and physical evidence significantly affected customer satisfaction. The moderating effect of corporate governance on the relationship between service quality and client satisfaction was non-significant. The study recommends investing in service quality and formulating policy that will raise hygiene levels in hotels to satisfy customers more.

TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT.....	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES.....	ix
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 The Concept of Service Quality.....	3
1.1.2 Customer Satisfaction	4
1.1.2 Overview of Hotels in Nairobi County	6
1.2 Statement of the Problem.....	7
1.3 Research Objectives	9
1.5 Significance of the Study	10
1.6 Scope of the Study.....	11
CHAPTER TWO.....	12
LITERATURE REVIEW.....	12
2.1 Introduction	12
2.2 Theoretical Review	12
2.2.1 Howard and Sheth Theory.....	12
2.2.2 Service Quality Theory	13
2.2.3 Agency Theory.....	16
2.3 Empirical Review.....	17
2.3.1 Service Reliability and Customer Satisfaction.....	17
2.3.2 Service Responsiveness and Customer Satisfaction	21
2.3.3 Service Physical Environment and Customer Satisfaction	24
2.3.4 The Moderating Effect of Corporate Governance.....	26
2.4 Knowledge Gap.....	27

2.5	Conceptual Framework	30
2.6	Operationalization of Variables	31
CHAPTER THREE.....		32
RESEARCH METHODOLOGY		32
3.1	Introduction	32
3.2	Research Design	32
3.3	Target Population	33
3.4	Sampling and Sampling Procedure	33
3.5	Research Instrument.....	34
3.6	Validity and Reliability of the Instrument.....	34
3.7	Data Collection Procedure	35
3.8	Data Processing and Analysis	36
CHAPTER FOUR		38
DATA ANALYSIS AND INTERPRETATION		38
4.1	Introduction	38
4.2	Response Rate	38
4.3	Pilot Study Results and Reliability of Study Variables.....	38
4.4	Demographic Profile of the Consumers	40
4.5	Reliability of Hotel Staff	42
4.5.1	Mean Analysis of Reliability of Hotel Staff.....	45
4.5.2	Correlation of Reliability and Customer Satisfaction	45
4.6	Responsiveness of Hotel Employees	48
4.6.1	Mean Analysis of Responsiveness of Hotel Staff.....	50
4.6.2	Correlation of Responsiveness and Customer Satisfaction.....	50
4.7	Physical Environment.....	53
4.7.1	Mean Analysis of Physical Environment	55
4.7.2	Correlation of Physical Environment and Customer Satisfaction.....	55
4.8	Mean Score Analysis of Corporate Governance	58
4.9	Effect of Service Quality on Customer Satisfaction	58

4.9.1 Pretest Diagnosis	59
4.9.2 Regression Analysis of Service Quality and Customer Satisfaction.....	63
4.10 Moderating Effect of Corporate Governance on the Relationship Between Service Quality and Customer Satisfaction	66
CHAPTER FIVE.....	69
SUMMARY, CONCLUSION AND RECOMMENDATIONS	69
5.1 Introduction	69
5.2 Summary of Findings.....	69
5.2.1 Discussion on Reliability and Customer Satisfaction	69
5.2.1 Discussion on Responsiveness and Customer Satisfaction.....	70
5.2.2 Discussion on Physical Environment and Customer Satisfaction.....	71
5.2.3 Discussion on Corporate Governance and the Relationship Between Service Quality and Customer Satisfaction	72
5.3 Conclusion.....	73
5.4 Recommendations	73
5.5 Areas for Further Studies	74
5.6 Limitations of the Study.....	74
References	76
APPENDICES.....	85
Appendix 1: Introduction Letter.....	85
Appendix 2: Cover Letter: Institutional	86
Appendix 3: Questionnaire.....	87
Appendix 4: Reliability Statistics.....	93
Appendix 5: Normality Test Plots.....	94

LIST OF TABLES

Table 2.1: Summary of Knowledge Gaps	28
Table 2.2: Operationalization of Variables	31
Table 3.2: Sample Size Distribution	33
Table 4.1: Internal Validity Test	39
Table 4.2: Consumer Demographics	41
Table 4.3: Cross Tabulation of Respondent Age versus Satisfaction with services provided	42
Table 4.4: Reliability of Hotel Staff.....	44
Table 4.5: Mean Analysis of Reliability of Hotel Staff	45
Table 4.6: Responsiveness of Employees	49
Table 4.7: Mean Score Statistics of Reliability of Hotel Staff.....	50
Table 4.8: Correlation Between Responsiveness and Customer Satisfaction.....	52
Table 4.9: Cross Tabulation of Guest type versus Hotel has clean and hygienic washrooms	53
Table 4.10: Physical Environment	54
Table 4.11: Mean Score of Physical Environment.....	55
Table 4.12: Correlation Between Physical Environment and Customer Satisfaction.....	57
Table 4.13: Mean Score Statistics of Corporate Governance	58
Table 4.14: Shapiro-Wilk Test of Normality	60
Table 4.15: Correlation of Service Quality and Customer Satisfaction.....	61
Table 4.16: Coefficients Showing Collinearity Statistics	62
Table 4.17 Coefficients Showing Homoscedasticity Statistics.....	63
Table 4.18: Model Summary of Service Quality and Customer Satisfaction	64
Table 4. 19: ANOVA of Service Quality and Customer Satisfaction.....	64
Table 4.20: Unmoderated Coefficients of Service Quality	65

Table 4.21: Model Summary of Moderated Model.....	67
Table 4.22: ANOVA of Moderated Model	67
Table 4.23: Coefficients of Moderated Model	68

LIST OF FIGURES

Figure 2.1: Conceptualizing the Variables.....	30
Figure 4.1: Hotels provided more services than was expected.....	43
Figure 4.2: Hotel employees are not too busy to respond to customer requests.....	48

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Provision of high-quality services and customer satisfaction in the 21st century is proving to be the most challenging issue to the hotel industry. This has highly been influenced by the changing and unpredictable consumer behaviour and habits. The world of today is offering the population with wide array of choices which puts the consumers in dilemma and how choose satisfactorily. The hotel industry is being faced with a great challenge of stabilizing the customer satisfaction especially at the time when customer can rate the services offered to them instantly via the internet Hung et al. (2003).

Parasuraman et al., (1988) in his study on customer satisfaction outlined a model comprised of the key determinants of satisfaction as reliability, assurance, tangibility, empathy and assurance. As economies grow in the world, they tend to be service oriented. In the wake of globalization, every sector in the Kenyan economy is facing challenges, the greatest of which is competition with various countries all over the world. The hotel industry is one of the many that has been hard hit by globalization. Thus, with the increasing competition arises the need for various strategies to create a competitive edge. Customer put a great emphasis on quality service delivery the industry has been mandated towards high quality service provision. Many hotels are now placing a great emphasis on quality service which has been translated in the number of ISO awards annually. The hotel industry in Kenya has produced world renowned hotels through these ISO Awards. The role the hotel industry is playing today in the country's economy cannot be

underestimated. In general, it can be assumed that there is a positive relationship between the quality of service and the contentment of the customer. Therefore, those hotels offering highly end services are most likely to accrue higher profit margins (Torres & Kline,2013). Therefore, many researchers are now emphasizing service quality from customer opinions. Despite drawing the definition from the customer opinions, customer satisfaction is proving to be multidimensional factor due to the complexity nature of the target clients.

According to Yuksel(2002), hotel managers can use customer satisfaction to draw a model on hotel patronage in any locality. This Offers an enabling environment for the management in determination of how to increase its income while diversifying their services to reduce competition in the market (Yoo & Park,2007). The provision of high-quality service has to be understood not as an affair of one day but stems from a successful and consistence offering of the high-end quality services over the entire period.

The hospitality industry in Kenya has beenexperiencing tremendous changes over the past decade synonymous to globalization and opening of the market to foresing investors. The contentment a customer draws from the services offered by the sector plays a crucial role on their repetitive factor and the profitability of the hotel. It has been found that how the service provider interacts with the customer highly determines their contentment. According to Dominici et al.(2010) scanning of the customer' needs and creation of a feasibility study on the same contributes substantially in process of achieving service quality.

1.1.1 The Concept of Service Quality

Several scholars like Zeithaml, Bitner and Gremler (2006) defines service as an intangible activity which is offered by one party to another with a sole purpose of raising income to the offering party and ensuring contentment to the receiver. Kotler, Philip & Armstrong, Gary, (2006) postulated that service in its simplest form could be viewed as any act which involves the transfer of beneficial act from one party to the other which is intangible in nature as any activity with the aim of satisfying the other party's needs.

Quality is a collection or groupings of the experience which a customer perceives through interacting goods and services. Ahmed et al. (2010) defines quality in totality as a whole judgement. Ahmed et al. (2010) demonstrates service quality as an attitude drawn from the experience but not equal to the contentment with respect to another service provider. According to Watiki (2014) quality can be literally understood as being fit for use. This agrees with the work of (Venetis & Ghauri, 2004) who concluded that there is no standard formula for satisfaction, and it can vary from one customer to another because of the different needs and consumer behaviour. Thus, it's worth noting that the attitude form for each customer matters in the hotel industry and managers ought to prioritize the recorded forms to improve their market share.

According to Agyapong (2011), the expressions or the feelings of how well a product offered, or service meets the customer's expectations or even exceeds it can be used as a gauge of defining service quality. In view with Sultan and Wong (2010), service quality is perception that represents customer's quantification of a service encounter in the long run. The client's perceptions

and attitudes towards the services offered can be used a deterministic toll for service quality (Sachdev & Verma 2004).

Several parameters have been put across to describe service quality with the assistance of the SERVQUAL model. Some of the parameters were used by Parasuraman, Ziethmal and Berry (1999) and tested their applicability in the model where the industries reliability to its customer, the rate of responding to their queries and orders, the surety clients got from the institution, the authenticity of the service and feelings they could be accorded when things were not working out well.

In the early stages of their research, they discovered ten items, which were later statistically tested and reduced to five service dimensions that are considered highly by customer when assessing the quality of service. The chosen parameters can vary from one environment to another and there can never be a similar or standard rule for applying to across all the sector in all regions. This explains why the study will be interested to know how the environment influences this relationship.

1.1.2 Customer Satisfaction

According to Kotler et al.(2013), customer satisfaction can be understood as a predetermined expectation of the customer. He outlined it as the persons' feelings of satisfaction or discontentment as a result of the expected service not meeting the customer/client expectation. The extent to which customer' needs are fulfilled can be used to depict the customercontentment.

McCarthy and Perrault (2002) defined customer satisfaction the perceptions a customer has on offered services with reference to a standard one.

This study will use Questionnaires in the form of Guest Comment Cards (GCCs) in most instances in the hospitality industry are used to gather information from guests. According to Su (2004), GCS are commonly used to determine hotel guest satisfaction. Guest Comment Cards have widely been used in many hotels at key areas as a source of gathering feedback from the customer to ensure that the next time experience will be better as compared to the present offered services.

1.1.1 Corporate Governance

According to Gakeri (2013) corporate governance can be understood as a collection of rules, policies, processes, laws, and organizations that direct the actions, administration, and control of the operations of organizations in his scholarly work pointed out that corporate governance could be likened to a network of connected institutions and individuals which highly regulates how an institution can be run and managed.

Corporate governance in the past and even Up-to-date is being used as a useful tool in the determination of how an institution relates with its stakeholders. Once stakeholders are provided with suitable working environment, research has shown that there is always maximum production and it ensures clientele-oriented network is vibrant and ensures customer are always at the forefront Brownbridge (2007).

Research has shown that the nature of governance of any organization determines or influences its performance to a greater extent (Fernandez, 2005). Those organizations that have high number of boards members from externals parties were found to be doing well as compared to these had high number of board members drawn internally from their investors. This has highly been attributed towards efficiency and professionalism in executing the mandate as opposed to the pride in ownership (Likoko, Mutsotso & Nasongo, 2013).

For the corporate governors to effectively and sustainably manage the institution, possession of key leadership and management skills ought to be deterministic. From other schools of thought it has been argued that the skills do not matter but the experience and expertise and mechanism by which the mandate is executed should be the main point to consider (Ndikwe & Owino, 2016).

According to Hopt (2011) hoteliers should advocate for an independent board of directors in order to ensure sound decisions and strategic management is achieved. This calls for ensuring that most board members are comprised of an independent team to ensure effective supervision of the activities in a non-partisan way (PanAsian et al., 2003). This study will highly emphasize on focus on board composition, board skills, board independence and board size as some of key corporate governance practices affecting hotels in Nairobi.

1.1.2 Overview of Hotels in Nairobi County

The Kenya Association of Hotel Keepers and Caterers (KAHC) an umbrella body under which the hospitality industry operates was founded and established in 1944. Nairobi is a home to

prominent and high-end hotels which have significantly contributed to the national and county's income through revenue generation. There are hotels ranging from the 5 star to 2 stars (Kenya Association of Hotel Keepers and Caterers, 2018).

According to a study by Cytonn Ltd, the Central Business District (CBD), Westlands and Kilimani have the largest hotel room supply by the virtue of being main commercial hubs, presence of buzzing social activities coupled with good transport network improving the accessibility. The CBD has the highest supply of 5-star hotels. Over the past decade, the areas surrounding the CBD especially the Upper Hill and Westland's have witnessed trends growth in the number of 5-star hotels. One key noting feature of the upcoming Westland's is its share of the 3-star hotels which mainly serves corporates, expatriates and business travellers in companies and NGOs in the locality. On the other hand, Mombasa Rd has the largest market share of 4-star hotels targeting tourists, clients on transit and business travellers (Cotton Real Estate, 2017)

1.2 Statement of the Problem

Over the past decade, the hotel industry has witnessed the challenges associated with globalization and entrant of foreigners in the market. This has resulted to the demand of high quality to the targeted clients in order to ensure that there is no migration of customer. The greatest challenge facing hoteliers is maintaining the clients who are already existing rather than acquiring new ones. For hotels to achieve their objective of delivering quality service for customer, they should know the level at which the customer is satisfied with their services in order to meet and exceed customer expectations Doyle (2000). Improved service quality in the

hotel industry usually leads to economic competitiveness. Excellent service quality also leads to repeat patronage, thereby increasing profits and enhanced brand image. Unfortunately, there exists a lack of customer satisfaction due to poor service quality in Nairobi county hotels as postulated by Watiki (2016). He alluded that there are several reasons contributing towards low service quality, including deficiency in corporate governance. Most studies have been conducted but they fail to address the role and the nature of the corporate governance plays in the performance of the service sector when it comes to customer's satisfaction. Most aspects and emphasis has been heavily put towards income generation and this leads to overlooking or under looking of the customer's welfare who are the key stakeholders in the organizations mission and vision achievement. Bradford (2017) initiated a study in South Africa to investigate the impact between service quality on customer satisfaction in the insurance industry but did not consider the mediating role of corporate governance.

In Kenya, studies have sought to determine the link between service quality and customer satisfaction including; Musyoka (2013) evaluated the effect of service quality on library user satisfaction among universities in Kenya, Akoko (2012) examined the effect of service quality dimensions on customer satisfaction in the Kenyan telecommunications service industry, Owino (2013) looked at the mediating effect of corporate image on the relationship between service quality and student satisfaction in the university set up. All the stated studies failed to examine the moderating effect of corporate governance on the relationship between service quality and customer satisfaction, hence the knowledge gap. This study sought to determine the effect of

corporate governance on the relationship between service quality and customer satisfaction in Nairobi hotels.

1.3 Research Objectives

Overall, this study determined the influence of corporate governance on the relationship between service quality and customer satisfaction in hotels in Nairobi County. The specific objectives in this study were:

1. To find out the effect of service reliability on customer satisfaction in Nairobi County hotels.
2. To determine the effect of responsiveness on customer satisfaction in Nairobi County hotels
3. To establish the effect of physical environment on customer satisfaction in Nairobi County hotels.
4. To determine the effect of corporate governance on the relationship between service quality and customer satisfaction in Nairobi County hotels.

1.4 Research Questions

1. What is the effect of service reliability on customer satisfaction in Nairobi County hotels?
2. What is the effect of responsiveness on customer satisfaction in Nairobi County hotels?
3. What is the effect of physical environment on customer satisfaction in Nairobi County hotels?

4. What is the effect of corporate governance on the relationship between service quality and customer satisfaction in Nairobi County hotels?

1.5 Significance of the Study

The outcome of this study acts as a useful tool to the hotel managerial team for making an informed decision on their services to offer based on the target customer satisfaction. This will ensure that there is a strong bond between the hotel and its customer enhancing the reputation thus increasing the hotels ratings and ensuring customer do not migrate to other hotels to seek for similar services. Such informed decision is of great help in strategic decision making and management to ensure the sustainability of the hotels in the long run is attained. This study forms a guideline to the hotel owners in coming up with a model aimed at improving service quality in order to sustain their customer base and have a competitive edge over rival hotels in Nairobi.

The study is important to policy formulators in the hotel sector. Policy makers include, but are not limited to, the Ministry of Tourism and Tourism Board of Kenya. The study will help in determining more innovative ways of improving service quality in Nairobi County hotels and assist in policy development. This study acts as a point of reference to scholars and researchers who have interest in the hotel industry. Scholars benefit immensely from information in this study as they are better equipped to understand the effects of service quality in Nairobi County hotels. The data gathered from the study's conclusions and recommendations will provide a useful reference point for further research to other scholars as well.

1.6 Scope of the Study

The study focused on the following three concepts namely: service quality, customer satisfaction and corporate governance. The study was conducted among selected hotels based in Nairobi County. The targeted customers were those that consume services offered by hotels in Nairobi County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deliberates on the theoretical framework while reviewing published studies on the effects of such factors as reliability, responsiveness, service environment and corporate governance on customer satisfaction. Particularly, the study reviewed related literature, leading to the compilation of a summary of existing gaps in knowledge. The study's conceptual framework was established and lastly, the study variables were operationalized

2.2 Theoretical Review

The theoretical review in the study focused on Howard and Sheth Model, the contingency theory and the use and gratification theory, service quality theory and agency theory.

2.2.1 Howard and Sheth Theory

The Howard Sheth Model integrates psychological, social and marketing influences on the choices of a consumer, into a coherent sequence for processing information. It explains the behaviour of consumers regarding the cognitive functioning and provides an empirically testable portrayal of such behaviour as well as its outcomes. The theory is founded on consumer behaviour as advocated by Howard and Sheth (1969).

The Howard Model postulates three broad categories of variables which includes: Inputs: These are variables that consist of 3 distinct stimuli types in the environment of the consumer. The marketer provides physical characteristics of their brand (significant stimuli) as well as verbal

or visual characteristics of the product (symbolic stimuli). Impersonal sources include mass media communication coupled with advertising. Further information sources for the customer include salespeople who can help the marketing efforts of a firm. The third type comes from the consumers' social environment, which is personal thereby the company lacking control over.

Secondly, Learning and Perceptual Constructs - +The model centrally deals with the psychological variables of a consumer as they are about to decide. Some of the variables are naturally perceptual and deal with how the consumer will get and process the information from a stimulus as well as from other parts of the model. Perceptual bias occurs when the information received gets distorted by the consumer so that it fits into their perceived needs and/or experience. A proposed interaction between these variables in both the perceptual and learning constructs brings the characteristic advantage to this model. Thirdly, Outputs: These are outcomes of the learning and perceptual variables considering how the consumers respond to these variables. Fourthly, Exogenous or External variables: These variables do not directly affect the decision-making process. Nevertheless, some exogenous variables are the importance attached to the purchase, religion, consumer personality traits, as well as time pressure. This theory relates to the current study by explaining the components of customer satisfaction in details.

2.2.2 Service Quality Theory

The service quality theory history dates to the 1950s when Juran and Deming postulated the model for determine and evaluating service quality through total quality management in

assessing the quality of products in plants manufacturing (Deming, 1986). The service quality theory revolves and concentrates on the SERVQUAL model which determines that service quality is subject to the nature of the discrepancies between Perceived Service (PS) and the Expected Service (ES). Thereby, when the expectations overcome the perceptions, there is a strong likelihood of customer dissatisfaction (Parasuraman et al.1985).

According to Parasuraman et al. (1985) there are multiple determinants of service quality cutting across from the accessibility, credibility of the service provider, the competence courtesy, communication, reliability, responsiveness, security and understanding the customer as well as the tangibles. He alluded that a high degree of linkage between some elements exists which can further be categorised into five broad categories including: assurance, empathy, reliability, responsiveness and tangibles.

Buttle (1996) argued that service responsiveness includes the willingness to help their customer while providing them with efficient and prompt services. The service provider is regarded responsive on the grounds that they are prompt in delivering their services, they are willing to support customer and has employees who are responsive to the customer. According to Smith et al. (2007) there is a consensus that knowledge and courtesy of employees and how they present themselves before the customer determines how they will buy trust from them. It's crucial in the service industry for the provider to ensure they are the initiators for the service provider must inspire confidence in customer during transactions to achieve a feeling of security in the customer, and display courtesy unswervingly.

According to Robledo (2001) one key outstanding feature that can be applied when approaching customer in the hotel industry as empathy that the hoteliers can put to ensure the customer are unto them and ensuring there is a win situation for customer. Tangibility, on the other hand is the physical evidence of service as can be shown by physical facilities, the appearance of staff, as well as tools or machinery used to provide services (Sureshchandar et al., 2002). According to Navarro et al. (2005), to concretely understand the dimensions of service quality, it's important to focus it from the customer perspectives since they are the recipients and can provide useful information in improvement of what is being offered. He alludes that there is need for strong customer needs mapping and scanning from their opinions to ensure that the correct information is drawn from the target.

According to Sureshchandar et al., (2002) the SERVQUAL model majorly focus on the human interaction in the delivery of services while the rest of the adopted models do not address the systemization of the service. Therefore, there is need for more elusive and concrete model which has seen in the recent past the modification of model comprised of five elements stemming from the nature of the product, the modality of delivering the product to the recipient, the system through which the service is delivered to the corporate social responsibility provided by the institution to draw attention from the public.

Che and Ting (2002) alludes that service quality and customer satisfaction are two different concepts that needs to be viewed differently. The terms have been used interchangeably but their determinants can vary depending on their environment of application and the determinant

elements. In their study, they used the grey system theory to describe service quality. According to them only two broad elements could in totality define service quality which they outlined as either functional or technical in nature. However, available literature points to an emergence of Structural Equation Modelling (SEM). They used SEM to portray the usability and the importance of the new model. In conclusion, they deduced that the functionality and technological aspects to a great extent influences the customer perception on the offered service thus deterministic element. This theory applies to the current study in explaining the service quality dimensions that influence customer satisfaction. It offers an elaborate knowledge source to the hotelier sector who are would like to advance their customer relation by adopting the technological aspect and not only limiting themselves to the functional element.

2.2.3 Agency Theory

According to Jensen and Meckling (1976) agency theory can be understood as a scenario whereby services are offered by a third party on behalf of the main service provider. They termed the third party as the agent and the chief service provider as the principal. For a good governance framework in existence especially in the corporate world, it ensures that there is offering of high-end services to ensure customer are satisfied. Most agents always go an extra mile to ensure that the principal does not exclude them from the system in case of customer launching complains. The third parties in most instances are mandated with decision making which is implemented by the principals. Proponents to this theory have argues that it might not work successfully as there is possibility of conflict of interest to arise between the agents and the

principals which can adversely affect negatively the contentment of the customer (Jensen & Meckling, 1976).

According to Fama and Jensen (1983), corporate governance can act as a crucial tool in the evaluation and monitoring of the relationship between the quality of the services provided and the customer perception. Thus, the nature of the governance adopted plays a crucial role in the success of the satisfaction objective. The agency theory views corporate governance as an enough monitoring or control mechanism to protect the shareholders from eminent conflicts of interest with their agents (Fama & Jensen, 1983).

2.3 Empirical Review

This section presents the reviewed literature in terms of; service reliability and customer satisfaction, service responsiveness and customer satisfaction, physical environment and customer satisfaction and corporate governance.

2.3.1 Service Reliability and Customer Satisfaction

According to Ruach (2015), the act on ensuring there is timely provision of services in a consistence manner to ensure that customer can highly depend on the provider's accuracy can be termed as reliability. Similar sentiments were echoed by (Tuan & Linh, 2012, Delgado & Baluster, 2004). In accordance with from Al-Ababneh (2016), reliability is a system with channels through which services are timely and accurately delivered to the target clients. High levels of service consistency are decisive for reliability. Quality service that is reliable is

rendered reliably and accurately, in accordance with the promise made to the client (Maric, Marinkovic, Maric & Dimitrovski, 2016).

Reliability greatly relies on handling all customer service matters, delivering the services right on the initial encounter, offering timely services and maintaining error-free records. It has been defined as the most important factor in the conventional customer service (Parasuraman, Zeithaml & Berry, 1988). Furthermore, reliability consists of fulfilment of the right order, accurate records, accurate quote and keeping the promise of service. It has also been mentioned as the most substantial factor in banking services (Yang et al., 2004). It helps to build trust between the service provider and the customer. It is a critical component when it comes to gaining loyal customer. The lack of reliability erodes confidence and makes the customer to view the service provider negatively. A service provider is bound by ethics to deliver services that meet all the promises made about service delivery, problem resolution, and pricing (Mamilla, Janardhana, & Babu, 2013). The connection between reliability and customer satisfaction is direct because a customer who has been disappointed is not satisfied (Abu El Samen, Akroush, & Abu Lail, 2013; Wahid et al., 2017).

Mamilia, Janardhana and Babu (2013) carried out a study to analyse students' satisfaction with the performance of a university with a specific focus on the reliability dimension of service quality. The idea behind the study that students compared the quality of service with prior expectations about performance and service delivery. The findings of the study showed that reliability significantly affects the satisfaction levels of students. The university performance

should be improved to be considered reliable by most of the study participants. It is pertinent to understand that empathy, assurance, and tangibility help improve reliability of the service delivery process, which in turn improves the attitude of the client towards the service vendor (Sulieman, 2013).

Omar et al., (2015) conducted a study to investigate the influence of reliability as a dimension of e-commerce on the satisfaction of Libyan customer. The basic factor in the assessment of quality of a service is customer satisfaction since happy customer are more patronage and go back for the same services again. The common knowledge is that the quality of service is an outcome of the comparison between the expectations of a customer and the perceived quality of a service. It is very subjective because it depends on personal preferences and expectations. It is the baseline measurement of performance for any business because of the direct impact it has on profitability and competitiveness (Omar, Saadan, & Seman, 2015).

The findings showed that there is a strong relationship between the reliability and the customer satisfaction. The reliability of the e-commerce model was characterized by the ability of the website to fulfil orders, secure personal information and deliver promptly. These aspects improve the confidence that the customer has on the website. The prompt delivery of all ordered items at the right time and place makes the website a reliable shopping place for many consumers. Therefore, a successful online business should find ways to keep private information safe, deliver orders in a timely manner, and ensure the website is optimized to handle large traffic. It helps avoid lagging, which might disappoint consumers. Reliability as a service quality

dimension, is not limited to e-commerce business models. It applies to all businesses that deal with service delivery. For example, hotels can be considered reliable if the pricing is standardized, bookings are managed well, and the expectations of customer about amenities and personnel are met (Omar, Saadan, & Seman, 2015).

According to a study carried out in Malaysia by Wahid et al. (2017) to determine the effect Tangibility and Reliability had in customer satisfaction and Service quality found out that tangibility of the services offered to tourists by the locals had more customer satisfaction and trust than the reliability dimension. They were trying to find out how international tourists could stay with the locals in their homes. The selected sample comprised of local and international consumers of the Homestay program which gave local as well as international tourists an opportunity to stay with chosen families, to interact and experience their daily lives. The study intended to determine the effect of the two dimensions on customer satisfaction. 102 consumers were sampled. The average tangible quality was rated as 4.95 out of 10 points, indicating that the it did not meet the needs of the customer. Moreover, the reliability quality was rated higher than the tangible quality.

Another study on the Arab Bank, Irbid City in Jordan, looked at the Impact of Service Quality Dimensions on Customer Satisfaction. One critical technological change in the Arabaian Banking system has been the adoption of financial innovation. Using SERVQUAL model, Al-Azzam (2015) used the convenience sampling technique to sample 400 respondents. The research findings indicated a statistically significant difference between the reliability of the

service provider and Therefore, reliability is an important factor on customer satisfaction in Arab Bank (Al-Azzam, 2015). According to a study conducted in Ethiopia solely to establish the gaps between provided services and expected services in Selected Hotels in Jimma Town, Ethiopia found out that reliability output indicated a significant relationship between the reliability of service quality dimension and customer satisfaction. The findings were that reliability was a significant contributor to customer satisfaction.

However, a study by Karunaratne and Jayawardena (2010) examined the level of customer satisfaction and major factors contributing to customer satisfaction in a 5-star hotel in Kandy district in Sri Lanka and they had a different result. Many of the customer stated their satisfaction with the overall service of the hotel. Further, regression analysis indicated Tangibility, Responsiveness and Assurance as factors that influenced customer satisfaction although the hotel had failed to fulfil the customer' satisfaction regarding their Reliability and Empathy (Tuan & Linh, 2012). Following this review, the hypothesis below was stated;

H₀₁: Reliability has no significant effect on customer satisfaction in the hotel industry

2.3.2 Service Responsiveness and Customer Satisfaction

According to Johnston (1997) the act of providing high quality services in a will and without favour in return forms the responsibility aspect of service quality. The responsiveness nature creates an environment where services can be delivered conveniently at any time anywhere. This act extends as virtue of the employees being able to offer services at their own peril and not

expecting reward from their employers to ensure they retain their brand of the organization (Kumar, 2014).

Al-Azzam (2015) postulates that responsiveness in a layman language can be viewed as the degree to which service providers are willing to help customer and provide prompt service. This willingness does not have a definite or a standard gauge for measuring it but depends on the employee's loyalty to the customer. There are some clear indicators that can portray responsiveness during service provision such as the will to help the client outside the line of duty, the will to provide prompt services and being attentive to customer queries (Saghier, 2015).

The responsiveness of service quality denotes the willingness of a service/product provider to help its customer by providing them with a good, quality and fast service (Gunarathne, 2014).

The Banking sector looks at responsiveness as the willingness of bankers to provide punctual services as perceived by specific customer (Al-Azzam, 2015). This study will look at responsiveness in summary as, the willingness and/or readiness of employees to deliver a service, the timeliness of the service and giving prompt service (Yarimoglu, 2014).

A study on the relation of service quality to customer satisfaction in the Sri Lankan Hotel Industry was done. Data was collected from foreigners visiting Sri Lanka for holidays. The test on the responsiveness indicated a positive correlation with the Customer Satisfaction. The study concluded a positive relationship between responsiveness and Customer satisfaction (Gunarathne, 2014). Another study on banks that relates on responsiveness as variable of interest was conducted in Arab. The study purposed to identify the impact of Service Quality attributes

on Customer Satisfaction based on the varying status of the banking systems and the financial market dynamics. The results indicated that a higher quality of service resulted in more satisfaction of the customer. Further, responsiveness contributes to how service quality affects customer satisfaction. (Al-Azzam, 2015).

Another study conducted on five-star hotels in Hanoi revealed the significance of responsiveness on customer satisfaction. From the test of EFA, reliability and responsiveness loaded into one factor hence new factor named 'RES-EM' was formed. The research concluded that customer information should be saved and acted upon so as care for and respect them. It showed the necessity of investing in human resource and creating good working conditions (Tuan & Linh, 2012).

According to Ali, (2016) c service quality and customer' satisfactions in the hospitality industry in Jimma town. The research outcome showed that there was a negative gap between the actual service and the expected service in all dimensions of the lodging quality index and a significant positive relationship. The finding elucidates a significant and positive relationship between the Responsiveness dimension and Customer satisfaction. However, in cases where performance is deemed sub-standard, it results in dissatisfaction of customer with the studied hotels (Eshetie, Seyoum & Ali, 2016).

A study conducted in the Barclays Bank of Kenya to determine the responsiveness effect on customer satisfaction in Nairobi found that there was strong correlation as employees were

willing to assist their customer to ensure smooth running of the business. The study further found that within the Bank there were superior areas where the management and leadership paid keen interest and ensured that customer were always leaving the Bank satisfied. Following this review, the following hypothesis was formulated;

H₀₂: Responsiveness has no significant effect on customer satisfaction in the hotel industry

2.3.3 Service Physical Environment and Customer Satisfaction

According to Lin and Mattila (2010) support the concept that the relationship between customer satisfaction and physical environment is not based on a single element, but rather on an array of elements, both tangible and intangible. Clemes et al. (2011) found such security issues as the availability of fire alarms, security-check posts, safety boxes and room technology facilities like internet connectivity greatly influenced customer satisfaction. Therefore, security issues should not at any cost be ignored by the management. Customer also consider security issues when assessing service quality of hotels. Barsky and Nash(2003) argue that those hotels that have good interior lighting in public areas have higher guests' sense of security. The findings from these studies depict the important role the physical space plays in enhancing service delivery and increasing customer satisfaction, especially in the hospitality sector.

Tangibility is the key difference between goods and services. Tangibility may be considered high quality by one customer can be viewed as low quality by another customer. It is a statement that acts a constant reminder that the attitude of the customer towards a service is what entails perceived quality. One of the most important issues facing the service industry in the

contemporary world is the pressure to achieve customer satisfaction (Sharma & Nitesh Goyal, 2010). Tangibility is a key dimension of service quality that has a direct impact on the customer satisfaction levels (Rauch et al., 2015).

Sharma (2010) conducted an exploratory study to understand the impact of the service quality on customer satisfaction with a specific focus on the hospitality sector in India. The competitive nature of Indian hospitality industry and the high rates of switching inspired the exploratory study. Tangibility was one of the factors examined in the study. The factors examined under the tangibility dimension of service quality were staff appearance, materials, equipment, working tools, and physical facilities. The results of the study had a higher mean of 4.03 for all the aspects of tangibility except for working tools. This means the respondents of the study considered all the factors measured reliable. The punctuality of services rendered had the lowest score, which implies the hotel should work on punctuality to achieve customer satisfaction. The results of the study are a direct confirmation that tangibility has the potential to determine the level of customer satisfaction. Failure to manage the tangible aspect of service delivery increases the risk of losing key customer to competitors (Markovic& Jankovic, 2013).

Panda and Das (2014) focused on the impact that tangibles have on external customer satisfaction. The type of tangibles varies with industries for example the information technology sector tends to use computers with sleek designs to improve the perceived quality of a service(s). In the same way, the hospitality industry spends resources to train personnel with the aim of

improving empathy and the overall quality of service. Personnel are in direct contact with the clients, which makes their conduct and appearance a significant determinant of perceived quality. Panda and Das (2014) attempted to examine and measure the tangibles used in the hospitality sector and their impact on external customer satisfaction. According to the study findings and analysis, physical appearance, facilities and presentation are significant influencers of external customer satisfaction. Equipment, tools, and other customer usage materials provide an insignificant explanation of the tangibility of a service. A study that examined the hotel industry in Egypt with the aim of determining the quality of Alexandrian hotels also covered tangibility aspect in hotels. In hotels, the demand for high quality service is a norm that has emerged in the contemporary service industry. It has become the distinctive measure of excellence with the potential to determine industry leaders, which explains the massive effort placed in ensuring customer get value for their money. The findings confirm the importance of tangibility as a dimension of service quality. Hoteliers understand the impact of tangibility on the perceived quality, which explains the massive investment in personnel, equipment, and other materials that always make it easy to deliver high quality service (Saghier, 2015). Following this review, the following hypothesis was tested;

H₀₃:Physical Environment has no significant effect on customer satisfaction in the hotel industry

2.3.4 The Moderating Effect of Corporate Governance

Corporate governance comprises of a wide range of practices (for example accounting standards, financial disclosure rules, executive compensations, size and the composition of corporate boards) and institutions (in terms of legal, economic and social) that protect the interest of the

corporation's owners (Obiyo & Totbira, 2011). External directors refer to board members who are not employed by the firm. The Agency theory suggests that the effectiveness of boards in monitoring managers is influenced by its independence (Dalton et al., 2006). Boards that are dominated by external directors are believed to be more autonomous than those dominated by internal directors, thus they are more effective. Various studies have investigated the effects of external directors, the findings are mixed and inconsistent. Chen, et al. (2006) found that in China, external directors are more effective in averting corporate frauds compared to internal directors.

Duality of the role of chairman and the Chief Executive Officer (CEO) is another aspect of corporate governance board mechanism that can directly affect performance. This is known as CEO duality (Sanda et al., 2003) reports a positive relationship between a firm's performance and non-CEO duality. Furthermore, Lam and Lee (2008) found non-CEO duality to be beneficial for family-controlled firms. The current study therefore hypothesized that:

H₀₄: Corporate Governance has no significant moderating effect on the relationship between service quality and customer satisfaction

2.4 Knowledge Gap

Following the reviewed literature, several knowledge gaps were identified as summarised in Table 2.1 below.

Table 2.1: Summary of Knowledge Gaps

Researcher (s)	Focus	Findings	Knowledge Gaps	Addressing Knowledge Gaps in Current Study
Omar, Saadan, Bin and Seman (2015)	Influence of reliability as a dimension of e-commerce on the satisfaction of Libyan customer.	There is a very strong relationship between quality of service (Reliability) and customer satisfaction	Reliability the only service quality dimension used in the study	This study will use 3 service quality dimensions (i.e. reliability, responsiveness and physical environment)
Wahid, Dangi, Jabar, Muhamed and Paino (2017)	Effect of Tangibility and Reliability towards Homestay Customer Satisfaction	Tangibility had higher loading than reliability on how it affected service quality	Responsiveness not taken into account as a service quality dimension	This study will factor in reliability, responsiveness and physical environment as service quality dimensions
Al-Azzam (2015)	Service quality dimensions & customer satisfaction	Reliability has a significant effect on the satisfaction levels of university students	Study revolves around a limited sample (i.e. private universities only) hence limiting generalization of study findings.	This study will use a more generalized sample base (i.e. 5 star, 4 star and 3 star hotels)
Saghier (2015)	Evaluation of service quality dimensions	Significant relation between responsiveness and customer Satisfaction	Sample in the study was small and limited to a relatively specific group of tourists	This study will use probability based sampling techniques to facilitate generalization

Eshetie, Seyoum and Ali (2016)	Service quality and customer satisfaction in hospitality industry	Negative gap between actual service and expected service in all quality index	Data not tested for validity, hence not fully reliable	Pilot survey will be carried out and data tested for content validity
Wall and Berry (2007)	Effects of physical surroundings and customer behavior on service quality	Physical environment influences customer expectations of service quality	Corporate governance not included as a moderating variable to explore relationship between independent and dependent variable	Corporate governance used as moderator between independent and dependent variable
Lin & Mattila (2010)	Impact of physical surroundings and customer-employee interactions on customer' emotions and satisfaction	Both the service scape and the service encounter influence pleasure and satisfaction	Convenience sampling employed in the study	This study will make use of probability based random sampling
Panda and Das (2014)	Measurement of tangibles in the hospitality sector and customer satisfaction	Tangibles are significant influencers of customer satisfaction	Study only considered one service quality dimension variable	This study will take into consideration 3 service quality dimension variables

Source: Literature Review, 2019

2.5 Conceptual Framework

Figure 2.1 below presents this study's three independent variables (reliability, responsiveness and physical environment) and one dependent variable (customer satisfaction). Figure 2.1 also shows that corporate governance moderates the relationship between service quality and customer satisfaction.

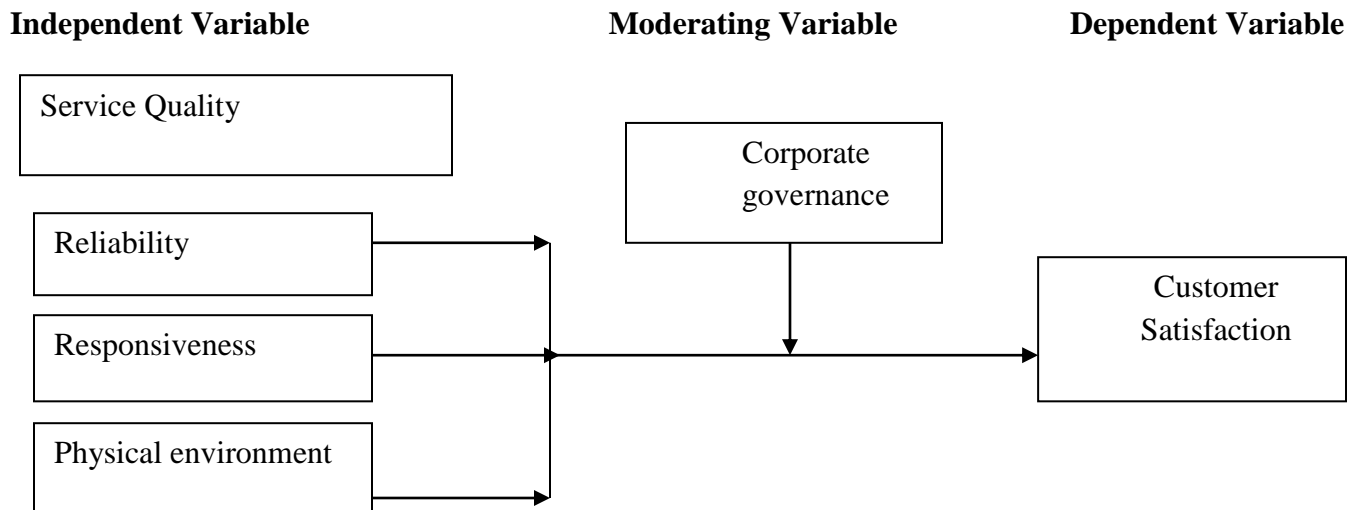


Figure 2.1: Conceptualizing the Variables

2.6 Operationalization of Variables

Table 2.1 below shows how the study variables were operationalized and the measurement scale used.

Table 2.2: Operationalization of Variables

Variables Type / Variable	Indicator	Measurement Scale	Question in Questionnaire
Independent Variable Reliability	Hotel services performed within promised time	Interval scale	Section B: Qn 1 - 4
	Hotel employees show sincere interest in solving problems		
	Hotel provides its service right the first time		
	Hotel services are flawless		
Independent Variable Responsiveness	Hotel employees are always willing to help	Interval scale	Section C: Qn 1 - 4
	Hotel employees quickly respond to requests		
	Hotel employees are quick in eliminating potential errors		
	Hotel employees are never too busy to respond to requests		
Independent Variable Physical Environment	The hotel has modern looking equipment	Interval scale	Section D: Qn 1 - 4
	The hotel's physical facilities are visually appealing		
	Hotel employees are professionally dressed		
	Materials associated with the hotel (eg brochures) are visually attractive		
Moderating Variable Corporate Governance		Interval scale	Section E: Qn 1 - 4
Dependent variable Customer satisfaction	I am satisfied with services provided by the hotel	Interval	Section F: Qn 1 - 4
	I am satisfied with employee response and prompt services		
	The overall service quality provided by the hotel is excellent		
	I am satisfied with advice regarding hotel services		

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a discussion on the materials and methods that were used to collect and analyse data on the influence of corporate governance on the relationship between service quality and customer satisfaction in hotels in Nairobi County. The discussion covers the research design, the area under study, the target population, sample size determination, data collection and data analysis.

3.2 Research Design

Kothari et al., (2010), defines research design as an organized process through which the problem at hand or under study is solved by careful planning, organization, collection and analysing of the available data into synthesised useful information. The research employed a descriptive research design. Maina (2016) argued that a descriptive research design is useful in the descriptive process for the phenomenon under observation.

Kothari et. al., (2010) further adds that elaborative research design provides a description of situations in their natural phenomenon. Descriptive research design was considered suitable in this study since; it allowed for the use of questionnaires in data collection, allowed for quantitative analysis of variables, and gave results that can be generalised in a similar context. The chosen design helped in assessing the influence of corporate governance on the relationship between service quality and customer satisfaction in hotels in Nairobi County.

3.3 Target Population

Mugenda (2003) defines a population as the totality of all the observable elements to be studied and to which generalization of the results of the study can be drawn. It's a true representative of the elements under observation to answer the research question. At any moment in a study, population could be people, events, objects, households, firms, services, or other items of interest. The target population for this study comprised of customers who regularly visit the 5-Star, 4-Star and 3-Star hotels respectively in Nairobi county.

3.4 Sampling and Sampling Procedure

According to Saunders, Lewis and Thornhill (2012) sample selection from a defined target population requires the researcher to construct a representative sample which ensures that the right population for investigation is targeted. A census of all 5-Star, 4-Star and 3-Star hotels customers was used in this study. Kothari (2004) defines census sampling as the process of studying every unit, everyone or everything in a population, also known as complete enumeration.

Table 3.1: Sample Size Distribution

Population category	Target population	%	Sample size
Corporate customer	62	25	24.8
Resident individuals	105	42	42
Walk-in customer	83	33	33.2
Total	250	100	100

3.5 Research Instrument

The study employed the use of questionnaire in data collection (Appendix 3). The guest comment card will be employed to collect views and the perceptions of the customer attending the target hotels. According to Ogle et al.(2013), this method is the most commonly used feedback medium used by hoteliers to collect feedback from their guests. Heung et al.(2010) adds that this method is highly suitable as it offers an opportunity for the hotel guest to make a valid comment on his/her perceptions on the services offered by the institution. The method was employed because of its costless nature to both the hotelier and the guest in that it does not have any impact to any of the party involved and the respondents will offer their feedback voluntarily., 2003).

The instrument in Appendix 3 had five sections. Section A was used to collect data on background information, section B sought data on reliability of hotel staff, section C covered responsiveness of hotel staff, section D focused on physical environment, section E was used to collect data on hotel governance and section F covered customer satisfaction. The questionnaire used a five point Likert Scale to determine the levels of customer satisfaction with their service experience, where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5 = strongly agree.

3.6 Validity and Reliability of the Instrument

The Guest comment cards were subjected to validity and reliability tests. Validity measures how well the data cover the actual area of investigation (Ghauri and Gronhaug, 2005). Validity means that you “measure what is intended to be measured” (Field, 2005). A face

validity test was used and a pilot survey conducted to test the face validity of the study instrument in question. Face validity refers to the transparency or relevance of a test as it appears to test participants (Holden, 2010). The Guest comment card (GCC) were administered to 10 hotel guests and they were asked to make any comments on questions or terms which are unclear or ambiguous to them. The GCC was adjusted and administered to 2 experts (one university scholar and one researcher). Their feedback was used to remove vague questions, double sided questions and improve the research instrument.

Reliability is relevant as it refers to the consistency across the parts of a measuring instrument (Huck, 2007). A scale has high internal consistency reliability if the items of a scale “hang together” and measure the same construct (Robinson, 2009). This study employed the use of Cronbach Alpha (α) coefficient in determining the internal consistency of the study variables and the instrument in general. This coefficient was viewed as the most appropriate measure of reliability when making use of Likert scales (Whitley, 2002). Field (2005), interprets a Cronbach’s α greater than or equal to 0.7 as implying the instrument is a good measurement tool, hence reliable.

3.7 Data Collection Procedure

Data collection is “a systematic way of collecting information, which is relevant to the study or questions.” (Burns & Grove, 1997). Closed-ended questions were employed for easy coding and analysis. The Questionnaires (Guest comment cards) were self-administered to the respective respondents (customer) who were asked to indicate their response on a five level Likert scale ranging from 1 to 5 where 1 is “Highly Dissatisfied”, 2 being “Dissatisfied”, 3 is “Neutral”, 4

reflecting “Satisfied” and 5 being “Highly Satisfied”.The customers were requested to take fifteen minutes to answer the questions, after which the GCCs were collected and tallied to ensure that they have all been returned.

The choice of this tool of data collection was guided by the limited availability of time and the objectives of the study. This method of data collection also increased the response rate, aid in confidentiality, allowed for clarification of difficult questions and enhanced the control of data collection process. Prior to collection of data, approval was sought from the university authorities (Appendix 1).

3.8 Data Processing and Analysis

Data analysis entails processing collected data so as to obtain meaningful information to be able to provide meaningful conclusions from the study carried out. The collected research was edited to remove blank spaces, coded, categorized and finally keyed into Statistical Package for Social Sciences (SPSS) for data analysis. Descriptive measures including; frequencies, percentages, mean score analysis, correlation analysis and chi-square tests were calculated. Inferential statistics in the form of multiple regression analysis was used. The information was finally presented using tables, graphs, pie charts and in prose-form. The estimated multiple regression model for the un moderated model took the form model below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon_i$$

Where

Y = Customer Satisfaction (CS)

β_0 = Constant in the regression model that shows the value of customer satisfaction in the absence of the independent variables.

- X_1 = Service Reliability
- X_2 = Service Responsiveness
- X_3 = Service Physical Environment
- ε = Error Term
- β_{1-3} = Coefficients of the independent variables.

The study employed the Baron and Kenny's Method for Mediation/moderation in examining the moderating effect of corporate governance. The moderated model took the form of;

$$Y = \beta_0 + c'(\beta_1X_1 + \beta_2X_2 + \beta_3X_3) + \beta_4X_4 + \varepsilon_{ii}$$

In this equation, Y= customer satisfaction (CS), β_0 = constant in the regression model, c'= coefficient of service quality, X_1 = service reliability, X_2 = service responsiveness, X_3 = service physical environment, X_4 = corporate governance, ε_{ii} = error term, $\beta_1 - 3$ = coefficients of the independent variables, β_4 = Coefficient of corporate governance.

3.8.1 Diagnostic Tests

The study subjected the collected data to 5 diagnostic tests of linear regression; namely normality test, linearity, multicollinearity, homoscedasticity and outliers.

3.9 Ethical Consideration

The study put into consideration a number of ethical issues including; The responses received from the respondents were treated with utmost confidentiality and the information received was used only for purposes of research. Further, the informed consent of the participants was sought before they respond to the questionnaires. Every information source was cited and referenced to avoid plagiarism.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the research findings and provides an interpretation of the data collected from the field. The main objective of the study was to the influence of corporate governance on the relationship between service quality and customer satisfaction in hotels in Nairobi County. The study specifically sought to examine the effect of service reliability, responsiveness physical environment on customer satisfaction in Nairobi County hotels. The study also sought to determine the effect of corporate governance on the relationship between service quality and customer satisfaction in Nairobi County hotels. Primary data was collected through self-administered questionnaire. The chapter presents the response rate, demographic information, findings on the study variables, diagnostics tests and provides an interpretation of the fitted model.

4.2 Response Rate

A total of 100 questionnaires were distributed to the hotels out of which 100 questionnaires were returned resulting in a response rate of 100%. This response was good enough and representative of the population and as it conformed to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent.

4.3 Pilot Study Results and Reliability of Study Variables

The questionnaire was pilot tested and checked for validity and reliability. Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Golafshani, 2003). It takes four forms: face validity, construct validity, internal validity and external validity. The study instrument was subjected to a face validity test

and internal validity tests. Fraser, Fahlman, Arscott and Guillot(2018) consider pilots an important risk mitigation strategy to reduce the chance of failure in the larger survey. Kothari (2004) notes that a pilot study can comprise of between 4-10 members of the target population whose response was used to improve on the data collection instrument. The study instrument was pilot tested among 10 respondents comprising customers in a 4-star hotel in Nairobi. The 10 were excluded from the final survey to avoid ecological validity problems. Their feedback was used to improve the research instruments, remove vague and double-barrelled questions (Cooper and Schindler, 2014). The final survey instrument in Appendix 3 was then considered valid.

The instrument was tested for reliability using the Cronbach alpha test as proposed by Akeem (2015) was applied. The 38 items in the instrument resulted in an overall Cronbach's alpha = 0.884 (Appendix 4). Field (2013) noted that an overall alpha ≥ 0.7 of the instrument is interpreted to mean the instrument is reliable, the study instrument was considered reliable. The 5 constructs in the study were subjected to a scale test to ascertain their internal consistency reliability. All the constructs in the study had Cronbach's alpha values greater than 0.7 hence they were considered to be internally consistent and reliable (Field, 2013).

Table 4.1: Internal Validity Test

Construct	Number of Items	Cronbach's Alpha
Reliability	7	0.786
Responsiveness	7	0.884
Physical Environment	7	0.912
Corporate governance	7	0.781
Customer satisfaction	5	0.908
Overall	38	0.884

4.4 Demographic Profile of the Consumers

Analysis of the customer demographics in Table 4.3, shows most of the respondent were of the male gender (53%) with the female gender comprising of 47%. This shows an almost equal gender parity amongst hotel customers in Nairobi. A majority of the customers (41.0%) fell in the age bracket of 26-35 years, with 28.4% aged 18-25 years and 27%, aged 36-55 years. This meant most of the hotel customers were young adults with potent purchasing power. The results indicate that 67% of the respondents Kenyans, with 9% from rest of Africa and 9% from Europe. This meant most of the hotel customers were of Kenyan origin.

Most of the respondents (34%) were visiting the hotel for meeting purposes, 29% were hotel residents and 28% were walk in customers. This meant most of the customers had long-term exposure with the hotels and were best placed to comment on their customer experience. A majority of those surveyed were either first time visitors (29%) or had visited for 2-10 times (29%) and 22% had visited for over 10 times. The longevity of customer experience not only meant customer loyalty, but also indicated they were best placed to comment on the service quality, corporate image and satisfaction they derived from the hotel.

Table 4.2: Consumer Demographics

Variable	Response Category	Frequency	Percent
Respondent gender	Male	53	53.0
	Female	47	47.0
Respondent age	18-25 years	41	41.0
	26-35 years	10	10.0
	36-45 years	27	27.0
	46-55 years	18	18.0
	Above 55 years	4	4.0
Nationality	Kenyan	67	67.0
	Rest of Africa	9	9.0
	Europe	9	9.0
	USA	3	3.0
	Middle East	4	4.0
Guest type	Asia	8	8.0
	Meeting	34	34.0
	Resident individual	29	29.0
	Walk in	28	28.0
Number of visits to hotel	Others	9	9.0
	First visit	39	39.0
	2-10 visits	39	39.0
	More than 10	22	22.0
	Total	100	100.0

A cross tabulation of the respondents age versus their satisfaction with the services provided shows the most satisfied customers (19) were of the age bracket 18-25 years, followed by 15 customers of the age bracket 36-45 years. This meant target audience of the hotel industry comprised more of the youth and adults who could afford the services in these hotels.

Table 4.3: Cross Tabulation of Respondent Age versus Satisfaction with services provided

		I am satisfied with services provided					Total
		Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly satisfied	
Respondent Age	18-25 years	1	4	6	19	8	38
	26-35 years	0	1	2	4	3	10
	36-45 years	0	0	6	15	5	26
	46-55 years	0	0	4	9	4	17
	above 55 years	0	0	0	0	3	3
Total		1	5	18	47	23	94

4.5 Reliability of Hotel Staff

An analysis of the reliability of the hotel staff in Table 4.4 shows that most of the customer agreed (53%) or strongly agreed (23%) that services were performed within promised time in their preferred Hotel. A majority of the respondents agreed (47%) or strongly agreed (36%) that the hotel employees showed sincere interest in solving their problems. It was noted that most of the respondents agreed (48%) with 31% strongly agreeing that the hotel provided services right the first time. Most of the respondent (46%) indicated that the hotel services were flawless. It was apparent that the Hotels were dependable in handling customer's complaints as 40% of the respondents agreed with this position and a further 26% strongly agreed. Figure 4.1 shows most of the respondents (42%) agreed that the hotels provided more services than was expected.

		I am satisfied with services provided		
		highly dissatisfied	dissatisfied	neutral
Respondent Age	18-25	1	4	6
	26-35	0	1	2
	36-45	0	0	6
	46-55	0	0	4
	above 55	0	0	0
Total		1	5	18

Figure 4.1: Hotels provided more services than was expected

Table 4.4 further indicate that there was consensus amongst 55% of the respondents who agreed that the Hotel employees were knowledgeable on their work. This outcome was interpreted to meant that the Hotel staff were highly reliable in service delivery.

Table 4.4: Reliability of Hotel Staff

Variable	Response Category	Frequency	Percent
Hotel services performed within promised time	Strongly disagree	1	1.0
	Disagree	3	3.0
	Neutral	20	20.0
	Agree	53	53.0
	Strongly agree	23	23.0
Hotel employees show sincere interest in solving problems	Disagree	5	5.0
	Neutral	12	12.0
	Agree	47	47.0
	Strongly agree	36	36.0
Hotel provides its services right the first time	Strongly disagree	1	1.0
	Disagree	4	4.0
	Neutral	15	15.0
	Agree	48	48.0
	Strongly agree	31	31.0
Hotel services are flawless	Disagree	7	7.0
	Neutral	21	21.0
	Agree	46	46.0
	Strongly agree	26	26.0
Hotel is dependable in handling customers	Strongly disagree	1	1.0
	Disagree	4	4.0
	Neutral	29	29.0
	Agree	40	40.0
	Strongly agree	26	26.0
Hotel provides more services than expected	Disagree	7	7.0
	Neutral	21	21.0
	Agree	42	42.0
	Strongly agree	30	30.0
Hotel employees are knowledgeable about their work	Strongly disagree	1	1.0
	Disagree	5	5.0
	Neutral	10	10.0
	Agree	55	55.0
Total		100	100.0

4.5.1 Mean Analysis of Reliability of Hotel Staff

Based on mean score analysis in Table 4.5, the variables that best described the reliability of hotel staff were; Hotel services are flawless (mean score=4.28), Employees show sincere interest in solving problems (means score =4.12), Hotel employees are knowledgeable about their work (mean score=4.06) and Hotel provides its services right the first time (mean score=4.03). The weighted mean score of reliability variables was equal to 4.03, which meant the customers agreed that the hotel staff were reliable.

Table 4.5: Mean Analysis of Reliability of Hotel Staff

Reliability Variables	Minimum	Maximum	Mean	Std. Deviation
Hotel services are flawless	2	44	4.28	4.163
Employees show sincere interest in solving problems	2	5	4.12	.816
Hotel employees are knowledgeable about their work	1	5	4.06	.835
Hotel provides its services right the first time	1	5	4.03	.847
Hotel services performed within promised time	1	5	3.93	.799
Hotel provides more services than expected	2	5	3.93	.888
Hotel is dependable in handling customers	1	5	3.84	.882
Weighted Mean Score			4.03	

4.5.2 Correlation of Reliability and Customer Satisfaction

Using Karl Pearson's coefficient of correlation (r) and probability value (p -value) analysis, the correlation between employee reliability and customer satisfaction was tested and results displayed in Table 4.6. While all the variables relating to reliability were significantly correlated with customer satisfaction, the variables with the highest correlation were; Hotel employees are knowledgeable about their work, with a significant moderate positive correlation ($r=0.588$, $p=0.000$) with customer satisfaction, Hotel provides its services right the first time with a

significant moderate positive correlation ($r=0.570$, $p=0.000$) with customer satisfaction. There existed a significant positive relationship ($r=0.561$, $p=0.000$) between 'Hotel services performed within promised time' and customer satisfaction. Hotel employees showed sincere interest in solving problems had significant moderate positive correlation ($r=0.405$, $p=0.000$) with customer satisfaction. These results collectively indicated the existence of a significant correlation between service reliability and customer satisfaction.

Table 4.6: Correlations of Reliability Dimension and Customer Satisfaction

Reliability Dimension		Hotel services performed within promised time	Hotel employees show sincere interest in solving problems	Hotel provides its services right the first time	Hotel services are flawless	Hotel is dependable in handling customers	Hotel provides more services than expected	Hotel employees are knowledgeable about their work	Customer satisfaction
Hotel services performed within promised time	Pearson Correlation Sig. (2-tailed)	1							
Hotel employees show sincere interest in solving problems	Pearson Correlation Sig. (2-tailed)	.423** .000	1						
Hotel provides its services right the first time	Pearson Correlation Sig. (2-tailed)	.613** .000	.418** .000	1					
Hotel services are flawless	Pearson Correlation Sig. (2-tailed)	.115 .264	.084 .411	.210* .040	1				
Hotel is dependable in handling customers	Pearson Correlation Sig. (2-tailed)	.464** .000	.415** .000	.453** .000	.191 .061	1			
Hotel provides more services than expected	Pearson Correlation Sig. (2-tailed)	.427** .000	.468** .000	.430** .000	.112 .275	.485** .000	1		
Hotel employees are knowledgeable about their work	Pearson Correlation Sig. (2-tailed)	.376** .000	.398** .000	.440** .000	.099 .333	.476** .000	.437** .000	1	
Customer satisfaction	Pearson Correlation Sig. (2-tailed)	.561** .000	.405** .000	.570** .000	.209* .043	.439** .000	.547** .000	.588** .000	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

4.6 Responsiveness of Hotel Employees

Resulting from a frequency analysis of responsiveness of Hotel employees in Table 4.6, most of the customers agreed (45%) and 30% strongly agreed that Hotel employees were always willing to help. A majority of the respondents agreed (48%) and 32% strongly agreed that Hotel employees quickly responds to request. Most of the customers agreed (44%) that and strongly agreed (30%) that Hotel employees are quick in eliminating potential errors. It was observed from Figure 4.2 that a majority of the respondents agreed (44%) and 34% strongly agreed that Hotel employees are not too busy to respond to their requests.

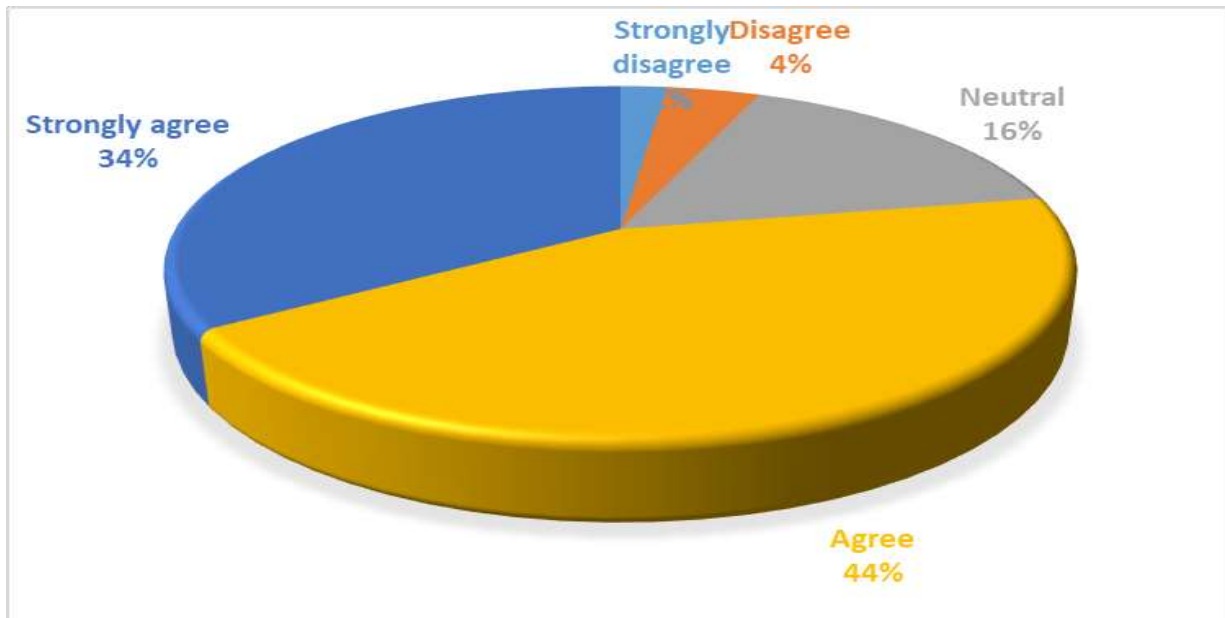


Figure 4.2: Hotel employees are not too busy to respond to customer requests

Resulting from Table 4.6, it was evident that most of the customers agreed (44%) or strongly agreed (26%) that Hotel keep customers informed of events and best rates. A majority of the responded conquered (47%) and 32% strongly agreed that Hotel employees act in their best interest. The customers agreed (46%) and 31% strongly agreed that the Hotel employees deal effectively with customer complains. The preceding analysis was interpreted to mean that the Hotel employees were very responsive, going by the response provided.

Table 4.6: Responsiveness of Employees

Variable	Response Category	Frequency	Percent
Hotel employees are always willing to help	Strongly disagree	3	3.0
	Disagree	3	3.0
	Neutral	19	19.0
	Agree	45	45.0
	Strongly agree	30	30.0
Hotel employees quickly responds to request	Strongly disagree	2	2.0
	Disagree	2	2.0
	Neutral	16	16.0
	Agree	48	48.0
	Strongly agree	32	32.0
Hotel employees are quick in eliminating potential errors	Disagree	7	7.0
	Neutral	19	19.0
	Agree	44	44.0
	Strongly agree	30	30.0
Hotel employees are not too busy to respond to requests	Strongly disagree	2	2.0
	Disagree	4	4.0
	Neutral	16	16.0
	Agree	44	44.0
	Strongly agree	34	34.0
Hotel keeps customers informed of events and best rates	Strongly disagree	2	2.0
	Disagree	8	8.0
	Neutral	20	20.0
	Agree	44	44.0
	Strongly agree	26	26.0
Hotel employees act in best interest	Disagree	3	3.0
	Neutral	18	18.0
	Agree	47	47.0
	Strongly agree	32	32.0
Hotel employees deal effectively with customers complains	Strongly disagree	3	3.0
	Disagree	3	3.0
	Neutral	17	17.0
	Agree	46	46.0
Total	Strongly agree	31	31.0
		100	100.0

4.6.1 Mean Analysis of Responsiveness of Hotel Staff

Using mean score, the results in Table 4.5 shows that the responsiveness values with the highest mean were; Hotel employees act in best interest (mean score=4.07), Hotel employees quickly responds to request (means score=4.05), Hotel employees are not too busy to respond to requests(mean score=4.01) and Hotel employees deal effectively with customers' complaints(mean score=3.95). The weighted mean score of the variables related with responsiveness was equal to 3.98, which implied that the customers agreed that the hotel staff were reliable.

Table 4.7: Mean Score Statistics of Reliability of Hotel Staff

Responsiveness Variables	Minimum	Maximum	Mean	Std. Deviation
Hotel employees act in best interest	2	5	4.07	.786
Hotel employees quickly responds to request	1	5	4.05	.862
Hotel employees are not too busy to respond to requests	1	5	4.01	.919
Hotel employees deal effectively with customers complains	1	5	3.98	.937
Hotel employees are always willing to help	1	5	3.95	.941
Hotel employees are quick in eliminating potential errors	2	5	3.94	.876
Hotel keeps customers informed of events and best rates	1	5	3.83	.969
Weighted Mean Score			3.98	

4.6.2 Correlation of Responsiveness and Customer Satisfaction

The results of a correlation analysis between responsiveness and customer satisfaction using Karl Pearson's coefficient of correlation (r) and probability value (p-value) analysis, in Table 4.8 shows that all the variables relating to responsiveness were significantly correlated with customer satisfaction. The highest correlation existing between; Hotel employees act in best interest, with a significant strong positive correlation ($r=0.685$, $p=0.000$) with customer satisfaction, Hotel keeps customers informed of events and best rates with a significant strong positive correlation ($r=0.681$, $p=0.000$) with customer satisfaction. There existed a significant

strong positive relationship ($r=0.666$, $p=0.000$) between 'Hotel employees are not too busy to respond to requests and customer satisfaction. Hotel employees are quick in eliminating potential errors had significant moderate positive correlation ($r=0.405$, $p=0.000$) with customer satisfaction. In summary, these results evidenced the existence of a significant correlation between service responsiveness and customer satisfaction.

Table 4.8: Correlation Between Responsiveness and Customer Satisfaction

Responsiveness Dimension		Hotel employees are always willing to help	Hotel employees quickly responds to request	Hotel employees are quick in eliminating potential errors	Hotel employees are not too busy to respond to requests	Hotel keeps customers informed of events and best rates	Hotel employees act in best interest	Hotel employees deal effectively with customers complains	Customer satisfaction
Hotel employees are always willing to help	Pearson Correlation Sig. (2-tailed)	1							
Hotel employees quickly responds to request	Pearson Correlation Sig. (2-tailed)	.595** .000	1						
Hotel employees are quick in eliminating potential errors	Pearson Correlation Sig. (2-tailed)	.386** .000	.332** .001	1					
Hotel employees are not too busy to respond to requests	Pearson Correlation Sig. (2-tailed)	.613** .000	.581** .000	.415** .000	1				
Hotel keeps customers informed of events and best rates	Pearson Correlation Sig. (2-tailed)	.516** .000	.414** .000	.476** .000	.479** .000	1			
Hotel employees act in best interest	Pearson Correlation Sig. (2-tailed)	.571** .000	.598** .000	.458** .000	.532** .000	.431** .000	1		
Hotel employees deal effectively with customers complains	Pearson Correlation Sig. (2-tailed)	.543** .000	.608** .000	.571** .000	.579** .000	.446** .000	.570** .000	1	
Customer satisfaction	Pearson Correlation Sig. (2-tailed)	.616** .000	.647** .000	.662** .000	.666** .000	.681** .000	.685** .000	.640** .000	1

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

4.7 Physical Environment

A frequency analysis of variables related with physical environment is presented in Table 4.10 below. A majority of the respondents agreed (47%) and 29% strongly agreed that the Hotel had modern looking equipment's. Most of the customers indicated strong agreement (39%) and 38% agreement that physical facilities in the Hotel were usually appealing. The results in Table 4.10 show that a majority of the customers agreed (41%) and 36% strongly agreed that the Hotel employees are professionally dressed. While 42% of the guests strongly agreed, 35% agreed that the materials used in service delivery in the Hotels are visually attractive. From Table 4.9, most of the guests who visited the Hotels for meeting purposes strongly agreed (16) and 13 of the resident agreed that the Hotel had clean and hygienic rooms.

Table 4.9: Cross Tabulation of Guest type versus Hotel has clean and hygienic washrooms

		The Hotel Has Clean And Hygienic Washrooms					Total
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Guest Type	Meeting	1	0	8	9	16	34
	Resident						
	Individual	0	1	5	13	8	27
	Walk In	0	1	5	11	10	27
	Others	0	1	1	2	2	6
Total		1	3	19	35	36	94

In Table 4.10, most of the customers strongly agreed (39%) or agreed (38%), that the Hotel had clean and hygienic washrooms. It was observed that a large number of the customers either agreed (45) strongly agreed (40%) that the hotel has clean and well maintained main areas. In general, these results were interpreted to mean that the customers agreed that The Hotels had good physical environments.

Table 4.10: Physical Environment

Variable	Response Category	Frequency	Percent
Hotel has modern looking equipment's	Strongly disagree	4	4.0
	Disagree	5	5.0
	Neutral	15	15.0
	Agree	47	47.0
	Strongly agree	29	29.0
Physical facilities are usually appealing	Strongly disagree	2	2.0
	Disagree	5	5.0
	Neutral	16	16.0
	Agree	38	38.0
	Strongly agree	39	39.0
Employees are professionally dressed	Strongly disagree	2	2.0
	Disagree	1	1.0
	Neutral	20	20.0
	Agree	41	41.0
	Strongly agree	36	36.0
Materials are visually attractive	Strongly disagree	2	2.0
	Disagree	7	7.0
	Neutral	14	14.0
	Agree	35	35.0
	Strongly agree	42	42.0
The hotel has clean and hygienic rooms	Strongly disagree	1	1.0
	Disagree	6	6.0
	Neutral	19	19.0
	Agree	38	38.0
	Strongly agree	36	36.0
The hotel has clean and hygienic washrooms	Strongly disagree	1	1.0
	Disagree	3	3.0
	Neutral	19	19.0
	Agree	38	38.0
	Strongly agree	39	39.0
The hotel has clean and well maintained main areas	Disagree	4	4.0
	Neutral	11	11.0
	Agree	45	45.0
	Strongly agree	40	40.0
Total		100	100.0

4.7.1 Mean Analysis of Physical Environment

The mean score analysis in Table 4.11 shows that the physical environment elements with the highest mean were; Hotel has clean and well maintained mainareas (mean score=4.15), the Hotel has clean and hygienic washrooms(means score=4.08), employees are professionally dressed(mean score=4.05) and materials used in service delivery are visually attractive (mean score=4.04). The weighted mean score of the variables related with physical environment was equal to 4.03, which was interpreted to mean that the customers agreed that the Hotel had an appealing physical environment.

Table 4.11: Mean Score of Physical Environment

Physical environment	Minimum	Maximum	Mean	Std. Deviation
Hotel has clean and well maintained main areas	2	5	4.15	.793
The hotel has clean and hygienic washrooms	1	5	4.08	.886
Employees are professionally dressed	1	5	4.05	.882
Materials are visually attractive	1	5	4.04	1.015
Physical facilities are usually appealing	1	5	4.03	.967
The hotel has clean and hygienic rooms	1	5	3.98	.940
Hotel has modern looking equipment's	1	5	3.89	.999
Weighted Mean Score			4.03	

4.7.2 Correlation of Physical Environment and Customer Satisfaction

A correlation analysis of physical environment and customer satisfaction using Karl Pearson's coefficient of correlation (r) and probability value (p-value) analysis, displayed in Table 4.8 shows that all the variables relating to physical environment were significantly correlated with customer satisfaction. The highest correlation existing between; The hotel has clean and hygienic washrooms, with a significant strong positive correlation ($r=0.772$, $p=0.000$) with customer satisfaction, physical facilities are usually appealing with a significant strong positive correlation

($r=0.715$, $p=0.000$) with customer satisfaction. There existed a significant strong positive relationship ($r=0.666$, $p=0.000$) between the hotel has clean and hygienic rooms and customer satisfaction. These analysis was interpreted to mean that physical evidence significantly correlated with customer satisfaction.

Table 4.12: Correlation Between Physical Environment and Customer Satisfaction

Physical Environment		Hotel has modern looking equipment's	Physical facilities are usually appealing	Employees are professionally dressed	Materials are visually attractive	The hotel has clean and hygienic rooms	The hotel has clean and hygienic washrooms	The hotel has clean and well maintained main areas	Customer satisfaction
Hotel has modern looking equipment's	Pearson Correlation Sig. (2-tailed)	1							
Physical facilities are usually appealing	Pearson Correlation Sig. (2-tailed)	.632** .000	1						
Employees are professionally dressed	Pearson Correlation Sig. (2-tailed)	.669** .000	.492** .000	1					
Materials are visually attractive	Pearson Correlation Sig. (2-tailed)	.604** .000	.638** .000	.547** .000	1				
The hotel has clean and hygienic rooms	Pearson Correlation Sig. (2-tailed)	.535** .000	.549** .000	.663** .000	.531** .000	1			
The hotel has clean and hygienic washrooms	Pearson Correlation Sig. (2-tailed)	.670** .000	.699** .000	.568** .000	.637** .000	.593** .000	1		
The hotel has clean and well maintained main areas	Pearson Correlation Sig. (2-tailed)	.608** .000	.675** .000	.607** .000	.527** .000	.635** .000	.619** .000	1	
Customer satisfaction	Pearson Correlation Sig. (2-tailed)	.664** .000	.715** .000	.622** .000	.675** .000	.706** .000	.772** .000	.648** .000	1

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

4.8 Mean Score Analysis of Corporate Governance

An examination of the mean scores of corporate governance related variables in Table 4.13, shows that the variable that informed corporate governance in the hospitality to a great extent were; boards composition (mean score=4.15), boards skills (mean score=4.12), board as currently constituted (mean score=4.01). The weighted mean score of the corporate governance was equal to 3.93, implying that most of the customers agreed that corporate governance had a role to play in influencing service delivery and by extension customer satisfaction.

Table 4.13: Mean Score Statistics of Corporate Governance

Corporate Governance	Minimum	Maximum	Mean	Std. Deviation
Hotel board composition affects service delivery	1	5	4.15	.896
Hotel board skills affect service delivery	2	5	4.12	.860
The board as currently constituted results in customer satisfaction	1	5	4.01	.891
Separation of duties between the hotel boards and hotel management affect service delivery	1	5	3.90	.958
Application of corporate governance principles in a hotel affects service delivery	1	5	3.46	1.027
Weighted Mean Score			3.93	

4.9 Effect of Service Quality on Customer Satisfaction

The study adopted multiple regression analysis in determining the relationship between the predictor variable (service quality dimensions) and the dependent variable (customer satisfaction). Assuming a linear relationship between service quality dimensions and customer satisfaction, the study used the Ordinary Least Square (OLS) method of estimation to extract a regression line of best fit. The unmoderated model took the form of equation (1) below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i \quad \text{equation (1)}$$

In this model, Y = Customer Satisfaction, β_0 = constant (showing customer satisfaction levels in the absence of service quality), $\beta_1, \beta_2, \beta_3$ = parameters of predictor variables under study, X_1 = service reliability, X_2 = service responsiveness, X_3 = service physical environment, ε_i = error term, The moderated model took the form of equation (2) below.

$$Y = \beta_0 + c' (\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3) + \beta_4 X_4 + \varepsilon_{ii}$$

In this equation, Y = customer satisfaction (CS), β_0 = constant in the regression model, c' = coefficient of service quality, X_1 = service reliability, X_2 = service responsiveness, X_3 = service physical environment, X_4 = corporate governance, ε_{ii} = error term, $\beta_1 - 3$ = coefficients of the independent variables, β_4 = Coefficient of corporate governance.

4.9.1 Pretest Diagnosis

As a pre estimation diagnosis, the data set was subjected to assumption of regression in terms of; normality test, linearity test, multicollinearity test and homoscedasticity as reported below.

To test for normality, the study adopted the use of normal distribution plots and the Shapiro-Wilk test for normality. Violations of normality creates a problem of determining whether model coefficients are significantly different from zero. The normal distribution plots in Appendix 5 shows a bell shape around the values +3 and -3, indicating the data is normally distributed. The P-P plots shows distribution of the rings is dense along the diagonal line, providing evidence that the data is normally distributed. The Shapiro-Wilk test was used to test the null hypothesis that the data was not normally distributed. The results in Table 4.14 shows that reliability had a sig. value = 0.157, responsiveness had a sig value = 0.703 and physical environment had a sig. value = 0.815. The Shapiro-Wilk test results shows that for all the key variables the p-value > 0.05, and hence the null hypothesis was not rejected and the study concluded that there was evidence that

the data tested was normally distributed (Razali& Wah, 2011). The data was therefore good for regression analysis.

Table 4.14: Shapiro-Wilk Test of Normality

Customer satisfaction	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Reliability	.356	3		.818	3	.157
Responsiveness	.125	18	.200*	.965	18	.703
Physical evidence	.112	15	.200*	.967	15	.815

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

The test of linearity was undertaken using correlation analysis. The output in Table 4.13 shows that the correlation between the independent variable and dependent variable were all the significant (p-value< 0.05). The three dimensions of service quality in the study (reliability, responsiveness and physical environment) were correlated with customer satisfaction and the results displayed in Table 4.15below. The correlation results in Table 4.15 shows the existence of a significant moderate positive correlation ($r=0.569$, $p=0.000$) between reliability and customer satisfaction at the 0.01 level in a 2-tailed test. The correlation between responsiveness and customer satisfaction was significant ($r=0.855$, $p=0.000$), strong and positive at 0.01 level in a two tailed test. Physical environment had a significant strong positive correlation ($r=0.842$, $p=0.000$) with customer satisfaction. These results indicated the existence of a relationship between the explanatory variables and the predicted variables. This was evidence that the predictor variables under study a straight-linear relationship with the outcome variable, and therefore was no problem of linearity (Field, 2009).

Table 4.15: Correlation of Service Quality and Customer Satisfaction

Service Quality Dimension		Reliability	Responsiveness	Physical environment	Customer satisfaction
Reliability	Pearson Correlation	1			
	Sig. (2-tailed)				
Responsiveness	Pearson Correlation	.537**	1		
	Sig. (2-tailed)	.000			
Physical environment	Pearson Correlation	.585**	.836**	1	
	Sig. (2-tailed)	.000	.000		
Customer satisfaction	Pearson Correlation	.569**	.855**	.842**	1
	Sig. (2-tailed)	.000	.000	.000	

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

Multicollinearity is said to exist when the predictor variables are highly correlated with each other. The presence of multicollinearity means; it may be difficult to separate out the effects of the individual predictor variable, the variances and the standard errors of the regression coefficient estimates will increase resulting in lower t-statistics. The study adopted the use of Tolerance and VIF, where the VIF provided a measure of how much the variance for a given regression coefficient is increased compared to if all predictors were uncorrelated (Denis, 2011). This meant that the extent to which the given predictor is highly correlated with the remaining predictors is the extent to which VIF will be large. Denis (2011), suggest that VIF of 3 shows no multicollinearity, while VIF greater than 10 shows multicollinearity exist. The collinearity statistics in Table 4.16 show the responsiveness had a VIF= 3.329 and Tolerance=0.300 and physical environment had a VIF= 3.3299 and Tolerance=0.300, The predictors all had VIF <

10, and Tolerance statistics less than one and the hence the data did not suffer from multicollinearity.

Table 4.16: Coefficients Showing Collinearity Statistics

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.145	.430		2.659	.009	.290	2.000		
	Responsiveness	.200	.193	.159	1.039	.301	-.182	.583	.300	3.329
	Physical environment	.517	.174	.453	2.967	.004	.171	.864	.300	3.329

a. Dependent Variable: Reliability

The data was subjected to the Homoscedasticity test using the Breusch-Pagan Test. Homoscedasticity means that the variance of errors is the same across all levels of the independent variables. When the variance of errors differs at different values of the independent variables, heteroscedasticity is indicated. The data was subjected to the Homoscedasticity test using the Breusch-Pagan Test. In Table 4.17, the resulting sig. values of the predictor variables were; reliability sig. value =0.887, responsiveness had a sig. value = 0.932 and physical environment had a sig. value = 0.947. Since all the predictor variables had sig. values > 0.05, the data set had no problem of heteroscedasticity and was instead homoscedastic and considered adequate for regression analysis.

Table 4.17 Coefficients Showing Homoscedasticity Statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF	
	(Constant)	.031	.219				.142	.887	-.404	.466
1	Reliability	.004	.051	.011	.086	.932	-.097	.105	.650	1.538
	Responsiveness	-.021	.095	-.042	-.217	.828	-.209	.168	.297	3.368
	Physical environment	.006	.089	.014	.067	.947	-.172	.184	.274	3.644

a. Dependent Variable: Unstandardized Residual

4.9.2 Regression Analysis of Service Quality and Customer Satisfaction

Proceeding with the understanding that service quality was a construct comprising; reliability, responsiveness and physical environment, the effect of service quality on customer satisfaction was examined by testing the following three research hypothesis;

H₀₁: Reliability has no significant effect on customer satisfaction in the hotel industry

H₀₂: Responsiveness has no significant effect on customer satisfaction in the hotel industry

H₀₃: Physical Environment has no significant effect on customer satisfaction in the hotel industry

The unmoderated multiple linear regression analysis resulted in three outputs; a model summary, Analysis of Variance (ANOVA) and coefficients tables. The model summary in Table 4.18 presents three models each dependent on a single predictor or a combination of the predictor's. The model summary outcome shows the coefficient of determination (R^2), which measures how well the resulting model is likely to predict future outcomes. While model 1 show a linear relationship between one predictor (reliability) and the dependent variable (customer satisfaction), model 3 combined all the three predictor's (reliability, responsiveness, physical environment) and had the highest value of the coefficient of determination, where $R^2 = 0.788$.

This meant that model 3 could predict 78.8% of the variations in a customer satisfaction and hence a very good fit.

Table 4.18: Model Summary of Service Quality and Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569 ^a	.324	.317	.59147
2	.864 ^b	.747	.742	.36361
3	.888 ^c	.788	.781	.33458

a. Predictors: (Constant), Reliability

b. Predictors: (Constant), Reliability, Responsiveness

c. Predictors: (Constant), Reliability, Responsiveness, Physical environment

d. Dependent Variable: Customer satisfaction

The ANOVA related to model 1, model 2 and model 3 above were extracted and presented in Table 4.19. The Table shows that model 1, model 2 and model 3 all had a sig-value = 0.000. Focusing on model 3, the resulting sig. value = 0.000 meant that the model predicted by; reliability, responsiveness and physical environment was significant in explaining the linear relationship between the three predictors and customer satisfaction.

Table 4. 19: ANOVA of Service Quality and Customer Satisfaction

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.427	1	15.427	44.096	.000 ^b
	Residual	32.185	92	.350		
	Total	47.612	93			
2	Regression	35.581	2	17.790	134.562	.000 ^c
	Residual	12.031	91	.132		
	Total	47.612	93			
3	Regression	37.536	3	12.512	111.770	.000 ^d
	Residual	10.075	90	.112		
	Total	47.612	93			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Reliability

c. Predictors: (Constant), Reliability, Responsiveness

d. Predictors: (Constant), Reliability, Responsiveness, Physical environment

From Table 4.20, and based on model 1 predicted by reliability only, reliability had significant coefficient (sig. value=0.000). Based on model 2, predicted by reliability and responsiveness, the associated reliability sig. value was 0.015 and the sig value of responsiveness was 0.000, implying both were significant.

However, given the strong fit of model 3, which also combined all the predictor variables into one model, its coefficients were interpreted. Reliability had a non-significant coefficient with p-value = 0.308 under the combined model. The study therefore failed to reject H_{01} at 5% level, and interpreted the results to mean that reliability had no significant effect on customer satisfaction amongst hotels in Nairobi. The resulting coefficient of responsiveness was significant with a p-value = 0.000 and therefore the study rejected H_{02} at 5% level, and interpreted the results to mean that responsiveness had a significant effect on consumer satisfaction amongst hotels in Nairobi. An examination of the physical environment reveals the existence of a significant p-value = 0.000 and therefore H_{03} was rejected at 5% level and physical environment interpreted as having a significant relationship with consumer satisfaction in hotels in Nairobi.

Table 4.20: Unmoderated Coefficients of Service Quality

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.102	.293		7.174	.000	1.520	2.685
	Reliability	.473	.071	.569	6.640	.000	.331	.614
2	(Constant)	.269	.233		1.153	.252	-.195	.733
	Reliability	.129	.052	.155	2.481	.015	.026	.232
	Responsiveness	.810	.066	.771	12.347	.000	.679	.940
3	(Constant)	.221	.215		1.026	.308	-.207	.648
	Reliability	.067	.050	.081	1.348	.181	-.032	.167
	Responsiveness	.512	.093	.487	5.477	.000	.326	.697
	Physical environment	.367	.088	.387	4.180	.000	.193	.542

a. Dependent Variable: Customer satisfaction

From Table 4.20, the resulting coefficients were used in derivation of the fitted model as follows;

$$Y = 0.221 + 0.512X_2 + 0.367X_3 \quad \text{equation (3)}$$

From the fitted equation (3), Y = Customer Satisfaction, 0.221 = constant (showing customer satisfaction levels in the absence of service quality), X_2 = service responsiveness, X_3 = service physical environment, the results indicate that in the absence of service quality, customer satisfaction would be 0.221. Service responsiveness had the highest effect on customer satisfaction, where a unit change in employee responsiveness would result in a 51.2% positive change in customer satisfaction. Physical environment had the second highest influence on customer satisfaction and a unit change in physical environment would result in a 36.7% positive change in customer satisfaction. This results were interpreted to mean that service quality had a positive and significant effect on customer satisfaction, which was highly informed by employee responsiveness and the physical environment of the service.

4.10 Moderating Effect of Corporate Governance on the Relationship Between Service Quality and Customer Satisfaction

The study employed the Baron and Kenny's (1986) Method for moderation in examining the moderating effect of corporate governance on the relationship between service quality and customer satisfaction. The moderated model took the form of equation (4) below.

$$Y = \beta_0 + c' (\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3) + \beta_4 X_4 + \varepsilon_{ii} \quad \text{equation (4)}$$

From Table 4.21, the direct effect of service quality on customer satisfaction is given by model 1 and the moderated effect is given by model 2. The resulting model 1, shows the $R^2= 0.775$, which meant the model predicted by service quality provided a good fit. The moderated model 2 had an $R^2=0.777$, the moderated model also provided a good fit.

Table 4.21: Model Summary of Moderated Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.880 ^a	.775	.772	.34158
2	.881 ^b	.777	.772	.34151

a. Predictors: (Constant), servicequality

b. Predictors: (Constant), servicequality, Corporate governance

c. Dependent Variable: Customer satisfaction

The ANOVA results in Table4.22 shows that model 1 and model 2 both were significant(sig. value=0.000) hence the model predicted by service quality was significant and the model predicted by service quality and corporate governance was also significant.

Table 4.22: ANOVA of Moderated Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.272	1	37.272	319.442	.000 ^b
	Residual	10.851	93	.117		
	Total	48.124	94			
2	Regression	37.394	2	18.697	160.312	.000 ^c
	Residual	10.730	92	.117		
	Total	48.124	94			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), servicequality

c. Predictors: (Constant), servicequality, Corporate governance

The coefficients of the moderated model are presented in Table 4.23 below. From the model 1, service quality had a significant sig. value=0.000, meaning on a direct effect, service quality significantly predicted customer satisfaction. The moderated model 2 shows that service quality had a significant coefficient with sig.-value = 0.000. The mediating variable (corporate governance) had a non-significant coefficient with sig.-value = 0.310. The study therefore failed to reject H_{04} at 5% level, and interpreted the results to mean that corporate governance did not significantly moderate the relationship between service quality and customer satisfaction.

Table 4.23: Coefficients of Moderated Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.384	.206		1.869	.065	-.024	.793
	Servicequality	.904	.051	.880	17.873	.000	.804	1.005
2	(Constant)	.275	.232		1.186	.239	-.185	.735
	Servicequality	.899	.051	.875	17.665	.000	.798	1.000
	Corporate governance	.033	.032	.051	1.020	.310	-.031	.097

a. Dependent Variable: Customer satisfaction

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings, conclusion and recommendations of the study based on the general objective of the study which was to determine the influence of corporate governance on the relationship between service quality and customer satisfaction in hotels in Nairobi County.

5.2 Summary of Findings

A summary of the study findings is covered in this section and a discussion of the results as corroborated by other studies are equally presented. The discussion is guided by the specific research objectives.

5.2.1 Discussion on Reliability and Customer Satisfaction

The first objective of the study sought to determine the effect of reliability on customer satisfaction. Resulting from a correlation analysis, it was established that all the variables that comprised the reliability construct had a positive and significant relationship with customer satisfaction. Using multiple regression analysis, it was noted that there was no-significant relationship between reliability and consumer satisfaction.

Using mean score analysis, it was observed that employeereliability was explained to a great extent by the following variables;hotel services being flawless, employees showing sincere interest in solving customer problems, having employees who are knowledgeable about their

work and hotels that provide its services right the first time. The weighted mean score of variables that loaded on reliability was 4.03, which meant that the hotel customers agreed that the employee were reliable. Reliability of employees is associated with high customer satisfaction by Maric et al. (2016) who also posit that quality service that is reliable when rendered accurately and in accordance with the promise made to the client. Wahid et al. (2017) corroborate this position as they argue that the connection between reliability and customer satisfaction is direct since customer who has been disappointed cannot be satisfied. As evidenced by the correlation analysis results, hotels need to pay attention to three areas to be more reliable in service delivery and satisfy customers; having employees who are knowledgeable about their work, providing its services right the first time and performing service within the promised time.

5.2.1 Discussion on Responsiveness and Customer Satisfaction

In light of the second research objective, the study sought to determine the effect of responsiveness on customer satisfaction. Resulting from multiple regression analysis, the study established that responsiveness had a significant positive effect on consumer satisfaction amongst hotels in Nairobi. The mean analysis indicated that the variables with the highest mean in terms of responsiveness were; when employees act in customers' best interest, when employees quickly responds to request and employees who deal effectively with customers' complaints. The weighted mean score of the variables related with responsiveness was equal to 3.98, which implied that the customers agreed that the reliability of hotel staff influenced their satisfaction to a great extent.

This results were supported by the correlation output that also indicated that the variables that comprised responsiveness to a great extent were; employees who act in the best interest of customers, employees who keep customers informed of events and best rates and employees who are not too busy to respond to requests. Similar finding was registered by Gunarathne (2014) who concluded that a positive relationship exists between responsiveness and customer satisfaction. In a related study of service quality in hotels, Eshetie et al., (2016) established that where employee responsiveness was substandard, it resulted in customer dissatisfaction. Going by the resulting discussion, hotels must pay due consideration to the following aspects of responsiveness; employees must act in the best interest of customers, employees must act quickly in responding to customers and the employees must deal decisively with customer concerns to satisfy them.

5.2.2 Discussion on Physical Environment and Customer Satisfaction

The third research objective sort to determine the effect of physical environment on customer satisfaction. Using multiple regression analysis, the study determined that physical environment had a significant positive relationship with consumer satisfaction. A mean analysis revealed that the main variables that informed physical environment in the hotel were; hotel has clean and well maintained main areas, the Hotel has clean and hygienic washrooms, employees are professionally dressed and materials used in service delivery are visually attractive. The weighted mean score of the variables related with physical environment was equal to 4.03, which was interpreted to mean that the customers agreed that a Hotel with an appealing physical environment was likely to result in higher customer satisfaction.

Using correlation analysis, it was the main contributors to physical environment that had a significant correlation with customer satisfaction were; the hotel has clean and hygienic washrooms, physical facilities are usually appealing, the hotel has clean and hygienic rooms. These findings are consistent with the work of Rauch et al., (2015) who found that tangibility was a key dimension of service quality and had significant influence on customer satisfaction levels. In a related study in the hospitality industry in India, Sharma (2010) established that tangibility was a major dimension of service quality with significant positive influence on customer satisfaction. Similarly, Panda and Das (2014) reported that the main aspect of tangibility that influence customer satisfaction the most in the hospitality industry included; physical appearance, facilities and staff presentation.

5.2.3 Discussion on Corporate Governance and the Relationship Between Service Quality and Customer Satisfaction

Under the fourth research objective, the study established a significant positive relationship between service quality and customer satisfaction. On examining the moderating effect of corporate governance on the relationship between service quality and customer satisfaction, a non-significant moderating effect was arrived at. According to a mean score analysis of corporate governance, the variables that composed corporate governance in the hospitality sector to a great extent were; boards composition, boards skills and board as currently constituted. The weighted mean score of the corporate governance was equal to 3.93, which implied the customer agreed that corporate governance influence customer satisfaction to a great extent. Corroborating this position Obiyo and Totbira (2011) demonstrated that corporate governance influenced the

performance of an organization positively, while Lam and Lee (2008) found a positive relationship between non-CEO duality to firm performance.

5.3 Conclusion

The study concludes that service quality has a significant effect on customer satisfaction in hotels in Nairobi County. Service quality comprised of three main dimensions; reliability, responsiveness and physical environment. Out of the three the dimension with the greatest positive effect on customer satisfaction in the hospitality industry was responsiveness, followed by physical evidence. Though reliability had significant correlation with customer satisfaction, its effect on customer satisfaction was non-significant. Responsiveness in the hotels refers to; employees who act in the best interest of customers, employees who act quickly in responding to customers and the employees who deal decisively with customer concerns to satisfy them. The physical evidence most likely to have the greatest effect on customer satisfaction in hotels include; hotel with clean and hygienic washrooms, hotel with physical facilities that are visually appealing and a hotel with clean and hygienic rooms. While the study tested the moderating effect of corporate governance, it was observed that corporate governance had a non-significant moderating effect on the relationship between service quality and customer satisfaction.

5.4 Recommendations

The study recommends that to achieve maximum returns on their investment, managers in the hospitality sector need to pay attention to the service quality they offer because it has a great influence on customer satisfaction. The more they invest in service quality, the higher the customer satisfaction and returns on their investment. To enhance service quality hotel managers must pay attention to the responsiveness of the service staff. They have to train the in requisite

knowledge areas of service delivery, train them to be customer centric and train them to have customers interest at heart.

The study recommends that policy regulators should enact laws that set minimum requirements of hotel guest reception areas, guest rooms and cleanliness in washrooms, for customers surveyed paid greater attention to these areas. The same recommendation is made to the management of hotel facilities.

It is recommended to academicians to pay attention to the influence of corporate governance on service outcome. While this relationship was non-significant in this study, the influence of corporate governance could be a key to customer satisfaction and by extension firm performance.

5.5 Areas for Further Studies

The focus of this stud was on customers, who might not have been best placed to address the issue of corporate governance. Future studies can be seek manager and employee perspective on the effect of corporate governance on customer satisfaction.

5.6 Limitations of the Study

The process of data collection was challenging as some respondents indicated they were in a hurry and could not take part in the survey. The field was marked with low response or non-response on the question of corporate governance as most respondent said they had no idea about the hotels corporate governance.

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APPENDICES

Appendix 1: Introduction Letter



To Whom It May Concern

Dear Sir/Madam,

RE: Request to Collect Data on a Research Topic entitled “Effect of Corporate Governance on the Relationship between Service Quality & Customer Satisfaction”

I am an MBA (Corporate Management) student at the KCA University of Nairobi, School of Business. As part of the requirements for the award of the degree, I am expected to undertake a research study which involves data collection and report writing. The purpose of this study is **“to investigate the effect of corporate governance on the relationship between service quality and customer satisfaction among hotels in Nairobi.”**

I hereby request for your participation by taking a few minutes to complete the attached Questionnaire. The research results will be used for academic purposes only and only the summary results will be made public. No one will have access to these records except the University and the researcher. The information obtained will be treated confidentially and for research purposes only. Your support and cooperation in filling the Questionnaire will be highly appreciated.

Yours faithfully,

Patrick O. Misawo
MBA Candidate
email: pomisawo@gmail.com
Cell : 0722 608655

Appendix 2: Cover Letter: Institutional

Patrick O. Misawo
KCA University
P.O.BOX 22608,
00400
Nairobi.
Tel.0722 608655

The Dean, School of Business
KCA University P.O.BOX
30197, 00100
Nairobi, Kenya.

Dear Sir/Madam,

RE: REQUEST FOR PERMISSION TO COLLECT ACADEMIC RESEARCH DATA

I am writing to kindly request for permission to obtain data from your organization for the above mentioned purpose. I am an MBA candidate at the KCA University, Nairobi, School of Business and as part of the requirements of the award of the degree, I am conducting a research on **“Effect of Corporate Governance on the Relationship between Service Quality & Customer Satisfaction in Nairobi hotels”**

I included your hotel in my study after observing that it was amongst the top ranked hotels in Kenya, based on the hotel star ratings. Given the research topic, it was considered that customer in your hotel will be more potential in providing the required data. I therefore request that you allow me to collect data that is pertinent for the research. My mode of data collection is through self-administered questionnaire. I am targeting at least 250 respondents from your organization.

I assure you that the information collected will be used purely for this academic research and I guarantee utmost confidentiality. I have attached a letter from the university certifying my candidature and a copy of the questionnaire. Copy of the findings will be availed to you upon request. Thankyou

Yours faithfully,

Patrick Misawo
MBA Student

Appendix 3: Questionnaire

I am an MBA student at the KCA University of Nairobi, School of Business. As part of the requirements for the award of the degree, I am expected to undertake a research study which involves data collection and report writing. The purpose of this study is **“to investigate the effect of corporate governance on the relationship between service quality and customer satisfaction among hotels in Nairobi.”**

I hereby request for your participation by taking a few minutes to complete the attached Questionnaire. The information obtained will be treated confidentially and for research purposes only. Your support and cooperation in filling the Questionnaire will be highly appreciated.

Part A: Background Information:

Please tick (✓) where applicable.

1. Gender:	Male []	Female []			
2. Age:	18-25 []	26-35 []	36-45 []	46-55 []	above 55 []
3. Nationality:	Kenyan []	Rest of Africa []	Europe []	USA []	
	Middle East []	Asia []			
4. Guest type:	Meeting / Conference []	Resident individual []	Walk in []		
	Other (Specify).....				
5. Number of visits to this hotel:	First visit []	2 to 10 visits []	more than 10 visits []		

Part B: Effect of Reliability on Customer Satisfaction in this hotel

Please tick (√) to indicate the extent to which you agree or disagree with the following statements on the effect of reliability on customer satisfaction in this hotel. Use the scale:

1= Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree(A)

5 = Strongly Agree(SA)

SN	Reliability Dimension	SD	D	N	A	SA
		1	2	3	4	5
6	Hotel services are performed within promised time					
7	Hotel employees show sincere interest in solving problems					
8	Hotel provides its service right the first time					
9	Hotel services are flawless					
10.	Hotel is dependable in handling customer					
11.	Hotel provides more services than expected					
12.	Hotel employees are knowledgeable in their work					

Part C: Effect of Responsiveness on Customer Satisfaction in this Hotel

Please tick (√) to indicate the extent to which you agree or disagree with the following statements on the effect of responsiveness on customer satisfaction in this hotel. Use the scale:

1= Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree(A)

5 = Strongly Agree(SA)

SN	Responsiveness Dimension	SD	D	N	A	SA
		1	2	3	4	5
13.	Hotel employees are always willing to help					
14.	Hotel employees quickly respond to requests					
15.	Hotel employees are quick in eliminating potential errors					
16.	Hotel employees are never too busy to respond to requests					
17.	Hotel keeps customer informed of events and best rates					
18.	Hotel employees act in the best interests of the customer					
19.	Hotel employees deal effectively with customer complaints					

Part E: Corporate Governance

Please indicate by ticking (√) the extent to which you agree or disagree with the following statements on corporate Governance. Use the scale:

1= Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree(A)

5 = Strongly Agree(SA)

SN	Customer Satisfaction	SD	D	N	A	SA
		1	2	3	4	5
27.	Hotel board composition affects service delivery					
28.	Hotel board skills affect service delivery					
29.	Application of corporate governance principles in a hotel affects service delivery					
30.	Separation of duties between the hotel boards and hotel management affect service delivery					
31.	The board as currently constituted results in customer satisfaction					

Appendix 4: Reliability Statistics

Reliability Statistics

Cronbach's Alpha	Number of Items
.884	38

Appendix 5: Normality Test Plots

