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Questioning Conventional Wisdom: Is a Happy Employee a Good Employee, or Do Other Attitudes Matter More?

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Abstract

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Keywords

human resources, employee satisfaction, food and beverage management, Asia

Disciplines

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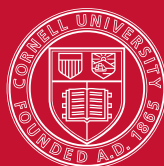


Cornell Hospitality Report

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Is a Happy Employee a Good Employee, or Do Other Attitudes Matter More?

by Michael C. Sturman, Ph.D., and Sean A. Way, Ph.D.

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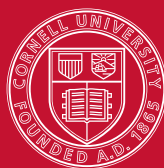
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EXECUTIVE SUMMARY

The notion that good service results when companies ensure their employees' satisfaction has found little support in empirical research. The idea is an enduring one, however, and it has been codified as the starting point in the widely espoused service-value-profit chain. This study of food and beverage managers in forty Asian hotels is the first to address this issue directly in the hospitality industry. The findings underscore the weak connection between workers' satisfaction and the ratings of F&B supervisors. Instead, another factor has a much stronger effect on performance. That factor is the workplace climate, which comprises employees' understanding of the practices, procedures, and behaviors that are rewarded, supported, and expected by the organization with regard to customer service and customer service quality. A strong workplace climate is a precursor to effective service performance, as measured by supervisors' ratings of the F&B work groups in this study. None of this is to say that employers should disregard employees' satisfaction with their jobs, particularly because of the influence of satisfaction on turnover and other workplace issues. To improve performance, however, this study reinforces existing research findings that managers should ensure that all employees understand what is expected of them and how their performance will be appraised and rewarded.

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You've probably seen the titles: *The Customer Comes Second*; *Treat Employees Like Customers*; and *Employees Are Your Most Valuable Assets*.¹ The popular press is replete with books and articles exhorting managers to enhance employees' work experience and satisfaction. These works are based on the concept that a happy employee is an effective employee. In the workplace, this perspective is usually considered by examining employees' job satisfaction. While job satisfaction may not be the exact equivalent to happiness, the result has been a huge volume of research and organizational effort aimed at examining employees' ratings of job satisfaction.

¹ For example, see: H.E. Rosenbluth and D. McFerrin Peters, *The Customer Comes Second: Put Your People First and Watch 'em Kick Butt* (New York: HarperCollins, 2002); and S.F. Stershic, *Taking Care of the People Who Matter Most: A Guide to Employee-Customer Care* (Rochester, NY: WME Books, 2007).

Many subscribe to this “common sense” idea about satisfied employees, the implication of which is that managers should work to increase employees’ job satisfaction, with the idea that those employees will be higher performers. This conventional wisdom is further enforced by formal and popular perspectives, such as the service-value-profit chain.² This famous model argues that “satisfied and motivated employees produce satisfied customers, and satisfied customers tend to purchase more, increasing the revenue and profits of the organization.”³ Thus, to improve one’s business results, by this logic one might conclude that it makes sense to begin by increasing employees’ job satisfaction. The problem with that conclusion is that extensive empirical research indicates that this managerial approach may not operate as thought.

Not only do managers subscribe to the idea that job satisfaction is a key predictor of employee performance, but many seem to believe that high job satisfaction leads to strong job performance.⁴ However, as we explain in this report, empirical evidence demonstrates that the relationship is not only not causal, but the correlation is not nearly as strong as many managers (and employees) believe. In that regard, Judge and colleagues, for instance, performed an extensive meta-analysis of the job satisfaction–job performance relationship.⁵ Judge *et al.*’s examination of a total of 314 studies with a combined sample size of 54,471 subjects found the correlation between job satisfaction and job performance (after correcting for unreliability) to be 0.30; the average raw correlation was only 0.18. While the Judge *et al.*

² See: J.L. Heskett, T.O. Jones, G.W. Loveman, E.W. Sasser, Jr., and L.A. Schlesinger, “Putting the Service-profit Chain to Work,” *Harvard Business Review*, Vol. 72 (1994), pp. 164-174; and J.L. Heskett, W.E. Sasser, Jr., and L. Schlesinger, *The Service–Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction, and Values* (New York: Free Press, 1997).

³ G.A. Gelade and S. Young, “Test of a Service-profit-chain Model in the Retail Banking Sector,” *Journal of Occupational and Organizational Psychology*, Vol. 78 (2005), pp. 2–3.

⁴ C.D. Fisher, “Why Do Lay People Believe that Satisfaction and Performance Are Correlated? Possible Sources of a Commonsense Theory,” *Journal of Organizational Behavior*, Vol. 24 (2003), pp. 753-777.

⁵ T.A. Judge, C.J. Thoresen, J.E. Bono, and G.K. Patton, “The Job Satisfaction–Job Performance Relationship: A Qualitative and Quantitative Review,” *Psychological Bulletin*, Vol. 127 (2001), pp. 376-407.

study shows a relationship between job satisfaction and job performance, it also shows that affecting job satisfaction is not a decisive tool for changing employee performance.

Along that line, it is important to emphasize that this relationship is simply a correlation, and does not constitute evidence that job satisfaction causes job performance. That is, it is certainly possible, if not probable, that some of the variance in the job satisfaction–job performance relationship occurs when job performance causes job satisfaction, rather than the other way around. This casts further doubt on the logic of trying to increase employee performance by first increasing employees’ job satisfaction. Still others argue that the observed correlation between job satisfaction and performance is spurious.⁶ That is, the relationship between job satisfaction and performance may be the result of the two variables having a relationship with some third variable.

We have seen some work that may at first seem to support the view that enhancing employee job satisfaction is a beneficial strategy.⁷ For one, Schneider and colleagues have shown that employee attitudes can have a positive impact on customers’ experiences. However, careful examination of this research shows that these scholars were not examining job satisfaction; rather, they were examining the effects of a different factor, service climate, on customers’ experiences. Although the findings of Schneider’s group are interesting (and we will discuss service climate in detail later in this report), they do not provide support for the view that employee job satisfaction is an important driver of employee performance.

A study by Rucci *et al.* described the employee–customer-profit chain model employed by Sears. They argue that ten questions regarding employees’ attitudes toward

⁶ N.A. Bowling, “Is the Job Satisfaction–Job Performance Relationship Spurious? A Meta-analytical Examination,” *Journal of Vocational Behavior*, Vol. 71 (2007), pp. 167-185.

⁷ For example, see: B. Schneider, S.S. White, and M.C. Paul, “Linking Service Climate Perceptions of Service Quality: Test of a Causal Model,” *Journal of Applied Psychology*, Vol. 83 (1998), pp. 150-163; B. Schneider, J.P. Parkington, and V.M. Buxton, “Employee and Customer Perceptions of Service in Banks,” *Administrative Science Quarterly*, Vol. 25 (1980), pp. 252-267; and J.A. Rucci, S.P. Kirn, and R.T. Quinn, “The Employee–customer-profit Chain at Sears,” *Harvard Business Review*, Vol. 76, No. 1 (1998), pp. 82-97.

the job and their attitudes toward the company related to employee behavior and customer satisfaction. Yet the Sears turnaround of the 1990s involved many different facets, only some of which included the monitoring of employee satisfaction. While Rucci's group reported that a 4-percent increase in employee satisfaction corresponded to a 4-percent increase in customer satisfaction, the causal mechanisms are not clear. The conclusions of the Rucci *et al.* report in regard to the linkages between employee attitudes and valued indicators of performance like customer satisfaction and financial performance are interesting; however, the Rucci group's report presents little empirical evidence, and the authors do not provide the empirical support necessary to evaluate their conclusions.

Empirical research that has attempted to directly test the link between job satisfaction and performance within the service-value-profit chain has provided mixed results. Some studies have found no relationship between employee satisfaction and customer satisfaction;⁸ others have found the link to be weak;⁹ and two studies even showed the relationship between employee satisfaction and customer satisfaction to be negative.¹⁰ Although a recent reexamination of the results from those two negative studies argued that the relationship between employee satisfaction and customer satisfaction was actually a weak positive, that result hardly establishes the connection held by the conventional

⁸ W.A. Kamakura, V. Mittal, F. De Rosa, and J.A. Mazzon, "Assessing the Service-profit Chain," *Marketing Science*, Vol. 21 (2002), pp. 294-317; M. Pritchard and R. Silvestro, "Applying the Service-profit Chain to Analyze Retail Performance: The Case of the Managerial Straitjacket?" *International Journal of Service Industry Management*, Vol. 16 (2005), pp. 337-357.

⁹ Gelade and Young, *op.cit.*; G.W. Loveman, "Employee Satisfaction, Customer Loyalty, and Financial Performance: An Empirical Examination of the Service-profit Chain in Retail Banking," *Journal of Service Research*, Vol. 1 (1998), pp. 18-31.

¹⁰ R. Silvestro, "Dispelling the Modern Myth: Employee Satisfaction and Loyalty Drive Service Profitability," *International Journal of Operations & Production Management*, Vol. 22 (2002), pp. 30-49; R. Silvestro and S. Cross, "Applying the Service-profit Chain in a Retail Environment," *International Journal of Service Industry Management*, Vol. 11 (2000), pp. 244-268.

wisdom.¹¹ Similarly, a meta-analysis of the relationship between employee satisfaction and profitability estimated the corrected correlation to be positive but weak.¹² Although these studies have their flaws, they present much more detailed empirical results than the Rucci *et al.* study. As a set, the studies paint a consistent picture that the effect of job satisfaction on important indicators of performance is limited at best.

In sum, a large body of empirical research shows only a weak relationship between employee satisfaction and performance. This body of research calls into question the concept that employees' job satisfaction has a direct relationship to customers' satisfaction or a firm's financial performance. Nevertheless, many managers, particularly those in the hospitality industry, hold the view that increasing employee job satisfaction will result in improved employee performance.¹³ In classroom conversations with hospitality managers (and students), we have heard the "happy employee is a good employee" hypothesis repeatedly espoused. Furthermore, a survey of a global hotel brand showed that managers and supervisors strongly agreed with the statement that "a happy worker is likely to be a productive worker" and that job satisfaction was a causal driver of job performance.¹⁴ Even when we point to the empirical evidence that contradicts this

¹¹ T.L. Keiningham, L. Aksoy, R.M. Daly, K. Perrier, and A. Solom, "Reexamining the Link between Employee Satisfaction and Store Performance in a Retail Environment," *International Journal of Service Industry Management*, Vol. 17 (2006), pp. 51-57.

¹² J.K. Harter, F.L. Schmidt, and T.L. Hayes, "Business-unit-level Relationship between Employee Satisfaction, Employee Engagement, and Business Outcomes: A Meta-analysis," *Journal of Applied Psychology*, Vol. 87 (2002), pp. 268-279. Correcting observed correlations for unreliability and range restriction yielded Harter *et al.* an estimated relationship between employee satisfaction and profitability of .13.

¹³ For example, see: The Marriott Management Philosophy: A Living Tradition of Values and Beliefs (www.marriott.com/Multimedia/PDF/Marriott_Management_Philosophy.pdf).

¹⁴ Fisher, *op.cit.* The study of 176 supervisors and managers from a global hotel brand asked individuals to rate (on a 7-point scale) the extent to which they agreed with the statement "A happy worker is likely to be a productive worker." The mean rating was 6.39.

Service climate, and not employee satisfaction, relates to supervisors' ratings of their employees' task performance.

conventional wisdom, we often hear, “well, this may be true in other settings, but in the hospitality industry, employee satisfaction is really important for good performance.” Admittedly, the studies we just cited either do not distinguish results by industry,¹⁵ or have been conducted in service areas other than hospitality.¹⁶

With that background, the purpose of this report is to examine the putative first link in the service-value-profit chain by examining the relationship between job satisfaction and job performance for a sample of workers in the hospitality industry. We examine whether hospitality industry managers are well served by trying to make their employees happier and, if not, what is a better course of action. We'll also examine the role of service climate in predicting supervisors' ratings of their employees. First, let us discuss service climate as it contrasts with employee satisfaction.

Service Climate: A Potentially More Important Employee Attitude

The research we discussed above indicates that job satisfaction is likely to be only weakly related to supervisors' ratings of task performance. Although we grant that this relationship has not been specifically examined in a hospitality context, we see no reason to expect anything but the same minimal relationship in a hotel sample. Even though the research forecasts a weak, positive link between job satisfaction and performance, it is important to point out that employee attitudes are in no way irrelevant. The problem we see with a focus on employee satisfaction is that it has distracted managers from addressing those employee perceptions and attitudes that research has shown to have a positive effect on performance. One such variable is service climate. Because

¹⁵ Judge *et al.*, *op.cit.*, looks at all studies across industries. While the authors did look at the relationship within certain occupations. For example, they showed that the mean correlation between job satisfaction and job performance for sales people was .28. They did not specifically examine the hospitality sector.

¹⁶ The works reviewed earlier about the service-value-profit chain either looked at retailers or banking. None of the tests of the service-value-profit chain examined hotels or restaurants.

of the crucial role that human resources plays in service encounters and delivery in the hospitality industry, research indicates that the creation of a strong service climate may have important implications for hospitality firms.¹⁷

Service climate is defined as group members' “shared perceptions of the practices, procedures, and behaviors that are rewarded, supported, and expected by the organization with regard to customer service and customer service quality.”¹⁸ Schneider *et al.* suggested that service climate is a collective and shared phenomenon that focuses service employees' effort and competency on delivering quality service. An emerging stream of research has documented the value of a favorable service climate. Studies have shown a positive relationship between employees' ratings of service climate and customer satisfaction.¹⁹ Some studies have supported a causal relationship, that is, that a favorable service climate leads to customer satisfaction.²⁰

¹⁷ Compare to: D.E. Bowen, and B. Schneider, “Services Marketing and Management: Implications for Organizational Behavior,” in *Research in Organizational Behavior*, Vol. 10, ed. B.W. Staw and L.L. Cummings (Greenwich, CT: JAI Press, 1988), pp. 43-80; and J. Dietz, S.D. Pugh, and J.W. Wiley, “Service Climate Effects on Customer Attitudes: An Examination of Boundary Conditions,” *Academy of Management Journal*, Vol. 47 (2004), pp. 81-92.

¹⁸ M. Salanova, S. Augut, and J.M. Peiró, “Linking Organizational Resources and Work Engagement to Employee Performance and Customer Loyalty: The Mediation of Service Climate,” *Journal of Applied Psychology*, Vol. 90 (2005), p. 1217.

¹⁹ J. Johnson, “Linking Employee Perceptions to Customer Satisfaction,” *Personnel Psychology*, Vol. 49 (1996), pp. 831-852; M.J. Schmidt and S.P. Allscheid, “Employee Attitudes and Customer Satisfaction: Making Theoretical and Empirical Connections,” *Personnel Psychology*, Vol. 48 (1995), pp. 521-536; B. Schneider and D. Bowen, “Employee and Customer Perceptions of Service in Banks: Replication and Extension,” *Journal of Applied Psychology*, Vol. 70 (1985), pp. 423-433; B. Schneider, M.G. Ehrhart, D.M. Mayer, J.L. Saltz, and K. Niles-Jolly, “Understanding Organization–Customer Links in Service Settings,” *Academy of Management Journal*, Vol. 48 (2005), pp. 1017-1032; J.W. Wiley, “Customer Satisfaction: A Supportive Work Environment and Its Financial Cost,” *Human Resources Planning*, Vol. 14 (1991), pp. 117-127.

²⁰ Schneider *et al.*, *op.cit.*; and B. Schneider, S. Ashworth, A. Higgs, and L. Carr, “Design, Validity, and Use of Strategically Focused Employee Attitude Surveys,” *Personnel Psychology*, Vol. 49 (1996), pp. 695-705.

EXHIBIT 1

Group service-climate scale items

The statements below refer to the service climate of your work group. Answers should be rated as follows: very low (1), low (2), neither low nor high (3), high (4), or very high (5). For each of the questions presented below, please think about how, on average, the members of your work group would rate the following:

1. The job knowledge and skills of your establishment's managers to deliver superior quality work and service.
2. Your establishment's efforts to measure and track the quality of the work and service of your establishment's managers.
3. The recognition and rewards your establishment's managers receive for the delivery of superior work and service.
4. The overall quality of service provided by your establishment's managers.
5. The leadership shown by your establishment's managers in supporting the service quality effort.
6. The effectiveness of your establishment's communication efforts to both its managers and customers.
7. The tools, technology, and other resources provided to your establishment's managers to support the delivery of superior quality work and service.

Note: The term establishment refers to the hotel property at which you are currently working. *Source:* Scale items were adapted from B. Schneider, S.S. White, and M.C. Paul, "Linking Service Climate and Customer Perceptions of Service Quality: Test of a Causal Model," *Journal of Applied Psychology*, Vol. 83 (1998), pp. 150-163.

At the moment, research on service climate is far from conclusive. Early research that explored the relationship between service climate and employee performance has mostly used employees' self-reports.²¹ Surprisingly, given the importance of group work in delivering a high-quality customer experience, we have seen little research addressing how service climate affects supervisors' ratings of the work group. If we are to argue that managers should consider service climate to be more important than job satisfaction, we need to show that service climate is a better predictor of a supervisor's rating of a group's performance.

Service Climate versus Job Satisfaction

In this paper, we contrast the extent to which service climate and job satisfaction affect group task performance. In particular, we consider emerging research suggesting that service climate is an important construct that does capture how well employees perceive the company's demands and rewards regarding customer service. As customer service is such an important outcome in the hospitality industry, we argue that service climate will therefore be a much better predictor of supervisory performance ratings than will be job satisfaction.

²¹ Salanova *et al.*, p. 1218.

Methods

This report's findings are based on data collected from a three-page survey designed to study the impact of strategic human resources management on the food and beverage manager groups and the individual managers from the F&B departments of forty Asian hotel properties that are managed by a single Asia-based multinational hotel chain. The survey cover letter described the purpose of the project, and respondents were assured of the anonymity of their responses. To help ensure the quality of the survey responses, all of the items used were obtained from established measures that have been used in other empirical studies. The survey employed multiple-item scales with 5-point Likert-type anchors ranging from very low (1) to very high (5) for group-level service climate, or strongly disagree (1) to strongly agree (5) for job satisfaction and individual- and group-level task performance. Within each hotel property, the hotel chain's HR and F&B directors noted that three distinct F&B groups existed (referred to as level 1, level 2, and level 3 F&B manager groups),²² according to their hierarchical positions within the F&B department.

²² The groups were defined by the company. Each group consisted of managers who held distinct job titles and were managed with a different HR system (i.e., different training, different compensation).

Job satisfaction scale items

1. All in all, I am satisfied with my job.
2. In general, I don't like my job. (reverse coded)
3. In general, I like working here.
4. All things considered, I am satisfied with my current job.

Source: The first three items were adapted from: C. Cammann, M. Fichman, D. Jenkins, and J. Klesh, "The Michigan Organizational Assessment Questionnaire," University of Michigan, Ann Arbor, 1979. The fourth item was adapted from: V. Scarpello and J.P. Campbell, "Job Satisfaction: Are All the Parts There?," *Personnel Psychology*, Vol. 36 (1983), pp. 577-600.

Surveys were sent to the F&B managers from each property, as follows: F&B directors and executive chefs (level 1); assistant F&B directors and executive sous chefs (level 2); and F&B outlet managers and sous chefs (level 3). The surveys to be filled out by F&B managers included items used to create group service climate, individual and group average job satisfaction, and self-reported task-performance measures. Surveys were also sent to the direct supervisors of each of the forty properties' level 1, 2, and 3 F&B manager groups. The surveys to be filled out by the direct supervisors included items used to assess each F&B manager group's task performance.²³ Five hundred and sixty-three individual F&B managers and the direct supervisor of 92 F&B manager groups provided complete data. Thus, the final sample consists of 563 F&B managers from 92 F&B manager groups.

Group service climate. Individual members from our sample's 92 F&B manager groups were asked to complete a survey which included items adapted from the Schneider *et al.* study to measure service climate. We assessed each F&B manager group's service climate by taking the mean response of each group's members to the seven-item service climate scale. That is, individual group members from each F&B manager group provided responses, and the individual responses of each group's members were then aggregated to create a group-level service climate variable. Given that we intended to aggregate individual responses to these variables to the group level, F&B managers were explicitly asked to describe their group as a whole. Thus, the survey items were

²³ Because surveys would have to be much longer if each group's direct supervisor had to evaluate the performance of each group member individually, the direct supervisor of each group evaluated the performance of the group as a whole.

worded to reflect the group-level analysis by making the focus of the items to the group, for example, the level 1 F&B managers from a specific hotel property's F&B department. In Exhibit 1, we provide an example of the seven items that we used to assess the service climate of each of the 92 F&B manager groups.²⁴

Individual and group average job satisfaction. The 563 individual F&B managers from our sample's 92 F&B manager groups completed a survey which included four items used to measure individuals' job satisfaction, as shown in Exhibit 2.²⁵ Additionally, the average job satisfaction of each group was assessed as the average response of the group's members to the four-item job satisfaction scale shown in Exhibit 2.

Self-reported task performance. We assessed individual F&B managers' task performance with a seven-item self-report measure that we adapted from the Williams and Anderson seven-item task performance scale.²⁶ A sample item reads, "we adequately complete assigned duties."²⁷

Supervisor-rated group task performance. The direct supervisor of each F&B manager group was asked to complete a survey which included the seven items we used to measure each group's task performance. Again, we reworded the seven items from the Williams and Anderson task performance scale to reflect the group level of analysis

²⁴ The measure had sufficient reliability, with the Cronbach's α for this scale being .85.

²⁵ The Cronbach's α for this scale was .87.

²⁶ J.L. Williams and S.E. Anderson, "Job Satisfaction and Organizational Commitment as Predictors of Organizational Citizenship and In-role Behaviors," *Journal of Management*, Vol. 17 (1991), pp. 601-617.

²⁷ The Cronbach's α for this seven-item scale was .88.

EXHIBIT 3

Group-task-performance scale items

The statements below refer to the performance of the group of employees who directly report to you. Please think of these employees as single group when you indicate whether you strongly disagree (1), disagree (2), neither disagree or agree (3), agree (4), or strongly agree (5) with each of the following seven statements. The employees who directly report to you:

1. Adequately complete assigned duties.
2. Fulfill responsibilities specified in their job descriptions.
3. Perform tasks that are expected of them.
4. Meet formal performance requirements of their jobs.
5. Engage in activities that will directly affect their performance evaluations.
6. Do not neglect aspects of their jobs which they are obligated to perform.
7. Do not fail to perform essential duties.

Note: The term establishment refers to the hotel property at which you are currently working. Source: Scale items were adapted from: J. L. Williams and S. Anderson, "Job Satisfaction and Organizational Commitment as Predictors of Organizational Citizenship and In-role Behaviors," *Journal of Management*, Vol. 17 (1991), pp. 601-617.

by changing the focus of the items to the group. Exhibit 3 shows the seven items that we used to assess the task performance of the 92 F&B manager groups. (Note: the measures presented in Exhibit 3 can be adapted by managers to assess the task performance of the work groups they supervise.²⁸)

What the Data Tell Us

We used various analyses to test the effect of job satisfaction and service climate on supervisors' ratings of group performance. The resulting correlations yielded the sort of results we expected, given the research in this area. The correlation between the average job satisfaction of group members (i.e., group-level job satisfaction) and supervisor-rated group task performance was marginal (correlation = .15) and not statistically significant. On the other hand, the correlation between group service climate and supervisor-rated group task performance was larger ($r = .27$) and statistically significant ($p < .01$). At the same time, group service climate and the average job satisfaction of group members were positively correlated ($r = .50$; $p < .0001$).

We observed a noticeable disconnect between the performance of individual group members and supervisors'

group ratings. The positive correlation, .08, between these two measures was not statistically significant. This result suggests that whatever processes are related to how individuals perceive their performance, managers are looking for different behavior or results.

Regression analyses present a more complete picture of the simultaneous effects of job satisfaction and service climate on task performance. We first examined the effect of group members' average job satisfaction and group service climate on supervisor's ratings of their groups' task performance. These analyses are based on the 92 groups for whom we had complete data. In a model used to predict supervisor-rated group task performance by both average group member job satisfaction and group service climate, the effect of group-level job satisfaction was nearly zero ($\beta = .02$, $p = .80$), whereas the effect of group service climate was sizable and significant ($\beta = .40$, $p < .05$). Our results lend credence to the view that the supposed job satisfaction–job performance relationship is spurious. Furthermore, our results provide evidence that group service climate can influence group member job satisfaction. That is, group members are more satisfied when they share perceptions of what their company expects from the group with regard to customer service and the belief that these behaviors are rewarded and supported.

²⁸ The Cronbach's α for this scale was .89.

EXHIBIT 4**Regression results predicting supervisor-rated group task performance**

	Supervisor-Rated Group Task Performance
Intercept	2.01 (0.65)**
Group's Average Job Satisfaction	0.02 (0.16)ns
Group Service Climate	0.40 (0.18)*
R-Square	.07

Note: R-square expresses the amount of variance expressed by the regression equation. Significance * = $p < .05$; ** = $p < .01$.

EXHIBIT 5**Regression results predicting self-reported task performance**

	Self-Rated Individual Task Performance
Intercept	1.65 (0.27)***
Individual Job Satisfaction	0.26 (0.03)***
Group Service Climate	0.36 (0.07)***
R-Square	0.17

Note: R-square expresses the amount of variance expressed by the regression equation Significance *** = $p < .001$.

The results of our analysis indicate that it is service climate, and not employee satisfaction, that relates to ratings of task performance. These results are presented in Exhibit 4.

The results presented in Exhibit 4 are consistent with the findings reported in the research literature and with what we predicted. However, because so many hospitality managers and employees adhere to the notion that a highly satisfied employee is a good employee, we also examined the effect of individual job satisfaction and group service climate on self-reported task performance. These results, shown in Exhibit 5, reveal some interesting contrasts.

Here is one of the contrasting findings. Individual job satisfaction predicts self-reported task performance, whereas the average job satisfaction of group members does

not predict supervisors' ratings of group task performance. The model predicting self-reported task performance (see Exhibit 5) explains 17 percent of the variance in the ratings, whereas only 7 percent of the variance in supervisor-rated group task performance is explained by group service climate and the average job satisfaction of group members (and at that, only by group service climate; see Exhibit 4). These results suggest that, on average, employees with high job satisfaction think that they are better employees, but this doesn't necessarily correspond to how supervisors evaluate the performance of those groups. This is consistent with our prior finding that the relationship between self-reported task performance and supervisor-rated group task performance is not strong. Put another way, job satisfaction and service

Employees with high job satisfaction think that they are better employees, but this doesn't necessarily correspond with their supervisors' evaluations of their performance.

climate both seem to relate to how individuals feel about their performance, but only service climate is related to how their managers perceive their employees' performance.

An Appropriate Climate

The results of this study confirm a connection made many times before in various research studies, but which is frequently contradicted in the popular and business press, and by many practitioners. In short, it is inaccurate to assume that employee job performance can be improved by enhancing employee job satisfaction. On the other hand, to improve employee performance in a service context, our study confirms prior research by demonstrating the value of enhancing service climate. In other words, if you want to improve employee performance in the hospitality industry, ensure that employees accurately perceive the practices, procedures, and behaviors that are rewarded, supported, and expected of them by your company.

While our study doesn't address the factors that foster a service climate, other research indicates that service climate can be enhanced through a reduced reliance on formal hierarchical channels, greater inter-group communication, establishing stronger team norms, and allowing teams to be more self managed.²⁹ Clearly, management practice would benefit from research that focuses on the antecedents of service climate, and we hope additional research will pursue this topic. But in the end, enhancing the level of service climate has the potential two-fold benefit of increasing employee performance with the added benefit that such efforts should also end up increasing employee job satisfaction.

²⁹ See: A. de Jong, K. de Ruyter, and L. Lemmink, "Service Climate in Self-managing Teams: Mapping the Linkage of Team Member Perceptions and Service Performance Outcomes in a Business-to-business Setting," *Journal of Management Studies*, Vol. 42, No. 8 (2005), pp. 1593-1620.

In discounting the causal effects of employee satisfaction, we are not arguing that you should neglect your employees in any way. Although our findings do not provide support for the proposition that job satisfaction is a key predictor of employee job performance, they also do not indicate that job satisfaction damages performance. What we suggest, based on our study, is that managers not begin with employee satisfaction as they pursue a strategy of improving performance. As noted above, research indicates a weak positive relationship between employee job satisfaction and performance (although the direction of the causality has been questioned.)³⁰ Our data show a notable relationship between group service climate and individual job satisfaction ($r = 0.24, p < .001$) and with group job satisfaction ($r = 0.50, p < .001$). While group job satisfaction was not related to supervisors' ratings of group task performance, the relationship between group service climate and supervisors' ratings of group task performance was positive and statistically significant. Moreover, group service climate was positively related to the average job satisfaction of a group's members. This leads us to believe that job satisfaction is an indicator of positive managerial practices, even if satisfaction is not a driver of performance. The problem with satisfaction as a driver is that there are many reasons why employees may be satisfied, not all of which necessarily support an organization's desired outcomes.

Even if job satisfaction isn't an antecedent of service performance, we see two key reasons to take employees' attitudes into account. First, regardless of business reasons, some companies may simply want their employees to be satisfied on the job. While this may be perceived as paternalistic, or at least not profit-maximizing, some companies

³⁰ Judge *et al.*, *op.cit.*

may indeed value having satisfied employees and seek to maintain high levels of job satisfaction as an outcome in and of itself. Second, abundant research documents significant relationships between job satisfaction and other important workplace outcomes, such as turnover,³¹ counterproductive work behavior,³² absenteeism,³³ and organizational citizenship behavior.³⁴ While group task performance is certainly an important outcome for any business, difficulties and inefficiencies associated with turnover may cause other disruptions that harm customer service and profitability. Poor morale that results in high turnover may be cured in part by steps to improve employee satisfaction. One of those steps, based on our study, is to improve the service climate, which is associated with both higher job satisfaction and group task performance. Thus, even if turnover has been identified as a problem, companies may be best served by trying to improve their service climate and thus reap rewards from both better group task performance and lower turnover.

To help assess their performance, some hotel companies use employee attitude surveys that include an assessment of

employees' job satisfaction.³⁵ Our study suggests that hotel companies may want to carefully consider what attitudes they assess. While hotel companies probably do not want to overlook employee job satisfaction, they may be well served by also tracking (and perhaps rewarding) service climate, which has a far greater impact on performance than job satisfaction does. The seven items used to assess service climate are shown in Exhibit 1.

We caution that this study is limited in its scope, and thus its conclusions need to be interpreted with some caution. We are using data from just forty hotel F&B departments that are owned or managed by a single Asia-based hotel chain. Our analyses are admittedly simplistic. We only look at a few variables, and we do not try to control for many external factors that may also influence task performance evaluations. The point of this report is less as an academic study than as a cautionary tale for practitioners who are placing their faith in their employees' job satisfaction as a precursor to their departments' performance. Our findings do not really diverge from those of dozens of studies on service climate, or from hundreds of studies on job satisfaction. These data were collected as part of a much larger study, and more complex analyses of these same variables (but with other controls and more sophisticated analyses) all yielded the same conclusions: service climate mattered; job satisfaction did not. ■

³¹ R.P. Tett and J.P. Meyer, "Job Satisfaction, Organizational Commitment, Turnover Intentions, and Turnover: Path Analysis Based on Meta-analytic Findings," *Personnel Psychology*, Vol. 46 (1993), pp. 259-293.

³² R.S. Dalal, "A Meta-analysis of the Relationship between Organizational Citizenship Behavior and Counterproductive Work Behavior," *Journal of Applied Psychology*, Vol. 90 (2005), pp. 1241-1255.

³³ D. Farrell and C.L. Stamm, "Meta-analysis of the Correlates of Employee Absence," *Human Relations*, Vol. 41 (1988), pp. 211-227.

³⁴ J.V. González and T.G. Garazo, "Structural Relationships between Organizational Service Orientation, Contact-employee Job Satisfaction and Citizenship Behavior," *International Journal of Service Industry Management*, Vol. 17 (2006), pp. 23-50; and J.A. LePine, E. Erez, and D.E. Johnson, "The Nature and Dimensionality of Organizational Citizenship Behavior: A Critical Review and Meta-analysis," *Journal of Applied Psychology*, Vol. 87 (2002), pp. 52-65.

³⁵ For example, see: G.A. Denton and B. White, "Implementing a Balanced-scorecard Approach to Managing Hotel Operations: The Case of White Lodging Services," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 41, No. 1 (February 2000), pp. 94-107; and D. Huckestein and R. Duboff, "Hilton Hotels: A Comprehensive Approach to Delivering Value for All Stakeholders," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 40, No. 4 (August 1999), pp. 28-38.

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