

**Effect of Favoritism on Service Recovery
Performance in 3 and 4 Star Hotels in North Cyprus**

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ABSTRACT

The purpose of this study is to investigate effects of favouritism (FA) on beneficiary employees' service recovery performance (SRP) through mediating roles of both Job Security (JSEC) and Job Satisfaction (JS) in family-run hotel organizations in 3- 4 star hotels in North Cyprus. In addition, this study has offered a unique theoretical contribution to existing research on customer perceptions of service recovery performance in a favoritistic hospitality setting by testing the serial mediation model.

Social Identity theory (SIT), this study examines effects of favouritism on service recovery performance from the perspective of beneficiaries of favoritism, which seems to have been conducted for the first time in 3 and 4 star hotels in North Cyprus. Thus, this is a significant gap that needs to be addressed, as these relationships were not investigated before. Consequently, the sample consisted of 184 frontline employees and 118 customers who got service from them in each hotel by questionnaires distributed to full-time hotel employees and customers.

The findings showed that favouritism is positively related to JSEC of beneficiary employees, and a positive relationship between JSEC and employee JS. In contrast, the study revealed the negative effect of FA on SRP from the perspective of beneficiaries indirectly. It also revealed negative effects of beneficiary employees' JSEC and JS feelings directly on their SRP.

Keywords: favouritism, job security, job satisfaction and service recovery performance.

ÖZ

Bu araştırmanın amacı Kuzey Kıbrıs Türk Cumhuriyetindeki 3 ve 4 yıldızlı aile işletmelerinde; kayırmacılığın etkilerini, kayırmacılıktan yarar sağlayan çalışanların iş güvencesi ve iş memnuniyetlerini araçlar olarak ele alıp, servis telafi performansı (otel misafirleri gözüyle) üzerindeki etkilerini ölçmektir.

Bununla beraber, araştırma müşterilerin gözünden kayırmacılık ile yönetilen konaklama yerlerindeki servis telafi performansını seri aracı modelleme yönetimi ile test ederek, mevcut literatüre özgün bir teorik yaklaşım ile katkıda bulunmuştur.

İlgili teorileri göze önünde bulundurularak; araştırma bir ilke imza atarak kayırmacılığın servis telafi performansı ile alakadar etkilerini sistemden fayda sağlayanların perspektifinden Kuzey Kıbrıs Türk Cumhuriyeti içerisinde bulunan 3 ve 4 yıldızlı otel işletmelerinde incelemekte ve daha önce araştırılmamış literatür açıklığına katkı sağlamaktadır. Bu amaç ile, elde edilen veri 184 tam zamanlı sınır birimi çalışanları ve bu çalışanların sunmuş oldukları hizmetlerden yararlanan 118 otel misafirinden anket aracılığı ile edinilmiştir.

Yürütülen araştırmanın sonucunda elde edilen bulgular, kayırmacılık uygulamalarının ve bu sistemden yararlanan çalışanların, iş güvenliğini ve iş tatmini arasında pozitif bir ilişki olduğunu alenen göstermiştir. Sonuç olarak, yürütülen araştırma, kayırmacılıktan yararlanan çalışanların iş güvenliği ve tatmini açılarından olumlu hissettiklerini ve bunun getirdiği rahatlığın müşteri sorunlarını çözme açısından otel misafirleri üzerinde negatif etkisi olduğunu ortaya çıkarmıştır.

Anahtar Kelimeler: kayırmacılık,iş güvencesi, iş memnuniyeti ve servis telafi performansı.

DEDICATION

TO MY COUNTRY (LIBYA)

&

TO MY FAMILY

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LIST OF ABBREVIATION

CEO	Chief executive officer
FA	Favoritism
FFYDP	First Five Year National Development Plan
FLEs	Front line employees
GDP	Gross Domestic Product
JS	Job Satisfaction
JSEC	Job Security
OECD	The Organization for Economic Co-operation and Development
SFYDP	Safer Future Youth Development Project abbreviated
SIT	Social Identity theory
SRP	Service Recovery Performance
TFYDP	Third Five-Year Development Plan
TRNC	The Turkish Republic of Northern Cyprus
UNWTO	The World Tourism Organization
WCCT	The World Chess Composition Tournament
WTTC	The World Travel & Tourism Council

Chapter 1

INTRODUCTION

Family firms provide services in almost every sector including tourism, hospitality and leisure, retailing, wholesaling, transportation, telecommunication, health, and education. Tourism industry brings a bulk of opportunities for family organizations (Yolal and Cetinel, 2010). In the US alone, family organizations represent 90 per cent of all businesses, while the corresponding percentage is around 70 % in Europe, Australia, and Asia (Pyromalis and Vozikis, 2009). The firms hire 50 per cent of the workforce, generate between 50-75 per cent of new jobs in the majority of countries worldwide (Gersick *et al.*, 1997). Middleton (2001) claimed that some 95% of tourism organizations are micro-businesses in Europe and majority of the tourism businesses are family firms (Getz *et al.*, 2004). These firms serving in the tourism and hospitality industry are vital for the economic development of the European countries (Zapalska and Brozik, 2007).

In Turkey, family firms comprised 80 per cent of all service industry and the contribution of these organizations to Gross Domestic Product (GDP) was almost 75% (Yenilmez, 2013). Specifically, the rate of small and medium sized hotels (SMHEs) along with the family firms is 95 per cent in the hospitality industry in Turkey (Yolal and Cetinel, 2010) and the family firms hired about 7.7 million employees (Yenilmez, 2013).

Concerning the hard and intensive competitive environment, hotel owners and managers are well aware that providing customer satisfaction and loyalty through delivery of high quality service at reasonable prices is a key to their survival or growth. This commonly accepted language among the hotel owners and superiors in the USA is also spoken by hotel managers/owners in family-run hotels in north Cyprus where the current study was implemented. Knowing the importance and positive consequences of high quality services, most of the time, may not prevent service failures from happening. Due to labour intensive nature of hospitality industry, service failures are unavoidable (Susskind, 2002). The intangible characteristic of service product, inseparability, changing customer tastes, technological changes all increase the likelihood of service failures making it difficult to achieve an environment without service problems. These failures can cause negative outcomes, such as reducing guests and repeat guests, customer trust and confidence, increasing negative word of mouth or image for the organization. Interestingly, if these failures can be managed effectively, positive opportunities can be grasped (Kelley *et al.*, 1993). The aforementioned characteristics of services, size of customer interactions and high quality service expectations, the influence of these contacts on lower level staff and co-worker attitudes, responses and interactions among SRP have encapsulated the attention of the researchers in the hospitality industry (Yoo *et al.*, 2006; Magnini and Karande, 2009; Choi *et al.*, 2014).

The majority of all these studies focused on recovery actions made by various service organizations. Prior research investigated the types and causes of service failures and recoveries (Lee and Sparks, 2007, Smith *et al.*, 1999), the categories and effectiveness of recovery strategies after a service failure (Wirtz and Mattila, 2004), the relationship between service recovery and perceived employee's justice (Mattila and Patterson,

2004), service recovery and its positive effects on word of mouth (Maxham, 2001; Lee *et al.*, 2008), and the antecedents and strategic applications of service recovery (Wong, 2004). Conversely, limited studies have focused on FA and its influence on some mediators, such as JSEC and JS which may have serial negative influences on customers' SRP evaluations. Quite a few researches were conducted examining the employee's attitudes and behaviours in environment as well as, service recoveries from customer perspectives in a family hotel setting. Heskett *et al.* (2003) underlined that the job performance of front-line employees is critical to the evaluation of service outcomes by customers. Tax and Brown (1998) noted that recovery strategies had a significant impact on organization's profitability, sales, and customer retention. Therefore, employees' SRP is vital for providing and delivering a high quality service. Thus, it is critical to examine predictors of SRP of service employees in family hotel contexts as well.

In an extremely favoritistic work environment, family-member or acquaintance employees who benefit from favouritism perceive themselves more secure than non-beneficiary employees in their relationships with the managers and the organization and do not need to be approved for anything they do (Indvik and Johnson, 2012). This feeling of beneficiary employees' JSEC may probably result in their JS in the family-run hotel organizations as suggested by (Chung-Herrera *et al.*, 2010) study which indicated that when employees have feelings of job insecurity, this translates into less satisfaction with their job. It makes sense to opine that the relationship between JS and SRP is positive. However, (DeWitt and Brady 2003) have contended that it is almost impossible to eliminate service errors and failures, as such what are needed is skilled employees. That is, service failures and errors can only be recovered by skilled and competent employees in the service organizations (Ok *et al.*, 2005). In an extremely

favoritistic work environment, such human resource practices as recruiting and rewarding could be biased towards many family members perceiving a job as a birth right in the family firms (Daspit *et al.*, 2017). Thus, these organizations can employ workers based on their family or friendship ties rather than their skill or competence. In this sense, FA beneficiary employees do not need to recover their service failures, because they rely on the help and protection of superiors or colleagues who have family or friendship ties with the providers. Therefore, this study contended that if FA practices are widespread in a family-run hotel organization, customers' perception of SRP would be very low.

Hence, based on Social Identity Theory (SIT), we aim to discover the effects of FA practices on customers' perception of SRP through a serial mediating effect of JSEC and JS of beneficiary employees in the family-run hotel organizations in north Cyprus. This is a significant gap that needs to be addressed, as these relationships were not investigated before. The study offers crucial contributions and practical implications for scholars, family business owners, supervisors, and employees both in north Cyprus where the family firms constitute a fundamental portion of the hospitality industry and also around the world. This study is therefore, valuable and avant-garde in the approach taken.

The layout of this study contains seven chapters, it starts from introduction chapter 1 which illustrates the topic and the aims of the study. Chapter 2 includes literature review that goes through and identifies the key factors of the study. While for Chapter 3, the author introduces a view about the evaluation of the world tourism trends, tourism trends in Europe, north Cyprus tourism and family hotels and FA in north Cyprus. Finally, chapter 4, 5, 6 and 7 evaluate the model structure, proposed

hypothesis and develop hypothesis in consonant with the context of this work, measurements, results, discussion & implication, and conclusion consecutively.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

Bute (2011) considers FA as a form of preferential treatment. Kayabasi (2005) also contends that within the decision making process, FA is considered to be a '*form of corruption*'.

Albeit understood as a form of corruption, in many countries this sort of behavior is tolerated and in some cases accepted as standard behavior especially as a sign of loyalty and solidarity, whereas, other forms of corruption such as bribery are considered illegal (Loewe et al., 2007:21).

Over the last 20-25 years the literature on SRP has rapidly evolved. Hart et al., (1990) stipulate that service recovery was born out of the mistakes, errors and failures which are bound to take place during the process of service delivery within an organization. This is however based on the understanding that the main aim of the organization is continuous improvement (Spring et al., 1995). It has also been pointed out by Johnston and Michel (2008) that about 35% of studies on service recovery is focused on service recovery during service.

2.2 Favoritism, Nepotism and Cronyism

A number of reports have labelled favoritism, nepotism and cronyism as some of the elements which constitute corruption, lack sound morality and should be penalized if caught (Cottingham, 1986; Derya and Alper, 2011). It has been claimed that FA is a form of corruption, and cronyism and nepotism stem from the same source with the only difference between corruption and FA being that with FA, the exchange does not involve material favors (Loewe et al., 2008). Nepotism on its part is the hiring of one's kin not for educational or skill levels but because of kinship. With Cronyism, favor is shown to friends and acquaintances and not only family members (Aktan, 2001).

Khatri et al (2008) refers to cronyism as 'office or organizational politics'. This same study reveals that although cronyism produces high JS among the beneficiaries, this high levels of JS does not translate to higher commitment. Rather they turn to exhibit low commitment and do less work. This also has a negative effect on the JS of those employees who do not benefit from cronyism because they feel underappreciated and as a result their commitment to work and services rendered becomes low. Overall, studies show that cronyism, nepotism and FA have eaten deep into the hospitality industry.

It is important for hotel owners to employ tactics to mitigate the effects of cronyism, nepotism and FA on staff JS. This is so because research shows that FA, cronyism and nepotism affect workers' commitment JS levels and consequently the services rendered to customers as well as the service recovery employment techniques they employ to recover service failures. This is in line with the 'attitude theory expounded

by Bagozzi (1992). This study focuses on the effect of FA on SRP as such it is important that one keeps this in mind.

2.2.1 Favoritism (FA)

Arasli and Tumer (2008) define FA as special treatment toward acquaintances, friends and colleagues during the process of hiring employees, and decision making processes. It is worth noting that although used interchangeably, FA and nepotism are not necessarily synonymous. Nepotism is preferential treatment offered to blood relatives (Bute, 2011), while FA is preferential treatment offered to acquaintances and friends (Arasli and Tumer, 2008). However, this dissertation adopts an understanding of FA with '*preferential treatment*' as the keywords. As such whether this preferential treatment is between family members or friends is not really the issue at hand. FA in this work is to be understood as preferential treatment toward family, friends and acquaintances in job recruitments, occupations and merit allocations within organizations.

Some organizations such as the European Union have taken steps toward reducing FA in public procurement in an effort to increase levels of efficiency (Keulemans and Van de Walle, 2017). In fact, this same study contends that FA threatens fair assessment, has opened the doors for abuse and as such plagued the domain of public procurement. In this same line of thought, Esteves and Barclay (2011) argue that FA in procurement may spark feelings of suspicion within work environments and may be perceived as threats to equity.

Weeks et al (2017) asserts that FA in work places leads to discriminatory actions such as favoring of some over others in performance evaluations. In this same light, Turner et al (1979) adheres similarly that FA in work places leads to evaluative bias.

(Yamagishi et al., 1998) states that preferential treatment towards members of one's own group over another should be considered as FA. Farida and Ahmadi-Esfahani (2009) while seeking to investigate the synergy between FA and allocative efficiency posit that FA corresponds to favors issued only to a limited group of people, even if bribes are involved.' The study found out that corruption and FA disrupted efficiency in the allocation of contracts.

Bramoullé and Goyal (2009) offer the most explicit definition of FA. They contend that FA happens when jobs, resources and contracts are offered to persons belonging to one's social group in preferment to others. They also argue that FA is practiced widely, and as a result of this wide practice, researchers over the years have been concerned with the origins of and economic consequences of FA. Generally speaking, trading of favors between individuals always come at the expense of other persons who do not belong to that group. Within smaller organizations FA has negative effects because it leads to the allocation of resources inefficiently. However, it has been proven that in larger organizations, FA sometimes leads to payoff advantages and the enhancement of productive investments.

Chua (2003) has noted that in societies where there are ethnic minorities, within-group FA and cronyism are considered as important for the success of the members belonging to these ethnic minority groups (Jews in Germany and the Ottoman empire). Studies like Kramarz and Thesmar (2013) have evidenced the practice of FA among alumni of top universities and graduate schools. Other studies have also highlighted the use of connections in the labor market to the extent that in the developed world particularly in Italy, 30-60% of jobs are gotten via these social connections, thus evidencing the practice of FA (Scoppa, 2009; Ioannides and Loury, 2004).

The detrimental ramifications of FA on motivational processes have been well documented over the years (Wagner et al., 2017). O'Connell et al., (2004) argues that although it is almost impossible to stop the formation of sub groups within organizations, FA is the worst aspect one can have in an organization'.

Mutlu (2000) has put that FA and nepotism by Turkish politicians when appointing and promoting police officers is the main cause of concern within police organizations. This FA within the police organization in Turkey affects law enforcement and allows for a climate which favors organized crime . This study also found out that as a result of FA and nepotism in police appointments in Turkey, many police officers are discontented with the system. It is also worth noting that the study concluded that in order to establish accountability and democratic institutionalization within the police force in Turkey, FA and nepotism need to be eliminated.

Typically, FA works as such; Mrs. X does a favor for Mrs. Y who is related to Mr. Z, and in return Mr. Z does a favor for Mrs. X or Mrs. X's soon at a later time. An explanation of the understanding of the process of FA is offered in Bramoullé and Goyal (2009). They paint a scenario in which Mr. A (employer) needs to employ a skilled worker for a specific job. On the one hand we have Mr. X who seeks for the said job and is a skilled and qualified expert in this field, and on the other hand, we have Mr. B who is also seeking for the same job but is less qualified. Employing Mr. X will lead to more productivity because he possesses the know-how for the job. Conversely, employing Mr. B comes at a higher cost because he does not possess the necessary know-how to get the job done. On any given day, the smart choice will be to employ Mr. X. However, because Mr. A has been promised a future job by Mr. B

or his friends/relatives, Mr. A decides to employ Mr. B instead of the more skillful Mr. X. This trading of favors is what is considered as FA.

Dashkin (2013) citing Arasli and Karadal (2009) contend that a positive correlation has been found between FA and job stress in frontline management and staff. This same study observed that in three and fourth star hotels in north Cyprus, FA instead of merit was the determinant factor for positional progress within organizations; executives were more concerned with maintaining their acquaintances and friends in better positions than in their performances; and employees were scared of subordinates who were in one way or the other related to high-level executives.

2.3 Job Security (JSEC)

Adebayo and Lucky (2012) have posited that in today's world, JSEC is an indispensable part of the discussions within organizations. Another study revealed that it has become the most crucial factor among employees with a survey showing that 75% of employees globally have JSEC as top on their preference lists alongside health care and employee salary (Watson, 2010).

In fact, JSEC is the determinant factor as to why people take up job. As a result, employers are tasked with the challenge of not only employing and retaining workers, but of also giving them a sense of assurance in their jobs for as long as possible.

Studies regarding the relationship between JSEC and job performance are not only scarce, but the results of these studies are inconsistent and confusing. Therefore, further research in this field is required in order to shed more light on the subject (Lucky et al., 2013).

Pearce (1998) describes JSEC as a perceived psychological state in which employees weigh their varying expectations of job continuity within a firm. These perceptions of JSEC are individualistic and based on the practices within the organization that affect the employer-employee relationship (Davy et al., 1991). (De Meuse et al., 2001) argue that low JSEC creates an environment of lack of trust between the employer and the employee, and as such the worker tends to view the actions of the organization in a negative way.

Morrison (2014) on his part argues that those who care about JSEC are the less educated, unskilled, low income, older and poorer sections of the work force. This same study posits that there are so many implicit assumptions such as concerns for JSEC across populations, space and time this he refers to as objective JSEC. However, he states that to fully understand how individuals perceive job security, it needs to be approached subjectively. That is, how, where, when, and to what extent do these individuals evaluate the security of their jobs.

Burke (1998) contends that low JSEC is considered stressful psychologically, and in an effort to ease this stress, employees decrease their performances at work. Gupta and Beehr (1979) high JSEC leads to better benefit perceptions and job performances, while there is a negative relationship between job insecurity and performance. Therefore, JSEC helps give one a better understanding of employees' performances (Kraime et al., 2005), and by this token, worker job performance also affects service recovery performance.

2.4 Job Satisfaction (JS)

Job satisfaction is probably one of the most complex and widely researched phenomenon in service literature. Different authors have come up with different definitions as well as approaches to understanding this concept. Edvardsson et al., (2000) contend that JS plays a critical role in the hospitality industry, as such it has received a considerable amount of time and research by renowned authors have been put into understanding this concept. Robbing (1993) even put that when someone who has high levels of JS is generally has positive attitudes toward customers in contrast to someone who has a lower level of JS.

Other researcher has found out that how well a worker treats a customer is dependent on how motivated and skilled the worker is. Therefore, it can be argued a prerequisite for efficient SRP is JS (Rozana and Wahldin, 2011). Consequently, employers need to properly manage their employees by crating the necessary and right working conditions which lead to higher levels of JS.

Job satisfaction is an emotional response to internal or external occurrences within an organization by the employee. Westlund and Hannon (2008) propose that JS feelings are important for organizations that are keen to retain and improve their working force. Zeytinoglu et al (2013) defines JS as overall satisfaction with one's work, work environment and the financial rewards that come with the job.

Lawler (2005) describes it as an individual's response to what happens to him/her at place of work. This satisfaction is affected by the rewards the person gets at work and in the individual's perception and feelings as to the value of these rewards. Rose (2003) says that JS occurs when there is a match between an employee's expectations of

his/her job and the conditions for work provided by the employer. As is indicative by the theory of relative deprivation, individuals make comparisons against others in their groups in terms of income and other variables, and this is correlated with JS (Clark and Oswald, 1996).

The hospitality industry is one which thrives on establishing and maintaining long term relationships with customers. Because frontline employees more often than not are the face of the company due to their repeated interactions with the customers on daily basis, it is imperative that employers devise methods which on the one hand increases employees' performance and on the other hand, increases JS (Kusluvan, 2003; George and Weimerskirch, 1994). However, in most organizations, most frontline employees are underpaid, over worked and undertrained (Singh, 2000).

Karatepe et al., (2006) establishes a connection between the characteristics of individuals such as competitiveness, effort and self-efficacy on their job performance and satisfaction. As such, knowing what motivates FLEs JS is of utmost importance to owners of hospitality companies. Previous studies have analysed the ramifications of organizational structure and variables on the performance of frontline employees and JS (Churchill et al., 1985; Brown and Peterson, 1993).

Hurtz and Donovan (2000) in their study on the effect of personality traits on JS have shown that the 'Big Five personality traits' (extraversion, agreeableness, neuroticism, conscientiousness and openness to new experiences) have negative effects on employee performance and JS. Particularly, neuroticism has serious repercussions on JS (549).

While examining the relationship between flexible employment, JS and JSEC among workers in the Turkish service sector, findings showed that while flexible or non-flexible employment is not related to JS, JSEC or perceived JSEC is positively related to JS (Zeytinoglu et al., 2013).

Brown et al (2007) contends that high income earners often have higher levels of JS because their income equals their expectations. Low income earners also often report that they are satisfied with their jobs because they have very low benchmarks and expectations, while middle income earners usually complain of dissatisfaction because their incomes do not often match their expectations.

Job satisfaction is especially more important in the service sector because it affects the level of the quality of the services rendered to customers and by extension customer retention. If FLEs in the hospitality industry feel satisfied with their jobs, they will endeavor to do their best to deliver high quality services (Lawler, 2005).

Tangian (2007) reveals that research in Turkey showed that JSEC and job stability were the most important indicators of JS. Long and irregular working hours on the other hand have a negative association with JS.

Wooden et al (2009) contend that it is not an issue of long working hours, but rather whether these hours worked are consistent with the preferences of the workers that determines JS. Perhaps this is why a study conducted by Green (2006) revealed that workers who did long working hours expressed higher levels of JS.

Karatepe (2011) argues that job resourcefulness and commitment affect JS positively even if the working conditions are not favorable. The study also revealed that job resourcefulness reduces the negative effects of family-work conflict and work-family conflict on JS.

2.5 Service Recovery Performance (SRP)

Hospitality jobs are usually very stressful because of irregular and long working hours, strenuous and different working conditions, lack of flexibility as well as the sometimes confusing and competing demands of customers. As such, it is almost inevitable to prevent mistakes. Hence, it is imperative that the management of service failures and errors is prioritized and effective (Pasamehmetoglu et al., 2017; McColl-Kennedy et al., 2003). Because the hotel industry is ‘people oriented’ in the nature of its services, services failures are almost impossible to avoid. This is further exacerbated by the high quality demands of hotel guests in today’s world (Kim et al., 2009).

Dushkin (2016) refers to SRP as extra-role behaviours which require extra effort from employees. This extra effort is not generally specified as part of the job requirement. Hence, SRP may be referred to as extra-role customer service behaviour required off employees, but not generally specified in the job description (Dashkin and Yilmaz, 2015). Choi et al., (2014) posit that SRP alludes to actions by an enterprise to make amends for failures in service or service errors in an attempt to retain a dissatisfied customer. Service recovery in some cases may also refer to situations in which the customer has not complained about the quality of the service, but the service provider recognizes the error and takes necessary steps for recovery (Smith et al., 1999).

Maxham and Netemeyer (2002) contend that service failures are more common in service encounters such as hotel industries. The role front line employees (FLEs) play

in service recovery cannot be undermined. In most organizations, FLEs are the ones in charge of face to face interactions with customers, and as such play a very important role not only in delivering service, but during the process of service delivery as well (Boshoff and Allen, 2000).

In this same light, Karatepe and Kilic (2007) have posited that the nature of the industry of hospitality is one which requires frontline employees to engage in challenging service encounters. They argue as well that because FLEs are the face of the firm, and because customers' expect high quality services, employers tend to search for FLEs who demonstrate high levels of polychronicity because this enables them to anticipate and rapidly remedy service errors.

Ashill et al (2008) has argued that the approach taken by organizations toward service recovery is of utmost importance. For example, some organizations have motors which encourage employees to do things the right way the second time. It should be noted as well that successful service recovery is influenced by the amount of effort put in by frontline employees who take complaints seriously (Tax and Brown, 1998). This point is further buttressed by Lewis and McCann (2004) who contend that FLEs are at the forefront of remedying service failures in the hospitality industry.

Dashkin and Surucu (2016) stipulate that intrinsically motivated and polychromic frontline employees have to play an important role in the process of service recovery. This study further argues that a positive relationship exists between intrinsic motivation, polychronicity and service recovery performance.

It has been claimed that because SRP is of utmost importance in the functioning of hotels, managers must seek better ways of understanding what minimizes and/or maximizes service recovery (Ashill et al., 2005). Pasamehmetoglu et al., (2017) on their part argue that SRP is positively enhanced due to the interaction efforts of co-workers and supervisors.

Piaralal et al (2016) in their study on the importance of SRP in the insurance industry came to the conclusion that SRP not only helps in maintaining clients, but it also gives competitive advantage to businesses.

Tan (2011) puts it simply; service recovery is not only part of service quality, but this relationship is also very significant. Service recovery efforts which are authentic and involve some sort of compensation for the customer increase levels of satisfaction and trustworthiness (Jeong and Lee, 2017).

McColl-Kennedy et al (2003) argue that there is a service recovery paradox. They posit that effective service recovery leads to positive influences on the satisfaction of customers which in turn leads to loyalty, and on the other hand enhances positive word-of-mouth to others in comparison to situations when no service failure has occurred. Therefore, in some cases, SRP leads to customer confidence in the organization and make them more eager to want to refer the organization to friends and family. This in contrast to when no service failure even occurs. Service failure presents if properly handled and well managed presents a golden opportunity and could be a gateway for an enterprise to improve upon its service and in the process enhance its image and reputation (Kelly et al., 1993).

2.6 Favoritism, Job Satisfaction and SRP

The relationship between FA, JS and SRP is not one that can be overlooked. Martin and Adams (1999) assert that workers tend to discriminate based on demographics. For instance, they tended to show FA toward women older persons.

Chung-Herrera et al., (2010) have argued that there exists a negative relationship between FA, JS and service failure. That is, when workers feel that their employer is biased in his treatment of employees, they tend to have low JS and less commitment, which translates into service failures.

Service recovery methods such as being courteous, apologetic, etc. have a direct influence on customer satisfaction and retention. As such, dissatisfied workers tend to exhibit these traits and consequently this affects their relationships with the customers and service recovery performances (Whitely, 1994).

Boshoff and Allen (2000) argue that there is little research on the factors that affect the SRP of employees. Some authors have asserted that managerial attitudes and conditions of working are among the factors that influence the behavioural patterns of frontline employees toward customers (Karatepe et al., 2005). Team work and fairness on the other hand were seen as having a positive influence on FLE's SRP.

Because frontline employees play a vital role in the success and survival of most hotels and resorts due to their everyday face-to-face contact with customers, how these employees are treated and their perceptions of their working environments is of utmost importance and cannot be undermined (Karatepe, 2011). This accounts for why employees' perception on the satisfaction of their job is vital. This JS is also dependent

on how the hotel is run. Once employees observe unfair FA, it affects their commitment to the job and as a result has an effect on the techniques they employ for service recovery.

The purpose of this study is to examine the relationship between FA and SRP. This study also tries to measure the impacts of mediating effects, such as; JS and JSEC on the aforementioned relationship.

Chapter 3

TOURISM TRENDS AND NORTH CYPRUS

3.1 Tourism Trends in the World

The Organization for Economic Co-operation and Development OECD (2016), reports that the touristic industry continues to show impressive growth levels and makes a huge contribution to the economies of most states. At a period in time where budgets are restricted and we are facing numerous global challenges, governments and other stakeholders have to search for new methods and policies to ensure the maximization of opportunities that this sector presents.

Honey (2009) has asserted that tourism remains one of the most vital parts of the economies of most countries in the world today. In fact, the tourism industry is ranked internationally as one of the largest in the world, with up to a billion touristic arrivals. (UNWTO Advance Release, January 2012 revealed that as a result of stagnant growth in the global economy, between the years 2010 to 2011, the tourism industry grows only about 4% (From 939 million to 980 million tourist arrivals).

The tourism industry contributes enormously to national economies. It accounts for 4.1% of GDP, 5.9% of employment, and 21.3% of export in the service area of OECD. Furthermore, when tourism exports are converted to domestic value, it becomes higher than that of other sectors, and has the ability to deliver growth in jobs, consequently providing employment opportunities for all ages and skill levels (OECD report, 2016).

In fact, tourism represents about 7% of exports in goods and services around the globe. This is an increase from the previous 6% in 2014, and is an indication of the growth in the tourism industry worldwide (UNWTO, 2016). Evidence from this same study revealed that the tourism industry is ranked third in the world just behind fossil fuels and chemicals and before automotive and food products in the world wide export category.

The World Travel & Tourism Council (WTTC,2017) reports indicate that despite the unpredictability and increase in terrorist attacks worldwide, pandemics, natural disasters and political instabilities, tourism and travel have shown tremendous resilience in 2016. The 6th year running, growth in the tourism sector has out outrun that of the global economy. In fact, predictions about the outlook of leisure and business travels for 2016 remain in good shape. Predictions are that so far as governments and other stakeholders continually invest in the sector, the long term growth of the tourism industry continues to look strong.

The year 2017 has been designated by the United Nations as the ‘International Year of Sustainable Tourism for Development’. Research shows that the tourism industry creates jobs, generates prosperity and drives exports across the world. This International Year is another golden opportunity for the industry to showcase the tremendous social, economic, environmental, cultural, and heritage value that it provides for billions of people across different nations. The tourism industry accounts for 1 in 10 jobs of the workforce globally, totalling a gross figure of 292 million jobs around the world (WCCT, 2017).

CEO of The World Travel & Tourism Council (WTTC,2017) revealed that future success and growth for the tourism sector is dependent on the sector recognizing new world trends which drive consumer expectations and future travel habits.

3.2 Recent Tourism Trends in Europe

UNWTO (2016) reports suggest that international tourist arrivals grew by 5% in Europe in 2015 (a total of 608 million), more than half of the global total which was at 51%. In absolute terms, this region has the fastest growing tourism industry with an increase of 27 million tourists than the previous year (2014). This result is remarkable when one takes into consideration the smaller sizes of many of the destinations for tourism in Europe when compared to others globally. The fall of the euro in 2015 gave a boost and increased its appeal to non-euro markets. Coupled with this, the rapid recovery by many of the economies in Europe increased intraregional tourism.

The northern parts of the continent registered a 7% increase in international tourist arrivals in 2015. Most of the destinations by these international tourist arrivals tuned in robust results. In Iceland, tourist arrivals grew by 29%, meanwhile Sweden and Ireland also recorded growths in double digits. The largest destination of the sub-region which is the United Kingdom, boasted of a 6% increase in international tourist arrivals despite a strong pound sterling.

Meanwhile in Eastern and Central Europe, growth in international tourist arrivals grew by 5% in 2015 recovering from a decline in 2014. Destinations like Tajikistan doubled its arrivals with an increase of 94% in 2015. Romania and Slovakia both recorded 17%, Latvia, 10% and Hungary 18%, all surpassing the double digit growth mark. The subregion's largest destination which was Russia boosted by a weaker rouble, recorded

a 5% growth in its touristic arrivals while Poland and the Czech Republic also registered 5% increases.

In Southern and Mediterranean Europe, international touristic arrivals recorded a 5% increase in 2015. The top destination of the sub region which also happens to be Europe's second largest, Spain, grew by 5%. It received an all-time high of 68 million international tourist arrivals in the year 2015 alone. Other destinations such as Andorra grew by 13%, Slovenia recorded 12% arrivals, Portugal 10%, Cyprus and Croatia 9% international arrivals, Greece 7%, and Malta 6% also recording strong results. After hosting the 2015 Expo in Milan, Italy recorded a 4% growth in arrivals. Emerging destinations such as Bosnia & Herzegovina, Macedonia, Albania Serbia and Montenegro all recorded increases in double digits.

In Western Europe, growth in the tourism industry was more moderate with a meagre 3%. France which is the world's top touristic destination recorded just a 1% increase in international arrivals, while Belgium recorded 2%. This slow growth has been blamed on the Brussels and Paris terrorist attacks and the 'lockdown' which ensued from these had negative impacts on full year reports. In the Netherlands, international touristic arrivals grew by 8%, while both Austria and Germany reported solid increases in the figure of 6%. Switzerland only grew by 2%.

3.3 The History of North Cyprus

The Island of Cyprus is located at the crossroads between the West and the East. Due to this strategic position, this Island has been conquered and ruled by many different civilizations throughout history. It has been ruled by the Assyrians, Persians, Egyptians, Byzantines, Romans, Knights Templars, Arabs, Venetians, Lusignans, the

Ottoman Turks between 1571 to 1878, and the British from 1878 to 1959 (Zavagno, 2011).

Walsh (2010) reports that although the Island was still a part of the Ottoman Empire, under the Cyprus Convention of 1878, the British assumed administration. Later, in 1914 during the course of the First World War, Britain annexed Cyprus and was declared a crown colony.

The two main ethnic groups on the Island; the Turkish and Greek Cypriots had coexisted for hundreds of years. As such, on April 1, 1955, a Greek Cypriot guerrilla nationalist organization named EOKA launched and campaigned for armed resistance against the British. This was done with the idea of ‘enosis’, the annexation of Cyprus to Greece. However, Turkish Cypriots rejected the notion of ‘enosis’, and by the year 1959, difficulties faced in administering the island by the British, pushed them to arrive at a compromise during the London and Zurich agreements of 1959/1960. As a result, the bi-communal state of Cyprus was established with Greek and Turkish Cypriots. Britain however maintained two military bases on the island. This new Republic recognized political equality between the Greek and Turkish Cypriot people (Papadakis, 1993; Joseph, 1997).

Millas (1991) opines that the ‘Zurich Agreement’ put in place a structure in Cyprus which was based on a presidential system. The President was supposed to be a Greek Cypriot while the Vice President was supposed to be Turkish Cypriot, each elected by their communities, and with each having veto powers on decisions, policies and laws.

Turkey, Greece, and the United Kingdom became guarantors under the treaty of Guarantee. They served as external and internal balances over Cyprus. Under this treaty, these guarantor powers had the right and obligation to intervene separately or jointly in Cyprus if the state of affairs or balance of power agreement was altered.

Shortly after gaining its independence from British colonial rule in 1960, bi-communal conflict broke out between the Greek Cypriot community and the Turkish Cypriot Community in 1963. After a series of breakthroughs and setbacks, in 1974, facing suspicions of a coup d'état by the Greek Cypriots in a bid to reunite Cyprus with Greece, the Turkish Army intervened in Cyprus thus effectively splitting the island into two. In 1983, a unilateral declaration of independence was issued by the Turkish Cypriots creating today's TRNC (Turkish Republic of Northern Cyprus). The UN issued resolutions calling states to not recognize TRNC (Hadjipavlou, 2007; Adamson, 2001).

A series of failed negotiations have ensued since this period. A unique opportunity presented itself in 2004 with the Annan plan which envisaged a power-sharing accord. Separate referenda were conducted in the Turkish and Greek Cypriot communities on this issue. While 65% of Turkish Cypriots voted in favor of this power sharing agreement, an astonishing 76% of Greek Cypriots voted against this power-sharing agreement. Reports show that recently the trend is changing with an increasing number of both Greek and Turkish Cypriots favoring a power-sharing agreement (Sozen, 2014).



Figure 3.1: Cyprus Map

Source: <http://www.wellworker.talktalk.net/>

3.4 North Cyprus Today

3.4.1 The Economy

The economy of north Cyprus is mostly dominated by the services sector and tourism. Its economy has seen continuous growth despite its small size. The services sector dominates the economy with an estimated 72.3% ranging from; trade, higher education, financial institutions, business services, tourism, communication and transportation. Its Gross National Product has been estimated at \$4 million. Its industry sector contributes 10% to its Gross Domestic Product (GDP) while the agricultural sector contributes 7% to the GDP. Higher education and tourism continue to be the principal drivers of the economy of north Cyprus (Facts about TRNC, 2014).

As a result of the political situation of north Cyprus, the country is isolated from the global market. TRNC, (2014) reports indicate that in 2014, more than 60% of exports from north Cyprus go to Turkey. The main goods exported are; Citrus products, dairy products, soft drinks, alcoholic beverages (Raki), clothes, vegetables, chicken,

potatoes, gypsum, etc. The Republic of Turkey is the TRNC's largest trading partner as well as importer. north Cyprus imports about 70% of its goods from Turkey alone. The economy is also hugely dependent on financial support from Turkey, as well as huge infrastructural contributions.

3.4.2 Employment and Labor

Güven-Lisaniler and Beton-Kalmaz (2013) report that as per 2010, there were an estimated 213,795 persons within the working age in north Cyprus. Of this, 47.2% were women and 56.8% men. The rate of labor force participation was 49.6%. Of this, 61.6% were male and 36.3% female. These statistics fall way below averages in other parts of the world.

This same work reports that 80% of the work force in north Cyprus is in the service industry. The self-employed population stood at 15%, while unemployment rates were as high as 11.9%. Specifically, the unemployment rate in the female population (17.7%) was almost twice that of the male population (8.9%). Unemployment among the youth was at 24.7%. It is also worth noting that the period of 2004 to 2010 has seen decreasing labor force participation in north Cyprus. This decline in labor force attachment has been attributed to massive migration of cheap labor from Africa and Asia, and very favorable retirement schemes for public sector workers.

3.4.3 Transportation

north Cyprus has two airports; Ercan which is commonly used and Geçitkale which is a standby airport. However, flights to north Cyprus have to pass through Turkey as a transit point because of the non-recognition of TRNC as a state. It has two main ports, one in Girne and the other in Gazimagusa (Famagusta) with ferryboat companies who operate on a regular basis with Turkey. Most of the trade is carried out through the

port at Gazimagusa. The recently built Karpaz gate marina has the capacity to host over 300 yachts.

Transportation between the towns of the TRNC is mostly by bus services. However, public transportation services are almost non-existent during the evenings but taxi services are always readily available for emergency transportations.

3.5 North Cyprus Tourism

Tourism is one of the most dynamic and fastest growing sectors of the economy of many destinations (Goh and Law, 2002). However, and due to different factors, north Cyprus's touristic profile is especially interesting. To begin with, although Cyprus is the 3rd largest in the Mediterranean Sea, both in terms of population (1.165 million according to the World Bank statistics of 2015) and size (9,251 km²) after Sicily and Sardinia, north Cyprus occupies only 3,355 km² of the total land mass of the island.

Naturally, having a complicated historical and political situation affects tourism severely. This condition makes north Cyprus especially susceptible to trends affecting the tourism sector of the economy in small island states. Political relationships among countries are the most crucial determinants of touristic patterns in small islands. This is especially true for TRNC (The Turkish Republic of Northern Cyprus) given its very sensitive political status.

The fact that north Cyprus is only recognized by Turkey necessitates that there can be no direct flights from/to its airports, Ercan and Geçitkale, except through a transit in a Turkish city. This in itself means higher tickets fares and longer flying hours. For example, a direct flight from north Cyprus to Jordan would approximately take one hour. However, and since direct flights are not allowed, a passenger should first stop in Turkey (approximately one-hour flight from Ercan), wait for a transit flight to

Amman (wait can range from one hour to eight or nine), and then board the plane to Jordan (Approximately 2 hours' flight). Assuming the transit duration is one hour; the flight to Jordan which would directly take one hour would indirectly take 4 hours minimum (one hour from Ercan to Turkey, one-hour transit, two hours from Turkey to Amman). Needless to say such arrangements have their toll on touristic demand since they make the trip more complicated and tiresome.

In addition, the sole knowledge that a destination is not recognized by the world is enough to make a tourist reconsider the entire plan. Understandably, being unrecognized comes with a load of stereotypes such as the territory being unsafe or underdeveloped, both of which are major 'turn offs' for potential visitors. However, being "the best kept secret of the Mediterranean" as local Cypriots describe their island comes with advantages too. Being "off the beaten track" means that both the nature and the people are unspoiled by the fast pace of life which most tourists, especially the elderly, seek to run away from.

TRNC's isolation has preserved its beaches as among the cleanest and safest in the world, reflected by the number of 'Blue Flags' given to its beaches. Blue Flag is an international award given to beaches that meet excellence in the areas of safety, amenities, cleanliness and environmental standards. The standards of the program are set by the international coordinators of the Blue Flag campaign in Europe, the FEE (Foundation for Environmental Education). One of the most known and praised beaches of TRNC is Karpaz's Golden beach. The Karpaz area has many beaches which are protected as turtle hatching zones, beaches which turtle lovers would definitely want to visit in order to enjoy the adventure of watching turtles break off their shells at night time.

In addition, the abundant presence of quality beaches makes Cyprus an attractive destination for water- sport lovers too. The flourishing of water related tourism is part of a wider trend of eco-tourism in TRNC. Ecotourism is a form of tourism in which undisturbed natural areas are visited and is usually seen as a replacement to commercial mass tourism. In north Cyprus, Eco-tourists enjoy activities such as bird watching, cycling, walking and observing flowers in the wild.

However, this beautiful part of the island is not only about nature. Kyrenia or Girne which is regarded as the capital of tourism in north Cyprus is famous for its vibrant nightlife, its casinos, and shopping areas. ‘Casino tourism’ is another sector which north is famous for. Gamblers from countries which ban casinos such as Turkey, Israel and the Greek Cypriot side of the island travel to north Cyprus for its plenty Casinos (estimated at 30). “Occupancy rate of casinos is especially high during official holidays and weekends due to the visits from Turkey...” (Katircioglu et al., 2007) However, a five-star casino is expected to open in the Greek Cypriot part of Cyprus. To what extent this would affect casino tourism in TRNC is yet to be studied.

A last form of tourism is “Education related tourism”. It is through harbouring many higher educational institutions that TRNC is currently being recognized by other countries albeit indirectly. So, although Country X doesn’t recognize north Cyprus as a state it still recognizes the higher educational certificates its universities offer. Usually and when a student first arrives on the island, he/she is accompanied by friends or family members to help out in the registration procedures and to make sure that their acquaintance is safe and happy. While early mornings are spent fulfilling university requirements, evenings are often used for exploring the island, an activity which logically lies under the umbrella of tourism. The same applies to family members or

friends who travel to TRNC in a casual visit to a loved one who's studying there, or in order to attend graduations. Sometimes former students themselves pay visits to the TRNC for 'old times' sake'.

After giving an overview of Cyprus and the different types of touristic services it offers, we can now move on to the more statistical side of the tourism business in Cyprus. Since 1977, north Cyprus has had three five-year development plans to reach economic goals. Naturally tourism occupied an important part of the three plans since it accounts for a significant portion of TRNC's GDP. In 2012 for example trade-tourism accounted for 19.7% of the total GDP in addition to hotels and restaurants accounting for 9% of the total gross domestic product (GDP) ("Sectorial distribution of Gross Domestic Product", TRNC State Planning Organization 2015). The three plans are:

First Five Year Development Plan (1978-1982)

Second Five Year Development Plan (1988-1992)

Third Five Year Development Plan (1993-1997)

First Five Year National Development Plan (FFYDP)'s goals included: attracting more tourists from abroad while also improving internal tourism, preventing seasonal fluctuations in the tourism sector, improving marketing activities as for example through arranging educational programs on tourism. It also included a goal regarding the adoption of mass tourism.

The non-recognition of TRNC is a major setback when it comes to the last two goals. Because of the political risk, the north Cypriot tourism industry is incapable of attracting foreign investors. This entails that the majority of investment is made by

locals whose efforts are insufficient and ineffective in promoting north Cyprus on a global market scale.

Safer Future Youth Development Project (SFYDP) was a period where tourist numbers grew by a maximum of 9.8% per year (Katircioglu et al., 2007). This plan was aimed at establishing strong ties between domestic and foreign travel agencies, increasing the number of tourists from the developing world, and starting ferry boat trips to neighboring countries. It is the first plan to offer focus on improving the quality of services in the tourism industry.

Finally, The Third Five-Year Development Plan (TFYDP) can be seen as a move away from targeting mass tourism to one which focuses on eco-tourism through preserving the nature and culture of Northern Cyprus. In order to achieve this aim, the plan proposes enhancing cooperation between public and private sectors. Regardless of the results that each of these blueprints managed to achieve or not to, the tourism sector in northern still suffers from chronic nuisances.

Transportation is top on the list of nuisances which Turkish Cypriots face. A solution to the transportation issue was targeted during 1982-1987 but no results were reached. Another is the aforementioned problem of marketing while lacking foreign investors. Perhaps the most crucial problem however is the root of all, which is the lack of a master plan or a main framework for all tourism related activities in TRNC.

The lack of systematic planning naturally leads to a state of havoc in the leading industry of the country. The ongoing division of the island is another root cause that needs to be addressed. Prior to 2003, Cypriots themselves couldn't cross to either side

of the island. Thankfully that situation has changed and Cypriots can easily pass checkpoints to the other side, be it north or south. However, the same ease of mobility isn't present for the majority of foreigners (Turkish citizens and students) residing in Cyprus.

Also, the lack of agreement means that the area of Varosha remains closed. Varosha is a resort area located in the city of Famagusta. Prior to the Turkish interference, Varosha was one of the most popular tourist destinations of the world. Celebrities like Elizabeth Taylor and Brigitte Bardot used to go for vacation there. During the war, its inhabitants fled and the entire area was, and is still is, fenced by the Turkish troops. What was once a booming source of income and an intellectual hub is now a ghost town? A revived Varosha would immensely benefit the touristic industry of Cyprus (Facts about TRNC, 2014).

3.6 Famagusta, Kyrenia and Nicosia

The city of Famagusta otherwise known as Magusa or Gazimagusa is located at the Eastern Coast of Cyprus. It is also located east of the city of Nicosia and has the deepest harbor. The Port of Famagusta is used for major trade with Turkey. In the past, Famagusta was used as a gateway between Western Europe and silk merchants. It is also famous for the old walled city of Famagusta and its port used to rival that of Venice and Constantinople. The historic walled city of Famagusta has since been placed on the World Monuments Watch in an effort to draw attention to the historicity and cultural evolution of the city.

Famagusta also hosts one of the largest higher education of learning in north Cyprus. This higher education is the Eastern Mediterranean University (EMU). EMU has a student body of over 18 000 students from more than 100 different countries from across the globe. This institution has drawn a lot of students which has also revived the economy of Famagusta, and north Cyprus in general. In addition, Famagusta has three general hospitals, two of which are private hospitals; Gazimağusa Yaşam Hastahanesi and Gazimağusa Tıp Merkezi. The state hospital of Famagusta Gazimağusa Devlet Hastahanesi is the largest hospital in the city.



Figure 3.2: Famagusta

Source: <https://www.loveayianapa.com/tours-to-northern-cyprus.html>

Generally, Famagusta is an interesting tourist destination because of its rich historical sites such as the Church of St. Barnabas, Salamis, the walled city of Famagusta, the Othello castle, as well as numerous sandy beaches which have received the ‘blue flag’. Lots of tourists travel to Famagusta yearly and this why the city has a lot of resorts and hotels; Arkin Palm Beach Hotel, Noah's Ark Deluxe Hotel & Spa, Kaya Artemis Resort and Casino, Crystal Springs Beach Hotel, Salamis Bay Conti, Caesar’s Resort, etc.

Kyrenia also known as Girne is located on the northern coast of north Cyprus. It is mostly known for its historic sites, harbor and touristic attractions, often referred to as the touristic capital of Northern Cyprus. The city is populated mostly by British expats, Turkish settlers and a Turkish Cypriot population of 33, 207 persons. Girne is an economic hub especially because of its touristic attractions with numerous touristic resorts and hotels. It is famous for its eccentric nightlife and hosts annually an arts and culture festival in which hundreds of performers and artists from around the globe participate in. It also has a student population of about 14 000 students and hosts three universities; Girne American University (GAU), and the University of Kyrenia. Some of its resorts for tourists include; Dome Hotel, Oscar Resort Hotel, The Arkin Colony Hotel, Grand Pasha Hotel Casino & Spa, Merit Park Hotel & Casino, Lord's Palace Hotel Spa & Casino, Cratos Premium Hotel, Casino, Port & Spa, Acapulco Resort & Convention & SPA, Elexus Hotel & Resort & Spa(Catalkoy), etc (Facts about TRNC, 2014).



Figure 3.3: Kyrenia (Girne)

Source: <http://www.alcyprus.com/guide/north-cyprus/Kyrenia-Town-and-Castle>

The city of Nicosia is the largest and capital city of Northern Cyprus. In 2011, the city was estimated to have a population of about 60 000 to 82 000 persons. There are two cities of Nicosia, one in the Greek Cypriot side of Cyprus and the other in the north. This capital of former Cyprus was divided into two following the inter-communal conflicts in the 1970s (TRNC, 2014).



Figure 3.4: Lefkosia (Nicosia)
Source: Cyprustravel.com

Nicosia is the political, economic and cultural centre of the TRNC. It is also home to the Sarayonu square and has a modern metropolitan square. The Dereboyu center is the center of entertainment and business. It hosts a number of important cultural and touristic activities, one of which is the international festival of music and theatre. With a student population of about 44 000, it is an important educational centre. It is home to several universities the largest of which is the Near East University. Some of its hotels and resorts include; Merit Lefkosa Hotel & Casino, Gül Hanım House, Yalinca Apt Nicosia, etc (TRNC, 2014).

3.7 Family Hotels and Favoritism in North Cyprus

As earlier defined in this work, FA refers to the offering of jobs and services, resources and contracts to members of one's group at the detriment of others who do not belong to that group (Bramoulle and Goyal, 2009).

Studies on tourism in north Cyprus have revealed that the tourism sector usually lacks qualified and well-educated manpower, as well as very high staff turnover rates which have resulted in poor qualities in service delivery (Kilic and Okumus, 2005). Dashkin (2011) says that this is the principal problem which the Northern Cyprus tourism industry faces.

Arasli and Tumer (2008) have contended that because the TRNC is a small country with very close familial ties and other social connections, and also given that there are very few jobs because of a scarcity of resources and a predominantly service industry, managers and employers often hire and retain their family members, friends and acquaintances rather than those who are skilled for the job. This is more common in the hospitality industry. FA is a common behaviour exhibited by employers especially in the hotel industry in north Cyprus (Dashkin and Tezer, 2012).

Dashkin (2013) opines that the high rates of FA in the tourism industry in north Cyprus has made several high performing and skilled workers to be stressed and demoralized and consequently been negligent and neglected their responsibilities. The same study stipulates that because FA is rampant, some employees rather than show real performance and work ethics, get close to their employers and family as a means of securing their jobs. This he refers to as self-serving behavioural politics. This point is buttressed by (Dashkin and Tezer, 2012) who posit that the relationship between FA

and politics perceptions is positive. This is in line with the theory of derivative equity expounded by Adams (1965) which states that employees who perceive unfairness as a result of FA, tend to get involved in behaviours which are devastating (political behaviours). FA is an unprofessional phenomenon which benefits only friends and acquaintances rather than the organization. As such, FA is a significant ethical consideration in organizations in north Cyprus.

Chapter 4

RESEARCH MODEL AND HYPOTHESES

4.1 Theoretical Framework and Hypotheses

On its part, Social Identity Theory (SIT) argues that individuals do not only obtain the meaning of themselves from their uniqueness as individuals, but also as a result of the social groups which they belong to. Individual's social identity power sheds light upon intergroup association; that is to say, individuals are more likely to display favoritistic tendencies to persons who belong to their groups, and are more inclined to discriminate toward those who do not belong to their groups (Tajfel and Turner, 1986; Abrams and Hogg, 1988; Ashforth and Mael, 1989). As such, Cho (2007) argues that when their social groups suffer from discrimination, they face a loss of character or identity. The theory of social identity also holds that even though social groups suffer a loss of identity when discriminated upon by other groups, they often have a desire to continue preferential and bias treatments in favour of members of their in-groups. In essence, SIT recommends preference in employing members of the in-group (Lewis and Sherman, 2003).

The literature on organizational management proffers that when employees identify with the organization, they tend to have organizational citizenship as well as higher job performance levels (Ashforth *et al.*, 2008). Even though this is an under researched field, favouritism based on aforesaid claim may introduce a certain character to a group which already has preferential treatment, and the said group may take advantage of

this in terms of having feelings of ownership, lack of proper documentation of services rendered to acquaintances and non-family members or in some cases the opposite may happen.

In certain cases, they are not afraid of abusing the system because they have friends and/or relatives in the organization that will back them up against reprimands. By this token, some of these employees do not carry out their services properly or engage in effective service recovery mechanisms. This study in a bit to shed light on this phenomenon on the one hand, and contribute to the literature on this subject, adopts the following hypotheses.

4.1.1 Favoritism and Job Security (FA & JSEC)

Sverke and Hellgran (2002) contend that 'JSEC' is a psychological concept which refers to worries about the continuation of one's job. Van Vuuren (1990) asserts that the important thing to note with this concept of insecurity is that it has to do with a subjective sense of insecurity about the future of their job. That is, the employee is uncertain if he/she will lose or retain their current job. While workers who face uncertainty cannot properly plan for the future because they are not quite clear or sure on what the future holds.

Authors such as Dekker and Schaufeli (1995) and Greenhalgh and Rosenblatt (1984) have argued that the feeling of powerlessness or lack of control is one of the core elements of job insecurity. Another of such core elements is unpredictability. By unpredictability we mean it is unclear to an individual what the future holds for his/her job. This has a negative result on the employees work because he/she is never sure

how to react adequately when faced with a service error. The employee is unclear on whether to do something or not to do anything at all.

Rosenblatt *et al.* (1985) proffer based on the theory of social identity that while employees who are family members identify themselves within the organization as the in-group, employees who are non-family members are seen as belonging to the out-group. This is in line with the theory of relative deprivation which argues that the sense of identity which employees feel is based on comparison with others. Cho *et al.* (2014) argue that the theory of Relative Deprivation (RD) demonstrates that a perception of deprivation is felt by an employee because he/she is dissatisfied when he or she compares the output of his/her out-group with that of the in-group, or because he or she is not satisfied with their position within the organization vis-a-vis others.

On the one hand, these kinds of feelings of unfairness which arise from comparisons between groups are potential sources of RD (Larsson et al., 2001), and on the other, Goyal and Gupta (2016) posit that this is also one of the main causes of job insecurity within the service industry. In sum, favouritism in the family-run hotel organizations may engender the feelings of uncertainty and concern for the future career among the non-favouritism beneficiaries (Barnett and Kellermanns, 2006). Thus, they may perceive that their JSEC levels are below what they deserve in comparison to the insiders. Even though several scholars have suggested that family membership may give a manager a greater employment security (e.g., Donnelly, 1964; Miller and Breton-Miller, 2006), the FA beneficiary employees' feelings of JSEC in a favoritistic hospitality setting has not been empirically investigated. Therefore, the following hypothesis was posited, the first hypothesis:

H1: Favouritism is positively related to job security of beneficiary employees.

4.1.2 Job Security and Job Satisfaction (JSEC & JS)

Job security is the probably the most determinant factor as to why people take up jobs. This point is further buttressed by Adebayo and Lucky (2012) who have postulated that in today's world, JSEC is an indispensable part of the discussions within organizations.

Tangian (2007) reveals that research in Turkey showed that JSEC and job stability were the most important indicators of JS. Chung-Herrera *et al.* (2010) have argued that when workers have feelings of job insecurity, this translates into less satisfaction with their job and as such less commitment to their job. Conversely, when employees have feelings of JSEC, this translates to JS and higher levels of commitment. Therefore, following hypothesis was posited:

H2: Job security of the beneficiary employees is positively related to their job satisfaction.

4.1.3 Job Satisfaction and Service Recovery Performance (JS & SRP)

Job satisfaction is of utmost importance in understanding the behaviors of frontline employees especially given the fact that many FLEs are accorded free reigns in the dispensation of their jobs, as well as the self-motivation which they require to carry out their duties.

JS has been defined by Locke (1969) as the pleasurable enthusiastic state coming about because of the evaluation of one's occupation as accomplishing or encouraging the accomplishment of one's employment esteems.

Empirical evidence points to the fact that performance by workers in their jobs is a precursor to JS (Wanous, 1974; Karatepe and Tekinkus, 2006). It makes for logical

sense to opine that the relationship between SRP and JS is positive. When employees are in positive moods and exhibit high levels of JS, they are more likely to execute their duties properly. This is especially true of frontline employees who have to engage in SRP to dissatisfied customers. The higher the level of satisfaction with their jobs, the better the service recovery performances by employees.

DeWitt and Brady (2003) have contended that it is almost impossible to eliminate service errors and failures, as such what are needed is skilled employees who can minimize the damage done. This position is buttressed by De Ruyter and Wetzels (2000) who emphasize on the importance of SRP in a bid to overcome service errors and failures. By this token, customer retention rate is dependent on the ability and skill of workers in performing service recovery (Ok *et al.*, 2005). Contented and fulfilled workers perform much better and are more reliable in rectifying service errors. Therefore, following hypothesis was proposed:

H3: Job satisfaction of the beneficiary employees is negatively associated with service recovery performance from the perspective of customers.

4.1.4 Serial Mediation

It has been suggested by Whetten (1989) that it is vital for analysts to clarify causal connections in a phenomenon by deciding arbiters between antecedents and outcome factors. If one employs this line of thought, then it is possible to envisage a causal link between favouritism and service recovery performance.

A model which Hayes (2017) refers to as serial mediation. For instance, one could argue that favouritism increases the JSEC of the beneficiary, this JSEC could also have an impact on the JS of the beneficiary, and the beneficiary worker's satisfaction with his/her job would have an impact on SRP. Basically in an environment where there is

FA, the favoured feel more secure and satisfied with their jobs and in turn as a result of confidence due to JSEC become complacent in their SRP (especially in firms where the levels of FA are extremely high) So, we have ‘favoritism ► job security ► job satisfaction ► service recovery performance.

Serial mediation is of vital importance in exploring the contradistinctive effect of the causation from FA to SRP. This is particularly relevant because it might be denotative of the untested and underlying causal chain which is still unexplored. This will indicate whether the mechanisms of mediation from favouritism to SRP are the same for both employees who are favored and those who are not favored. Hence, the following hypotheses are proffered:

H4: The beneficiary employee's JSEC mediates the relationship between upper management's favoritistic practices and SRP.

H5: The beneficiary employee’s JS mediates the relationship between upper management's favoritistic practices and SRP.

H6: Upper management's favoritistic behaviours are negatively associated with their customer's perceptions about SRP through the chain of the beneficiary employee's JSEC and JS.

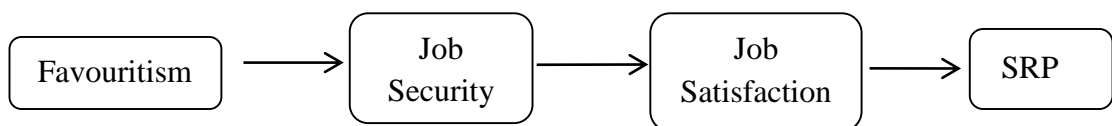


Figure 4.1: Study Model

Note: SRP is service recovery performance

Chapter 5

METHODOLOGY AND ANALYSES

5.1 Sample and Procedure

The data was collected from 28 hotels (3 and 4 star hotels) in north Cyprus. Employee surveys to evaluate employee perception of FA, JSEC, and JS were distributed to 333 hotel employees and customer surveys to evaluate customer perceptions of SRP of hotel employees were distributed to 118 customers. In our study, independent and dependent variables were measured from different sources (i.e., employees and customers) in order to mitigate common method bias (MacKenzie and Podsakoff, 2012). After excluding 18 questionnaires with reckless answers (significantly the same responses, like 1 for all items) and 13 questionnaires with incomplete responses, the sample consisted of 302 participants, 184 frontline hotel employees and 118 customers who got service from them in each hotel. The respondent employees included several job positions like desk clerk, food and beverage service attendants, and housekeepers. FA perception, job security, and employee JS were rated by frontline hotel employees. SRP was rated by hotel customers. To form a valid and practical questionnaire to investigate the above-mentioned hypothesized relationships, the authors primarily developed the questionnaire in English and then utilized two independent professional bilingual translators to translate it into Turkish.

languages as recommended by McGorry (2000) to make sure that all item contents were cross-linguistically comparable and created the identical context.

The surveys were pretested with a pilot sample of 10 hotels frontline employees and 5 hotels customers in order to ensure the clarity of each item. The pilot study indicated that the wording, measurement scales, and sequence of questions were just fine. Confidentiality and anonymity were ensured and these were communicated to the participants before they agreed to participate in our study.

5.1.1 Employees Demographics

Elaborating on the participant employees' profile. Table 5.1 Shows about 133 (72.2%) of respondents were aged between 25-44 years and this age group represented the majority of the employees.

Table 5.1: Age of Employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 24 years	48	26.1	26.1	26.1
25 - 34 years	70	38.0	38.0	64.1
35 - 44 years	63	34.2	34.2	98.4
45 - 54 years	3	1.6	1.6	100.0
Total	184	100.0	100.0	

As far as gender was concerned, table 5.2 shows 96 (52%) of employees were female and 88 (48%) were male.

Table 5.2: Gender of Employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	88	47.8	47.8	47.8
Female	96	52.2	52.2	100.0
Total	184	100.0	100.0	

In regards to educational achievement. Table 5.3 demonstrates the employees' educational achievements. The percentage of primary school diploma is 20 (10.9%), 61(33.2%) had secondary and high school diploma; and 56 (30.4%) had associate degree from a vocational school and this represented the majority of respondents. Ultimately, 42 (22.8%) had undergraduate degree and 5 (2.7%) had a postgraduate or doctorate degree.

Table 5.3: Education of Employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid primary school	20	10.9	10.9	10.9
Vocational school	56	30.4	30.4	41.3
high school	46	25.0	25.0	66.3
secondary school	15	8.2	8.2	74.5
University	42	22.8	22.8	97.3
Master & PhD	5	2.7	2.7	100.0
Total	184	100.0	100.0	

Table 5.4 shows organizational tenure, those respondents who worked in the organizations for less than one year were merely 37 (20.1%). Meanwhile, those who worked 1-4 year were 49 (26.6%) and 5 to 8 years were 68 (37%), this represented the majority of the respondents and finally those who worked more than 9 years were 30 (16.3%).

Table 5.4: Experience of Employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 1 year	37	20.1	20.1	20.1
1 - 4 years	49	26.6	26.6	46.7
5 - 8 years	68	37.0	37.0	83.7

Above 9 years	30	16.3	16.3	100.0
Total	184	100.0	100.0	

5.1.2 Tourist Demographics

Elaborating the tourist customers' profile. Table 5.5 shows the age from less than 24 years to more than 55 years, since 95(80.5%) of respondents were aged between 25-44 years and this age group represented the majority of the employees.

Table 5.5: Age of Tourists.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 24 years	22	18.6	18.6	18.6
25 - 34 years	53	44.9	44.9	63.6
35 - 44 years	42	35.6	35.6	99.2
55 years or more	1	.8	.8	100.0
Total	118	100.0	100.0	

Moreover. Table 5.6 demonstrates the gender about 49 (41, 5%) were male and 69 (58.5%) were female.

Table 5.6: Gender of Tourists.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	69	58.5	58.5	58.5
Female	49	41.5	41.5	100.0
Total	118	100.0	100.0	

In regards to educational achievement, 12 (10.2%) had primary school diploma whereas Master and PhD about 2 (1.7%). In addition, 93 (78.8%) had a vocational

school and high school diploma, and 11(9.3%) had associate degree from university and this represented the majority of respondents, as it is shown in table 5.7

Table 5.7: Education of Tourists.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid primary school	12	10.2	10.2	10.2
Vocational school	55	46.6	46.6	56.8
high school	38	32.2	32.2	89.0
university	11	9.3	9.3	98.3
Mas/phd	2	1.7	1.7	100.0
Total	118	100.0	100.0	

Table 5.8 shows the experiences from less than 1 year to above nine years, it had from 5-8 years, it was the highest with 50 (42.4%). However, the less than 1 year had the lowest about 21(17.8%).

Table 5.8: Experience of Tourists.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 1 year	21	17.8	17.8	17.8
1 - 4 years	25	21.2	21.2	39.0
5 - 8 years	50	42.4	42.4	81.4
Above 9 years	22	18.6	18.6	100.0
Total	118	100.0	100.0	

Table 5.9 shows the customers' continent. Europe had the highest percentage of customers with 89 (75.4%) while the lowest number of tourists came from Americas, around 3 (2.5%). In addition, 18(15.3%) tourists were from Middle East and 11(9.3%) from Asia and pacific.

Table 5.9: Continent of Tourists.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid middle east	18	15.3	15.3	15.3
European	89	75.4	75.4	90.7
Asia and pacific	8	6.8	6.8	97.5
Americas	3	2.5	2.5	100.0
Total	118	100.0	100.0	

5.2 The Measurements

5.2.1 Favoritism

Nine items for FA were drawn from Arasli and Tumer (2008)'s study. The researchers measured responses on the five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The illustrative items were "I am always careful when speaking to family or relatives of hotel executives," and "supervisors are afraid of subordinates who are related to high-level executives." The alpha coefficient demonstrated high internal consistency ($\alpha = 0.95$).

5.2.3 Job Security

A ten-item scale adapted from Oldham *et al.* (1986) measured job security. Hotel employees were asked their opinion of each statement utilizing the five-point rating scale (1= strongly disagree to 5= strongly agree). Sample items were "I am secure in my job", and "I am confident that I will be able to work for my organization as long as I wish." The coefficient alpha for this scale was 0.98.

5.2.2 Job Satisfaction

The JS was measured using five-point Likert scale (1= strongly disagree to 5= strongly agree) composed by Hartline and Ferrell (1996) consisting of 8 items. Sample items

were “I am satisfied with my overall job”, and “I am satisfied with my salary.” The reliability coefficient for this measurement scale was 0.97.

5.2.4 Service Recovery Performance

The SRP was measured by utilizing the 5-item scale developed by (Boshoff and Allen, 2000). The customer participants were asked to express how much they agreed or disagreed with five statements using the five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Sample items were “Considering all the things I do, I handle dissatisfied customers quite well”, and “I do not mind dealing with complaining customers.” The alpha coefficient for this scale was 0.98.

5.3 Data Analysis and Results

In order to detect the convergent and discriminant validities of the factors, Confirmatory Factor Analysis (CFA) was used by following the recommendations of Anderson and Gerbing (1988). Pearson correlation analysis was also conducted to identify the relationships among the independent variable, the mediating variables, and the dependent variable. The study hypotheses were tested through performing a serial mediation analysis with the help of an SPSS macro developed by Hayes (2017) by testing Model (6) of the process by introducing FA as an independent variable, employees’ JSEC and JS as mediators and SRP as the dependent variable. We also tested mediation with the help of the bootstrapping method recommended by Preacher and Hayes (2004) and thus used 1,000 bootstrapping samples with a 95 percent Confidence Interval (CI).

Furthermore, the results of this study will explain Measurement model, Descriptive Statistics and Hypotheses Testing.

5.3.1 Measurement Model

As can be seen in Table 5.10, Standardized Loading (SL) demonstrated that factor loadings were significant, ranging from 0.62 to 0.97 ($p < .05$). In addition, all constructs showed the acceptable Composite Construct Reliabilities (CCR) ranging between 0.95 and 0.98. Average Variance Extracted (AVE) scores of constructs were between 0.66 and 0.87, demonstrating sufficient convergent validity. Analyses demonstrated that the hypothesized model yielded an acceptable fit to the data ($\chi^2 = 1128.39$; $df = 449$; $p < .01$; Comparative Fit Index (CFI) = .93; Goodness-of-Fit Index (GFI) = .84; Tucker-Lewis Index (TLI) = .93; Root-Mean-Square Error of Approximation (RMSEA) = .081; and standardized Root-Mean-Square Residual (RMSR) = .020, which recommended that these variables should be conceived as distinct constructs. Overall, the ratio of the AVE in each construct was greater than the square of the correlation coefficient between variables, ensuring discriminant validity (Fornell and Larcker, 1981).

Table 5.10: Measurement Parameter Estimates

Sector Items	SL	CCR	AVE
Favouritism by Arasli, H., & Tumer, M. (2008)			
1- I am always careful when speaking to friends, acquaintances, family or relatives of hotel executives.	.79	.95	.66
2- High level executives of this firm have a hard time demoting or firing friends and acquaintances.	.77		
3- If friends and acquaintances of an executive get a job here, he/she can never live up to the expectations of other employees.	.73		
4- Supervisors are afraid of subordinates who are related to high-level executives.	.76		
5- Employees of this hotel always feel that they need friends and acquaintances in a high-level position.	.78		
6- Employees who are promoted or rewarded only because of close friendship ties are a negative influence in this organization.	.79		
7- Family-dominated organizations are more concerned with taking care of their close acquaintances than the business.	.78		

8- Middle-level managers at this hotel are uncomfortable with the presence of those employees with close personal ties to high-level executives.	.81		
9- Employees who are promoted or rewarded only because of friends or connections have a negative influence on others working at this hotel.	.69		
<hr/>			
Job security by Oldham <i>et al.</i> (1986)	.90	.98	.83
<hr/>			
1- I will be able to keep my present job as long as I wish.	.90		
2- My current organization will not cut hotel on the number of hours I work each week.	.85		
3- If my current organization were facing economic problems, my job would be the first to go (reverse scored).	.85		
4- I am confident that I will be able to work for my organization as long as I wish.	.88		
5- My job will be there as long as I want it.	.84		
6- If my job were eliminated, I would be offered another job in my current organization.	.75		
7- Regardless of economic conditions, I will have a job at my current organization.	.82		
8- I am secure in my job.	.88		
9- My current organization would transfer me to another job if I were laid off from my present job.	.88		
10- My job is not a secure one (reverse scored).		.97	.79
<hr/>			
Job satisfaction by Hartline and Ferrell. (1996).	.82		
<hr/>			
1- I am satisfied with my overall job.	.77		
2- I am satisfied with my fellow workers.	.88		
3- I am satisfied with my supervisor(s).	.90		
4- I am satisfied with this hotel's policies.	.87		
5- I am satisfied with the support provided by this hotel.	.86		
6- I am satisfied with my salary.	.87		
7- I am satisfied with the opportunities for advancement with this hotel.	.86		
8- I am satisfied with this hotel's customers.			
<hr/>			
Service recovery performance by Boshoff and Allen. (2000).			
<hr/>			
1- Considering all the things (service) the personnel do, they handle dissatisfied customers quite well.	.90	.98	.87
2- In this organization, the service employees do not mind dealing with complaining customers.	.84		
3- No customer they deal with leaves with problems unresolved.	.91		
4- Satisfying complaining customers is a great thrill for the employees.	.62		
5- Complaining customers, the employees dealt within the past are /should be among today's most loyal customers.	.97		

Note: SL = Standardized Loading.

CCR = Composite Construct Reliability.

AVE = Average Variance Extracted.

All loading values are significant at the 0.05 level.

5.3.2 Descriptive Statistics

Table .511 depicts the mean scores, standard deviations, and correlations for the study constructs. The correlation table showed that there was a statistically significant correlation exist between FA and JSEC ($r = .324, p < .01$), JSEC and JS ($r = .547, p < .01$) and JS and SRP ($r = -.495, p < .01$). The correlation between FA and JS was significant and positive ($r = .123, p < .05$) whereas there was also significant negative correlation between FA and SRP ($r = -.210, p < .05$).

Table 5.11: Means, Standard Deviations, and Correlations

Constructs	Means	SD	1	2	3	4
FA	2.13	0.49	(.95)			
JSEC	1.99	0.57	.324**	(.98)		
JS	2.20	0.44	.123*	.547**	(.97)	
SRP	3.39	0.36	-.210*	-.527**	-.495**	(.98)

Note: n = 302. SD = denotes Standard Deviation; SRP = service recovery performance. Values in parentheses along the diagonal represent the reliability (Cronbach's alpha). * $p < .05$. ** $p < .01$.

5.3.3 Hypotheses Testing

This study investigated the effects of FA perceptions of hotel frontline employees on their SRP through their feelings of JSEC and JS. The sequence of our study model demonstrated the favor of serial mediation. Therefore, a serial mediation analysis was performed via SPSS macro developed by Hayes (2017). In table 5.12 the regression results indicated that the effect of FA on beneficiary employees' feeling of JSEC was positive and significant ($\beta = .45; p < .001$). This finding supported hypothesis 1. Further, the effect of employees' feeling of JSEC on their JS was positive and significant for beneficiary employees ($\beta = .52; p < .001$). Thus, the second hypothesis of our study was also supported. Moreover, it shows that the relationship between JS and SRP was negative and significant ($\beta = -.22; p < .001$), which supported hypothesis 3. In additions, the findings displayed that the indirect effect of FA on beneficiary employees' SRP

through JSEC ($\beta = -.08$) was also significant as the upper and lower bounds of the 95 percent CI did not include 0 [upper bound CI = $-.18$; lower bound CI = $-.03$]. Therefore, these findings present empirical support for hypothesis 4. Similarly, the indirect effect of FA on beneficiary employees' SRP through employee JS was also significant ($\beta = -.04$) as the upper and lower bounds of the 95 percent CI did not include 0 [upper bound CI = $-.02$; lower bound CI = $.14$]. These findings supported hypothesis 5. Finally, the findings also provided empirical support for serial mediation such that the effects of FA on beneficiary employees' SRP through the employees' feelings of JSEC and JS were also significant ($\beta = -.05$) and the upper and lower bounds of the 95 percent CI did not include 0 [upper bound CI = $-.09$; lower bound CI = $-.03$]. These findings supported hypothesis 6 (see Table 5.12 & 5.13).

Table 5.12: Results of Mediation Analysis Intervals

Variable	Model 1 DV= JSEC	Model 2 DV= JS	Model 3 DV= SRP	Indirect effects β (SE) 95% confidence intervals [lower bound; upper bound]
FA	.45 (.13) ***	-.20 (.10) *	-.10 (.07)	-
JSEC	-	.52 (.07) ***	-.20 (.06) ***	-
JS	-	-	-.22 (.06) ***	-
FA \rightarrow JSEC \rightarrow SRP	-	-	-	-.08 (.03) [-.18; -.03]
FA \rightarrow JS \rightarrow SRP	-	-	-	-.04 (.04) [-.02; .14]
FA \rightarrow JSEC \rightarrow JS \rightarrow SRP	-	-	-	-.05 (.02) [-.09; -.03]
R ²	.09	.32	.35	

Note: n = 302; entries corresponding to the predicting variables are coefficient effects, β , with standard errors appearing in parentheses.

*p < .05, ** p < .01, *** p < .001.

Table 5.13: Result of Study Hypothesis

N	Hypothesis	Result of Hypotheses
H1	FA is positively related to JSEC of beneficiary employees.	Supported
H2	JSEC of the beneficiary employees is positively related to their JS.	Supported
H3	JS of the beneficiary employees is negatively associated with SRP from the perspective of customers.	Supported
H4	The beneficiary employee's JSEC mediates the relationship between upper management's favoritistic practices and SRP.	Supported
H5	The beneficiary employee's JS mediates the relationship between upper management's favoritistic practices and SRP.	Supported
H6	Upper management's favoritistic behaviours are negatively associated with their customer's perceptions about SRP through the chain of the beneficiary employee's JSEC and JS.	Supported

Chapter 6

DISCUSSION AND IMPLICATIONS

6.1 Theoretical Implications

The aim of the study was to examine the effects of FA on beneficiary employees' SRP through mediating roles of both JSEC and JS in the family-run hotel organizations in north Cyprus. This empirical work has contributed to the growing body of empirical research in the family hotel businesses that has tested the mechanisms via which JSEC and JS aspects of FA from the perspective of beneficiary employees can be a barrier to the SRP from the eyes of hotel guests. The theoretical back up for the hypothesized relationships was provided from Social Identity (SI) theory. Statistical evidence was provided for all the hypotheses proposed. These statistical results contribute to organizational behaviour; service management and marketing research; and suggest several theoretical and practical implications.

Firstly, the study examined the negative association between FA practices and customer perceptions' of SRP. This finding endorses the suggestions of past researches which indicated that employees mostly try to conduct or ensure a closer relationship with family members in a favoritistic work environment so as to strengthen their positions rather than displaying higher performance (Arasli *et al.*, 2006).

Secondly, although it was not hypothesised, the support provided from the results of the current study adds to the limited empirical evidence available about the negative impact of employee JSEC on SRP. Although several scholars indicated that JSEC

should encourage employees to work harder and increases employee job performance (Delaney and Huselid, 1996; Yousef, 1998; Kraimer *et al.*, 2005), the findings of this study revealed negative effects of beneficiary employees' JSEC feelings on their SRP. This finding supported the claim of Yousef's (1998) study which has stated that certain organizational culture has significant effects on the relationship between JSEC and job performance. This important result obtained from the family-run hotel organizations revealed that there may be different consequences of employee satisfaction with JSEC in the hospitality settings depending on the organization's type and culture.

The present study also tested the direct effect of FA on beneficiary employees' feelings of JSEC. The statistical support gained for the hypothesized relationship was in line with the view that FA practices give positive feelings to beneficiary members. The test results also brought empirical support for the Social Identity Theory (SIT) (Tajfel, 1981) which has stated that family business owners can consider their family members or acquaintances as being more salient than the organization and can therefore embellish relationship concerns at the expense of firm concerns. (Crosby, 1976; Folger, 1986) in the context of family firms, since a beneficiary employee can view a special form of resource allotment as fair, which may lead to satisfaction with JSEC.

This study also found a statistical support for its second hypothesis that investigated the positive relationship between JSEC and employee JS. Consonant with the previous empirical findings (e.g., Yousef, 1998; Sverke *et al.*, 2002; Noble, 2008), the present findings displayed that high level of employee feeling of JSEC increases beneficiary employees' JS in the family-run hotel organizations.

Moreover, the next hypothesis of the study tested the effect of beneficiary employees' JS on customers' perceptions of SRP, which has been neglected by previous hospitality research. The results depicted clear support for this hypothesis that beneficiary employees with high level of JS are less likely to show recovery performance in their service they perform to customers. Apart from the previous studies which examined SRP as an antecedent of JS (e.g., Boshoff and Allen, 2000; Yavas *et al.*, 2003; Karatepe, 2003), this study found negative and significant effect of beneficiary employees' JS on their SRP.

This study also found statistical support for the fourth hypothesis that investigated the mediating role of beneficiary employees' JSEC on the relationship between FA and customer's perceptions of SRP. The theoretical support for this hypothesis was obtained from the Social Identity Theory (SIT). This theory explains the mechanism by which family membership may give a beneficiary employee a greater JSEC (Donnelly, 1964; Miller and Breton-Miller, 2006). In addition, the next hypothesis of the study investigated the mediating role of JS of beneficiaries on the relationship between FA practices and customer's perception of SRP of the hotels in the research context. These findings have provided empirical support for such theories in the domain of hospitality service management. The current work recorded an extra mile and sought to extend the researches on the effects of FA in the hospitality settings through exploring the mediating effects of JSEC and JS.

The last hypothesis of this study examined a serial mediation on the relationship between beneficiaries' perception of FA and customers' perceptions of SRP. A serial mediation analysis of Hayes (2017) provided empirical support for that hypothesis. This finding showed that FA practices can have detrimental effect on the service

quality and customer satisfaction of the family-run hotel organization. Moreover, these findings have also provided empirical support for the integration of SIT that explain the mechanisms by which FA practices are linked with the beneficiaries' SRP through JSEC arising from the sense of identity within the organization (H4) along a causal chain of employee JSEC and JS (H6). Overall, this study has offered a unique theoretical contribution to existing research on customer perceptions' of SRP in a favoritistic hospitality setting by testing the serial mediation model.

6.2 Managerial Implications

This empirical study has underlined the importance of FA practices providing various privileges to beneficiaries which enhances their JSEC and JS and reduces such employee's SRP from the perspective of customers.

These findings have strong implications for managers in family-run hotels. In particular, top managers consciously or unconsciously need to acknowledge the negative outcomes of FA practices on their customers happen due to the beneficiary's irresponsible actions such as ignoring or neglecting customers, showing irresponsible behaviors, delaying in taking orders, late delivery, and lack of customer focus on the needs and expectations, and so forth. That is, the beneficiary employees while feeling secure and satisfied enjoying with the fruits of the favoritistic climate, the customers may be disappointed with the attitudes exhibited towards them as explained above by the customers.

Therefore, one of the most important findings of this study is the threat of management's intentional privileges to close friends, neighbours or townspeople who are provided unequal or unfair JSEC in dispense of others in the hotels leads to

perceived injustices and inequalities and harms to organizational integrity. Considering, the industry is well known with its long working hours, low salary payments, temporary contracts, unpaid leaves and lack of unionization and so forth (Aksu, 2004; Wildes, 2007; Poulston, 2008). In such a stressful environment, observing the benefits obtained by the non-beneficiary employees will probably double their pain and disappointments as claimed by relative deprivation theory (Crosby, 1976; Folger, 1986). These undesired observations may also result in gossips, bullying, revenge, hate, jealousy kind of negative attitudes and feelings in developing reluctant behaviors while serving towards customers as well as enacting such negative outcomes as service sabotage, high turnover intention, low commitment, and high absenteeism.

Based on the past research and the current study's findings, FA has a vital and destructive influence on customers, it is important that hotel owners or top management in the research content ensure that they have sufficient policies and procedures in place to minimize and manage the favoritistic practices in selection, placement, evaluation and promotion of their staff. Importantly, these policies should be implemented in a transparent, prompt and suitable manner to all employees in the hotels.

Till today, the researchers could not find any concrete solution to FA issue since there has not been much attention and research into the problem of FA especially among hospitality industry employees. As a first step, all hospitality managers or owners become aware of the potential negative consequences of favoritistic climate occur within their hotels, and should try to minimize or eliminate it. Human resource policies should be put into practice underlining that FA is not tolerated, and outlining how FA

practices will be dealt with. Superiors and subordinates including all departments need to be trained about FA, what FA behaviors look like and how to deal with FA, both from the standpoint of a manager, beneficiary, and as a non-beneficiary. In addition, they should equip the employees with knowledge and training in relation to different daily stress coping techniques and skills, which have presented to be useful until the anti-practices felt working and a new climate has been obtained. For example, organizations could provide training to develop employees' skills in dealing with job related stress or may assign a mentor from the mature and trustful employees to establish trust and assurance among those employees by explaining the new anti- FA processes developed within the organization to show how determined is the management or the owner against such practices on behalf.

Moreover, the hotel needs to determine if there are any organizational factors, such as oppressive laws, regulations, policies and procedures, or punitive appraisal approaches that inadvertently contribute to FA, and spend considerable effort to establish an environment in which FA cannot survive but professionalism.

A few countries, such as USA, has enacted anti-nepotism laws that protect employees from acts of nepotism's harmful effects such as two persons from the same town cannot work in the same department (Werbel and Hames, 1996; Abdalla *et al.*, 1998). Legal solutions cannot be the only solution to this problem, but they would at least give non-beneficiaries some legal support to provide them at least an alternative to feel secure if the employee are not able to solve the problems resulted from FA in normal ways. Ultimately, the role of the upper management in reducing FA is very critical since this problem only can survive and widespread if the management is to give value to such practices.

Chapter 7

CONCLUSION

This thesis presented and confirmed the negative relationship between FA and SRP by surveys from frontline hotels employees and customer perceptions' in a favoritistic hospitality setting in north Cyprus.

The finding also proved the importance of the impacts of mediating effects, such as; JS and JSEC on the aforementioned relationship.

Importantly, we should implement policies with the transparent and suitable manner to all employees. These followed by policies that fit customer satisfaction in the hotels for the success of the SRP because FA has a vital and destructive influence on customers within a short period of time.

7.1 Limitations and Further Investigations

The first limitation of this empirical study was the context and time limitation of the survey. As such, the study had a cross-sectional design conducted in one-month period that is advised in the future longitudinal study could potentially provide inferences.

Second, the data in our research were collected from family-run hotels in north Cyprus. Similar data collection could be established in different countries and industries so that we could have a better understanding of the generalizability and restricting

circumstances for our proposed model. Directions for future research include a cross-cultural measure of the validity of the study model.

Third, other orientation for future investigation includes a serial mediation analysis of FA and SRP relationship through along a causal chain of JSEC and JS from the non-beneficiary employees' perspective. The possible varieties of further investigation results enable comparing the consequences of FA with our findings and expanding the current knowledge related to our proposed model.

Lastly, it would also be beneficial to analyse the effects of FA on other employee-level outcomes: such as work engagement, commitment, organizational citizenship behaviour, and job performance in hospitality industry. Thus, we suggest further examination in this direction.

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APPENDICES

Appendix A: Questionnaire for employees

Do you have any relatives/friends in this hotels working with you? Yes No
 (1) Strongly disagree. (2) Disagree. (3) Undecided. (4) Agree. (5) Strongly agree.

NO		1	2	3	4	5
1	I am satisfied with my overall job.					
2	I am satisfied with my fellow workers.					
3	I am satisfied with my supervisor(s).					
4	I am satisfied with this hotel's policies.					
5	I am satisfied with the support provided by this hotel.					
6	I am satisfied with my salary.					
7	I am satisfied with the opportunities for advancement with this hotel.					
8	I am satisfied with this hotel's customers.					
9	I will be able to keep my present job as long as I wish.					
10	My current organization will not cut hotel on the number of hours I work each week. .					
11	If my current organization were facing economic problems, my job would be the first to go (reverse scored).					
12	I am confident that I will be able to work for my organization as long as I wish.					
13	My job will be there as long as I want it.					
14	If my job were eliminated, I would be offered another job in my current organization.					
15	Regardless of economic conditions, I will have a job at my current organization.					
16	I am secure in my job.					
17	My current organization would transfer me to another job if I were laid off from my present job.					
18	My job is not a secure one (reverse scored).					
19	Employees of this hotel always feel that they need someone they know or a friend in a high-level position.					
20	Middle-level managers at this hotel are uncomfortable with the presence of those employees with close personal ties to high-level executives.					
21	Employees who are promoted or rewarded only because of friends or connections are a negative influence on others working at this hotel					

22	I am always careful when speaking to friends or acquaintances of hotel executives.					
23	Friends and acquaintances of hotel executives are frustrated by the fact that they never really know if they are promoted or rewarded based on merit or personal reasons.					
24	A friend or acquaintance of a hotel executive can never meet the expectation of other employees if given a position at the hotel.					
25	Executives are more interested in keeping friends and acquaintances in good positions than they are in those employees' performance or the organization's profitability					
26	Acquaintances' disagreements become business problems in organizations allowing favoritism and cronyism					
27	Hotel executives and corporate executives who permit employment of acquaintances have a hard time employing and retaining high quality employees who are not acquaintances.					
28	High level executives of this hotel have a hard time demoting or firing friends and acquaintances.					

Gender		Age		Education		Tenure	
Male	<input type="checkbox"/>	Less than 24 years	<input type="checkbox"/>	Primary school	<input type="checkbox"/>	Less than 1 year	<input type="checkbox"/>
		25 – 34 years	<input type="checkbox"/>	Vocational school	<input type="checkbox"/>	1- 4 years	<input type="checkbox"/>
Female	<input type="checkbox"/>	35- 44 years	<input type="checkbox"/>	High school	<input type="checkbox"/>	5-8 years	<input type="checkbox"/>
		45-54 years	<input type="checkbox"/>	Secondary School	<input type="checkbox"/>	Above 9 years	<input type="checkbox"/>
				University	<input type="checkbox"/>		
				Master & PhD	<input type="checkbox"/>		

Appendix B: Questionnaire for customers

Please state your feelings and observation regarding the service they provide or solve about the personnel working here.

(1) Strongly disagree. (2) Disagree. (3) Undecided. (4) Agree. (5) Strongly agree.

NO		1	2	3	4	5
1	Considering all the things (service) the personnel do, they handle dissatisfied customers quite well.					
2	In this organization, the service employees do not mind dealing with complaining customers.					
3	No customer they deal with leaves with problems unresolved.					
4	Satisfying complaining customers is a great thrill for the employees.					
5	Complaining customers, the employees dealt within the past are /should be among today's most loyal customers.					

Gender		Age		Education		Tenure		Continent	
Male	<input type="checkbox"/>	Less than 24 years	<input type="checkbox"/>	Primary school	<input type="checkbox"/>	Less than 1 year	<input type="checkbox"/>	Middle east	<input type="checkbox"/>
		25 – 34 years	<input type="checkbox"/>	Vocational school	<input type="checkbox"/>	1-4 years	<input type="checkbox"/>	European	<input type="checkbox"/>
Female	<input type="checkbox"/>	35- 44 years	<input type="checkbox"/>	High school	<input type="checkbox"/>	5-8 years	<input type="checkbox"/>	Asia & pacific	<input type="checkbox"/>
		45-54 years	<input type="checkbox"/>	University	<input type="checkbox"/>	Above 9 years	<input type="checkbox"/>	Americas	<input type="checkbox"/>
				Master – PhD	<input type="checkbox"/>				