

Impact of Service Quality on Business Performance in Hospitality Industries: An empirical study

Girish Nair, Ph.D.

Programme Leader International Hospitality Management Stenden University Qatar

Abstract

This research focusses on the impact of service quality on business performance in the hospitality industry in Qatar. The study basically deals with the testing of fifteen hypotheses built on the existing theoretical models. The empirical data was collected through the tourists of ten 5-star hotels in Qatar using the simple random sampling technique (n = 243). The findings have confirmed the significant interrelationship of tangibles, reliability and empathy with financial, non-financial, and operational performance of the hospitality industry. Responsiveness and assurance had significant interrelationship with non-financial performance and operational performance respectively. Based on the revelation of the study, implications have been drawn to the managers of the hospitality industry to better the specific dimensions of the service quality so that it may lead to enhanced business performance. The paper is of specific relevance to the Qatari hospitality industry as is witnessing a steady growth and there is an emphasis on the improvement in service quality for a sustainable business performance.

Keywords: Service Quality, Business Performance, Hospitality Industry

1. Introduction

Service quality has been linked to organizational performance in most of the service sectors including tourism, hospitality, healthcare, banking, education, insurance etc., since the past several decades. While service quality has an important role to play in the development of customer satisfaction, its direct influence on business performance has been questioned by several researchers (Cheruiyot & Maru, 2013; Tkaczynski, 2013; Solomon et al., 2015 & Izogo & Ogba, 2015). This questioning is based on several reasons including the view that it is not service quality alone which leads to the improvement in business performance and there are several other antecedents which may promote the business performance as the research construct - business performance itself is a multi-dimensional construct. Thus, service quality may not influence all the dimensions of business performance, but only some of its components. So, researchers have emphasized on the industry specific investigation of the influence of individual dimensions of service quality on the specific dimensions of business performance.

There are not many studies dealing with the above areas of research interest in the context of hospitality industry particularly in the Arab countries in which Qatar is one of the leading business economy (Al-Ababneh, 2013). Middle East witnessed 52 million visitors in 2013 and it is anticipated that travel and tourism's direct contribution to GDP in the region will grow at least by 5.5% in for the immediate years to come (UNWTO, 2013). Qatar has launched 'Qatar National Tourism Sector Strategy 2030' targeting an increase in tourism's contribution to GDP to 5.1% by 2030 from 2.6% currently and the government and the private sectors have planned to invest about \$40-45 billion in total in the tourism sector by 2030 (UNWTO, 2013). All these are the indicators that there is a tremendous boost for tourism and hospitality in Qatar and there will be a requirement to enhance the service quality. In addition, there is also a need to check the relationships between the service quality and business performance dimensions so that the hospitality sector may focus more on those specific dimensions of service quality which have an impact on business performance.

2. Objectives of this Research

This research is basically an attempt to associate service quality with business performance in the context of hospitality industry. The specific objectives are as follows.

1. Study the relevance of the dimensions of service quality and business performance in the context of hospitality industry.
2. Seek the interrelationship between the dimensions of the service quality and business performance.
3. Draw implications to the managers of the hospitality industry so that the dimensions of specific relevance to business performance can be strengthened to achieve better business performance.

3. Literature Review

3.1. Service Quality

Service quality concepts have a long history and right since its inception it is known as what the customer gets out of what he/she is willing to pay (Ducker, 1991). Service quality is also considered as the extent to which the needs or expectation of the customers are met with (Butt et al., 2010; Rodrigues et al, 2011; Amjad et al., 2013).

In terms of measurement, service quality frequently has been conceptualized as the difference between the perceived and expected service (Zeithaml et al., 1996; Kara et al., 2005). Measurement of service quality has been a major issue since the past several years and while a group of authors argue that it should be the difference between the perception and expectation (Bolton and Drew, 1991; Babakus and Boller, 1992; Zhang et al., 2014 and Rauch, 2015) another group argues that perception includes expectation, and hence, perception alone can be a measure of service quality (Cronin and Taylor, 1992 and Brown et al., 1993).

Parasuraman et al., (1988) introduced the SERVQUAL model to measure service quality including 22 items in five dimensions: reliability, tangible, responsiveness, assurance, and empathy. These dimensions have specific service characteristic link to the expectation of customers. The SERVQUAL (Parasuraman et al., 1986) scale was basically developed for the service marketing environment first and then extended to other service sectors. Even though this model as an instrument has been used in various studies across industries, the SERVQUAL has received many criticisms from other scholars (e.g., Cronin and Taylor, 1992; Brown et al., 1993). Several researches have confirmed that SERVQUAL instrument is applicable in tourism industry and hence it is used in this research to measure service quality (Yuan et al., 2005; Shaikh and Khan, 2011; and Dedeoğlu, B.B. & Demirer, 2015).

3.2. Business Performance

The word business performance in the organizational context has different connotations. It could be Operational performance, Organizational performance (Financial and Non-financial), Brand performance, Market performance, Research performance and so on. There are different streams of research in this area and it is necessary to focus on specific context of performance in the study related to the influence of service quality on performance. Literature is rich in performance measurement with different approaches, the most common being Balanced Score card approach. Again, there are qualitative as well as quantitative measures of performance, and also performance at employee level and organizational level.

At the organizational level of study, financial measures are most commonly used performance measures and comprise of three main components: profit margin, return on assets, and return on equity. Performance indicators could be used for financial reports, for monitoring the performance of employees, customer satisfaction, the health safety environment rating and overall equipment effectiveness as well as many other applications. If performance indicators are identified properly, then it can provide or identify resource allocation and control, help benchmarking, enhance personnel performance and thus contribute to the overall business objectives (Kumar et al., 2009). Baharum et al. (2006) from his service quality framework proposes three different aspects of business performance focused on the service quality, technical aspect of quality, and image aspects of quality which essentially enhance business performance. There have been studies by researchers such as Jung and Hong (2008) who have studied performance in terms of factors such as customer satisfaction, employee morale, productivity, defective rate, warranty claim, and cost of quality. In these studies the focus has been to study the business performance in terms of employee performance. Thus, business performance can be defined and measured in many different ways and it is a multi-dimensional concept. Speaking in terms of the hotel industry, business performance has to be measured specifically in terms of financial performance, non-financial performance and operational performance, and thus, these three aspects of business performance have been considered in this research.

4. Research Methodology

This is basically an empirical study and adopts a quantitative approach which involves the data collection through survey questionnaire and analysis using the second generation statistical analysis using Structural Equation Modelling (SEM). Following are the details of the methods and procedures adopted in this research.

4.1. Survey and Data Collection

The development of the metric in the form of a questionnaire followed by the theoretical model specification entailed a four-stage approach including meta-analysis of literature, interviews with major stakeholders of hotel industry, questionnaire development, and pilot testing of the questionnaire. Ten 5-Star graded hotels in Qatar were randomly chosen for this research survey. The sample comprises the customers (guests) of these hotels who were approached through the HR manager of the hotels. As the questionnaire was easy to understand and self-administered with clear instruction, they were directly handed over by the HR manager to the respondents. Care was taken to see that the questionnaires were distributed when they were in a relaxed mood and had the patience and time for filling it. The questionnaire had three distinct parts. The first part referred to the demographic information of the respondent, second part was the quantitative measurement of service quality and business performance using the Likert 5-point scale, and the third part was the collection of the qualitative information pertaining to service quality and business performance. While service quality measurement was through the standard SERVQUAL questionnaire, the business performance was using specifically developed questionnaire

using the available ones. The Table 1 summarizes the constructs, description, sample items and origin of the items in the questionnaire prior to the factor reduction through Confirmatory Factor Analysis (CFA).

Table 1: Survey constructs, sample items and sources

| Service Quality | | | | |
|--|---|--|--------------|---|
| Dimension | Description | Sample Item | No. of Items | Literature |
| Tangibles (TNG) | Physical facilities, equipment, and the appearance of personnel. | Excellent hotels will have modern-looking equipment. | 5 | Parasuraman et al., (1985); Sohail (2003); Mostafa (2005); Wiesniewski and Wiesniewski, (2005); Francesca & Harini (2013), Samen et al (2013), Alnsour et al., (2014); Santos et al.,(2015) |
| Reliability (REL) | Ability to perform the promised service accurately and dependably. | When excellent hotels promise to do something by a certain time, they will do so. | 5 | Parasuraman et al., (1985); Kumar et al., (2009); Camgöz - Akdağ et al. (2013); Shahin et al., (2014); |
| Responsiveness (RES) | Willingness to help customers and to provide prompt service | Employees of excellent hotels will tell customers exactly when services will be performed. | 5 | Parasuraman et al., (1985); Ladhari, (2008) Al - Borie & Damanhour (2013); Woods & Miles (2014) |
| Assurance (ASR) | Knowledge and courtesy of employees and their ability to convey trust and confidence. | The behaviour of employees of excellent hotels will instil confidence in customers. | 5 | Parasuraman et al., (1985); Kitapci et al., (2013); Cronholm & Salomonson (2014); Zhang et al., (2014); Rauch (2015). |
| Empathy (EMP) | Caring and individualized attention to customers | Excellent hotels will have operating hours convenient to all their customers. | 5 | Parasuraman et al., (1985); Baldwin (2014); Batista & de Medeiros (2014); Ozretic-Dosen & Zizak (2015) |
| Business Performance | | | | |
| Dimension | Description | Sample Item | No. of Items | Literature |
| Financial Performance (FNP) | | With service quality revenue of hotel will improve. | 5 | Ramamurthy (1995), Demirbag et al., (2006), Sila, (2007), Jung & Hong (2008), Salaheldin (2009), Ben (2014). |
| Non-financial Performance (NFP) | | Higher service qualities will provide a capacity to develop a competitive profile. | 5 | Low & Siesfeld (1996), Feng et al., (2006), and Sheikh et al. (2013). |
| Operational Performance (OPP) | | Better service quality can lead to waste reduction. | 5 | Ramamurthy (1995), Brah et al. (2002), Demirbag et al. 2006, Sila (2007), and Zelibst (2014) |

Thus, the original questionnaire had 40 indicators of measurement which were to be rated on the Likert 5-point Scale. First a pilot study was conducted in order to validate and test the reliability of the questionnaire

with a sample size of 35. During the pilot run, the questionnaire was given to six subject experts who were professors in the university and also experienced managers from the hotels where the survey was conducted. As per their inputs, some management jargons in the questionnaire were eliminated and two questions were rephrased. The content, construct, and criterion validation was thus achieved through a thorough discussion with them to ensure that the questionnaire was grounded with the theoretical models and measured what it was intended to measure. The questionnaire with a total of 40 indicators of the latent variables was reduced to a total of 24 items through Confirmatory Factor Analysis (CFA), and the reduced questionnaire (Appendix II) was subsequently used for collecting data to reach a total sample size of 243. A total of 300 questionnaires were distributed to the HR Managers of selected ten hotels from a group of 49 five-star hotels in Qatar. The data collection was during the period of August 2014 to January 2015. A total of 250 filled questionnaires were collected back out of which seven were incomplete, and hence discarded. The remaining 243 were used for the analysis.

4.2. The Hypothetical Research Model

Several researchers have made attempt to relate service quality to the desirable outcomes in organizations which include gaining of a competitive advantage, increase in customer satisfaction, enhancement of customer loyalty, better employee retention, increased market share, better profitability, and lowers costs (Seth et al., 2005; Akroush, 2008; Dahiyat et al., 2011).

Researchers have provided empirical evidence to relate service quality on several business performance measures which include increasing of customers, profitability, and sales volume (Zeithaml, 2000; Duncan and Elliot, 2002; Akroush, 2008). Rust et al. (1995) found that superior service quality leads to greater revenues and yield greater profitability. An indirect relationship between service quality and business performance through the meditating effect of customer loyalty has also been established (Zeithaml et al., 1996). Rapert and Wren (1998) proved that when service quality based strategy was used, it had a positively effect on both operating income and growth in net revenues. Service quality had a direct impact on both short- and long-term organisational performance (Amjad et al., 2013). A group of researchers have established a positive relationship between service quality and financial performance in different service organizations (Duncan and Elliot, 2002; Lai and Cheng, 2005; Akroush, 2008; and Akroush and Khatib, 2009). Thus, empirical research on service quality has revealed that it exerts a positive impact on business performance. However, these studies have not linked the individual dimensions to the critical components of business performance. Thus, the following hypothetical research model has been established (figure 1) leading to three main and 15 sub-hypotheses.

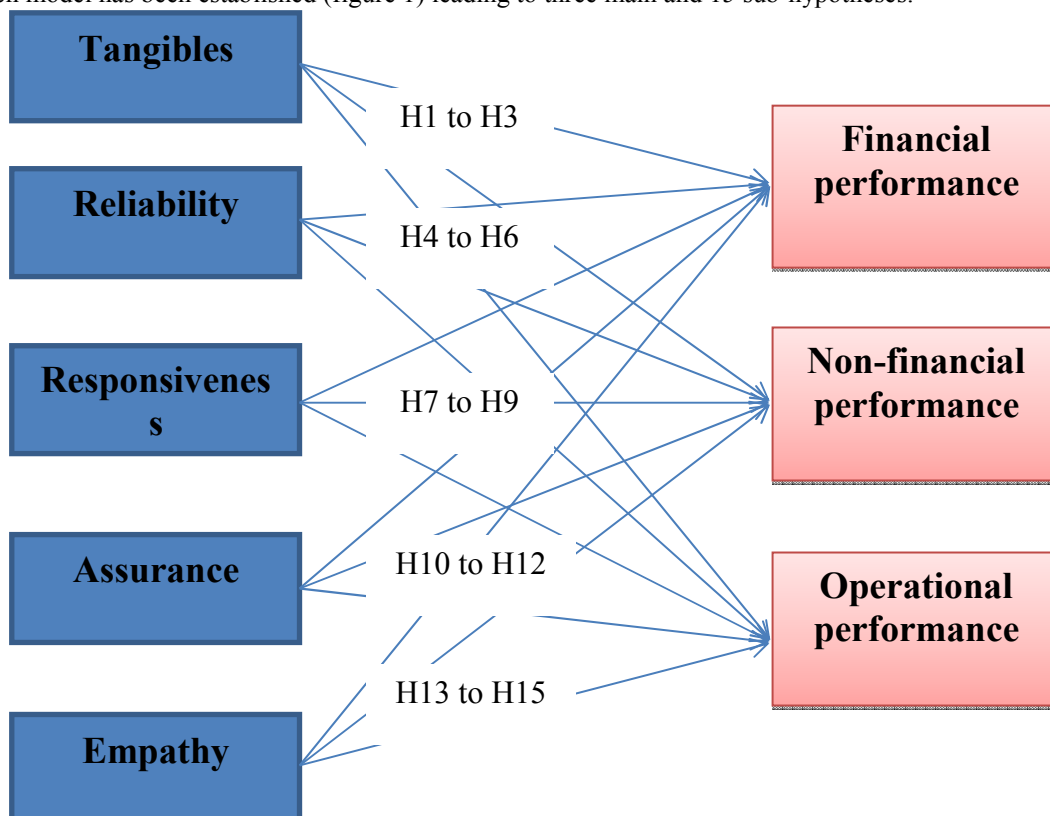


Figure 1: The Hypothetical Model

4.3. Hypotheses

4.3.1. Main Hypothesis

- H_{A0}: Dimensions of service quality have no significant relationship with financial performance.
- H_{Aa}: Dimensions of service quality have a significant relationship with financial performance.
- H_{B0}: Dimensions of service quality have no significant relationship with non-financial performance.
- H_{Ba}: Dimensions of service quality have a significant relationship with non-financial performance.
- H_{C0}: Dimensions of service quality have no significant relationship with operational performance.
- H_{Ca}: Dimensions of service quality have a significant relationship with operational performance.

4.3.2. Sub-hypotheses

- H₁₀: Tangibles have no significant relationship with financial performance.
- H_{1a}: Tangibles have a significant relationship with financial performance.
- H₂₀: Tangibles have no significant relationship with non-financial performance.
- H_{2a}: Tangibles have a significant relationship with non-financial performance.
- H₃₀: Tangibles have no significant relationship with operational performance.
- H_{3a}: Tangibles have a significant relationship with operational performance.
- H₄₀: Reliability has no significant relationship with financial performance.
- H_{4a}: Reliability has a significant relationship with financial performance.
- H₅₀: Reliability has no significant relationship with non-financial performance.
- H_{5a}: Reliability has a significant relationship with non-financial performance.
- H₆₀: Reliability has no significant relationship with operational performance.
- H_{6a}: Reliability has a significant relationship with operational performance.
- H₇₀: Responsiveness has no significant relationship with financial performance.
- H_{7a}: Responsiveness has a significant relationship with financial performance.
- H₈₀: Responsiveness has no significant relationship with non-financial performance.
- H_{8a}: Responsiveness has a significant relationship with non-financial performance.
- H₉₀: Responsiveness has no significant relationship with operational performance.
- H_{9a}: Responsiveness has a significant relationship with operational performance.
- H₁₀₀: Assurance has no significant relationship with financial performance.
- H_{10a}: Assurance has a significant relationship with financial performance.
- H₁₁₀: Assurance has no significant relationship with non-financial performance.
- H_{11a}: Assurance has a significant relationship with non-financial performance.
- H₁₂₀: Assurance has no significant relationship with operational performance.
- H_{12a}: Assurance has a significant relationship with operational performance.
- H₁₃₀: Empathy has no significant relationship with financial performance.
- H_{13a}: Empathy has a significant relationship with financial performance.
- H₁₄₀: Empathy has no significant relationship with non-financial performance.
- H_{14a}: Empathy has a significant relationship with non-financial performance.
- H₁₅₀: Empathy has no significant relationship with operational performance.
- H_{15a}: Empathy has a significant relationship with operational performance.

5. Results, Analysis and Discussions

5.1. Descriptive Statistics

5.1.1. Demographics

It can be observed that majority of the respondents (n = 243) happen to be male in this research (65%) and in the age group of 25-35 years (39.5%) followed by the age group of 35-45 years (30%) (Table 2). The majority of the respondents are Diploma holders (48.6%), followed by Unger-graduates (39.5%). The highest salary (per month) range is in QAR 5,000 to 10,000 (40.3%), followed by QAR 10,000 to 20,000 (31.3%). Majority of the respondents are having two to four years of experience in tourism/business visits (61.7%) followed by four to six years of experience (23%). So, by and large, it is evident that the respondents are qualified and have the required experience in the availing the services of hotels and there is a fair distribution of respondents across the cross section of the society.

Table 2: Demographic distribution of the Respondents

| Attributes | Frequency | Percentage |
|----------------------------------|-----------|------------|
| Gender | | |
| Male | 158 | 65.0 |
| Female | 85 | 35.0 |
| Age | | |
| Less than 25 years | 19 | 7.8 |
| 25 – 35 years | 96 | 39.5 |
| 35 – 45 years | 73 | 30.0 |
| 45 – 55 years | 28 | 11.5 |
| Great than 55 years | 27 | 11.1 |
| Educational qualification | | |
| Diploma | 118 | 48.6 |
| Under graduate | 96 | 39.5 |
| Post graduate | 23 | 9.5 |
| Others | 6 | 2.5 |
| Income per month(QAR) | | |
| Less than 5,000 | 21 | 8.6 |
| 5,000 to 10,000 | 98 | 40.3 |
| 10,000 to 20,000 | 76 | 31.3 |
| 20,000 to 30,000 | 42 | 17.3 |
| More than 30,000 | 6 | 2.5 |
| Experience in tourism | | |
| Less than two years | 25 | 10.3 |
| 2 – 4 years | 150 | 61.7 |
| 4 – 6 years | 56 | 23.0 |
| More than 6 years | 12 | 4.9 |

5.1.2. Normality of the data

Normality assumption was not violated with an acceptable range of Skewness and Kurtosis statistics (threshold values 1.00 and -3 to +3 respectively) for the 24 item scale used in this research (Appendix I). Therefore, the data could be subjected to further level of statistical analysis leading to the inferential statistics. The negative Skewness shows that the response is towards the higher side of agreement in the Likert scale (Mean = 3.51).

5.1.3. Relative Performance of the Dimensions

The relative performance of the service quality dimensions indicates that almost all the dimensions except *responsiveness* are at the same level of satisfaction among the guests of the hotels (Mean-3.5; Std. Dev. – 0.5) (Table 3 and Figure 2). Thus, on the overall basis the guests are equally satisfied with reference to all the service quality dimensions. There is still scope for improvement in service quality as indicated by the mean score.

The relative *business performance* of the hotels marginally vary from each other with the *operational performance* being the most satisfied (Mean-3.7; Std. Dev.-0.9) (Table 4 and Figure 3) and *financial performance* being the least (Mean-3.5; Std. Dev.-0.7). The *non-financial performance* is in the mid-range between the two (Mean-3.6; Std. Dev.-0.9).

Table 3: Relative performance of Service Quality

| Service Quality | Mean | Standard Deviation |
|-------------------|------|--------------------|
| 1. Tangibles | 3.5 | 0.5 |
| 2. Reliability | 3.5 | 0.5 |
| 3. Responsiveness | 3.4 | 0.5 |
| 4. Assurance | 3.5 | 0.5 |
| 5. Empathy | 3.5 | 0.5 |

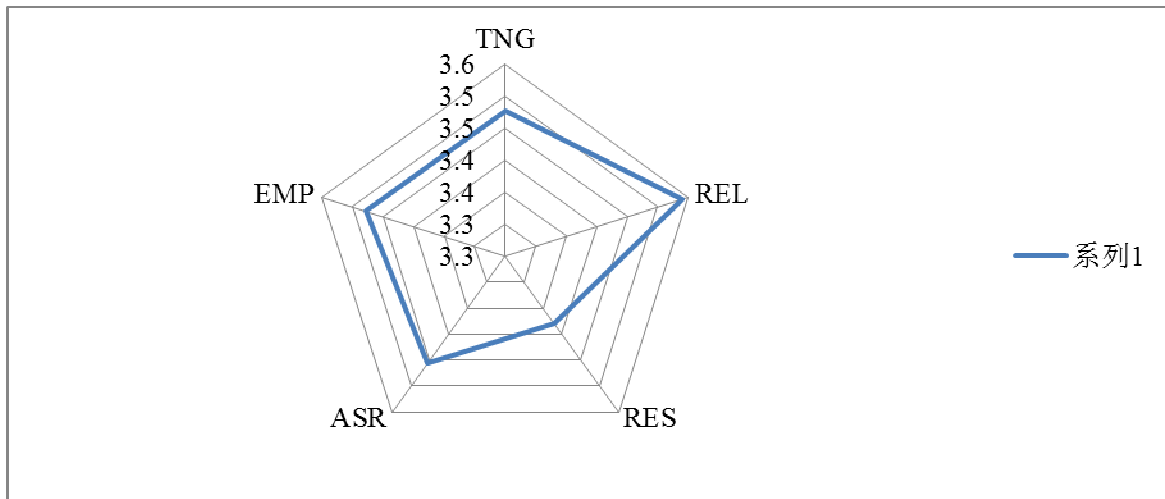


Figure 2: Relative performance of Service Quality

Table 4: Relative performance of Business Performance Dimensions

| Business Performance | Mean | Standard Deviation |
|------------------------------|------|--------------------|
| 1. Financial Performance | 3.5 | 0.7 |
| 2. Non-financial Performance | 3.6 | 0.9 |
| 3. Operational Performance | 3.7 | 0.9 |

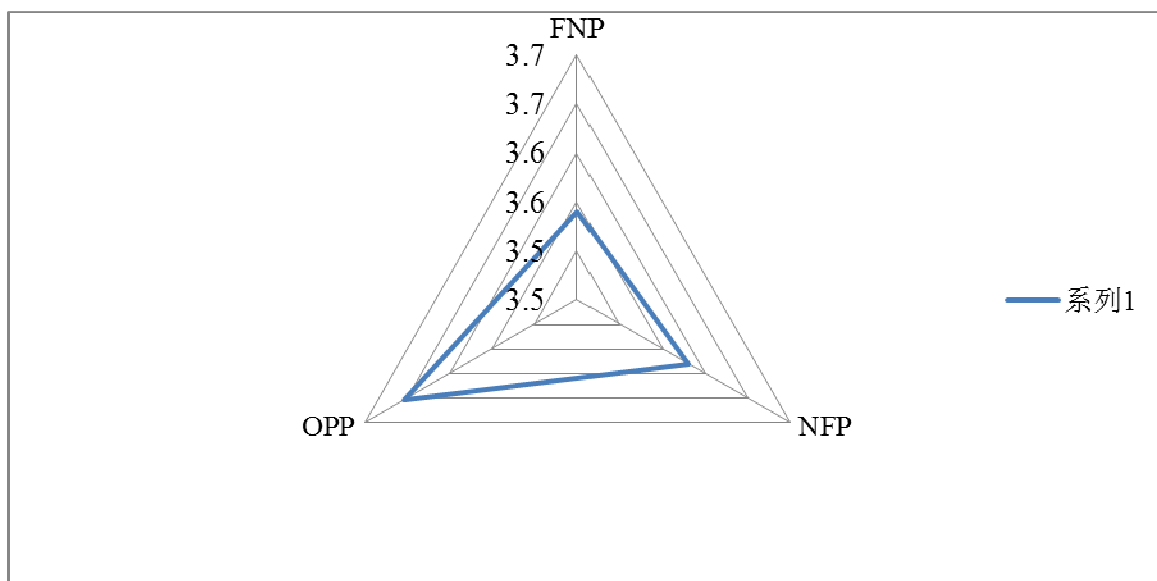


Figure 3: Relative performance of Business Performance

5.2. Inferential Statistics

5.3. Measurement Model

5.3.1. Reliability and Validity

To verify the reliability of the latent variables in the model, internal consistency reliability measure, item reliability measure, and composite reliability measures were calculated. Table 5 shows the Cronbach's alpha coefficient and the composite reliability result for the model. The alpha coefficient has the acceptable value ranging from (0.8 to 0.9), indicating a moderately high level of internal consistency. The result of item reliability (IR) measured as standardized confirmatory factor loading (FL) ranged from 0.7 to 0.9 (Table 7 and figure 3). The composite reliability is 0.9 indicating moderate to high reliability score. The convergent validity assessment based on factor loading and composite reliability indicate moderate to high acceptable range of factor loading for all items and good composite reliabilities in general. To test for discriminant validity, the square root of average variance extracted (AVE) for each construct was compared with the correlation between the construct and the other constructs (Table 6) and was found to be higher (shown in bold), and hence, the discriminant validity is

proved. The data could be subjected to the further analysis as very high measures were indicated in all the methods of reliability and validity.

Table 5: The Reliability Measures

| | AVE | Composite Reliability | R Square | Cronbach's Alpha | Communality | Redundancy |
|-----|--------|-----------------------|----------|------------------|-------------|------------|
| ASR | 0.8633 | 0.9499 | 0 | 0.9207 | 0.8633 | 0 |
| EMP | 0.8627 | 0.9496 | 0 | 0.9204 | 0.8627 | 0 |
| FNP | 0.8788 | 0.956 | 0.8821 | 0.9309 | 0.8788 | 0.0738 |
| NFP | 0.8779 | 0.9557 | 0.8315 | 0.9301 | 0.8779 | 0.1928 |
| OPP | 0.8276 | 0.935 | 0.8458 | 0.8952 | 0.8276 | 0.4592 |
| REL | 0.6712 | 0.8576 | 0 | 0.7803 | 0.6712 | 0 |
| RES | 0.787 | 0.9168 | 0 | 0.8609 | 0.787 | 0 |
| TNG | 0.7183 | 0.8838 | 0 | 0.8071 | 0.7183 | 0 |

Table 6: The Correlation Matrix

| | ASR | EMP | FNP | NFP | OPP | REL | RES | TNG |
|-----|---------------|---------------|---------------|--------|---------------|---------------|---------------|---------------|
| ASR | 0.9291 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EMP | 0.8947 | 0.9288 | 0 | 0 | 0 | 0 | 0 | 0 |
| FNP | 0.8494 | 0.9146 | 0.9374 | 0 | 0 | 0 | 0 | 0 |
| NFP | 0.8135 | 0.8391 | 0.9241 | 0.9370 | 0 | 0 | 0 | 0 |
| OPP | 0.8748 | 0.8795 | 0.9108 | 0.8435 | 0.9097 | 0 | 0 | 0 |
| REL | 0.6359 | 0.6665 | 0.7129 | 0.7315 | 0.7334 | 0.8193 | 0 | 0 |
| RES | 0.6581 | 0.692 | 0.6892 | 0.7813 | 0.7037 | 0.7798 | 0.8871 | 0 |
| TNG | 0.6364 | 0.7638 | 0.6069 | 0.5627 | 0.6973 | 0.5543 | 0.6552 | 0.8475 |

Table 7: Factor Loadings

| | ASR | EMP | FNP | NFP | OPP | REL | RES | TNG |
|------|--------|--------|--------|--------|--------|--------|--------|--------|
| ASR1 | 0.9488 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASR2 | 0.9213 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASR4 | 0.9171 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EMP3 | 0 | 0.9401 | 0 | 0 | 0 | 0 | 0 | 0 |
| EMP4 | 0 | 0.9343 | 0 | 0 | 0 | 0 | 0 | 0 |
| EMP5 | 0 | 0.9118 | 0 | 0 | 0 | 0 | 0 | 0 |
| FNP3 | 0 | 0 | 0.9628 | 0 | 0 | 0 | 0 | 0 |
| FNP4 | 0 | 0 | 0.9337 | 0 | 0 | 0 | 0 | 0 |
| FNP1 | 0 | 0 | 0.9152 | 0 | 0 | 0 | 0 | 0 |
| NFP3 | 0 | 0 | 0 | 0.9657 | 0 | 0 | 0 | 0 |
| NFP2 | 0 | 0 | 0 | 0.9457 | 0 | 0 | 0 | 0 |
| NFP4 | 0 | 0 | 0 | 0.8983 | 0 | 0 | 0 | 0 |
| OPP3 | 0 | 0 | 0 | 0 | 0.9426 | 0 | 0 | 0 |
| OPP4 | 0 | 0 | 0 | 0 | 0.9154 | 0 | 0 | 0 |
| OPP2 | 0 | 0 | 0 | 0 | 0.8696 | 0 | 0 | 0 |
| REL5 | 0 | 0 | 0 | 0 | 0 | 0.9145 | 0 | 0 |
| REL1 | 0 | 0 | 0 | 0 | 0 | 0.8563 | 0 | 0 |
| REL2 | 0 | 0 | 0 | 0 | 0 | 0.6663 | 0 | 0 |
| RES2 | 0 | 0 | 0 | 0 | 0 | 0 | 0.9395 | 0 |
| RES1 | 0 | 0 | 0 | 0 | 0 | 0 | 0.9254 | 0 |
| RES5 | 0 | 0 | 0 | 0 | 0 | 0 | 0.7886 | 0 |
| TNG3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.9319 |
| TNG5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.8202 |
| TNG1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.7835 |

5.4. Structural Model

The hypothesized model was designed to test 3 main hypotheses and 15 sub-hypotheses built based on the research literature on external factors influencing the organizational performance. The model with path coefficients and the explanatory power (R^2) for each dependent construct is displayed in figure 4. While path

coefficients show the strength of relationship between the two latent variables, the t-values (Figure 5 and Table 8) are indicative of the significance of relationships which enable hypotheses testing. The R^2 values of about 0.8 (cut-off 0.1) indicate high explanatory power of the model, in other words, the exogenous variables influence up to 80% on the endogenous variables of the study. The path coefficients are in the range of 0.01 to 0.9 for the variables associated through hypotheses. Out of 15 sub-hypotheses 11 are supported and the remaining is unsupported.

Following hypotheses stand supported:

- H_{1a}: Tangibles have a significant relationship with financial performance.
- H_{2a}: Tangibles have a significant relationship with non-financial performance.
- H_{3a}: Tangibles have a significant relationship with operational performance.
- H_{4a}: Reliability has a significant relationship with financial performance.
- H_{5a}: Reliability has a significant relationship with non-financial performance.
- H_{6a}: Reliability has a significant relationship with operational performance.
- H_{8a}: Responsiveness has a significant relationship with non-financial performance.
- H_{12a}: Assurance has a significant relationship with operational performance.
- H_{13a}: Empathy has a significant relationship with financial performance.
- H_{14a}: Empathy has a significant relationship with non-financial performance.
- H_{15a}: Empathy has a significant relationship with operational performance.

Following hypotheses stand un-supported:

- H_{7a}: Responsiveness has a significant relationship with financial performance.
- H_{9a}: Responsiveness has a significant relationship with operational performance.
- H_{10a}: Assurance has a significant relationship with financial performance.
- H_{11a}: Assurance has a significant relationship with non-financial performance.

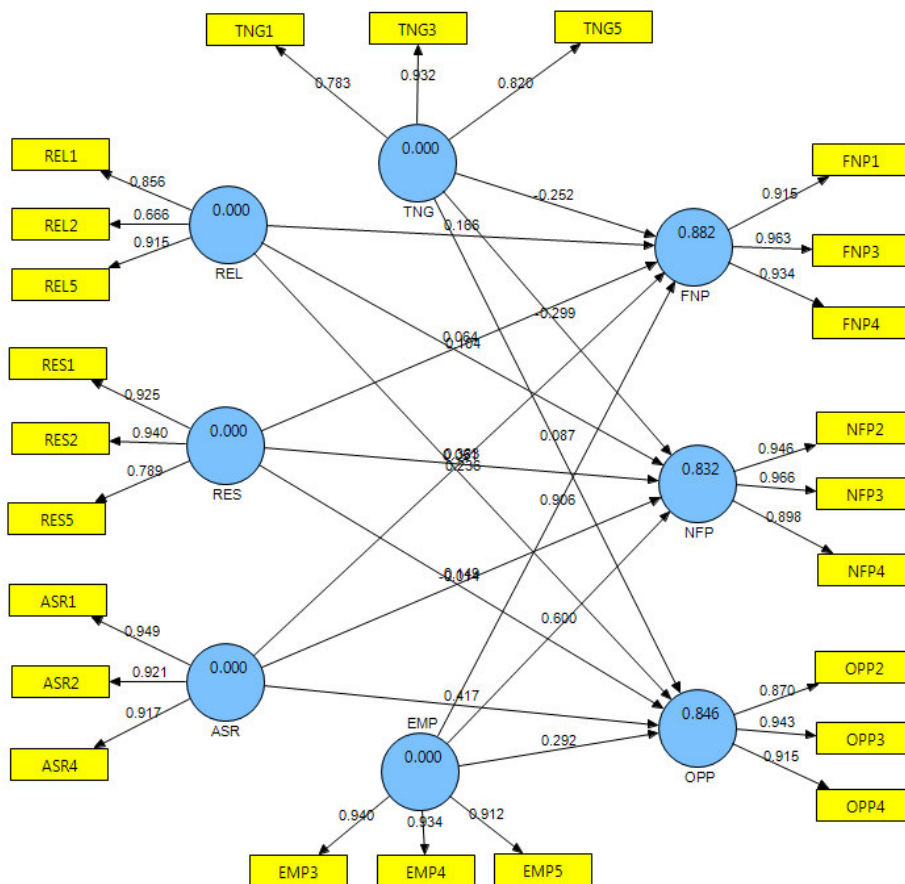


Figure 4: Path Coefficients and Factor Loading

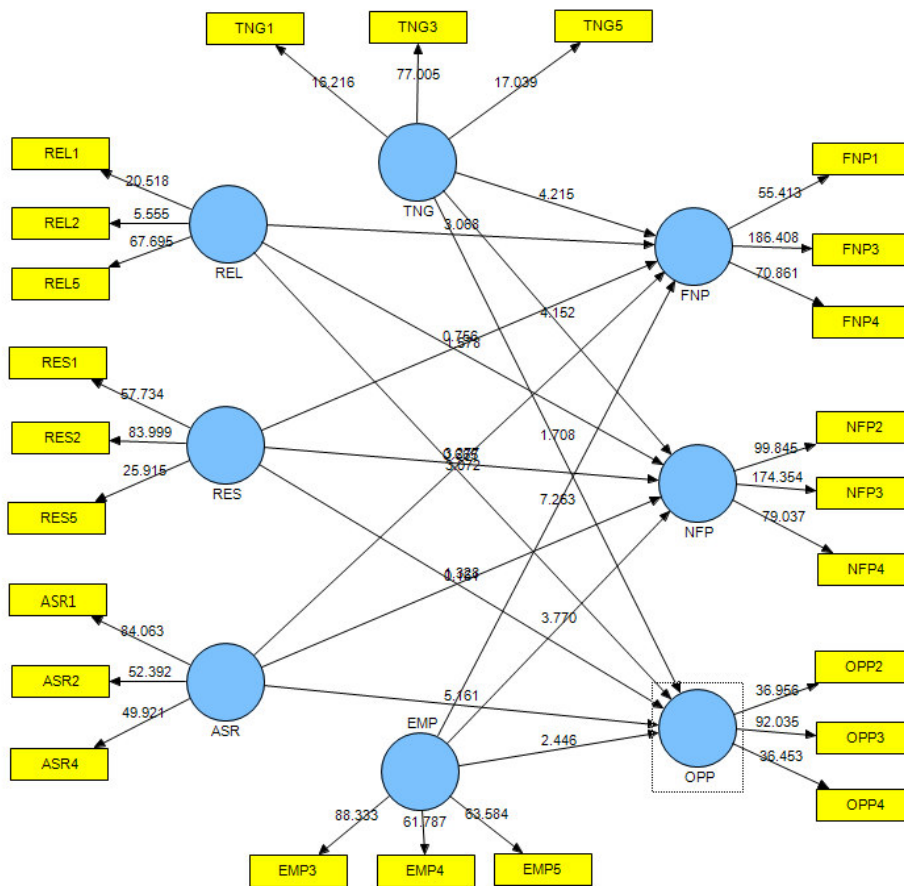


Figure 5: t-values of the Hypothetical Model

Table 8: The t-values of the Hypothetical model

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | Standard Error (STERR) | T Statistics (O/STERR) | Hypothesis |
|------------------|---------------------|-----------------|----------------------------|------------------------|-------------------------|--------------|
| TNG -> FNP (H1) | -0.252 | -0.2433 | 0.0598 | 0.0598 | 4.2155 | Supported |
| TNG -> NFP (H2) | -0.2987 | -0.2907 | 0.0719 | 0.0719 | 4.1522 | Supported |
| TNG -> OPP (H3) | 0.0869 | 0.0952 | 0.0509 | 0.0509 | 1.7085* | Supported |
| REL -> FNP (H4) | 0.1663 | 0.1707 | 0.0542 | 0.0542 | 3.0678 | Supported |
| REL -> NFP (H5) | 0.1043 | 0.1073 | 0.0661 | 0.0661 | 1.8784* | Supported |
| REL -> OPP (H6) | 0.2362 | 0.237 | 0.0769 | 0.0769 | 3.0724 | Supported |
| RES -> FNP (H7) | 0.0638 | 0.0697 | 0.0844 | 0.0844 | 0.7558 | Un-supported |
| RES -> NFP (H8) | 0.3827 | 0.3886 | 0.1168 | 0.1168 | 3.2774 | Supported |
| RES -> OPP (H9) | -0.0141 | -0.0052 | 0.0879 | 0.0879 | 0.1609 | Un-supported |
| ASR -> FNP (H10) | 0.0512 | 0.0609 | 0.0769 | 0.0769 | 0.6651 | Un-supported |
| ASR -> NFP (H11) | 0.1488 | 0.1692 | 0.112 | 0.112 | 1.3282 | Un-supported |
| ASR -> OPP (H12) | 0.417 | 0.4107 | 0.0808 | 0.0808 | 5.1615 | Supported |
| EMP -> FNP (H13) | 0.9064 | 0.882 | 0.1248 | 0.1248 | 7.2632 | Supported |
| EMP -> NFP (H14) | 0.5999 | 0.5667 | 0.1591 | 0.1591 | 3.7704 | Supported |
| EMP -> OPP (H15) | 0.2924 | 0.2824 | 0.1195 | 0.1195 | 2.4464** | Supported |

*significance level of 10%; **significance level of 5%; rest are at 1%.

5.5. Regression Analysis

The regression analysis indicates that on the overall basis the *financial performance* is significantly influenced by the dimensions of the service quality. The regression equation indicates that except for the dimension *assurance*, the rest have a significant causal relationship. *Tangibles* and *assurance* have negative influences while the remaining dimensions have positive influences on financial performance (Table 9 & 10). This

revelation is in accordance to the outcome obtained in SEM analysis.

Table 9: ANOVA of Financial Performance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|------------|----------------|----|-------------|--------|-------------------|
| 1. | Regression | 38.755 | 5 | 7.751 | 38.929 | .000 ^b |
| | Residual | 5.575 | 28 | .199 | | |
| | Total | 44.330 | 33 | | | |
| a. Dependent Variable: FNP | | | | | | |
| b. Predictors: (Constant), EMP, REL, TNG, RES, ASR | | | | | | |

Table 10: Regression Model – Financial Performance

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
|-----------------------------------|-----------------------------|------------|---------------------------|-------|--------|------|
| | B | Std. Error | Beta | | | |
| 1. | (Constant) | -.335 | .313 | | -1.069 | .294 |
| | TNG | -.251 | .118 | -.235 | -2.131 | .042 |
| | REL | .163 | .125 | .126 | 2.102 | .032 |
| | RES | .081 | .142 | .069 | .573 | .571 |
| | ASR | .050 | .163 | .045 | .310 | .759 |
| | EMP | 1.023 | .203 | .927 | 5.029 | .000 |
| a. Dependent Variable: FNP | | | | | | |

S = 0.512886 R-Sq = 0.84

Thus, $FNP = 0.419 - 0.188 * TNG + 0.195 * REL + 0.385 * RES - 0.034 * ASR + 0.547 * EMP$ ----- [1]

5.6. Non-financial Performance

The regression analysis indicates that on the overall basis the Non-financial performance is influenced significantly by the dimensions of the service quality (Table 11 & 12). The regression equation indicates that except for the dimension Assurance, the rest have a significant causal relationship. This revelation is in accordance to the outcome obtained in SEM analysis.

Table 11: ANOVA of Non-financial Performance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|------------|----------------|----|-------------|--------|-------------------|
| 1. | Regression | 26.372 | 5 | 5.274 | 26.739 | .000 ^b |
| | Residual | 5.523 | 28 | .197 | | |
| | Total | 31.895 | 33 | | | |
| a. Dependent Variable: NFP | | | | | | |
| b. Predictors: (Constant), EMP, REL, TNG, RES, ASR | | | | | | |

Table 12: Regression Model – Non-financial Performance

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
|-----------------------------------|-----------------------------|------------|---------------------------|-------|--------|------|
| | B | Std. Error | Beta | | | |
| 1. | (Constant) | .201 | .312 | | .644 | .525 |
| | TNG | -.220 | .117 | -.243 | -2.877 | .021 |
| | REL | .071 | .124 | .074 | 1.876 | .044 |
| | RES | .355 | .141 | .354 | 2.520 | .018 |
| | ASR | .169 | .162 | .178 | 1.047 | .304 |
| | EMP | .550 | .202 | .588 | 2.718 | .011 |
| a. Dependent Variable: NFP | | | | | | |

S = 0.935667 R-Sq = 0.9

Thus the regression equation is,

$NFP = 4.054 - 0.077 * TNG - 0.059 * REL + 0.065 * RES - 0.154 * ASR + 0.091 * EMP$

5.7. Operational Performance

The regression analysis indicates that on the overall basis the Operational performance is influenced significantly by the dimensions of the service quality (Table 13 & 14). The regression equation indicates that all the individual dimensions have a significant causal relationship. This revelation is in accordance to the outcome obtained in SEM analysis.

Table 13: ANOVA of Operational Performance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 20.919 | 5 | 4.184 | 24.048 | .000 ^b |
| | Residual | 4.871 | 28 | .174 | | |
| | Total | 25.791 | 33 | | | |

a. **Dependent Variable: OPP**
 b. **Predictors: (Constant), EMP, REL, TNG, RES, ASR**

Table 14: Regression Model – Operational Performance

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
|-------|-----------------------------|------------|---------------------------|-------|--------|-------|
| | B | Std. Error | Beta | | | |
| 1. | (Constant) | .546 | .293 | | 1.863 | .073 |
| | TNG | .094 | .110 | .115 | 1.855 | 0.04 |
| | REL | .187 | .117 | .215 | 2.599 | 0.021 |
| | RES | -.040 | .132 | -.045 | -1.805 | 0.032 |
| | ASR | .172 | .152 | .201 | 2.132 | .027 |
| | EMP | .433 | .190 | .515 | 2.279 | .030 |

a. **Dependent Variable: OPP**

S = 0.922703; R-Sq = 0.4

OPP = 0.546+0.094*TNG+0.187*REL-0.040*RES+0.172*ASR+0.433*EMP----- [3]

6. Implications to the Managers

This research has several managerial implications based on the descriptive statistic as well as the inferential statistics. The main revelation of the study was that if business performance enhancement is the aim of the managers of the hospitality industry they need to focus mainly on *tangibles*, *reliability* and *empathy* of service quality. Following are the specific implication to managers.

1. On the overall basis the guests have expressed above average satisfaction with the service quality provided in the hotels and correspondingly above average business performance. Responsiveness in service quality is perceived to be slightly less than the other dimensions and managers must initiate measures to improve upon the same. Promptness of services offered, willingness expressed by the employees to help the guests, hiring slightly higher level of manpower to avoid the employees being over busy, maintaining a minimum response time for service delivery may help in being more responsive towards the service offerings. *Financial performance* of the company is the least perceived among the business performance dimensions. It indicates that service quality may not be the only determinant of financial performance betterment. The hotels cannot undermine the remaining aspects such as marketing, branding, developing customer loyalty, customer retention etc., to enhance their *financial performance*.
2. Results have revealed the fact that *tangibles* have a significant influence on *financial performance*, *non-financial performance* and *operational performance*. This is in conformance to the studies undertaken by a group of researchers in several other service industries (Bellini et al., 2005; Joseph et al., 2005; Glaveli et al., 2006; Agus et al., 2007; Choudhury, 2013; Son et al., 2013; Prasad et al., 2015). Tangibles basically refer to the physical facilities, equipment, and appearance of personnel providing the service. Customers expect the physical facilities to be state-of-the art as they are aware of the level of automation which is currently available. So, managers of the hotels may focus their attention on the augmentation of the physical facilities and upgrade their technologies to keep in pace with the rapid strides in science and technology.
3. Reliability of services also has a significant influence on *financial performance*, *non-financial performance* and *operational performance*. Several researchers have emphasized on the importance of reliability in service delivery (Chong et al., 2010; Nathalie & Djelassi, 2013 & Durugbo et al., 2014). Managers need to constantly monitor the reliability of services through appropriate metrics. It is necessary to ensure of what kind of services are promised through advertisement or in public disclosures are delivered or not. The employees have to be trained to show concern to the problems encountered by the guests of the hotels on issues related to their comfort and wellbeing during their stay in the hotel. Employees must be trained to provide service right the first time and every time so that the hotel may build its reputation continually. Timely delivery of service is as important as the quality of the service that is delivered. Maintaining of the error-free records may also contribute to the enhancement of reliability of services.

4. It was quite interesting to note that *empathy* had a significant influence on *financial performance*, *non-financial performance* and *operational performance*. Many other researchers have also emphasized upon the importance of empathy in service delivery (Loke et al., 2011; Kayeser, et al., 2014; Izogo, E., & Ogba, 2015). Managers need to train their employees to develop a strong empathy towards their guests. Individual attention to the customers will add immense value to the customer service. The employees need to sense the best interest of the customers and deliver their services. Flexible operating hours are also indicators of better customer service quality. Thinking from the customers' point of view must also be developed by the employees for which the managers may have to provide systematic training. Understanding the specific needs of the employees and responding accordingly will demonstrate a strong sense of empathy to the customers.
5. Finally, among the three dimensions of critical importance which have bearing on business performance, the first two emphasize on providing service which is reliable as well as appealing to the customers in terms of equipment and other state-of-the art technologies. The third one is about the empathy of the employees. So, training and development programmes may have to be improved and a quality conscious culture has to be developed because empathy of a person is an inborn quality and developing it may demand certain specific skills on the part of the trainer.

7. Conclusions

Qatar is promoting tourism and hospitality much more than ever before and its sponsorship plan for the FIFA World Cup in the year 2022 has added an impetus to this. Many speculative studies have been undertaken to predict the increase in the number of tourists who may arrive at Qatar during those days and the corresponding improvements that may be necessary to meet the diversified service quality requirements of the tourists. It is not only tourism, but many of the business collaborations may be strengthened in the years to come as Qatar is gaining an international recognition and the steady growth in its economy particularly since the past decade. All the developments in the country have bearing on the hospitality industry as it opens the flood-gate of the inflow of people into the country who need to be accommodated comfortably to the international standards. This has necessitated the improvement in service quality in the hospitality industry but not many studies have provided empirical evidences for the relationship between the service quality and business performance. This research has systematically investigated service quality and business performance and provided the empirical evidence for the relationships between the dimensions of these two constructs.

The survey based approach had necessitated the development of a questionnaire and the standard SERVQUAL questionnaire was used to measure the dimensions of service quality. For the measurement of business performance a questionnaire was developed to suit to the specific requirements of the hospitality industry. As the standard instruments were modified slightly for the individual dimensions to suit to the specifics of the study, the content, criteria, and construct validity was performed using the standard procedure. Exploratory Factor Analysis was conducted and the factor loading above 0.7 were considered and the original instrument with 40 indicators of measurement was reduced to 24 item scale. Various reliability testing methods have been adopted and the results of the measurement model of SEM have confirmed both reliability and validity. The sample size was 243 randomly chosen guests in the hotels in Qatar. Sample size was not an issue as the second generation statistical analysis using Structural Equation Modelling was used. Out of the fifteen hypotheses, all were supported except for those which tested relationships of responsiveness with financial performance and operational performance and the relationships of assurance with financial and non-financial performance. The managerial implications of the study have been focussed mainly on the improvements in tangibles, reliability, and empathy due to their proved relationships with business performance. It is not indicative that the other dimensions are of insignificance, but these dimensions are directly influencing the business performance and hence they need closer attention.

The limitation of the study is in its ability to generalize the results completely. Even though the proponents of SEM claim that a minimum sample size of 200 is adequate for SEM there are issues such as randomization. However, care has been taken to see that the sample covers a cross section of the guests and it is indicated in the demographic distribution. So, generalization is possible to a considerable extent.

This research is timely in the context of Qatar which is planning for a tremendous growth in its business plans in the years to come and hospitality industry is in its agenda. The implications drawn to the managers of the hotels in this research would be quite useful to the improvement in service quality as they have significant influence on the business performance.

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Appendix – 1: Skewness and Kurtosis Values

| | N | Minimum | Maximum | Mean | Std. Deviation | Skewness | | Kurtosis | |
|---------------------|------------|-------------|-------------|-------------|----------------|--------------|-------------|--------------|-------------|
| | Statistic | Statistic | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| VAR00001 | 243 | 2.00 | 5.00 | 3.5473 | .77727 | .294 | .156 | -.462 | .311 |
| VAR00002 | 243 | 1.00 | 5.00 | 3.5226 | .79934 | -.491 | .156 | .855 | .311 |
| VAR00003 | 243 | 1.00 | 5.00 | 3.3621 | .89565 | -.432 | .156 | -.135 | .311 |
| VAR00004 | 243 | 2.00 | 5.00 | 3.5514 | .77168 | .098 | .156 | -.402 | .311 |
| VAR00005 | 243 | 1.00 | 5.00 | 3.5021 | .72940 | -.265 | .156 | 1.174 | .311 |
| VAR00006 | 243 | 1.00 | 5.00 | 3.5638 | .73788 | -.160 | .156 | .105 | .311 |
| VAR00007 | 243 | 2.00 | 5.00 | 3.5021 | .70050 | -.480 | .156 | -.214 | .311 |
| VAR00008 | 243 | 1.00 | 5.00 | 3.5103 | .70630 | -.746 | .156 | 1.860 | .311 |
| VAR00009 | 243 | 1.00 | 5.00 | 3.1235 | .81387 | -.416 | .156 | -.413 | .311 |
| VAR00010 | 243 | 1.00 | 5.00 | 3.4568 | .66896 | -.175 | .156 | .258 | .311 |
| VAR00011 | 243 | 2.00 | 5.00 | 3.3292 | .66700 | -.323 | .156 | -.567 | .311 |
| VAR00012 | 243 | 2.00 | 5.00 | 3.5844 | .68941 | -.841 | .156 | .199 | .311 |
| VAR00013 | 243 | 2.00 | 5.00 | 3.4033 | .69377 | -.136 | .156 | -.305 | .311 |
| VAR00014 | 243 | 2.00 | 5.00 | 3.5926 | .60530 | -.304 | .156 | -.147 | .311 |
| VAR00015 | 243 | 2.00 | 5.00 | 3.4403 | .66769 | -.116 | .156 | -.247 | .311 |
| VAR00016 | 243 | 1.00 | 5.00 | 3.4774 | .85432 | -.170 | .156 | -.061 | .311 |
| VAR00017 | 243 | 2.00 | 5.00 | 3.5350 | .72286 | .373 | .156 | -.330 | .311 |
| VAR00018 | 243 | 2.00 | 5.00 | 3.6091 | .69787 | -.028 | .156 | -.221 | .311 |
| VAR00019 | 243 | 1.00 | 5.00 | 3.6749 | 1.10093 | -.658 | .156 | -.164 | .311 |
| VAR00020 | 243 | 1.00 | 5.00 | 3.4074 | 1.25748 | -.505 | .156 | -.726 | .311 |
| VAR00021 | 243 | 1.00 | 5.00 | 3.6584 | 1.07690 | -.426 | .156 | -.560 | .311 |
| VAR00022 | 243 | 1.00 | 5.00 | 3.7490 | 1.15653 | -.871 | .156 | .085 | .311 |
| VAR00023 | 243 | 1.00 | 5.00 | 3.6626 | 1.07244 | -.712 | .156 | .101 | .311 |
| VAR00024 | 243 | 1.00 | 5.00 | 3.5473 | 1.06057 | -.586 | .156 | .007 | .311 |
| Valid N (list wise) | 243 | 1.42 | 5.00 | 3.51 | 0.83 | -0.34 | 0.16 | -0.01 | 0.31 |

Appendix-2: Questionnaire

| SERVICE QUALITY AND BUSINESS PERFORMANCE QUESTIONNAIRE | |
|---|---|
| | Contact Information (Optional) |
| | Name |
| | Name of Company |
| | Telephone Number |
| | E-mail |
| Demographic Details | |
| Gender | <input type="checkbox"/> Male <input type="checkbox"/> Female |
| Age | <input type="checkbox"/> < 25 years <input type="checkbox"/> 25-35 years <input type="checkbox"/> 36-45 years <input type="checkbox"/> 46-55 years <input type="checkbox"/> >55 years |
| Educational qualification | <input type="checkbox"/> Diploma <input type="checkbox"/> UG <input type="checkbox"/> PG <input type="checkbox"/> PhD <input type="checkbox"/> Others |
| Income (per month in QAR) | <input type="checkbox"/> < 10,000 <input type="checkbox"/> 10,000 - 20,000 <input type="checkbox"/> 20,000 - 30,000 <input type="checkbox"/> 30,000 - 40,000 <input type="checkbox"/> 40,000 - 50,000 <input type="checkbox"/> > 50,000 |

Place Tick mark (✓) on ONE response for each item with reference to the philosophy, belief or values based on your experience in hotel industry as a customer.

| | | 5 | 4 | 3 | 2 | 1 |
|---------------------------------------|---|----------------|-------|---------------------------|----------|-------------------|
| | | Strongly Agree | Agree | Neither Agree or Disagree | Disagree | Strongly Disagree |
| A. Service Quality | | | | | | |
| 1. Tangibles (TNG) | | | | | | |
| TNG1 | Excellent hotels will have modern-looking equipment. | | | | | |
| TNG2 | The physical facilities at excellent hotels will be visually appealing. | | | | | |
| TNG3 | Employees of excellent hotels will be neat in appearance. | | | | | |
| TNG4 | Materials associated with the service (such as pamphlets or statements) will be visually appealing in excellent hotels. | | | | | |
| TNG5 | Aesthetics of the hospital are very important for its success. | | | | | |
| 2. Reliability (REL) | | | | | | |
| REL1 | When excellent hotels promise to do something by a certain time, they will do so. | | | | | |
| REL2 | When customers have a problem, excellent hotels will show a sincere interest in solving it. | | | | | |
| REL3 | Excellent hotels will perform the service right the first time. | | | | | |
| REL4 | Excellent hotels will provide their services at the time they promise to do so. | | | | | |
| REL5 | Excellent hotels will insist on error-free records. | | | | | |
| 3. Responsiveness (RES) | | | | | | |
| RES1 | Employees of excellent hotels will tell customers exactly when services will be performed. | | | | | |
| RES2 | Employees of excellent hotels will give prompt service to customers. | | | | | |
| RES3 | Employees of excellent hotels will always be willing to help customers. | | | | | |
| RES4 | Employees of excellent hotels will never be too busy to respond to customer requests. | | | | | |
| RES5 | Employees of excellent hotels will respond to customer requirements with minimum possible time. | | | | | |
| 4. Assurance (ASR) | | | | | | |
| ASR1 | The behaviour of employees of excellent hotels will instil confidence in customers. | | | | | |
| ASR2 | Customers of excellent hotels will feel safe in their transactions. | | | | | |
| ASR3 | Employees of excellent hotels will be consistently courteous with customers. | | | | | |
| ASR4 | Employees of excellent hotels will have the knowledge to answer customer questions. | | | | | |
| ASR5 | Employees of excellent hotels will build confidence in the customers for their extended patronage. | | | | | |
| 5. Empathy (EMP) | | | | | | |
| EMP1 | Excellent hotels will give customers individual attention. | | | | | |
| EMP2 | Excellent hotels will have the customers' best interests at heart. | | | | | |
| EMP3 | Excellent hotels will have operating hours convenient to all their customers. | | | | | |
| EMP4 | Excellent hotels will have employees who give customers personal attention. | | | | | |
| EMP5 | The employees of excellent hotels will understand the specific needs of their customers | | | | | |
| B. Business Performance | | | | | | |
| 1. Financial Performance (FNP) | | | | | | |
| FNP1 | With service quality revenue of hotel will improve. | | | | | |
| FNP2 | Better the service quality higher will be the net profits. | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| FNP3 | Service quality has the ability to enhance financial performance of the hotel. | | | | | |
| FNP4 | With better service quality assets of the hotel will improve. | | | | | |
| FNP5 | If financial performance should improve the service quality must improve. | | | | | |
| 2. Non-financial Performance (NFP) | | | | | | |
| NFP1 | With better service quality R&D activities can be more. | | | | | |
| NFP2 | Higher service quality will provide a capacity to develop a competitive profile. | | | | | |
| NFP3 | Better service quality can enhance new product/service development. | | | | | |
| NFP4 | Better service quality leads to market development. | | | | | |
| NFP5 | Higher service quality will provide better market orientation. | | | | | |
| 3. Operational Performance (OPP) | | | | | | |
| OPP1 | Better service quality can reduce cost. | | | | | |
| OPP2 | Better service quality can lead to waste reduction. | | | | | |
| OPP3 | Better service quality can improve process efficiency. | | | | | |
| OPP4 | Better service quality can make the hotel run smoothly. | | | | | |
| OPP5 | Better service quality can bring continuous improvements in service operations in the hotel. | | | | | |
| <p>1. What is your opinion about the importance of service quality in a hotel industry?</p> <p>2. How do you think a hotel can continuously improve its service quality?</p> <p>3. Is service quality linked to business performance? How?</p> <p>4. Is improving service quality the only way to enhance business performance? If not what are the other ways of doing it?</p> | | | | | | |

Thank you for the valuable inputs.

Dr. Girish Nair,
Stenden University Qatar.