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# The Impact of Service Quality Management on Hotel's Performance in South Korea

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Due to the existence of inadequate service quality management and performance studies on hotels operating in Korea, this paper aims at studying the impact of service quality on organizational performance of hotels in Korea. A total of 112 hotels were visited and a total number of 448 for both customers and employees were interviewed to accomplish the objective of the study. This study employed the concept of structure equation modeling (SEM) with all necessary prerequisites and tests were taken into consideration and presented in the results. Results indicate a strong positive influence of service quality management on the general hotel performance and similarly, a positive influence of market competition on hotel performance was evident. However, the factor covariance between service quality management and market competition found to be insignificantly explaining the relationship. Finally the paper concludes that customers' perception of service quality plays a vital important role in Korea hotel performance.

Key Words: Service quality management, hotel performance, market competition

## I. INTRODUCTION

In today's global environment, businesses are facing serious competition and therefore to achieve competitive advantage and efficiency, they have to seek profitable ways to differentiate among them. One strategy is to deliver high service quality, especially when it comes to intensive competition (Rao and Mayuresh, 1997). Service quality management focuses on continuous process improvement within organizations to provide superior customer value and meet customer needs. Meeting customer needs involves company operations focused on understanding, sharing, and responding to customers through marketing.

An assessment of how well a delivered service conforms to the client's expectations is termed as "service quality". Moreover, (Parasurama et al., 1985) suggested that service quality dimensions are among of factors influencing customer satisfaction. Thus, providing service quality in hotels leads to customer satisfaction and enhancement of employee performance (Cronin et al., 2000). In a competitive market environment, quality is considered to be the basic consuming condition. However, hotels seeking to improve their performance cannot simply rely on customer attraction, but must also design inducements to attain service quality.

As competition increases, it is more vital for the hotel industry to be able to define the service quality, identify the dimensions of the service quality and their relative importance for customers (Fick and Ritchie, 1991). Since service quality is an elusive concept; there is considerable debate in the relevant literature about how best to conceptualize this phenomenon. This shared point brings about a broad consensus that service quality must be defined from the hotel's perspective. It is very important for hotel establishments to provide a range of services and facilities that will be able to meet different needs of customers. Implementing quality management

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