

FACTORS INFLUENCING ORGANIZATIONAL RESPONSES TO GUEST COMPLAINTS

Cases of Hong Kong and North Cyprus

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Abstract: *Many, if not all businesses, aim at providing perfect service and satisfying their customers to the fullest extent. However, mistakes and failures are frequent occurrences in service businesses as is the case in hospitality industry. Customers' evaluations of organizations' responses to their complaints in service encounters are important elements of customer satisfaction and long-term loyalty. Thus, this study attempts first to find out the current complaint handling practices in the hotel industry of two tourist destinations, namely Hong Kong, an international recognized tourism and business center and Northern Cyprus, a developing island state. Then, it seeks to investigate the factors influencing organizational responses to guest complaints in these two locations. To do so, self administrated questionnaires were sent to all members of major hotel associations in both locations. Results revealed that 'guest focus and commitment' is found to be the most influential variable over the organizational responses. Furthermore, the 'prejudgments towards guest complaints' variable is found to have significant negative relationship with organizational responses in both locations. Discussion of the findings, implications and limitations are given.*

KEY WORDS: *complaint management, current practices, hotels, Hong Kong and Northern Cyprus.*

INTRODUCTION

The ever increasing customer expectations force companies to focus their efforts on not only providing exceptional services with value for money but also doing it better than their competitors. When the intangibility characteristic and labor-intensive nature of services are added on top of these, providing services with zero defects is a rigid and unrealistic target. As Zemke and Bell (2000) adequately put forward, in the quest to provide high-quality, cutting-edge, customer-pleasing services, mistakes do happen through no fault of the customer or service provider. While companies may not be able to prevent all mistakes and failures, they can and must learn how to recover from these problems (Hart et al, 1990).

Service companies in general and hotels in particular, have been increasingly encouraging their customers/guests to voice their complaints directly to them since these complaints are chances given

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to alter what is going wrong during the provision of service (Blodgett et al, 1997). Once guests decide to complain, hoteliers have to be well prepared in both, tangible (structure, employees, procedures etc) and intangible (prejudgments, skills etc) ways to offset the guests' negative reaction to the service failures. To do so, all the necessary actions should be taken by companies to move a customer from a state of disappointment to a state of satisfaction (Bell & Ridge, 1992).

Guests' evaluations of organizations' responses to their complaints in service encounters are important elements of complaint management which, if well handled, can lead to guest satisfaction and long-term loyalty. In order to ensure this, hoteliers should have a clear understanding of the importance and necessity of guest complaints; be focused and committed to guests needs; have a clear, practical yet comprehensive complaint handling procedures and have trained and motivated employees to deal with complaining guests (Day *et al.*, 1981; Kowalski, 1996; Blodgett & Anderson, 2000; Hedrick et al, 2007).

The above discussion plainly shows the need for understanding the ongoing complaint handling practices in hospitality industry to create and maintain a competitive edge in satisfying guests. Thus, this study attempts first to find out the current complaint handling practices in the hotel industries of two tourist destinations, namely Hong Kong, an internationally recognized tourism and business center and Northern Cyprus, a developing island state. Then, the study will highlight factors influencing organizational responses to guest complaints in these two locations. This study is useful for at least two reasons. First, it is expected to provide some useful insights about the important phenomenon from the supply side, seeing that most past research on guest complaints have been studied from the demand side (see Altinay, 1994; Heung et al, 2007; Kilic & Okumus, 2005; Qu et al, 2000). Learning hoteliers' points of view from a supply side may enhance the existing body of knowledge. Secondly, this study has important implications for hospitality industries in Hong Kong and Northern Cyprus. Hoteliers in Hong Kong may use some ideas to further improve their practices while their Cypriot counterparts could benchmark some ideas and practices to handle guest complaints more effectively. With tourism producing a significant portion in the overall Gross National Product of Northern Cyprus 'economy (Economic and Social Indicators, 2006), the issue of complaint handling is of great interests to both public officials and hotel managers in tourism and hospitality industry.

Hong Kong and Northern Cyprus will be briefly introduced with the focus of their hotel industries. This is followed by literature review which will include some basic definitions of study constructs and linkages found in previous studies. After the proposed hypotheses and conceptual model, basic methodological issues will be addressed. Sections on finding, discussion and conclusion will be presented before highlighting the implications of the research findings on to hoteliers. Finally, limitation and venues for future studies will be provided.

HOTEL INDUSTRY IN HONG KONG

Hong Kong, with a total area of 1,092 square kilometers, is about 70 miles southeast of the southern Chinese city of Guangzhou. The territory consists of Victoria (commonly known as Hong Kong Island), the Kowloon Peninsula, the Lantau Islands, and more than 200 small other islands (Lloyd, Lopa & Braunlich, 2000). There are approximately seven million people (95% Chinese) living in Hong Kong (HKTb, 2010b)

Overall tourism arrivals to Hong Kong reached 29,590, 654 with a steady rise compared with the 2008 figures (HKTb, 2010a). Furthermore, figures released by the Hong Kong Tourism Board show an outright record of 16,856,016 visitor arrivals to Hong Kong in the first six months of 2010. The figure represented not only a year-on-year increase of 23.1%, but also the highest half-yearly figure ever recorded. Also reaching a new mark was the arrival figure for the month of June, which increased by 43.5% to reach 2,619,722 (HKTb, 2010b).

“The rapid growth of the tourism industry in Hong Kong in the 1990s and early 2000s stimulated the rapid development of the local hotel industry” (Law & Jogaratman, 2005:171). Hong Kong Tourism Board (HKTb) classified its members into three categories based on their tariff levels and staff-to-room ratio. These categories are High-Tariff A, High-Tariff B and Medium-Tariff A. Later, Qu, Ryan & Chu (2000:66) provided detailed information about this classification – Table 1 summarizes these three categories.

By May 2010, there are 142 hotels in operation. The number of hotel rooms has increased over the years to reach 62,423 in May 2010 with the occupancy rates 83 percent with 3.57 nights as average length of stay (HKTb, 2010b).

Table 1: Hong Kong Hotel categories

Categories	Room Tariff	Staff-to-Room Ratio	May 2010
High-Tariff A	US\$ 300	1.60 or above	21
High-Tariff B	US\$ 225	Between 0.97 and 1.60	42
Medium-Tariff	US \$225	0.97 or below	58

Source: Hong Kong Hotels Association (2010)

Law & Hsu (2006: 308) underlined the importance of hotels for the Hong Kong tourism industry when they said, “...hotel expenses are one of the major sources of tourism receipts in most tourist receiving destinations...hotel expenditure is the second largest source of income for the tourism industry...” Furthermore, Yeung & Law (2003; 2006) highlighted that hotels in Hong Kong are doing well in terms of meeting visitors’ expectations regardless of their classification.

HOTEL INDUSTRY IN NORTHERN CYPRUS

Cyprus Island is situated at the eastern part of the Mediterranean Sea, 224 km long and 96 km wide, with 768 km of coastline is very rich in terms of landscape, history, and cultural heritage. Cyprus is at the crossroads of three continents - Europe, Asia, and Africa - and neighbored by countries such as Turkey (64 km), Syria (96 km), and Egypt (400 km) (Altinay & Hussain, 2005; Ekiz & Babacan, 2007). There are approximately 270,000 people (97% Turkish Cypriot) living in Northern Cyprus (North Cyprus Gateway, 2010).

Out of 132 currently operating hotels, 96 are members of Northern Cyprus Hoteliers Association (NCHA, 2010). In Northern Cyprus there are 7 five star hotels, 8 four star hotels, 28 three star hotels and 85 two star or lower ranked hotels operating (Statistical Yearbook of Tourism, 2009). In 2009 annual occupancy was 43.1 per cent. The Northern Cyprus tourism industry hosted 955.611 tourists in 2009, with its bed capacity of 13.640 (Statistical Yearbook of Tourism, 2009).

The tourism industry is one of the main generators of income for Northern Cyprus. In 2009, the tourism industry contributed \$152.3 million (3.8 per cent) to the GDP of Northern Cyprus and created 8,572 jobs. Moreover, 463.4 million US dollar is the value added by tourism sector in 2009. As highlighted by several academics, hotels have contributed significantly to the tourism industry as well as to the national economy of Northern Cyprus (Altinay, 1994; Kilic and Okumus, 2005; Katircioglu et al, 2006; Bavik & Nat, 2007). More specifically, Altinay & Hussain (2005) claimed that hotels contribute positively to the social and economic development of Northern Cyprus by hiring the majority of their employees locally, using goods and services of local businesses and paying taxes.

Most of the hotels in Northern Cyprus are located on or close to the beaches. Moreover, almost all of them have their own casinos which are important pull factors for Turkish and British tourists. However, Cypriot hotels are suffering from seasonality, low occupancy rates, low service quality levels, unskilled employees and lack of activities (Arasli, 2002; Nadiri & Hussain, 2005). Moreover, Ekiz (2003) and Ekiz & Arasli (2007) argued that Cypriot hoteliers are not handling guest complaints properly and most of them do not have policies to be used in guest complaints. For this reason, this study compares guest complaints in Northern Cyprus hotels to those in Hong Kong, in the hope of identifying best practices in Hong Kong that Northern Cyprus could benchmark against. This is because Hong Kong has already established itself as an international tourism hub while tourism in Northern Cyprus is still developing.

LITERATURE REVIEW

The primary objectives of companies in any industry are to develop and provide offerings that satisfy their customers' needs and expectations and in doing so, ensure their economic survival. Companies offering services in general and hotels in particular are no exemptions. In order to acquire

and retain a pool of loyal and profitable customers, many hotels centered their attention on providing a flawless high quality service to their customers (Kotler & Armstrong, 2006). Nonetheless, mistakes and failures are frequent occurrences in hotels as service companies (Babakus *et al.*, 2003). Hoffman and Bateson (2006) argue that because of the unique characteristics that distinguish services from goods, failures are inherent events in service encounters, yet companies should recover these failures in the best possible way.

Service companies have been increasingly encouraging their customers to voice their complaints directly to them because in most cases, a service failure can be recovered only if the customer lets the company know about the failure. However this is not as easy as it may sound. Customers are reluctant to complain (Yavas *et al.*, 1997) and only one out of twenty dissatisfied customers complain (Chebeat *et al.*, 2005). An overwhelming majority of the dissatisfied customers never complains (Plymire, 1991) due to the costs (financial, psychological or both) associated with presenting complaints (Zeithaml *et al.*, 2006). Instead, they tend to engage in a variety of activities, such as boycotting the product and/or engaging in adverse word of mouth advertising, which are likely to be detrimental to the service provider (Day *et al.*, 1981; Singh & Wilkes, 1996; Hoffman & Bateson, 2006).

Complaints are very important for success and survival of any company and must be welcomed because they provide directions towards making improvements. According to Boden (2001) there are five reasons why companies should see complaints as opportunities. Complaints help companies to evaluate how well they are doing, to identify weak points in processes, to see situations from their customer's point of view, to improve customer's satisfaction and to create long-term loyalty (Boden, 2001; Lovelock, Wirtz & Keh, 2002). Moreover, finding new customers is approximately five times more expensive than keeping them loyal (Lovelock, 2000). Once a company fails to handle a complaint successfully, they do not only lose current but also future businesses with that particular customer (Gilly & Gelb, 1982). Zemke & Bell (2000) argue that dissatisfied customers talk to 10-20 people and disseminate negative word-of-mouth about the company. Furthermore, customers who are satisfied with the resolution of their complaints demonstrate the highest repurchase intentions following service failures (Voorhees *et al.*, 2006). This phenomenon is known as 'service recovery paradox', in which customers exhibit higher satisfaction and repurchase intentions after a service failure is successfully rectified than before the failure occurred (Hart *et al.*, 1990; Smith & Bolton 1998; Nyer, 2000).

When service failures occur, and customers report these failures, possible remedies are needed to recover the harm (Boshoff, 1999). This is also known as service recovery -a set of specific activities in which a company engages to address a customer's complaint regarding a perceived service failure (Spreng *et al.*, 1995). Previous studies suggest that a successful service recovery is likely to have a significant impact on customer satisfaction and their post-purchase behaviors (Firnsthahl, 1989; Hoffman *et al.*, 1995; Davidow, 2000; Yavas *et al.*, 2004; Gursoy, Ekiz & Chi, 2007; Liao, 2007). "Good service recovery can turn angry customers into loyal ones. In fact, good recovery can win more

customer purchasing and loyalty, if things had gone well in the first place" (Kotler et al, 1999:47). Further, successful service recovery may help organizations design more effective service delivery processes (Tax et al, 1998), on one hand. Poor service recoveries, on the other hand, worsen customer dissatisfaction and decrease customer confidence, producing a 'double deviation' effect (Bitner et al, 1990).

A synthesis of the related literature reveals that the way organizations respond to customer complaints (Davidow, 2000; Karatepe & Ekiz, 2004) is associated with whether; they are focused and/or committed to their customers' needs and wants (Firnstahl, 1989; Barlow & Moller, 1996), they have prejudgments towards complaining customers (Bitner et al, 1990; Boden, 2001), they understand the general importance of complaint management (Heskett, Sasser & Schlesinger, 1997; Barlow & Maul, 2000), they have an effective organizational structure to handle these complaints (Diener & Greyser, 1978; Zeithaml et al, 2006), their systems, policies and procedures of complaint management are capable to deal with customer complaints (Gilly & Gelb, 1982; Zemke & Bell, 2000), their actual complaint handling practices are proper or not (Hart et al, 1990; Tax et al, 1998) and they have the required skilled and trained human resources to solve complaints (Hoffman et al, 1995; Liao, 2007). These issues are described and linked to the organizational responses, in the following section.

Guest focus and commitment

Companies must understand customer needs and wants to satisfy. Tocquer & Cudennec (1998) stated that although it is easy to define customer focus, it can be challenging to make it real and meaningful. In order to do so, companies should put themselves in the customers' shoes to spot and solve potential problems before their customers are even aware of them (Firnstahl, 1989; Zemke & Anderson, 2007).

Another indicator of a customer focused and committed company is how they make complaining easy for their customers. Since complaints are gifts (Barlow & Moller, 1996) and must be seen as opportunities given to companies to correct their mistakes (Cranage, 2004), companies need to go the extra mile to make complaining easy (Gilly & Hansen, 1985). Welcoming complaints creates a positive environment where companies become more open to respond their customers' complaints (Davidow, 2003a). Furthermore, once the customer problem is reported and solved successfully, corrective actions need to be taken to prevent the reoccurrence of that particular failure. By doing so, companies can avoid future dissatisfaction and complaints (Zemke, 1993) which is a sign of their focus and commitment towards their customers / guests, in the hospitality setting. Focusing on guests also increases the efficiency of organizational responses that will be offered to the customer when the next failure occurs. Based on the preceding discussion, the following hypothesis is proposed:

H₁: Guest focus and commitment will have a significant positive relationship with organization's responses to guest complaints.

Prejudgments towards guest complaints

Many managers cultivate and maintain some kind of presumption towards customers who voice their dissatisfaction. Barlow & Maul (2000) noted that many companies try to distance themselves from hearing bad news or attempt to eliminate complaints altogether. When the managers have prejudgments towards the communication of complaints, this will have serious negative effect on formulation of complaint handling policies and guidelines of organizational responses (Stauss & Seidel, 2004).

The most obvious indicators of prejudgments are; seeing complainers as adversaries and/or grumblers and believing that the number of complaints should be minimized which is usually followed by the certainty that low number of incoming complaints is a good sign (Plymire, 1991; Stauss & Seidel, 2004). When managers have these kinds of prejudgments, they not only affect their peers and employees negatively but also create unwritten guidelines that discourage the company to take constructive steps while responding to customer complaints (Kotler, Bowen & Makens, 1999). The above discussion leads to the following hypothesis:

H₂: Prejudgments towards guest complaints will have a significant negative relationship with organization's responses to guest complaints.

Understanding of the importance of complaints management

Having an effective complaint management is important in retaining customers when problems occur and winning their loyalty. Beyond the opportunity for recovery, complaints also provide an opportunity to gather information that can be disseminated and used throughout the organization for product modification, service enhancements, and preventative measures (Gursoy et al, 2007). To do this right, everyone in the company should have the understanding of the importance of complaints as a quality improvement tool. Thus, companies should consider handling complaints to be an investment rather than expenditure, and encourage guests to register their complaints instead of taking their businesses to competitors (Heskett et al, 1997; Kotler, 2003).

Management initiatives and resources devoted to capturing and responding to complaints serve as an indicator that they understand the importance and necessity of complaint management. Consequently, this understanding affects how company reacts and responds to customer complaints (McAlister & Erffmeyer, 2003). Thus, the following hypothesis is proposed:

H₃: Understanding of the importance of complaints management will have a significant positive relationship with organization's responses to guest complaints.

Organizational structure

A company's structure is an important element in both physical (being visible to approach) and operational (how many administrative levels must a registered complaint go through until it reaches to management). The more complicated the formal structure is, the less number of complaints are registered and solved successfully (Grönroos, 2007). There is no doubt that the way a company is organized can make it easy for customers to reach the right individual or area when they have a complaint or question (Davidow, 2003b; Karatepe, 2006). Having well-structured departments/divisions makes responding guest complaints easier and more efficient which are necessary in providing effective organizational responses. It is also true that effective inter-organizational communication among departments and/or individuals contributes to efficient complaint management (Bell et al, 2007). Therefore, it will not be misleading to argue that a well structured organization is more likely to provide better solutions to guests' problems. Hence, the following hypothesis is proposed:

H₄: Effective organizational structure will have a significant positive relationship with organization's responses to guest complaints.

System, policy and procedures of complaint management

Given that complaint-handling process is a strategic tool, service organizations need to establish appropriate complaint mechanisms, systems and procedures (Blodgett et al, 1997). To make full use of this strategic tool, an effective complaint management system should be developed which should be tailor-made by considering the customer profile, company mission, industry specifications etc. Boden (2001) suggested that a successful complaint policy should be easy to understand, simple to implement and effectively communicated to all staff. Grönroos (2007), taking this one step further, recommended that the complaint procedures should be as unproblematic and free from bureaucracy as possible so as not to further frustrate complaining customer. It is always good to have written policies to handle different levels of complaints in creating a consistency among occurrences as well as to train employees (Suh *et al.*, 2005). Having predetermined and communicated policies and procedures also provides employees with clear guidelines for responding to complaining customers (Susskind *et al.*, 2000). This discussion suggests the following hypothesis:

H₅: Clear system, policy and procedures of complaint management will have a significant positive relationship with organization's responses to guest complaints.

Handling the complaints

Understanding the importance of guest complaints, not having prejudgments or having a system and written procedures may not be enough to solve the guest problem unless their complaints are

properly handled. Yim *et al.*, (2003), along with Hui & Au (2001), recommended timely and fair solution as fundamental components of complaint handling. Brown (1997) suggested that in case of delays in complaint resolution, reasons and justifications should be provided to guests. A proper explanation of the situation may prevent further annoyance of the guest who is already feeling frustrated, angry or even hurt.

Although having procedures are very important while dealing with complaining guest, companies should not be rigid when analyzing specific situations. In other words, as they are reacting to guest complaints, individual circumstances of each case need to be taken into account (Etzel & Silverman, 1981; Fornell & Wernerfelt, 1988). This flexibility may create a positive environment in which guests may be more willing to cooperate in the solution of their complaints. Above discussion leads to the following hypothesis:

H₆: Proper handling the complaints will have a significant positive relationship with organization's responses to guest complaints.

Human resource aspect of complaint management

Due to the inseparability characteristic of the services (production and consumption cannot be separated in services), human interaction becomes very important during the complaint handling. Bitner et al (1990) claimed that the way a complaint is handled is the most important determinant of complainants' perception of recovery. In labor-intensive industries, such as tourism and hospitality, companies should spend extra effort on selecting the suitable frontline employees and training them with complaint handling skills (Gilly, 1987; Olsen et al, 1996).

Empowerment is another central issue in complaint management which is neglected most of the time. This means that the employees who are expected be efficient in solving problems must be given the power to act and do so. Boshoff & Leong (1998) affirmed that empowerment can contribute towards the speedy solution of customer problems and reduce the raised tension between customer and the company. For instance, while handling a complaining guest, a frontline employee should be allowed to make value-added atonement gestures, such as offering discounts or free services, without special permission from their seniors or managers (Strauss & Seidel, 2004). Therefore the following hypothesis is proposed:

H₇: Effective human resource management will have a significant positive relationship with organization's responses to guest complaints.

Organizational responses to guest complaints

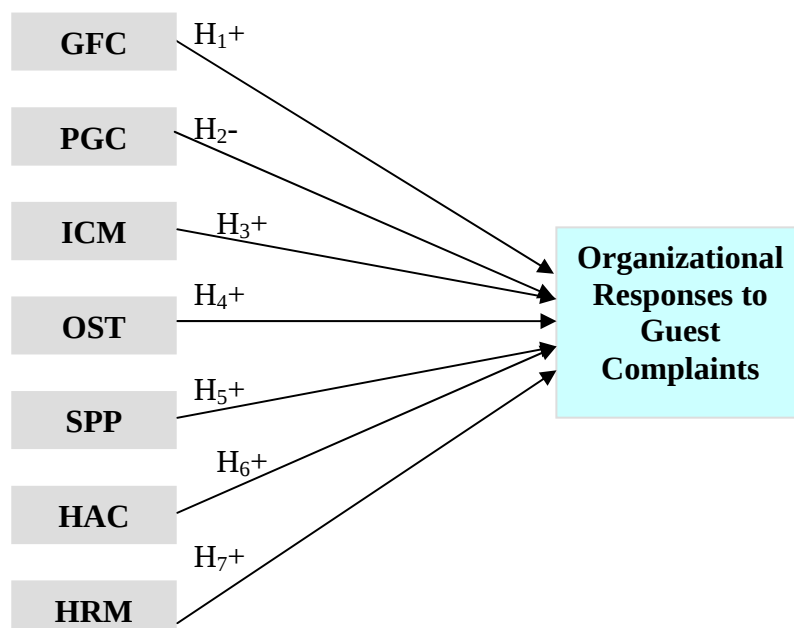
Examination of the related literature demonstrates that much of the studies on service recovery are based on anecdotal evidence (Firnsthahl, 1989; Hart et al, 1990; Zemke & Bell, 2000). However,

several studies suggested actions such as listening, apologizing, providing a speed solution, keeping promises, explaining the failure and providing a tangible token of atonement (Kelly et al, 1993; Bitner et al, 1994; Hoffman et al, 1995). Previous studies suggested a number of service recovery attributes or *organizational responses*, which may assist in handling guest complaints (Blodgett et al, 1995; Tax et al, 1998; Boshoff, 1999; Smith et al, 1999; Davidow, 2000; Ekiz, 2003; Yavas *et al.*, 2004; Gursoy et al, 2007). These common attributes are apology, explanation, effort, redress, facilitation, attentiveness, and promptness.

Apology refers to a psychological exchange, what is offered in exchange for an inconvenience or problem customers faced. *Explanation* basically refers to information given by a service provider about why the problem occurred. *Promptness* represents the fairness of the organization in responding to customer complaints on a timely manner. *Attentiveness* is the interaction and communication between a company staff and a complainant. *Effort* refers to the force, energy, or activity by which work is accomplished. *Facilitation* refers to the policies, procedures, and tools that a service firm has in place to support customer complaints. *Redress* refers to the fair settlement or fix of a problem that arise between a company and a customer (Diener & Greyser, 1978; Kincade et al, 1992; Blodgett et al, 1995; Boshoff & Leong, 1998; Dunning & Pecotich, 2000; Davidow, 2003a; Karatepe, 2006; Ekiz & Arasli, 2007).

Below, Figure 1 shows the seven hypothesized relationships between complaint related variables, namely 'guest focus and commitment - H_1 ', 'prejudgments towards guest complaints - H_2 ', 'general importance of complaints management - H_3 ', 'organizational structure - H_4 ', 'system, policy and procedures of complaint management - H_5 ', 'handling the complaints - H_6 ' and 'human resource aspects of complaint management - H_7 ' and 'organization's responses to guest complaints' variable.

Figure 1: Conceptual model and hypotheses



METHODOLOGY

Research instrument and respondents

A structured questionnaire, composed of 60 close-ended questions, was developed based on prior studies (Zemke, 1993; Barlow & Moller, 1996; Davidow, 2000; Zemke & Bell, 2000; Boden, 2001; Davidow, 2003a; Stauss & Seidel, 2004; Zeithaml et al, 2006; Gursoy et al, 2007; Zemke & Anderson, 2007) that will enable the researchers to find out current practices as well as hoteliers' perceptions about guest complaints. The breakdown of the study dimensions and number of items they hold is as follows: guest focus and commitment (5 items), prejudgments towards guest complaints (5 items), importance of complaints management (5 items), organizational structure (5 items), system, policy and procedures of complaint management (10 items), handling the complaints (10 items), human resource aspects of complaint management (10 items) as independent variables and organizational responses to guest complaints (10 items) as dependent variable. After the formation of the questionnaire a small number of experts (mainly academics and hotel managers) are asked for their opinions on suitability of the questions. Respondents did not have any difficulty in understanding the questions, which means the face validity of questionnaire was deemed acceptable (Judd et al, 1991).

The target population of this study consisted of all members of the hotel associations in Hong Kong and Northern Cyprus, namely Hong Kong Hotels Association (HKHA) with 93 members and Northern Cyprus Hoteliers Association (NCHA) with 96 members. Previous studies also chose hotel associations as their target respondents (for example see, Chung & Law, 2002; Law & Lau, 2004; Yeung & Law, 2006; Ekiz & Arasli, 2007). Self-administered questionnaire targeted the front office managers, as most of the time they are involved in guest complaints, listed in the most recent editions of the associations' member lists (HKHA, 2010; NCHA, 2010).

Hundred and eighty-nine questionnaires (93 to Hong Kong hotels and 96 to Northern Cyprus hotels) were sent to the managers. In order to ensure a high returns rate, prepaid envelop were included to the sent mails. With the intention to further increase the response rates, follow-up emails were sent to the non-responding hotels to request their contribution, as suggested by Parasuraman (1982). At the beginning of July 2007, 66 usable questionnaires from Hong Kong hotels and 58 from Northern Cyprus hotels were received, representing response rates of 70.9% and 60.4% respectively.

Several precautions were undertaken to reduce nonresponse bias and social desirability response bias. To control the nonresponse bias; postage-paid envelopes were used, the survey was kept at a reasonable length, the questionnaire was designed carefully to provide a neat and aesthetic look, and lastly cover letters were printed on official university sealed papers to stress the seriousness of the research, as recommended by Mangione (1995) and Parasuraman (1982). To minimize social desirability response bias, the main aim of the research was explained in the cover page of the questionnaire; contact mail addresses, e-mail addresses, telephone and fax numbers were provided in case of any question that can arise from the respondents; and anonymity for the respondent hotels

was promised as suggested by Judd et al, (1991). Finally descriptive analysis of the early and late respondents for both destinations did not produce statistically significant differences, which is evidence of this study being free from non-response bias. Although it is impossible to eliminate both biases, effort is still made to minimize them.

FINDINGS

Descriptive analyses were carried out by using Statistical Package for the Social Sciences (SPSS) for Windows version 12.0. Simple frequency distributions were computed for each of the questions. Table 2 represents the characteristics of the respondent hotels.

Table 2: Characteristics of the respondent hotels

	Hong Kong (n=66)		Northern Cyprus (n=58)	
	F	%	F	%
Hotel classification				
High tariff A (luxury) / 5-4 Star	28	42.4	15	25.9
High tariff B (mid-priced) / 3-2 Star	26	39.4	38	65.5
Medium tariff (economy) / 1 Star-Lower	12	18.2	5	8.6
Number of rooms				
100 or less	-	-	29	50.0
101-150	-	-	15	25.8
151-200	8	12.1	7	12.1
201-250	4	6.1	-	-
251-300	6	9.1	3	5.2
301 or more	48	72.7	4	6.9
Which customer market				
Business travelers	46	69.7	18	31.0
Leisure travelers	14	21.2	35	60.4
Other	6	9.1	5	8.6
Who deals with the complaints				
Managers or supervisors	42	63.6	45	77.6
Any of the front-line employee	14	21.2	9	15.5
Employees of 'guest relations'	10	15.2	4	6.9
How many complaints in a month				
10 or less	32	48.5	35	60.3
11-20	22	33.3	20	34.5
21-30	6	9.1	3	5.2
31 or more	6	9.1	-	-

As mentioned in preceding section, the hotel classification system in Hong Kong and Northern Cyprus are different. More than forty percent (42.4 %) of the respondent hotels in Hong Kong are luxury hotels where as slightly more than sixty-five percent (65.5 %) of the hotels in Northern Cyprus are midpriced hotels. As consistent with Law & Jogaratham's (2005) observation, respondent hotels in Hong Kong are generally large in scale - more than 300 rooms (72.7 %) - whereas an overwhelming majority (75.8 %), of the Cypriot hotels are smaller in scale (less than 151 rooms). Almost seventy percent (69.7 %) of the hotels in Hong Kong primarily serve business travelers, while majority (60.4 %) of the guests in Cypriot hotels is leisure travelers.

Respondent hotels were also asked two questions about their basic guest complaint practices; in general who deals with guest complaints and approximately how many complaints they receive in a month. Results revealed that managers or supervisors deal with the majority of the guest complaints, 63.6 percent in Hong Kong and 77.6 percent in Northern Cyprus. Hoteliers in both locations reported that approximately they receive less than 10 guest complaints in a month, 48.5 percent in Hong Kong and 60.3 percent in Northern Cyprus.

Churchill (1979) and Parasuraman et al. (1988) suggested that the purification of an instrument begins with the computation of reliability and exploratory factor analysis (EFA) through Cronbach's alpha coefficient and item-to-total correlations. Factor loadings obtained from EFA with Varimax rotation were further considered to test the factors and eliminate the poor performing items. In order to refine the measurement instrument and improve the alpha values items with low (<0.30) corrected item-to-total correlations and items that does not appear under their original factors were omitted from the instrument as recommended by Nunnally (1970), Churchill & Iacobucci (2002) and Hair *et al.* (1995). As suggested by Chu and Murrmann (2006, p. 1183) after each omission "...alpha values were recomputed for the remaining items and the new corrected correlations were evaluated for further deletion of items". Since this study has two data sets, Hong Kong and Northern Cyprus, these analyses were carried out for both sets. Totally, 27 items from Hong Kong and 28 items from Northern Cyprus were deleted data sets, of which 15 of them were common ones. Please see Table 3 for the results of EFA and reliability analysis with remaining items.

As can be seen from Table 3, the values of the coefficient alpha ranged from 0.72 to 0.93 for eight factors which are above the cut-of value (0.70) recommended by Nunnally and Bernstein (1994). When the whole items in the survey instrument are considered, coefficient alpha for Hong Kong (HK) is 0.872 and for Northern Cyprus (NC) is 0.860. As for the reliability coefficients for each variable in the model depicted in Figure 1, coefficients alphas for guest focus and commitment (HK: 0.74, NC: 0.87), prejudgments towards guest complaints (HK: 0.83, NC: 0.72), general importance of complaints management (HK: 0.81, NC: 0.88), organizational structure (HK: 0.84, NC: 0.83), system, policy and procedures of complaint management (HK: 0.86, NC: 0.81), handling the complaints (HK: 0.73, NC: 0.82), human resource aspects of complaint management (HK: 0.90, NC: 0.89) and organizational responses to guest complaints (HK: 0.90, NC: 0.93).

Table 3: Scale items, reliabilities, corrected item-total correlations and mean scores

Scale Items	Hong Kong		Northern Cyprus		Corr ^a	Mean ^b	Corr ^a	Mean ^b
Guest Focus and Commitment (GFC) ($\alpha = HK: 0.74, NC: 0.87$)								
1. The goal of guest satisfaction is the top priority in our hotel.			0.75	4.77			0.82	3.26
2. It is not at all unusual to spot and solve potential problems before the guests are even aware of them.			-	-			0.63	3.26
3. We make it easy to complain.			0.53	4.41			0.79	3.17
5. When a guest complaint is recovered we do our best to prevent the reoccurrence.			0.72	4.77			-	-
Prejudgments towards Guest Complaints (PGC) ($\alpha = HK: 0.83, NC: 0.72$)								
1. Our guests are satisfied. The low number of incoming complaints proves it.			0.59	2.41			0.43	4.59
2. The number of complaints should be minimized.			0.66	2.18			0.55	4.67
3. Guests who complain are adversaries.			0.83	2.15			-	-
4. The majority of guests who complain are either grumblers or grouseers.			0.59	2.26			0.69	4.50
General Importance of Complaints Management (ICM) ($\alpha = HK: 0.81, NC: 0.88$)								
1. Assisting guests complaints is a clear priority in our hotel.			0.60	4.64			-	-
2. Everyone in our hotel understands that retaining current guests every bit as important as gaining new one.			0.62	4.52			-	-
3. We need to get complaints to improve our service quality.			0.54	4.34			0.65	2.60
4. We consider handling complaints to be an investment - not expenditure.			-	-			0.86	2.79
5. We encourage guests to complain to us when they are dissatisfied since we believe that these are opportunities to recover our failures.			0.83	4.59			0.80	2.78
Organizational Structure (OST) ($\alpha = HK: 0.84, NC: 0.83$)								
2. The way our hotel is organized makes it easy for guests to reach the right individual or area when they have a complaint or question.			0.65	4.03			0.71	2.19
3. Our guests do not need making multiple contacts to report their complaints.			0.65	4.12			0.72	2.40
4. Our organizational structure makes it easy for employees to solve customer complaints quickly.			0.85	3.88			-	-

5. There is a good teamwork between individual employees when handling guest complaints.	0.52	4.06	0.64	2.43
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System, Policy and Procedures of Complaint Mgmt. (SPP) ($\alpha = HK: 0.86, NC: 0.81$)

2. Our hotel has a policy of asking guests what they expect from us when problems occur.	0.74	3.76	-	-
4. In our hotel there is an established structure of compensation to handle complaints.	0.70	3.48	0.68	2.17
5. Our hotel has procedures for handling different levels of complaints.	-	-	0.66	1.93
6. In our hotel, there are well-structured standard forms and/or software interface for complaint recording.	0.63	3.92	-	-
7. We actively communicate the existing complaint channels to our guests.	-	-	0.67	2.26
8. We accept complaints on our hotels website.	0.75	3.59	0.50	2.16

Handling the Complaints (HAC) ($\alpha = HK: 0.73, NC: 0.82$)

2. All accepted complaints are forwarded to the responsible units/departments quickly.	0.45	4.45	0.56	2.91
4. While reacting to complaints, individual circumstances of each case are taken into account.	-	-	0.81	2.59
5. Complainants usually receive a fair solution to their problems.	0.53	4.15	0.58	2.66
6. Complaints are usually resolved within the promised time.	-	-	0.61	2.69
7. In case of delays in complaint resolution, reasons and justifications are provided to guests.	0.68	4.16	0.54	2.50
10. Received complaints are analyzed on a regular basis by management.	0.43	4.36	-	-

Human Resource Aspects of Complaint Mgmt. (HRM) ($\alpha = HK: 0.90, NC: 0.89$)

1. Great value is placed upon appropriate employee behaviors in complaint contact situations.	-	-	0.73	2.48
2. Our hiring criteria for front-line employees emphasize "working with guests" skills.	0.64	4.24	-	-
3. We train our guest contact employees in dealing with complaints.	0.66	4.00	-	-
5. Our employees are usually coached by their seniors or managers in service recovery skills.	0.90	4.06	-	-
6. Our frontline employees are allowed to make value-added "atonement" gestures without special permission from their seniors or managers.	0.78	3.92	0.72	2.38
7. Frontline employees have full discretion in solving guest problems.	-	-	0.76	2.53

8. Employees involved in complaint processing are extensively informed about the established procedures of the hotel.	0.85	3.98	-	-
9. When an employee does not feel capable of handling a particular complaint, s/he knows exactly whom to ask for assistance.	-	-	0.76	2.51
10. Employees who are successful in resolving guest complaints are rewarded for their efforts.	-	-	0.78	2.41

Organizational Responses to Guest Complaints (ORE) ($\alpha = HK: 0.90, NC: 0.93$)

3. We always give a genuine apology to our complaining guests.	0.76	4.65	0.70	3.26
4. We always explain our guests why the problem occurred.	0.81	4.64	-	-
5. We take care of guest complaints as quick as possible after receiving them.	0.86	4.70	0.74	3.21
6. Our employees pay attention to guest concerns.	0.64	4.55	0.83	3.28
7. Our employees treat our guests with respect.	0.72	4.67	0.83	3.21
8. Our employees put all their energy into resolving guest complaints.	-	-	0.80	3.21
9. We do our best to make the guests feel similarly or more satisfied than before the problem.	-	-	0.86	3.26

Notes: ^a refers to Corrected Item-Total Correlations. α refers to coefficient alpha scores. Overall α Hong Kong = 0.872 - Northern Cyprus = 0.860. ^b refers to mean scores of each item. Each item is measured on a five point Likert scale where 1 = 'strongly disagree' to 5 = 'strongly agree' (Likert, 1932).

When corrected item-total correlations in Table 3 are examined carefully, correlations range from 0.43 to 0.90 which are above 0.32 level suggested by Saxe & Weitz (1982), indicating that the instrument meets the minimum standards of convergent validity. The overall assessment of findings in Table 3 suggests that there is no compelling reason to delete any more items from the instrument.

A five-point Likert scale (Likert, 1932) ranging from (1) 'strongly disagree' to (5) 'strongly agree' was used in questionnaires. Table 3 also shows the resulting mean scores of each item. On the whole, mean scores of each item for Hong Kong are higher than the ones for Northern Cyprus, except for prejudgments towards guest complaints variable. The items under this variable represent a negative attitude towards guest complaints and expected to be low in the organizations that encourage their customers to complain. In order to get a clearer picture of mean differences, composite scores for each variable were calculated by averaging scores representing that variable. Then, independent sample t-test was carried out to confirm the significance of the differences in mean scores between Hong Kong and Northern Cyprus. Detailed analysis of these differences can be found in the following discussion and conclusion section.

Table 4: Guest complaint related practices: Hong Kong versus Northern Cyprus

Variables	Hong Kong		Northern Cyprus		Gap ^b	t	Sig.
	Mean ^a	SD	Mean	SD			
Guest Focus and Commitment (GFC)	4.39	0.41	3.84	0.49	0.55	6.81	0.00**
Prejudgments towards Guest Complaints (PGC)	2.22	0.60	4.46	0.58	-2.24	-20.98	0.00**
General Importance of Complaints Management (ICM)	4.32	0.41	2.74	0.61	1.58	17.23	0.00**
Organizational Structure (OST)	4.10	0.56	2.40	0.54	1.70	17.17	0.00**
System, Policy and Procedures of Complaint Management (SPP)	3.94	0.56	2.13	0.41	1.81	20.40	0.00**
Handling the Complaints (HAC)	4.22	0.42	2.57	0.38	1.25	22.99	0.00**
Human Resource Aspects of Complaint Management (HRM)	4.02	0.54	2.61	0.34	1.41	17.05	0.00**
Organizational Responses to Guest Complaints (ORE)	4.34	0.41	3.07	0.38	1.27	17.76	0.00**

Notes: ^a1 = strongly disagree - 5 = strongly agree, ^bGap = HK mean score - NC mean score, SD = Standard Deviation, **p < 0.01 level.

A careful analysis of Table 4 shows that all mean score differences are statistically significant; $p < 0.01$ level and t-values are greater than ± 2.00 levels (Nunnally & Bernstein, 1994; Hair *et al.*, 1995). Moreover, moderate level of standard deviation scores indicates that respondents were consistent in their answers nevertheless still has enough discrepancy (Tabachnick & Fidell, 1996). Mean scores of for Hong Kong are above the midpoint 3.00, except for the prejudgment variable, indicating respondent were agree, if not strongly agree, with the items listed under these complaint related variables. However, in Northern Cyprus all mean scores, except for guest focus and commitment variable which is slightly higher than the midpoint, all variables were below the midpoint of 3.00. This result indicates that respondent hoteliers were 'disagree' or 'strongly disagree' with the listed items. In addition, gap of mean scores between Hong Kong and Northern Cyprus, are calculated and listed in Table 4. The largest gap score is found to be in the 'prejudgments towards guest complaints' variable, -2.24, indicating that hoteliers in Northern Cyprus have strong prejudgments towards the complaining guests. On the other hand the lowest gap score calculated belongs to the 'guest focus and commitment' variable with 0.55. This finding indicates that hoteliers in both locations have similar focus and commitment to their guests.

The regression analysis is employed to find test the hypothesized relationships. Regression analysis can be defined as "statistical technique used to derive an equation that relates a single criterion variable to one or more predictor variables; it considers the frequency distribution of the

criterion variable, when one or more predictor variables are held fixed at various levels" (Churchill & Iacobucci, 2002:981).

Table 5: Results of multiple regression analysis for Hong Kong

Multiple R = 0.65	R ² = 0.43	Adjusted R ² = 0.36	Standard Error = 0.341
F = 26.30	P<0.001		
<i>Independent Variables:</i> Guest Focus and Commitment (GFC), Prejudgments towards Guest Complaints (PGC), General Importance of Complaints Management (ICM), Organizational Structure (OST), System, Policy and Procedures of Complaint Management (SPP), Handling the Complaints (HAC), Human Resource Aspects of Complaint Management (HRM)			
<i>Dependent Variable:</i> Organizational Responses to Guest Complaints (ORE)			
<i>Independent Variables</i>	Beta^a	t-value	Sig.^b
Guest Focus and Commitment (GFC)	0.09	7.883	0.004
Prejudgments towards Guest Complaints (PGC)	-0.56	-6.265	0.012
General Importance of Complaints Management (ICM)	0.12	3.108	0.021
Organizational Structure (OST)	0.21	2.604	0.042
System, Policy and Pro. of Complaint Mgmt. (SPP)	0.11	4.865	0.039
Handling the Complaints (HAC)	0.28	5.282	0.016
Human Resource Aspects of Complaint Mgmt. (HRM)	0.36	7.233	0.008

Notes: ^a Standardized coefficient, ^b p<0.05

Assumptions:

Normality: Kolmogorov-Smirnov Statistics 0.015 < 0.721 at a significant level of 0.001

Linearity: Confirmed by the analysis of partial regression plots

Homoscedasticity: Confirmed by the analysis of partial regression plots

Independence of Residuals: Durbin-Watson test, score = 2.185

Multicollinearity Statistics:

Condition			Variance Proportions						
	Index	Constant	GFC	PGC	ICM	OST	SPP	HAC	HRM
1	8.12	0.00	0.01	0.82	0.00	0.00	0.02	0.00	0.01
2	13.79	0.01	0.07	0.09	0.02	0.02	0.25	0.01	0.05
3	19.48	0.00	0.00	0.00	0.05	0.26	0.53	0.00	0.21
4	23.04	0.00	0.01	0.00	0.00	0.45	0.02	0.00	0.70
5	26.59	0.00	0.35	0.00	0.50	0.00	0.12	0.02	0.01
6	37.22	0.01	0.13	0.01	0.34	0.16	0.01	0.84	0.01
7	44.49	0.98	0.33	0.08	0.09	0.00	0.05	0.13	0.01

Notes: There is no evidence of Multicollinearity problem since each conditioning index is lower than 30, and at least two variance proportions are lower than 0.50 (Tabachnick and Fidell, 1996:136).

Multiple regression analysis was carried out by taking guest focus and commitment, prejudgments towards guest complaints, general importance of complaints management, organizational structure, system, policy and procedures of complaint management, handling the complaints and human resource aspects of complaint management as the independent variables and organizational responses to guest complaints as the dependent variable. The results in Table 5 and 6 demonstrate

that regression analyses were first confirmed by testing the assumptions of normality, linearity, Homoscedasticity, and independence of residuals, revealing that “the residuals are normally distributed about the predictor dependent variable score, residuals have straight line relationship with the predicted dependent variable scores, the variance of residuals about predicted dependent variable scores is the same for all predicted scores” (Tabachnick & Fidell, 1996:136). In addition, there is no evidence of Multicollinearity problem, meaning that each conditioning index is lower than 30, and at least two variance proportions are lower than 0.50 (Hair *et al.*, 1995).

Table 6: Results of multiple regression analysis for Northern Cyprus

Multiple R = 0.42	R ² = 0.40	Adjusted R ² = 0.38	Standard Error = 0.624
F = 46.82	P<0.001		
<i>Independent Variables:</i> Guest Focus and Commitment (GFC), Prejudgments towards Guest Complaints (PGC), General Importance of Complaints Management (ICM), Organizational Structure (OST), System, Policy and Procedures of Complaint Management (SPP), Handling the Complaints (HAC), Human Resource Aspects of Complaint Management (HRM)			
<i>Dependent Variable:</i> Organizational Responses to Guest Complaints (ORE)			
<i>Independent Variables</i>	Beta ^a	t-value	Sig. ^b
Guest Focus and Commitment (GFC)	0.81	4.315	0.003
Prejudgments towards Guest Complaints (PGC)	-0.22	-2.521	0.025
General Importance of Complaints Management (ICM)	0.28	3.356	0.018
Organizational Structure (OST)	0.43	1.659	0.103
System, Policy and Pro. of Complaint Mgmt. (SPP)	0.18	2.069	0.029
Handling the Complaints (HAC)	0.10	4.169	0.005
Human Resource Aspects of Complaint Mgmt. (HRM)	0.08	3.608	0.013

Notes: ^a Standardized coefficient, ^b p<0.05

Assumptions:

Normality: Kolmogorov-Smirnov Statistics 0.017 < 0.583 at a significant level of 0.001

Linearity: Confirmed by the analysis of partial regression plots

Homoscedasticity: Confirmed by the analysis of partial regression plots

Independence of Residuals: Durbin-Watson test, score = 1.668

Multicollinearity Statistics:

Condition		Variance Proportions							
	Index	Constant	GFC	PGC	ICM	OST	SPP	HAC	HRM
1	7.44	0.00	0.01	0.00	0.09	0.09	0.23	0.00	0.02
2	9.15	0.00	0.01	0.00	0.16	0.48	0.00	0.06	0.01
3	11.81	0.00	0.58	0.00	0.02	0.27	0.08	0.03	0.10
4	12.53	0.00	0.24	0.00	0.01	0.00	0.12	0.00	0.75
5	14.14	0.00	0.01	0.05	0.13	0.04	0.15	0.65	0.00
6	20.87	0.05	0.07	0.42	0.58	0.09	0.42	0.01	0.02
7	37.17	0.25	0.09	0.52	0.00	0.02	0.00	0.24	0.09

Notes: There is no evidence of Multicollinearity problem since each conditioning index is lower than 30, and at least two variance proportions are lower than 0.50 (Tabachnick and Fidell, 1996:136)

The independent variables jointly explain 43% and 40% of the variance (R^2) on 'organizational responses to guest complaints' in Hong Kong and Northern Cyprus respectively. Although these explained variance figures are not low yet can be increased by adding new variables such as; 'understanding emotional value of complaints' (Barlow & Maul, 2000), 'evaluating service performance' (Zemke, 1995).

The results demonstrate that 'guest focus and commitment' exerts the highest significant positive effect on 'organizational responses to guest complaints' in both locations (HK: $\beta=0.09$, $t\text{-value}=7.883$, NC: $\beta=0.81$, $t\text{-value}=4.315$). Table 5 also shows that 'human resource aspects of complaint management' (HK: $\beta=0.36$, $t\text{-value}=2.233$, NC: $\beta=0.08$, $t\text{-value}=3.608$), 'general importance of complaints management' (HK: $\beta=0.12$, $t\text{-value}=3.108$, NC: $\beta=0.28$, $t\text{-value}=3.356$), 'system, policy and procedures of complaint management' (HK: $\beta=0.11$, $t\text{-value}=4.865$, NC: $\beta=0.18$, $t\text{-value}=2.069$) and 'handling the complaints' (HK: $\beta=0.28$, $t\text{-value}=5.282$, NC: $\beta=0.10$, $t\text{-value}=4.169$) exert significant positive effects on 'organizational responses to guest complaints' in both locations. In the case of 'prejudgments towards guest complaints' results revealed that this variable has significant negative effect on 'organizational responses to guest complaints' in both locations (HK: $\beta=-0.56$, $t\text{-value}=-6.265$, NC: $\beta=-0.22$, $t\text{-value}=-2.521$). Lastly, 'organizational structure' found to have a significant effect on 'organizational responses to guest complaints' in Hong Kong ($\beta=0.21$, $t\text{-value}=2.604$), however in Northern Cyprus this effect found to be not statistically significant ($\beta=0.43$, $t\text{-value}=1.659$) with a significance level of 0.103 which is greater than 0.05 level. Overall, the results of the multiple regression analyses show that the six hypotheses (H_1 , H_2 , H_3 , H_5 , H_6 and H_7) are supported where hypothesis 4 is only partially supported since it is supported in the case of Hong Kong, not Northern Cyprus.

DISCUSSION AND CONCLUSION

"In a perfect world of perfect products and performances, service recovery would be a nonsensical idea. But ours is not a perfect world. It is, rather, a world filled with the mythical Dr. Murphy's gremlins..." (Zemke & Bell, 2000:2).

This is how Zemke and Bell (2000) open their book 'Knock Your Socks off Service Recovery' which was highly appreciated by both practitioners and academics. Keeping this in mind, service organizations should be ready and happy to deal with customer complaints. Given that complaints are critical in improving the service quality thus increasing customer satisfaction, loyalty and positive word-of-mouth, companies need to invest time, money and effort in handling customer complaints properly. With this realization, the present study attempted to find out the current complaint handling practices in the hotel industries of Hong Kong and Northern Cyprus. Then, it compared the practices that affect organizational responses to guest complaints in these two locations.

First of all, the results revealed that the number of guests complaining to both groups of hoteliers is very low. One may think that this is very good sign but it is also important to note that one unhappy guest who does not complain will tell approximately twenty other people (Chebat et al, 2005). A simple calculation shows that hoteliers in both Hong Kong and Northern Cyprus are letting 190 unhappy guests walk out. If each of these 190 unhappy guests share their dissatisfying experiences with 20 other people, these hoteliers may end up losing about 3,800 potential guests! This should ring alarm bells for hotels in both locations and push them to find more aggressive ways, if necessary, to raise more complaints.

Although the situation in Hong Kong is less alarming, results also show that most of the reported complaints are being handled by managers or supervisors. In other words, it is seen as management's duty to comfort the upset guests. Existing literature suggests that this is neither efficient nor effective way of handling guest complaints (Olsen et al, 1996; Davidow, 2003b). Since employees represent the hotel at the moment a complaint is lodged, these employees should not have to depend on their managers to offer even a small atonement which will comfort dissatisfied customer standing in front of reception desk. The key to prevent such occurrences is empowerment. Only empowered and trained employees can solve guest complaints in a timely manner and reduce level of tension between guest and hotel (Boshoff & Leong, 1998; Strauss & Seidel, 2004). Thus hoteliers in Hong Kong and Northern Cyprus should: (i) look for guest skills and experience while hiring their staff (ii) train their guest employees especially in dealing with guest complaints (iii) empower their employees so that they can handle guest complaints more effectively.

Table 3 and 4 both point out some differences in items (Table 3) as well as variables (Table 4). In order to have a clear comparison between two destinations, one should focus on the items that are not omitted from either column in Table 3. Moreover, comparison of variables can be seen in Table 4. On a five point Likert scale where 1 = 'strongly disagree' and 5 = 'strongly agree', values above the midpoint of 3 shows agreement. To find the differences in perceptions and practices, the largest gap generating items and variables can be interpreted.

The largest gap occurs in the '*prejudgments towards guest complaints*' variable, indicating that Cypriot hoteliers have strong prejudgments towards complaining guests. As discussed in the literature review section, having prejudgments towards the communication of complaints may have serious negative effects on formulation of complaint handling policies and guidelines of organizational responses (Barlow & Maul, 2000; Stauss & Seidel, 2004). It looks like hoteliers in Hong Kong are aware of this situation and overall have less prejudgment. On item basis, Cypriot hoteliers strongly agree that "the number of complaints should be minimized" where their counterparts disagree with this statement. This means hoteliers in Hong Kong are not trying to minimize number of complaints; instead they are open to hear more from their guests.

The second largest gap is observed in '*system, policy and procedures of complaint management*' variable suggesting that hotels in Hong Kong have well established systems and are better equipped with policies and procedures than their Cypriot counterparts. Given the advantages of having written policies and procedures (such as consistency and efficiency during handling process, easing the training of employees etc.), hoteliers should have a systematic approach that is tailor-made to satisfy guests' needs (Susskind *et al.*, 2000; Suh *et al.*, 2005). Results show that hoteliers in Hong Kong understand the need of having complaint handling related policies in general. Using their hotels' websites to accept guest complaints is an indication of this understanding. These findings suggest that Cypriot hoteliers should also invest in building systems to better handle their guest complaints.

The third largest gap is found in the '*organizational structure*' variable, pointing out that hotels in Hong Kong are better structured to handle guest complaints than the Cypriot ones. Previous studies concluded that organizational structure is important both physically and operationally and can make complaining easier and more convenient for guests and solving it for the hotel (Karatepe, 2006; Grönroos, 2007). Analysis of the related tables shows that hoteliers in Hong Kong invested in structuring their hotels and systems in a way that maximizes efficiency in dealing with dissatisfied guests. Particularly, eliminating the need for making multiple contacts to report a problem is a clear indication of being well structured in handling complaints. Likewise hoteliers in Northern Cyprus should focus on developing and maintaining such structures.

Another big gap calculated is in the '*general importance of complaints management*' variable showing that hoteliers in Hong Kong are more aware of the importance of complaint management than hoteliers in Cyprus. Both academics and industry practitioners have agreed on the importance of managing complaints in an effective and efficient manner (Gilly & Hansen, 1985; Heskett *et al.*, 1997; McAlister & Erffmeyer, 2003). The results from this study indicate that hotel managers in Hong Kong tend to grasp the significance of complaint management better than their Cypriot counterparts. Specifically, hoteliers in Hong Kong reported that they need to get complaints to improve their existing service quality levels. Hotel managers in Cyprus should also have similar thinking to widen their perceptions about complaint management.

The next largest gap can be seen in the '*human resource aspects of complaint management*' variable, indicating that hoteliers in Hong Kong realize the fundamental importance of human resources in dealing with complaining guests. As has been suggested by several scholars, human interaction is the core of recovering from a service failure and even a best planned, generous and fair recovery may not create favorable response if frontline employees can not deliver it properly (Bitner *et al.*, 1990; Olsen *et al.*, 1996; Kotler & Armstrong, 2006). Results from the present study signify that hotel managers in Hong Kong are trained and empowered to increase the efficiency of complaint resolution. Allowing their frontline employees to offer discounts or free services without having to get special permission from higher management is a brilliant example of empowering the employees.

Hotel managers in Northern Cyprus should also realize the importance of empowering their employees in handling guest problems.

As for the remaining variables '*organizational responses to guest complaints*', '*handling the complaints*' and '*guest focus and commitment*', results reveal that hoteliers in Hong Kong are more aware of the significance of these issue in solving guest problems than their Cypriot counterparts. The existing body of literature suggests that the ways organizations respond to guest complaints are vitally important in guests post recovery attitudes (Kelly et al, 1993; Boshoff, 1999; Karatepe & Ekiz, 2004) and that the ways guest complaints are handled influence their reactions to companies (Etzel & Silverman, 1981; Brown, 1997; Yim *et al.*, 2003). Similarly, focusing on guests and being committed to their needs fosters the chance of being successful in recovering from a service failure (Firnsthahl, 1989; Tocquer & Cudennec, 1998; Cranage, 2004). The figures in Table 3 and 4 show that there are important differences between managers' perceptions and practices in the two locations. More specifically, for instance; hoteliers in Hong Kong 'take care of guest complaints as quickly as possible after receiving them', in case of any delays they provide the 'reasons and justifications to the guests' and they see 'guest satisfaction as their top priority'. Unfortunately, all these items have been given significantly low scores by Cypriot hotel managers, showing that they are not at the same page with the managers in Hong Kong. This finding suggests that hoteliers in Cyprus should spend time and effort in understanding the true value of hearing bad news about their services from their complaining guests. Cypriot hoteliers must understand that complaining guests are people who actually bother to go through the trouble of lodging a complaint and that they are willing to help by giving a second chance of recovering the failed service.

Furthermore, findings revealed that all hypothesized relationships were supported by the empirical data, except hypothesis 4 for Northern Cyprus. Overall, the results show all complaint-related factors do have significant effects on hotels' responses to their guest complaints. This is consistent with existing literature findings (Zemke, 1993; Barlow & Moller, 1996; Davidow, 2003a; Stauss & Seidel, 2004; Gursoy et al, 2007; Karatepe, 2006; Zemke & Anderson, 2007; Ekiz & Arasli, 2007).

Additionally, '*guest focus and commitment*' appears to be the most influential variable on organizational responses to guest complaints in both locations - low significance levels and high t-values support this. This finding suggests that although the calculated mean value for this variable is comparatively low in Northern Cyprus case, the Cypriot managers still think focusing on guest needs is important in responding to guest complaints. The second and third most significant variables change in both locations. That is, the second and third most important variables ranked by Hong Kong hoteliers are '*human resources*' and '*prejudgments*' respectively while Cypriot hoteliers see '*handling the complaints*' and '*human resources*' as their second and third most important variables in service recovery. This result highlights the importance given to human resources related issues in both in Hong Kong and Northern Cyprus. Yet there is still more room for improvement especially in the case

of Northern Cyprus, since the overall mean scores show that Cypriot managers do not quite agree with the items listed under this variable.

Finally, the above results support that all complaint related variables have higher influence on organizational responses to guest complaints in Hong Kong than in Northern Cyprus. Thus it can be concluded that managers in Northern Cyprus should get rid of their prejudgments, be more committed to their guests needs, understand the significance and value of guest complaints, have tailor-made procedures in dealing with complaints, and focus on training and empowering their human resources to be able to satisfy their complaining guests.

LIMITATIONS AND IMPLICATIONS FOR FURTHER RESEARCH

Considering the exploratory nature of this study, it is difficult to generalize the results to the hotel industry at large. Following are the limitations of this study. The first and most important limitation is the inclusion of only the members of major hotel associations. Future studies may include all hotels in both destinations which can increase the number of received responses positively. Parallel to this, when the number of respondents increases, more advanced analyses (such as confirmatory factor analysis or path analysis) which could not be carried out with low number of observations, can be conducted to confirm the results of obtained in earlier stages. Secondly, this study did not consider detailed characteristics of hotels such as; management and/or franchising contract types or age of the hotel. Considering these characteristics, perhaps as dummy variable, may provide additional insights for future studies. Thirdly, this study reports the responses of hotel managers thus might suffer from social desirability response bias. To overcome this problem, future studies can collect data from frontline employees and guests, as well as managers – doing this would provide a more complete view of the big picture. Finally, this study used ‘guest focus and commitment’, ‘prejudgments towards guest complaints’, ‘general importance of complaints management’, ‘organizational structure’, ‘system, policy and procedures of complaint management’, ‘handling the complaints’, and ‘human resource aspects of complaint management’ as independent variables and ‘organizational responses to guest complaints’ as a dependent variable. Analysis of other theoretical and statistical relationships among these variables and/or inclusion of other constructs in the model such as ‘recognizing and rewarding’ (Zemke & Bell, 2000), ‘understanding emotional value of complaints’ (Barlow & Maul, 2000), ‘evaluating service performance’ (Zemke, 1995) and ‘controlling the process complaint’ (Tax et al, 1998) would provide further insights to understand the complex nature of complaint handling practices.

As a closing note, until further empirical studies are conducted, the results of the present study and strategies based on them should remain tentative. Replication studies in other destinations, perhaps other island states and/or developing countries, with larger sample size would be fruitful for further generalizations of the study findings.

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