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Service Quality and Customer Retention in Ugandan Guesthouses: The Moderating Role of Work Environment

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Abstract

Introduction: This study investigated how the work environment moderates the relationship between service quality and customer retention, addressing a critical gap in understanding organisational dynamics and customer loyalty in the guesthouse sub-sector. **Objectives**: Grounded in service quality and organisational climate theories, it examines how service quality dimensions influence retention and how a supportive work environment enhances this link. **Methods**: This study employed a quantitative, cross-sectional design to examine the moderating role of the internal work environment in the relationship between service quality and customer retention in Uganda's guesthouse sector. Using purposive sampling, 300 respondents from 30 guesthouses in Kampala participated. Questionnaires assessed key internal environment factors and service quality perceptions, and data were collected over four weeks and analysed via SPSS 25 using descriptive statistics, Pearson correlations, and hierarchical regression with moderation analysis. Construct validity and reliability were confirmed through EFA and Cronbach's alpha (>0.70). **Results**: The findings revealed that service quality significantly boosts retention and that work environment strengthens this effect. Key service dimensions coupled with job clarity, supervision, and staff welfare enhance service delivery. The findings emphasise the need for hospitality managers to invest in both service quality and employee well-being. Strategies such as staff training, employee engagement, and standardised service protocols are recommended. **Conclusion**: These strategic efforts are crucial for enhancing customer loyalty and sustaining Uganda's guesthouse industry; thus, improving service quality and fostering a supportive work environment build lasting customer relationships, boost employee well-being, and ensure resilient and competitive growth in the hospitality sector.

Keywords: *Customer Retention; Guesthouse; Hospitality; Internal Work Environment; Service Quality*

Introduction

Tourism plays a vital role in Uganda's socio-economic development, supported by initiatives like the Tourism Development Master Plan (2014–2024) and the "Explore Uganda" campaign. These efforts have boosted infrastructure, marketing, and conservation, generating UGX 4.8 trillion (USD 1.28 billion) in tourism revenue and attracting 1.37 million international visitors by 2024 (Pauline & Rusoke, 2023). Employment in the sector reached 610,806 jobs in 2023/24 (Muhaire, 2022). As such, guesthouses, comprising over 40% of Uganda's accommodation sector, are central to visitor experiences. However, growing competition has exposed gaps in service quality and guest retention. While the Service Quality

(SERVQUAL) model (Parasuraman, Zeithaml, & Berry, 1988) offers a framework for service assessment, implementation is hindered by poor staff morale, limited training, weak supervision, and fragmented structures (Turyahebwa *et al*., 2022). As a result, 34% of guests do not return, and 68% of guesthouses score poorly on professionalism and hygiene (Nyayuki, 2022). Global studies emphasise service delivery and guest satisfaction. A 2024 Deloitte report found 68% of hospitality firms link staff wellness to guest satisfaction. This study investigates how service quality and internal work environment influence customer retention. It explores both direct and moderating effects of workplace conditions on service delivery, guided by the Service-Profit Chain and SERVQUAL frameworks. Key questions of the study included: (1) How does service quality affect customer retention? (2) Which internal work environment factors influence service quality? (3) What is their relationship to retention? and (4) Do workplace conditions moderate the service-retention link?
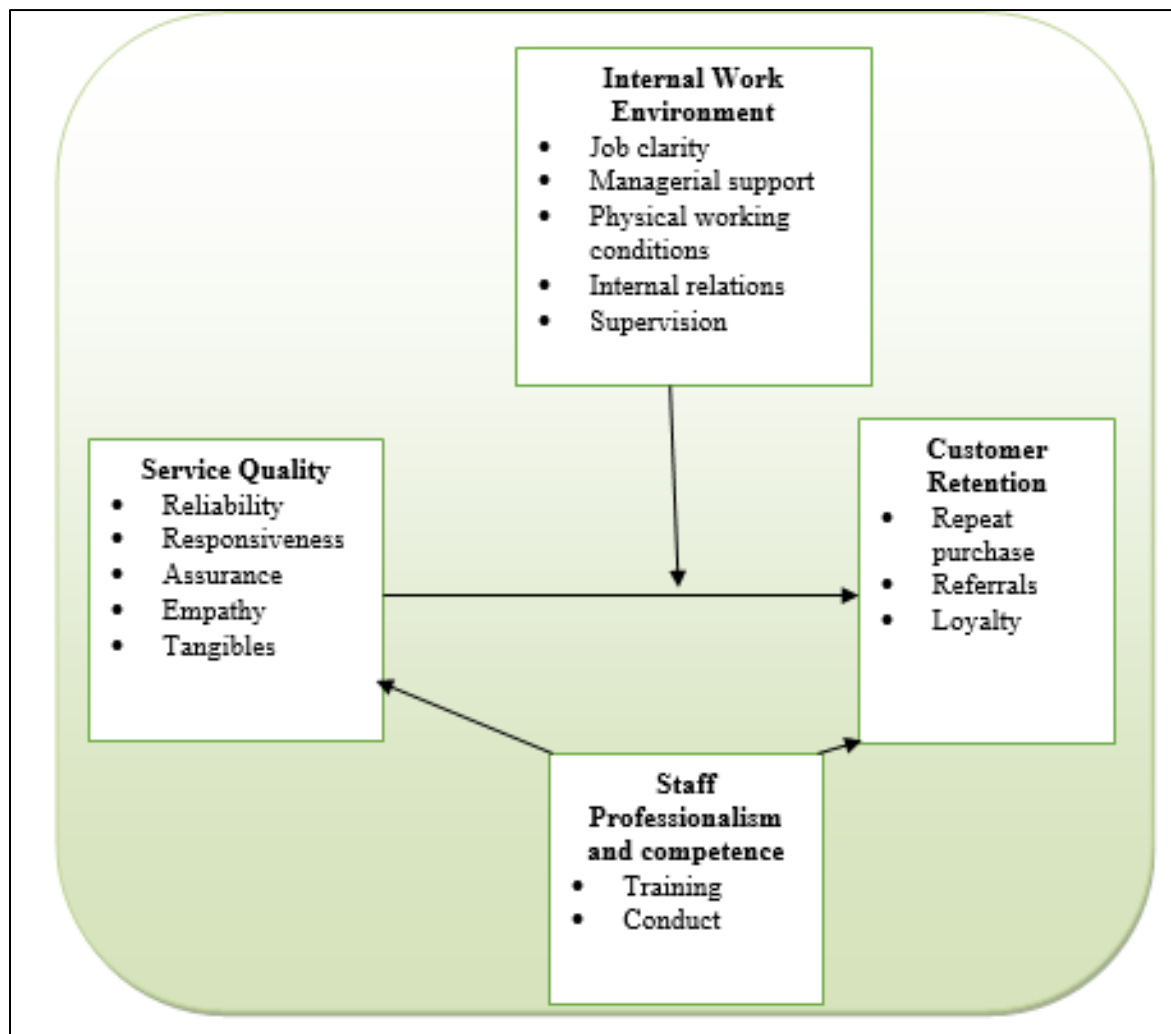
Literature Review

Figure 1: Conceptual and Theoretical framework

This study, depicted in Figure 1, draws on the SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988), the Service-Profit Chain (Heskett & Schlesinger, 1994), and organizational behaviour theories to investigate the influence of service quality, internal work environment, and staff professionalism on customer retention within Uganda's guesthouse sector. Service quality, operationalised through reliability, responsiveness, assurance, empathy, and tangibles, is closely associated with repeat visits, length of stay, and guest referrals. The study further considers two moderating factors. First, the internal work environment, which is characterised by role clarity, autonomy, supervision, training, psychological

safety, and teamwork, significantly shapes employee motivation and service delivery effectiveness (Wampande & Osunsan, 2020). Second, staff professionalism—including communication skills, etiquette, ethical conduct, and customer orientation, which mediates the relationship between service quality and customer loyalty (Ngoma *et al.,* 2020).

Despite the acknowledged centrality of service quality in hospitality satisfaction and retention (Ghani *et al.,* 2022), many guesthouses face challenges such as inadequate training, poor sanitation, and weak guest engagement (Barusman, 2024). While reliability and responsiveness ensure timely service, and assurance and empathy build trust, especially among international guests (Setiono & Hidayat, 2022), tangibles like cleanliness and staff appearance remain critical in shaping customer perceptions (Prakoso *et al.,* 2017). Nonetheless, suboptimal work conditions characterised by low wages, insufficient capacity-building, and excessive workloads continue to undermine service quality and retention outcomes.

Theoretical Contribution

This study explores how the internal work environment moderates the relationship between service quality and customer retention. While the SERVQUAL model predicts satisfaction and loyalty, it often overlooks the role of low-resource organizational settings. By integrating the Service-Profit Chain with constructs like psychological safety, supervisory support, and role clarity, the study reconceptualises retention as shaped by both service encounters and workplace climate. It extends SERVQUAL by positioning internal conditions as dynamic moderators. Empirical evidence from Uganda's guesthouses confirms that enhancing internal work conditions strengthens the service-retention link, emphasizing employee well-being and support as key to sustained hospitality performance.

Work Environment and Service Delivery

Work environment, professionalism, and competence encompassing ethics, communication, and technical skills are crucial to service quality (Marques & Monteiro, 2024). Training enhances these, while misconduct undermines trust and increases attrition (Oludii, 2016). The internal work environment (IWE) strongly impacts employee performance, commitment, and service quality, especially in guesthouses where staff interact directly with guests (Marques & Monteiro, 2024). Key IWE components include internal relations fostering trust and teamwork (Jawabreh, 2020); supervision ensuring accountability and motivation through transformational leadership; physical conditions like cleanliness, safety, lighting, and equipment supporting morale and productivity; managerial support via feedback and recognition enhancing motivation (Dwianto, Sajili, & Tunjungsari, 2023); and job clarity reducing ambiguity to boost engagement and guest satisfaction.

Customer Retention in Hospitality Sector

Customer retention is a strategic imperative in hospitality, underpinning competitive advantage, profitability, and brand equity through sustained loyalty (Gilmore & McMullan, 2009). Unlike episodic satisfaction, retention is evidenced through repeat patronage and advocacy (Amaechi-Chijioke & Omolaja, 2022). Loyal customers yield higher lifetime value, reduced acquisition costs, price tolerance, and positive word-of-mouth, enhancing organizational resilience (Kotler, 2022). While SERVQUAL remains a dominant model for measuring service quality, its cultural rigidity and limited contextual adaptability, particularly in emerging markets, diminish its effectiveness. The Service-Profit Chain (Heskett & Schlesinger, 1994) emphasises internal service quality as pivotal to customer outcomes. In Uganda, over 60% of hospitality workers lack formal training and job security (Alananzeh *et al.,* 2023), undermining service consistency. Yet, targeted HR investments have raised guest satisfaction and return rates by 27%. Addressing structural and cultural constraints through internal systems and empowered staff is essential for sustainable guest loyalty.

Methodology

This study employed a quantitative cross-sectional design to capture employee and customer perceptions in Kampala at a single point in time. Thirty guesthouses were purposively selected from the

Uganda Hotel Owners Association list based on full licensing, a minimum of three years in operation, and established service and HR structures. Stratified random sampling ensured proportional representation of 300 respondents—150 employees (by department) and 150 customers (at checkout). Data were collected using structured, self-administered questionnaires featuring closed-ended and five-point Likert-scale items drawn from established scales.

Service Quality was assessed using SERVQUAL's five dimensions adapted for guesthouses: Tangibles (4 items), Reliability (4), Responsiveness (3), Assurance (3), and Empathy (3) (Parasuraman, Zeithaml, & Berry 1988). Internal Work Environment was evaluated from employees' perspectives across Supervision, Communication, Welfare, Job Clarity, and Teamwork (5 items) based on Bakotić (2016) and Raziq and Maulabakhsh (2015). Customer Retention was measured via Satisfaction, Loyalty, and Recommendation Intentions (4 items) adapted from Zeithaml, Berry, and Parasuraman (1996). Three hospitality experts reviewed the questionnaire for content validity, followed by a pilot with 20 respondents from non-sampled guesthouses. Cronbach's alpha values ($\alpha \geq 0.70$) confirmed reliability. Employees assessed the internal work environment, while customers evaluated service quality and retention intentions. Individual-level data were analysed without aggregation. Exploratory Factor Analysis (EFA) confirmed construct validity (KMO = 0.812; Bartlett's χ^2 = 2063.51, df = 276, $p < .001$), with item loadings > 0.60. Multicollinearity diagnostics showed acceptable VIF (1.23–2.11) and tolerance (> 0.47), supporting regression analysis validity.

Table 1: Reliability Coefficients (Cronbach's Alpha Values)

Construct	Number of Items	Sample Group	Cronbach's Alpha (α)
Tangibles	4	Customers	0.78
Reliability	4	Customers	0.81
Responsiveness	3	Customers	0.76
Assurance	3	Customers	0.80
Empathy	3	Customers	0.77
Internal Work Environment	5	Employees	0.84
Customer Retention	4	Customers	0.82

Note: All constructs exceeded the recommended reliability threshold of α ≥ 0.70 (Nunnally, 1978).

Table 1 shows Cronbach's alpha values for each construct, confirming the internal consistency and reliability of the measurement scales. High alpha values indicate that the items reliably measure their intended concepts, supporting the validity of the data analysis.

Data were collected over four weeks through voluntary, anonymous surveys from customers and staff, with ethical approval from Lincoln University College–Malaysia. Using IBM SPSS Version 25, analysis involved descriptive statistics, exploratory factor analysis, Pearson's correlation, multiple regression, and Hayes' PROCESS Macro (Model 1, 5,000 bootstraps) to assess the internal work environment's moderating effect.

Results

Table 2: Descriptive Statistics for Study Constructs (N = 300)

Construct	N	Mean (M)	Standard Deviation (SD)	Minimum	Maximum
Tangibles	300	3.91	0.68	2.00	5.00
Reliability	300	4.08	0.61	2.40	5.00
Responsiveness	300	3.84	0.72	2.00	5.00
Assurance	300	4.02	0.66	2.20	5.00
Empathy	300	3.87	0.70	2.00	5.00
Internal Work Environment	300	3.75	0.73	2.10	5.00
Customer Retention	300	4.06	0.64	2.50	5.00

Table 2 presents descriptive statistics, including mean, standard deviation, minimum, and maximum values, offering insights into the central tendency and variability of each construct, thereby illustrating the data's distribution and overall characteristics.

Table 3: Respondent Profile and Frequency Distribution (N = 300)

Variable	Category	Frequency (n)	Percentage (%)
Respondent Type	Employee	150	50.0%
	Customer	150	50.0%
Gender	Male	174	58.0%
	Female	126	42.0%
Age Group (Years)	18–25	72	24.0%
	26–35	111	37.0%
	36–45	69	23.0%
	46 and above	48	16.0%
Education Level	Primary	30	10.0%
	Secondary	90	30.0%
	Diploma	102	34.0%
	Degree and above	78	26.0%
Employment Type (Employees only)	Permanent	63	42.0% (of 150)
	Contract	54	36.0%
	Casual	33	22.0%
Employment Status (Employees)	Full-time	87	58.0% (of 150)
	Part-time	63	42.0%
Customer Category (Customers)	National	93	62.0% (of 150)
	International	57	38.0%
Guest Visit Frequency (Customers)	First time	57	38.0% (of 150)
	2–3 times	69	46.0%
	More than 3 times	24	16.0%
Purpose of Visit (Customers)	Leisure	81	54.0%
	Business	45	30.0%
	Other	24	16.0%
Most Visited Unit (Customers)	Restaurant/Dining Area	63	42.0% (of 150)
	Front Office/Reception	30	20.0%
	Accommodation Rooms	45	30.0%
	Conference/Event Facilities	12	8.0%

Table 3 summarises respondents' demographics, presenting frequencies and percentages by age, gender, education, occupation, and experience and highlighting the sample's diversity and representativeness for contextualising the study's findings.

Table 4: Construct-Level Descriptive Statistics (N = 300)

Construct	Number of Items	Mean (M)	Standard Deviation (SD)	Scale Range
Service Quality	20	3.87	0.56	1 = Strongly Disagree to 5 = Strongly Agree
Internal Work Environment	15	3.45	0.62	1 = Strongly Disagree to 5 = Strongly Agree
Customer Retention	5	3.76	0.59	1 = Strongly Disagree to 5 = Strongly Agree

Table 4 presents descriptive statistics item counts, means, standard deviations, and ranges summarising respondent perceptions of service quality, internal work environment, and customer

retention, with means showing agreement levels and standard deviations indicating response variability.

Table 5: Eigenvalues and Variance Explained from Factor Analysis

Factor	Eigenvalue	% of Variance Explained	Cumulative % Variance
Factor 1 (Service Quality)	5.12	34.13%	34.13%
Factor 2 (Internal Work Environment)	3.45	22.98%	57.11%
Factor 3 (Customer Retention)	1.78	11.85%	68.96%
Factor 4	0.98	6.53%	75.49%

Table 5 displays eigenvalues and variance explained by each factor, retaining those with eigenvalues above 1. The cumulative variance indicates the total variance accounted for, supporting the measurement model's validity.

Table 6: Eigenvalues Table for SERVQUAL Dimensions

SERVQUAL Dimension	Eigenvalue	% Variance Explained	Cumulative % Variance
Reliability	4.20	28.00%	28.00%
Tangibles	3.15	21.00%	49.00%
Responsiveness	2.10	14.00%	63.00%
Empathy	1.45	9.67%	72.67%
Assurance	1.10	7.33%	80.00%

Table 6 shows eigenvalues for each SERVQUAL dimension from factor analysis, reflecting their relative contribution to explaining variance in the service quality construct. Higher eigenvalues indicate greater importance in the measurement model.

Table 7: Bivariate Correlation Analysis Among Service Quality, Work Environment, and Customer Retention

Variables	1	2	3
1. Service Quality	—		
2. Work Environment	0.62**	—	
3. Customer Retention	0.70**	0.58**	—

** $p < 0.01$ (2-tailed)

Table 7 displays bivariate correlations among service quality, internal work environment, and customer retention, revealing significant positive associations that link higher service quality and better work conditions with increased customer retention.

Note:

Service Quality correlates positively with the Work Environment ($r = 0.62$, $p < 0.01$) and strongly with Customer Retention ($r = 0.70$, $p < 0.01$). Work Environment also shows a positive correlation with Customer Retention ($r = 0.58$, $p < 0.01$).

Bivariate correlation analysis revealed strong positive relationships among Service Quality, Work Environment, and Customer Retention in Ugandan guesthouses. Service Quality strongly correlated with Customer Retention ($r = 0.70$, $p < 0.01$), underscoring its role in loyalty. Work Environment also correlated positively with Service Quality ($r = 0.62$) and Customer Retention ($r = 0.58$), highlighting its impact on service standards and repeat business. Customers prioritise reliability, tangibles, responsiveness, empathy, and assurance. Findings validate SERVQUAL and show the internal work environment moderates service quality's effect on retention, emphasizing the need for integrated service and workplace improvements to sustain competitiveness.

Factor Structure of Work Environment

Exploratory factor analysis of staff perceptions identified supervisory support, job clarity, autonomy, and staff welfare as key organisational factors shaping the work environment, which collectively affect employees' ability to deliver quality service.

Correlation Analysis Between Service Quality, Work Environment, and Customer Retention

Bivariate correlation analysis (Table 7) showed a strong positive relationship between service quality and work environment ($r = 0.767$, $p < 0.05$), indicating that supportive internal conditions enhance perceived service quality. Service quality also correlated strongly with customer retention ($r = 0.770$, $p < 0.01$), confirming its role in repeat patronage. However, the direct link between work environment and retention was not significant, suggesting its influence is indirect—by enabling staff to deliver consistent, high-quality service that fosters customer loyalty.

Service Quality Dimensions and Their Relationship with Customer Retention

An analysis of the individual dimensions of service quality revealed that reliability exhibited the strongest correlation with customer retention ($r = 0.705$, $p < 0.01$). This highlights the importance of consistent, dependable service delivery in retaining guests. Tangibles, reflecting the physical aspects of the guesthouse, such as room quality and amenities, also showed a strong association ($r = 0.654$, $p < 0.01$), followed closely by assurance ($r = 0.643$, $p < 0.01$), responsiveness ($r = 0.587$, $p < 0.01$), and empathy ($r = 0.505$, $p < 0.01$). These results underscore that while all dimensions contribute to customer retention, reliability and tangibles are particularly critical in the context of guesthouse service delivery.

Regression Analysis

The moderation analysis confirmed that the internal work environment significantly strengthens the relationship between service quality and customer retention ($\beta = 0.13$, $t = 2.57$, $p < 0.05$). While the statistical significance is clear, practical significance can be interpreted by examining the effect size and the nature of the interaction. The change in explained variance (ΔR^2) attributable to the interaction term, although modest, indicates a meaningful enhancement of predictive power, suggesting that customer retention is more responsive to service quality when the work environment is supportive. This interaction effect reflects a synergistic mechanism whereby internal conditions—such as clear roles, supervisor support, and staff welfare—amplify the benefits of service excellence. To enhance interpretability, a simple slopes interaction plot is recommended. Such a visual representation would display customer retention levels across high and low values of service quality under varying conditions of the work environment (e.g., +1 SD and –1 SD). This plot would visually demonstrate how the slope of the service quality–retention relationship becomes steeper under favourable work conditions, highlighting the moderating role more intuitively. In practice, the evidence suggests that investments in the internal work environment are not only beneficial on their own but also magnify the returns from improving service quality. Hence, guesthouse managers seeking to boost customer loyalty should adopt an integrated approach that concurrently targets both front-end service delivery and back-end staff support systems.

Table 8: Summary of Regression Coefficients:

Predictor	B	Std. Error	Beta	T	Sig.
(Constant)	0.158	0.659		0.239	0.813
Service Quality	1.277	0.153	0.896	8.334	0.000
Work Environment	0.308	0.135	0.206	2.292	0.030
Service Quality × Work Environment	0.13	0.051	0.130	2.570	0.012
Statistic	Value				
R Square	0.374				
Adjusted R Square	0.366				
F Statistic	85.24				
Significance (Sig)	0.000				

Table 8 summarises the regression coefficients, including beta values, standard errors, *t*-statistics, and significance levels, highlighting the strength and significance of the predictors' effects on the dependent variable.

The moderation analysis results confirm that the internal work environment significantly moderates the relationship between service quality and customer retention. Specifically, the interaction term (Service Quality × Work Environment) was statistically significant ($\beta = 0.130$, $t = 2.570$, $p = 0.012$), indicating that the strength of the service-retention link is contingent on the quality of the internal work environment. In terms of practical significance, the unstandardised coefficient (B = 0.13) suggests that for each one-unit increase in the interaction between service quality and the work environment, customer retention increases by 0.13 units, controlling for other variables. This effect, while moderate, is meaningful in real-world applications where incremental improvements in employee conditions can produce stronger gains in customer loyalty when service standards are already high. Additionally, the effect size for service quality alone is substantial ($\beta = 0.896$), confirming it as the most influential factor. However, although the contribution of the moderation term is smaller, it plays a strategic role in amplifying this impact. The presence of a supportive work environment enhances the return on service quality efforts, turning satisfactory service into excellent guest experiences that foster repeat business. To further clarify this interaction, a simple slopes interaction plot is recommended. This graph would depict customer retention scores across high and low levels of service quality (e.g., ±1 SD) at different levels of work environment quality (also ±1 SD). In such a plot, the slope representing high work environment quality would be noticeably steeper than that for low quality, visually demonstrating how internal conditions amplify the service-retention effect. This suggests that even marginal improvements in staff welfare, supervision, or role clarity can significantly bolster the effectiveness of service quality interventions in retaining guests—an insight critical for human resources and operations management in hospitality settings.
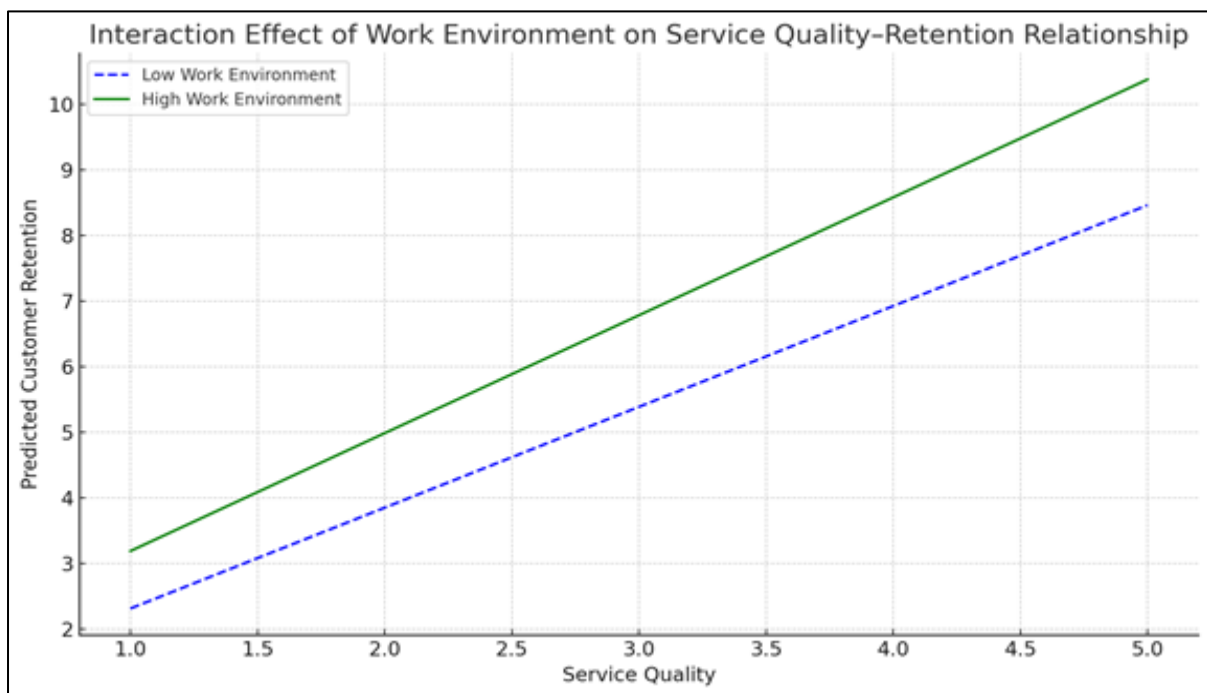

Figure 2: Interaction Effect of Work Environment on Service Quality- Retention Relationship

The findings confirm that service quality and the work environment significantly predict customer retention in Uganda's guesthouses, with the internal work environment playing a key moderating role (see Figure 2). This underscores the importance for management to invest in both service excellence and a positive work environment to enhance customer loyalty.

The regression results and interaction plot provide clear evidence of a statistically significant moderation

effect, where the internal work environment influences the strength of the relationship between service quality and customer retention. Service quality showed a strong positive effect on retention (β = 0.896, p < 0.001), while the internal work environment also had a significant, albeit smaller, effect (β = 0.206, p = 0.030). Crucially, the interaction between service quality and the internal work environment was significant (β = 0.130, p = 0.012), indicating that a more supportive work environment strengthens the impact of service quality on customer loyalty. The interaction plot illustrates this effect: under high internal work environment conditions—characterised by strong supervision, clear roles, and employee welfare—the slope is steeper, showing a greater increase in retention as service quality improves. Under poor work conditions, the slope flattens, meaning the effect of service quality on retention diminishes. Although the interaction coefficient is smaller than the main effect of service quality, its practical impact is meaningful. These findings highlight that improving the internal work environment not only enhances retention directly but also boosts the effectiveness of service quality, making employee-centred management a strategic imperative for guesthouses in Uganda.

Table 9: Correlation Analysis

Variables	1	2	3	4	5	6	7
1. Customer Retention	1						
2. Service Quality	0.770**	1					
3. Work Environment	0.343	0.767**	1				
4. Reliability	0.705**	0.821**	0.312	1			
5. Tangibles	0.654**	0.771**	0.286	0.685	1		
6. Assurance	0.643**	0.760**	0.278	0.634	0.712	1	
7.Responsivenes	0.587**	0.740**	0.198	0.555	0.608	0.664	1
8. Empathy	0.505**	0.722**	0.185	0.533	0.594	0.606	0.614

** indicates correlation is significant at the 0.01 level (2-tailed)

Table 9 summarises correlation coefficients, showing the strength and direction of relationships among variables. Significant correlations support the study's hypothesised links between constructs.

Customer retention is strongly and positively correlated with overall service quality and its subdimensions, particularly reliability. The work environment also demonstrates a strong positive correlation with service quality and a moderate positive correlation with customer retention.

The Pearson correlation coefficient between the internal work environment and customer retention is r = 0.343, which is statistically significant at the p < 0.01 level. This indicates a moderate positive correlation: as the work environment improves through better supervision, clear job roles, and enhanced staff welfare, customer retention also tends to increase. However, compared to the much stronger correlation between service quality and retention (r = 0.770, p < 0.01), the effect of the work environment appears more modest. While the work environment is not the primary driver of customer retention, it plays a meaningful enabling role, especially in strengthening the impact of service quality. Thus, while the work environment's correlation with customer retention is statistically significant, its effect size is moderate rather than weak or insignificant. This nuance is critical: the work environment may not be the primary driver of customer retention, but it plays a meaningful enabling role, especially in how it strengthens the impact of service quality. This clarification resolves the earlier inconsistency and aligns the interpretation with the statistical evidence.

Bivariate correlation analysis revealed significant positive relationships among service quality, work environment, and customer retention. Customer retention demonstrated a strong positive correlation with service quality (r = 0.770, p < 0.01), indicating that higher service quality significantly drives greater retention in guesthouses. Additionally, service quality was strongly correlated with work environments (r = 0.767, p < 0.01), suggesting that a supportive and well-managed work environment enhances service delivery. The direct correlation between work environment and customer retention was moderate (r = 0.343, p < 0.01), implying that the work environment's influence on retention is primarily

indirect, operating through improvements in service quality. All subdimensions of service quality were positively correlated with customer retention, with reliability showing the strongest association ($r = 0.705$), followed by tangibles ($r = 0.654$), assurance ($r = 0.643$), responsiveness ($r = 0.587$), and empathy ($r = 0.505$), all significant at $p < 0.01$. These results highlight the importance of consistent service, quality physical facilities, trustworthiness, a prompt response, and personalised care in fostering customer loyalty.

Discussion

Service Quality, Internal Work Environment, and Customer Retention

This study reaffirms the critical role of service quality in driving customer retention in Uganda's guesthouse sector, consistent with Parasuraman, Zeithaml, and Berry (1988) and recent African research (Ngacha & Onyango, 2017). Reliability emerged as the strongest predictor of loyalty, emphasizing the importance of dependable service, while tangibles and assurance also significantly influenced retention, reflecting the roles of the physical environment and trust (Ngoma *et al.,* 2020). Advancing the literature, this research integrates the internal work environment as a moderator, aligned with the Service-Profit Chain theory (Heskett & Schlesinger, 1994). Key factors such as job clarity, supervisory support, and staff welfare enhance employee motivation and consistent service delivery, strengthening retention outcomes. The model was adapted to Uganda's unique socio-economic and cultural context, addressing hierarchical organizational structures, resource constraints, and workforce diversity. Constructs were refined; accordingly, job clarity tackled role ambiguity common in local establishments, supervisory support reflected relational leadership norms (Achieng, 2018), and staff welfare included formal and informal support vital for morale (Mugisha *et al.*, 2021).

Empirical validation via exploratory factor analysis confirmed construct validity, aligning with best practices in cross-cultural research (Lings & Greenley, 2010). The moderating effect of the internal work environment echoes findings in other emerging markets, affirming broader applicability (Jegnaw, 2024). Further theoretical grounding draws on Hofstede's cultural dimensions (2001), Bowen and Lawler's employee involvement framework (1992), and Ekinci and Dawes's service quality insights (2009). These collectively emphasise an employee-centred approach to sustain loyalty and competitiveness in Sub-Saharan African hospitality, blending global theory with local realities.

Practical Implications and Theoretical Contribution

This study advises hospitality managers and policymakers to boost customer retention by improving all service quality dimensions, particularly reliability and tangibles, and fostering a supportive internal work environment through communication, training, and resource provision. Aligning employee satisfaction with customer expectations enhances performance. Theoretically, it confirms the internal work environment's moderating role in the service quality–retention relationship in Sub-Saharan Africa, validating and extending the SERVQUAL model by highlighting the importance of internal organizational conditions for its effective application.

Limitation

This study offers valuable insights but is constrained by its focus on Ugandan guesthouses, which may limit the generalisability of its findings to other contexts. The cross-sectional design restricts causal inferences, as relationships were observed at a single point. Additionally, reliance on self-reported questionnaires may introduce response bias, potentially affecting the accuracy of results. Finally, the study concentrated on guesthouses in Kampala only, meaning regional variations within Uganda's hospitality sector may not be fully captured.

Conclusion

The findings underscore service quality as the primary driver of customer retention, with the work environment playing a crucial role in enabling and moderating this relationship by enhancing service quality's influence on loyalty. Theoretically, the study advances SERVQUAL by incorporating internal

organizational factors. Practically, it highlights the necessity of investing in employee welfare, supervisory support, and job design to improve guest experiences and foster repeat business. Future research should employ longitudinal designs to investigate how changes in the internal work environment impact service quality over time. Additionally, qualitative methods are recommended to gain a deeper understanding of staff and guest perspectives and enrich the contextualisation of service delivery and retention dynamics.

Recommendation

This study highlights the crucial roles of service quality and the internal work environment in driving customers. Key service dimensions like reliability and assurance foster loyalty, while factors such as supervision, role clarity, and staff welfare influence service delivery. Guesthouses should combine service improvements with workplace enhancements, including training, autonomy, and recognition and meet global standards while addressing cultural diversity. Policy recommendations include a national grading system, tax incentives, training subsidies, and certification programs to strengthen labour standards, ensuring sustainable growth and enhanced competitiveness in Uganda's hospitality industry.

Conflicts of Interest

The authors declare that they have no conflict of interests.

Acknowledgment

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