

PERFORMANCE MANAGEMENT IN HOSPITALITY: A REVIEW

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Abstract

There are several theories and viewpoints on management (general, behavioural and overall quality), but they all highlight the importance of “performance measurement and management (PM/PM)” to the cycle of management, or business operations as a whole. As a result, these techniques supply their own performance management systems or managers construct their own PM and PM frameworks to enhance their systems and/or success to assess what you accomplish for specific objectives and tasks in a company. Some research has looked at how “PM and performance management systems” have evolved from a general management standpoint, particularly in the hospitality sector. An analysis of hospitality sector performance management and the factors that influence it is presented in this study.

Keywords: Hotel industry, hospitality, performance measurement, hotels, customer satisfaction

1. Introduction

Performance evaluation is critical in today's highly competitive economy. Management may make choices that are suitable for the hotel business and improve the organization's performance using the performance measurement methodology. There has been a rise in the importance of employee engagement in terms of both employee productivity and organisational management. Employee engagement seems to be linked to hotel organisational outcomes, including those that are performance-based, according to a growing body of research. [1]

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In the last several decades, practitioners and academic researchers have turned their emphasis to customer happiness and service quality. In terms of corporate success and consumer behaviour, both ideas have significant influence. It's no secret that better service means more money in the bank and happier customers. Other research shows an association between satisfied customers and loyalty, as well as a link between satisfied customers and favourable referrals. As a result, measuring and monitoring service quality and customer satisfaction is a critical strategy for customer-focused businesses. [2]

In the technique of quantifying action, “performance measurement” is the process of “quantifying measurement”. This leads to performance through taking action. When it comes to hospitality, it's been around for a long time as a crucial part of how decisions are made. When it comes to ensuring the greatest possible outcomes, hotel management may use performance assessment to make the best choices possible. The significant percentage of fixed expenditures in total expenses and the requirement to concentrate on marketing reflect such unique characteristics. “Traditional performance evaluation” has been accused for encouraging stagnation by encouraging a narrow focus and a short-term perspective, rather than a strategic one. Making an acceptable performance assessment system begins with knowing the hotel’s objectives and methods for achieving them, as well as identifying the elements that are crucial to meeting those goals. [3]



Figure 1: Performance management

1.1. The Hospitality Industry

The industry's distinct operational structure is one of its distinguishing traits. When it comes to how a hotel operates, the operating structure identifies which tasks are performed in-house and which are contracted out. Most people don't know the difference between the organisations and think they're all in it together for the same reasons. [4]

There are four different business divisions in the hospitality industry: (1) hotel ownership, (2) hotel leasing, (3) hotel management, and (4) hotel brand ownership/franchisor. Here's a quick look at each of the company's divisions. [5]

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Hotel ownership

Owners of hotels make the majority of their money from rental payments obtained from leasing the properties they own. In most cases, the hotel owner takes a backseat in all operational choices and isn't held accountable for working capital or operating expenditures. Due to a fixed revenue stream, hotel owners have less financial risk, but the upside potential is restricted. [6]

Leasing of hotels

It is a hotel leasing firm that takes on all operational tasks and financial liabilities of finance, working capital and operating expenditures as well as the payment of the rent as the tenant. Any remaining cash after all property-related expenditures have been paid are what the company keeps as profits. Income from rooms, meals, and beverages are the key revenue streams. When the economy is bad, hotel leasing businesses often take on the financial risk, but they also have greater control over hotel operations as well as the potential rewards that may come from it. [7]

Hotel Management

Hotel owners pay a management firm to offer management services. Hotel management services comprise personnel, operational systems, and processes, among other things. Base and incentive fees make up the management charge. Based on a proportion of overall hotel revenue, management fees typically range between 2-3 percent. A hotel's base management fees rise in tandem with the hotel's revenues, and at the corporate level, they rise in tandem with unit expansion (the number of rooms managed). [8]

Franchisors

Hotel franchisors offer the right to associate with their brand to hotel owners, allowing them to utilise the brand name, logos, and distribution channels of the brand. Hotel operators pay a franchise fee or royalty based on a percentage of their sales in exchange for brand loyalty. They don't manage the hotel themselves, but they approve the designs, location, and operations to make sure the criteria are met. [9]

1.2. THE PROCESS OF PERFORMANCE MANAGEMENT

When it comes to “performance management”, think of it as a “process” rather than a “system”. A rigorous as well as bureaucratic approach is implied by the term "system," which is at odds with the concept of “performance management” as a flexible and evolutionary procedure used by managers working with their teams according to the circumstances in which they function. “Performance management is an evolutionary process”. The management process of managing performance is a natural one. William Deming, a total quality specialist, described it as the following activities: [10]

- Decide what you're going to do and how you're going to accomplish it.
- Do something - put in the effort to make the idea a reality.
- Monitor - keep a close eye on the work being done and track the results to see how well the strategy is being implemented.
- In light of what has been accomplished, determine what further needs to be done and what corrective action has to be taken if performance does not meet the plan's expectations.[11]

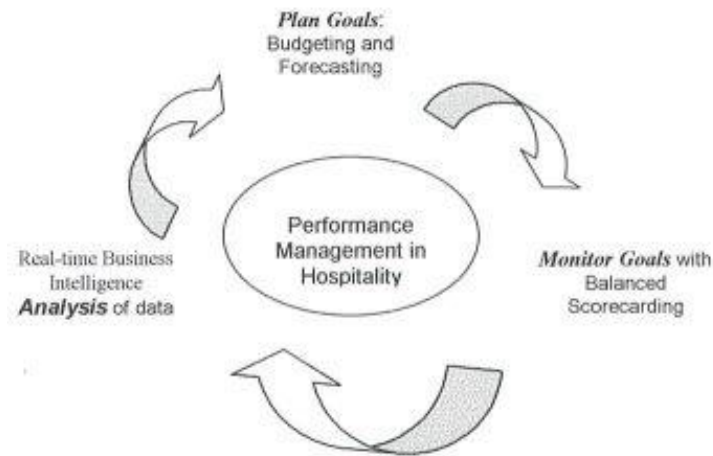


Figure 2: Performance management in Hospitality

The most difficult problem facing the hotel sector today is deciding on a “performance measuring method”. However, hotels' need to quantify almost everything makes too aggressive performance evaluation troublesome. Instead of figuring out what can be measured, the current issue is figuring out what should be measurable. The goal-oriented approach may be more effectively implemented with the support of performance measurement. It's a part of value-based management that's used to figure out how much the hotel is worth to the owners and how to accommodate other parties' needs. Human resources management and management reward and promotion are both based in part on performance assessment. [12]

2. LITERATURE REVIEW

(Diamantidis & Chatzoglou, 2019) [1] Increasing competition among businesses and the need for enterprises to adapt quickly to operational situations and human needs have made it more important than ever to identify variables that influence employee performance (EP). Here, we'll look at how factors such as “training culture, management support, environmental dynamism and organisational climate” interact with job-related factors (like job environment, autonomy and communication) and employee-related factors (like intrinsic motivation) and how that interacts with EP.

(Srivastava, 2016) [2] Industry and professionals use the term “Key Performance Indicator” (KPI) to describe a sort of performance indicator. KPIs are often used by organisations to assess their own performance as well as the success of a specific effort undertaken by a person or group of individuals. Whereas progress toward planned objectives or an occurrence that achieves its intended purpose may be used to describe success, it is most typically defined as the recurrent attainment of an operational goal of some kind. As a result, setting strategic objectives for hospitality organisations and employees becomes even more critical, and selecting the ideal KPIs is directly linked to figuring out what's vital to the business.

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(Mitrović et al., 2016) [3] Hotels are being compelled by a competitive business climate characterised by shifting circumstances and the demands of multiple stakeholders to increase their efforts to please a wider range of customers. The measuring of performance has become a critical part of formulating a business plan and aids hotels in determining their place in the competitive tourist industry. The goal of this article is to assess how hotel performance measuring procedures have evolved based on prior studies and a literature review. "Hotel accounting and segment reporting research" is also reviewed. The research sheds light on the issue of hotel management's use of performance measurement.

(Kumari, 2016) [4] "Performance Management components" and their use in HCL are the focus of the research. The research included a thorough analysis of the techniques used to assess and improve the system's performance in light of its goals. The study included exploratory research followed by descriptive research. The research made use of non-probability convenience sampling. There are 40 people in the sample. Two well-structured questionnaires were used to gather the primary data for this study.. When looking for responses to the questionnaire, researchers used the depth interview approach. For this reason, firms must make investments in certain technology-oriented goods and services, software, and hardware in order to enhance their results. To keep its staff, businesses must devise new retention techniques. When it comes to enhancing staff performance, retention and innovation techniques are implemented. This means the emphasis should be on improving the PMS.

(Bresciani et al., 2015) [5] While tourism offers a wide range of services, this study focuses on the hotel business, which has a uniform production and competitive environment. All other tourist services are dependent on the hotel business, making it a vital part of the overall tourism sector. This study's goal is to find out how performance in the Italian hotel business relates to the factors that influence it. The results are aimed at verifying if criteria such as hotel size, category, and the range of services supplied have a favourable impact on their performance. In terms of methodology, the study begins with a survey of the literature on the issue, with an emphasis on the hotel industry's idea of performance. After that, it goes into the findings of the empirical investigation, which included a survey of 450 hotels and a selection procedure. And lastly, the data demonstrate a definite correlation between category and performance, although service volume or diversity does not seem to be tied to that connection.

(Selvarasu & Subbu Krishna Sastry MBA Professor, 2014) [6] "Human resource management" procedures like as performance appraisals, which provide essential judgments for a variety of human resource activities and results, are vital. To find out whether there is a link between fairness views and employee involvement in the workplace, this article sets out to find out. Having a high-performing team is critical for development and survival in this fast-cycle economy, company executives know. They understand that in increasingly competitive personnel markets, a highly engaged staff can boost innovation, productivity, and the bottom line while also lowering recruiting and retention expenses. Employee involvement differs depending on the workplace atmosphere and job characteristics. "Positive employee engagement" of all kinds is connected to both work and organisation resources (performance evaluations from line managers, peers, and upper management), which may be valuable tools for increasing engagement. Employee conduct improves when there is a lot of pressure to provide results.

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(Chaudhry et al., 2013) [7] In HRM, employee engagement, conflict resolution as well as unions and collective bargaining agreements have all been explored. Other topics included in the discussion include: rewards and perks for employees as well as training. In order to better comprehend the interaction between independent factors, mediating variables, as well as dependent variables, a conceptual framework based on six well-known techniques has been constructed. Brief explanations of Employee Relations Practices (Independent Variable) have been supplied to clarify their function. These include “Conflict Handling & Unions (Independent Variable), Discipline, Participative Leadership, Advantages, Learning, as well as Motivation (Mediating Variable)”. Survey Questionnaires were sent to 241 workers of 28 hotels, each having at least four operating departments and one dedicated to employee relations, in the 3 star, 4 star and 5 star categories. “Conflict Handling and Union & Collective Bargain Agreement” are positively and significantly correlated. There is a considerable and positive correlation between conflict management and participative leadership. There is a considerable and beneficial correlation between unions and collective bargaining agreements, as well as participatory leadership. According to the results of this research, the premise that employee relations practises have a favourable impact on the performance of employees in Pakistan's hospitality industry is supported generally.

(Ahammad, 2013) [8] In today's extremely competitive business climate, every organisation needs a skilled staff to remain a successful participant in the “industry's competitive game”. Lack of training is one of the most significant issues that employees face on the job. Many workers may be disgruntled if they've been given duties for which they lack the necessary expertise and abilities. Training is a critical activity that must be planned and performed with care in every company. This dissertation's overarching goal is to determine the value of training in the workplace.

(D.B, 2013) [9] As a result of the current working environment, employees are expected to put in a great deal of time and resources and expect the same in return from their employers. Management need to see performance appraisal like an integral part of their role, not as an inconvenient & time-consuming extra. This is all about enhancing efficiency and productivity in the long run. To ensure that managers and employees meet often to discuss and agree on expected performance concerns, performance appraisal is a methodical way. In order for this meeting to be successful, all parties must have a shared grasp of the task in issue, as well as the standards and results associated with it. Employees should be evaluated on a one-to-one basis by their immediate Supervisors under normal circumstances. Appraiser vs. Appraise is a common misunderstanding. Assessment is only concerned with what has happened and is happening in the present.

3. Determinants of Performance in The Hotel Industry

Both external and internal factors affects the effectiveness of firms; firms compete in sectors and markets that have a bearing on strategy and results; firms must make daily decisions about the correct way to operate, to allocate resources, and so on, in order to manage business functions and achieve goals. [13]

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While financial metrics like “return on investment (ROI), return on sales (ROS), and pricing variations” are important for service companies looking to improve their bottom line, human resources, image, and brand recognition are just as important when it comes to determining how well a company is doing. It is vital to identify and evaluate the many aspects of hotel performance in order to compete in the hotel sector since competition is built on the “value” offers of service products. Discussions in the literature focus on studies of “performance indicators”, which are generally evaluated by the financial results of the business in question. [14]

Furthermore, in performance measuring there seems to be a transformation in the last 25 years. Better integrated systems that mix financial and non-financial variables are replacing measurement methodologies that just rely on financial performance. While it may be difficult to see directly, the relationship between performance and customer happiness and quality is one of the most significant outcomes of not merely measuring success in financial terms. [15]

As a realistic alternative strategy in light of hotel managers' reluctance to offer specifics on financial performance, occupancy performance, such as average occupancy rate, may be used to assess the success of the hotel business. Aside from overall operating revenues, additional revenue performance metrics in the hotel business include the average production value per employee and cost per unit of service. In the hotel sector, performance has been investigated by relating performance to both external and internal aspects using these novel methodologies and their combination. [16]

4. CONCLUSION

“Performance Measurement” in hotels is a trendy issue with a plethora of theoretical and empirical research. These studies provide theoretical and practical information. According to a survey of relevant literature, evaluating hotel performance is a time-consuming and labor-intensive operation. The benchmarking process shows the hotel's performance in comparison to the competitors, and “Revenue Management” is a crucial instrument in that process.

Knowing that, it's critical to improve hotel managers' understanding of current performance management system's advantages, which might provide them a competitive edge and help them succeed in business. To this purpose, it's advised that future research focus on understanding and developing these principles for the hotel business, both from a guest and a hotel standpoint.

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