

Non-financial performance measurement of hotel activity

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Abstract: The aim of this research paper is to point out the relevance of non-financial performance measurement of hotel activity based on guests' satisfaction. The ability of an organization to attract and retain customers is vital to its success and financial and non-financial performance.

The analyzed period is June 2010 - August 2011 and it's based on 648 reviews of hotels' guests. The method used was content analysis – more specifically, the thematic content analysis. One important results is that the hotels' guests were very pleased and satisfied (78.23% of their appreciations were positive). Most of them gave positive appreciation to staff, cleanliness, comfort, location and value for money.

Key-Words: - **non-financial performance, performance measurement, hotel activity, customer (guest) satisfaction, criteria, booking database**

1 Introduction

In 1992, Kaplan and Norton highlighted that financial measures are not enough to explain an organization's trends [1] [2] and that there are different causes influencing the organizations activity, such as competitiveness, quality of products and services, and resource utilization [1]. Also, according to Kaplan and Norton (1992), the financial measures need to be complemented with operational measures, that are "the drivers of future financial performance" – customer satisfaction, internal process and innovation and improvement activities [2]. Some of the variables Kaplan and Norton (1992) named operational, are used by other authors to define non-financial performance measures [3] [4]. Most frequently used non-financial performance measures are: customer satisfaction, market share, employee feed-back, human resources, product quality [2] [3] [4] [5]. Some of these variables can be determined only based on financial measures, while others on appreciations, opinions, feed-back. For example, in order to measure market share, it is required the use of organization's and market's turnover. For the measurement of customer satisfaction, in field literature there are mentioned 6 factors which contribute to guest experience and satisfaction: customer service; cleanliness; facilities; price; food and location [6].

Due to their reliability and frequency of citations, we decide to take these factors into account in our analysis of four star hotels guest's satisfaction from Timisoara city's hotel industry.

In our research we use the term "guests" to express both business customers and leisure travelers.

Some studies in field literature pointed out the preferences of these two kinds of guests. Results indicated that cleanliness and location were important attributes considered by business guests in their decision making process for room booking in a hotel. Leisure guests considered security, personal interactions, and room rates as prime attributes in their hotel selection [6].

2 Theoretical aspects regarding performance

2.1 Performance in hotel activity

In order to have more satisfied and loyal customers, the organization must be able to provide a wide range of services/products, so that the customers can take their choices according to their preferences [6]. This simple action can lead to organization's performance if the organization manages to satisfy its customers and attract new ones, fact that should increase its sales, market share and profitability. Therefore, performance can be defined as "the accomplishment or outcomes of an entity" [3] or as "the ability of an object to produce results in a

dimension determined a priori, in relation to a target" [7].

Frequently, both managers and researchers must give an empirical answer regarding the determinants which influence a hotel's, an organization's performance. In the literature there are two directions to achieve this: one is the external orientation and is focusing on sectors and markets and seeking to understand how their structure influences productivity, customer preferences and second orientation, is focusing on the inside of the organization, looking for the determinants of performance in some strategic or functional choices (marketing, HRM, operational processes, etc.) [8].

Venkatraman and Ramanujam (1986) identified three dimensions of a firm's success: the financial, operational and organizational dimensions [8]. The indicators used to operationalize these dimensions are mainly financial ratios, occupancy, prices, RevPAR, sales growth, and customer satisfaction. In another study, Ottenbacher (2007) identifies other three performance dimensions: market performance, financial performance and employee and customer relationship enhancement. These dimensions can be operationalized by using the following indicators: market share, attracted new customers, profitability, cost efficiencies, total sales, positive employee feedback, competencies of employees, as well as customer satisfaction [5]. Another model of performance measurement was developed by Harris and Mongiello (2001) and it is based on three dimensions of investigation: balance – related to balanced scorecard, orientation and coherence [1].

In our study, we only took into account non-financial performance measurement reflected by guest's satisfaction.

2.2 Non-financial performance measurement

Even if measuring a company's performance is difficult, the field literature suggests that there are a variety of different measures of success that can be classified into two major categories: financial and non-financial performance measures [2] [3] [4] [5]. According to Harris and Mongiello (2001), financial indicators only allow for feedback on the action taken, while other indicators are able to give a feed-forward on what is occurring as a result of actions taken [1]. Among most used financial indicators there are cash-flow, profitability, cost efficiencies, turnover, ROI (return on investments) while the most used non-financial indicators are customer satisfaction, market share, employee feedback, human resources, product quality [2] [3] [4] [5] [7]. In 2007, Abdel-Maksoud et al (2005) suggested a model involving five non-financial performance

measures: customer satisfaction, product quality, on-time delivery, efficiency and utilization and employee morale [4].

Value of people (employees as well as guests) in the hotel service delivery process has a big importance for the hotel performance. This orientation has led to suggestions that hotels need to develop better performance information relating to such key areas as employee morale and customer satisfaction [9].

The Balanced Scorecard approach provides a multifaceted view of an organization's performance and focus on customer's point of view, more exactly on "how they see us". This gives managers "fast but comprehensive view of the business" [10]. In their approach regarding hotel sector balanced scorecard, at customer related category, Phillips and Louvieris [11] included three major critical success factors (CSFs) that are quantified through different key performance indicators (KPIs). These CSFs refer to quality of service, customer relationship management and customer profiling, and are measured by using the following KPIs: guest surveys, mystery guest and participation in grading schemes – for quality of service measurement; anecdotal feedback via staff, customer satisfaction levels and average spend – for customer relationship management measurement; and customer satisfaction levels and customer retention rate – for customer profiling measurement.

All these study results pointed out that customer satisfaction is an important indicator of non-financial performance measurement [11], therefore our analysis is based on it.

3 Research methodology and outcomes

3.1 Research method

The study consisted in analyzing hotel activity of four star hotels from Timisoara based on guests reviews made on web database www.booking.com [12]. The research methodology we used is based on content analysis – more specifically, the thematic content analysis - of reviews made by the customers of 8 four star hotels from Timisoara. There were selected only the hotels that had more than 50 reviews on booking.com. The period data were analyzed is between June 2010 – August 2011 and there were selected, from the total of 648 reviews, only the reviews that had a comment, which means that there were analyzed 460 hotel guests' opinion regarding the following criteria: cleanliness, comfort, location, services, staff and value for money.

3.2 Research goals

The purpose of this paper is to point out the relevance of non-financial performance measurement of hotel activity based on guest's satisfaction. In order to achieve this purpose we first considered necessary to analyze the general situation of hotel activity based on guests' reviews regarding the criteria mentioned above.

Second, to identify the main factors that lead to guests' satisfaction or dissatisfaction and third, to highlight guests' proposals in order to improve the services hotels are providing.

3.3 Research results

In our study, we first identified the hotel guests provenience. Most of them were from Romania, Germany, Italy, and some from France, Switzerland and other East European countries such as Hungary, Serbia, Poland.

A first step of our research is reflected in table 1. It presents an evidence of hotels total score in general, and per criteria in particular. It can be noticed that G Hotel and H Hotel obtained the highest score, being appreciated as superb by their guests, while B and D Hotel obtained the lowest score, being appreciated as very good hotels.

Table 1. The evidence of criteria and total hotel score between June 2010 – August 2011

Hotel	A	B	C	D	E	F	G	H
Criteria	Total hotel score							
	8.40	8.00	8.40	8.00	8.90	8.20	9.00	9.00
Cleanliness	9.00	8.10	8.80	8.20	9.40	8.60	9.30	9.50
Comfort	8.50	7.70	8.50	7.70	9.30	8.40	9.10	9.50
Location	7.00	9.60	9.00	9.20	7.20	6.60	8.00	8.60
Services	8.40	7.10	7.80	7.80	9.10	8.20	9.20	8.80
Staff	8.80	7.90	8.20	7.70	9.20	8.50	9.40	8.70
Value for money	8.90	7.50	8.50	7.40	9.20	8.90	9.30	9.30

At G Hotel, the most appreciated criteria was the staff, with a score of 9,40, while less appreciated was the location. At H Hotel, guests appreciated most the cleanliness and comfort – 9,50 – and less the hotels' staff. Hotel B and D, the less appreciated four star hotels, were penalized by their customers, who less appreciated Hotel B's services by giving a score of 7,10 and Hotel D's value for money a score of 7,40.

Another aspect of our study, regards the appreciations and comments made by the hotel guests. These were divided into two categories: positive appreciations and negative appreciations. The results are reflected in Table 2, which gives us an overview of the appreciations. Furthermore, we

would present specific and relevant results for each hotel, that would allow us to make an opinion about most and less appreciated criteria.

Table 2. Hotels guests' appreciations, June 2010- August 2011

HOTEL	POSITIVE	NEGATIVE
A	119	35
B	68	33
C	91	31
D	140	50
E	140	23
F	90	27
G	86	6
H	204	56
TOTAL	938	261

At hotel A, the most appreciated criteria was the hotel's "Staff", 32 positive appreciations and 1 negative, while less appreciated were the Services, 18 negative appreciations. Among the mentioned inconveniences we could find out that the breakfast can be improved and diversified, the staff from the dinner should refill the plates before there are totally empty and clean the tables in time.

Hotel B's most appreciated criteria was Location (22 positive appreciations) and less appreciated were the Services (7 negative appreciations). Hotel guests recommended the improvement of Internet connections and breakfast's diversity and freshness.

At hotel C, guests appreciated most Comfort (23 positive appreciations), and less the Services (20 negative appreciations). The guests' recommendations were regarding the improvement of breakfast menu and Internet connection, more parking lots and more extra-services.

Hotel D was given 43 positive appreciations regarding Location and 25 negative appreciations regarding Services. Guests recommend the improvement of breakfast diversity and promptitude of serving at tables and swimming, as well as the hot water availability over night.

Hotel E's most appreciated criteria was the Staff (35 positives appreciations), while less appreciated were the Services (10 negative appreciations). Some of guest recommendation were regarding the freshness of breakfast and introducing Romanian food in their menu, as well as the lack of access for disabled persons.

At hotel F guests appreciated most Comfort (24 positives appreciations) and less, the Services (11 negative appreciations). Among guests recommendation, we find out that the hotel should separate the areas for smokers and on-smokers,

create more parking lots and improve the Internet connection.

Hotel G was given 25 positive appreciations for Staff and Services and 6 negative appreciations regarding Location. Guests disliked that the hotel is a bit far away from downtown.

Hotel H's most appreciated criteria was Comfort (74 positive appreciations), and less appreciated were the Services (32 negative appreciations). Guests recommend the improvement of breakfast and more parking lots, as well as the replacement of LAN Internet connection with WIFI.

3.4 Research limits

First, our analysis has been limited only to four star hotels from Timisoara city which had minimum 50 reviews. This, because it's a start-up study with this approach. Furthermore, we would extend the area of selection.

Another limit can be considered that the analysis was made on only one variable that measures non-financial performance. This, due to the lack of data accessibility from hotels.

4 Conclusion

Over all the hotels' guests were very pleased and satisfied (78.23%). Most of them gave positive appreciation to staff, cleanliness, comfort, location and value for money.

Based on past few years studies and on this research results, there is no doubt that many organizations are more and more customer satisfaction oriented. They are aware that the customer is one of the most important sources of feedback, innovation and business performance.

The majority of the hotels' guests agreed that 7 hotels from 8 are having inconveniences regarding services: lack of diversity at breakfast (especially local food), areas for smokers and non-smokers are not well delimited (the smoke creates discomfort for the non-smokers hotels' guests) and a few inconveniences created by air conditioning (too loud, functional problems).

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