

MANAGING HOTEL STRATEGIC PERFORMANCE IN 3-DIMENSIONS

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EXTENDED ABSTRACT

Introduction

Despite frameworks emerging, such as the balanced scorecard (Kaplan and Norton, 1996) that extend organisational perspectives beyond traditional financial measures, many organisations still fail to identify, analyse and act on the non-financial measures (Ittner and Larcker, 2003). This paper suggests that successful implementation of performance measurement systems requires shared mental models, the need to refine knowledge and seek closure, and building 'new' knowledge (Blackman and Henderson, 2004).

Our tested strategic performance system (see Phillips, 1999) utilises a 3-Dimensional perspective, to leverage competitive advantages at three levels of activity with a key focus of integrating salient activities. The SPS: 3-D model encourages hoteliers to enhance their strategic planning processes, translating these into improved business results and removing blocks to organisational learning - across all aspects of performance. The *SPS: 3-D* model is designed to assist hotel organisations, at different stages of their performance initiatives and at different levels of operation, to address critical strategic issues – whether evolutionary or revolutionary advances are sought. Further, the model can help organisations address some of the following common problems.

Current challenges for the hotel sector

There are a rich variety of performance initiatives and debates taking place within the hospitality sector. Currently, favourites include the Balanced Scorecard (Kaplan and Norton, 1996) and Six Sigma (Linderman, et al, 2003). Some hotel organisations are currently investing significant resources in Balanced Score Card and Six Sigma performance initiatives. Interestingly, in reviewing the literature it is clear that sources relating to the more detailed implementation issues of strategy (which is where BSC can be cited) is relatively scarce (Evans, 2005). Hence, academics and practitioners should be careful about the limitations and potential pitfalls in BSC implementation.

Some hotel organisations are now looking for the next breakthrough in results using the BSC

Hotel organisations need to replace simplistic causality between the four perspectives of financial, customer, internal business processes and innovation &

learning. Second-generation BSC initiatives need to be able to identify cause-and-effect relationships of strategic management with performance management – translating these into operational tactics (Whitbread, 2005).

Some hotel organisations have failed to derive tangible benefits throughout the organisation - at the strategic, business and operational levels

For those organisations that are trying to grapple with the implementation of strategic initiatives, such as BSC and Six Sigma, we believe that problems do not necessarily reside in the technical aspect of the initiatives, per se. Success will come from two critical perspectives. First, by integrating the multiple perspectives of staff at the strategic, business and operational levels into a consolidated view of the Critical Success Factors. Second, by rising to the challenge of focusing on the best measures of organisational effectiveness instead of relying on issues that are relatively easy to measure.

Some hotel organisations are placing too much reliance on traditional quantitative indicators.

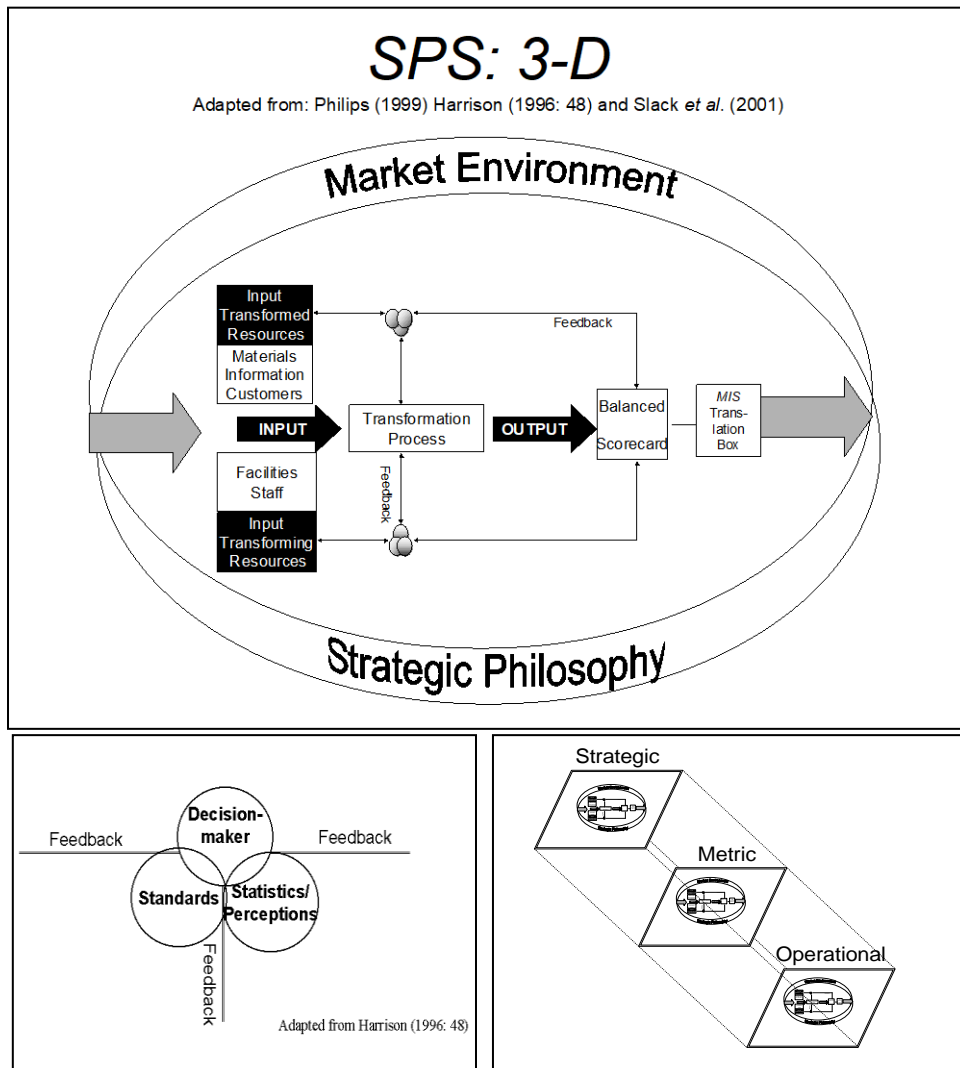
Practitioners (Slattery, 2002; Younes and Kett, 2003) and academics (Enz et al, 2001) have expressed the danger of an over reliance on RevPAR. Slattery has stated that the gap between the concept of RevPAR and RevPAR statistics has become too wide to be ignored. Younes and Kett advocate the concept of GOPPAR, which reflects the total underlying operating profit of a hotel. While, Enz, *et al.* (2001) assert, with supporting evidence, that the commonly used average measures of ADR, RevPAR and occupancy may be insufficient to see what the “typical” hotel’s performance is really like.

MANAGING IN 3-DIMENSIONS

Framework development

Building upon Phillips’ (1999) multidimensional performance measurement systems for hotels, which was based on practice and theory, and utilising a variety of existing models and theories, the overall framework, the *SPS: 3-D* model (see Figure 1) can be applied at three levels. At the strategic level, a dash –board approach is used to enable strategists to focus on the big picture. At the metric level, the organisation’s management information and knowledge management systems are utilising appropriate information in the most effective way. At the operational level, the aim is to filter the inputs so that useful information is not ‘lost’ and to use a range of appropriately intuitive inputting to capture critical information (e.g. pictures rather than numbers) (Accenture, 2005).

Figure 1
Managing Strategic Performance In 3-Dimensions



Each level contains a core section and two enveloping 'environmental hemispheres' – addressing Market Environment and Strategic Philosophy. The Input and Output arrows are placed at the critical interfaces between the Market Environment governing hotel market segments and the Strategic Philosophy of critical stakeholders demonstrating the organisation's current state.

The *SPS: 3-D* model takes the view that there is a strong link between strategic orientation (strategic philosophy) and performance (metrics) with the mediating variables (market environment) affecting the dynamics of this relationship.

Core section

The model encourages hoteliers to recognise the criticality of blending transforming resources (e.g. facilities and staff) with transformed resources (e.g. food & beverages, information and customers) in this phase. This distinction ensures that a realistic interpretation of inputs is considered and fed into the operational strategy, at each level. For example, the degree to which a hotel brand needs to be proactive, in light of decisions being taken by different customer segments.

All inputs are fed into the hotel organisation's internal transformation. These core activities relate to the critical drivers of value within hotel organisations – the property, brand, IT and management. Continual improvement and organisational learning is incorporated into the *SPS: 3-D* model, through the use of three feedback-filtering loops.

Triple-filter feedback

The triple-filter feedback Harrison (1996) focuses on Decision-makers, Standards and Statistics / Perceptions, enabling users to address a variety of conceptual issues, neglected by traditional models. The 'decision-maker' feedback filter enables users to incorporate the interaction of a hierarchy of players (e.g. decision-influencers and decision-takers, etc.) into the dynamics of practical decision-making process, while dealing with operational concerns (e.g. dominant logic and company politics).

The 'standards' feedback filter reflects the pervasiveness of statutory guidelines, company policies, etc. and enables accepted norms to be tested. For example, many hotel companies still budget 4% p.a. for maintenance 'capex', despite recent evidence suggesting that this rule of thumb measure falls well short of market requirements.

Many organisational practices assume that managers have accurate perceptions of their organisations' market environment and strategic philosophy. Mezias and Starbuck (2003) show that most managers have markedly different perceptions and that some have inaccurate perceptions. Hence, the 'statistics / perceptions' overlap of the feedback filter ensures the robustness of the information captured by managers and the appropriateness of its measurement – whether it be qualitative or quantitative.

Outputs

The outputs of the transformation processes are fed into the hotel organisation's performance initiative, such as the BSC or Six Sigma. The translation box recognises the likely need for the core metrics to be fed into the organisation's proprietary management information system (MIS).

CONCLUSION

Traditional performance measurements have not provided the accuracy or richness required by decision-makers. This paper seeks to bridge the gap and open up new vistas on future potential. The proposed SPS: 3-D model will encourage hotels to become true learning organisations.

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