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Overview

The hospitality sector in Ireland represents an important part of the tourism industry and comprises hotels, restaurants, pubs and clubs, guesthouses and self-catering operations. The largest component within the Irish hospitality sector is hotels. These hotels operate in a highly competitive environment as a consequence of a number of factors. First, a number of new markets have emerged in former Eastern Block countries that are in direct competition with Ireland as a tourism destination (Corr, 2007). Second, there has been a rise in market demand for, and expectations of, in-house facilities, quality of service and products and value for money (Harris and Mongiello, 2001), where visitors want to experience excellence at all levels of service, which can be readily recognised as good value for money. Third, hotel capacity has increased by 40% in eight years from 2000. This growth contributes to the increasingly competitive environment. Finally, a sharp rise in operational costs has resulted in declining profitability for hotels in addition to the recession that is impacting worldwide.

Data available in January 2010 suggest that 2009 figures reflect worrying trends with visitors from Britain down by 16%, Europe down by 8%, North American visitors down 8% and other international visitors are down by 12% on 2008 figures (Fáilte Ireland, 2010). In addition, the hotel sector is facing a very difficult financial crisis. Revenues have been squeezes by the combination of lower prices, excess capacity and low capacity utilisation rates. Costs have not significantly reduced; consequently, margins are under severe pressure resulting in closures across the country with 164 hospitality businesses entering examinership, receivership or liquidation in the 1st nine months of 2009. This figure is set to continue in 2010 with additional closures (Hotel and Restaurant times, 2010; Hotel and Catering Review 2009).

These trends require hotels in Ireland to be more efficient and competitive in meeting the needs of their customers, who are increasingly growing in sophistication (Fáilte Ireland, 2007; 2008:a; 2008:b; 2008:c; HBC, 2007). The ability of Irish hotel operators to adequately respond to these challenges will determine their long-term success and development (Hotel and Catering Review, 2007; O’Connor, 2004). There is a growing awareness amongst operators for the need to optimise the effectiveness
of operational and business decision-making activities, such as those relating to profit, planning, control and continuous improvement, in order to maintain a competitive edge. This is leading to an emphasis on sound management practices, in particular a focus on performance management and measurement in order to maintain competitive advantage (Evans, 2005).

**Literature Review**

The following is a discussion of the concept of critical success factors (CSFs) in the context of performance measurement and the hospitality industry, which are considered necessary for organisational prosperity because of the impact they have on the organisation’s potential performance. According to Brotherton, (2004:a; 2004:b) critical success factors are those factors capable of providing the greatest competitive leverage upon which resources should be focused. For example, Flanagan (2005) has identified a critical success factor as a position where the organisation’s pricing is considered to be in the realms of competitive pricing and where the organisation’s technical capability can match or outstrip competition. Brotherton, (2004:a; 2004:b) considers critical success factors to be combinations of activities and processes designed to support achievement of such desired outcomes specified by the company’s objectives or goals. Consequently, they can be partially controlled by management and thus can potentially be managed.

Performance management, measurement and critical success factors are intrinsically intertwined. When discussing this relationship, Kellen (2003) and Flanagan (2005) argue that critical success factors need to be identified in order to provide focus for performance management and measurement. Haktanir and Harris (2005) support their views and have highlighted the discernible link between critical success factors, industry context and performance measurement. For example, performance measurement frameworks and their associated performance measures provide the information needed to inform and support the critical success factors of the organisation.

Critical success factors emerge from a number of aspects of the organisation’s operating context, such as its *competitive strategy* (Said et al., 2003; Farmer, 2004),
stage of the product life cycle (Andersen, Cobbols and Lawrie, 2001; Hoque and James, 2000), size (Hoque and James, 2000), culture, values and beliefs (Neely, 2004; Rejc, 2005), cost structure, management style, location, position, competitor activity, financial strength (Flanagan, 2005). Table 1 sets out examples of the critical success factors that have emerged from relevant research carried out in the national and international hospitality industry in this field.
<table>
<thead>
<tr>
<th>Researcher</th>
<th>Area of Research</th>
<th>Critical Success Factors</th>
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<tbody>
<tr>
<td>Bergin (2002; 2003)</td>
<td>Irish Restaurant Industry</td>
<td>Personal involvement, staff welfare and training, quality food and service, value for money, marketing and benchmarking best practice.</td>
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<tr>
<td>Flanagan (2005)</td>
<td>Irish Hotel Industry</td>
<td>Year-on-year sales growth, increased revenue as part of a growth strategy, management of costs, the improvement of the hotel’s financial position, the need to win new and retain existing customers, improved satisfaction and quality ratings, gaining best value from existing customers, monitoring competitor activity, maintaining service and product standards, managing asset efficiency, managing staff efficiency, encouraging innovation, improving the capability of management and staff and organisational development.</td>
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<tr>
<td>Phillips and Louvieris</td>
<td>International Hotel Sector</td>
<td>Profitability, budgetary control, quality of service, customer relationship management, customer profiling, clear objectives, investment in staff, productivity and staff as drivers of innovation and teamwork.</td>
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<tr>
<td>Olsen, Chung, Graf, Lee,</td>
<td>International Hospitality Industry</td>
<td>Human resource programmes, location advantages, marketing expertise, development capabilities and the execution of brand promise.</td>
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<td>and Madanoglu (2005)</td>
<td></td>
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<tr>
<td>O’Donoghue and Luby</td>
<td>Irish Hospitality Sector</td>
<td>Profitability, customer retention, customer satisfaction, efficiency ratings and innovation.</td>
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<td>(2006)</td>
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<tr>
<td>Kandampully (2006)</td>
<td>International Hospitality Industry</td>
<td>Increasing service contributions, a focus on a customer and service orientation, achievement of efficiencies through unbundling, creative use of technology and development of core capabilities that give competitive advantage.</td>
</tr>
<tr>
<td>Kobjoll (2007)</td>
<td>International Hotel Sector</td>
<td>Staff, balance between operational and human resource management, expert position in the market and innovation.</td>
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Additional research has also led to more limited proposals of critical success factors. Harrington and Lenehan (1998) propose customer perceptions as being the main critical success factor and are supported in this by a world wide study that shows that customer related issues are the most critical for business success (Joint Hospitality Industry Congress, 1998). Kilic and Okumus (2005) highlight productivity as a critical success factor in research they carried out in northern Cyprus, while Iglesias and Guillen (2004) advocate guest satisfaction as a critical success factor for survival in highly competitive markets. Antony, Antony and Ghosh (2004) propose service quality as the critical success factor in research they carried out in a UK hotel chain and Daun and Klinger (2006) argue that critical success factors such as insights into market, customer requirements and brand management are important for organisational success.

Consideration of the research presented in table 1 suggests that there are a number of critical success factors, which appear common to most hospitality organisations, such as a customer focus, staff, quality of service and profitability. Once these have been identified it is possible to develop methods of measuring the performance of these factors. For example, Flanagan (2005) has stated that the high contact nature of hotel service would suggest people, both employees and customers, are a critical component of the success of the organisation. Therefore, one of the critical success factors may include the measurement of employee and customer satisfaction as one of the areas or dimensions of a performance measurement framework specifically designed for hotels.

Strong arguments have been made by Geller (1995); Louvieris, Phillips, Warr and Bowen (2003); Bourne et al., (2003) and Flanagan (2005) for a set of hotel industry specific critical success factors in order to promote more effective management of the industry. However, neither these researchers, nor others have lead to the identification of a consistent set of critical success factors. There is a clear lack of applied research in this area and this paper seeks to address this limitation in knowledge.
Research Methodology

In order to investigate the phenomenon of performance measurement in hotels, empirical research was carried out with hotel managers, owners and operators of hotels in Ireland. This research included research into critical success factors in hotels. The research into the critical success factors was carried out with focus groups and a series of in-depth interviews conducted with managers and owners of small and medium-sized independently owned hotels. The focus group stage of the research offered the opportunity to investigate the phenomena of performance measurement and critical success factors. The in-depth interviews offered the opportunity to make an analysis of the critical success factors of the hotels.

Results

Participants in the focus group discussions were asked to outline the critical success factors of their hotels. Therefore, participants were asked to indicate what they considered their success factors to be and a number of diverse factors set out in table 2 below were highlighted.

Table 2: Critical Success Factors of the Hotels

<table>
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<tr>
<th>Critical Success Factors</th>
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<tr>
<td>Staff retention</td>
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<td>Cost management</td>
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<td>Customer satisfaction</td>
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<tr>
<td>Service</td>
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<tr>
<td>Location</td>
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<tr>
<td>The product offerings of the hotel</td>
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<tr>
<td>The staff providing the service</td>
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<td>Owner-operated and fully involved in the operation</td>
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<tr>
<td>A strong staff team</td>
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<tr>
<td>Management ability</td>
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<tr>
<td>Customer care</td>
</tr>
<tr>
<td>Value for money</td>
</tr>
<tr>
<td>The quality of their product</td>
</tr>
<tr>
<td>The quality of their building and infrastructure</td>
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A number of participants indicated that measuring critical success factors was fraught with difficulty because as one General Manager stated “there are no tried and tested measures to facilitate the measurement of critical success factors”.

Participants highlighted a limited number of dimensions measured within their hotels. It was clear from the discussions that the key performance dimensions of the business identified by the participants include customers, operations, employees, competitor analysis, finance and legal requirements. However, there was no evidence that all operators measured all of these dimensions when assessing performance. Indeed, participants indicated at the outset that they did not all use all of the dimensions because of the complexity involved in the measurement of a number of dimensions.

Although, participants were aware of their critical success factors, they did not indicate that they measured these critical success factors in any formal way apart from those mentioned above. It would appear from the discussion that there are elements of performance that are more problematic for performance measurement, as they are perceived to take up an inordinate amount of time and resources.

The critical success factors identified by the hotels included in the in-depth interview stage of the research are set out in table 3.
## Table 3: The Critical Success Factors of the Hotels

<table>
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<tr>
<th>Hotel</th>
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<tbody>
<tr>
<td>Hotel A</td>
<td>Owner managed; staff; training and investment in human resource; low hierarchal structure; focus on customer care; media exposure for the hotel; referrals and repeat business; production of raw materials carried out on the estate ensuring superior quality; management and staff; the location of the hotel and the estate; high profile of the owners on televised programmes and awards won by the hotel.</td>
</tr>
<tr>
<td>Hotel B</td>
<td>Owners involved in the operation; Galway’s only 5* hotel; prime location just outside Galway City; ethos of customer care; provision of products and services through the staff and management; quality of the product and hotel; continuous improvement and up-grading of the hotel infrastructure; variety of food and beverage products through choice of restaurants; awards received for food and beverage and the hotel’s, marketing and networking affiliations.</td>
</tr>
<tr>
<td>Hotel C</td>
<td>Owner managed; small hierarchal structure of management; owners reputation; location in Kerry; Irish staff; highly personalised customer care; quality of the hotel product; reputation of food and beverage; management experience; awards received for food; repeat business and niche golf market.</td>
</tr>
<tr>
<td>Hotel D</td>
<td>Location; staff recruitment; value for money; branding and marketing; owners involved in the operation; superior quality of the hotel infrastructure, staff and management capabilities and the hotels products and investment in staff training and development.</td>
</tr>
<tr>
<td>Hotel E</td>
<td>Owner managed; location; staff, management, customer care and attention; quality of the product and hotel; well established in the local community; food and beverage reputation; hotel affiliations; owners reputation in the locality; continuous improvement and up-grading of the hotel infrastructure and the hands-on management approach to operations.</td>
</tr>
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From this it is apparent that there are a number of factors that are considered to be success factors across all of the hotels. First, the importance of having the right
location was discussed by a number of interviewees. The manager of Hotel D suggested that as

*The hotel is located in the town centre of Dundalk, is currently the only hotel located in the town centre and is positioned fifteen minutes from the border.*

Likewise the Owner of Hotel C advocated, “The location of my hotel in a very scenic part of Kerry is a competitive advantage”. In addition, the managers of Hotel E, Hotel A and Hotel B cited location as a competitive advantage and critical success factor.

Second, interviewees felt that high levels of customer care and satisfaction are critical success factors in all of the hotels. According to the Owner of Hotel C “the total focus on customer enjoyment as the ethos of the hotel ensures repeat and referral business”. The Manager of Hotel B states that “the provision of superior customer care where management work with the team to ensure it is maintained is a critical success factor for the hotel”. The Owner of Hotel A suggests that “customer care is the key element of operations within the hotel as it is used as a marketing tool to encourage repeat business and referrals”, while The Owner of Hotel E advocates that “customer care and attention to detail is the ethos of the hotel contributing to a high level of repeat business at 60%”.

Third, all of the participants indicated that staff were a critical success factor in their operations. It is the staff who provide the services in organisations and contribute to the overall guest experience therefore all hotels perceive their staff to be critical to their operations. For example, the quality of staff appeared to be a critical success factor for the Owners of Hotel C and Hotel A and the Manager of Hotel D. According to the manager “the staff are a key component of the operation delivering customer care and service to the standard expected”. The Owner of Hotel A “believes that training is an investment in the staff to ensure quality of service”, as does the management of Hotel D. The Manager Hotel B indicated that “as the staff provide the products and services they are critical to the operation” This suggests that staff are a key component of the hotel operation and are critical to its success.
Finally, the quality of the hotel infrastructure and its products is perceived to be a critical success factor by all of the interviewees. For example, The Owner of Hotel E suggested that “the quality of product and hotel; the refurbishment of the hotel with its modern fixtures and fittings has given it competitive advantage in the area”. The Owner of Hotel C commented that “the quality of the hotel and product offering is a key success factor. The hotel is decorated to a very high standard of comfort which ensures customers are relaxed and feel at home while in the hotel”.

According to the Manager of Hotel B

*It is the quality of product and hotel that give it competitive advantage and is a critical success factor. The hotel undergoes a refurbishment programme every five years in order to maintain the five star standard of the fabric of the hotel. The hotel also upgrades facilities to continuously add choice and value for the customer base. The hotel plans to add a spa to the hotel’s portfolio in 2008.*

The Owner of Hotel A suggested that “its reputation for service delivery and product quality is a competitive advantage”, while the Manager of Hotel D noted that “the superior quality that the hotel delivers in terms of infrastructure and products is what makes the difference to it in a highly competitive market”.

Although there were a number of common critical success factors, each interviewee also identified factors that they perceived to be critical to the success of their individual operation. For example, one of the main critical success factors of Hotel A is the fact that the hotel is owner-managed and the Owner noted that “as owners we are actively involved in the running of the business on a day-to-day basis. This we feel this gives us a competitive advantage”. This was also a factor for the other owner-managed hotels as the Owners of Hotel C and Hotel E felt that the fact that they are owner-managed impacts positively on their businesses.

A low hierarchal structure of management in the operation with responsibility for customer care and service devolved to all staff was considered a critical success factor
for the Owners of Hotel C and Hotel A. In addition, customer care was the key element of operations within Hotel A and Hotel E as the Manager and the Owner felt it could be used as a marketing tool to encourage repeat business and referrals.

The Owners of Hotel A are recognised nationally and internationally for its reputation in food because of their high profile on television and according to the Owner, “this is a key success factor that is used to market the hotel”. A reputation for superior food was also perceived to be a critical success factor for Hotel C, Hotel B and Hotel E. The Manager of Hotel B felt that “awards for food and beverage were a critical success factor along with affiliations for marketing and networking purposes”. These affiliations provide access to worldwide markets the hotel would otherwise not be able to access on its own. This according to the Manager of Hotel B gives the hotel competitive advantage.

Discussion

The research showed that the hotel operators recognise their critical success factors although they may not be using the benefits these factors bring to their organisation as a strategic tool. The critical success factors such as quality of product, employees, quality of service, customer satisfaction, location and the quality of the infrastructure can be measured and benchmarked against the competitor in order to provide a sustainable competitive advantage and therefore should be part of the performance measurement process. Although it was evident from the research that some critical success factors were unique to each operation, the research identified the following four critical success factors as being common to small and medium-sized hotels. The first critical success factor is the quality of the infrastructure and products of the hotel. The second factor is the location of the property, the third critical success factor is the high rate of customer care and satisfaction that the establishment provides and the fourth critical success factor is the staff that provide the services in the hotel.

It would appear that these factors are important to hotel operators in evaluating their own operation against their competitors. Hoteliers compare themselves with their competitors in terms of the quality of their hotel and the products they provide. It was
evident from the research that where operators measured competitors, they measured the competitors’ product range, service and standard of property. The second critical success factor, location, is perceived to be a unique selling proposition, particularly if the location of one property gives competitive advantage over another property. For example, a location providing services such as adequate parking, ease of access or situated close to city, airport, conference centre or resort has a competitive advantage over a hotel where the location cannot provide these services. The third critical success factor of high levels of customer care and satisfaction are considered to be important for repeat business and customer retention. The participants considered this factor to be critical because in a service industry where repeat business and customer loyalty is paramount, to be customer focused facilitates survival and growth. Finally as it is the staff that provide the quality of the products and services in hotels, the staff have been identified as a critical success factor across all the hotels in the primary research. The research indicated that the staff are critical to all aspects of operations.

This commonality of critical success factors is somewhat unusual, as it could have been expected that different hotels had different success factors that were unique to their own operation. This commonality is a significant finding and suggests that critical success factors can be included in a hotel specific model for performance measurement.

However, the research also highlighted that, in general, the measurement of the performance of many critical success factors was limited. Critical success factors are perceived to affect the performance of small and medium-sized hotels and these critical success factors need to be measured to assess their contribution to performance management. It is apparent from the research that the hotel operators are making limited links between critical success factors and performance measurement even though the hotel operators do measure some critical success factors such as customer satisfaction and employee performance and benchmark other factors such as service, standard of property and products with their competitors. This limited consideration of critical success factors is likely to impact on business success. This may be due to the complexity of the measurement of some of these factors; however, it is also likely to be another reflection of the simplistic approach to performance measurement that has been established by this research.
Figure 1 provides a model of performance measurement for the critical success factors identified in the literature and the primary research.

**Summary**

Critical success factors are the elements of the business that drive it or are the factors that must be achieved if the company’s overall goals are to be attained. The focus groups and the in-depth interviews highlighted a number of critical success factors for their businesses, some of which reflect existing research (Bergin, 2002; 2003; Flanagan, 2005; Phillips and Louvieris, 2005; Olsen et al., 2005; O’Donoghue and Luby, 2006; Kandampully, 2006; Kobjoll, 2007) and some which are in addition to those previously established. Consequently, this research contributes to the knowledge and understanding of critical success factors in identifying those factors that are common to the small and medium-sized hotel and their usefulness in measuring performance. More importantly, common critical success factors, such as customer care and satisfaction, staff, quality of product and infrastructure and location emerged in the primary research. Work in this area to date has not been able to draw any commonality among the critical success factors in any other sector researched so far. In addition, the primary research reported here provides evidence of a discernible link between critical success factors, industry context and performance measurement as suggested by the work of Haktinir and Harris (2005) and Flanagan (2005).

The research showed that the hotel operators recognise their critical success factors although they may not be using the benefits these factors bring to their organisation as a strategic tool. The critical success factors such as quality of product, employees, quality of service, customer satisfaction, location and the quality of the infrastructure can be measured and benchmarked against the competitor in order to provide a sustainable competitive advantage and therefore should be part of the performance measurement process. It is also apparent from the literature that critical success factors need to be considered as part of an integrated model for performance management and measurement. Arguably, identifying appropriate critical success factors and choosing the right performance management frameworks is a very
difficult task because of the fluid nature of the business and the continuing changing environment that the hotel sector operates in. Thus, performance management and performance measurement aligned with critical success factors is a complex and under-researched activity of hotel management.
Figure 1: A Structured Model of Performance Measurement:

- **Critical Success Factors**
  - Location
  - Employees
  - Management
  - Quality of Products, Service and Infrastructure
  - Customer Care and Satisfaction

- **Performance Dimensions**

  - **Management**
    - Wage Percentage
    - Labour/Food/Beverage Costs
    - Occupancy %
    - REVPAR / REVPAS
    - Average Room Rates
    - Budget Variances
    - Waste Management Measures
    - Operating Profit Margins
    - Gross / Net Profit
    - ROCE / ROI

  - **Quality of Products and Services / Customer Care and Satisfaction**
    - Management Observation
    - Comment Cards
    - Mystery Shop
    - Loyalty Programmes
    - Repeat Customer Visits
    - Guest Opinion Surveys
    - SOP’s for Quality Audits

  - **Quality of Infrastructure**
    - Benchmarking Visits of Competitors
    - Price/profit/Cost Comparisons
    - Analysis of Industry Reports
    - Analysis of Industry Trends
    - Mystery Shopping Comparisons

  - **Employee Performance Measures**
    - Appraisals
    - Quality Employee Awards
    - Performance Targets
    - SOP’s
    - Checklists
    - Productivity
    - Training Evaluation Questionnaires

  - **Location**
    - Benchmarking
    - Product and Service Comparisons
    - Analysis of Industry Reports
    - Analysis of Industry Trends
References


