

## PERCEPTION OF MANAGERS ON PERFORMANCE - EMPIRICAL STUDY CONDUCTED IN THE HOSPITALITY INDUSTRY ENTITIES IN ROMANIA

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**Abstract:** *We seek performance. We want to become performers, but undoubtedly most often we forget to get down to the essence of things, wondering "What is performance?". But what is meant by performance in the hospitality and tourism industry, an industry that is booming at world level, but which, at the same time, in the local area, faces an environment increasingly difficult? What is the perception of managers about this concept? This was one of the questions addressed to managers in the hospitality industry Bihor within a broader empirical research that targeted the importance of accounting information for the management of entities in this sector. The basis of the empirical research is a survey conducted between November 2012 and January 2013, the working tool used being a questionnaire that consists of 38 questions administered on the ground and online. The total population consists of 146 economic entities in the sector in Bihor; the sample consists of 91 tourist entities and the response rate is 62.33 % as a result of research in the field. 83.5% of the managers surveyed said that the most important factor influencing the performance in this sector is the occupancy rate of the capacities available, in second place as a factor of influence being the demand for services and travel packages offered, in the view of 75.8 % of respondents. It is surprising that less than 50% of the managers surveyed identified as a factor influencing the performance the accounting result of the business. Based on these results we also wanted to identify what measures are taken by managers in the sector to increase occupancy rate. The research conducted adds value to the indigenous research on issues regarding management accounting in hospitality and tourism industry, but also in the perception of performance, paving the way for future research. As limitations of our research we can identify the restricted area of application of the questionnaires (Bihor county), but also the large number of questions in the questionnaire that required maximum concentration, managers getting bored while completing the questionnaire.*

**Key words:** performance; accounting information; managers; hospitality industry.

**JEL classification:** M 41, L 83

### 1. Introduction

Hospitality and tourism industry is the one industry that plays a major role in the national economy by its contribution to the national income; better use of resources on territorial level; economic growth of some areas lacking soil or subsoil assets; stabilization of labor force; stimulating element of the global economic system; means of diversifying economic structures; factor of training and education; regulator of the external balance of payments.

Tourism and hospitality means, firstly, all activities in which man spends leisure time and, secondly, the industry of goods and services created to meet the desires, preferences and motivations requested by tourists at their holiday destinations. Thus, tourism results from the combined effect of several industries: construction, electronics and electrotechnics, wood and textile industry, agriculture and food industry. Based on these aspects we can conclude that the tourism product is superior only to the extent that these supplying sectors contribute to its construction by provision of high quality

elements. Economic entities operating in the hospitality and tourism industry cannot be performant unless they provide guests with high quality tourism products.

## **2. State of art**

Performance was approached and treated differently over time: the extent to which an organization achieves its goals without excessive effort from its members (Georgopoulos and Tannenbaum, 1957); the entity's ability to exploit the environment to acquire scarce resources that are essential to its operation (Yachtman and Seashore, 1967); different performance with respect to actors and stakeholders: for a category the financial-accounting dimension will prevail, for the other the dimension product offered - satisfied consumers or the socio-political dimension (Freeman, 1984, 2010); performance has several meanings of which 3 are key: a success (each entity will have its own representation of success and performance will vary from one entity to another); result of action; the action itself as performance is more of a process than an outcome (Bourguignon, 1996); performance measurement actually means measuring the three dimensions that comprise it, *Economy - Efficiency - Effectiveness* (Bouquin, 2004); organizational performance represents the actual results of relevant activities within the departments of the organization over a period of time (Ya-Hui Ling Ling and Hung, 2010, Keng-Sheng Ting, 2012).

Measurement of performance can be achieved by several indicators: share price, return on capital, profit rate, turnover, customers' satisfaction, employees' satisfaction, productivity, economic value added (EVA), market value added (MVA).

There are voices saying that, in the light of the new realities, the traditional methods of performance measurement, measuring the value of entities in this sector, are no longer adequate. Thus Sequeira, in 2000, suggests the management teams in the hospitality industry should adopt techniques of application of economic value added. He recommends EVA for the management decisions in the cases of reviewing leasing contracts, of capital investment to renovate tangible assets of the entity, and when dealing with special projects as well. Sequeira says that for a hotel the value created occurs when economic return of the project is greater than the cost of capital. Siyong Lee conducted an empirical study on 53 entities in hospitality industry, pursuing the correlation between the economic value added and the share price on the stock exchange during 1997-2000. Kim also had a contribution on the introduction of EVA in the hospitality industry. In 2006 she conducted a study on EVA in this activity sector for the period 1995-2001. She only considered a sample group from the hospitality industry as a whole, without further analysis on subsectors. Another, more recent study is conducted by Lee Seoki and Woo Gon Kim on three sectors of the hospitality industry i.e. hotels, restaurants and casinos. In this study they analyzed 353 entities, namely: 46 hotels, 134 restaurants, 135 casinos and 38 companies that organize cruise tours and theme parks. The study consists in a comparative analysis of six indicators for performance measurement as follows: on the one hand, EVA, REVA, MVA, and, on the other hand, three traditional indicators for performance measurement: ROA, ROE and CFO. Yet, after numerous empirical studies developed in the hospitality industry, there is no claim that EVA can be the best model for performance evaluation that can be applied in this sector.

## **3. Research method**

But what is meant by performance in the hospitality and tourism industry? What is the perception of managers of these entities on the performance in this sector in Romania? What factors influence performance? In the view of the management team does performance have anything to do with accounting information? What importance is given to the accounting information during the managerial process? Eager to find out the

answer to these questions we started an exploratory empirical research that describes and analyzes human behavior with respect to this issue and is based on a questionnaire applied to the managers in hospitality industry. In this regard there were selected 146 economic entities that are legally constituted as share companies and limited liability companies (from the 230 units of tourists' accommodation licensed to operate according to information published on the ministry website <http://www.mdrt.ro/ro/turism/unitati-clasificate>). There were removed from our research a number of 84 economic entities that had other forms of legal constitution (i.e. sole proprietorship, registered sole trader, family business).

The questionnaire contains 38 closed and semi-closed questions divided into four parts as follows: *Part I Data on the economic entity* and *Part IV Personal profile of managers* that contain general questions concerning the characteristics of entities in the sample and the profile of the managers of these entities; *Part II Aspects regarding the importance of accounting information* and *Part III Aspects regarding organization of management accounting and of cost management* comprising questions on the perception of managers in the sector about the usefulness of accounting information, the perception of performance, the factors influencing performance in this sector in the managers' view, the exploitation of these data for grounding the decision making process and for a good management of the capacities available.

#### **4. Descriptive analysis of responses**

The general questions of the questionnaire relate, on the one hand, to the issues that shape the identity of respondents and, on the other hand, to the characteristics of the entities under study.

In the first part *Data on the economic entity* the questions focused on the distribution of entities with respect to classifying accommodation units and the additional facilities available (therapy base, leisure possibilities), the turnover and the total asset value.

Of the 91 tourism units with accommodation functions in the sample, 35 were urban and rural guesthouses, 28 hotels, 14 hotel complexes, 10 were operating as motels, hostels or mini-hotels, 3 as tourist villas and one as a chalet. The percentages of the tourism units, according to GD no. 1267/2010 on issuance of certificates of classification, of licenses and of patents for tourism and MDRT Order no. 1051/2011 approving the Methodological Norms regarding the issuance of certificates of classification, of licenses and of patents for tourism, are as follows: 13.18% 4 star entities, 34.06% 3 star entities, 24.17% 2 stars entities. Most guesthouses are classified as having 3 daisies (51.42 %), the others are: 11.42% 2 daisies, 8.57% 4 daisies, 2.85% 1 daisy; while the other guesthouses were graded with stars, among them one of even 4 stars.

Regarding the size of turnover, 54.9% of the entities have a turnover of between 35,000 and 7.3 million Euro, 37.4% have a turnover of less than EUR 35,000 and 5.5% of the entities have a turnover bigger than 7,300,000 Euro. A percentage of 2.2% of the managers surveyed considered that the answers to these questions are confidential, so they did not answer.

With regard to Part IV of the questionnaire, this contains again general questions, but these refer to the profile of the managers. Regarding profession, the vast majority of managers declare themselves economists (58.24%), while nearly 25% of the managers surveyed state they are engineers. An important percentage of entities in the hospitality industry in Bihor have managers of other qualifications than those explicitly mentioned by us (13.19%). As for the sex of the managers in this sector, things are balanced: 50.5% were men and 49.5% women.

Part II and Part III of the questionnaire include questions regarding the purpose and the frequency of the use of accounting information, the organization of managerial accounting and of cost management in the hospitality industry and tourism, the

perception of managers on the performance of the entities in the sector and which the factors that can influence it may be.

## 5. Research hypothesis testing

In what follows we will analyze the validity of a research hypothesis regarding the performance at the level of the sample and we shall generalize the results to the level of the total population. In what this research hypothesis is concerned, we considered that it should be separated into two sub- hypotheses because, in our opinion, the factors of influence of the performance of an entity in the hospitality industry can be divided into two groups.

*Hypothesis H1: The perception of managers on the performance of an entity in the hospitality industry influences their measures for increasing occupancy.*

The questions on bases of which we shall test the validity of this hypothesis are III.13 a, b and III.12.

These are:

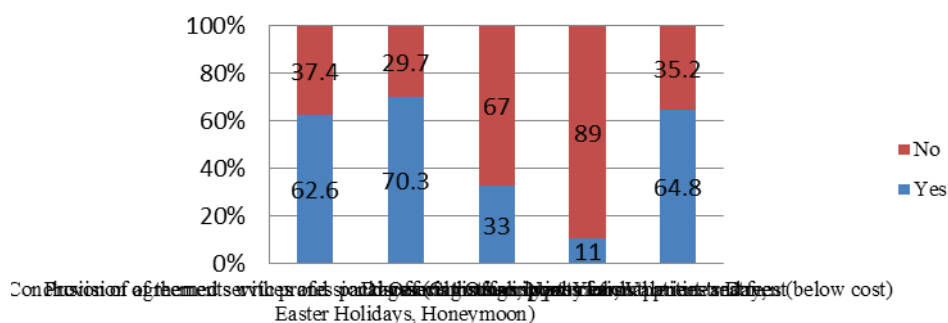
*III13. In your view, what are the factors influencing the performance of an entity in the hospitality industry?*

- Occupancy of available capacities
- Demand for the services and tourist packages offered
- Contribution of each service or tourist package offered to the profit of the entity
- Accounting result of the entire activity
- Other (Specify)

*III12. What measures are applied within your entity in order to increase occupancy?*

- Conclusion of agreements with professional associations or sports clubs
- Provision of themed services and packages (Christmas, New Year, Valentine's Day, Easter Holidays, Honeymoon)
- Discounts through loyalty cards
- Offering subscriptions for outpatient treatment
- Offering promotional prices and fees (below cost)
- Other (Specify)

We will review at first the distribution of the responses of the managers in the sample to each of the two questions.



**Figure 1:** Managers' opinion on the factors influencing the performance of an entity in the hospitality industry

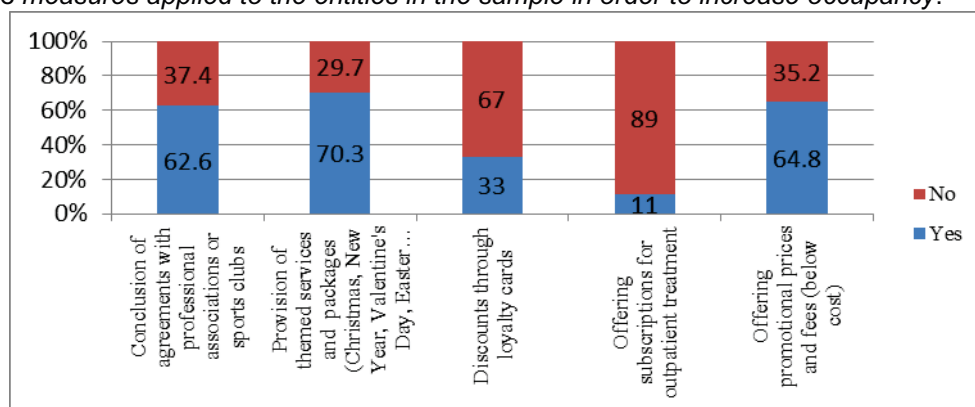
Source: own elaboration based on the answers in the questionnaires

Regarding the *factors that influence the performance of an entity in the hospitality industry*, most of the managers consider that the most important fact is the *Occupancy of the available capacity*, a factor mentioned by 83.5% of the managers, on second place we find the *Demand for the services and tourist packages offered*, a factor

mentioned by 75.8% of the managers surveyed. Somewhat surprising is the fact that only 45.1% of the managers interviewed mentioned as a factor of influence in the performance analysis, the *Accounting result of the entire activity*.

We are inclined to think that this is the perception of managers on the hierarchy of factors that influence the performance of an entity in the hospitality industry only in the current circumstances of an economy affected by global economic crisis. We rely on the fact that in discussions we had on the ground with the managers, many of them stated that after 2008, the year the effects of the crisis began to be felt, the strategy adopted by them was to maintain the activity of the entities they were leading at the subsistence level, i.e. at an equilibrium point, without necessarily thinking in terms of results.

Next, we present the distribution of the responses of managers in the sample, regarding the *measures applied to the entities in the sample in order to increase occupancy*.



**Figure 2:** Measures applied to the entities in the sample in order to increase occupancy  
Source: own elaboration based on the answers in the questionnaires

Regarding the *measures applied to the entities in the sample in order to increase occupancy*, most of the managers choose *Provision of themed services and packages (Christmas, New Year, Valentine's Day, Easter Holidays, Honeymoon)* while the least appealing measure is *Offering subscriptions for outpatient treatment*, which was chosen by only 11% of respondents.

As we mentioned earlier, this research hypothesis was divided into two sub-hypotheses because we considered that the factors of influence of the performance of an entity in the hospitality industry can be broken down into two groups as follows: a first class, that of factors of influence with commercial content (occupancy rate and demand for the services offered), factors whose influence shall ultimately show in the financial statements, and the second group, containing factors of influence with accounting content (contribution to profit of each product or service offered and the accounting result of the entire activity) .

**H1a** – for whose validation we use two questions: Question 13 with answer choices a and b and Question 12 with all answer choices

**H1b** – for whose validation we use the same questions, namely: Question 13 with answer choices c and d and Question 12 with answer choices c, e.

To validate the first research sub-hypothesis we proceed as follows:

- for question III13, we assign importance scores to each answer, as follows: 2 points are allocated to those managers who said that factors that influence the performance of the entity in the hospitality industry are *Occupancy of available*

*capacities* and *Demand for the services and tourist packages offered*, one point to those who mentioned only one of the two factors and 0 to those who chose none of these response options.

- for question III12, we assign points according to the number of measures taken by managers to increase occupancy.

The first step in our approach of validation of this research hypothesis is the elaboration of the table of correlation between the answers to the two questions. This is presented in Table 1.

**Table 1:** Distribution of the answers for the variables used in validation of hypothesis H1a

		<i>Factors that influence the performance of the entity</i>			Total
		0.00	1.00	2.00	
<i>Measures applied to the entities in the sample in order to increase occupancy</i>	1.00	2	5	2	9
	2.00	1	8	21	30
	3.00	2	10	19	31
	4.00	0	1	14	15
	5.00	0	2	3	5
	6.00	0	0	1	1
Total		5	26	60	91

Source: own elaboration based on the answers in the questionnaires

Analyzing the distribution of choices, we can notice a positive correlation between the answers to the two questions. Thus, we can notice that 60 of the 90 managers surveyed (65.93%) considered that both factors of commercial content suggested by us (*Occupancy of available capacities* and *Demand for the services and tourist packages offered*) are important for reflecting the performance of the economic entities in the hospitality industry but still only 14 of them (23.33%) mentioned that they use 4 of the 6 measures in order to grow the occupancy rate. From our sample of 91 managers, 31 (34%) said that they use 3 of the measures identified by us for the increase of occupancy rate and, surprisingly, it was only one to confirm use of all the five measures suggested by us and he even added another one in the field *Other (Specify)*.

Validation of the research hypothesis is made applying the method  $\chi^2$ .

The table of frequencies recalculated by help of formula  $n_{ij} = \frac{n_{i\bullet} \cdot n_{\bullet j}}{n}$  is presented as follows:



**Table 2:** Table of recalculated frequencies associated to Table 1.

		<i>Factors that influence the performance of the entity</i>			Total
		0.00	1.00	2.00	
<i>Measures applied to the entities in the sample in order to increase occupancy</i>	1.00	4.58	2.29	2.61	9
	2.00	0.26	0.04	0.08	30
	3.00	0.05	0.15	0.10	31
	4.00	0.82	2.52	1.71	15
	5.00	0.27	0.23	0.03	5
	6.00	0.05	0.29	0.18	1
Total		5	26	60	91

Source: own elaboration based on the answers in the questionnaires

With the help of the formula  $\chi^2_{\text{calculated}} = \sum_i \sum_j \frac{(n_{ij} - n'_{ij})^2}{n'_{ij}}$  we shall determine the

value  $\chi^2_{\text{calculated}} = 16.25$ .

Since this value is greater than 0, it can be said that at the level of the sample the perception of managers on the performance of an entity in the hospitality industry influences the measures applied in order to increase occupancy rate.

To extend our result to the total population - all managers in Bihor county, the following hypotheses are issued:

$$H_0 : \chi^2 = 0 \text{ and alternative hypothesis } H_1 : \chi^2 \neq 0$$

The calculated value, 16.25 is compared with the table value, determined for 10 degrees of freedom, and a probability of 95%, which in our case is 18.31. Since the calculated value is smaller than the table one, the null hypothesis cannot be rejected.

*Conclusion: Hypothesis H1a: The perception of managers on the performance of an entity in the hospitality industry influences their measures for increasing occupancy is not validated.*

*H1b The perception of managers on the performance of an entity in the hospitality industry influences their measures for increasing occupancy*

To validate the second research sub-hypothesis we proceed as follows:

- for question III13, we assign importance scores to each answer, as follows: 2 points are allocated to those managers who said that factors that influence the performance of the entity in the hospitality industry are *Contribution of each service or tourist package offered to the profit of the entity* and *Accounting result of the entire activity*, one point to those who mentioned only one of the two factors and 0 to those who chose none of these response options.

- for question III12, we assign importance scores to each answer, as follows: 2 points are allocated to those managers who said that measures taken by them to increase occupancy rate are *Discounts through loyalty cards* and *Offering promotional prices and fees (below cost)*, one point to those who mentioned only one of the two measures and 0 to those who chose none of these response options.

The first step in our approach of validation of this research hypothesis is the elaboration of the table of correlation between the answers to the two questions. This is presented in the next table.

**Table 3:** Distribution of the answers for the variables used in validation of hypothesis

H1b

		Measures applied to the entities in the sample in order to increase occupancy			Total
		0.00	1.00	2.00	
Factors that influence the performance of the entity	0.00	19	39	0	58
	1.00	2	8	16	26
	2.00	0	4	3	7
Total		21	51	19	91

Source: own elaboration based on the answers in the questionnaires

Analyzing the distribution of choices, we can notice a positive correlation between the answers to the two questions. Thus, we can notice that only 7 of the managers in our sample (7.69%) considered that both factors of accounting content are important for reflecting the performance of the economic entities in the hospitality industry and from these 3 use both measures identified by us as being directly connected to the accounting results (*Discounts through loyalty cards* and *Offering promotional prices and fees (below cost)*) to grow the occupancy rate.

Validation of the research hypothesis is made applying the method  $\chi^2$ .

The table of frequencies recalculated by help of formula  $n'_{ij} = \frac{n_{i\bullet} \cdot n_{\bullet j}}{n}$  is presented as follows:

**Table 4:** Table of recalculated frequencies associated to Table 3.

		Measures applied to the entities in the sample in order to increase occupancy			Total
		0.00	1.00	2.00	
Factors that influence the performance of the entity	0.00	13.38	32.51	12.11	58
	1.00	6.00	14.57	5.43	26
	2.00	1.62	3.92	1.46	7
Total		21	51	19	91

Source: own elaboration based on the answers in the questionnaires

With the help of the formula  $\chi^2_{\text{calculated}} = \sum_i \sum_j \frac{(n_{ij} - n'_{ij})^2}{n'_{ij}}$  we shall determine the

value  $\chi^2_{\text{calculated}} = 45.22$ .

Since this value is much greater than 0 it can be said that there is a very strong connection between variables at the level of the sample.

To extend our result to the total population - all managers in Bihor county, the following hypotheses are issued:

$$H_0 : \chi^2 = 0 \text{ and alternative hypothesis } H_1 : \chi^2 \neq 0$$

The calculated value, 16.25 is compared with the table value, determined for 4 degrees of freedom, and a probability of 95%, which in our case is 9.49. Since the calculated value is much greater than the table one, there is a connection between variables at the level of total population as well and this connection is very strong – the result is guaranteed with a probability of 95%.

**Conclusion:** H1b *The perception of managers on the performance of an entity in the hospitality industry influences their measures for increasing occupancy is validated with a 95% probability.*



## 6. Conclusions

Our study is much broader but in this paper we presented only a few aspects of the managers' perception on performance, resulting from a survey conducted, and we tested some hypotheses regarding performance.

*Results obtained:*

- For 83.5% of the managers surveyed performance means a high rate of occupancy of available capacities, while only 45.1% of them see performance in terms of accounting result of their business, even if 58.24% of managers declared they were economists by formation;
- 70.3% of the managers said they take into consideration the customization of offers and the provision of themed packages in order to increase occupancy, on the second place as such method being the offer of promotional prices and fees, as opted by 64.8% of the managers;
- At the sample level, the hypothesis that managers' perception on the performance of an entity in the hospitality industry influences the measures taken for increasing occupancy is validated with a probability of 95%.

We believe that the research we conducted brings elements of novelty and originality to the domestic research in the field of managerial accounting in the hospitality industry, though it has limitations: particularities of the formulation of the questions in the questionnaire, the fact that it was conducted only within entities in Bihor county, the selection of the sample.

This study will further investigate into the perceptions of the managers in the hospitality industry on various issues related to the exploitation of the information provided by management accounting, the particularities of cost calculation in this branch of activity and also different management practices in the sector.

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