

## STANDARDISED AND CUSTOMISED KEY PERFORMANCE INDICATORS AND CRITICAL SUCCESS FACTORS IN HUNGARIAN HOTELS

**Edit Komlósi**

*University of Pannonia*

**Petra Gyurácz-Németh**

*University of Pannonia*

---

*The concept of performance in hospitality industry is regarded somewhat similarly to the other (service) sector organisations: performance is managed and measured according to the financial (hard) and operational, organisational (hard and soft) and human (soft) approaches (Goldsmith et al, 1997; Claver-Corte's et al, 2007; Klidas et al, 2007; Sainaghi, 2011.). Measuring performance is one way of performance management (Halachmi, 2005). Measuring is important to know where an organisation starts and how it operates presently and where it is heading to (Armstrong and Baron, 2011). To identify what should really be measured and where to start when developing a performance management system an organisation must start to identify its critical success factors (CSFs) and key performance indicators (KPIs) (Rockart, 1979). In this paper we present customised and standardised CSFs and KPIs in a case study based on 4 semi-structured interviews carried out with Hungarian hotel managers.*

---

**Keywords:** *Standardisation, Customisation, Performance, Hungarian Hotels*

JEL Classification: *L83, M1, O1*

### INTRODUCTION

As Surugiu et al (2012) suggests there is a reason to invest in human resource in Central and Eastern European countries like Romania and in this case Hungary. By applying appropriate human resources policies and practices an organization can hire, train and keep the most suitable employees and with them can deliver excellent results (Gómez-Mejía et al, 2010). The key challenges for companies in the 21<sup>st</sup> century

---

© University of the Aegean. Print ISSN: 1790-8418, Online ISSN: 1792-6521



Except where otherwise noted, this work is licensed under  
<http://creativecommons.org/licenses/by-nc-nd/3.0/>

competitiveness is to keep talented, motivated, skilled individuals whose traits and behaviour fit in with the organisational climate and with their excellent performance business prosper sustainability (Leopold and Harris, 2009). It is especially applies to businesses which are customer-driven and hospitality industry is such a segment. One of the challenging activities for human resources in hospitably is performance management. The Taylorian idea suggested that human activities can be measured, analysed and controlled through the activities and tasks carried out by the workers. If tasks are reduced to small units it is possible to standardise them which gives the basis of measuring the actual performance against the prescribed, standardised rates (Kaplan, 1990). On the other hand performance management system cannot be interlay standardized. While organisational performance indicators including job described tasks are recommended to be standardised contextual performance such as extra effort requires individualised/customized measuring (Griffin et al, 2000). The two however is not separate but interdependent (Stiffler, 2006).

There are few studies in the Hungarian hotel industry which explores critical success factors and key performance indicators. Furthermore no research has been carried out which identified and divided these indicators into standardised and customised performance categories.

## **CUSTOMISATION AND STANDARDISATION IN HOTEL INDUSTRY**

Standardisation is used in order to help the management to control, predict and minimize mistakes and deviation among employees. The primary aim with standardisation is the controlling of the output activity and service quality. It is a way to minimize risks, especially the ones dependent upon the human factor. Via standards and manuals the management keeps risks connected to the production process at a minimum (Sandoff, 2005).

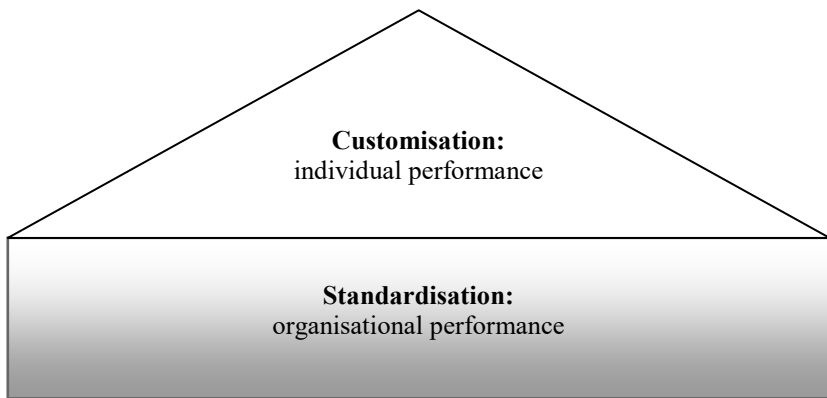
On the other hand customisation does not represent the productivity logic but the logic of luxury which is needed in nowadays economies. Customisation means that the service or the measurement is tailor-made, very special and it is changing according to the human needs or the companies (Sundbo, 1994).

Although hotels differ in size, category, function, geographical location etc. measuring performance in order to analyze organisational position on the market and to make changes to develop not just financially is a key act. Atkinson and Brander-Brown (2001) have measured the dimension of customers, finance and employees in small

and medium-size hotels effectively. Nine years later Melia and Robinson (2010) based on Atkinson and Brander-Brown's and other results have developed a structured model of performance measurement for hotels in 3 phases depending on whether the hotel performance measurements are in the introduction, development or more developed stage.

Our paper goes a bit further by examining whether these measurable phases can be standardised (that is they can be apply holistically to everyone working for/in a hotel) or customised (measuring individual performance). The main advantages of standardisation are cost reduction, increased productivity, quality assurance and systemization (Sundbo, 1994). They all mean objectivity which is actually needed for measuring organizational performance as well. Our belief is that individual performance which is customised must have a solid base that comprises of the standardised organizational performance. Measuring performance is expected to be objective and the performance appraisal system needs to have objective standardised as well as customised elements. Customisation is about providing a unique service tailored to the customers' needs (Sundbo, 1994, 2002). It means that a great individual performance is expected, which cannot be measured easily mostly because of its subjectivity.

Figure 1 depicts our suggested Customisation-Standardisation-Hotel-Performance Model (CSHP) 1 phase.



**Figure 1.** Customisation-Standardisation-Hotel-Performance Model (CSHP) 1. phase

## **CSFs AND KPIS AS PERFORMANCE MEASUREMENT METHODS IN HOTEL INDUSTRY**

In measuring and managing the performance of organizations in the hospitality sector, maintaining and improving loyalty and service customer satisfaction are key indicators regardless of high turnover (Melia and Robinson, 2010). Key Performance Indicators (KPIs) are quantifiable measurements reflecting organizations' Critical Success Factors (CSFs) (Brotherton and Shaw, 1996). CSFs approach was first used in hospitality by Geller (1985) in designing hotel information systems. Logically KPIs and CSFs are different depending on the organizations (O'Neill, 2007). Nevertheless there are mutual criteria according to which KPIs are selected. According to O'Neill (2007. p.67) KPIs must:

- reflect organizational goals
- be key to its success
- not change the way it defined and measured

Dickinson et al (1984) stated that CSFs greatly depend on company's internal and external operating environments. Internal CSFs elements derive from particular characteristics of organizational structure, products, people and process which reflect those company's specific competencies and capabilities that are important for competitive advantages (Brotherton and Shaw, 1996, Haktanir and Harris 2005).

Studies identifying CSF and KPIs in different field of hospitality include Griffin (1995), Hinkin and Tracy (1995), Collie and Sparks (1999), Ottenbacher et al (2005) and DiPietro et al (2007). In these studies the terms of CSFs and KPIs sometimes does not seem clear. CSFs are measured by KPIs (Brotherton and Shaw, 1996; Brotherton, 2004) however, there are overlapping categorisations where the two are mixed (Harris and Mongiello, 2001; Melia and Robinson, 2010). Table 1 illustrates a synthesis of the most significant CSFs and their related KPIs that have been found important in hotel performance measurement by Brotherton and Shaw, 1996; Brotherton et al, 2003; Brotherton, 2004; Harris and Mongiello, 2001; Melia and Robinson, 2010 and Wadongo et al, 2010.

Having analysed the CPIs in their research Brotherton and Shaw (1996) made a distinction between two broad categories of expectation and aspirational themes. In the former hard, objectively measurable factors belong which are quantitative in nature (for example ROI which is often used as a significant indicator by Aksu and Yildiz, 2011 as well) while the latter can be described as a category of those soft factors that are

more qualitative in nature and difficult to measure objectively. The CSFs were also grouped into soft/human and hard/technical categories. Subject area in relation to staff attitude, skills, morale and training development were regarded as human/soft category of CSFs while those factors which directly contributes to the hotel efficiency, structure, system and process belonged to hard/technical category providing a firm base of the standard and procedures of the hotel management.

**Table 1.** Summarising the most significant CSFs and their associated KPIs found important in hotel performance measurement

<b>The CSFs</b>	<b>The KPIs</b>
<b>employees' attitude</b>	customer feedback
<b>effective recruitment and selection</b>	staff turnover
<b>increase market shares</b>	benchmark against competitors, volume of sales
<b>strategic plan/management</b>	performance assessment (financial and non financial)
<b>customer relationship</b>	customer feedback, customer payment time, number of returning customers
<b>quality service</b>	mystery shopping, awards
<b>innovation and investment</b>	ROI, RevPar, training and development

If we then agree that hard/ technical elements of CSFs are standardised factors then they belong to organizational performance and human factors are regarded as customised factors of individual performance which give KPIs.

## **CASE STUDY**

Nowadays the importance of quality work, employing, keeping and training skilled labour force is not questioned. What really makes companies more effective and efficient are those employees who apart from being expert or well-skilled have personal characteristic features which enrich both individual and organizational performance.

In the service sector, where customisation is going beyond customer satisfaction, anticipating the demands and co-creating with customers, the concept of ‘business partners’ can be a vital strategy. Tourism is a key segment of the service sector which contributes to national and international economy, in Hungary the direct contribution to GDP 4,6%, indirect is 12%, (Hungarian Tourist Board, 2011). According to ITB World Travel Trends Report (2010), more than 800 million people travel annually this makes tourism industry one of the leading employers providing every 12th person a job in this sector. In Hungary 6.2% directly and altogether 11.3% of the active workers are employed in tourism (Hungarian Tourist Board, 2011).

Hotels are a leading segment in tourism as 1.1 % of people employed in the EU work in the tourist accommodation sector; about four out of every five people are employed on a full-time basis (Eurostat, 2011). Similarly to the international trend, in Hungary 75% of nights are spent in hotels (Hungarian Hotel and Restaurant Association, 2010). However, there is a problem of fluctuation which is not entirely due to seasonality; hotels appear to offer less stable jobs than the rest of the labour market (Eurostat, 2011).

**Table 2.** Participants and hotel data

<b>Hotel code</b>	<b>Respondent’s position</b>	<b>Hotel location</b>	<b>Hotel size (No. rooms)</b>	<b>Chain member</b>
<b>Hotel A</b>	Rooms Division Manager	Budapest	309	yes
<b>Hotel B</b>	Front Office Manager	Balatonalmádi	208	yes
<b>Hotel C</b>	Front Office Manager	Cegléd	92	no
<b>Hotel D</b>	General Manager	Veszprém	38	no

The initial aim to carry out case studies was to identify the organizational and individual CSFs and KPIs of Hungarian hotels and how these were present in their Performance Assessment System (PAS) to categorise them into CSHP Model. Unfortunately during the interviews it turned out that none of the hotels had PAS, therefore the initial aim was amended to focus on the reasons for not having PAS, managers’ own idea

of the meaning and aim of a PAS, the factors that influence performance and the standardisable and customisable performance factors.

Four Hungarian hotel managers from 4\*\*\*\* hotels (according to the Hungarian Hotel and Restaurant Association 2010 hotel list members of which majority is 4 or 3 + star hotels) were interviewed between 2011 June-August. The interview questions that are part of an ongoing PhD research were discussed, corrected and piloted with academic and professional expert before the personal interviews took place. The size of the hotel (number of rooms) can be important when considering performance assessment as it determines number of employees and organizational structure. Table 2 sums up the relevant data.

## **FINDINGS**

Being a member of a chain would suggest that hotels apply Performance Assessment System (PAS) that is centrally preconceived and required however, in this research none of the four hotels have such a PAS. Therefore questions regarding the reason for not having performance assessment system, definition and aim of a performance assessment system, determining the performance influencing factors as well as standardised (organizational) and customised (individual) performance factors are analysed and summarized in Table 3.

The four hotels are different in nature though there are overlaps in the results. Managers seem to blame the lack of PAS on the owner and/or manager director and the absence of organizational strategy. The definition what managers mean by performance vary, key thoughts such as achievement, efficiency and financial success of each function are mentioned. The aim of PAS would definitely be about the objective measurement and employees' achievement, but soft elements of human relation and organization behaviour also appear. Among the factors influencing performance mainly internal features are mentioned: cross-communication (horizontal and linear), sharing information, effective teamwork, employee and customer satisfaction and personal traits. Economic and business environment is referred to as external influencing factor. Customised performance factors are determined as individual CSFs (e.g. learning, ability, motivation) while standardised performance factors are measurable KPIs (e.g. customer satisfaction, financial indicators, staff turnover) that reflect organizational achievement and output.

**Table 2.** Summary of hotel managers' interviews results (Hotel A and B)

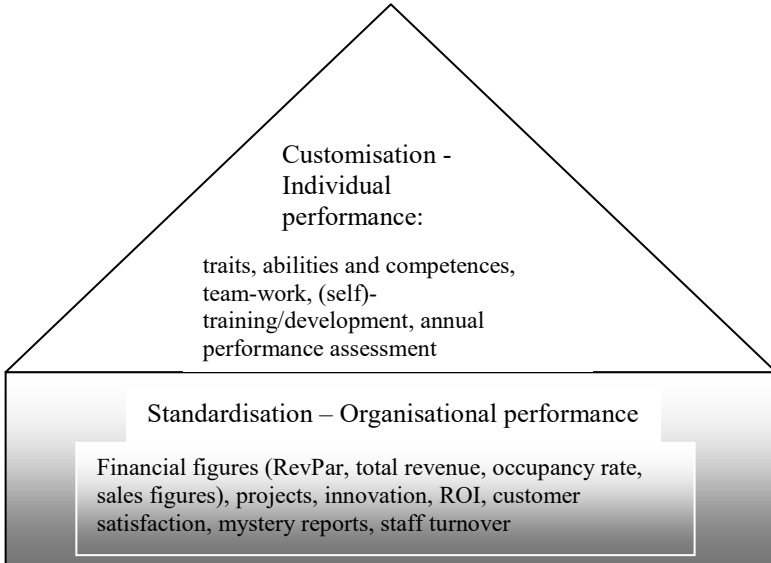
<b>Hotel code</b>	<b>Hotel A</b>	<b>Hotel B</b>
<b>Reason for not having PAS</b>	young (2,5 old) organization, no time to develop PAS in recession, strategy is under development	the HQ has but locally it is not used; since the opening (2006) the staff turnover have been extremely high; owner does not know how employee perform and does not seem to care about keeping loyal employees; only people on sales have a motivation system
<b>Definition of performance</b>	performance is aim-functioned efficiency	measuring each hotel function tasks
<b>Aim of PAS</b>	to remind employee that performing well is in our inner nature	to motivate employee and make them aware that they performance influence organization performance; employees expect to know how they perform
<b>Performance influencing factors</b>	all depend on the owner, mutual aim with all stakeholders must be defined, regular feedback effective verbal communication and teamwork	employees satisfaction; information flow and cross communication among functional areas; feedback on successful achievements and failures; personal life
<b>Standardised performance factors</b>	organizational financial indicators	customer satisfaction, mystery shopping; financial indicators; competences that are required for the position; staff turnover
<b>Customised performance factors</b>	individual as tasks are specialized, department/function and team	individual and team motivation; individual learning and continuous development

**Table 3.** Summary of hotel managers' interviews results (Hotel C and D)

<b>Hotel code</b>	<b>Hotel C</b>	<b>Hotel D</b>
<b>Reason for not having PAS</b>	owner's decision, the name gives a guarantee	small hotel, owner knows everyone and has daily interaction which is more effective than a PAS
<b>Definition of performance</b>	the achievement within a given period of time	adequate room occupancy, returning customers, successful projects; functional performance makes out the total performance
<b>Aim of PAS</b>	management can see clearly and objectively	to aim better performance, correct mistakes and overcome weaknesses; it gives feedback and control to the owner's aim
<b>Performance influencing factors</b>	collaboration and teamwork; reliability and trust, continuously reminding employees of doing thing well	the person itself (traits, competencies, ability to decide and take responsibilities, self-motivation); teamwork and communication; economic and business environment; recession; relationship capital
<b>Standardised performance factors</b>	mistakes, failures, customers and stakeholders complains, financial indicators, annual/month reports; sales figures	weighted financial average (comparing present period to the same previous year period) projects; ROI
<b>Customised performance factors</b>	personal mistakes; cross position knowledge (knowing and applying other functional area tasks)	individual (ability and capability for continuous learning)

In our initial Customisation-Standardisation-Hotel-Performance Model (CSHP) Phase 1. it is indicated that for an effective PAS a firm standard base is needed upon which customised performance relies. The outcomes of the interviews support this concept. Based on the

standardised and customised performance indicators defined by managers  
Phase 2 of the Customisation-Standardisation-Hotel-Performance Model is developed.



**Figure 1.** Customisation-Standardisation-Hotel-Performance Model (CSHP) 2. phase

## **DISCUSSION AND FURTHER RESEARCH**

As discussed above, hotel managers have to rely on their judgment, which is subjective. Development of standards for benchmarking requires measures around which the hotel managers develop consensus. Managers taking part at the case study seem to agree that among the personal influencing factors stakeholders' behaviour and traits play essential role. Concerning standardisable and customisable performance factors managers tend to regard organisational or hard performance factors as standardisable and individual or soft performance factors as customisable features regardless of hotel functional area, hotel size, location and chain membership.

In our future research CSHP model and the indicators will be used to identify the effect of using customisation based on standardised

performance indicators. Firstly, the interaction between standardisation and customisation is explored then the interaction between the standardised and customised performance indicators will be investigated.

## REFERENCES

- Aksu, A.A. and Yilbiz, S. (2011). Measuring results of training with ROI method: An application in a 5-star hotel in Antalya Region of Turkey. *Tourismos: An International Multidisciplinary Journal of Tourism*, Vol.6, No.1, pp. 193-212.
- Armstrong, M. and Baron, A. (2011). *Managing Performance: Performance management in action*. London CIPD.
- Atkinson H. and Brander-Brown J. (2001). Rethinking Performance Measures: Assessing Progress in UK Hotels. *International Journal of Contemporary Hospitality Management*, Vol.13, No.3, pp.128-135.
- Brotherton, B. (2004). Critical success factors in UK corporate hotels. *The Service Industries Journal*, Vol.24, No.3, pp.19-42.
- Brotherton, B. and Shaw, J. (1996). Towards an identification and classification of Critical Success Factors in UK Hotels Plc. *International Journal of Hospitality Management*, Vol.15, No 2. pp.113-135.
- Brotherton, B., Heinhuis, E. Miller, K. and Modema, M. (2003). Critical Success Factors in UK and Dutch Hotels. *Journal of Services Research*, Vol.2, No.2, pp.47-78.
- Claver-Corte's, E., Molina-Azorín, J.F. and Pereira-Moliner, J. (2007). The impact of strategic behaviours on hotel performance. *International Journal of Contemporary Hospitality Management*, Vol.19, No.1, pp.6-20.
- Collie, T., and Sparks, B. A. (1999). Perceptions of key success factors and key success inhibitors in Australian restaurant and catering business operations. *Australian Journal of Hospitality Management*, Vol.6, No.2, pp.23-33.
- Dickinson, R. A., Ferguson, C. R. and Sircar, S. (1984). Critical Success Factors and Small Business. *American Journal of Small Business*, Vol.8, pp.49-57.
- DiPietro, R. B., Muphy, K. S., Rivera, M., and Muller, C. C. (2007). Multi-unit management key success factors in the casual dining restaurant industry: A case study. *International Journal of Contemporary Hospitality Management*, Vol.19, No.6-7, pp.524-536.
- Geller, A.N.(1985). Tracking the Critical Success Factors for Hotel Companies. *The Cornell Hotel and Restaurant Administration Quarterly*, Vol.25, No.4. pp.76-78.
- Goldsmith, A., Nickson, D., Sloan, D. and Wood, R.C. (1997). *Human Resources Management for Hospitality Services*. Oxford, International Thomson Business Press
- Gómez-Mejía, L.R., Balkin, D.B., Cardy, R.L. (2010), *Managing Human Resources*, Pearson Education, New Jersey

- Griffin, M.A., Neal, A. and Neale, M. (2000). The contribution of task performance and contextual performance to effectiveness: Investigating the role of situational constraints, *Applied Psychology: An International Review*, 49(3), pp. 517-533.
- Griffin, R.K. (1995). A Categorisation Scheme for Critical Success Factors of Lodging Yield Management Systems. *International Journal of Hospitality Management*, Vol.14, No.3-4, pp.325-38.
- Haktanir, M., and Harris, P. (2005). Performance measurement practice in an independent hotel context: A case study approach. *International Journal of Contemporary Hospitality Management*, Vol.17, No.1. pp. 39-50.
- Halachmi, A. (2005). Performance measurement is only one way of managing performance. *International Journal of Productivity and Performance Management*, Vol.54, No.7, pp.502-516.
- Harris, P.J. and Mongiello, M. (2001). Key performance indicators in European hotel properties: general managers' choices and company profiles. *International Journal of Contemporary Hospitality Management*, Vol.13, No.3, pp.120-128.
- Hinkin, T. R., and Tracy, J. B. (1995). The service imperative: Factors driving meeting effectiveness. *The Cornell Hotel and Restaurant Administration Quarterly*, Vol.39, No.5, pp.59-67.
- Kaplan, R.S. (Ed.), (1990), *Measuring Manufacturing Excellence*, Harvard Business School Press, Boston
- Klidas, A., van den Berg, P.T. and Wilderom, C.P.M. (2007). Managing employee empowerment in luxury hotels in Europe. *International Journal of Service Industry Management*, Vol.18, No.1, pp.70-88.
- Leopold, J and Harris L. (2009), *The Strategic Managing of Human Resources*, Pearson Education, Harlow, England
- Melia, D. and Robinson, L. (2010). Towards performance measurement in hotels: An incremental approach In G. Gorham and Z. Mottiar (Eds.) *Contemporary Issues in Irish and Global Tourism and Hospitality*, Dublin: Dublin Institute of Technology
- O'Neill, M.J. (2007). *Measuring workplace performance*. New York, Taylor & Francis Group
- Ottensbacher, M., Shaw, V., and Lockwood, A. (2005). An investigation of the factors affecting innovation performance in chain and independent hotels. *Journal of Quality Assurance in Hospitality and Tourism*, Vol.6 No.3-4, pp.113-128.
- Rockart, J. (1979). Chief executives define their own data needs. *Harvard Business Review*, Vol. 57, No.2, pp.81-93.
- Sainaghi, R. (2011). RevPAR determinants of individual hotels: Evidences from Milan. *International Journal of Contemporary Hospitality Management*, Vol.23, No.3, pp.297-311.
- Sandoff, M. (2005). Customisation and standardisation in hotels – a paradox or not?, *International Journal of Contemporary Hospitality Management* Vol. 17, No.6, pp.529-535

- Stiffler, M.A. (2006). *Performance: Creating the Performance-Driven Organization*. New Jersey, John Wiley and Sons Inc.
- Sundbo, J. (1994). Modulization of service production and a thesis of convergence between service and manufacturing organizations. *Scandinavian Journal of Management*, Vol. 10. No 3, pp.245-266.
- Sundbo, J. (2002). The Service Economy: Standardisation or Customisation? *The Service Industries Journal*, Vol.22, No.4, pp.93-116.
- Surugiu, C., Sugiu, M-R., Frent, C., Dinca, A-I. (2012) Investments and turnover: Pool data analysis for the Romanian hotel and restaurant sector. *Tourismos: An International Multidisciplinary Journal of Tourism*, Vol.7, No.1, pp. 135-154
- Wadongo, B., Odhuno, E., Kambona, O. and Othuon, L. (2010). Key performance indicators in the Kenyan hospitality industry: a managerial perspective. *Benchmarking: An International Journal*, Vol.17, No.6, pp.858-875.

*SUBMITTED: JUN 2013*

*REVISION SUBMITTED: DEC 2013*

*ACCEPTED: FEB 2014*

*REFEREED ANONYMOUSLY*

**Edit Komlósi** (editkomlosi@gtk.uni-pannon.hu) is a Lecturer at the University of Pannonia, Department of Management, 10 Egyetem Str. Veszprém 8200, Hungary.

**Petra Gyurác-Németh** (nemeth@turizmus.uni-pannon.hu) is a Lecturer at the University of Pannonia, Department of Tourism, 10 Egyetem Str. Veszprém 8200, Hungary.