Sheffield Hallam University

A Sheffield Hallam University thesis

ProQuest Number: 10697409

ProQuest 10697409

Service Quality and Business Performance in Branded UK Budget Hotels

Emmanuel Tatenda Murasiranwa

A thesis submitted in partial fulfilment of the requirements of
Sheffield Hallam University
for the degree of Doctor of Philosophy.

August 2012

Abstract

The purpose of the research is to examine how and why hotel managers conceptualise service quality and business performance in the context of the under-researched UK branded budget hotels. The aim of the research is to explore the conceptualisation, implementation and measurement of service quality and business performance. Furthermore, the research focuses on the contextual constraints that affect the implementation of service quality and business performance operations. In doing so, the research takes a realist qualitative multiple case study methodology. Within that methodology, the research uses a multi-methods data collection strategy in the form of 20 semi-structured interviews with different budget hotel managerial levels, participant observation of operations and document analysis in a purposeful sample of five case study hotels.

The results reveal that the impact of quality and performance initiatives on enhancing continuous improvement is a function of middle managers' practical approach to service quality and performance operations and the existence of a high degree of alignment and consistency between senior managers' approach with that of middle and first-line managers. Essentially, the study reveals a gap between theory and organisational practice. The results indicate that although managers acknowledge the importance of service quality and performance monitoring, their efforts are impeded by flaws in implementation and contextual constraints. The results reveal the flaws as lack of policy on quality, non-implementation of action plans and a biased reward/incentive scheme. The contextual constraints are identified as competition, budgetary constraints, high team turnover and biased rewards. The contextual factors appear to force managers to ignore company policies on long term service quality and performance improvements in favour of short term profitability goals for which they are handsomely rewarded by the senior managers.

This reveals contradictions between what the company portrays to the outside world and real practice. The results suggest that service quality and performance initiatives are sacrificed on the altar of profits as senior managers appear to hope for quality but reward financial performance. The results also identify a significant gap in UK literature and a consequent paucity in knowledge regarding the use of service guarantees as a service quality strategy in budget hotels. The research findings present useful implications for both practitioners and researchers for better management of service quality and performance in order to ensure continuous improvement at both the individual and organisational levels.

It is concluded that budget hotel leaders should take responsibility for delivery on service quality and business performance. Similarly, academic researchers should dare not indulge in the luxury of engaging in endless theoretical discourses for their thematic focus should be resonantly on implementation.

Table of Contents

iv

vi

List of tables

List of Figures

ACKNOWLEDGEMENTS

This thesis could not have been completed successfully without the help and co-operation of a number of people who kindly agreed to share with me their knowledge and professional expertise.

First, I would like to thank Dr Kevin Nield and Professor Stephen Ball from the Sheffield Business School at Sheffield Hallam University, for their professional supervision and guidance in this thesis. Secondly, I would like to thank Dr Jenny Blain for her encouragement and advice on constructing the interview schedule and protocol that were used for this research and for arranging the piloting of the schedule by lecturers and peers.

Thirdly, I wish to thank all the case study hotel managers that chose to remain anonymous for taking part in the interviews and allowing access into their organisations for observation. Last but not least my special thanks go to my wife, Gabriella and our two siblings; Grace and Adriel for their patience, encouragement and tolerance during the execution of this research project.

CHAPTER ONE:

Introduction

1.1 Background to the Research

The rapid growth of the branded budget hotel industry in the UK is an issue of interest to hospitality managers and researchers as it has introduced intense competition while presenting guests with a greater choice (Kandampully and Butler, 2001, Mintel, 2009). Indeed, the number of budget hotel rooms increased more than tenfold from 10 555 rooms in 1993 to approximately 109 500 in 2010 (Hotstats, 2010). As a result, the budget hotel sector has become the most significant growth sector and a success story in the UK hotel industry in the last decade (TRI, 2010).

Moreover, the budget hotel sector has shown unusual resilience under recessionary conditions. TRI (2010) reports that while budget hotels' trading suffered a 9.1% revenue decline and a 5.9% drop in occupancy; room rates held up better with a 1.1% decline and new budget hotels are continuing to open. This reflects the long-term viability of the budget hotel sector in the UK. As the budget sector records exponential growth, competition in the overall hotel market intensifies as the branded budget hotels take on the mid market hotels and guesthouses.

Budget hotel managers, at the unit level, are therefore confronted with contradictory pressures and demands from the highly competitive environment and corporate leadership. The aggressive hotel business environment compels management to engage in quality and performance improvement initiatives. This is in order to deal effectively with antagonistic risks and threats by differentiating the service and building competitive advantages (Hasan and Kerr, 2003; Hudson, 2008). Thus, the terms 'service quality' and 'business performance' assumed important strategic meaning.

The competitive environment demands that focus on guest and delivery of value for money, not profits, should take centre stage in crucial management decisions (Conlon, 1996, Hudson, 2008; Kotler, Bowen & Makens, 2010); in order to serve the guest in the most effective way that benefits the guest directly (Parasuraman, Zeithaml & Berry, 1988). Whereas, the corporate leadership under pressure from shareholders, demands delivery on the profit front in order to maximise shareholder dividends. These conflicting demands could potentially have tremendous impacts on the way budget hotel managers perceive, implement and measure service quality and business performance.

The possible consequences of the conflict between the guests' value for money and the shareholders' dividend maximisation demand is that the conflict may be resolved in favour of the latter (Parasuraman, 2002). As the results of this research will show, managers are most likely to pursue short-term cost cutting decisions, which will keep them in favour with shareholders to the detriment of service quality and performance improvements. In that context, this research will explore the gap between hotel managers' conceptualisation of service quality and performance issues and what they do in practice.

Furthermore, the research will investigate the budget hotel managers' perceptions of having their hands tied and having to deal with contextual issues such as competition, budgetary constraints, staffing problems and high expectations of customers (Presbury, Fitzgerald & Chapman, 2005). For the purposes of this thesis, contextual factors are those factors that relate directly to the specific budget hotel environment in which the hotels exist. No research in the UK budget hotel context has attempted to explain, in budget hotel managers' terms, how they deal with such complexities.

The research provides highlights and explanations as to how budget hotel managers perceive these constructs, and the impact their perceptions and contextual constraints have on the strategies that they choose to implement in pursuit of those constructs. The concept of service quality has emerged as a major theme in service marketing research (Antony, Antony & Ghosh, 2004; Harrington & Akehurst, 1996, Hudson, 2008; Kotler et al., 2010; Parasuraman et al., 1988).

2

Service quality has been the subject of many conceptual and empirical studies in order to understand its impact on businesses (Harrington and Akehurst, 1996; Parasuraman, Zeithaml & Berry, 1985). Service quality derives from the broad field of marketing, which values the human interaction between a business and its customers (Antony, Antony et al., 2004; Hudson, 2008). It incorporates the concept of meeting and exceeding customer expectations. It is generally accepted that better service quality enhances an organisation's performance and competitive positioning (Harrington & Akehurst, 1996; Hudson, 2008; Kotler et al., 2010; Parasuraman et al., 1985; 1988; Zeithaml, Parasuraman & Berry, 1990).

The concept of business performance, on the other hand, derives from the broad field of strategic management. It is concerned with evaluating the efficiency and effectiveness of business actions to the attainment of organisational goals (Neely, 1998; 2006). The service marketing literature is full of articles suggesting a direct link between service quality and business performance (Buzzel & Gale, 1987; Jacobson & Aaker, 1987; Parasuraman et al., 1988; Zeithaml et al, 1990; Parasuraman, 2002). The link is believed to be either through offensive marketing by attracting new customers or defensive marketing by retaining the existing customer base (Soteriou & Zenios, 2000).

Buzzel & Gale (1987) have shown an unequivocal positive relationship between perceived quality and profitability in their USA study drawn from the Profit Impact of Marketing Strategies (PIMS) database. This led to an increase in popularity of quality improvement programmes and service quality becoming a strategic issue (Soteriou & Zenios, 2000). While a large number of empirical studies have sought to conceptualise and determine the underlying dimensions of service quality (Parasuraman et al., 1985; 1988; Zeithaml et al., 1990) and examining the implications of subscribing to quality assurance systems in the hotel industry, very few have focused specifically on the budget hotel industry in the UK.

This research is the first work within this area and makes significant contributions to knowledge. In order to address this current disparity in UK budget hotel literature and the consequent paucity in knowledge, the conceptualisation, implementation and measurement of service quality and business performance in five branded budget hotels are examined. In addition, a possible positive relationship between service quality and business performance will be investigated.

1.2 The Research Problem

The problem that will be addressed in this research is:

How and why do UK branded budget hotel middle managers conceptualise service quality and business performance?

1.2.1 Research Aims

The aims of the research are:

(i)   To explore budget hotel managers' service quality and business performance orientations.

(ii)   To find out what is being done in the real branded hotel world and discover activities in the organisations which could be regarded as part of their service quality and business performance implementation and measurement process.

(iii) To understand the context contingencies in the branded budget hotel organisations and discover critical issues in the implementation of service quality and performance.

1.2.2 Investigative Research Questions

The research questions arising from the research problem and aims are:

1) How do budget hotel managers conceptualise service quality and business performance and how do those conceptualisations compare to the relevant academic discourses?

2) How and why do budget hotel managers implement and measure service quality and business performance?

3) What contextual service quality and performance issues do budget hotel managers have to deal with and how do these affect management decisions on implementation and measurement?

4) How do budget hotel managers perceive the relationship between service quality and business performance?

1.3 Contribution to Knowledge

This thesis seeks to contribute to the emerging body of knowledge by addressing the aforementioned disparity in UK hotel literature and paucity in knowledge. The contribution to knowledge will revolve around the analysis and interpretation of a previously unexplored gap in knowledge in the UK budget hotel sector, which is under researched. The researcher has identified a gap in knowledge between what UK budget hotel managers conceptualise and what they do in practice. This essentially is a gap between theory and practice.

Such a synthesis appears not to have been done before in the specific context of UK budget hotels and hence will significantly add to knowledge. Furthermore, the study will adopt and apply a relatively new methodological approach, qualitative critical realism, in a field usually dominated by positivism as the default approach. UK hotel managers are often criticised for ignoring well researched measurement tools from the academia.

Despite such criticism having been raised, no research has attempted to explain, in hotel managers' terms, how they perceive the constructs under investigation and the impact their perceptions and constraints have on what strategies they choose to adopt in pursuit of those constructs. Thus, the research seeks to contribute to knowledge by providing insights on hotel managers' perceptions of service quality and business performance issues and how they deal with contextual problems encountered in pursuit of quality and enhanced performance.

Furthermore, it is expected that the case study approach, which will be adopted in this study will provide evidence as to whether the particular case study hotels display any unique idiosyncrasies that may lead to fundamentally different conclusions regarding the impact of service quality on business performance in the UK budget hotel sector.

1.4 Justification for the Research

The setting for the research is the UK budget hotel sector. The UK budget hotel industry is an appropriate candidate and relevant area of research because service quality and performance measurement issues have received little attention (Atkinson & Brander Brown, 2001, Zeglat, 2008). Olsen (1991) pointed out that there is a need to move away from sole dependency on the development of previous published work in other industries to the identification and analysis of observed and hypothesised relationships peculiar to the hospitality industry. Olsen's (1992) advice, though dated, is still relevant today in the context of budget hotels.

The research contributes towards that worthy cause by examining the way budget hotel managers conceptualise service quality and business performance since their perceptions may affect their managerial actions. Furthermore, a number of authors have expressed concern with the implementation and measurement of service quality and business performance in the UK hotel industry (Harrington & Akehurst, 1996; Johnston *et al.,* 1990; Neely, 1998). There is also considerable concern that despite the progress made in designing more effective service quality and performance measurement systems, UK hotels are still focusing more on traditional forms of measures (Atkinson & Brander Brown, 2001; Harris & Brander Brown, 1998).

The traditional measures are associated with fundamental weaknesses such as limitations in accuracy and neutrality; an emphasis on the short-term at the expense of strategic issues; little appreciation of the links and relationships between key areas and aspects of an organisation and an overall lack of balance (Atkinson & Brander Brown, 2001; Fitzgerald *et al,* 1991; Kaplan & Norton, 1992; Neely, 1998; Neely *et al.,* 1995).

Related to this concern, measures of service quality and business performance have generally been developed by researchers or consultants and then applied to hotel management (Neely, 2002). The fact that despite the measures, researchers have developed, UK hotel managers continue to rely heavily on financial measures in practice suggests that such measures may have curiously failed to consider how practising hotel managers conceptualise and perceive the service quality and performance measurement challenges (Clark, 1998; Murasiranwa, 2009; Neely, 2002). Further, Clark (1998) suggests that managers seem to apply their own versions of the service quality and performance paradigms by comparing their results to their expectations. Results that exceed expectations are more satisfying and perceived as better performance and lead to odd measures such 'we have had no complaints'.

As managerial perceptions drive decisions, understanding the measure-perception link for the diverse service quality and business performance measures would be helpful in explaining management behaviour. Thus the researcher proposes that asking and observing managers for their perceptions of service quality and performance is probably a better predictor of their behaviour than externally developed objective measurement systems.

Furthermore, if "what gets measured gets done" (Huckestein & Duboff, 1999; Kaplan & Norton, 1992) there is concern that by using inappropriate measures of service quality and performance, hotel managers may be ignoring issues which really matter to the serious detriment of their organisations (Atkinson & Brander Brown, 2001). Thus, the research attempts to understand why hotel managers behave that way.

The importance of the research for the hotel industry is that identifying managerial conceptualisation of service quality and performance will help researchers understand industry specific contextual issues that inform and influence management decisions. The study has the potential to identify grey areas in budget hotel management that require changes in order to improve the industry's ability to profitably and competitively satisfy its customers.

Moreover, there is a suggestion in the reviewed service quality literature that until in the mid 1990s strategy literature was not concerned with service quality; and conversely, service quality literature lacked that crucial dimension (Powell, 1995). Thus strategic management research and practice remain unclear and under examined while existing empirical studies lack rigour and theoretical support and thereby remain a key area for extension of the quality concept (Powell, 1995; Pruett & Thomas, 1996; Harrington & Akehurst, 2000). Industry commentators have therefore emphasised the importance of examining the managerial perceptions of the critical importance of quality to the organisation (Clark, Tynan & Money, 1994, Zairi *et al.*, 1994).

This approach is supported by Kerfoot & Knights (1995) and Hudson (2008) on the premise that the pursuit for quality in recent years can be viewed as a search for competitive advantage through differentiation strategies. The service quality literature further reports that writers have been reluctant and thus have failed to address the challenges associated with service quality implementation, particularly under harsh conditions of economic uncertainty (Wilkinson & Wilmott, 1995). Rust & Oliver (1994, p.13) in their study on the theory and practice of service quality management, concluded that:

> 'Managing service quality requires developing a better understanding of how service quality works and capitalising on fundamental underlying trends that create new areas of emphasis'

Similarly, Wilkinson & Wilmott (1995) noted that few studies addressed the actual meaning of service quality or reflect upon its practical implementation or social significance. In UK hotels, there is also a reported lack of concern for understanding the role and importance of middle level managers in the implementation of service quality (Harrington & Akehurst, 1996). There is a consensus in the literature that hotel unit managers have an important influence on the success or failure of service quality implementation (Olian & Rynes, 1991; Nebel & Schaffer, 1992; Harrington & Akehurst, 2000). Thus, the support of unit manager, as critical implementers of quality is paramount, particularly in today's highly competitive hotel environment (Clark *et al.*, 1994).

It is therefore, the intention of the researcher to address the aforementioned disparity in literature and the consequent gap in knowledge by examining managerial perceptions regarding the definition, implementation and measurement of service quality and performance ethos. The intention is to develop a deep and rich understanding and highlight a contextual hotel unit manager's perspective on the significance of service quality and performance to a hotel's competitiveness.

1.5 Research Methodology

The research will adopt a qualitative, field-based multiple case study research design across five case study budget hotels belonging to the same budget chain. Critical realism will be the preferred philosophical guide for the research reported in this thesis. In terms of research methods, the research will employ a mixed-methods approach, combining evidence from semi-structured interviews, documentary evidence and participant observation. A detailed discussion and justification of the adopted is provided in chapter 5 of the thesis. Thus, this section only serves to provide an overview of the research methodology that will be adopted.

1.6 Outline of the Thesis

The thesis will be organised into seven chapters as shown in Figure 1, (p. 10):

Chapter one, introduction, begins with an introduction to the background to the broad research problem, introduces the core research problem and aims of the research and progressively narrows this to the point of proposing specific investigative research questions to be answered in the research. The chapter presents the central research problem to be addressed by identifying the 'gap' in knowledge; the value of addressing the gap; the potential contribution to the emerging body of knowledge and a justification for the research. In brief, chapter 1 introduces the core research problem, 'sets the scene' and outlines the path which the reader will travel towards the thesis' conclusion.

Figure 1: Outline Structure of the Thesis

- Chapter 1: Introduction
- Chapter 2: The UK Budget Hotels
- Chapter 3: Service Quality Theory
- Chapter 4: Business Performance Theory
- Chapter 5: Research Methodology
- Chapter 6: Research Results and Discussio
- Chapter 7: Conclusions and Implications
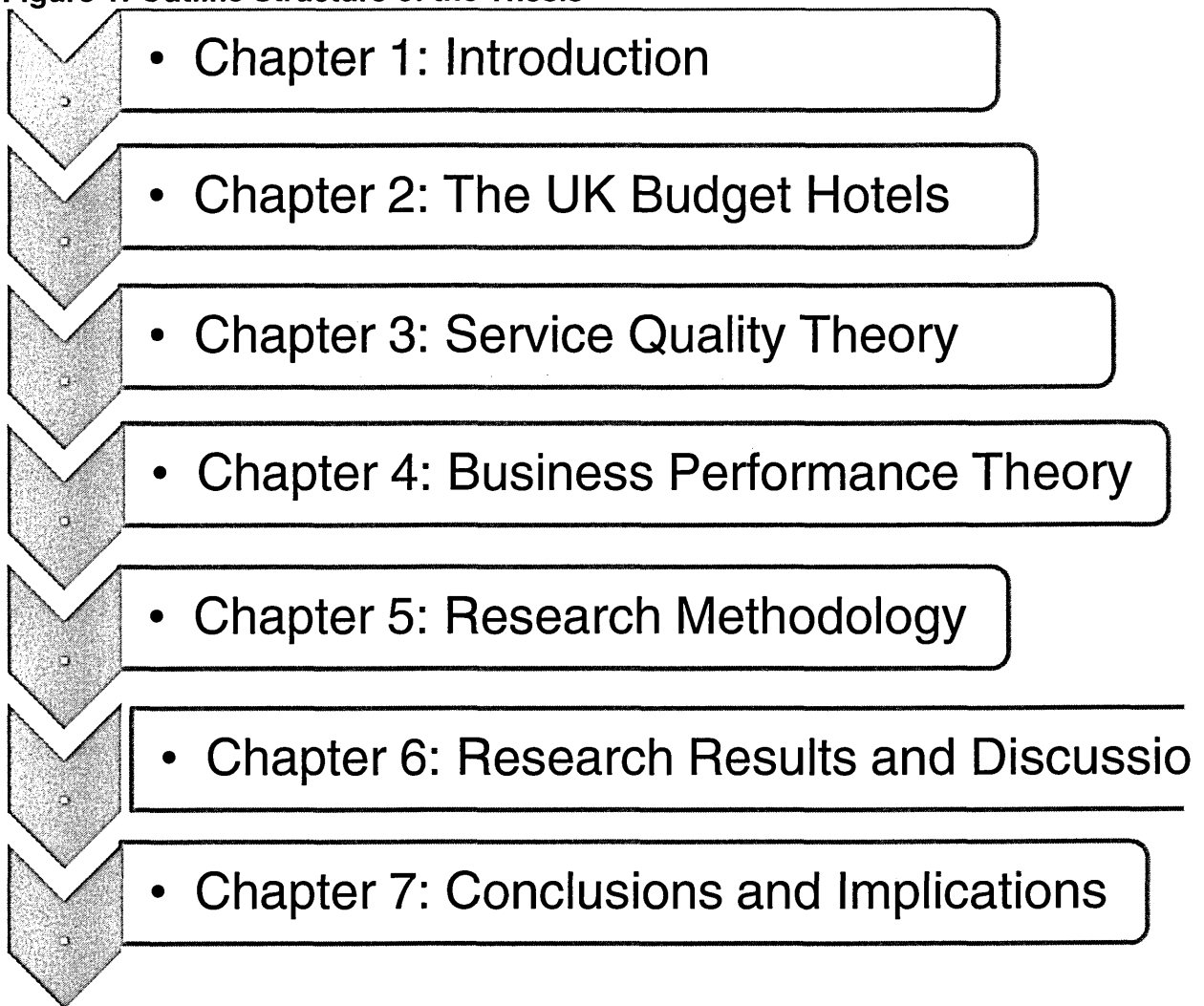
Chapter 2 will present the contextual and conceptual starting point for the research by providing a comprehensive review of the UK budget hotel literature that pertains to and support topics under investigation. The chapter will review the UK budget hotel sector in particular in terms of definition, supply, demand and performance. Furthermore, the chapter will provide characteristics of the branded budget hotel sector as well as new strategies and trends occurring in the branded budget hotel sector in the UK.

Chapter 3 will review the relevant existing service quality literature in order to provide a theoretical service quality foundation upon which the research will be based. The overarching aim is to describe the development of service quality and analyse how it is defined; service quality models and measurement dimensions. Thus the review will unravel keys issues that are relevant to the study that are worth researching because they are either controversial or have not been addressed by scholars.

10

The quality literature will be reviewed as follows: services marketing; definition of the service quality concept; models and dimensions of service quality; relationships with customer satisfaction, customer retention and employees.

Chapter 4 will review the business performance literature. It will explore the theoretical definition of business performance and its implications to the hospitality researcher. The section will illustrate the relationship between performance, strategy and stakeholder as key elements. This will be followed by discussion on the definition of performance measurement in order to highlight the major arguments in the literature.

Chapter 4 will also introduce the performance measurement dimensions and the concept of performance measurement systems in the generic literatures followed by a discussion of performance measurement systems in the hospitality context. The importance of performance management and measurement for decision making is well documented in the management accounting, but less so in the hospitality literature.

The chapter will make a case for the value of adopting performance measurement systems followed by a discussion of hospitality performance measures, both financial and non-financial. The chapter will then move to justify the focus on the Balanced Scorecard as a preferred framework for the branded budget hotel sector following successful implementation in the US hotel industry. The chapter concludes by illustrating the link between service quality and business performance including arising research issues.

Chapter 5 will provide a roadmap to the study by presenting detailed accounts and justification of the research methodology and research paradigm that will be adopted for the study. The chapter will then focus largely on the process of instrument development, research design and analysis. Data collection and analysis will take place as per the directives of the chapter. In a nutshell chapter 5 will address 'how' the research will be carried out.

Chapter 6 will present the results and discussion of the processes described in chapter 5 and their relevance to previous work in the field of research. The chapter will provide evidence against each investigative research question. It will demonstrate how the methodology will have been executed leading to a synthesis of preliminary conclusions.

Chapter 7 will provide conclusions by summarising findings obtained from chapter 6, drawing broad conclusions, implications to theory and practice and limitations for the research and making recommendations for future research. The chapter will conclude against each investigative research question, research problem and emerging themes.

1.7 Delimitations of scope

Theoretical and research boundaries limit values placed on constructs within a theoretical model. In an attempt to increase generalisability to theory, the external boundaries of the proposed theory are limited to the service quality and business performance phenomena within five case study hotels belonging to the same UK hotel organisation. The research boundaries of this particular study will be subject to explicit restrictions of space, time and finance.

Consequently, the more confining boundaries for the study will be: (i) hospitality services marketing, (ii) the UK branded hotel industry, (iii) UK geographic limits, (iv) middle management decision makers. In that context, the research will not seek to generalise the research findings to the population, rather generalisations will be made to the broader theories.

1.8 Chapter Summary

This chapter has laid the foundation for the thesis. It introduced the research problem and research questions. Then the research was justified, the thesis format was outlined and delimitations of scope were given. On these foundations, the thesis can proceed with a detailed description of the research. Chapter 2 will review the relevant budget hotel literature; thereby charting the body of knowledge; identifying gaps and providing the context of the study.

CHAPTER 2:

Branded Budget Hotels

2.1 Introduction

Chapter 1 identified and introduced the core research problem and gaps in knowledge. This chapter will explore the concept of budget hotels in the UK. The objective of the review is to provide a conceptual and contextual underpinning to the research. As explained in chapter 1, the contextual setting for this research is the budget hotel sector in the UK. To achieve this objective, the literature will be reviewed as follows:

Section 2.2 will provide a review of the debates surrounding the definition of the hotel concept followed by an analysis of the UK hotel industry in terms of classification, supply and demand in sections 2.3 and 2.4. Section 2.5 will explore in greater detail the contested definitional and characteristics of the budget hotel sector followed by an exploration of the growth of UK budget sector, supply and demand as well as the future of the UK budget hotel while section 2.6 will summarise the chapter.

2.2 Definition of the Hotel concept

The history of the hotel industry is a part of civilisations (Levy-Bonvin, 2003). The original concept of 'hotel' derives from the French term 'hôtel' (coming from hôte meaning host), which originally referred to a French version of a townhouse or any other building receiving frequent visitors rather than a place offering accommodation (BPP, 2010). Modern definitions of hotels have deviated from the original concept. Below are a few attempts at defining the concept.

In that context, BPP regards a hotel as an establishment that provides accommodation on a short-term basis. Hotels often provide a number of additional guest services such as restaurant, swimming pool, childcare e.t.c.

Whereas Kasavana & Brooks (1998:5) broadly define a hotel as:

> *"...an establishment whose primary business is providing lodging facilities for the general public and which furnishes one or more of the following services: food and beverage service, housekeeping service, concierge, bell and door attendant service (uniformed service), laundry and dry cleaning and use of furniture and fixtures"*

While Dittmer (2002:205) suggests that a hotel could be defined as:

> "An establishment that charges fees for providing furnished sleeping accommodation to persons who are temporarily away from home or who consider these accommodations their temporary or permanent home".

The UK Standard Industrial Classification (SIC) (2007) defines a hotel as the provision of accommodation, typically on a daily or weekly basis, principally for short stays by visitors. Services include daily cleaning and bed-making. However, the SIC (2007) definition excludes the provision of homes and furnished or unfurnished flats for more permanent use, typically on a monthly or annual basis (British Hospitality Association (BHA), 2010: 21).

The common thread across all the above definitions seem to suggest that a hotel is a paid for accommodation service that is available to the general public on a temporary basis. Implicitly the hotel offer includes the provision of other services such as bar, restaurant and leisure facilities. Thus, suggesting that accommodation service should be the primary economic activity with an underlying profit-making motive. However, the main weakness of the definitions is lack of preciseness in terms of the length of time that is considered 'temporary'.

2.3 Hotels and Classification

The hotel industry lacks uniformity. Hotels vary considerably in terms of size, quality of facilities, target market, ownership and service provision (People 1st, 2010; Stutts, 2001).

This variability in the hotel industry complicates the process of choosing hotels for customers and differentiation of hotel types for owners, investors and managers. This complication gave impetus to attempts to categorise hotels into similar groups in order to create some advantages for both guests and the hotel industry as a whole (Gee, 1994). Most countries have a grading system for accommodation which generally follows a 5-star grading scheme developed by the American Automobile Association (AAA), with one being the lowest and five being the highest (Callan & Lefebve, 1997; Stutts, 2001). Gee (1994), explains that hotel grading systems are designed to fulfil a number of different needs for both hotel operators and guests. BPP (2010) synthesised five of the most important of Gee's (1994) needs as:

a) Standardisation: the need to establish and control a system of uniform service and product quality that helps to create an orderly travel market distribution system for both buyers and sellers. This could be used to compare service and quality among hotels.

b) Marketing: to advise travellers on the range of hotels available within a destination as a means of promoting the destination and encouraging healthy competition in the market place

c) Consumer protection: to ensure that hotels meet minimum standards of accommodation, facilities and services within classification and grade definitions.

d) Revenue generation: to provide revenue from licensing, the sale of guidebooks etc.

e) Control: to provide a system for monitoring, evaluating and controlling the performance of the industry on the quality front.

In essence, the argument for hotel grading is that it serves as an initial indicator to potential guests and intermediaries of the levels of service quality and comfort to expect in a hotel (Mintel, 2004). The relatively low level of hotel chain penetration in Europe renders hotel classification even more important.

Mintel (2004) estimates that 67% of room capacity in USA is branded compared to 25% in Europe. In the USA, hotel classification has grown in importance due to a rise of hotel room distribution via third-party internet discounters such as Priceline.com and Hotwire which source clients on the basis of generic hotel category (Mintel, 2004). Given that context, Mintel (2004) argues that USA grading criteria are relevant as a benchmark for comparison with European standards for the important high spending incoming North American guests.

While the grading of hotels, given their variability, was deemed necessary, assigning a hotel to a particular category is fraught with complications as each hotel can potentially be allocated to several alternative classifications (Kasavana & Brooks, 1998; Stutts 2001). This is evidenced by the lack of a universally accepted classification system and the existence, side-by-side of numerous national classification systems in relatively small geographical areas with varied cultures, climates and lifestyles (Mintel, 2004).

This scenario, according to Callan & Lefebve (1997) causes confusion among guests having to distinguish between varieties of classification symbols. Thus, the multiplicity of grading systems and their voluntary nature make it difficult to guarantee equivalences in facilities and services among hotels falling under one classification grade (Callan & Lefebve, 1997). This is further compounded by grading systems demanding only a minimum level of compliance in order for a hotel to be included in one of the classification categories (Mintel, 2004).

Besides the lack of uniformity in standards, Callan & Lefebve (1997) and Mintel (2004) question whether the grading criteria measure the features which guests appear to value most such as employee attitude, speed of check-in and check-out or enhanced security particularly desired by the increasing number of lone female travellers. Mintel (2004) further suggests that current classification standards are largely based on physical attributes of hotels such as number of restaurants or size of guestroom, which are objectively verifiable whereas intangible, service-oriented attributes are subjective and more difficult to evaluate fairly.

Thus, hotel classification standards appear to be taken for granted by both guests and the industry (Mintel, 2004). This point raises a very useful question for the research reported in this thesis: should practitioners look at objective or subjective issues in service quality and business performance in practice? The research will explore how budget hotel managers respond to this challenge in practice. There is an implied sense that hotel classifications are focused on the easily verifiable objective measures whilst ignoring the critical subjective perceptions from the service users. This view point finds support from Callan & Lefebve (1997) whose findings in the lodge classification study imply that classification systems had minimal influence over the purchase decision of their sample.

Callan & Lefebve attributed this to lack of awareness of the significance of the Automobile Association and English Tourism Board Moon classification symbols by respondents. Furthermore, Mintel (2004) argues that given the importance of hotel classification as a marketing strategy, it has received very limited attention. This is indicative of a gap in hotel grading on a matter that could arguably boost, significantly, the overall competitiveness of the hotel industry especially as concerns cross-border comparison of standards in the globalised world (Callan & Lefebve, 1997; Mintel, 2004). In brief this section looked at the classification of hotels and the underlying reasons for the effort as an attempt at providing some uniformity of the quality of service provided by each category of hotel types. Thus, it can be argued that quality is central to the classification.

2.4 The UK Hotel Industry

The definition of the UK Hotel Industry presents a problem due to lack of a universally accepted definition of a hotel as a result of the heterogeneous nature of the industry BHA, 2010). Hotels vary considerably in terms of size, from a few beds to hundreds, while most are small. The industry comprises large branded operators (the largest being budget hotel groups; Premier Inn and Travelodge), smaller branded hotels, independent hotels and a large number of independent bed and breakfast or guest house accommodation (People 1st, 2010).

Imrie and Fyall (2001) provide a categorisation of the UK hotels into five segments:

a) Independently owned and operated hotels

b) Small company owned and operated hotels

c) Corporately owned and operated branded hotels

d) Franchised hotels operating highly branded hotels in medium and upscale markets

e) Hotels participating in consortia.

While Imrie & Fyall's (2001) categorisation provides some clarity to the structure, however, the authors fail to capture the international ownership pattern at play in the Industry. Despite that failure, Imrie & Fyall's classification provides a useful basis for differentiating hotels based on ownership structure. This research will focus on the corporately owned and operated branded category, focusing specifically on the budget sector. In the UK, similar to other hotel industries in the world, a number of organisations provide rating systems for the hotel industry. These include:

- AA-Automobile Association
- RAC – Royal Automobile Club and
- VisitBritain – National and regional tourist boards.

Despite the existence of the rating systems, there is no uniformity in their grading and operation in the UK. For instance, hotel grading in the Britain is entirely voluntary and is not backed up by any specific law beyond generic standard statutory obligations regarding safety, disability discrimination, data protection and licensing. In contrast, Northern Ireland Tourist Board and the Bord Failte (Irish Tourist Board) schemes are statutory (Mintel, 2004). Having realised the confusion among guests the AA, RAC and VisitBritain agreed to set common standards for classifying hotels and guest accommodation in 1999. As a result, hotels are awarded a star rating and other types of accommodation are rated in terms of diamonds (Callan & Lefebve, 1997; Mintel, 2004). The AA and RAC ratings extend to Scotland, Northern Ireland, the Republic of Ireland and Wales (Mintel, 2004).

However, the Wales Tourist Board; Visit Scotland, the Northern Ireland Tourist Board and Irish Tourist Board all have their own standards (Mintel, 2004). The reason being that the Scottish and Welsh Tourist Boards could not agree on a common scheme with VisitBritain, RAC and AA because the former wished to use the star rating not only for hotels, but for campsites, museums, Bed and Breakfast etc (Mintel, 2004).

2.4.1 The Supply Side of the UK Hotel Industry

A thorough understanding of the forces of supply and demand in the competitive hotel industry is paramount if operators are to gain competitive advantages (Phillips, 1997; Zeglat, 2008). This can be achieved by using different published indicators and statistics to measure the demand and supply sides of the industry. Phillips (1997) posits that the supply side can be measured by specific indicators such as unit numbers and room inventory available in the market.

Phillips suggests that the demand side can be evaluated by indicators such as revenues, room rates, occupancy levels (percentages) and room nights sold. However, determining the exact number of hotels operating in the UK is fraught with difficulties due to the voluntary nature of hotel registration and classification (Mintel, 2004; Phillips, 1997; Zeglat, 2008). Although registration is not compulsory, several market research publications provide rough estimates based on Value Added Tax (VAT) registration data. Given that context, this study will be pragmatic in adopting estimates published by the Keynote and Mintel market research companies. Table 1(p. 20) shows estimates of the number of VAT registered hotel companies operating in the UK between 1990 and 2007.

Table 1 displays a declining pattern in the number of hotel establishments operating in the UK from 1990 to 2007, the steepest decrease occurring between 1990 and 2000. The decrease in hotel businesses is attributed to over 6000 hotel businesses leaving the hotel market due to national and international forces (Zeglat, 2008).

The reason given to explain the forces include the foot-and-mouth disease outbreak in 2001; the downturn in international travel; stiff competitive hotel environment, the September 11th 2001 World Trade Centre events and the 1990 to 1991 first Gulf War (Keynote, 2007; Zeglat, 2008). The combined effect of these events was a 38% fall in companies interested in hotel operations (Keynote, 2007). This trend demonstrates the challenging volatile nature of the hotel industry.

Table 1: Number of VAT-Based Enterprises Engaged in UK Hotel Operations

Year	Number of Hotels
1990	14410
1995	12005
1997	10 937
1999	10 425
2001	9850
2002	9215
2003	9535
2004	9030
2005	9110
2006	8925
2007	8810
Source: Keynote, Hotels (2007, p.15)	

Meanwhile, Mintel (2010) offers another perspective of the supply side by listing the top 15 hotel operating companies in the UK by number of rooms, number of hotels and average room size (Table 2, p. 21). An analysis of Table 2 indicates that budget hotel operator, Premier Inn, tops the list both in terms of number of rooms and number of hotels. It is also worth noting that the top two companies by number of hotels (Premier Inn and Travelodge) both operate in the branded budget sector. Furthermore, there are a significant number of brands with budget hotel elements in the top operating companies. Examples include InterContinental's Express by Holiday Inn; Accor's Ibis and Formulae 1; Wyndham Worldwide's Days Inn.

Table 2: Top 15 Hotel Operating Companies in the UK, by number of rooms, number of hotels & average rooms

	No. of rooms in UK	No. of Hotels in UK	Hotel Brands	Average rooms
Whitbread Hotel Company	40,000+	577	Premier Inn	69
InterContinental Hotels Group	34,955	248	InterContinental (1), Crowne Plaza* (20), Holiday Inn* (120), Express by Holiday Inn* (105), Staybridge Suites (1), Hotel Indigo (1)	141
Travelodge	26,000+	372	Travelodge	70
Accor Hotels	19,996	138	Sofitel* (3), Novotel (31), Mercure (31), Ibis (51), Etap (17), Formule 1 (5)	145
Hilton Hotels Corporation (HHC)	16,566	78	Doubletree* (5), Garden Inn* (1), Hilton* (70), Hampton by Hilton (1), Waldorf Astoria (1)	212
Best Western	15,305	285	Best Western	54
Wyndham Worldwide	12,274	122	Wyndham Grand (1), Ramada* (65), Ramada Encore* (16), Days Hotel* (12), Days Inn* (28)	101
Marriott Hotels	12,015	58	JW Marriott (1), Renaissance (4), Marriott (51), Courtyard (1), Grand Residences (1)	207
Carlson Hotels Worldwide	9,718	50	Radisson Blu* (was SAS) (15), Park Plaza* (9), Park Inn* (26)	194
The Rezidor Hotel Group	7,759	42	Radisson Blu** (was SAS) (15), Park Inn** (26) Hotel Missoni (1)	185
De Vere	7,745	64	De Vere Hotels (12), Village (22), Venues (30),	121
Thistle Hotels	7,428	37	Guoman (4), Thistle (33)	201
Britannia Hotels	7,147	35		204
Jurys Inns	5,828	23	Jurys Inns	253
Ramada Jarvis Hotels	4,800	42	Ramada** (42)	114
* some or all franchised to another operator and may be included in other company listings ** franchised hotels As at 31 August 2009 SOURCE: British Hospitality Association/Mintel (2010)				

Table 2 clearly indicates a very strong presence of budget hotels on the supply side of the UK hotel industry. This is indicative of the importance of the UK budget hotel sector. In essence this demonstrates the viability and significance of the budget hotel sector in the UK, which is the focus of this research. The British Hospitality Association (2005) also provides important information on the distribution of the hotels by number of hotels and room across the four nations that comprise the UK (see Table 3, p. 22).

Table 3: Number of Hotels and Rooms by Location in the UK

Location	Number of Hotels	Number of Rooms
England	12 520	337 203
Scotland	1 269	41 557
Wales	689	14 690
Northern Ireland	131	6 075
Total	14 609	439 525
Source: BHA, 2005, p.15		

Table 3 indicates that around 86% of the hotels are concentrated in England. This could be attributed to the popularity of England as a prime destination for business and leisure. The location of the popular Capital London in England also accounts for her strong performance in terms of both hotel and room numbers (BHA, 2005; Mintel, 2010; Zeglat, 2008).

2.4.2 The Demand Side of the UK Hotel Industry

As a whole, the hotel industry is reported to be a growth business with Britain experiencing more patronage by domestic guest than ever before (TRI, 2007). This is based on British Hotel Guest Survey carried out by BDRC between 1994 and 2006, which reveal that the number of business guests has grown from 2.7 million adults, generating a demand of 38 million room nights per year, to 3.8 million people, creating an annual demand of 57 million room nights. Demand from leisure guest over the same period is reported to have more than doubled, growing from 7.6 million guests to 15.3 million, representing an increase in demand from 25 million room nights to 54 million room nights (TRI, 2007).

The UK hotel demand market is divided into two geographical groups; London and the Regions (include England, Scotland and Wales) (Mintel, 2010). London, as the Capital represents an international destination and gateway for international visitors. According to Mintel (2010), London has higher demand of the overall UK hotel industry as shown in Table 4 (p. 23) for full service hotels.

Table 4: Full Service Hotel Performance Indicators for UK, London, Scotland and Wales, Mintel, 2010

	United Kingdom	London	England	Scotland	Wales
Occupancy rate (%)	69.10	79.30	65.30	72.10	71.10
Average room rate (£)	75.10	122.70	62.66	69.91	66.02
Room RevPAR (£)	51.88	97.32	40.92	50.44	46.94

[Source: Mintel 2010]

Indeed, an analysis of Table 4 indicates London's dominance over the regions in the full service hotel sector. The average room rate of £122.70 is almost double that of England (£62.66), Scotland (£69.91) and Wales (£66.02) while the revenue per available room (RevPAR) of £97.32 is more than twice that of England (£40.92) and Wales (£46.94) and almost twice that of Scotland (£50.44). The Branded Budget hotel sector's performance indicators are, however, much closer between London and the regions, given the inherent limitations on price compared to the full service sector. However, even in this segment London is ahead of the regions in all three measures (Mintel, 2010; see Table 5 below).

Table 5: Budget Hotel Performance Indicators for UK, London, England, Scotland & Wales, Mintel 2010

	United Kingdom	London	England	Scotland	Wales
Occupancy rate (%)	67.8	78.50	71.50	72.10	64.60
Average room rate (£)	50.75	60.63	48.99	52.12	45.75
Room RevPAR (£)	34.40	47.61	35.03	37.56	29.56

Source: Mintel, 2010

As London outperforms the regions in budget and full service hotel segments, its importance to the UK hotel industry cannot be overemphasised (Mintel, 2010). Table 6 (p. 24) shows the total UK Hotel demand market by revenue between 2005 and 2009.

Table 6: UK Hotel Demand Market by Revenue

Year	Revenues £m	Index
2005	10 900	95
2006	11 200	97
2007	11 407	99
2008	11 768	102
2009	10 968	95
2010 (est.)	11 516	100
[Source: Mintel, 2010]		

Table 6 shows a positive growth trend in revenue as the industry recovered from the negative effects of the 9/11 in 2001, foot and mouth outbreak and the 2005 London bombings (Mintel, 2006, 2010) up to a peak in 2008, when the credit crunch crisis started. Revenue grew 8% in the period 2005-08 before the impact of the recession caused a 7% fall from 2009's level as average room rate and RevPAR fell (Mintel, 2010). However, a drop in occupancy was prevented by an increase in domestic tourism and more European travelers visiting the UK, growth in both markets being driven by search for budget options (Mintel, 2010).

The above trend negatively affected average room rates and RevPAR, resulting in a significant fall in revenue. Thus, the UK demand side has shown strong resilience over the decade in the face of multifaceted negative impacts from '9/11', foot and mouth outbreak, the London bombings in 2005 and the Credit Crunch crisis in 2008. This is indicative of the existence of a vibrant and resilient demand for UK hotels. As the UK moves out of recession, Mintel (2010) predicts a recovery in demand.

In summary this section has analysed the hotel demand side. It has emerged that London as the capital outperforms all the other regions. The analysis has revealed that the demand for hotel services was predominantly by business guests who generated a demand of 57 million room nights. However, the UK experienced a sharp rise in demand from leisure guest from 25 million room nights to 54 million room nights. These trends are indicative of the existence of a strong demand for hotel services in the UK.

2.5 Branded Budget Hotels

2.5.1 Definition

Defining branded budget hotels is perhaps the first and most important step in developing a sound understanding of their operations. However, defining the concept of branded budget hotels is fraught with definitional difficulties (Roper & Carmouche, 1989). A review of the budget hotel literature revealed a lack of definitional consensus among academics and practitioners (Jones, 2002). This lack of an established definition causes confusion as to what criteria to apply in classifying a hotel as budget thereby making it difficult to fit them into existing categories (Fiorentino, 1995).

Furthermore, the budget concept is fraught with arguments as to whether it represents a new innovative concept or is just a repackaging of low cost accommodation (Jones, 2002). Thus, there are two perspectives from which one could view the budget hotel concept. The first view, premised on the earlier development of budget hotels in the USA, suggests that the UK budget hotel concept lacks originality and therefore it is not particularly an innovative concept (Jones, 2002). Rather, it could be viewed as a borrowed concept that created a new product by repackaging low cost accommodation by stripping out many features of the traditional full service hotel in such a way as to be defined as a hotel.

On the other hand, the second and opposing view, interprets the rapid exponential growth of budget hotels and their high occupancy rates as evidence of the creation of a new market (Fiorentino, 1995; Jones, 2002). This view is based on the suggestion that a significant segment of the budget hotel guests have never used other forms of low cost accommodation. Thus, from this perspective, it is suggested, budget hotels can claim originality and innovativeness as both a new product and a new market have been created. Indeed, Fiorentino (1995) in support of the second view argues that the budget hotel product represents a new significant value for money concept that relies on specific key factors i.e. *'branded product concept, value for money and consistency'* which are reshaping both the demand and supply sides of the UK hotel industry.

25

Consequently, these two competing views on the nature of budget hotels do not reach the same conclusions and result in several competing definitions of the budget hotel concept. Thus rendering the possibility of a single fully comprehensive definition for the budget hotel concept elusive (Fiorentino, 1995). The main definitions from various authors are discussed next.

Quest (1983) defined budget hotels as a new generation of mainly small hotels offering limited facilities and a no-frills price. However, the author failed to define what constitutes a small hotel. Murasiranwa's (2009) preliminary research findings contradict Quest's notion of small as most branded budget hotels are not that small. The number of rooms ranged from 60 to 240 rooms. Lee (1984) defined the budget hotel concept as the fastest growing segment of the industry offering clean, simple rooms and a restaurant or coffee shop onsite or nearby. Again, this definition has been overtaken by events as some branded budget hotels are effectively offering business guests' facilities such as work desks in the rooms and conference facilities. This, therefore, means the rooms can no longer be described as simple.

Bale (in Lee, 1984) suggests that a budget motel is a *'rooms-only operation, with room rates 25 to 50 percent lower than those on mid-range hotels and offering 150 rooms or fewer'*. The common key features of the above definitions are lower tariffs, no-frills and location characteristics. The no-frills service characteristic appear to suggest a reductionist approach to facilities and services which calls into question the appropriateness of the term 'hotel' when describing what is left (Jones, 2002). Indeed, the conventional hotel classification schemes struggled to embrace the budget hotel concept due to the level of product/ service offering. The AA and RAC, in recognition of the importance of budget hotels, have altered their classification schemes in order to embrace the budget hotel concept (Jones, 2002). In a similar fashion to Bale, Gilbert & Lockwood (1990, p.21) define a budget hotel as:

> *"a limited service lodging establishment offering the benefit of good value for money in standardised modern accommodation: quality is as good as three or four star hotels and rates are 25 to 30% cheaper."*

However, the notion of 25 to 30% cheaper rates present difficulties with premium budget hotels that do not discount their rates. Meanwhile, Roper & Carmouche (1989, p. 25) criticise the use of the term 'budget hotel' as a 'catch-all' misnomer term and define a budget hotel as:

> "A variety of accommodation types offering rooms at proportionately lower tariff rates than the industry norms and whose facilities and services often differ both in extent and type from those defined as common to traditional full service hotels"

Senior & Morphew (1990) proffered their definition as accommodation units that have been developed for short stay travellers on low budgets. While Justus (1991) define the concept as budget lodging facilities that keep prices down by offering just the basics without the costly amenities such as food and beverages, meeting room facilities, fitness centres and recreational areas.

Fiorentino (1995, p.461) in search of a single comprehensive definition, synthesises the previous definitions and concludes that a budget hotel is best defined as:

> "...a brand new purpose-designed product concept in the hospitality industry which relies heavily on three factors: branded product concept, value for money and consistency"

Implicit in this definition are the notions of service quality and business performance as the drivers of success for a budget hotel. Imrie & Fyall (2001) partly concur with Fiorentino in their reference to a budget hotel as a place providing lodging to guests with a good value for money by charging low affordable room rates and transparent prices via fixed room rates. However, adoption of dynamic pricing systems is defying this move. More recently Hinton (2008, p.47) appears to reject the notion of 'no-frills' by defining a budget hotel as:

> "A hotel operation that offers nightly room rental with added services beyond a continental breakfast, a meeting room and perhaps a limited exercise facility'

Meanwhile, the British Hospitality Association concurs with Hinton and Fiorentino as it defines a budget hotel as a strongly branded offer with generally compact rooms, a small food and beverage operation and limited facilities and service (People 1st, 2010, p. 4). Mintel (2009) uses a broader definition in an attempt to capture and reflect the diverse nature of the concept. Mintel defines budget hotels as:

"...purpose-built, branded accommodation units with a minimum of 50 rooms and standard low prices. Individual units are often known as lodges, inns or – less commonly now – motels. Originally located close to motorways and busy roads, budget hotels have also become more common in city-centre locations"

From the above definitions, one can deduce the fact that attempts to define the budget hotel concept have developed and evolved chronologically over time in two phases (Fiorentino, 1995; Zeglat, 2008). The first lasting until the late 1980s and sought to define budget hotels according to low price strategy, low cost structure and no-frills services (Bale, 1984; Quest, 1983; Lee, 1984). The second and modern phase definitions maintained the low cost-price strategy but rejected the no-frills notion and adopted a non-price based competitive strategy offering more services but still maintaining an attractive value for money appeal (Fiorentino, 1995; Imrie & Fayall, 2001; Hinton, 2008; People 1st, 2010).

The second phase also incorporates the concept of branding and service consistency, signifying the adoption of service quality as a competitive strategy. The above synthesis of definition for the budget hotel concept has demonstrated the diverse views held by different authors to such an extent that there is no prospect of agreement in the offing at least for now. Given the preceding discussion on the development of definitions over time the key lesson drawn by the researcher is that the budget hotel concept is indeed a shifting concept. Consequently, given the fact that hotels operate in competitive environments, the idea of a universally accepted definition for branded budget hotels may be intuitively appealing, but is practically impossible. As Roper & Carmouche (1989) stressed, budget hotels should never be viewed as homogeneous since there is substantial and significant segmentation within the sector.

28

This fact brings into question the feasibility of Fiorentino's (1995) quest for a universal definition. That quest may remain an elusive search for a long time. Perhaps Roper & Carmouche's (1989) suggestion, though quite old, of classifying the different budget hotel segments into lower, middle and upper budget levels is what we may still have to content with for now. Based on the above analysis the researcher believes that due to intense competition in the budget sector and the search for differentiation advantages, the search for universality in definition should be abandoned. Instead what is needed is a broad less prescriptive general definition that can be tailored to specific contextual situations.

2.5.2 Characteristics of Budget Hotels

With the search for a single universal definition for the budget hotel concept proving too elusive, authors resort to defining the concept by characteristics. However, even from this angle, there is still no universally accepted set of characteristics in the reviewed budget hotel literature. This section will briefly explore the different proposals from various authors.

Lee (1984) summarised the main features of budget hotels into five generic characteristics as follows:
- Low construction and operating costs
- Simple design
- Mainly, main road location with a few exceptions in town and airports
- Live-in managers and desk clerks
- Small in size ranging from 50 to 150 rooms.

Senior and Morphew (1990), the main proponents of generic characteristics, proffer their own set of characteristics. These include:
- Low tariff structure
- Minimum range of facilities
- Limited services
- Strategic location near main road networks
- Modern design and construction
- Room charges 50% lower than three star hotels.

- Employ a minimum number of staff
- Mostly located alongside major highways.
- Lower levels of investment than full service hotels.

Fiorentino (1995), from a strategic point of view, proposes two levels of characteristics. The first level defines the key characteristics available in budget hotel businesses and comprises of:

- A branded product concept which stands apart from other inexpensive accommodations.
- Offering value for money.
- Consistency in services and products.

While the second level reinforces and improves the key characteristics and includes:

- Standardisation of service.
- Accessible locations (e.g. main roads, airports, busy city centres)
- Nearby facilities like restaurants, pubs, etc.
- Centralised reservation systems offering easy advance booking services.
- Customer involvement in the service encounter.

Zeglat (2008) suggests that Fiorentino's second level serve to improve budget hotels' brand name or visibility, increase its value for the money offers to the customer and offers a consistent service. Indeed, the second level provides a useful starting point for the research as it provides evidence that budget hotels are engaging in service quality and performance activities as differentiating strategies. Thus, suggesting that budget hotel managers are considering the subjective customer measures as potential differentiation avenues.

Jones (2002), following a review of budget hotel definitions proffered by UK's three major classification systems (AA, RAC and ETB) deduced the main features that are pertinent to the budget sector as:

- Lower tariffs than the local norm.

- Two/three star standard of accommodation.
- Limited facilities and services.
- Aimed at the transient market.
- Located on major road networks or in secondary urban locations (retail parks).
- Catering is usually provided by an adjacent food operation.
- Purpose-built in terms of location and design.
- Standardised operational procedures and charges nationwide.
- Branded network of hotels.
- Good quality and value for money bedrooms.

While Mintel (2009) posits that budget hotels;

> '...typically have a standardised appearance and offer no-frills facilities, with basic, yet modern, rooms and usually offer en-suite facilities. In addition, the hotels tend not to have built-in restaurants. They typically charge on a per-room, not per-person basis, with breakfast (usually) not included in the room rate."

However, in contrast to Mintel's definition recent developments show that budget hotels are incorporating built-in restaurants. The above reviewed characterisations of the budget hotel concept have some inherent weaknesses from a strategic point of view. The first main limitation of the characteristics proffered so far is the authors' fixation on the product (Fiorentino, 1995) whilst ignoring the more important customer perspective.

This product-oriented perspective analyses the budget hotel from the provider's view point, and the main concern was the development cost (Fiorentino, 1995). Secondly, the authors adopt a purely descriptive approach to the budget concept emphasising the opportunities for the provider, but fail to provide empirical validation for their characteristics from both the provider and customer's view point (Fiorentino, 1995; Zeglat, 2008).

In order to address this lack of empirical validation, Brotherton (2004), tested the validity of the characteristics by combining operational and strategic factors from the provider's perspective at the unit level in contrast to the brand or corporate level. The findings revealed seven critical characteristics for budget hotels as shown in Figure 2 (p. 32).

31

Figure 2: Critical Characteristics of Budget Hotels
[Source: Brotherton, 2004]

Core Product Provision of Smoking & Non-Smoking Rooms Design/Look of Guest Bedrooms Size of Guest Bedrooms Guest Bedroom Comfort Level	**Location** Convenient Locations* Geographic Coverage of The Hotel Network

Critical Success Factor Dimensions

Consistency Consistent Accommodation Standards* Consistent Service Standards*	**Pricing** Value For Money Accommodation* Low Guest Bedroom Process

Customer Service Recognition of Returning Guests Operational Flexibility/Responsiveness Speed of Guest Service Efficiency of Guest Service* Choice of Room Type Guest Security* Added-value Facilities	**Hygiene and Quality** Hygiene & Cleanliness* Staff Training* Quality Standards*	**Strategic Control** Central Sales/Reservation System* Standardised Hotel Design Size of Hotel Network Disciplined Operational Controls Quality Audits

Although Brotherton's (2004) findings (Figure 2) in the main confirm views expressed in the reviewed budget hotel literature, the validation is biased towards the supply side as, to date, there is no validation from a critical stakeholder perspective, the customers. The review of the characteristics of budget hotels proposed as generic in order to get around the difficulties of defining budget hotels reveals yet another glaring debate on what constitutes generic characteristics. This could be arguably interpreted as confirmation of the difficulties presented by the budget hotel concept. Thus, branded budget hotels emerge as a complex and difficult to characterise hotel concept.

Gilbert and Lockwood (1990) concur as they point out that budget hotels hardly fit into present hotel classification systems by the RAC, AA and the English Tourist Board (now VisitBritain). Indeed, Callan and Roger (1997); Gilbert and Lockwood (1990) and Jones (2002) illustrate how the AA, RAC and ETB had to extend their hotel classification and quality grading schemes to include a new lodge category.

The use of the term 'lodge' by the classification systems is at variance with the term 'budget' used by academics. This does not auger well for the sector as it sends mixed messages to the customer and serves to confuse the market. This introduces another dimension of the debate which has not been captured in the literature; classification systems versus academic terminology. On the other hand, Roper & Carmouche (1989) report a rejection of the term 'budget' by industrialists (especially US competitors) as '*they feel the term has connotations of cheap and inferior quality provision, designed solely for customers with limited means*'. Instead, the industrialists preferred the adjectives '*limited service'* and *'economy'*.

That is the extent of the debate which appears set to continue. However, what is not debatable is the fact that budget hotels have changed the shape of the UK hotel industry.

Proposed Working Definition for Branded Budget Hotels.

For the purposes of this research, the researcher proposes the following working definition for branded budget hotels, adapted from Mintel (2009) and Fiorentino's (1995) two-levels of characteristics for budget hotels:

"Branded budget hotels are purpose-built and branded en-suite accommodation units with standardised appearances that typically offer a dynamic pricing strategy where charges are per-room, not per person with breakfast excluded from the room rate. Budget hotels can be located virtually anywhere including motorways, busy roads, airports, business parks and city centre locations. Branded budget hotels have the discretion to either offer no-frills facilities or have in-built or adjacent restaurant and bar facilities. In terms of target customers, branded budget hotels can target both business and leisure guest"

In essence, the proposed working definition considers five key elements of budget hotels namely accommodation, pricing strategy, location, services and target customers. The researcher considers this definition to be broad enough to allow hotel operators to define their contextual situation.

2.5.3 Growth of the UK Branded Budget Hotel Sector

The concept of budget hotels was initially developed in the USA and France (Callan & Lefebve, 1997) and was introduced in the UK in 1985 by Forte Hotels as they opened their first Travelodge (Jones, 2002). The concept was introduced to fill a gap in the market by offering accommodation with minimum facilities at more attractive rates than full-service hotels (Callan & Lefebve, 1997).

The introduction of Travelodge in 1985 fuelled the growth of the budget sector which proved to be a resilient sector during the economic recession and the Gulf War at the turn of the decade as it flourished whilst other sectors suffered (Jones, 2002, Mintel 2009). Owing to the increase in business and short term domestic travellers plus increasing operational costs, the budget hotel concept has been adopted quickly in the UK (Gilbert & Lockwood, 1990). Furthermore, hotel owners in the UK responded to forces of demand as business and leisure travellers needed accommodation on a limited budget (Harris, 2001). By the end of 1990, 150 budget hotels with 6 000 rooms were added to the UK market (Senior & Morphew, 1990).

By the turn of the decade, Whitbread and Compass emerged as market leaders with Travel Inn and Travelodge respectively (Jones, 2002). Since then the budget sector has continued to grow exponentially to the present day (Deloite & Touche, 2000; Mintel, 2009) prompting Brotherton (2004, p.944) to view the sector's growth as one of the greatest success stories in UK. Sangster, Editor of Hotel Analyst, concisely comments that the budget hotel sector has been the most dynamic segment of the UK hotel industry. Hotstats (2010) reports that branded budget hotels have more than doubled in the past decade, illustrating the exponential growth of the sector. Furthermore, the report reveals that the sector grew more than tenfold between 1993 and 2009 as illustrated in Table 7 (p. 35).

Table 7 reveals that in terms of rooms, the budget market grew from 10 555 rooms to 109 528 in 2009, representing a phenomenal steady growth throughout the period as more brands came into the sector. Table 8 (p. 35) shows the growth in terms of the number of hotels between 2005 and 2009.

Table 7: Branded Budget Hotel Growth by number of rooms

Year	Rooms supply
1993	10,555
1994	12,858
1995	15,813
1996	19,697
1997	24,614
1998	32,567
1999	40,328
2000	47,077
2001	52,453
2002	57,022
2003	63,043
2004	74,883
2005	77,481
2006	85,706
2007	93,191
2008	102,065
2009	109,528

Table 8: Budget Hotel Growth by room supply, number of Hotels & Average room size

2005-2009 Year	Rooms supply	Number of hotels	Average number of rooms
2005	77,481	1,076	72
2006	85,706	1,167	73
2007	93,191	1,235	76
2008	102,065	1,306	78
2009	109,528	1,383	79

Between 2005 and 2009, the budget sector added more than 300 hotels, with the average room size also moving up, an indication in part of the number of global brands joining the sector, bringing with them experience of economies of scale and a heritage of operating in larger markets than the UK. The domestic brands also penetrated more metropolitan locations by building larger properties (Hotstats, 2010). Hotstats (2010) reports that the budget sector has enjoyed continued growth even during recession periods buoyed by stringent pricing policies and limited discounting. Achieved average room rates at budget hotels remain stable throughout the year and is rarely subject to significant declines.

During the initial months of the recession, many UK companies focused on reducing the cost of travel rather than travel itself, helping to maintain the budget hotel rate performance. However, Mintel (2009) cautions that this does not mean budget hotels are immune from the negative effects of recession. In terms of contribution to the entire UK hotel industry, Mintel (2009) reveals that the budget hotel sector accounted for 10.3% of the total hotel UK market value in 2008 compared to 9.5% in 2007. While Mintel (2007) reveals that the sector accounted for 13.6% of overall UK market capacity. These statistics indicate that despite the negative impacts of recession, the budget hotel sector continues to grow in importance in terms of its contribution to the UK economy.

2.5.4 Existing Supply of Branded Budget Hotels in the UK

In the preceding sections, we have seen that despite the negative impact of the recession budget hotels have grown in importance in terms of both market value and market capacity. Since its introduction into the UK, the budget hotel concept has registered remarkable exponential growth in terms of the number of rooms and hotel numbers. In this section, we will explore the supply side of the sector.

Figure 3 (p. 37) graphically illustrates the growth in supply by the number of rooms from 1993 up to 2009. The growth in supply of the branded budget hotels has been acknowledged as one of the largest, most dynamic and fastest growths within the UK hospitality industry (Brotherton, 2004; Fiorentino, 1995; Hotstats, 2010; Jones, 2002; Mintel, 2009). The graph shows that the supply of rooms increased more than tenfold between 1993 (10 555 rooms) and 2009 (110 667). By March 2009, an estimated 1 344 hotels made up the UK branded hotel market offering 104 180 rooms.
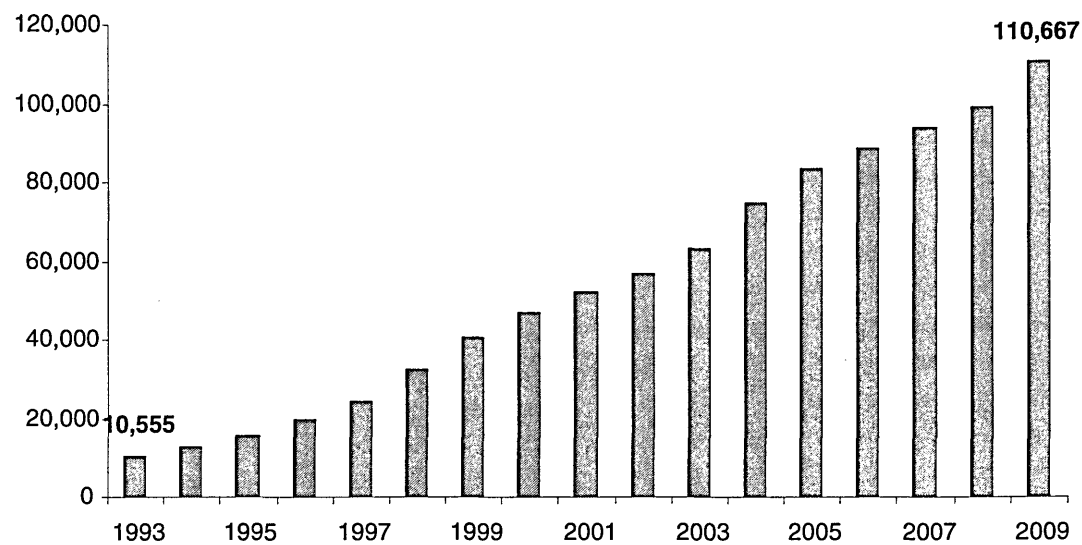
[Source: Mintel, 2009]

Table 9 (p. 38) shows the UK Branded Budget Hotel sector by the number of hotel units and rooms available. An analysis of Table 9 reveals the dominance of the budget sector by two large chains, Whitbread and Travelodge which between them control 67.9% of the market in terms of the number of hotels (Mintel, 2009). The third brand, Express by Holiday Inn, only controls 7.6% of the market after reducing its number of rooms by 17 in 2008 (Mintel, 2009). Thus, just three chains operate 100-plus sites while the remaining 24.5% of the market is split between multiple operators.

This dominance by Premier Inn and Travelodge is set to continue as both brands have ambitious expansion plans. Mintel (2009), reports that Premier Inn was set to open 2000 rooms in the full year 2009/10. While Travelodge had set up a £100million fund for the purchase of hotels in the latter half of 2009. Furthermore, by August 2009 Travelodge had acquired six hotels in addition to 12 new builds and office conversions (Mintel, 2009).

Table 9: UK Budget Hotel Market share Structure by number of hotels and rooms

Budget hotel brand	Hotels 2008	Hotels 2009	Change 2008-09	Rooms 2008	Rooms 2009	Change 2008-09
Premier Inn	517	**552**	+35	35,864	**38,766**	+2,902
Travelodge	324	**361**	+37	21,961	**25,487**	+3,526
Express by Holiday Inn	119	**102**	-17	12,482	**11,672**	-810
Innkeeper's Lodge	89	**90**	+1	2,698	**2,706**	+8
ibis	49	**51**	+2	6,688	**6,993**	+305
Days Inn	25	**25**	-	1,406	**1,384**	-22
Jurys Inn	17	**19**	+2	4,538	**5,013**	+475
Campanile	18	**19**	+1	1,501	**1,592**	+91
Etap	8	**16**	+8	1,186	**2,126**	+940
Comfort Inn	17	**15**	-2	963	**794**	-169
Comfort Hotel	12	**13**	+1	737	**773**	+36
Ramada Encore	6	**12**	+6	719	**1,431**	+712
Days Hotel	9	**11**	+2	1,211	**1,485**	+274
Wether-spoon Lodge	11	**11**	-	314	**314**	-
Purple Hotel*	11	**10**	-1	975	**872**	-103
Stop Inn*	5	**6**	+1	331	**434**	+103
Formule 1	5	**5**	-	401	**401**	-
EasyHotel	3	**4**	+1	192	**278**	+86
Future Inns	2	**3**	+1	330	**480**	+150
Metro Inns	5	**3**	-2	345	**205**	-140
Hotel Bannatyne	1	**3**	+2	50	**136**	+86
Welcome Break Group	2	**2**	-	184	**184**	-
Big Sleep	2	**2**	-	143	**141**	-2
Restover	na	**2**	na	na	**140**	na
Yotel	2	**2**	-	78	**78**	-
Nitenite	1	**1**	-	104	**104**	-
Base2Stay	na	**1**	na	na	**67**	na
Dolby	1	**1**	-	63	**63**	-
Lodgeonthepark	1	**1**	-	36	**36**	-
City Room	1	**1**	-	27	**25**	-2

[Source: Mintel, 2009]

It is important to note that Table 9 above may be misleading in the sense that the list does not reflect the changes that have occurred in the last decade, whereby different hotels have been classified into different categories (Zeglat, 2008). A survey undertaken by Deloite & Touche (2003) revealed that hotel owners in the budget sector categorised their properties into three segments; upper-tier, mid-tier and the lower-tier. The upper-tier segment consists of budget hotels offering more services and facilities than the budget norm, Express by Holiday Inn being one such example.

38

The mid-tier, on the other hand, offer some limited services and facilities but less than the upper-tier. The market leaders Premier Inn and Travelodge fall into this mid-tier category. The third lower-tier comprises those hotels offering only basic services, for example, Formula 1 (Deloite & Touche, 2003). This research is investigating the mid-tier category. The classification into tiers is helpful to the research in that it helps the researcher to work around the lack of homogeneity.

The report by Deloite & Touche offer credence to Roper & Carmouche's (1989) assertion that the budget hotel sector could not be considered a homogeneous group due to its segmented nature. However, it is not evident what features to distinguish the upper-tier budget hotel from three star hotel provisions. That is perhaps a clear manifestation of a lack of uniformity in definition and characteristics previously discussed.

2.5.5 The UK Budget Hotel Demand

It is generally accepted that the budget hotel has two main target markets through which to maximise its profit potential; business and leisure guests (Jones, 2002) with the former being the core market. Further, many business travellers use budget hotels – *'up to 50% of budget hotel business'* (Page and Connell 2006, p.216), due to the standard features offered by these hotels; en-suite facilities, telephone, television and their locations. Deloite & Touche (2004) provide backup statistics, which indicate that business travellers constituted 59% of budget hotel business compare to 31% for leisure with the remainder split between corporate agreement, conference and others.

Indeed, budget hotel usage by both segments has registered significantly growth between 1994 and 2006 as the budget hotel sector successfully appealed to the public imagination and in the process drawn in swathes of customers new to hotel staying (TRI, 2007). Johnson & Clifton (in Jones, 1996, p. 62) attribute the rapid growth in budget hotels to a shift in consumer demand from B & B and small hotels to new 'low-cost', high-quality accommodation. Thus suggesting that growth in budget hotels is driven by demand for the sector and higher quality.

This trend manifests itself in the steadily increasing numbers of guests staying in budget hotels every year. BDRC data released in 2007 indicate that branded hotel staying has clearly established as a mass-market activity. Jones (2002) explains the mass-market nature by suggesting that due to its lack of public areas a budget hotel has no formal dress codes and is therefore considered to have 'classless' appeal, which enable a wide variety of potential customers to be targeted. Figures from BDRC indicate that budget hotel usage by business travellers increased from 0.38million in 1994 to 1.5 million in 2006, which equates to 4 in every 10 business travellers having stayed in budget hotels. The growth in the leisure was more emphatic; increasing from 0.75 million in 1994 to 5.1million in 2006.

These statistics appear to indicate dominance of the budget hotel revenue structure by the rapidly growing leisure traveller segment, thereby challenging the notion that business guests form the core market target for budget hotels (Deloite & Touche, 2004; Jones, 2002; Page & Connell, 2006). Indeed, Allen (2008) reports that the market leader, Premier Inn, confirmed that 55% of its revenue came from leisure travellers compared to 45% from business travellers. Mintel (2009) attributes the growth in domestic leisure travel use of budget hotels to the impact of the credit crunch which has seen many UK guests abandoning expensive overseas travel in favour of domestic travel. While the growth in business traveller use of budget hotels is explained by trading down by the sector as companies reduced their travel expense budgets.

On the other hand, TRI (2007) identified the reasons for strong consumer demand for budget hotels as:

- **Distribution**; the mere increase in budget rooms builds strong consumer awareness of the sector and its leading brands, which in turn creates expectations of availability.
- **Simplicity of the core brand proposition**; reflecting low cost, consistency and value for money away from home accommodation.
- **Focused product offering**; which is relevant to consumers' needs and delivered in a contemporary and non-intimidating surrounding.

- **Online distribution**; budget hotels are leading the way in the hotel for online reservations.

Demand can also be viewed from a revenue perspective as illustrated in figure 4

Figure 4: UK Budget Hotels Annual Rooms Revenue

Source: Mintel. 2009
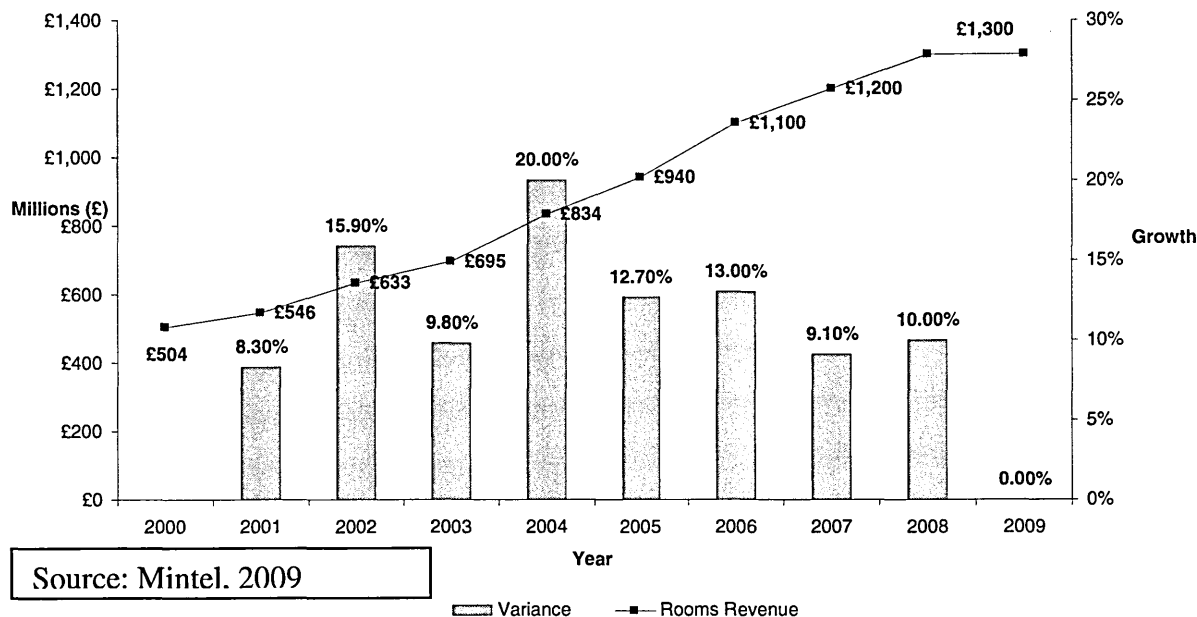
Figure 4 shows that the branded budget hotel market continues to grow, breaking the £1billion barrier in 2006, representing a 100% improvement since 2000. Budget hotel revenue levels have since stayed above that barrier to reach its highest level to date in 2008. This is explained by the fact that despite the recession setting in, in 2008, 900 000 more room nights were sold than in 2007 buoyed by strong expansion, firm growth in domestic tourism and increased trade-down by business users (Mintel, 2010; 2009; 2007).

Mintel (2009) forecasts the revenue levels to reach the £ 1. 5billion mark by 2014, indicating a strong demand for budget hotels as the sector continues as the fastest-growing segment of the hotel industry. Table 10 (p. 42) shows the trend in the other demand indicators; occupancy, average room rate and revenue per available room (RevPAR).

41

Table 10: Key UK Budget Hotel Market Statistics 2004-08

	2004	2005	2006	2007	2008	% change 2004-08
Occupancy rate (%)	71.8	71.2	72.6	72.1	70.5	-1.8
Average room rate (£)	65	69.3	74.2	78.1	78.9	21.4
Room RevPAR (£)	46.6	49.4	53.9	56.3	55.7	19.5

[Source: Mintel, 2009]

The key hotel market statistics displayed in Table 10 indicate a general fall in occupancy whereas average room rates and RevPAR registered strong growth. Interpreted in another way the trends mean that although occupancy has fallen to pre-2008 levels, the rapid expansion of the budget sector and the highest average room rate since 2004 kept the RevPAR higher than at any point except for 2007 (Mintel, 2009). The fall in room occupancy in 2008 is attributed to increases in running costs, rising global oil prices and the drop in visitors to UK.

Based on the discussion presented in the preceding sections on supply and demand, it can be concluded that the budget hotel sector appears to have been better placed to withstand the effects of recession. This has been achieved through a multi-faceted approach comprising an aggressive expansion ambition which saw the sector growing tenfold from 1993 to 2009. This growth appears to have been buoyed by a resilient and equally rapidly increasing demand for budget hotels by both business and leisure travellers. The growing demand has been explained in terms of the business clientele trading-down to affordable budget hotels as budgets were tightened. While, the rising leisure demands, may be explained by locals opting for domestic travel instead of overseas travel due to the recession.

2.5.6 The Future of UK Budget Hotel Sector

Jones (2002) once suggested that it could be argued that the economic recession of the early 1990s could not have come at a better time for budget hotels; as they were better placed to capitalise on expenditure cutback trends by both business and leisure customers.

Today, we are faced with a similar situation where budget hotels appear to have fared better than full service hotels under recessionary conditions. The same conclusion is therefore, pertinent to the future of budget hotels. The main difference between the early 1990s and now is in terms of budget hotel room numbers; competitive forces at play. Mintel (2009) indicates that the industry has grown more than tenfold. The sheer number of room currently available brings about competitive challenges and pressures that require strategic transformation to ensure success (Senior & Morphew, 1990; Fiorentino, 1995; Zeglat, 2008).

Senior & Morphew (1990) posited that long-term success for budget hotels cannot be achieved by competing on price and product augmentation. The authors suggest a market-oriented service quality differentiation strategy as the key for the future success. The authors strongly advocate for a targeted marketing approach in contrast to the mass-market approach. However, surveys carried out in the UK appear to challenge Fiorentino's assertion on price (Mintel, 2009). The findings show that the top determining factor for travellers when choosing a hotel is price.

Similarly, BDRC, in its assessment of attributes to determine the perception and positioning of different brands, reveal the recurring characteristics of the budget hotels from the customer point of view as; good value for the price paid, hotels readily available where you travel and provision of a basic standard of accommodation (Mintel, 2007). Although these results do not indicate that price outweighs other considerations, it certainly plays a major part in the purchase decision.

Some budget hotels have adopted a differentiation approach by developing a strong brand name which is differentiated from competitors by a service satisfaction guarantee (McCaskey & Symes, 2004). The guarantee serves as a promise to the guest, that should they not get a good night guarantee they will have 100% of their money back. The authors claim that the importance of the purpose of the guarantee is to reduce the risk element involved in purchasing intangible services.

Similarly, Fiorentino (1995) suggests multifaceted approaches such as mergers, acquisition, joint ventures and strategic alliances as a measure to cushion operators in a highly competitive hotel environment. The author believes that although budget hotels are a good example of the proactive attitude illustrative of the application of strategic process, new strategies are needed in order to react effectively.

Moreover, the major threat to UK markets is that of reaching an excess of capacity with consequent problems of keeping high-occupancy levels (Fiorentino, 1995). At this point, it is imperative to look at some of the current weaknesses and strengths prevailing in the internal budget hotel market as well as the opportunities and threats in the external environment. Mintel, (2009) identifies some of the strengths of the UK budget hotels as commercial trade-down, return to roads, innovation driven by competition, key consumer demographic future and a boom in domestic tourism.

a) **Commercial trade-down**: Figures indicate that although the overall number of businesses has fallen, the budget sector has benefited from businesses looking to them as affordable alternatives during the tough economic recession period. To stress the point the Travelodge Chief Executive (Mintel, 2009) claims that FTSE 100 companies are switching from the five and four stars as firms realised that there is no need to spend a fortune.

b) **Return to roads:** Dropping fuel prices since 2008 coupled with reduced spending power, have made it economical for travelers to drive which in turn benefits the roadside segment of budget hotel market.

c) **Competition drives innovation:** As competition in the budget hotel sector intensifies, Mintel (2009) predicts that it will drive companies to be innovative in order to make savings through modular builds and self-check-in and technological advancements such as the Travelodge iBooker application for greater convenience and ease of use.

d) **Key consumer demographic future:** Demographic social classes ABs and C1s are forecasted to undergo the fastest growth of any socio-economic group in the 2009-14 periods. This is seen as good news for budget hotels, with over eight in ten ABs and just under eight in ten C1s having stayed in a budget hotel at some point, making these consumers the most likely to have done so.

e) **UK tourism holds up in market share terms:** According to Mintel (2009), media reports of a 2009 domestic boom were proving wide off the mark; it was the overseas holidays that suffered during the 2008. Mintel estimated that overseas holidays will drop by 4.8% in volume terms from 2008 to 2009, meaning that domestic tourism will make up 48% of the overall market – its highest level since 2004.

In terms of weaknesses, the following were identified (Mintel, 2009):

a) **Fall in inbound visitors:** 2008 saw the first fall in inbound visitor numbers in seven years. Although spending held up over the full year, the biggest fall in volume came in the last quarter of 2008. The decrease continued into the first quarter of 2009.

b) **One-night barrier:** There is a real reluctance by many to consider budget hotels for longer stays; Mintel's exclusive consumer research shows that only just over one in ten consider them good for a multiple night stay. Between three and four times as many consumers agree that they are OK if it's just for one night, or that they tend to use them just for one night for a specific occasion.

c) **Lack of differentiation:** As with other budget sectors, price is the main driver in the market, with Mintel's brand analysis revealing that customers are most likely to search simply for the best deal at any given point – operators suffer from low levels of differentiation by consumers. As for favourite brands, it really depends, which has the best deal using search engines.

d) Recessionary impact: Despite some mitigating factors (trading down, domestic tourism not doing as badly as overseas trips) the sector is not immune from the wider economic malaise. For the 13 weeks to 28 May 2009, market leader Premier Inn saw like-for-like sales fall 7.9%, while RevPAR fell by 9.6%.

e) Leisure reluctance: Consumers continue to regard budget hotels as a bad choice for holidays, being unwilling to consider the provision of simply 'a place to sleep' enough when they are on these breaks – a factor that constrains operators' chances of taking advantage of holiday makers looking for cheaper ways to take a break.

2.6 Chapter Summary

The reviewed literature has demonstrated a common thread across concepts of hospitality, hotel and budget hotels. The common thread being that they are contested areas. Indeed, there are several writers on the concepts all proffering varying perceptions leading to a lack of definitional consensus on all fronts. While academic debates are healthy, lack of consensus may be the first major limitation to the current study due to lack of clarity as to what constitutes a hotel or budget hotel.

However, given the competitive nature of the budget hotel sector, it may be futile to search for a generic definition given that competition compels hotels to differentiate substantially in search for competitive advantages. Debates also border around whether or not the budget hotel concept is an innovative new concept or a mere repackaging of low cost accommodation in such a way as to be defined as a hotel (Jones, 2002). The review has demonstrated the vibrancy and resilience of the UK hotel industry.

Despite being subjected to negative impacts of two recession periods, two Gulf wars, the '9/11' terrorist attacks, the foot and mouth outbreak, the 2005 London bombings; the industry has defied the odds and continued to recover and register remarkable growth levels.

In the budget sector, the review indicates very rapid and dynamic growth rates, increasing tenfold between 1993 and 2009 in terms of rooms. The budget sector has managed to expand during periods of trouble buoyed by commercial trade-down and an upsurge in domestic tourism as UK customers abandoned overseas travel.

Market share statistics for budget hotels revealed dominance of the budget hotel sector by three major chains, which are setting the growth pace; Premier Inn, Travelodge and Express by Holiday Inn. Reviewed authors agree that the budget sector cannot be viewed as homogeneous. This issue has not been addressed by the classification systems in the UK. Perhaps more importantly, the literature review has revealed a lack of understanding on the branded budget hotel concept, which is indicative of an apparent gap in knowledge that needs addressing. The limited number of authors cited in this review, most of them over ten years old, bears testimony to a serious deficiency of published papers in such a vibrant and dynamic sector by any stretch of the imagination.

In that context, the researcher wishes to make significant contributions to the under-researched service quality and business performance areas in a context that has registered phenomenal growth rates. Service quality and business performance issues in the specific context of branded budget hotels have not been addressed in the reviewed literature. The only exception being Zeglat (2008); however, Zeglat approached his research from a positivistic angle, yet this researcher will adopt a critical realist approach. That gap will therefore, be the focus of the research. For that reason, the next two chapters will address the review of the literature on service quality and business performance respectively.

CHAPTER 3:

Service Quality

3.1 Introduction

Chapter 2 set the conceptual and contextual underpinning for the research as that of UK branded budget hotels. More specifically the setting for the research is that of the mid tier branded budget hotel. In that context, chapter 2 provided a working definition for branded budget hotels that will guide the rest of the research. Thus, providing the research boundaries. Perhaps more importantly chapter 2 established the fact that the quality of the service provision is critical as a differentiating strategy in the highly competitive UK branded budget hotel sector. This chapter (3) seeks to build on that discovery by exploring and reviewing the relevant service quality literature. The aim of the review is to provide a service quality theoretical foundation upon which the research will be based. Service quality is one of the two key constructs being investigated in the research.

The overarching objective of the review is to trace and describe the development of service quality and analyse how it is defined; its models and measurement dimensions. Thus, the review will unravel key issues that are relevant to the research problem that are worth researching. The literature will be reviewed as follows: services marketing; definition of the service quality concept; models and dimensions of service quality; relationships with guest satisfaction, guest retention and employees. Services marketing provides the broad field to the service quality component of the research problem.

3.2 Services Marketing

The marketing of services has been the focus of scholars and practitioners due to the realisation that traditional marketing concepts were inadequate and needed to be expanded in order to address issues that arise in the service sector (Presbury et al, 2005).

Services' marketing has grown to be a fundamental sector for many economies with up to two-thirds of the United Kingdom and United States of America's workforce employed in service industries (Hart, Doherty & Ellis-Chadwick, 2000; Kotler, Bowen & Makens, 2010). Along with the growth in services, an appreciation for the ways in which services differ from products has developed, which render the traditional ways of marketing tangible products less effective in services marketing (Reid & Bojanic, 2006). Thus before exploring the concept of service quality a clear understanding of the differences between services and products is important.

The concept of service has been defined in different ways (Edvardsson, Gustafsson & Roos, 2005). Most of the definitions appear to focus on the customer, and on the basis that services provide solutions to customer problems (Gronroos, 2000).

Kotler (1997: 467) defines a service as:

> 'Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product'

While Gronroos (2007, p.52) stresses the process nature of services. He proposes the following definition:

> "...a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employee and / or physical resources or goods and /or systems of the service provider, which are provided as solutions to customer problems"

Thus, the three core dimensions in Gronroos' (2007) definition are: 1) activity; 2) interactions, and 3) solutions to customer problems. Edvardsson et al., (2005) emphasise that Gronroos' (2007) second interaction dimension, is the main differentiator between services and physical products as the other two may also apply to physical products. While Gummesson (1995) uses the term 'value' instead of Gronroos' 'solutions to customer problems'.

In that context Gustafsson & Johnson (2003) suggest that the role of the service organisation is to:

> "...create a seamless system of linked activities that solve customer problems or provide unique experiences" (p. 29).

This view appears to stress the customer perspective as it includes a system of linked activities, which support the customer in solving problems. Other scholars emphasise that services are deeds, processes and performances, and that they are not physical objects with embedded qualities in the product features (Lovelock, 1991; Zeithaml & Bitner, 2003). Vargo & Lusch (2004, p. 2) provide a different approach to defining the service concept and define service as:

> "...the application of specialised competences (knowledge and skills) through deeds, processes and performances for the benefit of another entity or itself."

The authors argue that their definition is more inclusive as it captures the fundamental function of all business enterprises (Edvardsson et al., 2005). Definitions of the service concept are important in that they help in developing an understanding of how the phenomenon under study, service quality, is conceptualised and perceived. In that context, through synthesis of the definitions, we may conclude that service quality is linked to processes of more or less intangible activities, interactions, experiences that have capabilities to offer solutions to guest problems. While the definitions assist us in understanding the conceptualisation of the service concept, however, they have inherent weaknesses in that the terms used in defining the concept are open to different interpretations as demonstrated above.

Furthermore, it is not clear what scholars mean by activities, deeds, processes, performance, interactions, experiences and solutions to customer problems (Edvardsson, 2005). Therefore, the concept of service is still a fluid and contested phenomenon without a clear point of departure. Thus, while the definitions are convenient catch-all definitions, they do not help us understand the consumption and operationalisation of hotel services in a meaningful way.

Kotler et al (2010: 35) identified four major characteristics that differentiate services from products, as illustrated in Figure 5 below. Each of these characteristics has implications for the hotel service marketers and ultimately, the hotel organisation (Zeithaml & Bitner 2003) as illustrated in Table 11(p. 52). In short this means hotel managers do not control the quality of the product when the product is a service. Thus, the quality of the service is in a precarious state because it is in the hands of the service workers who 'produce' and deliver it. (Karl Albrecht, see Kotler et al, 2010).

Figure 5: Service Characteristics

Intangibility	Inseparability
Services cannot be seen, tasted, felt, heard, or smelled before purchase	Services cannot be separated from their providers
Services	
Variability	Perishability
Quality of services depends on who provides them and when, where, and how	Services cannot be stored for later sale or use
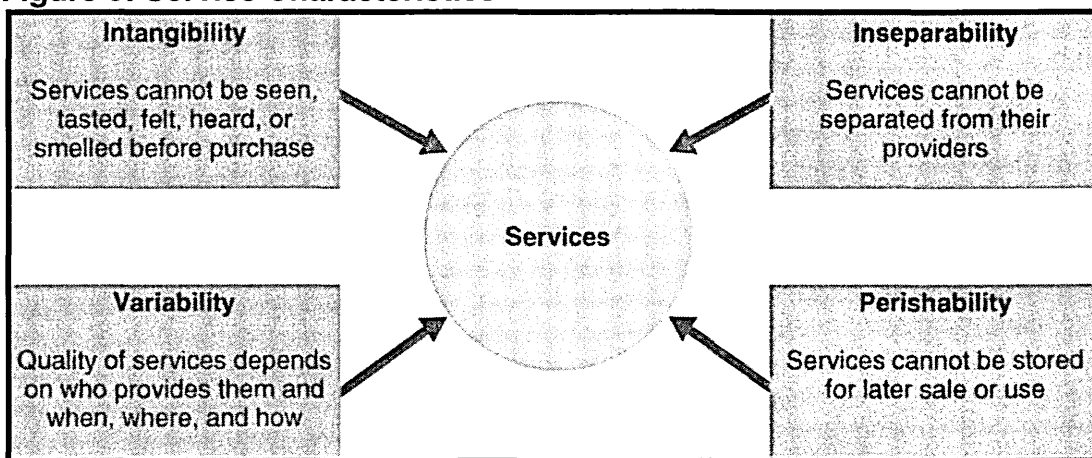
Source: adapted from Kotler et al, (2010:35)

This characteristic is seen by both scholars and practitioners in the field of service marketing as the key feature of services, which makes services sufficiently different from products as to warrant their own discipline within the field of marketing. Further, the hotel industry is unique in that it comprises three often interdependent technologies associated with the provision of food, drink and accommodation, a precise mix that reflects the nature and demand of a specific market requirement (Coyle & Dale, 1993). The authors assert that hotel operations' management is as much concerned with the social nature of the environment as it is with physical resources.

Table 11: Resulting Implications of Service Characteristics

Characteristic	Resulting implications
Intangibility	•Services cannot be inventoried • Services cannot be patented • Services cannot be readily displayed or communicated • Pricing is difficult
Variability (heterogeneity)	• Service delivery and customer Satisfaction depend on employee actions • Service quality depends on many uncontrollable factors • There is no sure knowledge that the service delivered matches what was planned and promoted.
Inseparability (Simultaneous Consumption)	• Customers participate in and affect the production and transaction • Customers affect each other • Employees affect the service outcome • Decentralization may be essential • Mass production is difficult •Difficult to standardise output and gain economies of scale in the same ways firms producing goods can
Perishability	• It is difficult to synchronise supply and demand with services • Services cannot be returned or resold.
[Source: **Adapted and edited from Zeithaml and Bitner (1996:19)]**	

Consequently, this implies that the quality of provisions is dependent on both the procedural aspects of the service and the conviviality of the service transaction (Coyle & Dale, 1993). This attitudinal and aptitude perspective is an essential element in the assessment of performance of the hotel provisions.

That implies that services are seen as people rather than technology focus. The service characteristics' concept has had wide application in service research as scholars often use the goods- and services-dichotomy to shape and defend the service-research field (Edvardsson *et al.*, 2005). However, despite its broad application, the service characteristics' concept has recently been challenged. The fundamental notion that services are dissimilar to goods has been challenged by emerging scholars who insist that the suggested characteristics are not unique to services (Lovelock & Gummesson, 2004; Vargo & Lusch, 2004).

Criticism also comes from established and pioneering service research scholars who have expressed disappointment with developments in the service research field (Lovelock & Gummesson, 2004). The premise for criticism is centred on whether or not existing services concepts apply to the internet and other self-service technologies.

A discussion has thus been triggered considering and questioning the foundations of service research. This research contributes to that debate by proposing a back to basic approach where researchers engage in pragmatic and participative exploratory and descriptive qualitative approaches in contrast to the current prescriptive approaches.

The main premise of the researcher's proposal is that prescriptive research tends to impose the researcher's views on the researched and hence influencing the outcome whereas exploratory descriptive approaches capture phenomena is the respondent's own words. Having introduced and demonstrated familiarity with the parent discipline, services marketing, in this section, the next sections will discuss the immediate disciplines of the research problem, hotel service quality.

3.3 Hotel Service Quality

3.3.1 Definition of Service Quality

It is widely believed that service quality is the greatest differentiator of hotel service providers (Kandampully *et al.*, 2002; Kotler *et al.*, 2010; Parasuraman *et al.*, 1985). However, the definition of service quality is fraught with disagreements (Presbury *et al.*, 2005). There are numerous definitions of quality. Juran (1982, 1988) defines quality as 'fitness for purpose'. The implication is that a good or service will be quality if it is fit for the purpose for which it is used. Nevertheless, Juran's definition though useful, it is echoed in part and makes no reference to stakeholders with an interest in the product or service. Crosby (1979; 1984) defines quality as 'conformance to requirements', but it is not clear whose requirements the author is referring to. Whilst Garvin (1988) identified internal and external failures and measured quality by counting the malfunctions.

However, these early definitions derive from a manufacturing based approach aimed at defining and measuring the quality of tangible goods and products and are not applicable to services (Gronroos, 1984; Parasuraman *et al.*, 1985, 1988). This development led to the second series of definitions that sought to define quality from a services' perspective. In that effort, Gronroos (2007) divides service quality into three dimensions: technical (what is delivered), functional (how the service is delivered) and image. Gronroos identified functional quality as the most critical differentiating aspect in service contexts.

This definition is useful in that it implies that hotel managers must pay serious attention to the recruitment and training of members of staff in order for them to deliver functional quality in a way that sets the hotel apart from competitors. Gundersen *et al.* (1996) argue that a customer's experience is a product of both the tangible and intangible aspects, whereas Crompton & Mackay (1989) view service quality as being concerned with the attributes of the service itself and how the attributes develop positive perceptions of the service. Lewis & Booms (1983) define service quality as a measure of how well, the service level delivered matches the customer's expectations.

Parasuraman *et al.* (1985), define service quality as a gap between customers' expectations and the performance they actually receive whilst Asher (1996) suggests that service quality is the degree to which customers perceived expectations are met based on a subjective judgement of the service transaction.

Attempts to define quality in the hotel context are complicated by the highly transitory, perishable and intangible nature of service experiences (O'Neill, 1999). Other attributes of importance such as imprecise standards and fluctuating demand further complicates the task of defining, delivering and measuring service quality. Many attributes of service quality are not standardised where aspects such as 'friendliness', 'helpfulness', 'empathy' and 'politeness' are interpreted differently depending on each guest and are therefore evaluated subjectively. The variability of the hotel sector demand, where the service is clustered around peak periods of the day or year makes it very difficult to measure for consistent service quality (Sasser *et al.*, 1978).

It is therefore, not surprising that a definition of service quality in the context of the hotel industry is non-existent (Williams & Buswell, 2003). It is, however, generally agreed that service quality is an attitude or global judgement about the superiority of a service, although the exact nature of the attitude is not agreed (Robinson, 1999). Parasuraman et al. (1988) suggest that the quality attitude stem from a comparison of expectations with performance perceptions. They perceive quality as the extent of the discrepancy between customers' expectations or desires and their perceptions (Zeithaml *et al*, 1990).

This implies that any shortfall between expectations of service and perceptions of actual service received results in a service quality gap, and the function of an organisation is filling these gaps. Contrary to Parasuraman *et al.*'s (1990) views, Teas (1993) argues that the nature of the service quality attitude is derived from a comparison of performance with ideal standards. Teas (1993) further argues that service quality is not just an overall attitude, but that it is transaction specific. This implies that every interaction or encounter between a guest and hotel employee count towards the guest's overall quality judgement.

That means every encounter must be managed carefully since it contributes towards the overall quality judgement by the guest. This emphasises the importance of quality recruitment and training of staff. Whilst Cronin & Taylor (1992) argue that the quality attitude stems from perceptions of performance alone. Thus, the central point of disagreement in the service quality debate is on the nature of the quality attitude; whether it relates to performance, expectations and/ or ideal standards. The review of the service quality definitions is important to the research for two reasons.

Firstly, a precise knowledge of what customers expect is the first and perhaps most critical step in delivering quality services. Secondly, the controversies that belie service quality measurement stem from the difficulties that surround the definition of the service quality concept. This is made evident by the variety of models for service quality measurement (Robinson, 1999).

Given the multiplicity of definitions for quality available, the author proposes that the first step that quality researchers should take is to ascertain how hotel managers conceptualise quality. This approach will enable researchers to make context informed judgements on the actions of managers. The premise of the proposition is that managers' service quality behaviours or actions are influenced by their perceptions of the concept.

3.3.2 Service Quality Models

It is evident that the service quality definitions above do not offer a complete and clear picture of service quality. Researchers have therefore developed models to explain and clarify the concept. The models assist management in understanding, identifying and preventing service quality problems in order to positively influence the profitability, efficiency and overall performance of the organisation (Gronroos, 2007; Parasuraman *et al.,* 1988). The most well received and widely used model is Parasuraman *et al.*'s (1985) Gap Model (Gronroos, 2007). The model has been heralded as the authors' most heuristically valuable contribution to the services' literature (Brown & Bond, 1995; Gronroos, 2007). Although there are numerous other models for quality, their discussion is beyond the scope of this study.

3.3.2.1 The Gap model

The gap model (see Figure 6, p. 58) suggests that service quality is a function of the differences between expectations and performance along service quality dimensions. The model acknowledges that unlike product quality, service quality is an elusive construct that is difficult to measure (Parasuraman *et al*, 1988; Zeithaml *et al.*, 1990). Parasuraman *et al.*'s (1985) empirical studies revealed five dimensions of service quality: assurance; empathy; reliability; responsiveness and tangibles. These dimensions supported their proposition that service quality is the degree and direction of discrepancy between customers' perceptions and expectations. Based on these findings, they developed the service quality model indicating that customer perceptions of quality are influenced by a series of five distinct gaps as illustrated in Figure 6 (p. 58) and explained in Table 12 (p. 59).

Figure 6: The Gap Analysis Model

| Word of mouth communications | Personal Needs | Past Experiences |

Expected Services

Gap 5

CUSTOMERS

Perceived Services

PROVIDERS

Gap 4

Service Delivery

External Communications to customers

Gap 3

Service Quality Specification

Gap 1

Gap 2

Management perceptions of customer expectations

[SOURCE: Zeithaml *et al* 1990)

58
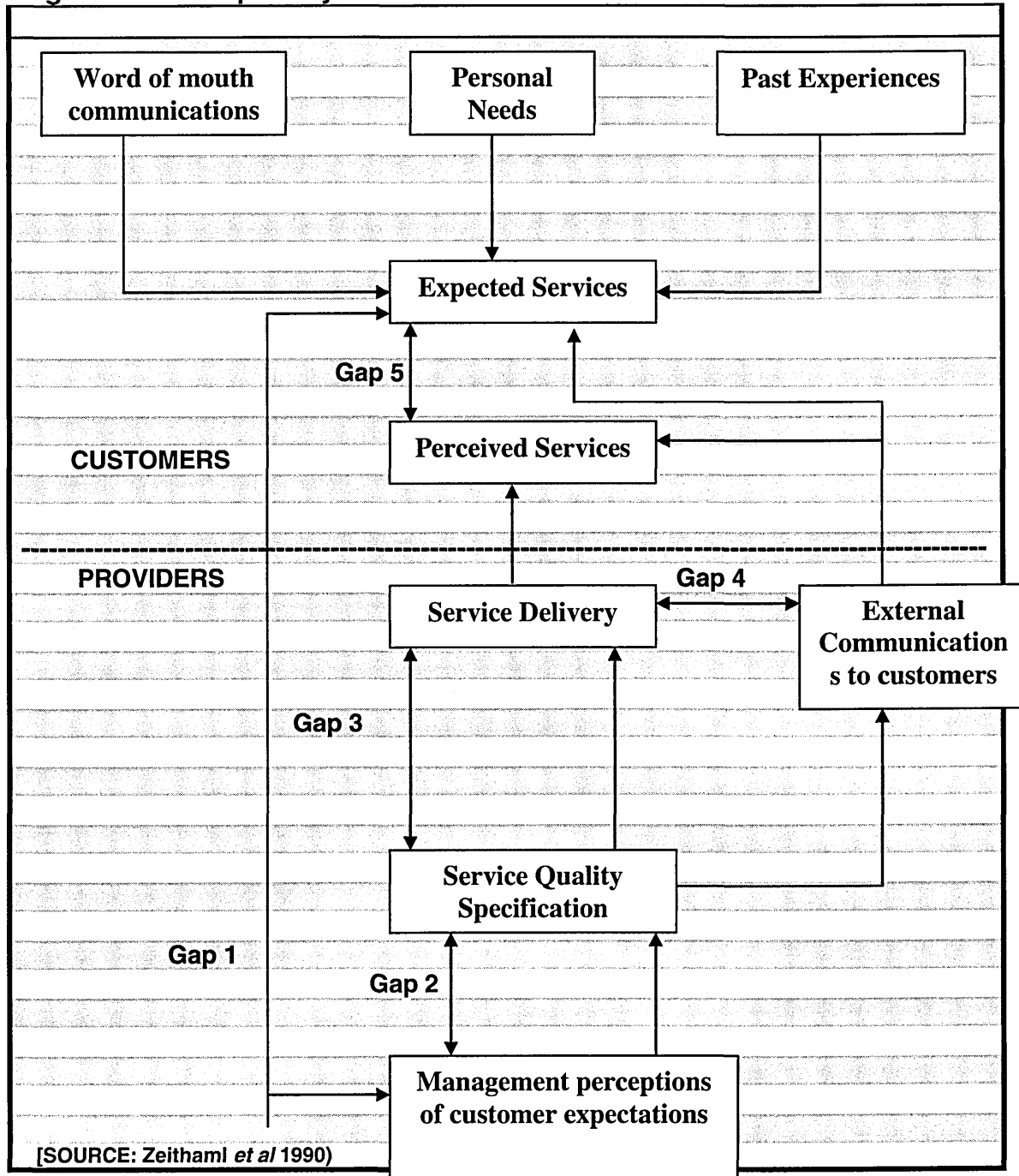
Table 12: The Gaps Analysis Model Explanation

Gap 1:	The knowledge gap is the difference between guest expectations and the service organisation's understanding (or perceptions) of the guest's expectations
Gap 2:	The standards gap is the difference between management's perceptions of guest expectations and service quality specifications.
Gap 3:	The delivery gap is the discrepancy between service quality specifications and the service actually delivered i.e. service performance gap.
Gap 4:	The service delivery-communication gap is the difference between the actual service delivery and the service provider's external communication to guests about the service delivery.
Gap 5:	The overall (perception-expectations) gap is the external difference between customers' perceptions and expectations i.e. moment of truth.

While the first four gaps are functions of the way the service delivery is done, gap 5 concerns the customer and as such is considered to be the true measure of service quality (Parasuraman *et al.*, 1985; Zeithaml *et al.,* 1990). Consequently, it is gap 5 that the SERVQUAL instrument influences as we shall see later in the service quality measurement section.

3.3.3 Service Quality Measurement

There is an agreement among authors on the need and importance of some measure of perceived performance in assessing service quality (Cronin & Taylor, 1992; Gronroos, 1984; Parasuraman *et al,* 1985; 1988). However, beyond that there is virtually no agreement (Robinson, 1999). Obtaining accurate data on perceived performance of quality is fraught with difficulties, especially for the hotel services which are high in credence attributes where the customers are unable to evaluate key elements of the service (Taylor & Miyazaki, 1995).

Quality measurement is an important part of management as it provides customer feedback in order to gauge the performance; development and success or failure of the service. Clearly, sustained and continuous quality improvement is impossible without some indication of quality performance to serve as a benchmark for comparison (Edvardsson *et al*, 1994; 2005; Gronroos, 2007; Johns, 1999). Williams & Buswell (2003) assert that, no matter what quality management system and the associated quality tools and techniques embedded within it that an organisation implements, there comes a point when the performance of the service rendered needs to be monitored and customers' opinion sought.

Such assertions underline the importance of service quality measurement. Galileo concurs with these assertions by stating that:

> '...count what is countable, measure what is measurable and what is not measurable make measurable' Galileo (1980 see Edvardsson *et al*, 1994, pp. 178).

Many quality and performance initiatives are either not measured at all or are not meaningfully measured as delusional measurements are applied in the belief that managing the process and activity will inevitably produce quality results (MacDonald, 1996). That is tantamount to equating measures of activity with improvements in service quality or performance whilst ignoring the significance of the difference (MacDonald, 1996). Furthermore, Johns (1999) argues that there is a paradox inherent in service quality assessment in that the purpose of measuring quality is to aid the service provider and ideally to be of most use, should be expressed in the provider's terms.

However, Johns (1999) advises that service quality exists only in the customer's mind and therefore, purely in the customer's terms. He argues that translating service quality from the customer's terms into the provider's terms is problematic in that customers' perceived quality is *'experienced'* quality in contrast to *'provided'* quality. He further suggests that *'experienced'* and *'provided'* quality could be related in ways that are poorly understood. This implies that hotel managers must engage their guests in order to obtain feedback /perceptions of their experiences.

Thus guest orientation; interaction and research are important for the measurement of service quality. The increasing importance of service quality as a means of gaining competitive advantage has led to the development and application of numerous measures for quality (Kotler et al, 2010). Two main measures for measuring service quality within the hospitality industry have been recommended: importance – performance analysis (IPA) and SERVQUAL (Hudson, Miller &Hudson, 2006).

3.3.3.1 Importance-Performance Analysis (IPA)

The IPA measure (Martilla & James 1977) shows the relative importance of various attributes and the performance of the firm in providing those attributes (Hudson *et al.* 2006). The major benefit of IPA is that it identifies areas for service quality improvement. Results are displayed graphically on a two-dimensional grid. By visual analysis of the matrix, policymakers are able to identify areas where resources and programmes need to be concentrated. IPA has been successfully applied to the hotel industry (Bush & Ortinau, 1986; Martin, 1995); tourism policy (Evans & Chon, 1990) and tourist destinations (Hudson & Shephard, 1998). However, the validity and reliability of IPA have been questioned (Oh, 2001). The main limitation of IPA is that the Likert scale it uses does not have the ability to distinguish between subtle differences in levels of importance and performance.

IPA also fails to take into account any relationship that might exist between the levels of importance and performance and the cost of that service. Other limitations are associated with aggregating across all customers to generate measures of expectations and performance associated with either a single attribute or the overall service offering (Hudson *et al.*, 2006). The authors claim that in practice, it is possible that customers who think that an attribute is important to also perceive it to be poorly supplied, while those who think, the same attribute to be unimportant may perceive it to be well supplied. The comparison of means could therefore reveal a close match on aggregated scores and yet there may still be a quality match.

3.3.3.2 SERVQUAL

The SERVQUAL instrument (Parasuraman *et al.*, 1985; 1988) is a product of the gap analysis model discussed previously. It is a 22 item scale that measures the gap between expected service and perceived service in different industries over five generic dimensions (Caruana & Pitt, 1997; Gronroos, 2007; Hudson *et al.* 2006). Each item is used twice: first to identify the customer's expectations about the service and secondly to measure perceptions of performance of the service. The service evaluations are collected using a 7-point Likert scale and service quality is then the difference between customer's perceptions and expectations (Parasuraman *et al*, 1985; 1988). SERVQUAL is believed to be the most popular concise scale that is easy to use and a standard for the services industry (Gronroos, 2007; Hudson *et al.*, 2006; Llosa *et al.*, 1998).

The SERVQUAL concept is supported by earlier conceptual models (Bolton & Drew, 1991; Gronroos, 1983, 1984; Lehtinen & Lehtinen 1982; Lewis and Booms, 1983; Oliver, 1980; Sasser *et al.*, 1978). They all agree that service quality is based on a comparison of expectations with perceptions about performance (Brown *et al*, 1994; Robinson, 1999). Despite these agreements, there is still no agreement on the best way to measure service quality. Hence it is proposed that researchers should explore the quality measures used by hotel managers and determine the reasons for their use. It may be that contextual factors have an influence on the measures that hotel managers decide to use given the highly competitive nature of the industry and the pursuit for differentiation strategies.

3.3.3.2.1 Purpose of the Service Quality Measurement Instrument

There is debate over the purpose of measuring service quality (Robinson, 1999). Cronin & Taylor (1992) place more emphasis on the instrument's ability to provide an accurate service quality score, i.e. its predictive validity. Thus, suggesting that the provision of a predictive score is the primary purpose for measuring service quality. Parasuraman *et al* (1994), in contrast, consider an instrument's diagnostic ability to be more important, that is its ability to identify specific reasons for shortfalls in quality.

They appear to suggest that managers are more interested in diagnosing service shortfalls than in an accurate measure of service quality. As a result of the argument over the role of expectations Cronin & Taylor (1992) developed their own performance only measurement instrument, SERVPERF, using the same 22 items as the SERVQUAL scale and indeed concur with the reliability of Parasuraman *et al.*'s (1991) scale items (Robinson, 1999).

The SERVPERV approach like SERVQUAL requires the customers to rate a provider's service performance on a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. However, unlike SERVQUAL, SERVPERF does not seek to estimate difference scores, but seeks to assess the customer's post consumption perceptions only (O'Neill 2001). In that context, it is felt that performance only measures of service quality may be an improved means of measuring the quality construct. Cronin & Taylor (1992) performed empirical tests with four alternative service quality models:

1 SERVQUAL: service quality = performance - expectations
2 Weighted SERVQUAL: service quality =importance x (performance - expectations)
3 SERVPERF: service quality = performance
4 Weighted SERVPERF: service quality =importance x performance

From these empirical tests, Cronin & Taylor claim that SERVPERF has greater predictive power and performs better than any other measure of service quality. Although Parasuraman *et al* (1994) concede to the claim that SERVPERF has a greater predictive power, they argue that the difference is insignificant. They go on to question the diagnostic ability of SERVPERF and argue that this is a major practical benefit of expectations-performance measures.

They assert that the SERVQUAL approach provides a separate performance measure for those concerned about an instrument's predictive power. Cronin & Taylor's (1992) claim finds support from Quester *et al*'s (1995) empirical investigations using the same four service quality models as Cronin & Taylor. However, Quester *et al* (1995) concur with Parasuraman *et al,*'s argument that the differences are insignificant.

63

Quester *et al* (1995) also argue that the difficulties associated with SERVQUAL lie in the operation of the expectations' battery rather than in the theoretical underpinnings. Despite the empirical evidence from Cronin and Taylor (1992) and Quester *et al.,* (1995), it is still not clear that performance only measures have the greatest predictive power since not every study reaches the same conclusion. Bolton & Drew (1991), following empirical tests, conclude that although performance is a key determinant of service quality, disconfirmation has a greater predictive power. Thus, the debate still remains wide open.

In the author's opinion, both the predictive and diagnostic properties of a measurement instrument appear to be equally important for the measurement of service quality. However, SERVPERF, appear more suitable for short term service quality measurement since it's cheaper to administer but does not go to the root cause of shortfalls in quality and hence would lead to the treatment of symptoms rather than the disease.

Meanwhile, SERVQUAL, appear to be suitable for longer-term measurement since it is more expensive and difficult to administer due to the expectations element but has the advantage of identifying specific reasons for shortfalls in quality. Thus, allowing hotel managers to deal with the root causes of quality shortfalls. In that framework, the researcher views the instruments as complementing each other rather than being antagonistic.

3.3.4 Dimensions of Service Quality

Quality dimensions are a fundamental aid to the measurement, understanding and satisfaction of customer needs (O'Neill, 2001). The identification of the dimensions is fraught with practical difficulties due to differences in customers' perceptions of quality (Cronin & Taylor, 1992; O'Neill, 2001). However, despite these difficulties, the work of Parasuraman *et al* (1988; 1990), Cronin &Taylor (1992) and Teas (1993) stand out in terms of clarifying how customers define service quality. Quality, it is argued, is an investment not a cost. In this respect, attention has been focused on internal arrangements that allow a company to pursue success effectively.

In this respect, commentators agree that a fundamental concern when devising competitive service strategy should be that of understanding and measuring customer defined service quality dimensions and monitoring organisational performance along those dimensions (Barnes & Glynn, 1993). To address this central concern Parasuraman *et al* (1988) published SERVQUAL and suggest that customers consider five generic dimensions in their assessment of service quality which they define as shown in Table 13.

Table 13: Dimensions of Service Quality

Dimension	Definition
Reliability:	The ability to perform promised service dependably and Accurately
Responsiveness:	The willingness to help customers and provide prompt Service
Assurance:	The employee's knowledge and courtesy and their ability to convey trust and confidence.
Empathy:	The caring individualised attention given to customers
Tangibles:	The appearance of the physical facilities, equipment, personnel and written materials.
[Source: Parasuraman et al., 1988]	

The perceived benefits of Parasuraman *et al.*, (1988) SERVQUAL are shown in Table 14 (p. 66).

Table 14: Benefits of SERVQUAL

1 The SERVQUAL approach gives a clear indication of how an organisation is performing in the eyes of the customer both individually and en masse.

1   It helps in prioritising customer needs, wants and expectations by identifying what is most important in the customer's eyes by weighting individual dimensions

2   It provides the basis for setting expected standards of performance that can be communicated to all staff and patrons. However this benefit can be difficult to achieve in practice as expectations may continually change. Keeping up with pace of change may present operational difficulties.

3   It can identify gaps between customers and providers and thereby help focus improvement efforts by directing organisational energies at closing the gaps.

[Source: O'Neill 2001, pp.182]

3.3.4.1 Critique of SERVQUAL

Despite its popularity and wide use across service industries, the SERVQUAL instrument has been subjected to a number of criticisms both theoretically and operationally (Buttle, 1996; Gronroos, 2007) as follows:

Theoretical criticisms:
1. Paradigmatic objection

First, critics claim that SERVQUAL is flawed because it is inappropriately based on the expectations-disconfirmation model rather than an attitudinal model of service quality (Buttle, 1996; Cronin & Taylor 1992). Secondly, SERVQUAL is widely criticised for being psychologically based without psychology as it fails to draw on the on extant knowledge in economics, statistics and psychology (Buttle, 1996).

Some authors argue that it appears the psychological origins of both the disconfirmation and gaps theories do not come through strongly enough especially when they are being assumed at the basis of measurement models.

66

This is supported by the lack of rope bridges between quality measurement and the general case of psychological evaluation. In that context, the SERVQUAL methodological approach is blamed for adopting too narrow a set of psychological assumptions and by so doing overlook the first principles of the processes of perception and evaluation. Thus, opting instead to go straight through to the concepts of satisfaction and expectations (Buttle, 1996; Ekinci & Riley, 1998).

Ekinci & Riley (1998) assert that whilst this approach may be perfectly legitimate, something may have been missed on the way that could be hampering progress in the measurement of service quality. Ekinci & Riley (1998) suggest that the way forward is by widening the psychological parameters. They suggest this can be achieved by backing away from current complexities and taking a back to basics stance by revisiting a number of the accepted tenets of the current debate on SERVQUAL in light of three interrelated ideas from social psychology. The ideas are:

1   The tight relationship between perceptions and evaluation to the effect that perceptual categories are impregnated with evaluative criteria.
2   The perception categories are influenced by social learning to the effect that people carry around shared evaluations.
3   The evidence from social information theory and satisfaction research that people trade off the dimensions that form their satisfaction schema.

The authors believe that embracing these ideas opens out the subject to new approaches. The authors claim that, in a sense, by ignoring the aforementioned ideas from social psychology, research on quality measurement based on SERVQUAL has jumped the gun.

2. Gaps Model

Critics claim that the relevance of the 'gap model', which has been so influential, is misplaced since the concept of subtraction has no equivalent in psychological function, yet it forms the basis of one of the most renowned service quality measurement tools (Ekinci & Riley, 1998; Gronroos, 2007).

Babakus and Boller (1992) found the "gap" approach to service quality "intuitively appealing" but argued that the differences in scores may not provide any additional information beyond that already contained in the perception's section of the SERVQUAL scale. This criticism suggests difficulties in applying SERVQUAL to practical situations.

3. Dimensionality

Many researchers that replicated SERVQUAL, empirically proved that SERVQUAL's five dimensions are not generic and that the numbers of dimensions comprising service quality are contextualised (Bojanic & Rosen, 1994; Buttle 1996; Cronin & Taylor, 1992; Getty & Getty, 2003; Getty & Thompson, 1994; Knutson *et al*, 1990; Saleh & Ryan, 1992). This implies that hotel managers must carry out their own research in order to determine the dimensions relevant to their particular context. Indeed, the lack of consensus on the definition of service quality can be traced, in part, to the multi-dimensional nature of the quality construct (Getty & Getty 2003).

Since the SERVQUAL authors' assertions that their model dimensions are generic for any industry, attempts have been made to reproduce the model's dimensions and test them against industry-specific dimensions such as: restaurant services (Cronin & Taylor, 1992; Bojenic & Rosen, 1994), lodging industry (Getty &Getty 2003; Getty & Thompson, 1994; Saleh & Ryan 1992; Knutson *et al,* 1990), hospitals (Babakus & Mangold, 1991), retail services (Finn & Lamb, 1991).

In addition, some research has been concerned with the adaptation of the model dimensions not to specific industries but to specific service organisations (Johns and Tyas, 1996). In all cases, clear dimensions emerged either as a composite set of items or as a multi-dimensional structure but different from the SERVQUAL model. In the hospitality industry, in particular, the work of Saleh & Ryan (1992) and other scale constructing studies demonstrate that the SERVQUAL dimensions are not universal (Getty & Thompson, 1994).

68

In the case of LODGQUAL (Getty & Thompson, 1994), three basic dimensions of service quality were identified; the tangibles and reliability dimensions as defined in SERVQUAL and the third, contact, which is a composite of SERVQUAL's responsiveness, empathy and assurance. Getty & Thompson's (1994) results suggest that these three dimensions are indistinguishable and represent the customer's contact with employees (O'Neill, 2001). Cronin & Taylor (1992) conclude that service quality is a one-dimensional construct.

These criticisms led other hospitality researchers to introduce modifications to the SERVQUAL instrument to produce more specific scales for the hospitality industry. These include the Lodging Quality Index (LQI) scale ((Getty and Getty 2003); GROVQUAL (Dowell *et al*, 1998); Johns & Tyas (1996); LODGSERV & DINESERV (Knutson et al, 1991, 1995); Lee and Hing, (1995); LODGQUAL (Getty & Thompson, 1994). Each of these instruments sought to develop and build upon the original and more generic SERVQUAL tool (O'Neill, 2001). These studies demonstrate that the SERVQUAL style of the questionnaire has utility as a means of assessing overall service quality in the hospitality industry, and that it can be used effectively to distinguish between the quality of different hospitality entities (Johns, 1999).

However, the methodological questions and the superiority of these scales compared to the SERVQUAL scale in measuring hospitality service quality have not yet been addressed (Ekinci & Riley, 1998). In view of the above empirical evidence, it can be argued that the dimensionality of service quality is a function of the particular service under investigation, and therefore it is not worth pursuing the development of a universal standard measurement instrument (Robinson, 1999). Hence each individual organisation must be analysed for its unique features, and an appropriate measurement instrument developed.

4. Process Orientation
The SERVQUAL instrument is criticised for wrongly focusing on the process of service delivery instead of the outcomes associated with the service (Buttle, 1996).

Operational Criticisms:
1. Expectations

The most fundamental criticism of SERVQUAL is that expectations play no role in the conceptualisation of service quality. Critics claim that consumers use standards other than expectations to evaluate service quality and hence SERVQUAL fails to measure absolute service quality expectations (Buttle, 1996; Iacobucci *et al.*, 1994; Teas, 1993). Cronin & Taylor (1992) argue that there is little empirical and theoretical evidence in support of the expectations-performance gap as a basis for measuring service quality. They argue that disconfirmation is only relevant to the formation of service quality attitudes through the moderating effect of customer satisfaction, but it is not relevant to the measurement of service quality. Furthermore, defining expectations is fraught with difficulties and confusion. The proponents of the Gaps model themselves, Parasuraman *et al*, define expectations variously as desires; wants, what a service provider should offer; normative expectations; ideal standards; what the customer hopes to receive and adequate service (Robinson, 1999; Teas, 1994).

2. Item composition

Buttle (1996) argued that four or five items per dimension in the 1988 and 1991 SERVQUAL instrument were too few and cannot adequately capture the variability within those service quality dimensions or the context-specific meaning of each dimension.

3. Moments of Truth

Services are often delivered over several encounters or moments of truth. Customers' perceptions may vary from "moment of truth" to "moment of truth" and cannot be loaded on a single responsiveness factor as prescribed by the SERQUAL instrument (Buttle, 1996; Gronroos, 2007).

4. Polarity

Buttle (1996) claim that the reversed polarity of items in the SERVQUAL scale causes respondent errors. The SERVQAUL model contains statement pairs that are negatively worded and statement pairs that are positively worded.

Although this is accepted as good normative research practice, it has consequences for respondents leading to more comprehension errors, and it makes the research more time consuming.

5. Scale points

The seven-point Likert scale applied in the SERVQUAL instrument is criticised as flawed for lack of verbal labelling for points two to six, which could cause respondents to over-use the extreme ends of the scale.

6. Two administrations

Buttle (1996) claimed that the two administrations of the SERVQUAL instrument's expectations and performance versions cause boredom and confusion among respondents. Indeed, there is some debate about whether it is practical to ask consumers about their expectations immediately before consumption and perceptions of performance immediately after. There are fears that this process of completing two surveys may tire or distress the customer. Furthermore, obtaining information on expectations present practical difficulties in that if expectations and perceptions are recorded following a service encounter, then expectations are likely to be coloured by the customer's experience (Carman 1990). This is confirmed by Clow & Vorhies' (1993) findings; that following negative experiences customers tend to overstate their expectations whilst positive experiences tend to lead to an understatement of expectations.

3.3.4.2 Summary of the arguments in service quality

In summary, this literature review confirms Robinson's (1999) assertion that there are more areas of disagreement than agreement in the service quality debate over the methods of measuring service quality. The only areas of agreement appear to be that:

1. Service quality is an attitude.
2. Service quality is distinct from customer satisfaction.
3. Perceptions of performance need to be measured.
4. The number and definition of dimensions depend on the service context.

The major areas of disagreement are summarised in Table 15 (p. 73). It is important to note that all the major areas of disagreement listed in table 15 fundamentally appear to emanate from a lack of understanding of the nature of service quality. If this is the case, then may be both researchers and academics needed to take a step back to the basics of defining the concept of service quality. For now, it appears the debate will continue for some time to come.

Despite, the disagreements in service quality measurement, the work of Parasuraman *et al., (1985; 1988)* appear to have been a major breakthrough contribution in understanding and measuring service quality. This argument is based on the fact that while there are healthy and productive debates regarding service quality and the Gaps model, researchers generally agree that the SERVQUAL scale items are good predictors of overall service (Babakus & Boller, 1992; Bolton & Drew, 1991; Brown & Swartz, 1989; Carman, 1990; Cronin & Taylor, 1992; Parasuraman *et al,* 1991). In fact, the debate, as Brown *et al* (1994) assert, underscores the importance of the topic and the significance of the contribution to date. Such interchanges may as well help refine the nature and meaning of service quality.

Thus, it appears that whatever perspective an organisation takes about quality; it is increasingly evident that it is only the customer who will decide whether the service offer is of acceptable level of quality. Hence it makes sense for organisations bidding to improve their service quality provisions to constructively and consistently consult the customers on their views about appropriate levels of quality (Olsen *et al,* 1996). Despite the attempts to find the right measure for service quality, there still appears to be no consensus in the hotel literature on how service quality assessment and evaluation should be operationalised (Hudson *et al.*, 2006). Crompton & Love (1995) concluded that there is no single best way to measure service quality and satisfaction.

Table 15: Service Quality Measurement Debate

Service Quality Area	Nature of disagreement
The purpose of the measurement instrument	• Is the prime purpose diagnostic or predictive •
The definition of Service Quality	• The nature of the attitude: whether it relates to performance, expectations and/ or ideal standards
Models for service quality measurement	• Whether to measure expectations or not? • Whether to measure importance or not?
The dimensionality of service quality	• Whether the five dimensions model is correct for its original context?
Issues relating to expectations	• The definition of expectations • Whether it is necessary to identify which items are vector attribute and which is classic ideal point • When to measure expectations, before or after the service encounter?
The format of the measurement instrument	• Which measurement approach is best: difference score, non-difference score or semantic-differential scales • Whether importance should be measured by item or dimension, or inferred from performance and expectation scores. •

Source: Robinson, 2009

They acknowledge that the diagnostic potential of the SERVQUAL and IPA format has emerged as the primary rationale for preferring their use over the simple perceptions' format. In that context, it is the intention of this researcher to discover how hotel managers are implementing and measuring the service quality ethos.

3.4 The link between service quality, customer satisfaction and customer loyalty /retention

Oliver (1999) argues that service quality, customer satisfaction and customer loyalty are linked and are part of a cognitive process. The author asserts that service quality impacts positively on guest satisfaction, which enhances the reputation of the hotel and customer loyalty. Bloemer *et al.*, (1999) link patronage and recommendations with personalised service and associated this with more favourable price tolerance among customers. Financially, advocates of loyalty observed that it was not whether customers are satisfied that affects cash flow. It is whether they stay a customer of the firm over a time (Kotler *et al.*, 2010; Neely, 2002). Kotler *et al.*, (2010) suggest that good marketing attract the right customers; those whose loyalty the firm can earn a relationship with and keep.

A loyal customer base is considered important for several reasons (Dick & Basu, 1994; Neely, 2002). Loyal customers are cheaper to retain, so this reduces marketing costs; they are less likely to search out information on competing services and are more resistant to persuasion efforts by competitors. Moreover, Zeithaml *et al.*, (1996) suggest that a long-standing relationship with current customers has a positive effect on profitability through additional sales to those customers, as well as diminished resistance by customers to paying higher prices. Reichheld (1996) supported the notion of a positive relationship between loyalty and profitability by asserting that increases in profitability can be the result of only a small percentage of loyal customers. Finally having loyal customers may reduce the acquisition cost of new customers through recommendation and positive word-of-mouth (Kotler *et al.*, 2010).

For the hotel industry, this implies that improved levels of service quality create improved customer loyalty, thus leading to increases in average daily room rates, occupancies, market share and customer retention rates (Enz & Siguaw, 2000). Accordingly, success in building long-term relationships with loyal customers and attracting new customers through recommendation require a sustained commitment to service quality and an investment in staff training (Kotler *et al.*, 2010).

3.5 Service quality and employees

A commitment to service quality in the hotel industry is dependent on employees who deliver a high proportion of the product/service mix of hotels (Presbury *et al.*, 2005). Since hotel business is about guests and the hotel products/services are evaluated on the basis of expectations, employees are part of the product because they are responsible for the direct delivery of the service (Kotler *et al.*, 2010). Employees are therefore a critical factor that cannot be separated from the service and are thus ultimately responsible for the satisfaction or dissatisfaction of customers with experiences they have had (Baum, 1995).

In order to highlight the importance of employees in hotel service quality levels, Kotler *et al.*, (2010) advise that hotel service marketing requires more than just traditional external marketing using the four Ps; price, product, place and promotion. They propose that hotel marketing also require both internal and interactive marketing (Figure 7, p. 76).

According to Kotler *et al.*, (2010), internal marketing means the hotel management must effectively train and motivate its guest-contact employees and all the supporting service people to work as a team to provide customer satisfaction. That implies that for the hotel to deliver consistently high service quality, everyone must practice customer orientation and marketing. The authors advise that internal marketing must indeed precede external marketing. Internal marketing as shown in Figure 7 takes place between the organization and its employees and introduces the concept of internal customers.

Figure 7: Types of Hotel Service Marketing

Company

Internal
marketing

External
marketing

Employees

Interactive
marketing

Customers
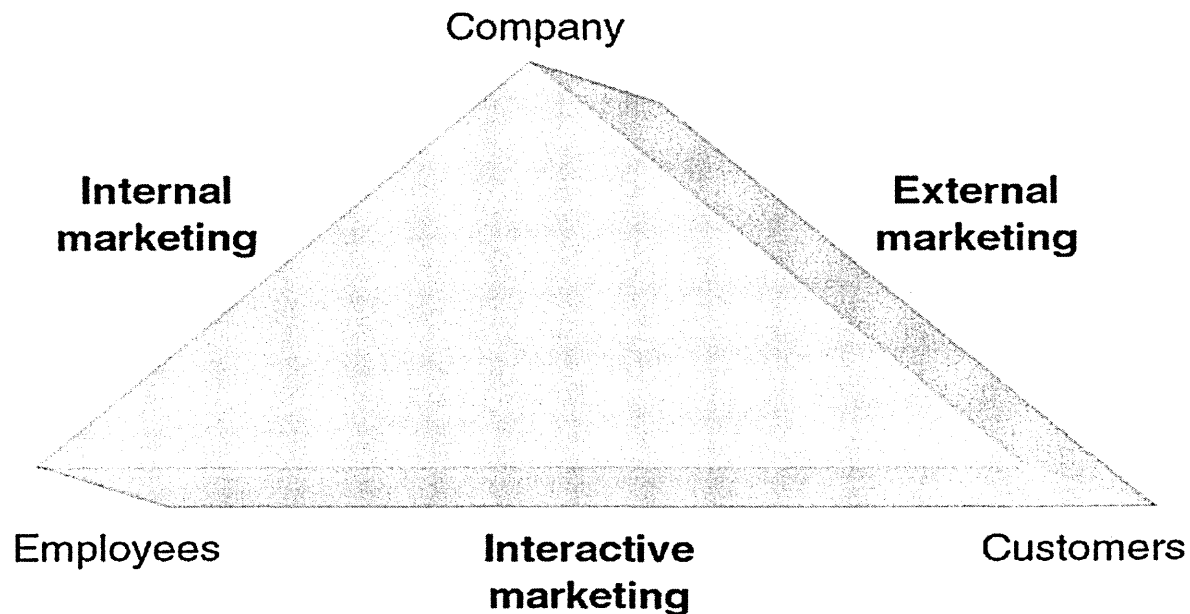
[**Source**: Kotler et al., 2010]

Interactive marketing, on the other hand, means that perceived service quality depends heavily on the quality of the guest–employee interaction during the hotel service encounter (Kotler *et al.*, 2010). Thus, service quality depends on both the service deliverer and the quality of the delivery. Consequently, the guest judges service quality not just on technical quality (e.g. food quality) but also on functional quality (e.g. service provided in the restaurant). Ultimately, hotel companies face the challenging task of increasing three major marketing areas: competitive differentiation, service quality, and productivity.

Differentiation is seen as imperative in the hotel industry in order to set the company apart from competitors, otherwise when customers view services of different providers as similar; they care less about the provider than price (Kotler *et al.*, 2010). The authors suggest that a hotel company can differentiate itself through superior employees, physical environments, processes, symbols and branding. On managing service quality, Kotler *et al.*, (2010) explain that hotels can differentiate themselves by delivering consistently higher quality than competitors i.e. managing and monitoring how well hotel employees meet guest expectations.

76

Kotler *et al.* (2010) suggest that guest expectations are based on past experiences, word-of-mouth and hotel advertising. This implies that if perceived service of the hotel organisation exceeds expected service; guests are apt to use the provider again. Thus, a hotel's ability to retain customers depends on how consistently it delivers value to them.

Similarly, loyalty is dependent on the development of interpersonal relationships. The person-to-person interactions between guests and employees are an essential ingredient in the marketing of hotel services and the building of loyalty (Czepiel & Gilmore, 1987, Crosby *et al.*, 1990; Zeithaml *et al.*, 1993). Indeed, service quality perceptions are formed during the production, delivery and consumption processes (Edvardsson, 2005; Edvardsson *et al.*, 2005). Each contact between a customer and a hotel employee presents an opportunity for the customer to evaluate the level of service delivered. Thus, hotel employees play a crucial role in service quality delivery and satisfaction levels of hotel guests.

Hence management must pay special attention to employees as a stakeholder constituency that must be trained and looked after well in order to boost customer loyalty by demonstrating their competence and delivering what they promise consistently (Kotler *et al.*, 2010). That is hotel managers should monitor employee satisfaction closely and seek employee feedback in order to drive the business performance forward due to their very close interaction with customers. This implies that service quality and performance management are closely linked in all efforts to create a long term guest.

Verification of the relationship between service quality and performance has taken too long due to the unfounded belief that the connection is simple and direct (Zeithaml, 2000). Zeithaml (2000) suggests that investments in service quality do not track directly to performance for a variety of reasons. First, service quality benefits are rarely experienced in the short-term and instead accumulate over time making them less amenable to detection using traditional research approaches.

77

Secondly, variables other than service improvements and customer satisfaction (i.e. pricing, distribution, competition and advertising) influence business performance. This makes isolating the individual contribution of service quality difficult. Thirdly, Zeithaml (2000) stressed that mere expenditure on service quality is not what leads to profits; instead, spending on the right variables and proper execution are responsible. Similarly, other researchers concluded that the link between service quality and profits is neither straightforward nor simple and that no single researcher or company has defined the relationship fully (Zahorik & Rust, 1992). Instead, different scholars have studied aspects of the connection (Zeithaml, 2000). Hence it is imperative to examine hotel managers' perceptions on the link and how they verify, justify and measure it.

In the UK hotel industry, relatively few researchers have empirically addressed the proposition that service quality leads to improved business performance from a management perspective in the specific context of branded budget hotels (Harrington & Akehurst, 1996; Harrington, 1999). In order to address this current disparity in UK hotel literature and consequent gap in knowledge identified by the authors (Harrington and Akehurst, 1996; Harrington, 1999, Atkinson & Brander Brown, 2001), the nature and operation of service quality and business performance measurement practices in purposely selected UK branded budget hotels will be examined and a possible positive link between the two concepts explored and explained.

Having considered the various controversies relating to the conceptualisation and measurement of service quality, the researcher can conclude that efforts to find a universal definition for service quality and develop a generic measurement instrument are indeed flawed given the fact that organisations are in constant competition and seeking differentiation strategies in varied contexts. Secondly, attempts to define service quality have been exclusively fixated on the customer to the detriment of other stakeholders who may have an interest in the business. Thus, the definitions are oversimplified as more people than the customers have a stake in an organisation.

78

It is therefore, the considered opinion of the researcher that given the contextual nature of service quality, a stakeholder approach to defining the concept is appropriate. Based on the debates discussed above, it is reasonable to suggest that there is no tailor-made or off-the-shelf definition of service quality. Instead, what is required is a definition that is capable of being adapted to the situation that an organisation is in and that can be applied to the stakeholders within the system. That is what is needed is a broad-based definition that may be expanded upon and adapted to different situations.

In attempting to arrive at a broad based working definition for this research, the researcher turns to and expands the work of Chase (1990) and Oakland (2003) who state that quality is 'meeting the customers' requirements. This definition maybe oversimplified but can be expanded upon it by replacing the term 'customers' with 'stakeholders'. Thus, the working definition for this research is:

"Service quality is meeting the needs and wants of organisational stakeholders"

As Kotler *et al.*, (2010) advise, the needs of the stakeholders may be different and by their nature competing. Organisations may find out what these needs are by investigating what the stakeholders want both internally and externally. Quality may then be attained by satisfying those requirements. Thus, quality is all about stakeholder satisfaction.

3.6 Chapter Summary

This chapter has discussed the nature of the service concept and relevant models of service quality perceptions in order to develop an understanding of how service quality is formed and perceived. It may be concluded that despite difficulties in defining precisely what service quality is, the reviewed literature reflects some agreement. That is service quality is linked to activities, interactions and solutions to guests' problems. Debates around the conceptualisation of service quality provide ample evidence that the concept is a matter of perspective, making it an appropriate candidate for the current research.

Moreover, the debates surrounding the concept of service quality highlight that the concept is still fluid and full of controversy, making it ripe for further research. The researcher challenges the traditional pursuit for generic definitions, dimensions and characteristics revealed in the literature as flawed. Such a pursuit makes a huge unrealistic assumption of homogeneity of organisations and hence fails to account for contextual differences. Furthermore, the notion of generic attributes ignores the fundamental and dynamic competitive nature of businesses and the pursuit for differentiation strategies.

Thus, in the opinion of the researcher, instead of searching for a precise generic definition of the concept of service quality, scholars should aim to produce a broad expandable and adaptable inclusive definition that can be applied to different contexts. Thus, in this research the researcher will broadly define service quality as satisfying the needs of an organisation's stakeholders. This definition is preferred as it realistically encompasses and balances the varying and competing stakeholder needs. Therefore, in essence, the researcher is challenging the notion of defining service quality from only the customer's perspective. Such an approach ignores the fundamental and underlying profit-making motives of businesses.

In the final analysis, the researcher concurs with Edvardsson's (2005) view that service quality definition is a perspective; on lower abstraction levels, a general service quality definition is elusive. It has to be determined at a specific time, in a specific company, for a specific service from a specific perspective. This necessitates the proposed realistic and participative case study methodological strategy that examines phenomena in their natural environments in contrast to positivistic generalisations.

This is the approach the study will take as explained in detail in the methodology chapter (5). The research will therefore investigate the branded budget hotel managers' service quality perceptions or orientations and explore their impact on implementation and measurement. The researcher proposes that management service quality orientations determine their practical actions in terms of implementation and measurement.

Chapter 4:

Business Performance

4.0 Introduction

Performance management is concerned with getting the best from organisational employees by helping them achieve their potential. It goes beyond just setting objectives and conducting performance appraisals (Armstrong, 2006). Business performance focuses on the need to link and align team and individual performance with the achievement of overall strategic organisational goals and objectives.

Aligning performance management means that there needs to be a consistent approach to leadership, the way individuals are treated, the way teams operate, the performance management systems used, and ultimately, the culture, purpose and strategy of the organisation (Jones, 2010). Thus, organisation managers deliver performance through others. The concept, therefore, requires recognition that people can contribute intellect, imagination, curiosity, radical ideas, foresight, creative energy and commitment. It is a vital part in the framework for gaining competitive advantage and developing a high-performance workforce (Porter, 1998).

The importance of business performance is two-fold. Firstly, performance management improves both organisational and individual performance, and secondly, it serves to motivate, develop and release employee potential thereby driving continuous improvement. In that context, performance management can be viewed in two ways i.e. inputs and outputs. Inputs being the competences, knowledge, skills, working relationships, training and development needs to do the work. Outputs, on the other hand, refer to the delivery of the required work (Jones, 2010).

In terms of approaches, there are two main approaches to performance management namely development driven and reward driven. A development approach emphasises on ensuring that the human-resource activities are appropriate for the needs of the organisation and are coordinated accordingly. The reward driven approach places more emphasis on the role of performance-related pay systems in changing organisational behaviour (Bowman, 1998; Jones, 2010).

Chapter 3 provided the theoretical underpinning for the service quality element of the research and yielded a broad-based stakeholder definition for the concept. This chapter will review the business performance literature. The aim of the review is to provide a business performance conceptual underpinning upon which the research will be based. Business performance is the second and final key construct being investigated in the research. Section 4.1 will explore the definition of business performance and its implications for the hospitality researcher. The section will illustrate the relationship between performance, strategy and stakeholder as key elements.

Section 4.2 will seek to define the concept of performance measurement and highlight the main arguments in the literature while section 4.3 will introduce performance measurement dimensions. Section 4.4 will introduce the concept of performance measurement systems in the generic literatures followed by a discussion of performance measurement systems in the hospitality context in section 4.5. The importance of performance management and measurement for decision making is well documented in the management accounting, but less so in the hospitality literature (Haktanir & Harris, 2005).

Section 4.6 will seek to make a case for the value of adopting performance measurement systems followed by a discussion of hospitality performance measures, both financial and non-financial, in section 4.7. Section 4.8 will justify the focus on the Balanced Scorecard as a preferred framework for the branded budget hotel sector following successful implementation in the US hotel industry. Section 4.9 will illustrate the link between service quality and business performance, including arising research issues. While section 4.10 will provide a chapter summary.

4.1 Definition of Business Performance

Performance improvement has been for a long time an important consideration and is at the 'heart' of strategic management (Harrington and Akehurst, 1996; Kaplan & Norton, 1992). Indeed, much of the thinking about strategy research is concerned with defining and measuring performance (Atkinson & Brown, 2001; Johnston, Whittington & Scholes, 2011). Despite the importance attached to it, the concept of business performance is fraught with definition problems (Andersen *et al*, 2006). The Institute of Personnel Management (IPM) (1992) defined performance management as:

> 'A philosophy rather than a clearly defined process or set of policies... an approach to achieving a shared vision of the purpose and aims of the organisation, helping each individual employee to understand and recognise their part in contributing to those aims and in so doing, manage and enhance the performance of the organisation'

The above definition, however, is flawed because it is lacking in preciseness and practicability. Nevertheless, it is loaded with significant implications for both practitioners and researchers. The implication for practitioners is that a precise definition of business performance is contextual to each organisation's circumstances. Hence the onus to provide a clear definition of business performance is on top management based on the particular resources and skills capabilities of the organisation. For researchers, the implication is two-fold. First, the search for a universal definition would be illogical given the varying organisational contexts. Second, there is a methodological implication in that comparative studies of different organisations may be too simplistic, questionable and unreliable given the heterogeneous nature of organisational contexts.

This researcher will take cues from these implications and focus the study on a single multi-unit branded budget hotel chain in the UK. This will provide a more credible basis for comparison as all the units will derive their business performance strategic meaning and direction from a single-mother company. However, this should not be taken as an absolute case of homogeneity as the local context of each unit may be different.

Cokins (2006) defined business performance management as the framework for managing the execution of an organisation's strategy. The practical implication of Cokins' definition is that it views business performance as a tool for describing and prescribing the process of how plans are translated into results. Thus, business performance is related to success and the construct of "excellence" as proposed by Peters & Waterman in the 1980s. This suggests that business performance is a level of success achieved by an organisation akin to a grading system scale where excellence depicts the best performance. As a result, excellence can be defined as outstanding practice in managing organisations and delivering value for customers and other stakeholders (Moullin, 2002).

Neely et al. (1995), from a practical point of view, suggest that the level of performance that a business attains is a function of the efficiency and effectiveness of the actions it undertakes. While the concept of business performance management is widely applied across industries, much of the supporting literature considers performance management from an internal perspective- goal achievement (Page & Prescott, 2005). However, in the highly complex and competitive hotel business environment, there is a need for a shift in emphasis from the goal achievement perspective to consideration of performance management as a concept in itself (Epstein, 2003).

This is particularly important for Branded Budget Hotels (which form the basis for this thesis), where standardisation has rendered the basic hotel offer similar, which adds more differentiation complexity and challenges to both practitioners and the market place (Kris & Fahy, 2003; Page & Prescott, 2005). Consequently, this thesis inquires into the aspects of external business performance management-exploring the impact of service quality through improving customer satisfaction. While branded budget hotels can improve financial performance through the consolidation of services, non-financial benefits such as enhanced service quality, as an example of external business performance, are perhaps more important determinants of financial performance in the hotel market (Page & Prescott, 2005).

Thus, hotel managers need to strike a practical balance between internal and external performance management in order to realise the maximum benefits. From the foregoing, it is imperative that branded budget hotels consider focusing on non-financial performance measures as core differential competence strategies. This thesis focuses on the service quality elements of a branded budget hotel organisation's external business performance management.

4.1.1 Linking Performance, Strategy and Stakeholders

In the hotel industry, business performance can be viewed in terms of how well stakeholders' expectations are fulfilled (Phillips, 1999). This notion finds support from Martin & Jackson (1998) who state that performance management is a vehicle for continuous improvement through a co-ordinated programme of people management interventions or systems.

Page & Prescott (2005) suggest that business performance activities must be in line with an organisation's objectives. This suggests that strategies are vital for meeting organisational objectives because they provide direction to human actions. Indeed, strategies are important as they provide the general direction in which an organisation should move (Johnson *et al.,* 2011). Murdoch (1997) advises that strategies for achieving the organisational objectives must be translated into the operational level, which is the focus of this thesis. It is at the operational level that objectives are defined in terms of service quality, guest satisfaction, flexibility and productivity (Page & Prescott, 2005).

Thus, to ensure effective management of service quality, it must be correctly aligned within organisational performance. This is beneficial in that it ensures that service quality is communicated as a key objective by senior corporate management throughout the organisation. This ensures that employees are aware of the importance of caring for guests. Harte & Dale (1995) stress the importance of regular communication and feedback by management to promote the need for continuous and organisation-wide quality improvement. This means that the alignment of organisational objectives both horizontally and vertically should be central in measuring and managing business performance (Lester, 2001).

Lester (2001) states that organisations often find themselves in dead-end situations as managers try to reconcile the irreconcilable, e.g. attempting to improve service quality when staff numbers are being reduced; improving staff motivation whilst reducing response times. Lester (2001) advises that failure to resolve these conflicts results in staff cynicism and poor performance. While the link between strategy and performance is important, that link alone is meaningless without stakeholders. The only reason an organisation has a strategy is to deliver value to a set of stakeholders (Neely, Adams and Crowe, 2001). Indeed, a vital success factor in managing business performance is based on consideration of the wants and needs of all important stakeholders (Epstein, 2003).

More specifically, in the hospitality industry, Kotler, Bowen & Makens (2010) declare that a business exists to create customers and satisfy their specific needs and wants in a better way than competition. This implies that organisations must be customer-oriented and profits will be a consequence of that philosophical stance. Thus, suggesting that profits should never be the main focus of a business, but a by-product of effective and mutual stakeholder relationship. This is very much in line with the European Foundation for Quality Management (EFQM) objectives. Epstein (2003) advises that the organisation-stakeholder relationship is not one way as organisations are becoming increasingly demanding of their stakeholders in return.

Indeed, McCune (1989) suggests that customer expectations, attitudes and behaviours impact the ease with which services can be provided to them. This highlights the significance of the inseparability characteristic of hospitality service explained in the previous chapter. This implies that the establishment and nurturing of mutual interrelationships between stakeholders, and the business is becoming increasingly reciprocal involving feedback and organisational learning based on experiences (Neely et al., 2001). In support of the notion of interrelationships, Feurer and Chaharbaghi (1995), advise that strategic change and process improvement should encompass the needs and desires of a business' stakeholders.

Consequently, the entire stakeholder interaction process requires careful management control where managers must consider the service offer (Harte & Dale, 1995). On the other hand, obtaining customer feedback on levels of satisfaction and understanding areas of service failure enable service problems to be resolved (Page & Prescott, 2005; Kotler et al, 2010). That emphasises the importance of measuring service quality. Delivering services with greater efficiency and effectiveness intertwined with effective performance measurement assist organisations in meeting their objectives (Page & Prescott, 2005). Efficiency is acting in the most economical manner possible in using the service provider's resources whereas effectiveness is doing those things that draw an organisation closer to its goals-extent to which mutual satisfaction of the service organisation and the guest is achieved (Wilson, 2000).

It is clear, from Wilson' (2000) explanations above, that what guarantees success is not efficiency but effectiveness. Thus working efficiently, though important, does not mean an organisation is on the path to success. In strategic terms this means while developing a service package defines how a hotel will attempt to satisfy the guest's needs, however that alone does not ensure that customers will perceive the value of the service positively (McCune, 1989). McCune (1989) advises that it takes a coordinated network of quality management programmes, feedback evaluation and control systems and continuous attention to performance management to produce a quality service. This illustrates the close linkages between and quality and performance.

Thus, the main goals of a service-delivery system are to ensure the smooth running of the service-delivery process and keeping variations in service quality to a minimum. This calls for effective management of the variability characteristic of services. McCune (1989) further advises that hotel service delivery systems should allow for the monitoring and measurement of delivery variables that signal the potential for guest complaints. This view finds support from Harte & Dale (1995) and Zairi (2000) on the basis that such systems enable managers to prioritise and respond to service delivery problems in accordance to their severity.

This section has established that for a hotel to deliver quality service, the quality ethos must be embedded in the hotel corporate strategy which must be translated into operational objectives in the form of individual employee targets. Perhaps most importantly is the fact that strategies do not exist in a vacuum, but are meant to deliver value to a set of stakeholders. Thus, defining the important stakeholders and their needs and wants is central to delivering a quality service. However, given the multiplicity of stakeholders, the role of the divergent and often conflicting interests and motives of the various stakeholders should be borne in mind when measuring performance (Phillips, 1999, p. 174).

For example:

> '...customers require a hotel service at a low price and high quality. Unfortunately, high quality adds to costs, and a low price reduces sales revenue that leads to lower profits with a lower dividend pay-out to shareholders'

Conflicts can also occur among employees, customers and shareholders. For instance, the service element of hotels places much reliance on employees, who play an integral part of service delivery (Phillips 1999). Hence, low paid and low morale staffs are unlikely to provide the level of service required by guests. Thus, employers need to pay higher wages, which add to the costs and reduce the profit margins and dividends paid to shareholders. Managers, therefore, have to strike a workable balance among stakeholders (Kotler *et al.*, 2010; Phillips, 1999).

4.2 Performance Measurement

The reviewed literature suggests that performance measurement systems were historically developed as a means of monitoring and maintaining organisational control and ensuring that an organisation pursues strategies that lead to the attainment of overall goals and objectives (Amaratunga & Baldry, 2002). Research indicates that businesses that fail to integrate continuous performance measurement and feedback tend to experience lower than expected performance improvements and higher staff dissatisfaction and turnover (Amaratunga & Baldry, 2002; Page & Prescott, 2005).

Despite the recent focus on performance measurement in the hotel industry, the use of performance measurement seems unpopular and rather immature compared to the manufacturing industry (Harris & Mongiello, 2001; Yilmaz, 2005). Furthermore, most of the performance measurement studies in the hotel industry focus only one side – internal historical financial measures, at the expense of drivers for future performance; external non-financial measures (Enz, Canina and Walsh, 2001; Harris & Mongiello, 2001; Phillips & Mautinho, 1999. The hotel industry is unique in that it offers different types of goods and services at the same time in the same place. Harris & Mongiello (2001, p.121) aptly capture that uniqueness as follows:

"... a hotel encapsulates three significantly different kinds of industrial activity within a single arena, i.e. rooms – a near pure service product; beverages – a pure retail product and food – comprising a production function"

Thus, the distinct nature and underlying diversity of activities involved in the provision of hotel services must be recognised and addressed in coming up with compatible performance measurement systems and performance measures (Harris & Mongiello, 2001). The hotel service, as discussed in the previous chapter, holds the characteristics of the service industry such as intangibility, inseparability, variability, perishability and heterogeneity. In order to manage the hotel organisation efficiently and effectively measurement of these aspects is paramount (Yilmaz, 2005). For the hotel industry, the implications for failing to integrate performance and feedback are too ghastly to contemplate as the industry relies entirely upon staff for quality delivery. This implies that organisations should define in clear terms what constitutes performance measurement.

A clear definition of performance measurement is imperative as it directs managers and employees in the right direction and helps them focus on what really matters (Moullin, 2007). Indeed, definitions are important because they drive the implementation process (Gaster, 1995). Pratt (2005) shares the same view and suggests that precise definitions of concepts are needed in designing effective organisations.

While there is agreement on the need for clear definitions of concepts, quite the opposite is prevalent on the concept of performance measurement. Indeed, there is an ongoing lively debate on the concept as discussed below. The most widely quoted definition of performance measurement is provided by Neely (1998). He defines performance measurement as:

'...the process of quantifying past action, where measurement is the process of quantification, and past action determines current performance'

Moullin (2002) critiques this definition by suggesting that while it emphasises effectiveness as well as efficiency, it is unlikely to compel managers to stop and challenge their performance measurement systems. Furthermore, the definition focuses exclusively on the past and fails to indicate what should be quantified and why (Moullin, 2002). Moullin (2002) proposes an alternative to Neely's (1998) definition. He proposes that performance measurement should be defined as:

'Evaluating how well organisations are managed and the value they deliver for customers and other stakeholders' (Moullin, 2002, pp. 188).

Moullin supports his definition on the basis that it provides much more guidance to managers involved in performance measurements. More importantly it encourages them to consider the extent to which their business measures the value, they deliver to their stakeholders and whether it covers the main aspects of how it is managed. Bocci (2004), however, disagrees with Moullin's (2002) and argues that the term 'evaluating' is too wide and that Moullin's definition is limiting in that it includes a reason for measuring performance and that there could be many reasons. Bocci (2004) prefers Neely's definition as it sounds linear, appropriate and useful.

Moullin (2005) replies saying that 'evaluating' was a better term as this included interpretation and analysis; he comments *'someone somewhere is going to ask how well an organisation is doing or what is responsible for the drop in sales. We can't hide behind the numbers forever'.*

At this point, Pratt (2005) wades into the debate supporting Moullin's (2002) definitional idea of an organisation having to meet stakeholder expectations. He advises that, that is all any organisation ever has to achieve and claims that despite Bocci's (2004) concerns, there is no other reason for an organisation's existence. Bocci (2004) defends the use of the term 'evaluation' rather than 'quantifying' by Moullin advising that it encompasses all measuring processes a stakeholder may use-qualitative and quantitative. Pratt (2005, p.13) proposes instead the following refinement and strengthening of Moullin's definition in order to cover all areas that constitute performance and need to be measured:

> "...performance measurement is evaluating how well organisations perform their internal processes and produce the results expected by their stakeholders."

Pratt (2005) further argues that the stakeholder approach provides the simplest and most effective way of combining organisational planning, objective-setting and performance measurement into an integrated whole. He advises that the true measure of an organisation's performance is the perception its stakeholders have of the results it achieves for them. Meanwhile, Neely (2005) replies to his critics suggesting an agreement with both Pratt (2005) and Moullin (2002) that delivering value to stakeholders is clearly essential to organisational success. However, Neely (2005), draws a distinction between the role of the organisation in delivering value to stakeholders and the role of performance measurement in delivering insight.

Neely (2005) defends his earlier definition by pointing out that while stakeholders clearly matter, their inclusion in the definition is irrelevant because the concept of stakeholders adds no clarity to the definition because the question of which stakeholder matter is so context dependent. Moullin's (2005b) response to this is that an organisation needs to know how it is perceived by all key stakeholders and being explicit about this in the definition, will encourage organisations to measure it. This researcher believes that Neely's (2005) point on the contextual nature of the question of which stakeholder matters, in essence, support Moullin's stakeholder based definition.

If the stakeholder concept is context dependent, then the greater the need for the definition of performance measurement to be as precise as possible in clarifying the context.

Having shown the lively debate on the definition of performance measurement, the researcher notes that adopting any particular definitional stance is a matter of persuasion. That is one has no choice but to adopt and pronounce a working definition that closely matches the research question. In this particular instance, the researcher finds the stakeholder based approach to defining performance more appealing for a number of reasons. First, a stakeholder based definition provides a clear purpose for measuring performance with greater emphasis on the value an organisation creates for its stakeholders and the effectiveness of managing the organisation (Moullin, 2004).

Secondly, a stakeholder based approach brings about a shift in focus from goal achievement to an emphasis on performance management as a concept in itself as previously mentioned. This encourages managers to seek a balance between the internal and external perspectives by enquiring into aspects of the external performance management. Thirdly, perhaps more importantly Drucker (1988) advises that the single most important thing to remember about an organisation is that there are no results within its walls, but only cost centres; results only exist on the outside. Those outside the walls for whom the results are produced are the key (Pratt, 2005).

Fourthly, a stakeholder based definition establishes a link between performance measurement and organisational excellence, with the former providing the information needed to assess the extent to which an organisation delivers value and achieves excellence (Moullin, 2007). Furthermore, a stakeholder definition is attractive because it incorporates a deliberate circularity within it – because performance measurement is itself part of how an organisation is managed; it too has to provide value to customers and other stakeholders (Moullin, 2007). Finally, as Moullin (2007) suggests, a stakeholder based definition also relates well to the balanced scorecard, which forms the focus in this thesis as shall be discussed later.

All four of the usual scorecard dimensions – financial, customer, internal processes, and innovation and learning - are implied in the definition. Thus, based on Moullin's argument, delivering value implies consideration of financial aspects; customers and stakeholders are key to the definition, while processes, innovation and learning are central to the way organisations are managed.

4.3 Dimensions of Performance Measurement

Performance measurement can also be described as actively monitoring an organisation's performance levels to continuously improve (Andersen *et al*, 2006). Neely (1998) argues that organisations perform, that is they achieve their goals, by satisfying their stakeholders with greater efficiency and effectiveness than their competitors. He drew a distinction between efficiency and effectiveness as follows:

> 'Effectiveness refers to the extent to which customer requirements are met…efficiency is a measure of how economically the organisation's resources are utilised when providing a given level of customer satisfaction'

This distinction is important because it identifies three fundamental dimensions of performance measurement and highlights the fact that there can be both internal and external reasons for pursuing specific courses of action (Neely, 1998). Neely suggests that there are three distinct dimensions of performance that have to be measured and managed in organisations (see Table 16, p. 94).

The roles of measurement -comply, check and challenge, are significantly different and richer than the traditional view of measurement as a means of control. Instead, they are premised on the assumptions that measurement is a tool to be used by people to enhance business performance and that there are three distinct dimensions of performance that need to be measured and managed in different ways (Neely, 1998).

Table 16: Dimensions of Business Performance Measurement

Dimension	Explanations
Non-negotiable Role =Ensure compliance (Comply)	Failure to deliver or adhere to certain standards can result in organisation losing licence to operate e.g. hotels cannot afford outbreaks of food poisoning. The organisation's measures act as radar and provide early warning signal that something is going wrong.
Negotiable Role = To check the health of business (Check)	Different customers and shareholders may accept different levels of service or financial return respectively. Measures enable manager to establish whether planned actions are being implemented, performance is improving and whether the business has a long term future.
Challenge Role = To challenge	Measurement that allows assumptions underpinning an organisation's strategies and working practices to be challenged and allows people to explore whether their model of how business works is valid

Perhaps more significant is the fact that the dimensions captured in Table16 give credence to the stakeholder approach to defining performance measurement adopted by the researcher. In essence, the comply-check-challenge dimensions are ways of dealing with an organisation's various stakeholders. Indeed, as Crowe (1999) suggests, it is impossible to create shareholder value without creating stakeholder value. On the purpose of measurement, Neely (1998) criticises the traditional view of measurement as a means of control as naïve arguing that when measures are used as a means of control, the people being measured begin to manage the measures rather than performance. For example:

> 'Incidents are reported selectively. Data are manipulated... false data are provided...if people are rewarded for returning good figures...they are motivated to take decisions and pursue courses of action that will make figures look good even if this means jeopardising the performance of the business as a whole' (Neely 1998)

Kaplan & Norton (1992) advise that a performance measurement system should be balanced; covering all relevant dimensions and clearly linking performance measures to organisational strategy (Kaplan & Norton, 2001; Skinner, 1989). Sinclair & Zairi (1995) exemplify the need for performance measurement and evaluation in enabling good planning and control; management of change; communication; continuous improvement; resource allocation; motivation and long term focus, judging it to be a valid management tool. Meanwhile, Neely (1998, p) emphasises that:

'The real value of measurement comes from the action that follows it ... unless appropriate action is taken based on the information supplied by the system, its impact on performance will be non-existent'

Measurement, therefore, is not an end in itself, but rather it is a tool for more effective management (Page & Prescott, 2005). Thus, results of performance measurement deliver insights of what happened and not why it happened or what to do about it (Neely, 2005). Consequently, for an organisation to make effective use of its performance insights, it must be able to make the transition from measurement to management (Page & Prescott, 2005).

Indeed, Feurer and Chaharbaghi (1995) stress the need to make the transition from generating data into information and eventually into knowledge (Page, Orange & Burke, 2000) that can be used to assess performance measurement and service quality. Thus, performance measurement systems should aim to collect and deliver the information that every team needs in order to satisfy its internal customers and ultimately, the external customers.

Indeed, in a budget hotel case-study, Murasiranwa (2009) revealed that managers at the case-study failed to realise the benefit of performance measurement because action plans were drawn-up for purposes of managing the Brand Audit process at the expense of practical implementation that would impact positively on performance.

Business performance can be broadly judged by several attributes such as profitability, business growth, market share, company image and repeat business; all measured either statistically or financially to provide an indication of performance (Antony et al, 2004; Harrington & Akehurst, 1996). Business performance is, however, affected by two key variables; the market conditions which are to a large extent uncontrollable and strategic decisions which are within management control. Speed & Smith (1990) suggested that in measuring performance, it would be most appropriate to use publicly available data in order to produce an objective measure and generate results that can be repeated by other researchers in the field.

However, such an ideal measure is difficult to find (Caruna et al 1995). The authors point out that it is impractical for busy hotel managers to provide actual data and equally non-viable to use documentary sources such as trade and other publications for purposes of obtaining such information. As a result, it is suggested that an appropriately balanced perspective of measures of performance need to be taken into consideration, combining both financial and non-financial aspects, together with more strategic and externally focused indicators (Kaplan & Norton 1992).

4.4 Performance Measurement Systems (PMS)

Neely (2005) advises that defining what constitutes a PMS is a complicated task. At a simplistic level, he defines a PMS as a set of metrics that are used to quantify the efficiency and effectiveness of past actions. However, this definition ignores the fact that a PMS encompasses a supporting infrastructure that enables data processing activities to take place (Neely, 2005). Measurement is incomplete without the data processing activities as that precludes the formulation of informed decisions and actions. Neely (2005, p. 14) revises his earlier (1998) PMS definition to:

> "... a PMS that enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data"

This definition is important in that it reveals essentials constituent parts of a PMS such as:

- Individual measures that quantify the efficiency and effectiveness of human actions.
- A set of measures that combine to assess the performance of an organisation holistically.
- An enabling supporting infrastructure that facilitates data acquisition, collation, sorting, analysis, interpretation and dissemination.

Thus, the purpose of a PMS is to define the measures that an organisation should use to assess performance. More importantly any activity that attempts to assess performance must be fully integrated with the PMS (Feurer & Chaharbaghi, 1995; Murdoch, 1997). That, however, presents challenges to organisations. First, the organisation must identify key success factors that truly drive organisational growth.

Secondly, managers must realise that no one measure can be looked at in isolation from the rest of the organisation as focusing on one could negatively affect another (Feurer & Chaharbaghi, 1995; Murdoch, 1997). This confirms the need for effective communication of organisational strategies to ensure that all resources pull in the same direction. Murdoch (1997) further advises that deciding on performance measures is only the beginning of the process. This should be followed by the determination of appropriate targets for each measurable and remedial action plans if targets are not attained.

4.5 Performance Measurement Systems (PMS) in the Hospitality Industry

The reviewed literature suggests that few researchers in hospitality have focused on PMSs (Haktanir & Harris, 2005). A literature review of publications between 1989 and 1994 by Teare (1996) on the use of the balanced scorecard in hotels reveals that business performance measurement did not emerge from his analysis. The analysis reveals that papers discussing business performance in the hospitality industry started emerging in 1995. For instance, Brander Brown & McDonnell (1995) discuss the use of the balanced scorecard in the UK hotel industry and the limitations of the traditional financial measures.

They advocate for the inclusion of non-quantitative and non-financial measures such as guest satisfaction, service quality and employee attitudes in business performance measurement as exemplified by the USA hotel industry. Brander Brown & McDonnell (1995), claim that the UK hotel industry is using irrelevant, inappropriate and ineffective accounting measures. They recommend hoteliers to adopt Kaplan & Norton's (1992) Balanced Scorecard. Hepworth (1998) validates Brander Brown & McDonnell's (1995) findings. He confirms limited application of the balanced scorecard in the UK hotel industry whilst acknowledging its successful implementation in the USA hotel industry.

Following a survey on hotel general managers in European Hotel Chain, Harris & Mongiello (2001) recognise and advocate for the shift from the narrow and limited accounting-centred approaches to integrated balanced performance systems. Their findings suggest three key dimensions of hotel business performance; human resources, operations and the guest. In a review of the advantages and disadvantages of the traditional budgetary accounting system, Brander Brown & Atkinson (2001) reveal its limitations, including time-consuming and requiring several revisions; it encourages managers and users to parochial behaviour; it encourages barriers between different departments and serves as a hindrance to flexibility within the organisation.

This review reinforces the need for a balanced range of performance indicators. Indeed, Brander Brown & Atkinson (2001) propose a new budgeting system that incorporates alternative dynamic techniques such as frequent and regular forecasts with a wide and balanced range of performance measures. They advise that indicators in their proposed system measure both future long-term and current short-term performance. Meanwhile, Atkinson & Brander Brown (2001) explore the status, trends and practices of PMS in the UK hotel industry. Their mixed methodology empirical study indicates that British hotels rely heavily on financial dimensions of performance. The study reveals that UK hotels monitor and measure their financial performance dimensions such as profitability, turnover and cost control in significant details while neglecting non-financial measures like service quality and customer satisfaction.

98

While the above hotel-related literatures are old, nothing appears to have changed as there is a lack of current literature addressing the same issues in the specific hotel context. Moreover, there is lack of empirical research covering the budget hotel context. It appears these issues have been abandoned by researchers. However, the findings above find support from Cruz's (2007) recent study on PMSs used in an international hotel. Cruz reveals that old and traditional techniques such as the budgetary system based on comparison of actual versus budgets are still prevalent as a popular tool for measuring performance in the hotels' context.

However, Cruz's (2007) paper reveals that besides the old budgetary system hotel managers at the international hotel have innovatively added new and flexible measurement techniques known as Rolling Forecasting (RF) which focuses on predicting and forecasting variables such as occupancy rates, average room price, the gross operating profit and costs. This researcher believes that while the RF concept may improve the forward looking financial practices for the hotels, it still retains an unbalanced underlying financial focus and fails to incorporate non-financial measures such as service quality, employee and guest satisfaction.

The findings discussed above indicate that the UK hotel industry performance measurement systems are narrow and unsustainable as they retain the underlying historical financial focus while neglecting the dynamic drivers of future performance such as flexibility and stakeholder satisfaction. This makes the UK hotel sector an excellent candidate for the research. This research will uncover the gap between theory and practice in the context of branded budget hotels. Potential benefits will come as recommendations on the way forward in this regard. As Cruz (2007) observes, widespread adoption and implementation of balanced PMS techniques developed in the generic literature has not completely occurred in the hospitality industry. Thus use of the traditional financial measures of performance focusing on historical activities and short-term perspectives still dominate the performance measurement practices in the UK hotel industry (Cruz, 2007; Atkinson & Brander Brown, 2001; Brander Brown & Atkinson, 2001).

The above discussion naturally leads to the question; what constitutes a good hotel PMS? Answering this question is not a straightforward act as one has to sieve through the various arguments in the literature. Below is a rather simplistic summary synthesised by this researcher from the reviewed literature. A hotel performance measurement system should enable managers to effectively cope with organisations characterised by a number of contingent features such as operations, which demonstrate a relatively high fixed cost base (Atkinson & Brander Brown, 2001).

This implies a need for measures to reflect a market orientation and to focus more on revenue management (Harris and Brander Brown, 1998; Harris, 1999). In addition, it is considered vital for the performance measurement systems to reflect the complex nature of the service-delivery process within hotels. This includes such typical characteristics as high degrees of perishability, intangibility, heterogeneity and simultaneity (Fitzgerald *et al.*, 1991; Jones & Lockwood, 1989; Kotler *et al.*, 2010) as well as outputs which combine pure service elements with retailing and manufacturing functions (Harris and Brander Brown, 1998; Harris & Mongiello, 2001).

Measurement of these is imperative if the hotel establishment is to be managed in an efficient and effective manner (Yilmaz, 2005). Yilmaz (2005) advises that besides the above product-based features, hotel performance measurement systems should take into account the general characteristics of the industry such as variability (seasonality) and inter-linkages between various hospitality and tourism organisations. Variability is a feature of the hotel industry that directly affects an organisation's overall performance in terms of efficient use of resources and effectiveness of the business (Yilmaz, 2005).

So the measurement of demand variability impacts becomes paramount. Besides variability in hotel service demand, the hotel sectors rely on and supply other hospitality and tourism sectors that make companies work closely. In such symbiotic relationships, concepts like supply-chain management or value chain management become vital in measuring company-wide and chain-wide customer and internal performance (Yilmaz, 2005).

On the other hand, Yilmaz (2005) advises that hotels use natural resources as major inputs; they hence are facing pressure of sustainability and social responsibility. Thus, hotel companies will have to incorporate environmental issues into their PMSs and declare measures about them to the public. Indeed, Whitbread, the parent company of UK's largest budget hotel chain, Premier Inn, announced in 2009 that it would incorporate Corporate Social Responsibility measures in its Balanced Scorecard. Further, hotel performance measurement systems need to reflect and recognize the importance and value of people, both guests and employees, in the delivery process (Atkinson and Brander Brown, 2001).

Hotel organisations are therefore expected to develop better performance information relating to key areas such as employee morale, service quality and customer satisfaction (Fitzgerald et al., 1991). In this regard Murasiranwa (2009) suggests a lack of balance in the Balanced Scorecard used by a UK Budget Hotel Chain as it failed to capture the employee measures at the expense of shareholders and customers.

This reflects a gap in the implementation of the Balanced Scorecard in the chain. Hooley, Saunders, Piercy & Nicoulaud (2008) suggest that to improve service quality and drive service quality hotel PMSs should effectively use the three Ss of customer service; strategy, systems and staff:

- Strategy: at the core of the company's strategy should be service quality 'pleasing its stakeholders; this should be communicated throughout the organisation via a deliberate policy on quality. This should be put in place right from recruitment to everyone having to work in all different hotel departments.
- Systems: these should reflect strong service quality focus through a deliberate policy on quality that allows stakeholders to directly feedback for improvement.
- Staff: employees are critical to the hotel industry for service delivery and should be recruited based on their fit with the company's core service quality ethos or values.

101

4.6 The Value of Performance Measurement Systems

Nowadays, organisations place strong emphasis on the adoption and usage of broad-spectrum performance management systems in contrast to traditional financially focused systems (Martinez, 2005; Neely, 1998). Martinez (2005) suggests that interest in broad-spectrum PMSs has been driven partially by the popularity of the Balanced Scorecard.

She reports on Research carried out by the Centre for Business Performance at Cranfield School of Management, which shows that managers implement PMSs for a number of reasons, including monitoring productivity; communicating strategy; reducing costs; reviewing the business strategy; supporting compensation schemes and controlling operations. While the study above demonstrates that broad-spectrum PMSs are multi-faceted, it fails to address the real value or benefits of the systems that would attract managers to use them. Hotel managers may rightfully ask: what's in it for us?

In order to address that question one has to turn to a number of studies that address the question. Lingle and Schiemann (1996) indicate that organisations with integrated and balanced performance management systems perform better than those without. Results of a US survey show that PMS, used as a management control tool, increases both organisational sales and profits and reduces overhead costs by 25%; while another shows that PMS improves the return on assets (Lawson, Stratton and Hatch, 2003).

On the other hand, other researchers report fewer tangible non-financial benefits such as customer and employee satisfaction (de Waal, 2003). Some also show that a balanced PMS increases employee communication and collaboration while facilitating buy-in of the implementation of strategic objectives. These studies suggest that the impact of PMSs need to be better understood in order to extract maximum benefits. Thus, organisations should pay more attention to the internal effects of performance management because they directly affect the way organisations operate and relate with external stakeholders.

Martinez (2005) advises that the internal effects are the engines that drive an organisation's results (both internal and external) such as profitability, reputation, customer and employee satisfaction, service quality perceptions, value for money, etc. Martinez (2005), in a case study based on a series of interviews, illustrates the internal effects phenomenon and summarises both perceived benefits and negative effects of the PMS on an Energy Company (see Table 17 below).

Table 17: Top positive and negative effects of Performance Measurement Systems

Top 8 Benefits of PMS	Top 7 Negative effects of PMS
1. Focus employees' attention on important issues to the company by linking key objectives to employees' jobs and continuous review	1. Time consuming- especially at the initial implementation stage as benefits are uncertain.
2. Continuous business improvements	2. Demands considerable financial investment
3. Improved customer satisfaction	3. Bureaucratic – too many measures make a PMS bureaucratic
4. Improved productivity	4. Over-complicated measures – difficult to understand and manage
5. Alignment of operational performance with strategic objectives	5. Misleading prioritization – 'red' measures can divert attention from critical measures
6. Improved employee satisfaction	6. Mechanistic – at strategic level it can discourage entrepreneurial intuition.
7. Improved alignment of people's behaviours towards continuous improvement	7. Monotonous- at tactical level managers have to continuously refresh the way in which performance is reviewed.
8. Improved company reputation	

[Source: Martinez (2005, pp. 17)]

4.7 Hospitality Performance Measures

From the discussion above we have learnt that the main purpose for developing PMSs is to identify business performance measures that really drive an organisation. Bourne and Neely (2003) define a performance measure as a metric used to quantify the efficiency and effectiveness of a business's actions. While there seems to be an agreement on the need for measures for assessing a business' performance, there is a debate on how to identify, implement and use performance measures.

Neely et al (2005) point to the fact that the process for implementing the balanced PMS is still not well understood nor has it been fully operationalised. Thus, there is lack of agreed-upon sets of measures to use. This is, however, not surprising given the diverse and complex contextual factors that characterise and distinguish organisations, which makes searching for universal measures practically unrealistic (Neely et al., 2005). However, there is a sense in the literature that authors are in agreement that an organisation to be efficient and effective; it must attain a balance between financial and non-financial measures. The distinction between financial and non-financial measures, however, lacks clarity as it is often left to the reader's common understanding of the terms (Morissette, 1996). Below the two approaches will be briefly discussed.

4.7.1 Financial Performance Measures

The reviewed performance measure literature suggests that financial measures are accounting based metrics that measure the progress of an organisation in monetary terms. Thus, the financial metric approach uses different generic ratios such as profitability, liquidity and leverage ratios to measure the success or failure of an organisation. Indeed, the hospitality industry has extensively used the ratio analysis approach based on the calculation of relationships between figures from different accounting statements to reflect the effectiveness (or lack of it) of current and previous activities (Banker, Potter and Snnivasan, 2005).

However, the generic financial measures have proven to be of limited value and contribution in hospitality financial performance measurement (Lockwood, 2008). Lockwood points to three reasons for the limitations. First, he argues that financial results tend to be aggregated data that does not provide enough details about performance. Second, the value of money is not constant within a country due to inflation.

Third, Lockwood argues that hospitality organisations are expanding internationally, and therefore, results should be converted into a common currency using current exchanges. However, the ever-changing exchange rates mean that financial results do not reflect the real local economic conditions. Consequently, the aforementioned limitations of generic accounting measures led to development of industry specific financial measures for the hospitality industry. The most commonly used hospitality financial measures are summarised in the Table 18 (p. 106).

Table 18: Hospitality Financial Measures

Financial Measure	Formula	Hospitality Sector
Total revenue per available room (TREVPAR)	Total revenue ÷ number of rooms available	Hotels
Operating cost per available room (COSTPAR)	Total day-to-day expenses ÷ Number of rooms available	Hotels
Average room rate for a hotel (AVGRATE)	Total revenue ÷ number of rooms occupied	Hotels
Occupancy rate for a hotel (OCCRATE)	Number of occupied rooms ÷ Number of rooms available	Hotels
Average room rate	Room revenue ÷ rooms occupied	Hotels-rooms division
Double room occupancy rate	Rooms double occupied ÷ Rooms occupied	Hotels- rooms division
Revenue per available room (RevPAR)	Total room revenue ÷ rooms available	Hotels- rooms division
Average daily spend per guest	Total guest bills ÷ total guests	Hotels & Restaurants
Average stay per guest	Total rooms night ÷ total guest	Hotels- rooms division
Sales per server	Meals sales revenue ÷ number of servers	Restaurants- food and beverage
Guests per server	Number of guests served ÷ number of servers	Restaurants- food and beverage
Seat turnover	Number of guests served ÷ number of seats	Restaurants – food and beverage
Revenue per available seats	Sales revenue ÷ number of seats	Restaurants- food and beverage
Average food spend	Food revenue ÷ number of covers	Restaurants
Average beverage spend	Beverage revenues ÷ number of covers	Restaurants
Food cost percentage	Cost of food sold ÷ food revenues	Restaurants
Beverage cost percentage	Cost of beverage sold ÷ beverage revenues	restaurants

[Source: Abbott & Lewry (2001, p. 179-180); Banker et al., (2005, p. 399); Coltman and Jagels (2001, p. 165-167); Harris (1999, p. 45 – 46); Jagels (2007, p. 169 – 174)]

106

4.7.2 Non-financial Measures of Performance

Defining non-financial measures is not an easy task. Authors tend to define the concept by extensional definitions i.e. defining the concept by providing specific examples of the measures (Matthews, 1997). Extensional definitions are considered appropriate when the number of objects required for explaining the meaning of a concept is limited or fixed. For instance, Lau and Sholihin (2005, p.390) describe non-financial measures as 'metrics that related to the customers, internal business processes and learning and growth performance perspectives'.

Lau and Sholihin's definition is significant in that it is the same description used to underpin the Balanced Scorecard by its promoters (Kaplan and Norton, 1992; 1996; 2001; 2004; 2006). Other researchers more specifically define non-financial measures as measures such as product or service quality, customer satisfaction and market share (Banker et al., 2000; Ittner, Larcker and Rajan, 1997). However, the use of a few specific examples may lead to confusion and misunderstanding. In the case of non-financial measures, it can be argued that there is an unlimited number of examples that can be used for describing them by extension. For example, Banker et al., (2000) consider market share as a non-financial measure whereas Morissette (1996) considers it to be a financial measure.

Indeed, Morissette (1996) claims that anecdotal evidence suggests the misunderstanding of the meaning of non-financial measures is also prevalent among practitioners as most managers often confound qualitative information with non-financial numerical expressions. Van der Stede et al., (2006) demonstrate a clear and important distinction between non-financial measures that are quantitatively and objectively derived (e.g. defect rates, service failure rates) and those derived qualitatively and subjectively (e.g. knowledge sharing across departments). However, the authors fail to provide a clear definition of what they mean by non-financial measures. Morissette (1996) provides what is perhaps the most comprehensive non-extensional definition of non-financial measures to date.

He proposes that non-financial measures are any quantitative measures expressed in a metric other than monetary units that result from mathematical manipulations or ratios of information expressed in metrics other than monetary units. However, Morissette fails to capture Van der Stede et al's. (2006) notion of qualitative or subjective non-financial information. This lack of attention to non-financial measures definition could potentially raise research comparability and generalisation concerns. Thus, a definition adopted in this study combines notions from the studies by Morissette (1996) and Van der Stede et al. (2006). The working definitions of non-financial and financial measures that will guide this research shall be;

> "Any metric that is derived qualitatively (subjectively) and quantitatively (objectively) or is a result of mathematical manipulations or ratios of data expressed in units other than monetary. Consequently, financial measures will be defined as any metric that is expressed in monetary units or ratios resulting from the manipulations of data and expressed in monetary value."

4.7.3 Importance of Non-Financial Measures

Non-financial performance measures are perceived as the key ingredient that brings about a balance in performance measurement systems, and that encourages managers to focus also on external performance. Thus, helping managers achieve a balanced view of an organisation's internal and external perspectives. There are many reasons for the use of non-financial measures of performance.

The most common reason is based on the notion that these measures help in focusing managerial attention on the long term since non-financial measures are forward-looking unlike financial measures, which are historical and focus on the short-term (Atkinson and Brander Brown, 2001; Brander Brown and Atkinson, 2001; Brander Brown and McDonnell, 1995; Harris and Mongiello, 2001; Hudson et al., 2001).Indeed, evidence suggests that non-financial measures are more suited to predicting future financial performance (Anderson, Fornell and Lehmann, 1994; Atkinson and Brander Brown, 2001).

For the above reason, non-financial measures can be effectively used to address the short-termism and historical nature of financial measures (Brander Brown and Atkinson, 2001; Neely, 1999; 2005; Phillips, 1999). Banker (2006) argues that it is critical for managers to use non-financial measures in compensation schemes because they are lead indicators of future performance. He advises that non-financial measures are sensitive in that they provide an early indication of what is occurring long before financial results are attained.

Furthermore, he argues that these measures are precise in that they depend more on managers' actions rather than factors managers have no control over. Another reason for the use of non-financial measures is that these measures unlike financial measures provide strategic information about customers, internal processes, competitors and intangible assets that are difficult to capture with financial information (Harris, 1999; Harris and Mongiello, 2001; Ittner and Larcker, 1998; 2003; Neely, Adams and Kennerley, 2002).

Perera et al., (1997) argue that non-financial measures are critical as they deal with causes and not effects. The authors advise that financial profit measures show the effects of non-financial activities and achievements but fail to precisely pin point what exactly the business is doing right or wrong. Furthermore, commentators suggest that the existing competitive realities that organisations face (i.e. increased customisation, demand for value for money; flexibility; innovation and responsiveness) make the sole focus on financial measures inadequate in managing modern-day organisations. Thus, the complexity and uncertainty of the business world require both financial and non-financial focus (Harris and Montiello, 2001; Ittner, Larcker & Randall, 2003; Neely, 2005).

4.8 Towards a Performance Measurement System for the hotel Industry

Having looked at the requirements of an effective PMS, its value to an organisation and the need to balance financial and non-financial measures of a business, this section will look at some of the recommended frameworks for the hotel industry. This discussion does not aim to cover all measurement frameworks. Instead, it will narrow the focus to cover the main frameworks developed or adapted for application to the hospitality service industry.

Several alternative performance evaluation systems have been recommended for the hotel industry. These include the Results and Determinants Model (Fitzgerald et al., 1991); the Six Sigma; contingency approach (Phillips, 1999); and the Balanced Scorecard (Denton and White, 2000; Kaplan and Norton, 1992). Fitzgerald et al., (1991) provide the Results and Determinants model for the UK service industry. The model seeks to provide organisations with a framework that integrates financial and non-financial measures, both qualitative and quantitative, in order (see Table 19, p. 111). Fitzgerald et al., (1991) claim that the dimensions in the model reflect the nature and characteristics of the UK service industry.

As table 19 shows; the model uses six key performance dimensions and incorporates both financial and non-financial metrics while also balancing internal and external perspectives (Atkinson and Brander Brown, 2001). The model categorises the dimensions into two groups; results' dimensions, which reflect the success of a chosen strategy (e.g. competitiveness and financial performance) and determinant dimensions, which comprise elements that impact on overall performance (e.g. service quality, flexibility, resources' utilisation and innovation).

Table 19: Results and Determinants Model

	Performance Dimensions	Types of Measures
R E S U L T S	Competitiveness	Relative market share and position Sales growth Measures of the customer base
	Financial Performance	Profitability Liquidity Capital structure Market ratios
	Quality of Service	Reliability, Responsiveness
D E T E R M I N A N T S		Aesthetics/ appearance, Cleanliness/ tidiness, Comfort Friendliness, Communication, Courtesy, Competence, Access Availability Security
	Flexibility	Volume flexibility Delivery speed flexibility Specification flexibility
	Resource Utilisation	Productivity Efficiency
	Innovation	Performance of innovation process Performance of individual innovators

[Source: Fitzgerald et al., 1991]

While the model considers resources utilisation, however, only their productivity and efficiency aspects are measured (Zigan and Zeglat, 2010). In that perspective, the model is criticised for not having any discussion or measures on key dimensions of the hotel service; the customers (relational capital) and human capital (Hudson *et al.*, 2001). Thus, the Results and Determinants model fundamentally fails to capture the contribution of the key intangible resources to organisational performance (Usoff, Thibodeau & Burnaby, 2002). This perhaps explains why the Model has not been adopted by the UK hotel industry.

The 6 Sigma performance measurement systems have been successfully used in the global hotel industry. It is extensively used by Starwood Hotels, a global chain that comprises brands such as St. Regis, Sheraton, Le Meridien, Westin, Four Points and W Hotels. Despite its extensive use by Starwood Hotels, there is a surprising dearth in academic literature in connection with the use of Six Sigma in the UK hotel industry context. However, there is quite a lot of 6 sigma literature from other industries.

In order to address a general paucity in hotel-related research and to assess the appropriateness of hotel evaluation systems in use, Phillips (1999), proposes a 'contingency approach'. He speculates that competitive advantage can be attained using a 'contingency approach' if inputs, processes, outputs, markets; environmental characteristics are congruent with business objectives. However, the researcher notes the lack of adoption of the 'contingency approach' by the hotel industry as well as lack of follow-on validation research on the approach.

On the other hand, the Balanced Scorecard (BSC) emerged in 1992 as one of the most influential frameworks in performance measurement (Evans, 2004). Performance measurement literature indicates that at its inception in 1992, the BSC was immediately embraced by both academia and the corporate world (Bourne, 2008; Denton, 2005; de Waal, 2003). Since then, the potential of the BSC has been recognized in various forms, receiving distinctions as the best theoretical framework in 1997 from the American Accounting Association (Norreklit, 2003), while the Harvard Business Review considers it as one of the most influential ideas of the twentieth century. For these reasons, the BSC is considered the most successful tool in the field of performance management (de Waal, 2003).

Indeed, evidence indicates that the uptake of the BSC, in a relatively short period of time is impressive. The BSC Collaborative indicates that by 2002, the BSC was already used by the Global 1000 companies (Bain & Company, 2009). The 'Management tools and techniques' survey, administered by Bain & Company, provides a comprehensive evaluation of its global adoption.

The survey indicates that the BSC was introduced to the survey in 1996 with a user rate of 39% and picked up at 62% in 2002 (see Figure 8 below). Overall, the BSC is considered one of the tools with the sharpest increases in the survey, with a 14% change, although its usage dropped slightly in 2008 at 53% (Bain & Company, 2009; see Figure 8 below).

Figure 8: The Usage Rate of the Balanced Scorecard

Total usage   Overall satisfaction
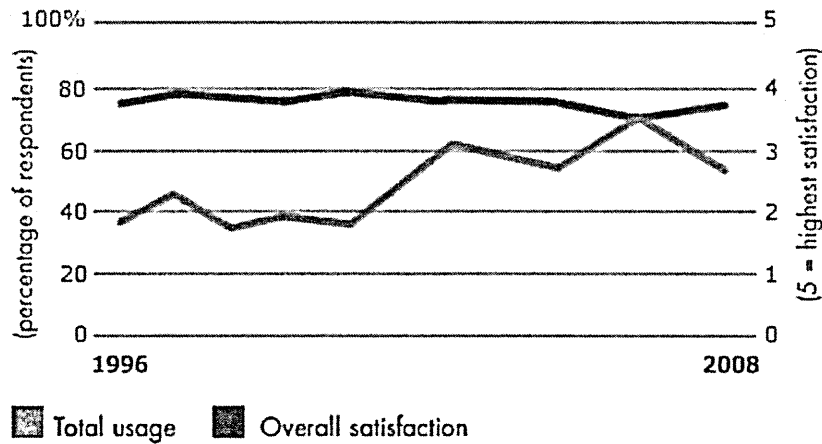
[Source: Bain & Company, 2009]

Meanwhile in the hospitality industry, the BSC Model, developed by Kaplan & Norton (1992) has also proven to be the most influential framework for hotel performance measurement (Evans, 2004; Evans, 2005; see Figure 9, p. 114). The Balanced Scorecard (see Figure 9) aims to provide management with a set of measures, which combine to give a 'comprehensive but fast' view of the business (Kaplan & Norton, 1992).

It is suggested that it particularly meets the information needs of hotel managers by combining, in a single performance measurement report, the various disparate elements of a company's competitive agenda. Proponents for the BSC argue that it prevents managers from being overloaded with information, by limiting the measures to about 20-25, as they must consider all of their organisation's significant performance measures together (Atkinson & Brander Brown, 2001; Kaplan & Norton, 1992).

113

Figure 9: A Balanced Scorecard
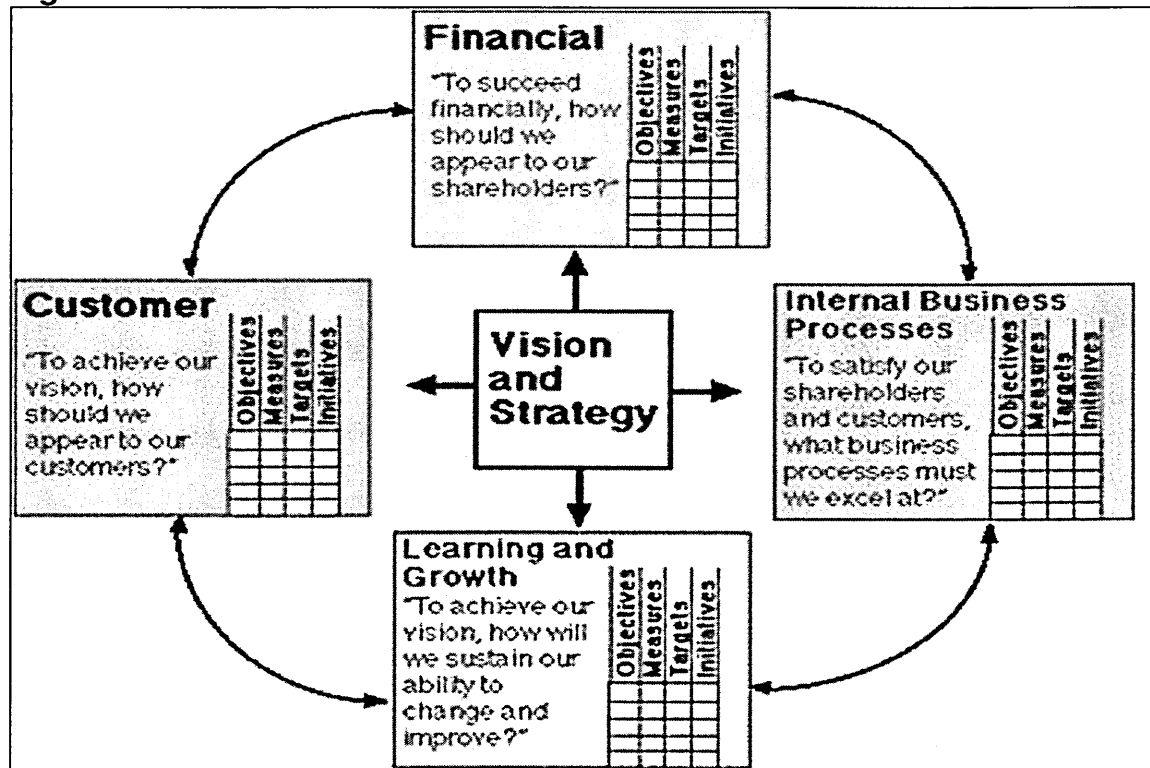
At the centre of the selection of the 20-25 performance measures is a comprehensive strategic appraisal process which should lead to the clear identification of an organisation's strategic objectives and their related key success factors. Thus, analogous to the instrument panel of a plane, the Balanced Scorecard should provide management with a holistic view of the conditions inside and outside the organisation (Doran, Haddard & Chow, 2002). Despite its widespread use, the balanced scorecard has shortcomings that have been identified by numerous authors. It does not consider a number of features of earlier frameworks that could enhance its usefulness.

Brignall (2002) refutes the comprehensiveness notion associated with the BSC, claiming that it only measures three perspectives and stakeholders; customers (customer relations perspective), shareholders (financial perspective) and employees (internal and learning perspective). The absence of a competitiveness dimension has been noted by Neely et al. (1995).

Others point to the absence of human resources/ employee satisfaction; supplier performance; product/service quality and environmental/ community perspectives (Brignall, 2002; Brown, 1996; Doran et al., 2002; Kennerley & Neely; 1995). Failure to address these dimensions, the authors claim, limits the balanced scorecard's comprehensiveness. The balanced scorecard is also criticised for failing to reflect different dimensions of performance as the results and determinants model does (Kennerley & Neely; 1995). The authors claim that neither the customer, nor the internal perspective is defined in terms of the dimensions of performance that determine success such as the strategic objectives of quality, cost, delivery and flexibility.

However, the view point of this researcher is that the above criticisms of the BSC may be misplaced and fundamentally flawed in the sense that the critiques appear to assume homogeneity in company contexts as determined by missions and priority. The criticisms also appear to be driven by the desire to make the BSC a generic tool applicable to all companies. That is an ideal that is virtually impossible to attain in a highly contextualised environment.

It is the considered opinion of this researcher that the BSC should be taken as a loose tool that is flexible enough so that it can be tailored to the disparate organisational contexts. In that sense, every organisation should be able to add to the BSC or even take away dimensions as part of tailoring the BSC to its particular strategic mission. In the hotel industry, a measure of success of the adoption and implementation of the BSC can be exemplified by its ever increasing popularity having been pioneered by Hilton Hotels in 1994 (Denton & White, 2000; Phillips & Louvieris, 2005).

Indeed, the hotel literature acknowledges the BSC as a tool for assessing organisational success, which provides a road map that instructs managers on how strategic vision can be attained (Zigan & Zeglat, 2010). Denton and White (2000) developed a BSC framework for the hotel industry and applied the following indicators for measuring hotel performance (See Table 20, p. 116).

Table 20: Hotel Performance Measures

1. Hotel Financial Performance measures:
- Operating income   - Return on investment   - Revenue growth
2. Hotel Customer management measures:
- Customer satisfaction   - Market segmentation   - Customer profitability
3. Internal Hotel business process measures:
- Brand recognition   - Service errors   - Failure rates   - Time required to complete core processes
4. Learning and growth measures:
- Training levels   - Information technology use   - Strategic skills for managers
[Source: Denton & White, 2000]

Denton & White (2000) prove that there is a cause-effect relationship between these perspectives. Evans (2005) on the other hand, argues that the BSC framework should be viewed as a tool for strategic implementation. Evans' (2005) findings, based on a survey of three- and four-star hotels in the North East of England, indicate that hotels use a wide variety of measures that represent and cover the four perspectives of the BSC tool. The results imply that hotel managers are utilising the BSC principles without making specific reference to the BSC tool, which may be indicative of lack of awareness of the tool. Thus, the findings expose a prevalent dearth in details, in the hospitality literature, about using the BSC as a strategic implementation tool in the hospitality industry. Indeed, while the BSC is the most popular performance measurement framework, as measured by adoption rates, the empirical evidence exploring its performance impact is very limited (Neely, 2006).

Neely's claim implies that organisations may have adopted the BSC innovation without a comprehensive understanding of its impact. He argues that this does not auger well for organisations operating in an era of evidence based management. Neely (2006), in an attempt to address the aforementioned shortcoming, provides some useful evidence on the impact of the BSC framework. Results from his study reveal that the BSC has an impact on organisational performance in terms of sales and gross profits while the impact on net profits is less clear.

However, when the sample is split into two; those that perform well on nonfinancial measures and those that perform poorly; the findings reveal that the group that performed well on non-financial measures clearly performed better than their comparators in terms of sales, gross profit and net profit (Neely, 2006). Perhaps most importantly Neely's findings hold even when prior financial performance is controlled for. Thus, suggesting the results are not simply an artefact of high-performing organisations continuing to perform well (Neely, 2006).

In the hotel industry, Phillips (2007) conducted a longitudinal case study in order to understand the theoretical and practical impacts of adopting the BSC framework as a strategic control tool. His findings reveal that using the BSC developed by Kaplan & Norton (2001) improves practices of the BSC; helps achieve better strategic thinking; determine how to achieve strategic goals and when to change the strategy. He concludes that using the BSC alone is not adequate to achieve organisational success. He argues that it will lead hotel managers to focus on planning and the results of strategies without paying enough attention to changing strategies.

However, Phillips (2007) urges researchers to replicate his study in richer case studies using multiple methodologies in order to gain deeper understanding of the strategic control function of the BSC in the hotel sector. This researcher seeks to answer that call and to contribute towards addressing this gap in knowledge by qualitatively evaluating the managerial perceptions and beliefs on the BSC at the budget hotel unit implementing level.

This is premised on the belief that managerial perceptions and beliefs inform and influence the unit managers' actions in terms of performance management. In general several other hotel industry study findings suggest that the BSC is a valuable measurement tool for the industry (Brander Brown & McDonnell, 1995; Hepworth, 1998; Harris & Mongiello, 2001; Phillips & Louvieris, 2005; Evans, 2005; Phillips, 2007). It is evident that the Balanced Scorecard framework discussed above clearly incorporates some balance of measures, both financial and non-financial. The framework attempts to explicitly recognise the relationships and trade-offs between different measures and is directed at both linking the operational aspects of an organisation to its strategic intent (Atkinson & Brander Brown, 2001; Kaplan & Norton, 1992).

It is therefore considered that such a framework would be useful to hotel managers seeking to cope with the increasing competitive environment, and the number of contingent features considered typical of the industry. However, despite the development of such balanced and strategically focused hotel performance measurement frameworks, there is evidence suggesting that the UK hotel industry appear to concentrate on financial measures at the expense of non-financial measure (Antony, et al. 2004; Atkinson & Brander Brown, 2001; Brander Brown & Harris, 1998; Brander Brown & McDonnell, 1995; Cruz, 2007). Given these revelations the researcher decided to undertake the current research in order to discover and explain how branded budget hotel managers conceptualise performance measurement and how this affects their preferences in measuring performance.

4.9 Linking Quality and Business Performance

This section will review the proposed links between service quality and business performance. This is because there is a proposition in the reviewed quality and performance literatures that enhanced service quality leads to improved business performance. The concept of service quality has emerged as a differentiation strategy that provides an opportunity for organisations to gain sustainable competitive advantages over competitors (Parasuraman et al, 1985; 1988; Harrington, 1999; Ekinci & Riley, 2001; Parasuraman, 2002).

Furthermore, Service quality has become an important research concept because of its apparent relationship to costs (Crosby, 1979), profitability (Buzzel & Gale, 1987; Zahorik & Rust, 1992; Rust & Zahorik, 1993), customer satisfaction (Bolton & Drew, 1991; Boulding et al, 1993), customer retention (Reichheld & Sasser, 1990) and positive word of mouth.

However, until the 1990s, the belief that better service quality leads to improved business performance has been based on anecdotal evidence (Harrington & Akehurst, 1996; Soterou & Zeinos, 2000). Notable exceptions are the works of Buzzel & Gale (1987) and Jacobsen and Aaker (1987). Buzzel & Gale (1987), using data drawn on the Profit Impact of Marketing Strategies (PIMS) database, have shown an unequivocal positive relationship between perceived quality and profitability (Soterou & Zeinos, 2000). However, the PIMS data set included mostly manufacturing firms; hence it is questionable as to whether their findings are applicable to the services industry (Hooley, 1993; Harrington & Akehurst, 1996).

Jacobsen & Aaker (1987) argued that the positive relationship between quality and profitability is industry specific and that most of the existing research studies do not address the idiosyncrasies that might be evident within individual industries. Such idiosyncrasies may lead to fundamentally different conclusions regarding the impact of quality across industries (Soterou & Zeinos, 2000). Since then there has been a rise in frameworks that present quality as a major driver of performance (Heskett et al, 1997; Roth et al, 1997, NIST, 2000; Soterou & Zeinos, 2000) along with empirical studies that demonstrate the positive impact of quality on both financial and non-financial performance (Flynn et al, 1993; Heller; 1994; Anderson et al, 1997; Hendricks & Singhal, 1997).

Aaker and Jacobson (1994) reported a significant positive relationship between stock return and improvements in quality perceptions. In the study, the explanatory power of the quality measure compared to that of ROI. This was viewed as strong corroboration of the connection between perceived quality and business performance (Zeithaml, 2000).

Anderson, et *al*, (1997), have shown that the relationship between quality and performance differ in services and posit that satisfaction, and productivity are less likely to become compatible when satisfaction is more dependent on customisation and when it is costly to provide both customisation and standardisation simultaneously. Other studies have documented negative or no-effect on relationships between quality and business performance while others cited implementation problems that interfered with the impact of quality on business performance (Easton, 1993; Ittner et al., 2003). However, studies showing negative or no effects were typically not focused on service quality but sought to examine total quality management in general.

In an exploratory study in UK, Harrington & Akehurst, (1996) failed to establish the positive link between service quality and business performance. Service quality has also been linked to profitability through activities for customer satisfaction and retention (Reichheld & Sasser, 1990). Zeglat (2008) on the other hand, reported an indirect link in a budget hotel chain. While the idea that performance is bolstered by service quality appears to be inherently logical, establishing the impact of quality management on performance seems particularly difficult in the context of the hotel industry (Kimes, 2001). Similarly, Rust *et al* (1994), conclude that a link between quality and performance exists, but the challenge is to provide operational methods for measuring the link.

The difficulties of linking the concepts could be traced back to the lack of consensus in defining both concepts of service quality and business performance, reflecting differences in the way people define the concepts. The emergence of the concept of satisfaction which has also been linked to performance further complicates the linkage (Caruana & Pitt, 1997). The distinction between satisfaction and service quality that is often made is that satisfaction is transaction specific while quality is an overall evaluation of long-term attitude to the service offering (Cronin & Taylor, 1994; Oliver, 1981; Parasuraman et al., 1988). However, consumer satisfaction researchers tend to see customer satisfaction leading to service quality while service quality researchers conceptualise the opposite relationship (Czepiel et al., 1985).

Verification of the relationship between service quality and performance has taken too long due to the unfounded belief that the connection is simple and direct (Zeithaml, 2000). Zeithaml (2000) argued that investments in service quality do not track directly to performance for a variety of reasons. First, service quality benefits are rarely experienced in the short term making them less amenable to detection using traditional research approaches. Secondly, other variables (i.e. pricing, competition and advertising) influence business performance. This makes isolating the individual contribution of service quality difficult.

Thirdly, mere expenditure on service quality is not what leads to profits; instead, spending on the right variables and proper execution are responsible. Similarly, other researchers concluded that the link between service quality and profits is neither straightforward nor simple and that no single researcher or company has defined the relationship fully (Zahorik & Rust, 1992). Instead, different scholars have studied different aspects of the connection (Zeithaml, 2000). Hence it is imperative to examine hotel managers' perceptions on the link and how they verify, justify and measure it. In the UK hotel context, relatively few researchers have empirically explored the link from a management perspective (Harrington & Akehurst, 1996; Harrington, 1999).

In order to address this disparity in knowledge, the nature and operation of service quality and business performance in five case study hotels will be examined and a possible positive link between the two concepts explored.

4.9.1 Arising Research Issues

Clearly the service quality and business performance constructs are contextually defined phenomena. This prompted the researcher to explore the branded budget hotel managerial perceptions in their specific organisational context. The researcher assumes that a gap exists between what hotel managers perceive and what they measure. Based on the literature review, the following research questions were identified for exploration:

Conceptual research questions:

i) *How do hotel managers conceptualise service quality and business performance?*

ii) *What contextual issues affect managerial perceptions of both concepts?*

Implementation research questions:

i) *How do hotel managers implement and measure service quality and business performance?*

ii) *What methodologies do hotel managers perceive are more effective at measuring the desired indicators.*

Relationship research questions:

i) *How do hotel managers perceive the relationship between service quality and business performance?*

ii) *What methodologies need to be developed in order to capture the relationship between quality and performance?*

iii) *What factors moderate the relationship between service quality and performance?*

4.10 Chapter Summary

This chapter reviewed the performance measurement and management literatures while the previous chapter covered service quality. The reviews revealed that both concepts of service quality and business performance are fraught with definition problems, are multidimensional and highly contextual. This implies that there are conceptual crises that need to be qualitatively explored and understood. The researcher found his path through this complication by engaging the various debates and synthesising broad based and flexible working definitions for the research. The researcher took the stance that a stakeholder approach to defining the constructs of service quality and business performance was appropriate given the highly contextualised environments in which hotel organisations operate.

Consequently, differences in the conceptualisation of the constructs mean that there is not necessarily a universal set of service quality and business performance measures that are appropriate for all organisations in all circumstances. This implies that specific measures need to be developed for specific contextual organisational circumstances. Furthermore, the disparate organisational contexts make the search for generic definitions and measurement frameworks fundamentally illogical and irrelevant.

Thus, contextualised conceptualisation could make comparisons between organisations, even those in the same industry, very difficult, if not meaningless, due to differences in corporate pursuits, managerial perceptions of the constructs, as expressed in organisational corporate strategy, which in turn drive their behaviour in terms of what measures they will choose to implement. Conceptual exploration will therefore be the focus of the research documented in this thesis. Furthermore, the highly contextualised nature of the hospitality industry means that researchers must employ research approaches that acknowledge such disparate characteristics.

Due to differences in the conceptualisation of business performance, measurement is a contextually defined phenomenon in that similar measures may have varying importance and meaning in different organisations, so their understanding would require in-depth fieldwork in particular organisational situations (Ahrens and Chapman, 1998; Euske et al., 1993). Thus, recognising the distinctive characteristics and business context of the hotel industry in relation to business orientation plays a very important role in determining the appropriate performance measurement system (Harris and Mongiello, 2001; Kotas, 1975).

Thus, a research approach that does not assume homogeneity; that does not seek generalisation to a population, but to theory; that does not seek breadth, but depth in a phenomenon's natural environment should be adopted in order to develop a rich understanding of the dynamic phenomena under study.

In that context, the preferred methodological approach for this study is that of a qualitative multiple-case, study guided by the critical realism philosophical world view. Chapter 5 will define and justify the above preferred methodology that will be adopted for the research.

CHAPTER 5:

Methodology

5.1 Introduction

The previous three chapters reviewed the literature and identified several research questions. Chapter 2 provided the conceptual and contextual underpinning for the research and located the research within the UK branded budget hotels. Chapters 3 and 4 provided the service quality and business performance theoretical frameworks for the research. This chapter will describe and justify the overall strategy that will be used to provide data for the research questions identified in chapter 1. A brief introduction to the adopted methodology has been provided in chapter 1. In this chapter, the researcher seeks to expand on that introduction and provide assurance that appropriate procedures will be followed. The chapter will be organised around six major methodological topics: research philosophy; research strategy; research design; research methods; data analysis strategy and research ethics.

5.2 Research Philosophy

A core and critical issue for researchers is related to the acknowledgement and adoption of a philosophical paradigm guide for the research (Sobh & Perry, 2006). A paradigm is defined as a patterned set of assumptions concerning reality, knowledge of that reality and the particular ways of knowing that reality (Guba, 1990; Sale et al., 2002). A paradigm, therefore, reflects a researcher's basic belief system or world view that guides the investigation (Lincoln & Guba, 1985; Guba & Lincoln, 1994, Saunders, Lewis & Thornhill, 2012). Guba and Lincoln (1994) advise that researchers work either explicitly or implicitly with three elements of a paradigm, i.e. ontology, epistemology and methodology.

Essentially, ontology refers to "reality"; epistemology is the relationship between that reality, and the researcher and methodology is the strategy used to discover that reality (Guba & Lincoln, 1994; Christie *et al*, 2000; Saunders et al., 2012).

Thus, a paradigm and the circumstances to be researched determine the methodology of the research (Eisenhardt, 1989; Yin, 1981; Guba & Lincoln, 1994). That is, researchers must declare their stance from four competing paradigm views that dominate the social sciences literature namely positivism, critical theory, constructivism and realism. The next section will evaluate these paradigms for their appropriateness to the current research. However, the evaluation will only focus on the limitations of each paradigm for the current research on service quality and business performance.

5.2.1 Justification of Philosophical Paradigm

For this thesis, critical realism is the preferred philosophical paradigm guide. Within critical realism, a multiple qualitative case study research design will be used across five case study hotels, employing multiple methods of data collection. The data collection procedure will comprise of three stages i.e. semi-structured interviews, documentation collection and participant observation of operations respectively. In the first instance, in order to obtain detailed contextual information regarding service quality and performance practices, semi-structured interviews will be categorised into three respondent management groups namely general managers, heads of department and duty managers/ team leaders.

The collection of documents will form the second stage in order to provide corroborated evidence for analysing and understanding the decision-making mechanisms and service quality and business performance measures utilised. Key documents to be analysed include brand standards, financial reports, training manuals, financial statements, service quality and performance measurement reports. The third and final stage will comprise of observation of operations. Observation is critical for analysing and understanding the organisational service quality and business performance culture, procedures and systems and for scrutinising practices in their own business context.

Below the competing paradigms will be discussed leading into the justification of the appropriateness of critical realism for the proposed qualitative multiple case study research. Critical realism represents a movement on from positivism that deals with the criticism of positivism, constructivism and critical theory.

126

Critical realism goes beyond advocating for the default quantitative methods and includes qualitative methods (Guba & Lincoln, 1994). Critical realism is persuasive and useful to the research for several reasons. First, the case study research areas are usually contemporary and pre-paradigmatic such as service quality and relationship marketing (Boing, 1994). These research areas usually require inductive theory building because deduction from already existing principles of a paradigm is difficult where accepted principles, and constructs have either not been established or are inadequate and heavily disputed.

Second, the ontology, epistemology and methodology of realism are appropriate for the research as discussed below. The goal of critical realism inquiry is to discover both observable and non-observable structures and mechanisms that underlie events and experiences (Tsoukas, 1989). That is, the aim of the inquiry is explanatory.

The current study is primarily explanatory in that it seeks to discover, understand and explain the contextual service quality and performance preferences of branded budget hotel managers. That is, it will involve the collection of perceptions of 'unobservable' organisational phenomena (Hunt, 1991; Saunders et al., 2012). In contrast, positivism requires that only observable phenomena can and should be researched (Hunt, 1991; Perry, 1998). That is a positivist researcher unlike a critical realist cannot focus on perceptions because they are unobservable.

So in that context, realism rather than positivism is a more appropriate epistemological guide for case study research. Furthermore, positivism creates problems by considering human respondents as autonomous, standardised objects. That positivistic view is flawed and inappropriate because it ignores the respondents' ability to reflect on problem situations and act upon them (Christie et al, 2000; Robson, 2011; Sobh & Perry, 2006). Indeed, Positivism has been criticised for its exclusion of discovery dimensions in enquiry and the under-determination of theory (Deshpande, 1983; Guba & Lincoln, 1994).

While, epistemologically, positivists separate themselves from the world they study, the current research requires that the researcher participate in real-world life, to some extent, in order to better understand and express its emergent properties and features (Denzin, 1983; Gilmore & Carson, 1996). The research question in this thesis does not allow for the establishment of the positivistic value-free, one-way mirror prescription between phenomena and the researcher. Instead, the current research seeks to explore complex social phenomena that require working with people and real-life experiences.

The current research seeks to examine managerial perceptions of the concepts of service quality and performance and their relationship. Thus, the research does not seek to provide causal explanations within a closed system as a positivist would but instead will consider the complex contextual nature of the research problem. Further, the researcher seeks to understand the research problems by reflecting, probing, understanding and revising meanings, approaches and contextual issues of managerial experiences of service quality and business performance.

Thus, how the research problems appear to the hotel managers may not necessarily be captured by positivist research methods (Orlikowski & Baroudi, 1991). Operating within positivism would therefore inhibit the discovery of the desired managerial conceptual perceptions and experiences (Deshpande, 1983; Guba & Lincoln, 1994). Based on the reasons discussed above, the researcher rejects positivism as inappropriate for the current research.

Unlike positivism, constructivism and critical theory can be used for exploring complex social phenomena of service quality and business performance that require working with people and real-life experiences by reflecting, probing, understanding and revising meanings and issues (Orlikowski & Baroudi, 1991; Christie et al., 2000). These paradigms will now be discussed, and their appropriateness for the current study evaluated.

Critical realism, unlike constructivism and critical theory, has the advantage that it does not suffer from the limitations of relativism (Hunt, 1991) because realism is often characterised by some researcher objectivity (Perry, 1998).

128

That is, ontologically, it holds that there is an external reality (Tsoukas, 1989); although the complexity of that reality and the limitations of a researcher's mental capacity makes triangulation of data essential to refine fallible observations of that reality. The current research question necessitates the belief that there is an external reality which can be researched.

In contrast, constructivism and critical theory accept that there are multiple social realities that are constructed by groups involved in the research. That is truth or reality is only known within particular social groups' constructed reality (Easton, 1982). The current study assumes that respondents' perceptions of concepts, actions and activities provide a window to an external reality. Perceptions are important for they assist in examining complex reality. However, perceptions or multiple realities cannot be the focus of constructivism and critical theory research (Sobh & Perry, 2006).

The core element of both critical theory and constructivism is that each person's constructed reality is so powerful an influence on their behaviour that any external reality is relatively unimportant. That is there is no way of comparing the multiple constructed realities of different people (Bazeley, 2004). Thus, research findings are related to individual views of the world and create a world of multiple constructed realities, which cannot be usefully compared with those of other individuals (Bazeley, 2004; Sobh & Perry, 2006).

That incommensurability of perceptions, that is the relativism at the centre of the constructivism and critical theory paradigms, make them a cul de sac for the current research (Hunt, 1991). Constructivism provides a methodology for investigating the beliefs of individual respondents rather than an external reality such as the comprehensible service quality and performance dimensions of service management (Hunt, 1991).

The current research seeks to understand how hotel managers go about executing their management processes and roles, not in 'liberating' them from inappropriate mind sets. In contrast, critical theory is most suitable where the researcher critiques and intervenes in the transformation of people from their historical, mental, emotional and social structures (Guba & Lincoln, 1994).

129

That is, liberating people from inappropriate mind sets. In this study, the researcher does not wish to be a 'transformative intellectual' who changes hotel managers' mind sets or their approaches. Rather the aim is to understand managers' beliefs and actions in their natural context.

Furthermore, constructivism and critical theory are rarely appropriate for business research because they exclude concerns about real economic and technological dimensions of a business (Hunt, 1991). In particular, the two paradigms are not relevant in research about an organisation having to survive within a market, because service managers have to deal with a world that is external, that is out there and that does not particularly care about the perceptions of an individual manager (Sobh & Perry, 2006).

In hotel services, the company's external environment is always more important than the internal because the real decisions are made in the outside world (Gummesson 2000). Methodologically, critical realism emphasises critical multiplism as a way of falsifying rather than verifying hypotheses. Perception for realists is not reality as constructivists and critical theorists might aver. Instead, a perception for critical realists is a 'window on to' reality from which a picture can be triangulated with other perceptions (Perry, 1998).

Critical Realists expect that their knowledge claims can and will be evaluated through common measures like reliability and validity issues, careful evaluation of research topic and methodology and through review by peers and examiners. That is, for critical realists the means to determine the reality of a social phenomenon is through triangulation of cognition processes (Christie *et al.*, 2000; Saunders et al., 2012). This commensurability, which is pertinent to the current research, is not evident in constructivism and critical theory research for the multiple constructed realities of different people cannot be compared (Bazeley, 2004; Sobh & Perry, 2006).

The current case research requires a paradigm that can deal with multiple realities, that is different from but has elements of both positivism and constructivism (Christie et al., 2000; Perry, 1998; Sobh & Perry, 2006).

That paradigm is deemed, by this researcher, to be realism, also variously known as critical realism (Hunt, 1991), post positivism (Denzin & Lincoln, 1994; Guba & Lincoln, 1994) or neo-post positivism (Miles & Huberman, 1984).

In summary, this section has articulated and justified critical realism as the researcher's desired philosophical guide. Thereby rejecting positivism, constructivism and critical theory as inappropriate for the research reported in this thesis. Working within the realism framework, unlike the other paradigms, enable the desired discovery of both observable and non-observable structures and mechanism that underlie service quality and business performance processes and experiences. Thus, within realism, this researcher will observe the empirical domain to discover, by a mixture of theoretical reasoning and experimentation, knowledge of the complexities of the real world (Outhwaite, 1983; Tsoukas, 1989). The following section will discuss and justify the preferred strategy for the research; case study research.

5.3   Research Strategy

Having identified critical realism as the natural philosophical paradigm this section will make a case for the preferred research strategy. The preferred strategy for the research is that of a case study. While Stake (2005) does not consider case research as a strategy, but rather a choice of what is to be studied, others present it as a strategy of enquiry, a methodology or a comprehensive research strategy (Creswell, 2007; Denzin & Lincoln, 2005; Merriam, 1998; Yin, 2008; Saunders et al., 2012).

As stated above, for the purposes of this research, the researcher chooses to view case study research as a comprehensive research strategy that provides the natural and contextual approach needed for researching service quality and performance within an organisation (Blaikie, 2000; Creswell, 2007). The case study strategy is deemed appropriate in terms of its purpose, its strengths and the variety and flexibility of sources of evidence that may be used in constructing a case study (Creswell, 2007).

Definitions of case study methodology vary and encompass a wide range of definitional components (Christie et al., 2000). For the purposes of this research, the researcher adopts Perry's (2001) comprehensive hybrid definition, which synthesises some of the literature. Perry (2001, pp. 305) defines a case study as:

- An investigation of a contemporary, dynamic phenomenon and its emerging (rather than paradigmatic) body of knowledge (Bonoma, 1985; Chetty, 1996; Eisenhardt, 1989; Romano, 1989; Yin, 2008), as is the case in the current study;

- within the phenomenon's real-life context (in this case the branded budget hotel context) where the boundaries between the phenomenon and the context under investigation are unclear (Bonoma, 1985; Chetty, 1996; Stake, 1994; Yin, 2008);

- when the explanation of causal links (in this case links between quality and performance) are too complex for survey or experimental methods (Eisenhardt, 1989; McGuire, 1997) so that single clear outcomes are impossible (McGuire, 1997);

- using interviews, observation and other multiple sources of data (Bonoma, 1985; Perry, 1998; Robson; 1993).

Thus, a case study approach facilitates in-depth investigations that utilise a variety of methods in order to understand the object being examined (Creswell, 2007), which provides a wider range of coverage that may result in a fuller picture of the unit under study than would have been achieved otherwise (Bonoma, 1985; Yin, 2008). The use of a variety of methods increases the robustness of results because the findings can be strengthened through triangulation (Creswell, 2007; Yin, 2008). Triangulation refers to the cross validation that is achieved when different kinds and sources of data converge and are found to be congruent (Perry, 2001; Yin 2008).

5.3.1 Rationale for the Case Study Research Strategy

In deciding which methodology to adopt Yin (2008) advises that several types of strategies are available, i.e. surveys, experiments, histories, and case study. Each strategy has its peculiar advantages and disadvantages.

However, their use depends on three conditions;

- The type of research question,
- The control a researcher has over actual behavioural events.
- Whether the focus of the research is on contemporary or historical phenomena.

With regard to the first condition case studies are generally preferred when explanatory 'how' and 'why' questions are being posed (Yin, 2008; Johns & Lee-Ross, 1998). These are essentially the types of research questions that will be pursued in this research. The researcher seeks to discover and explain 'why' and' how' the concepts of service quality and business performance are being perceived, pursued, measured and linked. While the research question is a useful starting point, other research strategies such as histories and experiments would enable these questions to be answered.

However, the case for a case study is further strengthened when the researcher has little or no control over events (Yin, 2008). Hammersley & Gomm (2000), suggest that in a case study, there is no wish to control the variables or the variables cannot be controlled.

Rather than to control, which is not desired in the current research, the emphasis is to assess the impact of managers' perceptions of the concepts under study and contextual constraints upon their preferences. The current research concerns hotel managers and their preferred practices of service quality and business performance where there is little chance of precisely and directly manipulating the relevant behaviours in the research organisation.

On the third condition, case studies are particularly useful when the research focus is on contemporary phenomena within a real-life context (Bonoma, 1985; Borch & Arthur, 1995; Chetty, 1996; Stake, 2005; Yin, 2008). That is, they address theory construction and building in contrast to theory testing and verification (Bonoma, 1985; Denzin & Lincoln, 2005; Lincoln & Guba, 1985; Tsoukas, 1989) which are desired in this study.

133

In case studies, theory is inductively built by making comparisons, looking for similarities and differences within the collected data and for future questions to be examined (Perry, 1998). Thus, facilitating elements of the theory to be confirmed and disconfirmed rather than being tested for generalisation to a population, thereby making the research effort more flexible and allowing data and theory to interact in the research project (Creswell, 2007; Neuman, 2010).

That is, the primary objective of a case study is to understand the phenomena under research and interpret the respondents' experiences, beliefs and perceptions in their own terms (Gilmore & Carson 1996). This researcher is therefore persuaded that the depth and detail of data required in the current study can only be obtained by getting physically and psychologically closer to the phenomena through interviews and observation since:

> '...the closer the researcher gets to the phenomenon, the clearer it is understood' (Carson & Coviello, 1996, p. 55; Merriam, 1988, p. 68).

Thus *previously unknown relationships... can be expected to emerge from case studies leading to a rethinking of the phenomenon being studied'* (Stake, 1981, p. 47).

The current study fits and fulfils the third condition in that it seeks to study hotel managers' perceptions and actions on service quality and business performance in their natural real-life organisational settings. Other research strategies would not be appropriate for this focus. Experiments differ from this in that they deliberately divorce a phenomenon from its context, which is not desired in this research.

Histories are inappropriate in that they are limited to phenomena of the past in contrast to contemporary events, where relevant informants and events may be unavailable for interview and direct observation respectively (Yin, 1981). Thus, the unique strength of the case study lies in its ability to deal with a full variety of evidence beyond what is available to histories. Surveys, by comparison, can attempt to deal with both phenomenon and context, but their ability to study context in depth is extremely limited (Perry, 2001; Yin, 2008).

134

Further, the strength of case studies in isolating and defining categories and determining the relationship between them is desirable in this research. As theory building becomes the researcher's interest, so does the role of describing, classifying and comparing the complexity of several organisational operations and managerial experiences (Bonoma, 1985; Gilmore and Carson, 1996). Hence, details uncovered in a case can delve into the complexities and processes of people and organisations, as is desired in the current study.

Thus, the case study strategy can cope with the technically distinctive situations in which there might be more variables of interest than data points; and as one result can rely on multiple and varied sources of evidence with data needing to converge in a triangulating fashion; and as one result benefits from prior development of theoretical propositions to guide data collection and analysis (Perry, 1998; Yin, 2008).

5.3.2 Form of Case Study Research

Having chosen and justified a realist guided case study strategy for the research; the researcher had to decide on the form of case study strategy. As Yin (2008) advises, case study research can take various forms namely quantitative (deductive); qualitative (inductive) and mixed methodology (combination of quantitative and qualitative). Given the focus of this research on developing a deep and rich understanding of managerial perceptions and experiences, a quantitative case study would not be possible since this form of research would not focus on perceptions and experiences for they are not observable.

This research is process oriented and does not pursue cause and effect relations, as required under quantitative case strategy, but is concerned with underlying causal tendencies (Bhaskar, 1978; Tsoukas, 1989). Thus, this research would benefit from data analysis that is value-laden as it cannot be a process that minimises bias with proximity of the values (Christie et al., 2000). This kind of analysis is impossible in a quantitative research because it demands value-free data analysis.

As the purpose of this research is to discover, describe, analyse and explain complex service quality and performance phenomena based on managerial experiences in their natural contexts, the more appropriate form of research is qualitative case studies. Qualitative research provides data for developing a deep and rich understanding of the phenomena and contributes to existing knowledge by analysis from another perspective using the self as a research instrument (Christie et al., 2000).

Within critical realism, qualitative case studies are recommended when:

i.   There are particular events that are focused on a context and have specificity (Eisenhardt, 1989; Merriam, 1988). The focus on the richness and depth of the phenomena, which is desirable in this research, provides opportunities for the opening up of new ideas and interpretations of new perceptions (Christie et al., 2000). In particular, qualitative case research is desirable where researchers intend to define topics broadly and not narrowly (Yin, 2008). As very little research has been done on the execution of service quality and business performance in the particular context of the branded budget hotels at the unit level, there is a significant gap in the research examining these phenomena (Bonoma, 1985; Yin, 2008).

ii. The social organisational settings are intricate (Orlokowski & Baroudi, 1991; Parkhe, 1993). Quantitative, deductive theory-testing research methods would not sufficiently capture the intricacy of social organisational settings as qualitative case studies do (Marshall & Rossman, 2010). Qualitative case studies are most useful when research focuses on the relationship between the person or group and the setting, requiring detachment of one from the other, as is the case in this research. This research deals with service quality and business performance in a dynamic branded budget hotel setting that deals with the action of a group of managers in their management processes and roles.

iii. The researcher seeks contextual meaning within a bounded system (Bonoma, 1985; Stake, 2005; Yin, 2008) as is the case in this research. This provides a way to understand the system in its real-life habitat or context (Stake, 2005).

A qualitative case study research establishes a research area for clarifying greater insight into boundaries and phenomena whereas quantitative empirical research requires survey/experimental data (Emory & Cooper, 1991; Yin, 2008)'

iv.   The research enterprise is inductive theory building (Gilmore & Carson, 1996; Merriam, 1988). Unlike deductive quantitative case studies, which attempt to identify causal construction of managerial experience, qualitative case studies seek to understand the nature of the research problem, reflecting, forming and revising meanings and structures of the phenomena being researched (Christie et al., 2000). Thus, the qualitative case study approach is appropriate for inductively building a rich, deep understanding of the phenomena as is desired in this research.

5.3.3 Type of Qualitative Case Study Adopted

Three variations of qualitative case studies exist, distinguished in terms of the intent of the case analysis namely single instrumental case study; the collective or multiple case studies and the intrinsic case study (Creswell, 2007). Yin (2003) advises that case studies can adopt either a single- or multiple-case design. The research question and issues identified in this thesis will be examined through a multiple, explanatory case study design.

A multiple case study design is particularly suitable as the purpose of this research is to understand and develop a rich in-depth explanation of the service quality and business performance issues using multiple cases (Creswell, 2007). Secondly multiple case studies provide the desired ability to purposefully select cases and the potential for generalisation of findings to a broader theory (Patton, 2002; Yin, 2008).

Thirdly, a multiple case design provides a more rigorous and complete approach than singular case study research due to the desired triangulation of evidence (Creswell, 2007; Stake, 2005; Yin, 2008). Triangulation of data in multiple case designs is particularly beneficial to this research in that it provides different research sites and data sources that satisfy theory generation and verification (Christie et al., 2000; Deshpande, 1983; Patton, 2002).

Fourthly, use of multiple case studies methodology and the comparison of evidence it affords, strengthen the external validity of the research (Christie et al., 2000). The final desirable benefit of a multiple case design is its ability to provide for a rigorous methodology for the application of the logic of replication in order to show different perspectives on the issues (Parkhe, 1993; Tsoukas, 1989; Yin, 2008). Thus multiple case studies provide for theory confirmation through literal and theoretical replication (Creswell, 2007; Perry, 2001). In summary, multiple cases are desirable because they increase the degree of freedom and the scope of the research.

5.4   Research Design

Research design refers to the logical sequence that connects data to a study's initial research questions and ultimately to its conclusions. It is therefore, an overall plan that provides clear links between research questions and conclusions (Yin, 2008). For case research, there is no one accepted design neither are there specific guidelines (Christie et al., 2000). However, there are five recommended components of design namely, research problem; research question(s) or its propositions, if any; unit of analysis; the logic linking data to propositions and criteria for interpreting findings (Yin, 2008). However, it should be noted that the composition and application of these components are very fluid and debatable.

5.4.1 Research Problem

The central research problem that has been identified in chapter 1 is:

How and why do UK branded budget hotel middle managers conceptualise service quality and business performance?

5.4.2 Research Questions

The investigative research questions that will be addressed are:

1) How do budget hotel managers conceptualise service quality and business performance and how do those conceptualisations compare to the relevant academic discourses?

2) How and why do budget hotel managers implement and measure service quality and business performance?

3) What contextual service quality and performance issues do budget hotel managers have to deal with and how do these affect management decisions on implementation and measurement?

4) How do budget hotel managers perceive the relationship between service quality and business performance?

Research propositions were deliberately omitted in order to allow the study to unravel the research question. However, the central assumption of the study will be that improved service quality leads to enhanced business performance in budget hotels.

5.4.3 Unit of Analysis

To prevent any confusion concerning the definition of cases Perry (2001) and Yin (2008) advised that the cases and research questions should be explained to and discussed with colleagues. This recommendation was carried out throughout the social science research methods training course with lecturers and colleagues. This process initially yielded a singular pilot case study reported in Murasiranwa (2009) with clearly demarcated boundaries.

The pilot study was later extended into multiple case studies in order to enhance the methodological rigour of the research and hence overcome the main limitation of single case study research. In this research, the units of analysis have been identified as the groups of budget hotel managers at the operational unit level of a UK chain whose tasks involve the implementation, measurement and management of service quality and business performance policies and practices. The boundaries are designed and demarcated by the groups of managers of five budget hotel units belonging to a single UK budget hotel chain and their service quality and business performance practices.

These management groups have been targeted because they are the custodians and implementers of corporate policies. The management groups are therefore deemed better placed to provide for sufficient depth of data to be collected to allow the research questions to be answered adequately.

The decision to target hotel managers at the unit levels in contrast to corporate levels was taken in order to control for bias, expose contradictions and provide balanced views. Furthermore, a lot of the reviewed research studies have focused mostly at the corporate levels and hence provide highly aggregated and diluted analyses that lack depth. Thus, this research will make a contribution to knowledge by unravelling the dynamics and perspectives at the operational unit level.

5.4.3 a) Number of Specimen Hotels: Five Budget Hotels

Having adopted and justified a multiple case study design the issue becomes 'How many cases?' The reviewed literature on case studies lacks precise agreed-upon rules on the number of cases to include (Creswell, 2007; Patton, 2002; Perry 2001; Yin, 2008). This decision is therefore left to the researcher. Some views recommend adding cases to 'the point of theoretical saturation' (Eisenhardt, 1989) or 'the point of redundancy' (Lincoln and Guba, 1985, p.204). However, these views are practically flawed, from this researcher's point of view, in that they ignore real-life constraints of gaining access, time and funding.

In the same vein Eisenhardt (1989) recommends between four and ten cases for a convincing empirical grounding whereas Perry (2001) advocates for a 'reasonable minimum' of four to six cases and a maximum of 12. Creswell (2007) advises that the researcher chooses no more than five cases. In determining the number of cases for this research this researcher loosely followed the above guidelines only as starting points for the research design.

The reason for not slavishly following the guidelines is justified by the fact that the 'validity, meaningfulness and insights generated from this qualitative case study design will have more to do with the information-richness of the cases selected and the analytical capabilities of the researcher than with sample size' (Patton, 2002). Taking into account the above facts this researcher settled for five budget hotel management group cases from a UK budget hotel chain. These cases were purposively deemed adequate for generating enough information to present an in-depth picture of the service quality and business performance phenomena.

While some researchers may be motivated to consider larger numbers of cases in order to statistically generalise findings to a larger population, for this research, this is not intended as the term holds very little meaning for my qualitative research (Creswell, 2007). Rather the intention is to develop an in-depth understanding and explanation of the phenomena and to analytically generalise the findings into a broader theory in contrast to a population.

5.4.3 b) How the Specimen Hotels were chosen

Having decided on the number of cases, the researcher has to clarify and justify the selection criteria. In other words, he or she has to answer the question, how were the cases selected? In order to participate in the research, the specimen hotels had to fulfil the following requisite research question criteria:

I.   Location: the specimen hotels must be located in the UK.

II.   Ownership: the specimen hotels must be owned and operated a UK registered company.

III. Pursuing service quality and business performance: specimen hotels must have adopted and exhibited strong commitment to service quality and business performance implementation and measurement.

IV.   Access: participating hotels must be willing to allow access to three management levels, i.e. general manager, heads of departments and duty management at the hotel unit level.

V.   Permission for data collection: specimen hotels must be willing to permit interviews, access to documents and observation of operations.

In choosing which case to study an array of possibilities for sampling is available (Creswell, 2007). For the five-case studies reported in this thesis, the principle of replication logic and not sampling logic has been adopted (Perry, 2001; Yin 2008; Sobh & Perry, 2006). The replication logic means that the five case studies will be regarded as 'multiple experiments' and not 'multiple respondents in a survey' (Saunders et al., 2012; Yin, 2008). The term replication is used in both positivism and critical realism research, but has different meanings.

In positivism, replication refers to repeating a study in various ways expecting the results to be the same (Hubbard and Armstrong, 1994) whereas in critical realism, it refers to the choice of cases where the results expected could be the same or different. The replication logic approach adopted in this realism research is supported by other qualitative researchers such as Eisenhardt (1989) who advises that random selection of cases is neither necessary nor preferable.

Furthermore, in contrast to random sampling, Patton (2002) proposes 15 strategies for 'purposeful sampling' that can be used for selecting cases. Of these, 'purposeful maximal variation' sampling, in which a researcher selects cases that show different perspectives of the phenomenon under research (Creswell, 2008), is viewed as the most appropriate.

While purposeful maximum variation sampling is the researcher's preferred approach, it was rendered impossible to execute in this research due to lack of interest in participating in the research by various hotel organisations. Instead, the researcher resorts to a pragmatic selection of relevant accessible cases. Thus, the purposeful selection of hotel cases in this thesis is justified by a number of reasons based predominantly on their accessibility and relevance to the research aims and objectives. These are discussed in the next section.

5.4.3 c) Reasons Why the Five Specimen Hotels were chosen.

- First, the budget hotel chain that owns the case study hotels has embarked on and exhibited the appropriate service quality and business performance practices required for the research. The hotels were therefore deemed suitable information-rich cases worthy of in-depth study (Patton, 2002) that would yield a richer understanding of key service quality and performance management issues, and the dynamics involved in the branded budget hotel context.

- Second, hotel managers at the five specimen hotels were very accessible (Yin, 2008) as the availability of other suitable case study sites were restricted and not willing to participate in the case study research.

Thus, the most important reason for choosing the specimen hotels is that the researcher got very rare access and permission from management to interview, view documents and observe the phenomena under investigation.

- Thirdly, the five specimen hotels belonged to the same budget hotel chain. This provided an ideal opportunity for the researcher to investigate the service quality and business performance phenomena in hotels operating within the same hotel sector and offering consistent brand standards. Thus, providing a relatively homogeneous sample for analysis leading to the avoidance and exclusion of additional and irrelevant variables in the analysis (Harrington and Akehurst, 2000).

- Fourthly, the five specimen hotels operated in UK's fastest growing budget hotel sector serving diverse market segments, including business and leisure travellers as well as local and international customers (Jones, 2002; Mintel, 2010). Thus, the specimen hotels offered rare and excellent settings for gaining in-depth and comprehensive perspectives and feedback in a sector that is growing at an exponential rate in terms of service quality and business performance.

- Moreover, the specimen hotel units within the same budget chain provided varied locations such as city centre, airport and business park for one to fully grasp the dynamics at play and make informed judgements.

- Additionally, the case study hotels were geographically and conveniently located in the same region as the researcher. Thus, the branded budget hotels provided ideal cases for meeting the doctorate degree requirements, given the limited time and financial resources at the researcher's disposal (Murasiranwa, 2009). That is, in this research, relevance rather than representativeness is the criterion for case selection (Stake, 2005).

Thus, a careful choice of hotel cases is made such that they either produce (Yin, 2008):

- Similar results for predictable reasons; literal replication or
- Contrary results for predictable reasons, theoretical replication.

143

In this research, the researcher chose a blend of both literal and theoretical replication. It was therefore predicted that from their managerial experience and levels in the organisational chart managers at the same level, e.g. general managers, departmental managers and duty managers would say roughly the same things (literal replication). Conversely, the researcher also predicted that managers at different levels would say different things (theoretical replication) e.g. general managers versus departmental managers versus duty managers.

5.4.4 Criteria for Interpreting Findings

As no statistical tests can be used within this qualitative research, the criterion for interpretation will be one of holistic analysis of each case and gradual accumulation of knowledge by accretion. Thus, each piece of evidence will be used as a building block by which explanation will be given as knowledge will be built layer by layer.

Using this approach a detailed description of each case's relatively uncontested data (Stake, 1995) and themes will be provided followed by thematic analyses across the cases and assertions about the meaning of the case (Creswell, 2007). Thus, the analytic strategy will be to identify issues within a case and then looking for common themes that transcend the cases (Yin, 2008). This analysis is appropriate for this research because it is rich in the context of each case (Merriam, 1988) and the focus on themes enhances a rich understanding of the complexity of each case, which in turns aids cross-case comparisons (Creswell, 2007)

5.4.5 Quality of Case Research Design

This section discusses the integrity of case study research in terms of validity and reliability. The emphasis will be on demonstrating how criticisms of case research will be addressed in this research. This section, therefore, will address the question; is it a quality research? (Perry, 2001). That is, as research design represents a logical set of statements (Yin, 2008), it should be possible to test its quality. For any research study to be valid it should conform and pass certain design tests with regard to various levels of research validity.

144

Careful design can avoid or at least reduce the criticisms directed at case study research for lack of methodological rigour, generalizability, reliability and the possibility of bias (Christie et al., 2000; Patton, 2002; Yin, 2008). In order to deal with these criticisms this researcher adopted some of the most commonly used case research approaches developed by Yin (2008) for increasing the integrity of qualitative research. Yin (2008) developed four design tests of quality for increasing the quality and integrity of case research (Perry, 2001; Reige & Nair, 1996). These tests are construct, internal and external validity and reliability. These tests will be briefly defined in the next section while the particular tactics used for this research are summarised in Table 21 (p.146).

Construct Validity – ensures adequate and suitable operational measures for the concepts being researched (Christie et al., 2000; Emory & Cooper, 1991). Thus, it serves as a testimony of how well the results obtained from the use of the measure fit the theories around which the test is designed (Sekaran, 2012).

Internal Validity - in quantitative research this requires a demonstration of causal relationships whereby certain variables may influence other variables in the research study (Emory & Cooper, 1991; Miles &Huberman, 1994; Perry, 2001). In contrast, in qualitative research this entails establishing a phenomenon in a credible manner that is 'generative mechanisms' or 'causal powers' (Guba & Lincoln, 1994; Miles & Huberman, 1994; Yin, 2008). Thus, case research does not deal with cause and effect relationships but rather aims to locate generative mechanisms that assist in determining inferences about real-life experiences (Christie et al., 2000)

External Validity - this is also known to as transferability and refers to the scope to which the research findings can be replicated beyond the proximate research case studies or generalizability (Emory & Cooper, 1991; Lincoln & Guba, 1985; Miles & Huberman, 1994; Yin, 2008). Quantitative research carries out statistical generalisation, i.e. from sample to population (Eisenhardt, 1989; Yin, 2003) whereas case research carries out analytical generalization in which findings are generalised into a broader theory (Christie *et al.*, 2000; Tsoukas, 1989).

Table 21: Multiple Case Study Tactics for the Four Design Tests

Test	Case study tactic	Phase of research in which tactic occurs
Construct validity	Develop constructs using prior theory	Literature review
	Use of multiple sources of evidence	Data collection
	Establish chain of evidence	Data collection
	Use key informants to review report	Composition
	Prudent selection of respondents	Research design
	Structure interview process	Design, data collection and analysis
Internal validity	Pattern matching	Data Analysis
	Explanation building	Data analysis
	Within case analysis	Data analysis
	Cross-case analysis	Data analysis
	Precise definition of units of analysis	Research design
	Linking analysis to prior theory	Data analysis
	Use of pilot case studies	Research design
External validity	Use replication logic	Research design
	Use multiple case study methodology	Research design
	Use interview protocol	Data collection
	Thick descriptions of case data	Composition
Reliability	Use case study protocol	Data collection
	Use interview protocol	Data collection
	Develop case study data base	Data collection

Source: adapted from Yin (2003) & Christie et al., (2000) for this research

Reliability – deals with research dependability. It refers to how consistently a technique measures concepts so that other researchers will get the same results (Perry, 2001). It is essentially demonstrating that the operations of a study such as data collection procedures can be repeated with the same results (Christie et al., 2000; Miles & Huberman, 1994). Table **21** (p.146) summarises the best-practice design tests and tactics that will be drawn upon to ensure design test acceptability and conformance and relevance to good academic practice.

5.4.6. Case study protocol

As mentioned earlier case study research is fraught with operational difficulties as there are no agreed-upon rules for conducting case research (Creswell, 2007; Perry, 2001). That is several procedures are available for conducting case studies (see Merriam, 1998; Perry, 2001; Stake, 1995; Yin, 2008). In order to address this apparent challenge in case research Perry (2001) and Yin (2008) proposed the use of a case study protocol that guides the data collection stage.

Perry (2001) defines a protocol as a summary of the whole research project that guides the researcher and ensures both external validity and reliability during data collection. The protocol includes a summary of the research aims and prior theory; an interview schedule and an outline of what the report will look like. In this research, the researcher based his protocol primarily on Yin's (2003) approach while also incorporating Stake's (1995) and Perry's (2001) ideas. The case study protocol template for this research is outlined in Table 22 (p. 148).

147

Table 22: Case Study Protocol

1. Overview of case study project	
Research Problem and questions.	See section 5.4.1 and 5.4.2 of this chapter
Literature review development from Prior theory	This is fully explained in chapters 2 to 4.
	Derive interview questions from prior theory

2. Data Collection Procedures	
Data collection method	Determine if case study approach is appropriate for research problem.
	Decide on multiple sources of data to be used: interviews; documents and observation
	Develop interview schedule (protocol) to guide the interviewer
	Identify the cases for the study
Sites visited	UK budget hotels -March 2007 to February 2010
Data Collection plan	Pilot case study- March to November 2007
	Management interviews –June 2009 to February 2010
Ethics	All research to be conducted in a way that conforms to research ethics guide discussed in section 5.7

3. Field Procedures	
Access to key informants/ information	Access to hotel unit manager and information to be negotiated through a key personal contact in the budget hotel chain.
	All participant managers will be informed in advance through a mechanism agreed with key personal contact.
	Access to documents will be negotiated for through the general managers at the first interview date.
Resources	All resource requirements to be determined and mobilised ahead of the field research.
Providing for unanticipated events	Research supervisors were ready to help look for alternative organisations in the event of withdrawals

4. Data Analysis	
Levels of analysis	Decide on type and levels of analysis desired; within-case analysis, cross-case and assertions.

5. Guide for the report	
Structure of case study report	The case study report will be structured around the predetermined and emerging themes
	Multiple sources of evidence will be applied against each theme in a triangulation fashion
	The report will conclude against themes and recommend to theory and practice.

[Source: Developed for this research]

5.5 Research Methods

The particular attraction of a case study methodology is that data collection can rely on varied sources of evidence as the approach does not imply the use of a particular type of evidence. The evidence may come from interviews, archival records, documentation, reports, participant observation, direct observation and physical artefacts or any combination of these. Further, multiple sources of evidence allow for triangulation and none of the sources preclude any others (Christie et al., 2000; Yin, 2008).

5.5.1 Selection of Case Study Evidence

Evidence for the multiple case studies derives from three main sources namely semi-structured interviews, documents and observation. The Semi-structured interview procedure is the major or primary research method which the researcher believes suits, the research problem and the associated research questions and gaps uncovered in the preceding four chapters. Thus, documents and observation research methods are used in a secondary role to help the corroboration and triangulation of the evidence for a stronger and clear substantiation of the constructs. The use of multiple sources of evidence approach will be adopted as a technique for achieving construct validity through triangulation of the evidence. That is, this realist case research will depend on multiple perceptions of reality.

The selection of the data sources across the five qualifying case study hotels was negotiated at the unit level via general managers. The selection process was guided by the requisite research question criteria, I to V outlined in section 5.4.3 b to ensure that the hotel units meet the qualifying conditions. In selecting the data sources, a three-step process was used to gain entry into the case study hotels. First, research was carried out to determine which UK owned hotel companies embarked on and exhibited commitment to implementing service quality and business performance methodologies. This research was done using Internet searches of company websites, published literature and personal contacts in the industry. This led to the identification of the budget hotel chain reported in this thesis as a company committed to service quality and business performance ethos as desired by the researcher.

Personal contacts within the organization played a vital role in securing access and permission. Following the identification of the budget chain as a suitable candidate for the research, initially a meeting with a General Manager of a local unit was arranged via a personal contact. Once the meeting was secured, an email was sent to the General Manager requesting access to interviewing the management hierarchy, collect documents and observe hotel business operations. The email outlined the research question, its scope and intent.

Following receipt of a positive response from the General Manager, a follow-up email was sent detailing the research purpose and aims together with an interview guide clarifying the research themes and questions. The purpose of the interview guide was to keep the researcher on track during the data collection process (Yin, 2008). The case study hotel was then visited by the researcher for familiarisation purposes and to identify the respondents for the research. The emailed interview guide was reviewed and agreed as well as an induction programme at a new opening unit in a neighbouring county. This effort resulted in a singular pilot case study. The other four case study hotels were recruited in a similar fashion using internal personal contacts at the pilot case study hotel.

5.5.1.1 Semi- structured Interviews

These are intended to capture the hotel managers' perceptions of the concepts of service quality and business performance; their experiences of management by measurement; their perceptions on linkages between the two constructs and to discover the perceived contextual constraints to service quality and business performance management. Brenner et al., (1985) suggests that where in-depth information is required; face-to-face, unstructured interviews with a carefully selected sample are the most appropriate technique to use.

Yin (2008) advises that an interviewer has two functions; firstly, to follow their line of enquiry and secondly to ask questions in an unbiased manner and advocates for open-ended interview questions.

Veal (2011) also notes that the in-depth interview is best used where a relatively large amount of data has to be collected in a short period of time which will be the case in this study.

5.5.1.2 Rationale for Semi-structured Interviews

Although the in-depth unstructured face-to-face interview is considered more suitable (Veal, 2011; Yin, 2008), the researcher will adopt the semi-structured interview approach for a number of reasons. Firstly, semi-structured interviews provide a quicker and cost-effective way of collecting data, especially when the research is carried out under strict time and financial constraints (Descombe, 1998 Saunders et al., 2012), as will be the case in this research. Secondly, semi-structured as opposed to structured interviews, provide greater leeway for the respondents to answer freely and in detail on their experiences whilst allowing the researcher greater control of the research (Veal, 2011). Thus, allowing the interview to make 'detours' to identify issues that are important to the interviewee but not necessarily foreseen by the interviewer (Johns & Lee-Ross, 1998).

Thirdly, for ethical reasons semi-structured interviews provided the best possible practical way for recording the interviews-note-taking. The researcher will resort to the tedious notes-taking technique because respondents ruled out the possibility of tape-recording the interviews. Fourthly, semi-structured interviews suit the line of enquiry because the researcher has a specific agenda to follow and had selected beforehand the relevant topic areas or themes to pursue (Sobh & Perry, 2006). Thus loosely structured interviews allow for the desired degree of management opinion comparability around an interview guide containing key questions. Table 23 (p. 153) lists some of the strengths and weaknesses of interviews.

5.5.1.3 Execution of the interview process

In preparation for the interviews, a standard interview schedule has been developed to provide for a systematic process that ensures construct validity and reduce the subjectivity inherent in case study methods (Christie et al., 2000).

Additionally, the use of an interview guide will enable the establishment of a chain of evidence that will also ensure construct validity (Perry, 2001). Questions for the interview schedule will derive from the relevant literature on service quality and business performance in order to achieve constructs validity.

The initial unstructured interview schedule was transformed, refined and broadened by way of preliminary face to face expert pilot interviews involving three lecturers and one hotel practitioner. Following the objection to tape-recording by respondent managers and input from the pilot expert interviewees and their concerns on difficulties associated with transcription and analysis of unstructured in-depth interviews, it was necessary to change the interview format to be semi-structured.

The expert interviewees also suggested the inclusion of a question on length of service as that could directly influence a manager's perceptions. Thus, the use of key expert informants helped in achieving construct validity for the research (Yin, 2008). The expert pilot interviews produced the interview schedule that was tested for appropriateness in the preliminary field pilot single case study (Murasiranwa, 2009) that preceded the multiple case studies reported in this thesis. The purpose of the field pilot study was to confirm the appropriateness of the interview instrument and research themes in the real hotel world. It also sought to gather additional feedback that would help in strengthening and developing new ideas for the research.

Four branded budget hotel managers, including a general manager, two department managers and a duty manager, participated in the face to face semi-structured field pilot study interviews. The interviews took place between March and November 2007 at the hotel site. The managers answered the same set of questions, and the interviews took between one and one and half hours.

The feedback from the field pilot study confirmed the clarity of the interview questions and themes but resulted in minor adjustments in the structure of some questions. The actual interviews for the multiple case studies took place between June 2009 and February 2010 at the five different hotel sites.

The initial aim was to have one-off interviews with hotel managers; however, this changed after the researcher secured an agreement with hotel managers to undertake observations at the hotel sites.

This development paved the way for follow-up interviews to probe and clarify issues further during the observations. A similar semi-structured interview schedule containing a set of twenty questions was provided to the participants ahead of the interview dates for them to familiarise with the themes of the research and speed up the interview process. The interviews had an open structure characterised by short questions, long answers, tell-your-own story and use-your-own words style.

Participants answered the same set of questions. The interviews lasted for one and half hours each and note taking was the data recording approach. Full accounts of the interviews were written immediately after each interview whilst the researcher's memory was still fresh. To prevent interviewer distortions, participants were given their interview transcripts for cross-checking and to make alterations after reflection. Follow-up interviews with the managers took place after a period of participant observation.

5.5.2 Documentation

Document analysis is relevant to every case study (Perry, 2001; Yin, 2008) in that it helps to corroborate and augment evidence from other sources. Documentation was considered vital for this study as it provides a window through which the researcher could discover the organisation's strategic vision on service quality and performance, which in turn provides useful indications of the importance the organisation attaches to these concepts. The documents used in this research include company policy documents, brand operating manuals, performance records, computer intranet files, quality and performance measurement instruments and staff training manuals.

The researcher was privileged to have access to these usually protected and inaccessible documents though with strict restrictions on making copies of certain documents. Table 23 (p. 153) lists the strengths and weaknesses of document analysis.

153

5.5.3 Participant Observation

Participant observation is a method where the researcher becomes closer to the research situation and actually participates in the research setting observing what happens, listening to what is said and questioning people over some length of time (Blumer, 1969; Carson *et al.*, 2001). The aim of the observation is to gain insights into and deepen understanding of specific service quality and performance practices which could describe and explain the subtleties, complexity and contrasts of the phenomena under study. Thus in the process aiding the triangulation of interview and documentary evidence (Carson *et al.*, 2001).

There are three types of participant observation with varying degrees of involvement (Creswell, 2008) i.e. complete participant where researcher conceals role; observer as participant where the role of researcher is known and participant as observer where the observation role is secondary to participation. In this research the researcher adopted a somewhat modified observer as participant role, where the role as a researcher was known to the management team but not to their employees whose work were observed covertly in order to evaluate practical managerial aspects. Although for ethical reasons, the researcher preferred to act in an entirely overt manner, this was not practically possible as unit managers allowed the research on the condition that the presence of the researcher would only be known to them.

This condition, however, worked to the researcher's advantage in that it gained him the invaluable access and permission to do the research whilst preserving the naturalness of the setting by not informing all unit employees involved in the phenomena under research (Carson *et al.*, 2001). On the negative side this implied that the researcher could not overtly record findings.

That is, in some cases the researcher had to rely on memory and notes written during tea and lunch breaks and at the end of the shift. Despite this setback, the overall value of participant observation was realised in that data was gathered through the researcher's experience of situations and practices which provide insights into crucial factors in each department and the values and priorities of the people involved.

That is participant observation allowed the researcher to live with the people under study in the same natural surroundings and situational context (Carson *et al.*, 2001). Thus, the main desirable strength of observation in the research is that what actually happened was recorded. Compared with the limitations of interviews where questioning approaches that recognise that the nature of question wording and interviewing can be restrictive must be used, observation generates actual data as per researcher's observation (Carson et al., 2001).

5.5.3.1 Aspects of the Case Study Hotels Observed

The main objective of carrying out observation was to gain knowledge and develop a solid understanding of the practices, procedures and systems used to operationalise service quality and business performance at the case study hotels. In that context, the researcher was interested primarily in observing content or process of activities and systems in the case study hotels. In general, observations of operations were facilitated through:

- Participation in front office operations and activities covering the entire guest journey from reservation through check-in, occupancy, departure to after sales activities. The Front office department as the 'hub' of the hotel unit plays a crucial role in attracting and retaining hotel guest thereby contributing immensely to the customer satisfaction and business performance.

- Participation in duty management and management meetings. This observation enabled the researcher to experience internal functions of different departments, management thinking, perspectives and priorities in terms of service quality and performance action plans. Participation in duty management also provided access to the food and beverage operations' side of each unit. Additionally, duty management observation was important in that it allowed the researcher to discern whether the leadership styles employed were supportive of the service quality and performance ethos. Thereby allowing the researcher to determine whether the local practice was aligned to corporate objectives.

- Participation in training and development as well as undertaking internal brand standards and financial audits. This was critical in experiencing the hotel services from the customer's perspective and discerning management priorities in terms of staff development, performance appraisals and reward schemes.
- Formal and informal interactions with team members and guests. This was carried out in order to assess the flow of information, organisational culture and to discern the meaning attached to service quality and business performance from both the hotel perspective and customer perspective, i.e. service provider/ user front line interface.
- Participation in new openings training programmes in order to discern the attitude and commitment of head office staff to service quality and business performance in terms of training and development focus. Participation in these training programmes enabled the researcher to collect additional documents such as head office presentation materials.

In particular, the content or process observation involved:

a) Communication and control: conduct and content of team and management meetings, team briefings and targets. This involved looking at issues such as:
- Venue of meetings.
- Frequency of meetings.
- Seating arrangements.
- Focus of the meetings.
- Existence of written agendas.
- Who speaks most?
- Who chairs the meetings and how they deal with interruptions.

b) Team Interactions and organisational socialisation: Here the researcher was interested in management and leadership and staff behaviours that support service quality and business performance. In this observation, the researcher focused on interactions between individuals and groups within the case study organisations, including:
- Interactions amongst hotel team members- employee to employee
- Interactions between team members and management- employee to management.

156

- Interactions between team members and customer- employee to customer.

In terms of systems observation the following issues were examined:

a) Service quality measurement systems: including the guest recommendation measures, complaint resolution systems and procedures, implementation and control of customer satisfaction guarantee as well as the collection and management of customer and employee feedback.

b) Business performance measurement systems; including performance reporting, performance planning, monitoring, appraisals and control, brand auditing systems and the implementation and management of the Balanced Scorecard.

c) Staff induction, training and development systems and procedures: this involves observing the recruitment systems, the quality of the recruitment process and staff induction procedures and systems.

d) Employee Motivation and reward systems and behaviours: including staff incentives in place i.e. vouchers and staff discounts; management reward schemes.

Recording of observations took the form of hand written scratch field notes, which were organised chronologically to provide a literal record of observations. These included descriptions of practices, reports, systems, procedures, people, problems, questions, feelings, impressions and any other important cues. Following each observation, scratch field notes were expanded and developed into the field notes narratives continuously for later interpretation.

Participant observation helped to familiarise the researcher with the case study hotels being studied, contributed to the final shape of follow-up interviews in that it assisted the researcher in probing managers to obtain a holistic understanding of their actions or inactions.

In order to overcome criticism of researcher perspective or stimulus bias the findings were presented to management for clarification and modification and some of the findings were compared with verbatim records of the customer satisfaction surveys over the period. Observations at the hotel units were undertaken between June 2009 and February 2010. This involved the researcher working different shifts in a week covering both peak and low activity periods to account for seasonality. Table 23 (p. 159) outlines further strengths and weaknesses of participant observation.

Table 23: Strengths and Weaknesses of Data Collection Methods

Method	Strength	Weaknesses
Interviews	• Targeted – focuses directly on case study topic. • Insightful – provides perceived causal differences and good for measuring attitudes • Allows researcher control over line of questioning. • Can provide Information about participants' internal meanings and ways of thinking. • Useful for exploration and confirmation. • Relatively high measurement validity for well constructed and tested protocols.	• Bias due to poorly constructed questions • Inaccuracies due to poor recall. • Response bias due to researcher presence. • Reflexivity-interviewee gives what Interviewer wants to hear. • Perceived anonymity may be low. • Data analysis time consuming for open-ended items.
Documentation	• Stable- can be reviewed repeatedly. • Unobtrusive – not created as a result of the case study. • Exact – contain exact names, references • Broad coverage – long span of time, many events and settings. • Grounded in local settings. • Written evidence- saves researcher time and expense of transcribing. • Useful for exploration and corroboration. • Researcher obtains language and words of participants.	• Access may be blocked. • Biased selectivity – if collection is incomplete. • Reporting bias of unknown author. • Retrievability - can be low. • May not provide insight into participants' personal thinking. • May be representative of only one perspective
Participant Observation	• Researcher has firsthand experience with participants. • Observer can directly record information as it is revealed and see what participants do and do not do and notice unusual aspects without having to rely on what they say they do. • Helps in understanding the importance and impact of contextual factors. • Provides moderate degree of realism when done outside of the laboratory. • Observer may move beyond selective perceptions of people in setting. • Good for discovering and describing what is happening in a setting.	• Intrusive- observer may be seen as intrusive. • Investigator effects may occur due to personal biases and selective perceptions of observer. • Observer may "go native" i.e. over- identifying with the group being studied. • Reactive effects may occur when respondents know that they are being observed i.e. behaving in atypical ways. • Data analysis can be time consuming. • Private information may be observed that the researcher cannot report.

[Source: Creswell (2003) p. 187]

159

5.6　Data Analysis

Data analysis consists of examining, categorising, tabulating or recombining the results in order to address the research question. It is the least developed and most difficult aspect of case research (Perry, 2001; Yin, 2008). Yin advises that a general analytic strategy, yielding priorities for what to analyse and why, is a prerequisite for case researchers. He proposed three general strategies of analysis, the most preferred from his view point being the strategy that relies on theoretical propositions that led to the case study. In this research the researcher followed the principle of reflecting on initial objectives and design using prior theory that led to the research questions and literature review as prescribed by Yin's (2008) preferred strategy.

However, the researcher deviated from this strategy by not formulating theoretical propositions thereby allowing the research to unravel. Hence the analytical strategy does not depend on theoretical propositions but rather follows Yin's (2008) third analytic strategy of developing a case description and explanation building based on predetermined themes. This choice is premised on the fact that the purpose of the current research is to discover, understand and explain the context, content and processes of service quality and business performance management in the context of branded budget hotels.

However, the complexities of implementing the service quality and performance policies require, initially, a descriptive insight that will enable the identification and explanation of the type of programmes, actions and decisions that highlight the way a budget hotel deploys the constructs. Hence a descriptive perspective in this explanation case research is inevitable. In this sense the descriptive approach is used to: identify aspects of the operations regarded as part of the hotel's service quality and performance process; uncover the critical issues and impediments in the implementation process that will explain the context contingencies at the case study hotels and test and refine the operationalisation of the research objectives and data collection plans (Murasiranwa, 2009).

As the case design is multiple case studies, the researcher will adopt a multi-level analysis approach as explained in section 5.6.1., essentially after the description of each case

5.6.1 Analysis of Interview Data

Analysis of interview data will commence after the interview notes are fully transcribed. Analysis will be manually done by comparing the responses of managers against literature leading to the identification of common patterns of opinion. During the analysis of the findings bias will be dealt with through triangulation of interviewees' responses with other data collected by the researcher via document analysis and observation (Silverman, 2009; Yin, 2008). In the analysis of the data, four levels of analysis will be carried out to identify patterns within the data as graphically represented in Figure 10 (p. 162) and explained in Table 24 (p. 162).

The first level involves within-case analysis in order to provide data for cross-case analysis. This approach is appropriate because it allows the researcher to become intimately familiar with the individual cases as standalone entities (Yin, 2008; Amaratunga & Baldry, 2001), identify issues within each case and build an understanding of how things operate in each of them. Responses to specific interview questions by individual managers will be analysed for meaning and patterns of similarities and differences within the case studies. Each interview question probed different aspects of the phenomena under research. That is, this analysis is rich in the context of each setting in which each case presents itself (Creswell, 2007). Within case analysis allows the unique patterns of the case to emerge and explanations to be developed (Christie *et al*, 2000; Perry, 2001). Thus, it provides rich familiarity with the cases, which in turn generates rich descriptions of the individual cases.

The second level of analysis will involve comparisons of the different cases, thematic analysis across cases known as cross-case analysis (Creswell, 2007; Perry, 2001). The researcher will use content analysis in order to reduce the data to a manageable form by coding chunks of transcript data into categories in order to enhance comparisons.

Figure 10: Overall Process of Data Analysis

[Source: adapted from Christie et al., (2000) for this research]
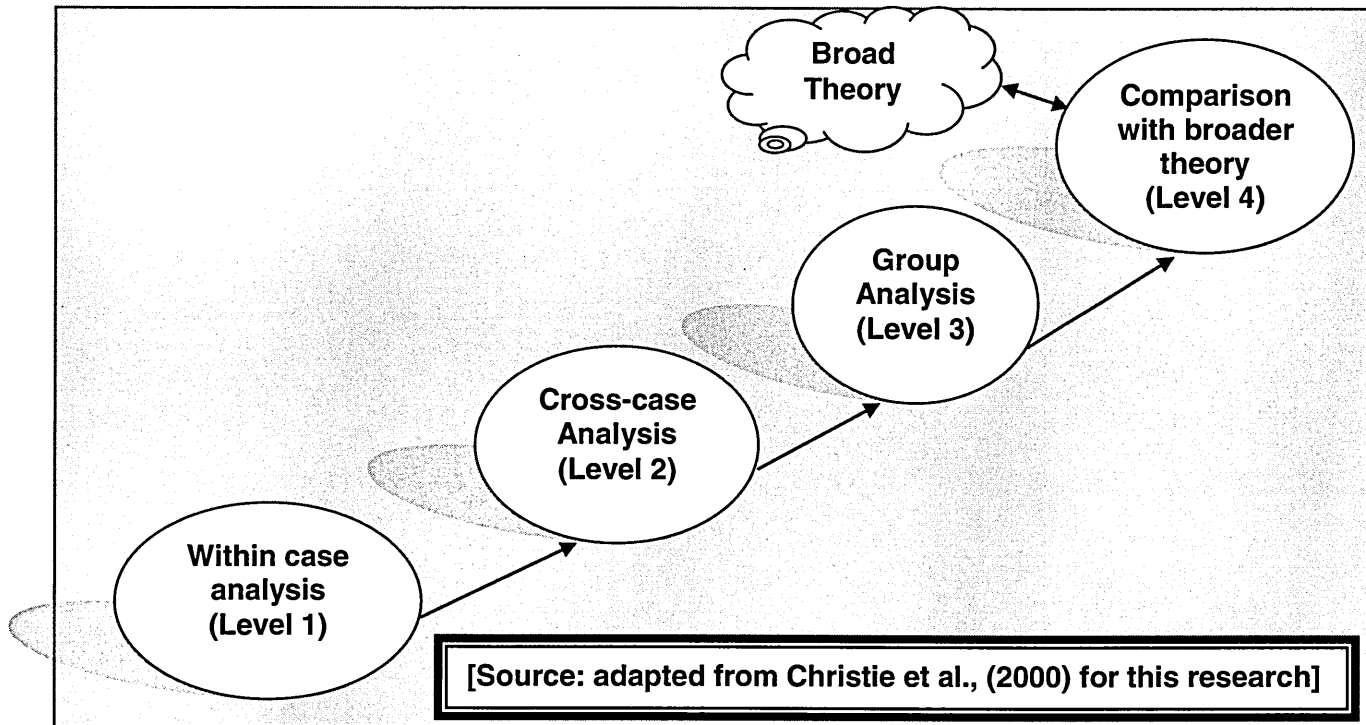
Table 24: Levels in Data Analysis

Level	Individual interview question	Main themes
4	Comparison with broader theories	➤ Analytical generalisation: ➤ Key themes generalised to theory
3	Group analysis: ▪ Similar cases are grouped together and compared for differences and presented in data matrices	➤ Themes compared for differences. ➤ Emerging themes-potential contribution to knowledge if gaps exist at level 4.
2	Cross-case Analysis: ▪ Content analysis of transcripts leading coding of data into groups ▪ Patterns of similarities and differences for specific interview question across all cases represented by data matrices	➤ Comparison of key predetermined and emerging themes across the cases for explaining differences and possible generalisation beyond the individual cases ➤ Data coded based on predetermined themes ➤ Emerging keys noted and coded
1	Within Case Analysis: ▪ Patterns of similarities and differences within a case for specific interview questions and represented by data matrix	➤ Predetermined versus emerging themes within case ▪ Focus on key predetermined and emerging themes for understanding complexity rather than generalisation

[Source: Adapted from Christie et al., (2000)]

162

The codes are important in that they serve as retrieval and organising tools that allow the researcher to quickly spot, pullout and group chunks of data relating to particular questions, concepts or themes (Miles & Huberman, 1984). The codes for this realist research were determined from prior theory research issues (axial coding) which were the starting point for this research rather than from the data itself. This selective coding process is appropriate in this realist research since only those perceptions relevant to an external reality are worth analysing (Sobh & Perry, 2006).

Selective coding also facilitates effective comparisons and interpretations. Thus, in contrast to the descriptive within-case analysis, in the cross-case analysis the focus is on explanations of reasons why differences occur. Thus, in the data analysis section, quotations from interviews will be used frequently to justify interpretations of the meaning of cases and conclusions about differences between them.

The third level of analysis will consist of grouping and summation of cases with similar patterns followed by comparison of the differences between the emerging groups in order to generate explanations. At this level pattern matching will be used for linking data collected to research questions and literature. As mentioned earlier the study will use multiple sources of evidence to unravel the research questions. The fourth level of analysis will involve generalising to broader theory whereby the concept of constant comparison between prior theory and practice is adopted in order to gauge whether propositions in literature are supported in real practice. Additionally, discourse analysis is used in order to understand the characteristics of language used and meaning of text and actions.

5.6.2 Analysis of Observation Data

Following the conversion of descriptive scratch field notes into field narratives, each observation narrative was classified into predetermined research themes for later interpretation. Thus during field narration, field notes were coded and analysed using the preconceived research themes for later interpretation. The field narratives were written and organised chronologically to provide a literal record of everything observed.

The practice of using predetermined codes or themes is normal in critical realism where only the issues relevant to the external reality are worth examining. Thus, predetermined themes generated from the research questions rather than from the data were used to reduce the data in this observation method. The research themes were allocated to groups of field narratives. Field notes were recorded and analysed on a continuing basis as the observations were carried out.

Following the classification of field notes into themes, interpretation of the data was carried out using a progressive comparative analysis approach to allow for subject-content critique. The field notes were then repeatedly revised to allow the compilation of emerging themes, summary of ideas, theoretical implications and conclusions. Finally, the results were used to triangulate data collected through interviews and documentation. Thus, field data analyses were purely inductive and assumed the integrity of individual perceptions or observations, rather than prove or disprove a theory (Blaikie, 2000).

5.7 Research Ethics

Researchers have an ethical obligation to respect the participants and the sites for research (Creswell, 2008; Saunders et al., 2012). Miles & Huberman (1994) identify specific ethical issues that need to be addressed before any data collection can begin in earnest: gaining access to participants and sites; informed consent; harm and risk; honesty and trust; confidentiality and anonymity.

5.7.1 Gaining access

This involves gaining the permission of individuals in authority to provide access to study participants at research sites. Permission for access was verbally sought from the general managers, the highest authority at the unit level. The purpose of the research was conveyed through an interview guide.

5.7.2 Informed consent

Once access is granted it is important to gain the consent of the participants before they engage in the research (Creswell, 2007; Silverman, 2001). Informed consent requires that all participants have adequate information about the research that they are able to give consent and they understand what they are consenting to (Silverman, 2009; Veal, 2011). Permission was sought from all the managers who participated and their right to participate voluntarily and withdraw at any time was stressed (Creswell, 2007). The interview schedule clearly stated the purpose of the research; the procedure of the study; the right to ask questions, obtain a copy of the results and have their privacy respected. An informed consent form was considered not necessary by all participants.

5.7.3 Harm and risk

For ethical reasons a research should not harm anyone (Creswell, 2008, Miles and Huberman, 1994). Although no physical harm was anticipated in the research, other forms of harm are possible. There is the possibility of harmful information being disclosed during data collection that may damage the image and reputation of the organisations being researched.
 In this regard the researcher promised to uphold and protect the privacy of the participants by not disclosing such information and seeking their permission to the publication of the research. Another possible harm could arise from the disruptions to the flow of activities of participants by visits from the researcher. To avoid such harm the researcher in conjunction with the participants arranged visits so that there was minimal intrusion on operations at the hotel.

5.7.4 Trust

Generally, a researcher must be trusted by their subjects. This trust should be communicated through the actions and presentations of the researcher (Creswell, 2008; Hammersley & Atkinson, 2007). To ensure that the principle of trust was upheld, the researcher acted honestly and objectively and kept respondents informed about his intentions from gaining access through data collection, data compilation to thesis writing.

The researcher sought to provide accurate accounts of the data collected by taking the drafts and final report back to participants in order to determine whether participants feel their views had been accurately captured. The researcher also used peer debriefings to ensure that the accounts resonated with people other than the researcher. The integral triangulation of different sources also ensured the accuracy and validity of the analyses (Berg, 2008; Creswell, 2008).

5.7.5 Privacy and Anonymity

In order to protect the confidentiality and privacy of participants, no one in the research will be identified by their name or position. Pseudonyms will be used to protect the identities of respondents and guarantee their anonymity (Creswell, 2008; Saunders et al., 2012; Saunders & Lewis, 2012). Confidentiality is especially important in this case as the research concerns strategically important issues such as organisational strategies and performance. In this regard the researcher encountered resistance to tape-recording of the interviews due to the perceived sensitive nature of the data that the researcher sought to collect. In this case the wishes of the participants were respected, but this meant that the researcher had to adopt a more structured data collection procedure for interviews. Hence, the use of semi-structured instead of unstructured interviews.

5.8 Chapter Summary

This chapter has identified and justified critical realism, against positivism, constructivism and critical theory, as the preferred and appropriate philosophical paradigm that will guide the research. In summary critical realism is appropriate for researching complex organisational phenomena about service quality and business performance because of its view on reality, the required relationship between reality and the researcher and the related research methodologies. Thus realism provides a coherent approach of its own that is not a mere blend of other philosophies.

Within the critical realism paradigm, the researcher adopted the case study research methodology as the most appropriate research strategy. The reason for adopting the case study strategy can be summarised as follows:

- Case studies are pre-paradigmatic, that is they address theory construction and building rather than theory testing

- Case studies satisfy the researcher's need to delve deep in order to gain an understanding of the phenomena by interpreting the respondents' experiences and beliefs in their own terms.

- Case study strategy provides for the application of rigour through triangulation approaches to data collection and analysis which enable the researcher to avoid the criticisms of positivism and constructivism in management strategy about service quality and business performance.

The researcher adopted a multiple case study design for executing the research using evidence from three sources; Semi-structured interviews, documentation and observation that will be employed in a triangulating fashion. In terms of data analysis, the researcher proposed a robust four level analytic strategy involving within-case analysis, cross-case analysis, group analysis and generalisation to broader. Content analysis, discourse analysis and constant comparison approaches provide additional data analysis tools. Lastly the researcher addresses the research ethics considerations. Table 25 below summarises the key features of the methodology applied by the researcher.

Table 25: Key Features of the Methodology adopted

Key Feature	Approach Adopted
Research Philosophy	Critical realism
Type of Research	Qualitative
Research Strategy	Case study approach
Research Design	Holistic multiple case studies
Research Methods	Multi-methods approach: • Semi-structured interviews • Participant observation • Documentary evidence
Data Analysis Strategy	Hybrid holistic-embedded analysis: • Within case analysis • Cross-case analysis • Group analysis • Confirmation/disconfirmation of broad theories
[Source: Developed for this research]	

167

Figure 11 (p. 169) summarises the researcher's four-stage research process journey. As shown in Figure 11, the stages concerned the development of prior theory and a critical literature review that identified the initial research problem and design. Stage 2 concerned the testing and refinement of the research issues, interview questions and collection methods through a pilot case study and expert interviews. Stage 3 concerned the main data collection procedures using semi-structured interviews, participant observation and collection of documentary evidence. Stage 4 concerned the final data analysis stage through cross-case and group analyses followed by confirmation of theory. This four-stage research process recognises the importance of prior theory to the multiple case study research design.

Figure 11: Overview of the Research Journey

Stage 4: Data Analysis
- Within case analysis
- Cross-case analysis
- Group analysis
- Confirmation/ disconfirmation of broader theories

Stage 3: Case Studies Data Collection
- Semi-structured interviews (20 managers)
- Participant observation (5 units)
- Documentary evidence
- Initial within case analysis

Stage 2: Pilot Case Study
- testing research design and methods
- refining research issues
- refining collection methods
- Expert interviews

Stage 1: Development of Prior Theory
- critical literature review
- Research problem
- Research issues
- Contextual & conceptual framework
- Interview questions

[Source: Developed for this research]

169

Having introduced and justified the research methodology adopted for the research in this chapter, Chapter 6 will present, analyse and discuss the research findings and draw initial conclusions.

CHAPTER 6:

Research Results and Discussion

6.1 Introduction

Chapter 5 described and justified the qualitative multiple case study methodological strategy used to collect the data and the critical realism philosophical paradigm underpinning it. This chapter will present the emerging patterns of results obtained and discuss them for their relevance to the research questions or themes. The discussion of the results will be done within the context of the service quality and business performance literature. That is, chapter 6 will present, analyse and discuss data and draw preliminary conclusions by making reference to conceptual and methodological literature.

As mentioned earlier the collected data will be integrated with a progressive comparative analysis (Blaikie, 2000) to allow for personal critique, subject-content critique, an overall summary of ideas, themes and theoretical implications to be drawn in chapter 7. A constant comparative methodology will be applied whereby the data collected will be coded into predetermined and emerging themes (Glaser, 1999). The themes will then be categorised into conclusions in chapter 7.

As discussed in the previous chapter the case study hotels were purposefully selected for their accessibility, relevance to research questions and location convenience. A multiple holistic case study approach has been adopted as the overall design strategy even though the case study hotels belong to the same owner in contrast to an embedded approach because the primary focus of the research is on middle, first line and supervisory managers at the unit level and not on the corporate business leadership. The researcher considers middle, first line and supervisory managers' actions as critical to the successful implementation of service quality and business performance systems.

In that context, the researcher considers individual unit managers as autonomous with some room and power to manoeuvre and not mere ciphers of instructions from corporate management. However, an embedded analytic approach is inevitable given that all the case study hotels derive their mission, vision and strategic direction from the same corporate owner. Therefore, the analysis will continue in a hybrid holistic-embedded multiple case fashion. In that sense, the discussion on vision, strategy and values of the case studies will be combined.

The chapter is therefore organised into five main predetermined sections. These are: brief descriptions of case study organisations; service quality; business performance; contextual constraints and perceived relationship between service quality and performance. The discussions on service quality and business performance will address the investigative research questions or themes. These are:

1) How do budget hotel managers conceptualise service quality and business performance and how do those conceptualisations compare to the relevant discourses?
2) How and why do budget hotel managers implement and measure the service quality and business performance?
3) What contextual service quality and performance issues do budget hotel managers have to deal with and how do these affect management decisions on implementation and measurement?
4) How do budget hotel managers perceive the relationship between service quality and business performance?

The analysis and discussion on contextual issues for service quality and performance will be combined. This is because the respondents answered research question 3 with similar perceptions for both constructs. The chapter will then provide a chapter summary at the end.

6.2 Descriptions of Case Study Hotels

The five case study hotels reported in this research are all owned and operated by one of the leading UK branded budget hotel chains. The case study hotels are all located in the UK. Established in 1987, the branded budget hotel chain has registered exponential growth over the years through organic growth and acquisitions to become one of UK's leading brands in the budget sector. The budget hotel chain had to adopt an aggressive approach to survive in a very competitive budget hotel sector. Competition in the branded budget hotel sector intensified in the new millennium with the introduction and rapid growth of the budget hotel concept in the UK (Mintel 2009).

Table 26 (p. 168) presents the profiles of the case hotels. As shown in Table 26 the sizes of the case study hotels ranged from 60 rooms to 161 rooms. Each case study hotel is of a distinct size, thereby allowing the researcher the opportunity to discover whether size has any impact on service quality and business performance management. Table 26 (p. 168) indicates that the case study hotels under study offer similar but basic amenities to their guests. These characteristics fit with the perceptions in the budget hotel literature that view budget hotels as a result of stripping down of services usually provided by a full service hotel (Jones, 2002). The only notable deviation from the norm in budget hotels is that the case study hotels all have onsite restaurants and bars. This signals a new trend towards full service in the branded budget sector driven perhaps by the demands of business guests and the desire to differentiate the brand from competitors.

The case study hotels are drawn from a variety of locations, including city centre, airport, Business Park and main road (see Table 26, p. 175). These locations except the city centre location support the notion in the literature that budget hotels are located in provincial, rural and motorways for rental cost cutting reasons (Mintel, 2009). However, the city centre location marks a new trend in branded budget hotels perhaps driven by the desire to locate in areas convenient to the business travellers as competition intensifies.

Perhaps more importantly, the location factor reveals a major weakness in the budget chain's branding strategy; failure to differentiate hotel services by location demands. All the case study hotels offer the same services, which is indicative of the branding strategy. However, this ignores the distinct demands from customers using the different location services. For instance, case study hotel 1, an airport hotel offers similar services as city centre locations but fails to meet airport guests' demand for day-lets and meeting facilities for short periods. This has disadvantaged the case study hotel's competitiveness as competitors offer day rooms for guests on transit and a shuttle bus service.

Table 26 (p. 175) also reveals that the case hotels adopted service quality in 2001 as a differentiation strategy. However, that strategy is undermined by the lack of differentiation within the chain itself as explained above. The results also indicate that the hotel chain has nine years experience of managing the service quality initiatives, hence making the individual units the appropriate candidates for exploring service quality and performance phenomena. It is, nevertheless, worth noting that there is a high degree of external influence on the service quality initiative. This has ownership implications with regard to the quality initiative. The danger is that the quality initiative might be run by the consultants to fulfil their own aspirations at the expense of the hotels.

Indeed, the quality initiative is overseen and measured by external consultants to an extent that case study hotel managers feel alienated by their involvement. In other words the consultants have too much lee-way in the way the initiatives are implemented and measured.

	Case Study Hotel 1	Case Study Hotel 2	Case Study Hotel 3	Case Study Hotel 4	Case Study Hotel 5
Service type	Budget hotel	Budget hotel	Budget hotel	Budget hotel	Budget hotel
Size (No. of rooms)	80	122	108	161	60
Other amenities	• Disabled facilities • Onsite restaurant & Bar • Free car park	• Disabled guest facilities • Onsite Restaurant & Bar • Conference facilities • Chargeable Wi-Fi • Free car park • Automated self-check in	• Disabled guest facilities • Onsite restaurant & Bar. • Chargeable Wi-Fi • Free car park	• Disabled guest facilities • Onsite restaurant & Bar. • Conference facilities • Chargeable Wi-Fi • Chargeable car park.	• Disabled guest facilities • Onsite Restaurant & Bar. • Free car park • Chargeable Wi-Fi
Location	Airport	City centre	Business Park	City centre	Highway
Year of adoption of service quality initiative	2001	2001	2001	2001	2001
Rationale for adoption of service quality strategy	Competitive differentiation	Competitive differentiation	Competitive differentiation	Competitive differentiation	Competitive differentiation
Quality Manager at Head Office	Yes	Yes	Yes	Yes	Yes
Quality Manager on site	No	No	No	No	No
Level of influence of external consultants on service quality	High	High	High	High	High
No. of managerial interviewees	4	4	4	4	4

[Source: compiled for this research]

Table 26: The Profiles of the Case Study Hotels

175

Table 27 (p. 178) presents the profiles of the respondent managers. In total, 20 semi-structured interviews were undertaken involving managers drawn from three different managerial levels i.e. middle (general managers), first line (departmental managers; operations and food and beverage) and supervisory (team leaders) (see Table 27). The interviews lasted between one and half hours to two hours. Note-taking was the method of recording data adopted for the interviews. The investigative questions in section 6.1 above provide the theme areas covered in the interviews. Appendix 1 provides the full version of the interview protocol. Interviews were immediately followed by participant observation of the processes and management behaviour and content analysis of company documents. The time taken for the observation process was in a range from ten to twelve months.

Table 27 shows the average age of respondents across the case studies ranging from 24.3 to 27.8 years. This indicates that the majority of managers at the case study hotels are still very youthful falling in the age group 20 to 34. The reason for such a high number of young managers may be attributed to the poor team member retention rates and poor remuneration as discussed later in this analysis. The relatively young age of the branded budget sector and its trendy nature that appeals to the young may also be a contributory factor.

The length of service information in Table 8 indicates that the majority (80%) of respondent managers had at least three years of experience in the hotel sector. The majority of these falling in the 3 to 5 years experience. The table also indicates that the general managers are the most experienced in each case. This augurs well for the case study hotels as the junior managers can learn and benefit from the experience of the general manager.

Overall, the result reflects the fact that most of the managers at the case study hotels are young in terms of their experience. Given the relatively young age of branded budget hotels, the researcher deemed the respondents' young experience appropriate to provide a valid and proportionately complete picture of the mechanisms at play in the sector.

In terms of educational qualifications, Table 27 (p. 178) indicates that only 3 out of the 20 managers (15%) have hospitality specific degree qualifications. This result raises concerns about the recruitment strategy at the case study hotels and chain, in particular. The results reflect a disturbing trend where managers seem to hire mostly lower qualified personnel from other disciplines at the expense of hospitality graduates. This is indicative of management that is failing to attract and take advantage of hospitality graduates.

This in turn could be indicative of shortages on the labour supply side signalling failure by UK universities in meeting the level of demand from the industry. The UK, being a leading producer of hospitality graduates, does seem to have a shortage of the requisite numbers of hospitality graduates. The results also reflect badly for the chain's apprenticeship and academy learning institutions. This result, however, is in sync with observations in the literature that hospitality employees are not highly educated. This unusual pattern is explained by poor remuneration structures in the hotel industry in general compared to other sectors (Zeglat, 2008).

	Case 1	Case 2	Case3	Case 4	Case 5
Managerial positions of interviewees: General Manager (First Line) Supervisory	1 (2) 1	1 (2) 1	1 (2) 1	1 (2) 1	1 (2) 1
Average age	25.3	27.0	27.8	24.5	24.3
Length of experience in hotels service (years):					
General Manager	7	15	11	5	9
First Line: Operations	6	7	8	4	3
First Line: Food & Beverage	3	3	5	3	4
Supervisory: Team Leaders	2	3	2	2	2
Level of Education: Number of managers with;					
University/college (Hospitality/Tourism)	2	-	-	1	-
University (Business)	-	-	-	-	1
University (other disciplines)	2	-	-	1	-
College diploma (other)	-	1	1	-	1
No formal qualifications	-	3	3	2	2

[Source: compiled for this research]

6.2.1 Vision and Strategy

The vision of the budget hotel chain is:

> "To be the best large-scale budget hotel brand in the world by becoming the most customer-focused company, there is."

The budget hotel chain sought to achieve its vision by developing a strong world-class brand that would be recognised by its key stakeholder groups; its people (employees), guests, investors and the community (Company training documents, 2007). The chain aims to achieve its strategy by providing outstanding value for money and making everyday guests experiences feel special so that guests come back time and time again. This strategic focus underscores the importance of repeat business to the budget chain.

The budget hotel company has an ambition to improve shareholder value through delivering the highest level of service and performance to the stakeholders. The hotel company has a strong belief that by taking care of its employees, guests will have great experiences and memories that they want to return, which in turn, will drive sales and profits up thereby keeping the stakeholders satisfied through driving efficiencies and investing in growth for long-term shareholder value and customer choice. The hotel company aims to achieve world-class brand status by employing a number of strategies and measures as illustrated in Figure 12 (p. 180).

The hotel company strongly believes in branding its services and products in order to deliver consistency throughout its markets. A brand is defined by the hotel chain as a service or product with an emotional commitment from its customers. The desire to become a world-class brand is premised on the benefits such a status brings to the hotel company- the pull factors. These are summarised in Table 28 (p. 180). However, the researcher believes that by adopting a branding strategy the budget chain may be shutting out profitable variety-seeking customer segments.

Branding the guest
Experience through
Visual Identity

Measure: Brand
Research

Sustaining service
Consistency through
Brand standards

Measure: Brand Audit

From Great to World
World Class:
The Strategies deployed

Transforming customers
Into advocates through
Great experiences.

Measure: Guest
Recommendation

Converting prospects
Into customers through
Aggressive Marketing

Measure: Profit

[Source: Company Strategy Documents]

Table 28: Benefits Associated with World Class Brands

• World class brands are very desirable as people want to buy them.
• They are resistant to competitor attack as they are the customer's preferred choice and therefore, have longevity.
• A world-class brand can charge a premium and so become very profitable.
• They are robust to changes in the market.
• Their customers are advocates, and loyal customers spend more and recruit new customers.
[Source: Company Brand Standards & Documents, 2007]

180

Moreover, the chain's training manuals indicate that there is low emotional engagement from customers with brands in the budget sector. Consequently, there is huge confusion between key brands operating in that sector making brands easily interchangeable. As a result, there is only passive customer satisfaction with the services and products as potential customers shop around for the best deals (Company training documents, 2007). This evidence clearly indicates that there are no benefits to be gained by pursuing the branding strategy, yet the senior managers adopted it. This is indicative of senior managers ignoring evidence obtaining on the ground and imposing their personal preferences at the expense of the organisation.

It was against the passive emotional customer attachment that the senior hotel managers sought for something unique and different to offer and 'wow' the customer thereby differentiating the offer from competition. There was also a realisation that branding of hotel services was not adequate to achieve the company's vision. The critical factor for success was identified as the adoption and implementation of a robust service quality-focused strategy capable of consistently delivering customer service beyond their expectations.

6.2.2 Company Values

The values of the hotel chain are divided into four core principles i.e. people and teamwork, caring for guests, passion for winning and continuous improvement that are shared across all the hotels. The values provide the underlying philosophy of the company that runs throughout the company and guides the actions and behaviours of all employees. The values are illustrated and explained in Figure 13 (p. 183). Values are important for ensuring that employees work towards achieving the same objectives and to the expected standards, which in turn drive the brand's overall performance. The philosophy illustrated in Figure 13 (p. 183) integrates all the hotels as their success depends upon driving continuous improvements in performance from employees through the way the brands delight their guests to the returns, they provide to investors. The values ensure that the brands perform the right way.

It is, however, important to point out that during the process of data collection for this research; the chain's values were being reviewed with an aim of conflating them into the following three values:

1. **Genuine** – really caring about customers

2. **Confident** – striving to be the best at what we do.

3. **Committed** – working hard for each other.

This is perhaps indicative of a top management that is not happy with the status quo and is raring to push the organisation ahead by reviewing the company values. While the values are stated clearly with examples (see Figure 13), they, however, lack a guiding definition of service quality. The researcher believes that given its contextual nature and fluidity, the concept of service quality needs clarification right at the corporate strategic values' level. In other words, senior managers must declare what they mean by service quality in their values in order to provide clear guidance for the behaviour of employees. Having introduced the cases and the chain's values in this section, section 6.3 will present and critically discuss the service quality theme results of the research.

Figure 13: The Four Core Principles at the Case Study Hotels

People & Teamwork

This comprises:
- Working together as a team
- Caring about our people, proactive approach to staff welfare;-They hold the key to success; staffs currently receive a 25% privilege discount card across all brands.
- Winning hearts and minds through great leadership;-Inspiring staff through positive leadership

Caring for guests

This comprises:
- Knowing who they are, understanding their needs and delivering on service quality and satisfaction.
- Creating successful brands that they know, love and grow in strength
- Delivering good quality service that adds value to guests experience so that they want to back time and time again...get them to spread the

Passion for Winning

This comprises:
- Knowing competitors and being better than them
- Playing to win always
- Taking tough decisions
- Drive to stretch goals, expand and grow the brand

Continuous Improvement

This comprises:
- Listing and keeping abreast with changing consumer trends and being flexible to accommodate the changes
- Keeping things simple-measure performance and effect improvements where necessary.
- Being innovative-no limits, can do approach

[Source: Corporate Documents & presentations]

183

6.3 Service Quality Results and Discussion

Having described the case study hotels in the previous section, this section will present and discuss the conceptualisation of service quality by respondents, their orientations and how it is implemented and measured at the case study hotels. The results presented pertain to the investigative research questions.

6.3.1 Definition of Service Quality:

Investigative Research Question 1: Results
How do hotel managers conceptualise service quality and how do those conceptualisations compare to the relevant academic discourses?

1. Interview Results

Table 29 (p.185) presents the different views of the concept of service quality among the twenty budget hotel managers interviewed. Table 29 shows that managers at the case study hotels conveyed a very clear understanding on what service quality encompassed. The varying perceptions of service quality provided by the managers also clearly indicate the process nature of services. Analysis of the definitions provided reveals the following key terms frequently mentioned:

- Customer expectations (five times).
- Interactions (four times).
- Process (six times).
- Consistency (five times).
- Satisfying customer requirement (six times).
- Value for money (five times).
- Repeat business/ patronage (three times).

The notion of interactions perhaps provides the single most important distinction between physical products and intangible services in the hotel context. A common feature across all the definitions in table 10 is that they are more outcome related i.e. they focus on value creation and customer satisfaction. Some managers also mentioned memorable experiences, impressions and customer care.

Table 29: Budget Hotel Managers' Definition of Service Quality

Manager	Response given
A	'...the provision of products and services at or above the expected standards in order to satisfy guests' requirements... it is a process that involves assessi and re-assessing levels of quality to ensure that you continuously improve and wow the guests and keep their patronage'
B	'...simply put, it is living up to customers' expectations, but it goes deeper than that...an important thing to remember is that we are dealing with impress that guests get from their interactions with us. It is the experiences of the service that guests will remember and convey to their friends and families not th physical facilities.'
C	'the process of delivering continuously improving services that consistently interact and flexibly meet and exceed customer expectations at a profitable
D	"...exceeding customer expectations...going the extra mile through interacting with the customers positively...total commitment to customer care..."
E	"...provision of required value for money at a profit...it is a balancing act between profits and customer requirements..."
F	"... process of delivering services that are demanded by guests consistently..."
G	"...process of satisfying the customer's requirements..."
H	"Quality is in the mind of the beholder...it is a fuzzy and subjective perception based on value for money. It is difficult to explain...quality is what the gue say it is..."
I	"Quality simply means getting the service delivery right every time...consistently offering value for money"
J	"...it is a process of consistently delivering on the organisation's promises..."
K	"...consistently fulfilling the customers' needs and wants at the required profit..."
L	"provision of value-for-money memorable experiences that delight the customers and keep them returning"
M	"Performing to the customer's wishes and dreams... making the dream come true for the customer... a process of providing solutions to a customer's problems"
N	"provision of superior services and customer experiences than competitors"
O	"providing value for money for both the customer and the business... it is more of a symbiotic relationship that should benefit both sides"
P	"creating repeat business through superior customer care practices"
Q	"Providing the required set standards consistently at all times"
R	"Being simply the best in whatever you do in the eyes of the customer"
S	"Delivering excellent customer care and services"
T	"Delivering and meeting the customer's expectations... it is akin to a theatre performance. You must aim to keep the customers satisfied and interested

The multiplicities of terms used to define service quality by the managers during interviews are indicative of difficulties in achieving standardisation of the service quality concept. However, a common perception among managers that emerged from the interviews was the agreement that service quality should be monitored, and attempts made to shape it in order to set the case study hotels apart from competition. Thus, confirming the potential of service quality as a differentiation tool. It is important to note that Table 29 also reveals sharp contradictions of perceptions on service quality in terms of market orientation versus product orientation, e.g. Manager A makes a case for market orientation whereas Manager Q makes a case for product orientation.

Furthermore, differences in opinion emerged between general managers and lower level managers. In essence, general managers' perceptions were more focused on profits (profit-oriented) whereas lower level managers emphasised customer focus. This is indicative of conflicts and impediments in the implementation of service quality. Thus, indicating a lack of a cohesive perceptual approach to implementing and managing the service quality concept at the case study hotels.

When asked whether their hotels had an official policy on service quality, all managers expressed ignorance of its existence. Thus, indicating the lack of an explicit company perception statement on service quality, thereby raising concerns on service quality implementation at the case study hotels. The multiplicity of diverse perceptions on service quality by managers recorded in Table 29 can thus be attributed to the lack of a service quality policy.

2. Document Analysis Results

All the budget hotel company documents and intranet sites were searched and analysed for service quality literature and guidance. The results reveal a gap in service quality literature in company documents. In other words, the results indicated the lack of an official company policy on service quality. This implies that the case study hotels lack a generic service quality definition to provide guidance to employees. Hence the multiplicity of service quality perceptions captured in the interview results above.

186

The lack of a service quality policy and official generic definition is attributed to the fact that managers wrongly equated brand standards to service quality. The lack of a service quality policy is indicative of lack of cohesion in the implementation of service quality ethos. This shortfall is discussed in detail in section 6.3.1.1. The document analysis results confirm the managers' interview responses that a service quality policy was non-existent.

3. Participant Observation Results

Managers' stated perceptions on service quality at the interview stage were compared with their actions in real practice, including the language used and focus of recruitment, induction, training and development. The general pattern emerging from the observation results is that although managers had a clear understanding of service quality and purpose, they failed to translate their 'interview talk' into action in real practice. That is to say, their stated perceptions contradicted their actions. This perhaps is indicative of managers giving misleading interview responses by telling the researcher what they believe the researcher was looking for, thereby concealing reality. These results demonstrate the importance of observing respondents in their real working world.

Furthermore, participant observation results confirmed the lack of a service quality policy and explicit definition of the phenomenon as revealed by both interview and document analysis results above.

Definition of Service Quality: Descriptive Discussion

Interview results reported in Table 29 indicate that case study hotel managers were clear on what service quality encompasses. However, the results indicate a lack of a generic cohesive perception as the managers used different terminologies in defining service quality. This confirms assertions in the reviewed literature that service quality means different things to different people. Hence an analysis and discussion of emerging key definitional issues is inevitable.

Manager A proffered the following perception:

> '...the provision of products and services at or above the expected standards in order to satisfy guests' requirements... it is a process that involves assessing and re-assessing levels of quality to ensure that you continuously improve and wow the guests and keep their patronage'

This definition suggests the conversion of customer expectations into standards where the role of the organisation becomes that of meeting or exceeding the set standards. Inherent in this definition is the need for open communication between the organisation and its target markets in order to identify the expectations. To be effective in establishing the standards from customer expectations the communication should be inductive in order to form a general standard. Hence this definition, by implication, requires the organisation to base its standards on market research facts; a research informed decision-making process.

However, such a definition ignores the impact of the constantly changing customer expectations. The implication in this regard is the fact that every time customer expectations change the standards must be changed to suit the emerging expectations and trends. In practical terms this may be a limiting factor as organisations may not be able to keep pace with the changing trends especially given the fact that customers do not have an emotional attachment to budget hotels. Hence they are likely to shop around and switch to competing organisations.

Indeed, manager Q, although supporting the notion of set standards, differed strongly by insisting that the organisation should set its standards based on its capabilities rather than base the standards on the ever-changing customer expectations. Thus while manager A makes a case for market orientation, manager Q suggests product orientation. These differing perceptions on service quality coming from managers working for the same organisation intending to achieve a common objective suggest strategic misalignment. This is indicative of the need for senior managers to define, broadly, the service quality concept as a strategic policy that will serve to guide employees and ensure consistency in their views.

As indicated in the interview results, interactions between employees and customers provide the most important distinction between physical products and services in the case study hotels' context. Indeed, a common thread emerged in that hotel managers' perceptions are more outcome related. That is to say they focus on value creation, creation of memorable experiences, impressions and customer care and satisfaction.

Manager B, for example, conceptualised service quality as:

> '... Living up to customers' expectations, but it goes deeper than that...An important thing to remember is that we are dealing with impressions that guests get from their interactions with us. It is the experiences of the service that guests will remember and convey to their friends and families not the physical facilities.'

From this definition it can be argued that interactions with customers form perhaps the most important distinguishing feature in creation of impressions and experiences, which in turn form the basis of service quality judgement by the customers. Thus, suggesting that interactions between employees and customers should be the core of service quality delivery. This puts into perspective the need for a coherent organisational behaviour that is geared towards satisfying the customers. However, achieving a consistent organisational behaviour is easier said than done.

In practical terms rarely do all employees behave collectively in such a way as to represent the organisation as a whole. In real life, we are talking about attitudes and actions of individuals who are difficult to standardise and ensure consistency. Thus, the absence of consistency in organisational behaviour not only makes the study of service quality complex but also brings into question the value of pursuing the concept.

Managers C, E, K and O present a different approach to defining service quality by bringing in the profit-making element. Manager C defines service quality as ' a process of delivering continuously improving services that consistently and flexibly meet and exceed customer expectations at a profitable rate'. Manager K shares the same notion as manager C above.

189

Manager E perceives service quality as a balancing act between customer value for money and profits. Manager O, on the other hand, emphasises a symbiotic relationship, where both the business and customers derive value for money. Indeed, an analysis of the responses indicated that middle and first-line budget hotel managers define and perceive service quality in different ways within the same context.

The multiplicity of views on service quality displayed in table 29 points to the difficulties managers face in their attempts to deliver on the quality front. Manager H, a general manager, perhaps usefully summarises the elusive nature of the service quality concept when he commented that:

"...quality is in the mind of the beholder..."

In other words, this implies that for the managers, the quality reality exists external to their comprehension. That is to say, only the person experiencing the service delivery is better placed to make judgements on quality. This fluidity of service quality poses difficulties in that in order to measure it effectively; hotel managers must perceive service quality from the customers' inconsistent viewpoint; however, in order to manage it effectively the concept must be perceived from a provider's perspective. This is the paradox of *'experienced'* versus *'provided'* quality that Johns (1999) previously alluded to.

Managing that paradox requires special interaction behavioural skills and attitude, which are difficult to standardise and inadequately developed due to budgetary constraints and poor recruitment practices. Additionally, continuous listening, learning and improvement become very important. The absence of a consistent perception of service quality appears to be the greatest obstacle to the conceptualisation and measurement of service quality. The frustration this causes to management may be the root source of the lack of real interest in the concept.

Most managers agree that service quality should be monitored, and that they attempt to shape it in order to gain a competitive edge.

However, the process entails challenges and calls for particular specialised human skills and abilities that can handle the delicate emotional side of the customers. This implies that the managers know what should be done and are willing to do the right thing but are limited by budgetary constrains as we shall discuss later. Indeed, one common thread in the definitions of service quality by first-line managers and team leaders is the emphasis on putting the customer at the centre of organisational performance-customer orientation.

While this notion recognises the importance of focusing on the customer for business success, it is too simplistic a view because it ignores the intricate tensions that exist between organizational stakeholders. The common thread among general managers, on the other hand, emphasises the need to deliver excellent services at a reasonable profit. This captures the tension between service quality enhancement and profit-making.

However, such a view that depicts service quality and profit as antagonistic phenomena overlooks the benefits of complementarities between enhanced service quality and organisational performance in terms of profit-making. Indeed, all the five general managers interviewed expressed frustration at the lack of meaningful measures that demonstrate a positive link between service quality and hotel performance. This is a clear indication that the middle managers have no faith in the current service quality and performance measurement systems.

The definitions provided by the managers are consistent with the notion of conformance to requirements as coined by Crosby, (1984), Juran's (1982) fitness for purpose and meeting and exceeding customer expectations (Asher, 1996; Juran, 1988; Lewis & Boom 1983; Oakland 2004). The perceptions of service quality, particularly the notion of listening to guests, being flexible and seeking continuous improvement are in line with recent attempts to define service quality from the view point of the customer, a paradigm that is consistent with the current quality discourse.

The notion of continuously improving quality of services captured in the definitions is very important as it echoes the concept of total quality management, which posits that continuous improvement and getting it right the first time and always is critical to success in an industry characterised by intense competition (Getty & Getty, 2003; Deming 2000). That view is further strengthened by the fact that hotels are involved in the creation of memories and experiences, which are essential components of a cognitive evaluative process that forms an important variable in consumer behaviour (Czepiel *et al.*, 1985). This view is captured in manager B's definition i.e.

> *'...it is living up to customers' expectations... It is the experiences of the service that guests will remember and convey...'*

6.3.1.1 Service Quality Policy: Discussion

When asked whether their company had a formal policy on quality, all the respondent managers expressed lack of awareness of its existence. They reported that the policy was not explicitly stated. Instead, quality issues are embedded in a service satisfaction guarantee and brand standards as derived from the core value of caring for the guest. Indeed, a search on the company intranet for such a policy returned no results. This observation raises concern about the nature of service quality commitment at both the corporate and the hotel unit level. For a highly branded hotel company, it is expected that an explicit policy on quality should be in place to serve as a core service promise to customers and provide a generic guidance to employees' behaviour.

Building the company's quality expectations into brand standards without stating them in explicit terms is fundamentally inadequate to drive consistent service behaviours that drive excellence. This critique grows in importance when you consider the lack of a universally accepted definition of service quality. Moreover, the contextual nature of service quality highlighted in the literature review requires a distinct policy on quality that clearly defines the concept within the organisation's context. The power of a clear policy on promoting brand visibility and recognition is of paramount importance.

Indeed, the policy on quality is also glaringly conspicuous by its absence from hotel brochures, website, and intranet. It is imperative that the policy is visibly displayed at each of the hotels to communicate and demonstrate the company's commitment to the provision of higher levels of service. A further inquiry into the matter revealed that team members were not aware of the policy on quality. Thus, the case study hotels generally lack a guiding principle on quality that positively and effectively influence employee attitudes and behaviours.

This observation implies that although the unit managers may fully understand the rather silent company policy on service quality, their efforts to deliver on that front are restricted by lack of visible marketing strategies and tactics to communicate the company's quality ethos to the key stakeholders. These findings reveal a contradiction between the quality discourse, which advocates for explicit quality policies and practical reality. These findings are indicative of the inherent difficulties in implementing the service quality concept.

Observations at the hotels suggested a glaring confusion between a policy on quality on one hand and brand standards and service guarantees on the other. In essence, brand standards should derive from the policy on quality, and the service guarantee should reinforce that policy. On the importance of service quality, the respondent managers emphasised its over-arching importance as a differentiating tool that sets the hotel apart from rivals thereby providing competitive advantages. Company documents suggest that research in the budget chain had indicated that creating quality-based competitive advantages with the physical property, amenity levels, sales and branding offered very limited potential for differentiation.

Consequently, a quality focused strategy that recognises service quality as a critical area of organisational competency emerged as a prime requirement. That recognition of quality as a distinguishing strategy lends credence to the view that the pursuit for quality in recent years is a search for competitive advantage through differentiation strategies (Harrington, 1999).

This notion finds support in the quality discourse which posits that service-quality components have the greatest potential to create distinctions among hotel operators (Gronroos, 2000; Harrington & Akehurst, 1996; Kandampully et al., 2002; Parasuraman et al., 1988; Saleh & Ryan, 1991). This is indicative of an organisation that is rightly moving the service quality issues to the boardrooms thereby demonstrating the growing importance of quality as a strategic business issue. When asked to comment on suggestions from academics that service quality has replaced price as the determining factor for choosing a hotel, the managers were unanimous in rejecting the academic view.

All managers agreed that within the context of budget hotels price is still crucial. One general manager explained that while quality is important for keeping the current guest happy, it still lags way behind price as an influential factor in budget hotel choice. He pointed out that unlike full service hotels, budget hotels offer very basic limited services, which means competing on the quality front is limited too. He concluded that guest do expect low prices from budget hotels while quality is a bonus for them to return.

The manager's views find support from Mintel (2007; 2010) consumer insights, which indicate that price is ranked the number one influential factor in choosing both a budget hotel and hotels in general respectively. The rankings from Mintel are shown in Table 30 (p.195). Table 30 indicates similarities and differences in preferences between budget hotel and other hotel sectors guests' preference. The results indicate price as the most influential factors in both sectors followed by proximity to city centre or attractions.

Parking ranks third for budget hotels yet it ranks fifth for all other hotels. This is probably indicative of the fact that budget hotels users tend to be people travelling by car seeking overnight stays. Viewing the hotel and room on line is a fourth priority for non-budget hotel guests yet this does not apply to budget hotels. This suggest that that budget hotel guests do not put too much consideration into quality related issues as do non-budget hotel guests. Hence there is no need for sampling the offer on line for budget hotel users.

194

Table 30: Factors influencing choice of Budget Hotels against Full Service Hotels

Rank	Budget Hotels UK 2007	Hotels UK 2010
1	Price	Price
2	Proximity to city centre/ attractions	Proximity to city centre/ attractions
3	Parking	Sale/ special offer
4	Recommendations by friends/family	Viewing the hotel and room online
5	Facilities (e.g. pool, gym and bar)	Parking
6	Knowledge that it is always good food & service	Hotel facilities (e.g. pool, gym & bar)
7	Out of town location	Been before and know it's good
8	Décor (i.e. modern/traditional or simply clean and fresh/new/well maintained.	Proximity to transport hubs
9	Recommended by critiques/guides/media reviews	Well known brand
10	Internet access	In-room facilities (e.g. satellite TV & Wi-Fi

[Source: Mintel, 2007; 2010]

6.3.2 Service Quality Implementation

Investigative Research Question 2: Results
How and why do hotel managers implement service quality?

1. Interview Results

During the semi-structured interviews, the researcher sought to understand the service quality implementation strategies employed by the respondent managers. The critical service quality implementation strategies provided by the respondent managers during the interviews are:

1) Branding: This involves the branding of guest experiences through research and sustaining service consistency through brand standards. These provide consistency as a result of standardisation and are monitored through brand audits to ensure compliancy.

2) Guest satisfaction guarantee: Managers revealed that they operated a 100 % unconditional customer satisfaction guarantee to assure customers of their commitment to providing high levels of service.

195

In response to the question why they implemented service quality in their hotel; the following reasons were extracted from the managers' responses:

a) To gain competitive advantage.

b) To set the case study hotels apart from competition by offering something unique that cannot be copied easily.

c) To compel teams to focus on the provision of quality service and service recovery if something goes wrong.

d) To empower team members to act proactively in handling customer complaints.

e) To attract and retain profitable repeat business by converting customers into advocates through the provision of great and memorable experiences.

These results indicate that the desire for differentiating strategies was the overarching reason for adopting and implementing branding and service quality ethos by the case study hotels.

2. Document Analysis Results

In terms of service quality implementing strategies, the company literature confirmed the strategies provided by the managers during interviews. The company documents explicitly state that branding and a 100% unconditional service guarantee are the preferred strategies. The company documents specifically state that it is focused on branding guest experience through research and sustaining service consistency through brand standards.

In the absence of a policy document on service quality as discussed previously, the researcher turned to the 100% customer satisfaction guarantee literature for reasons why the case study hotels implemented service quality. The results are presented in Table 31 (p197). Further analysis of the company documents yielded two more reasons for implementing the service guarantee; to introduce tangibility to the service and to reduce purchase risks for the customer.

Table 31: Reasons for operating a Service Guarantee

▪ It uniquely distinguishes a hotel from competition.	▪ It provides a simple and easy mechanism for guest to communicate their problems.
▪ It communicates the hotel's commitment to high-quality service and obsession with providing world-class service.	▪ It makes teams proactive at fixing problems-Team empowered to make instant decisions on the spot without reference to a manager.
▪ It creates and drives greater brand loyalty from guests.	▪ It reduces escalated complaints as failure to attend to them will hit the profits.
▪ It creates and drives greater brand loyalty from guests.	▪ It ensures that the hotels deliver services consistently.
▪ It builds and drives a 'can do' service culture and commitment to every guest.	▪ It brings back the right balance to the business – not just focusing on the brand audits.

[Source: compiled from Original research; Brand standards and Training Manuals, 2008]

The results displayed in table 31 confirm the reasons for implementing service quality provided by the managers during interviews and expand on the list. Perhaps the significant additions are that; service quality serves as a mechanism for guest to communicate with the case study hotels; builds a 'can do' culture and brings about a balance between brand audits and customer care interactions. These results are indicative of an organisation that is geared to creating profitable long-term relationships with its customers.

3. Participant Observation Results

Observations carried out at the case study hotels confirmed that branding and service quality systems and strategies are in operation. Thus, confirming evidence gathered through interviews and document analysis. More importantly, the observations revealed flaws in the implementation of service quality ethos as follows:

- Apparent lack of a service quality policy resulting in managers equating brand standards to service quality.
- Lack of employee/guest consultation in the implementation of service quality. Hence, there is lack of ownership of the systems in place by employees and guest.
- Strategic misalignment where strategic goals are at odds with those of middle managers. For instance, while it is company policy for team members to proactively offer the service guarantee, observations at the case study hotels revealed that general managers are opposed to it and openly discourage refunds as it hits profits on which their incentives are based. Thus, the results show that managers act to protect their incentives at the expense of service quality.
- Management meeting agendas and action plans focused only on profits and cost cutting at the expense of service quality.
- Lack of team briefings and de-briefings during service delivery. Team briefings and de-briefings are crucial elements in delivering a flawless service and enhance the quality of the service in order to satisfy and keep patronage, yet these are glaringly absent from the case study hotels.

- Lack of initiatives for managers to directly interact with guest in order to obtain first hand qualitative feedback on service delivery and customer satisfaction.

Implementation of Service Quality: Descriptive Discussion

Prior to the adoption of a quality strategy, brand standards instead of service quality were the key drivers of delivering service consistency. Although still critical, in order to drive customer satisfaction and repeat custom, deliveries of brand standards were deemed inadequate to differentiate the budget hotel offer from competition. According to manager C, the Branded Budget Hotel Chain needed a unique service strategy that created and supported a culture and behaviours that:

> "Ensure that every employee take personal responsibility for ensuring every guest has a 'WOW' experience and would want to return time and again... and set us apart from competition"

This statement concisely captures and articulates the contextual competitive factors that spurred the organisation to focus on service quality. Following extensive research on customer satisfaction strategies utilised in successful hotel chains in the USA the brand managers settled for a Service Guarantee programme as a unique strategy to drive service excellence.

6.3.2.1 The Service Guarantee at the Budget Hotel Chain

The budget hotel chain offers:

> "An unconditional 100% service satisfaction guarantee as a unique, simple and effective resolution to guest dissatisfaction. Unlike competitor hotel guarantees, we do not evaluate the level of guest's dissatisfaction by a percentage refund or time limits to fix; it is unconditional. On that basis, we do not offer complimentary rooms or discounts to retrieve a guest's goodwill in lieu of invoking the guarantee" (Core Skills Manual, 2008).

In essence, the service guarantee portrays the hotel's commitment to high service quality and guarantees that the hotel will meet and exceed guest expectations. And if the hotel fails to live up to its promise the guests will unconditionally get their money back.

The overall goal of the guarantee programme is to build and maintain a strategic competitive advantage over rivals. The reasons for operating the guarantee are summarised in Table 31(p. 197). The majority of first-line and supervisory managers viewed the guarantee as a big 'wow' for the guest, which ensures that problems are rectified immediately. The service guarantee is aptly described by manager A as:

> "An amazing tool for teams to use in preventing some incidents ever happening again, sometimes before guests even realised that there are problems."

This causes problems in the restaurants as guests expect the guarantee to apply to lunch and dinner services. When probed on what the service guarantee does not reflect, some of the respondent managers pointed out that the guarantee does not reflect publicity or sales and marketing gimmickry. The corporate literature explains that:

> "There is a misconception that our guarantee offer is a gimmick...well it is not...it is a genuine offer which captures the total company ethos and plays a key role in developing and building our competitive advantage."

In addition, the corporate information stresses the fact that the guarantee was not about refunds but about integral commitment to service quality and a promise to deliver complete guest satisfaction. The most powerful aspect of the guarantee appears to be its ability to introduce some tangibility into the hotel services thereby reducing the risks associated with the purchase of services. At face value, these findings portray hotels that are committed to a service quality promise.

Indeed, the underpinning concept for reasons listed in Table 31(p. 197) points to the desire to influence both organisational and guest behaviour in a multifaceted way to ensure that the results benefit the organisation in terms of:

- Efficiency and effectiveness in complaint resolution.
- Commitment to consistency
- Demonstrating and communicating a commitment to service recovery
- Positively influencing guest perceptions through team empowerment that promotes a proactive culture.

200

- Ultimately recruiting prospective and current guest into emotionally loyal ones, who in turn recruit friends and relatives through recommendations. Recommendations are believed to have potential marketing benefits in terms of costs.

While the principle underpinning the guarantee appears noble, the real test is in the actual implementation process. The implementation process will be discussed at a later stage. However, some managers, mostly general managers, viewed the guarantee as nothing more than just a public relations exercise that makes the company look good yet it has no tangible benefits. Manager H commented:

> "...the guarantee is championed by the corporate managers who are employed to make the company look good. My seven years experience in this company has proven that no significant gains accrue to the organisation following the adoption of the guarantee"

Furthermore, general manager H, suggested that British guests unlike their American counterparts do not expect 'freebies' from hotels, but expect to pay for the services and get a percentage reduction in the charges for service failure in contrast to a 100% refund. Thus, suggesting that the concept was wrongly duplicated in the UK without paying enough attention to the calibre of clientele.

6.3.2.2 Implementation of the Guarantee

Following extensive research into guarantee programmes in the US; a series of excellent grades against mystery-shopping ratings; good performance in guest satisfaction surveys and a high degree of repeat business, the brand management of the budget hotel chain was convinced that the brand was ready. To ensure successful implementation the managers enlisted the services of Chris Hart, a leading US expert on guarantees. The guarantee was trialled in five units for six months prior to implementation to the rest of the units in the brand in order to gauge its 'guarantee readiness' requirements to ensure success.

The results from the trials showed that for the first few years after launch, the company could expect that the total number of refunds, known internally as invocations, would amount to about 0.5% of the entire organisation's room revenue. If only 0.5% of revenue were refunded through invocation, this would equate to 50 guests in every ten thousand. This amount was considered an investment price worth paying to ensure customers satisfaction. Thus, refunds are considered an investment and not a cost.

To encourage the adoption of best practices and protect against the fraudulent use, a central tracking mechanism for refunds that logs reasons for invocations was considered essential. The mechanism enables focal monitoring and where there is a pattern of invocations from just one customer; they will be tracked and blacklisted. In order to ensure proper execution of the guarantee, road shows and regional training courses were set up to launch the guarantee internally to general managers, in-house trainers and team leaders. These would in turn cascade the acquired knowledge to all team members at the unit level. Through observation, the researcher had the opportunity to participate in the operation of the guarantee for ten months.

At check-in the guest is introduced to the guarantee which is printed on the key card holder. If a guest wishes to invoke the guarantee, all team members are empowered to refund this unequivocally. The only requirement is that they record the nature of the complaint, reasons for and log this centrally for tracking and learning purposes. Whilst it is company policy for team members to offer refunds, proactively, for poor service, observations at the five case study hotels revealed that this practice is vigorously and openly discouraged by the unit general managers as it hits the profit margins on which the management bonus incentives are based.

In fact, an unwritten rule requires front-line team members to refund only when a guest specifically requests for it, even so, they still needed the general manager's approval. These actions are completely in contrast to the directives of senior management and seriously undermine the implementation of the service guarantee, and the service quality ethos associated with it.

This is indicative of strategic misalignment where the goals of the strategic managers are at odds with those of the middle managers.

6.3.3 Service Quality measurement

Investigative Research question 2: Results

How and why do hotel managers measure service quality?

1. Interview Results:

When asked how they measure service quality, the case study hotel managers revealed three approaches; customer satisfaction surveys, brand audits and comment cards.

Customer Satisfaction Surveys: The interview evidence unveiled Guest Recommendation measure as the primary overall customer satisfaction indicator of customer service quality perceptions. All managers were in agreement that the primary objective of the guest recommendation measure was to determine whether guests felt satisfied and happy enough with the service provision to repeat their purchase and recommend the case study hotels to friends and relatives. In the context of business performance, the guest recommendation measure provides a consistent and comparable measure across the budget hotel chain brand on a Balanced Scorecard. The majority of the managers argued that the guest recommend measure enables them to measure satisfaction, loyalty and future profits in a single survey. The results indicate that the surveys are done by email following a guest's departure.

When asked for barriers to service quality measurement the case study hotel managers identified two main issues; lack of ownership of the service quality measurement mechanism and the Data Protection Act 1998. The interview responses reveal that lack of ownership of the measurement mechanism emanates from the fact that responsibility to measure 'guest recommend' is outsourced to an external research company. The respondent managers reported frustration over surveys as they are protected by the Data Protection Act 1998, which means guests are anonymous and inaccessible for direct contact.

203

The managers argued that this prevented them from establishing and maintaining long-term relationships with customers. The managers claimed this prevented them from listening intently to customer requirements. The inflexibility of a central pricing mechanism was reported as a barrier by the five respondent general managers.

Brand Audits: During the interviews, it emerged that the case study hotels use brand auditing as a mechanism to drive consistency and continuous improvement of in-house operating standards. According to the managers, the brand measure provides an independent compliance measurement tool as it is carried out by a mystery guest. Additionally, unit general managers are required to carry out live full internal self-audits at least once in a quarter with corresponding action plans.

All internal self-audits must be held on file for external inspection. Indeed, the brand audit is one of the key customer performance measures reported on the company's Balanced Scorecard. The managers also revealed that the brand audit results provided a key basis for management bonus incentives in that failure to attain a pass mark would mean no bonus. Section 6.3.3.3 will provide a full descriptive analysis and discussion of the application of brand audits at the case study hotels.

Guest Comment Cards: In addition to customer satisfaction surveys and brand audits, the results revealed that each case study hotel unit uses comment cards for the collection of guest feedback. All comment cards must be logged centrally on the company intranet for tracking purposes. Section 6.3.3.4 provides a descriptive analysis of the application of comment cards.

When asked for the reasons for measuring service quality the following reasons were obtained from the interview responses:
- To ensure that guest expectations are continually and consistently met or exceeded.
- To ensure prompt service recovery if expectations are not met.
- To ensure that team members are able to proactively spot and rectify problem areas.

- To provide a mechanism for communicating with guests and collecting feedback.
- To provide an overall guest recommend service performance measure for benchmarking against the best practice.

2. Document Analysis Results:

Results from document analysis confirmed the use of the three approaches to measure service quality described in 1 above i.e. guest recommendation surveys, brand audits and comment cards.

Indeed, document analysis confirmed that the customer satisfaction surveys measure the desire by the guest to retain usage of the same hotel and recommend it to others. Thus, the results are consistent with information obtained via interviews. The document analysis results also support assertions in the interview regarding the use of external and internal brand audits in measuring service quality. The results revealed that the brand compliance audit checks standards and features in different areas of each unit. In particular, the external auditor evaluates the entire guest journey experience covering the following aspects:

- Pre-arrival stage- reservations efficiency and provision of information.
- Arrival stage-first impression of the building and frontline team.
- Reception stage- speed and efficiency of check-in and provision of information or directions to room.
- Occupancy stage- service provision, night reception, good night sleep, breakfast and dinner service, room cleanliness.
- Departure stage- bill preparation, payment collection and departure procedures.

Internal audits, likewise, involve the general manager regularly evaluating the operating standards relating to three areas as follows:
- Reception standards-check-in/out, payment collection, refunds, complaint handling, dissemination of information, staff knowledge, etc.
- Housekeeping- measures to what extent are the rooms and public areas quiet, clean and calm; measure health and safety issues; measures the management of noise, etc.

- Extraordinary management- measures to what extent the management adopts the best practices policy, i.e. commitment to operating standards; measures to what extent are staff well-trained and to what extent management is visible and can fix errors and mistakes in service.

Document analysis, in addition to confirming the three approaches used to measure service quality identified at the interview stage, also revealed a fourth approach, the YouGov Brand Index. This approach is used by the corporate managers to positively influence customer perceptions. In essence, YouGov is tool used to benchmark service performance relative to competing hotels. Follow-up interviews with managers revealed that YouGov was not known by all managers at the unit level as there were no computations of the YouGov value at all case study hotels. Thus, suggesting the lack of coordination in the service quality measurement effort.

3. Participant Observation Results:
The field notes narratives compiled by the researcher confirmed the followed issues:

- The use of customer satisfaction surveys, brand audits and comment cards for measuring service quality as revealed by the interview results.
- The use of the YouGov service measurement instrument at the corporate level, but unknown to unit managers as unveiled by content analysis. This is indicative of a gap in the measurement objectives between corporate managers and middle-level managers.
- Managers' frustrations with the Data Protection Act, 1998. The act effectively blocked managers from contacting guest directly thereby impeding efforts to listen intently to customer issues and responding to them individually and establish long-term relationships.
- Prices set and controlled centrally as revealed by interview results. Observations in practice confirmed that such a set-up is rigid and leaves case study managers no room to manoeuvre when competitors lower their prices- profit maximisation approach.

206

In addition to confirming the above facts observations discovered the following pertinent issues:

a) **Customer satisfaction surveys:**

- An anomaly in the application of the measurement instrument in the case of group bookings, which formed a major segment, only the email address of the person making the booking would be available to the hotel. This raises issues regarding the objectivity, representativeness and reliability of the surveys.

- Lack of creativity in managing the Data Protection Act, 1998 barriers. Managers failed and were unwilling to devise local measures to communicate directly with customers through qualitative interviews. This observation exposes the insincerity of managers in measuring service quality.

- Disconnection between the service quality measurement intention priority and the reporting priority. Observations reveal that the intention priority of the service guarantee is to promise a good night sleep yet this is not reported on the Balanced Scorecard. Instead, the Balanced Scorecard reporting mechanism priorities the guest recommendation measure.

- Lack of customer/employee consultation in prioritising topics and designing the survey instrument. This is indicative of managers prioritising their own values at the expense of customer values.

b) **Brand Audits:**

- Failure to implement action plans drawn from customer feedback and audits. Observations revealed that the actions plans only drawn and posted on staff notice boards for audit inspection purposes only and were never implemented. Thus, on paper, the managers appeared well focused on service quality, but in reality, the opposite obtained. This is a clear indication that managers were focusing on managing service quality measurement tools at the expense of their intended objectives.

- As a result of the above point team members did not 'live' the brand standards behaviour as required by the standards manuals.

207

Instead, team members were well coached on how to answer questions from the auditors. This is more evidence that managers were managing the measurement instruments.

- Length of observation stay by the auditor was discovered to be too short to observe and determine whether team members really 'lived' the brand standards behaviours.
- Authenticity of the audits is questionable. Managers at the case study hotels knew roughly when auditors would be coming and would stage-manage the whole process to obtain pass results reported on the Balanced Scorecard. This is counterproductive to the objectives of the brand audits, which are meant to happen unannounced.

c) Comment Cards

- Selective logging of comment cards collected directly by the case study hotels. Observations revealed that comment cards which were considered too negative were not centrally logged onto the central information tracking system for access by corporate managers.

The budget hotel company believes entirely in the principle of management by measurement, which finds support in the quality discourse. The overall goal of measuring service quality is to ensure that guest expectations are continually and consistently being met or exceeded. Measurement enables the company to spot and rectify problem areas. Service quality of the case study hotels is measured using three approaches namely customer satisfaction surveys, brand audit and comment cards.

6.3.3.1 Customer Satisfaction Surveys

This evidence is drawn from the brand standards and training manuals. Guest recommendation is the measure that is used as an overall indicator of customer satisfaction. The goal of the guest recommendation measure is to enable the company to establish whether guests leave feeling happy enough with the quality of service offered to recommend the hotel to friends and relatives. Guest recommendation was chosen because it was considered to be a true measure of guest satisfaction.

This was based on results of research conducted for the Harvard Business Review which concluded that the likelihood to recommend is the most effective predictor of repeat purchases and company growth. Guest recommendation, it is argued, enables companies to measure satisfaction, loyalty and future profit with just one question, by site and for the whole brand.

When clarification was sought on how one question could be used to measure satisfaction, loyalty and future profit, managers explained that guest recommend is not measured with a 'yes' or 'no' question as this would over simplify customer response and does not allow for differentiation between moderate and high customer ratings. Instead, guest recommendation is measured on a 1 to 5 scales with topmost box scores (5) showing on the balanced scorecard for the key question of 'Would you recommend this hotel unit?' so that units can see how much work is needed to achieve highest scores. Guests are asked supplementary questions to allow managers to understand the factors influencing the recommendation score they award.

In addition, the survey allows guests to record their comments in verbatim, that is they can complement, complain and clarify their comments in their own words, which provide some qualitative input that can be used in drawing up action plans. Thus, guest recommendation provides a consistent and comparable measure across the group brands on a balanced scorecard.

The survey is done by emailing guests a day after their departure asking them for their views and feedback from their most-recent experience. The surveys are protected by the Data Protection Act 1998, which means the guest remains anonymous and therefore, units cannot contact guests directly. Whilst this protection for guest is a noble and ethical practice, it does frustrate managers' efforts to get things right for the guest as they cannot respond directly to the particular individual needs of the concerned guests.

The managers insisted the Act complicates their ability to listen intently to guest requirements as they cannot make any follow ups on issues raised. This concern featured prominently as a data collection barrier during the interviews.

This concern grows in importance when one takes into account the fact that the responsibility for measuring *'guest recommend'* is contracted to an external research company. The use of an external research company is justified as a measure to ensure neutrality in order to avoid distortions that might arise when interested parties measure their own performance. Further, the managers expressed reservations over the representativeness of the survey as sample sizes were not provided with results.

In terms of reporting, the key service quality performance indicators used by the budget chain surveys are:

- Guest recommendation, this the main score that is recorded on a balanced scorecard as a key performance measure
- Guest satisfaction
- Guest Intention to return
- Value for money

Results are given in percentage terms, which may be misleading leading to inaccuracies in using or understanding the data which in turn leads to ineffective data communication. Manager A argued that the online customer satisfaction surveys were just like questionnaires, which suffer poor response rates since only those guests who are either extremely satisfied or dissatisfied tend to respond.

This view finds support in the reviewed literature which suggests that questionnaires are very unrepresentative of guest perceptions and the most abused form of data collection in the hotel industry due to voluntary participation (Johns, 1999; Johnston *et al.*, 1990). In addition, the manager argued that very few guests give their email addresses for survey purposes.

Manager C, on the other hand, argued that since the hotel mainly deals with business groups and company bookings, only the email address of the person making bookings on behalf of the group or company is available. This brings in to question the objectivity of the guest recommendation measure. Results of the guest recommend measures are accessible via the company intra-net.

Units are able to see what drives their scores, establish whether they are improving, take corrective action, gauge how they compare to other units and focus on the things they can improve. In essence, the guests recommend data is used to communicate achieved service quality levels to team members and to coach them on delivering superior standards of service.

However, there appears to be a disconnection between the budget chain's intention priorities and its reporting priorities. As reported previously the highest priority in offering the service satisfaction guarantee is the promise of a good night's sleep. Yet this is not reported as a key performance measure in the balanced scorecard. This disconnect becomes apparent when you consider the fact that the customer satisfaction survey does not include a direct question about good night sleep. Instead, according to corporate literature, this is measured indirectly through measures for:

- Bed comfort
- Pillow comfort and
- Noise

When asked about this misalignment of priorities, the general managers of the case study hotels revealed that the surveys were heavily influenced by external consultants who are responsible for designing the instrument. It also came to light that neither customers nor team members were involved in prioritising the topics and designing the instrument.

This means that fundamentally the balanced scorecard is not truly balanced in the context of service quality in terms of employees' and customer priorities. This suggests that the senior managers decided to measure service quality performance without considering the key values of the customers. Hence the organisation might be concentrating on the wrong measures as a result of external consultants and a lack of employee ownership.

Furthermore, a comparison of the 'guest recommendation' measure against consumer insights provided by Mintel (2007) indicates that 'guest recommendation' is not the most influential factor in guests' choice of a hotel.

211

Figure 14 below indicates that only 14% of guests reported basing their choice on recommendations from friends and relatives. The comparison reveals that while guest recommendation is the highest priority for the case study hotels, guests have price as the prime priority (49%).

Figure 14: Factors influencing choice of Budget Hotels
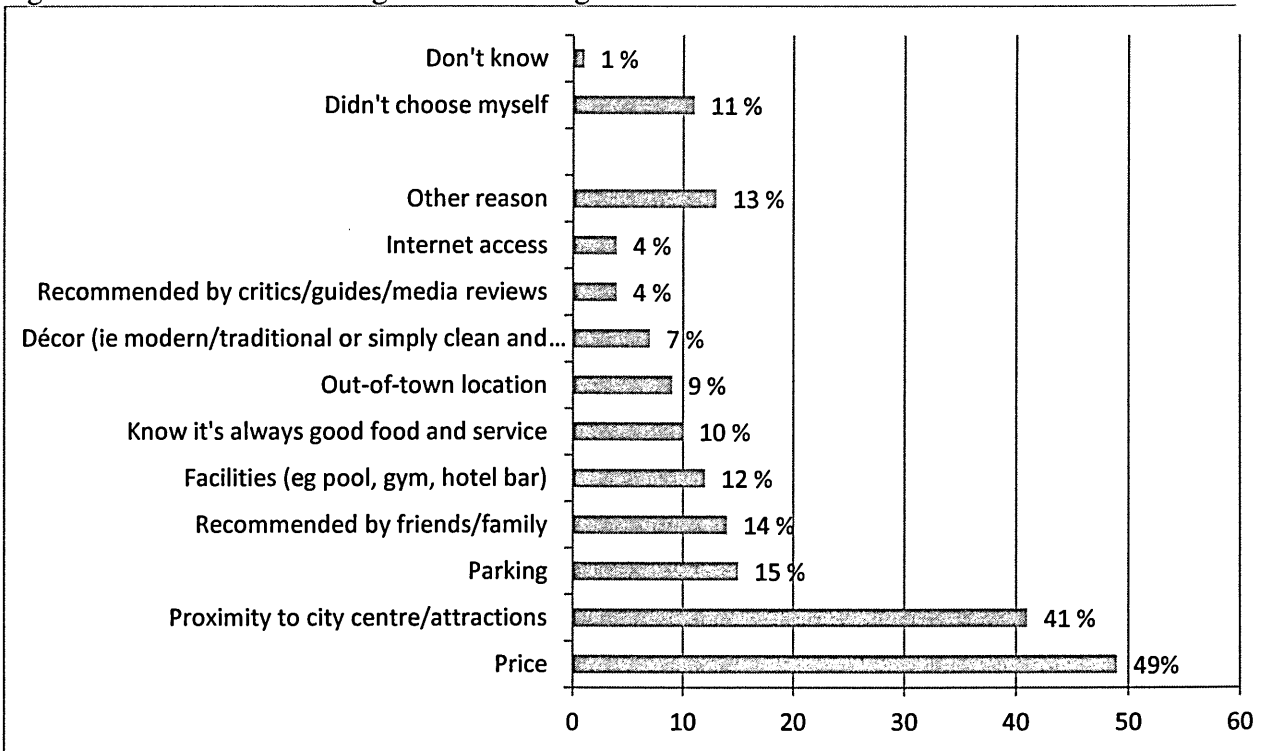
The findings suggest a misalignment of the case study hotels' priorities and those of their guests. This could be confirmation of the general managers' claim that guests are not involved in prioritising the measures that are included in the customer satisfaction survey instrument.

This again has negative implications for the balanced scorecard. As a result of the aforementioned misalignment, it can be argued that from the customer's perspective, the balanced scorecards for the case study hotels are not balanced. From these findings it can be concluded that the case study hotels might not be listening intently to their customers. This point grows in importance when you take into account the researcher's observation that price for all the case study hotels are centrally set and controlled. This leaves managers without room to manoeuvre and respond timely to price reductions by competitors.

All the five general managers reported that the inflexibility of the central pricing mechanism was a major impediment to their efforts to compete effectively. While the managers could make recommendations to head office for price adjustment, they complained that decisions normally took long to be made such that by the time the decision is made it would have been overtaken by events. Further to that the managers revealed that price reductions were never entertained by their head office, which believed in a premium pricing strategy based on the service quality concept.

These claims by the managers were confirmed by the researcher during periods of observation at the five units. During that period room prices never went below the set premium of £52 per room. However, during periods of peak business prices were almost instantly increased leading to customer complaints. Front Office teams were provided with several sets of lines of reasons to justify the price increments based on a dynamic pricing mechanism. In essence the lines would seek to reassure the guests that they were still getting the lowest price and best value for money based on comparisons with competitors. Although the hotels had set premium prices, the case study hotels cannot claim consistency in pricing. This may be indicative of a corporate management that is hiding under the cover of quality because it is attractive to its pursuit of an underlying profit maximisation motive.

6.3.3.2 YouGov Brand Index

In an attempt to influence customer perceptions of service quality, the parent company participates in external comparisons with competitors at the national level. The YouGov Brand Index measure is a tool that is used to benchmark performance relative to competing budget hotel brands. It is the only measure of public perception of consumer brands across a wide selection of industry sectors. Participants are drawn from YouGov online consumer panel and 2000 online interviews are conducted every day in the UK for the Brand Index measure. The index measures the following attributes of brands:
- Quality
- Value
- Customer satisfaction

- Reputation
- Recommendation
- Buzz (whether people have heard anything positive or negative about the brand in the media or through word of mouth)

The objective of participating in this benchmarking effort is to positively influence consumer attitudes towards the budget hotel brand. A commendable strategy, but brand popularity should not be confused with customer satisfaction. Indeed as the consumer insights in Figure 14 (p. 195) shows, only 4% of respondents to a study by Mintel indicated that they consider recommendations from professional critics, guides and media reviews such as YouGov Brand Index. This is made worse by the observation that none of the case hotels computes the value of YouGov polls to their hotels. This suggests coordination problems in the measurement of service quality.

6.3.3.3 Brand Audit

The case study hotels are audited bi-annually by mystery guests from an external audit company to ensure impartiality thereby providing a key independent compliance measurement tool for the hotel. The audit is used as a learning tool to drive continuous improvement of in-house operating standards. The goals of the audit are to support the delivery of brand standards, support the service guarantee promise and drive guests' recommendation (Brand Standard Manual 2007).

In that context, the audit provides both a process and outcome measure in that it evaluates employee competences and the entire guest journey experience from reservation through check-in and guest stay to departure. It provides a holistic view on hotel performance from both guests and operation's perspectives and is shown on the balanced scorecard.

The audit process involves the mystery guest visiting the hotel to experience the service and systematically and comprehensively record their evaluation. Mystery audits are viewed positively in the quality discourse and widely thought to be representative of guest perceptions, consistent and unbiased if properly instituted and executed (Berry, 1995).

214

The most important facet of this measure, it is argued, is that it also rates the process rather than just outcomes (Wilson, 1998). The pass mark for the audit was then 83%. If the unit fails the audit, it will be placed on re-audit status at the hotel's cost until a pass is achieved. Re-audits are usually done at any time after eight weeks. To encourage, recognise and reward fantastic team behaviour towards guest, bonus points were introduced.

To promote service excellence the hotel is required to carry out self-audits. As a minimum, a full self-audit with corresponding action plans, detailing the required action, completion date and individual responsibility must be completed quarterly and held on file for external inspection. Self-audits are encouraged as they promote excellent guest service and should be reflective of live audits.

Action plans should be displayed on team notice boards for teams to access, read and rectify issues. In addition to standard audits, randomly conducted wild audits are used to ensure brand standards adherence, consistency all year-round and reduce complacency in hotels that have already passed their standard audits. Wild card audit results are included in the unit's balanced scorecard. It is a hard-line requirement of the brand standards that team members live the brand standards behaviours; knowing the answers only is not enough and will be penalised by zero points.

However, observations revealed that team members did not live the brand standards behaviours but are highly knowledgeable on the questions which auditors ask and answers they expect. The predictability of the auditors' questions and expectations tended to undermine the whole exercise, making it superficial. Perhaps more importantly from the researcher's observation the auditors do not stay long enough at a site to determine whether teams really live the brand standards ethos. Usually the process takes less than twenty-four hours; it is marked by the auditor checking into the hotel, staying for dinner and overnight and concludes the following day. This by any stretch of the imagination is nowhere near adequacy.

215

Lack of knowledge in brand standards is glaringly evident in the food and beverage departments where standard operating procedures, standard recipes and presentation standards are either not known or ignored resulting in inconsistencies in service delivery. Failure to comply with brand standards manuals, lack of proper training structures, and a laid-back management style combined with employees de-motivation accounted for lack of compliance. These results are indicative of managers who are managing the audit process itself, rather than service delivery performance. From observation, it is recommended that as best practice monthly self-audits are done to keep the employees focused on delivering excellent guest services.

At the end of a brand audit, the auditor will explain fully the reasons for non-compliance to the hotel manager, who is free to challenge any concerns person to person at that point. The manager can officially challenge any audit findings that contradict operational standards and supporting manuals. The Audit Appeals should be submitted contractually within 5 days of an audit taking place to ensure that auditor's recollections are still accurate. In the researcher's opinion the whole external audit process is focused on the measure itself rather than its objectives of service delivery. Thus, suggesting a misalignment of objectives and measures. The brand audit measures should never be an end in itself, as appears to be the case in the case study hotels, but avenues to continuous improvement.

6.3.3.4 Comment Cards

Comment cards are used to collect guest feedback and should be logged centrally on Customer Reporting Information System Tracking Online (CRISTOL) for learning purposes. Guests complaints conveyed straight to the Customer Support Centre are entered onto CRISTOL for access by the hotels. As a hard-line rule, all complaints should be resolved within four days and CRISTOL updated to reflect the resolution of the complaint. If necessary the service guarantee should be invoked and the stay refunded. Failure to deal with complaints within four days, it is recognised, will damage guest confidence and result in the complaint being flagged red on CRISTOL and notified to senior management for action.

Observations revealed that while the staff and management were following procedures on complaints received from the support centre via CRISTOL, incidents reported direct to the hotel were selectively logged onto CRISTOL. Feedback that was considered too '*damning*' was not entered onto CRISTOL. This is another sign that managers appear to be managing the measures of quality rather than service performance by logging incidents that make them look favourable. Hence, the focus is strictly on the measures at the expense of their objectives.

6.4 Business Performance Results and Discussion

This section will discuss the conceptualisation of performance by respondents and how it is measured at the case study hotels.

6.4.1 Definition of Business Performance
Investigative Research Question 1: Results

1. Interview Results

Analysis of responses from the interviews indicated that respondent managers have different perspectives of business performance. This is despite the fact that the corporate chain that owns the case study hotels having an adopted official definition of the concept (see 2 below). Only three out of the twenty managers knew of its existence, but even these three managers did not quote the official definition.

This raises questions about the managers' commitment to continuous improvement and the nature of communication in the entire chain. Perhaps more importantly the results revealed that respondent managers tended to have narrower perspectives of the concept than academics. Indeed, the results confirm that most respondent managers associated business performance with activities such as:

- Goal or target setting.
- Annual employee appraisals of training and development.
- Corrective interventions to address shortfalls.
- Rewards and punishment for achieving good and bad results respectively.

However, further probing by the researcher revealed that while there were differences in definitions, increasingly these tended to be more in terms of focus than substance. When asked to describe their performance management activities, two clear common threads emerged that business performance was:

- About tying individual activities to overall organisation goals and
- Broader and more encompassing process than simply an event.

While other managers defined business performance in terms of activities, Manager C, provided a more comprehensive definition as follows:

"A concept that looks at how well an organisation is utilising the available resources in pursuit of and achieving the organisational goals and objectives. It is a judgement on how ably management is fostering a shared vision of purpose among employees and how correctly the team is delivering the required organisational results."

This definition confirms the process nature of performance management, which is broader than just goal setting and performance appraisal.

When asked about the objectives of performance management, the respondent managers' responses more or less confirmed those listed in Table 33 under document analysis results.

2. Document Analysis Results

Analyses of company documents and academy intranet site revealed that unlike service quality, the budget hotel chain had an official definition of the business performance concept. The intranet defines business performance as:

"A philosophy rather than a clearly defined process or set of policies... an approach to achieving a shared vision of the purpose and aims of the organisation, helping each individual employee to understand and recognise their part in contributing to those aims and in so doing, manage and enhance the performance of the organisation."

However, of concern to the researcher is the fact that despite the existence of an official definition, seventeen managers out of twenty were not aware of it. The concern grows in importance given the fact that none of the three managers who knew it existed cited it in their interview responses. This raises further concerns about the nature of induction, training and development that take place in the entire organisation. This may pause as an impediment to the nurturing and management of desired organisational behaviours. Thus, suggesting a misalignment of organisational goals between corporate and middle management levels.

Document analysis also revealed that unlike in the case of service quality policy, a well-developed performance management policy was in place with strong emphasis on financial performance. This is indicative of an organisation focusing on sales and profit maximisation at the expense of continuous service improvement. Managing only for financial results may lead to crises. Furthermore, the policy document was very clear on the objectives of managing and measuring business performance. These are outlined in Table 32 below.

The results in Table 32 are indicative of an organisation that is committed to evidence-based management by measurement, which enables the organisation to scan its environment, detect changing trends and respond accordingly to demands from the market. The objective listed in Table 32 can therefore be said to represent the best practice. However, the real value of evidence-based management is not in the intentions or data collection, but in how the organisations use the action plans drawn from the scan. The performance of the case study hotels in this regard will be discussed under the Balanced Scorecard section.

Table 32: Objectives of Managing & Measuring Performance

▪ To track progress towards the organisational goals.	▪ To assess the appropriateness of underlying organisational policies
▪ To detect and remedy poor performance.	▪ Enhance resource utilisation
▪ To aid better planning for future requirements.	▪ To recognise success and align reward schemes.
▪ To promote and improve sound accountability or reporting practices.	▪ To link strategies & priorities to jobs
▪ To detect changes in the market and modify brand standards.	▪ To draw up action plans for enhanced resource utilisation.

[Source: Interviews & Secondary Content Research]

3. Participant Observation Results:

Observations at the case study hotels revealed a number of key issues regarding the managers' mindset and preferences. Below is a summary of these issues:

- Observations confirmed the existence of an official company definition of business performance and an elaborate policy on performance with a glaring heavy focus on financial performance.

- Unlike in the case of service quality, case study hotel managers were observed to be more active and paid more attention to financial performance measures. This is due to the attraction of hefty financial rewards tied to achievements on that front.

- As a result of the above point, managers' mindsets were more focused on profit maximisation and cost cutting than improving service quality.

- These observations provide evidence that middle-level managers manage solely for results in order to reap the hefty rewards. This approach is counterproductive in the long-term as it discourages focus on continuous service improvement.

- It can also the be argued that the above observations reveal flaws in the implementation of the reward scheme in that it is wrongly focused on rewarding managers for managing for results rather than for their decisions and the quality of decision-making processes.

Definition of Business Performance: Descriptive Discussion

Unlike service quality, the budget chain's online academy adopted a definition for business performance. The adopted definition is that provided by the then Institute of Personnel Management (1992) which reads:

> "A philosophy rather than a clearly defined process or set of policies... an approach to achieving a shared vision of the purpose and aims of the organisation, helping each individual employee to understand and recognise their part in contributing to those aims and in so doing, manage and enhance the performance of the organisation."

221

While this definition provides a broad generic conceptualisation of performance management as a strategy for establishing a shared understanding of what is to be achieved and how go about it, it lacks contextual specificity. This is probably indicative of the high level of academic influence in the development of policies for the organisation. Despite the existence of this preferred corporate definition, very few managers were aware of it. Manager C summarised the concept of business performance as:

> "A concept that looks at how well an organisation is utilising the available resources in pursuit of and achieving the organisational goals and objectives. It is a judgement on how ably management is fostering a shared vision of purpose among employees and how correctly the team is delivering the required organisational results."

It is clear from the above broad definition that like service quality, performance management involves engaging and directing human behaviour towards the achievement of organisational aims and goals. The definitions emphasise the importance of interaction between the organisation and its employees in order to develop and deliver effective and efficient services to stakeholders. However, except for manager C, the majority of respondent managers tended to have narrower perspectives of performance management than academic literature.

This fact, in the opinion of the researcher, must be expected as academics do not live in the real organisational world. Indeed, most managers associated performance management with activities such as goal setting, employee appraisals, promotions, remedial actions and rewards and bonuses. These findings appear to suggest that the corporate managers are failing to cascade the corporate strategy to lower levels in a holistic way.

This has resulted in most managers viewing the different performance activities in isolation as closed departmental systems without any link to overall strategic aims. This in turn implies that the corporate managers are failing to effectively influence and develop their managerial teams in order to deliver effective and efficient organisational performance.

This fact is further evidenced by the fact that all respondent managers, except for three general managers, were not aware of the existence of the organisation's online academy. Perhaps more importantly, the findings suggest a missing alignment between corporate strategy and performance practice at lower levels of the budget chain. Indeed, as shall be discussed later, the chain's corporate managers are sending mixed signals to subordinate levels. The corporate literature suggests the senior managers on one hand are trying to promote a team culture focused on service quality, yet, on the other hand; they reward managers on performance based predominantly on financial performance. This misalignment is counterproductive to the performance ethos.

On the concept of performance measurement, the following definition was synthesised from the managers:

"The monitoring of organisational processes, collection and recording of data on or the tabulation of achievements or results for comparison with set standards, budgets and best practices or benchmarks."

The objectives for measuring performance are summarised in Table 32 (p. 220). Overall, the managers viewed measurement as extremely important because it provides a dynamic improvement, communication and control tool. They reported that measurement makes goal setting easy; decision making more objective and organisational planning more focused.

That view emphasises the importance of measurement and supports assertions in the reviewed literature such as 'you can't manage what you can't measure' (Knutson, 2001) and '...count. What is countable; measure what is measurable and what is not measurable make measurable' (Galileo, see Edvardsson et al., 1994, pp.178).

6.4.2 Business Performance implementation and Measurement

Investigative Research Question 2: Results

How and why do hotel managers implement and measure business performance?

1. Interview Results:

Results obtained from the semi-structured interviews revealed that the Balanced Scorecard (BSC) serves as both a business performance implementation and measurement tool. All respondent managers were aware that their performance actions as managers were monitored through the Balanced Scorecard. The adoption of the balanced scorecard by the budget chain provides ample evidence that the organisation is borrowing and implementing academically generated concepts. The respondent managers viewed the balanced scorecard as a control tool used by corporate managers to measure, communicate and reward their performance.

Indeed, the managers felt the scorecard was a way of making them behave in a particular uniform way as determined my corporate manager as all their bonuses were tied to achievements on the balanced scorecard objectives. When asked to clarify the advantage of the BSC over previous scorecards the points in Table 34 (p. 231) were raised. The major benefit of the BSC was seen as its ability to provide a quick snapshot of performance that is easy to understand and interpret. Additionally, the managers believed that the balanced scorecard measures challenge them to think in new ways and allows them to translate the overall company vision into objectives, which teams can easily understand and act upon. The views underline the importance of the balanced scorecard as a method of performance measurement.

Respondents confirmed that alongside the balanced scorecard, that the budget chain implements a performance incentive/reward scheme. This is indicative of corporate managers who view organisational behaviour or culture as a primary mechanism for the successful implementation of the Balanced Scorecard. Thus, underscoring the importance of understanding the relationship between performance implementation and desired behaviours.

Respondent managers revealed that their actions were monitored and measured across employee, guest and investor performance indicators. The employee indicators included team turnover and health and safety; guest indicators included guest recommendation, brand standards and like-for-like sales while investor indicators comprised of hotel profit and occupancy versus budget. At face value, the balanced scorecard appeared to emphasise on balancing financial and non-financial measures (see also section 6.4.2.1).

However, respondent managers revealed a disturbing and contradictory trend in reality. They all concurred that they were under pressure to perform on the investor financial indicators especially profit. Indeed, the managers confirmed that corporate managers placed much emphasis on improving productivity, reducing costs and increasing productivity. The danger of such a narrow focus is that it pushes middle-level managers to shift attention from key targets such as service quality and continuous improvement. This will become evident in the discussion on contextual constraints.

Additionally, it can be argued that despite the sophisticated measurement tools at their disposal, case study hotel managers are deliberately failing to capture what really matters within the business in a meaningful and manageable way. Furthermore, this encourages managers to concentrate on managing for results at the expense of non-financial drivers of future business.

2. Document Analysis Results:

Results from the analysis of company documents confirmed the use of the balanced scorecard as both a performance implementation and measurement vehicle. According to company documents, a Balanced Scorecard (BSC) is used as a global measurement tool which enables the organisation to look at performance from a whole business point of view. Figure 15 (p227) shows an example of a BSC used at each cases study hotel. As shown in the example, the BSC tracks several Key Performance Indicators (KPIs), both financial and non-financial.

The KPIs are divided into three major dimensions namely people, guest and investors. Each KPI is measured separately in all units and reported on the BSC on a monthly basis. Once all the KPIs are input the BSC generates aggregate scores out of 100% for each unit. The aggregate scores are used for benchmarking purposes. Section 6.4.2.1 descriptively discusses how the KPIs were arrived at, and Table 35 (p. 238) provides contextual definitions for the KPIs.

1. The people dimension: tracks information for two non-financial KPIs; team turnover and Health and Safety.

a) The team turnover measure collects information about changes in staffing levels at each unit. The team turnover score is calculated every month by the unit general manager and fed into the central balanced scorecard. The formula for calculating the team turnover is shown in Table 35 (p. 238) A traffic colour coding is then used to give visual feedback for each unit. The score would be coloured green if the score is less than the unit target, which implies positive performance. The colour amber would be allocated if the score is above unit target but less than the previous year, implying acceptable performance. A red colour would be used if the score is higher than the unit target and worse than the previous year, implying unacceptable performance. Thus, managers would be able to see at a glance how they are performing against set targets and take corrective action if needed.

b) The Health and Safety KPI is a staff compliance measure which combined health and safety and food-safety audits. The audits are done an external Environment Health Inspector who visits the hotel anonymously. Although internal audits are done, these do not go onto the Balanced Scorecard. To obtain a green positive score the unit must score 100% of group measures or get above 75% with no critical issue being unearthed by the audit. To obtain amber acceptable result, the unit must pass 100% of group measures or obtain less than 75% with one to five critical issues. Failure of any of the group measures or critical issues above six would be allocated a red colour for failure to comply. The health and safety measure is strictly monitored as failure to comply could lead to closure of the premises by a health inspector. Furthermore, failure to comply would stop the bonuses' clock for managers.

Figure 15: Sample balanced Scorecard (blank)

Trend

Site Name:		P1 Actual	P2 Actual	P3 Actual	P4 Actual	P5 Actual	P6 Actual	P7 Actual	P8 Actual	P9 Actual	P10 Actual	P11 actual	P12 Actual	YTD Actual
People	Team Turnover (Site)													
	Health & Safety (Site)													
	Recommend (Rest)	Not in operation at time of writing												
Guest	Guest Recommend (Site)													
	Brand Standards (F & B)													
	Brand Standards (Accom)													
	Like for Like Sales Growth (Rest)													
	Like for Like Sales Growth (Site)													
Investor	Profit (Site)													
Total Score														

Source: Corporate Performance Measurement Documents

2. The guest dimension: this dimension comprises three measures; guest recommendation, brand standards audit and like-for-like sales.

a) The Guest recommendation is measured through customer satisfaction email surveys as discussed under the service quality measurement section. Results are then fed into the central balanced scorecard where they are colour coded.
A green score means a score is equal to or greater than unit target; amber means a score less than the unit target but better than last year while red means a score equal to or less than last year. The targets for guest recommendation are individually set for the units.

b) The Brand standards audit measure is obtained from the audits carried out by a mystery guest who assesses hotel performance covering the entire guest journey from reservations through reception, occupancy up to departure. This measure is discussed in detail under service quality. This measure has now been split into two; accommodation and restaurant. To obtain a green pass colour a unit must score 83.5% or above for accommodation and 65% or above for restaurant. An amber score means a score of 80% or more but less than 83.5% for accommodation and a score of 60% or more but less than 65% for restaurant. A red colour means a score of less than 80% and 60% for accommodation and restaurant respectively.

It is important to note that the inclusion of the above service quality measures (a & b) in the balanced scorecard bears testimony to the fact that service quality is a critical strategic performance management measure too. This confirms assertions in the reviewed literature that claim that service quality has moved up the strategic performance management agenda. In that sense, it can be argued that the case study hotels are making attempts to improve service quality.

c) Like-for-like sales growth measures sales growth levels for each month and compares with the same period of the previous year in units that have not been affected by major capital investment. A green colour is allocated if the unit sales growth is equal to or above budget; amber if sales growth is above or equal to the Retail Price Index (RPI) but less than budget and red if growth is less than the RPI.

228

3. Investors Dimension: This consists of two measures; occupancy versus budget and hotel profit.

a) The occupancy versus budget simply compares the achieved occupancies against set budget for each unit, and the score is reported on the balanced scorecard on a monthly basis. To attain a green colour the unit must achieve occupancy levels equal to or above the set budget. An amber score means occupancy levels less than budget but more than last year.

b) Hotel Profit measures year on year growth in profits. This measures financial performance using the return on capital ratio. The growth rate is calculated by comparing achieved profits each month versus profits achieved in the same month last year. The results are also colour coded for easy visual clarity. A green colour means the profit achieved is above or equal to budget; an amber colour means profit achieved is greater than last year but less than budget while red means profit achieved is less than budget and last year.

Having presented the BSC above and discussed its implementation, I now turn to the reasons why the scorecard was chosen as a performance measurement framework. Table 33 (p. 230), presents the reasons obtained from corporate documents for adopting the BSC at the budget chain.

A close analysis of the reasons provided in Table 33 (p. 230) indicates that the BSC provided the requisite design framework to assist the hotel chain managers in measuring and improving performance processes in a holistic manner. In other words, the BSC framework enabled the managers to select performance indicators that match the chain's unique and contextual strategic needs. Thus, presenting the BSC as a flexible framework that can be tailored to suit the contextual requirements of an individual organisation.

Table 33: Reasons for adopting the Balanced Scorecard

- The realisations that company brands were using multiple scorecards that were measuring different things in different ways, which were not always useful for improving performance.

- Lack of a holistic mechanism to drive performance. Scorecards did not add up to a clear group picture.

- The tendency to over focus on historical measures (e.g. financial) and not much focus on the future drivers and indicators of performance (i.e. non-financial guest and employee measures).

- Inconsistencies in the way the company managed performance and incentivised employees.

- The Balanced scorecard presented a great opportunity to evolve and consolidate the different scorecards into a single holistic mechanism that can effectively improve performance.

[Source: interviews and Corporate Presentation Documents, 2007]

Indeed, section 6.4.2.1 proves that the corporate managers innovatively used the BSC concept in translating the organisation's vision statement into a set of key performance indicators along the four BSC perspectives. Table 33 also confirms that the budget hotel chain used the BSC framework as a multidimensional mechanism to move away from over focusing on historical financial measures and focus more on drivers of future performance. Indeed, the basic thrust of the BSC is to ensure that in addition to financial measures, an organisation must also focus on customer, business process and growth dimensions that drive future financial results. Section 6.4.2.2 descriptively discusses how performance is measured at the case study hotel unit level while section 6.4.2.3 analyses how the balanced scorecard is used.

Table 34 (p. 231) lists the perceived benefits of using the BSC.

Table 34: The advantages of using a Balanced Scorecard

- The BSC provides a consistent set of measures used across brands in the group.

- It enables discussions at every level of the business from every unit to each brand and ultimately to the group as a whole.

- It makes it easy for employees at each level to realise how they can contribute to improvements in performance.

- BSC is central to all decision-making processes, including performance management, budgeting and business reviews.

- Incentives are directly aligned to the balanced scorecard.

- It helps the company to concentrate on the WHAT (i.e. the measures) and the HOW (i.e. the company values and way of doing things).

[Source: Interviews and Corporate Presentations, 2007]

Analysis of Table 34 reveals that the BSC has the advantage of providing two levels of feedback; operational and strategic feedback, which enable controlling of behaviour and updating of the long term programmes. Indeed, the results indicate that the BSC is performance oriented and offers the potential to select relevant performance indicators based on real data and not only on evaluation questionnaires. In that context the BSC is viewed as playing a central role in decision-making as well as a basis for rewarding teams for performance achievements since all incentives are aligned to it.

In addition to the balanced scorecard, document analysis revealed that the budget hotel chain implements a management performance incentive scheme. The purpose of the incentive scheme is to encourage and reward appropriate performance behaviours among the management team across all the key performance indicators reported on the balanced scorecard. Thus, confirming the ability of the BSC to act as an integrated mechanism for managing employee performance. Indeed, the BSC presented the opportunity for the employer to successfully align employee behaviours and rewards with the organisation's strategy and objectives.

The implementation of the incentive scheme was intended to drive the right attitudes that would result in greater benefits for both the employer and employees. The offer of the incentive scheme was premised on the budget hotel chain's belief that by taking care of its people, they would in turn take care of guests resulting in improving profits and happy investors. This causal belief is indicative of an organisation that recognises the importance of human resources in delivering high-quality service. The incentive scheme further provides evidence that the budget hotel chain's approach to performance management is reward driven.

The reward driven approach to performance management has a strong emphasis on the role of performance-related bonus systems in shaping organisational behaviour. Whilst this approach is the most common in industries, its main flaw is that it encourages employees to focus on managing for results at the expense of developing behaviour that are appropriate for the organisation. Thus, it is susceptible to manipulation by the management teams. The incentive scheme used at the case study hotels is further discussed and analysed in section 6.4.2.4 and under contextual constraints.

3. Observation Results:

Observations carried out at the case study hotels confirmed the use of the balanced scorecard as the main performance implementation and measurement mechanism. Observation results indicate that all management teams were highly knowledgeable of how the balanced scorecard works. Indeed, the case study management teams paid more attention to the balanced scorecard because their performance and incentives were entirely based on results reported on the scorecard. Observations also confirmed the use of an incentive scheme in order to drive the appropriate, performance improvement, employee behaviours.

While the interview and document analysis results appear to indicate that managers sought to balance financial and non-financial measures through the balanced scorecard, observation at the case study hotels pointed to the contrary.

Indeed, a look at the balanced scorecard suggests that non-financial operational measures such as customer and employee satisfaction seem to be favoured indicators for the case study hotels. While the balanced scorecard comprises measures that reflect periodic, long-term and organisation-wide measurement, the reality on the ground points to a preference for financial performance, short-termism and a disregard for long-term value-building non-financial measures.

Process observations at all case study hotels indicated that managing cost is undoubtedly the number-one priority measure in all hotel departments as it directly affects profits. Participation in the management meetings revealed that cost-cutting permanently featured high up the agenda and that managers spend much of their time deliberating on cost-cutting strategies and action plans. In contrast, service quality and employee-related measures rarely make it to the agenda except for the Health and Safety compliance measure, which 'stops the clock' for bonuses.

Of particular concern is the fact that most of the cost-cutting strategies adopted involved cutting down on labour costs (i.e. the number of employees), food costs, housekeeping costs and recruitment costs, which is counterproductive to continuous improvement and service quality ethos. As a result operating under resourced departments was rampant at the case study hotels which discouraged over-stretched employees from engaging in continuous service quality improvements and will eventually make unviable, hotels that would have been successful. Financial unlike non-financial audits were religiously performed every week to ensure savings on budgets and enhance profits. This is indicative of hotel managers managing for financial results by implementing short term strategies in order to obtain quick financial returns.

Thus financial profits have become the managers' ultimate goal instead of this being a by-product of building long-term value, competitive advantage and relationships through managing non-financial service quality measures. This practice of being obsessed with quick short-term profit at all costs may lead managers to cheat in order to get it.

233

In contrast to the assertions in the company literature, the case study hotel managers' actions did not value the importance of service quality as crucial in satisfying guests and sustaining long-term customer value and success. This behaviour by case study hotel managers was motivated by the incentive system used by the budget hotels, which rewards managers nine times more for attaining the financial results than attainments on non-financial measures.

Interaction observations revealed that managers rarely engaged team members regarding service quality issues, but were quick to respond whenever financial measures were not in line with set budgetary targets. Indeed, financial audits and comparisons of costs versus budgets, unlike non-financial audits formed the basis of most interactions between management and team members. Team members were alert to financial budgets and were constantly reminded to keep within set budgets. Thus, there is a very strong emphasis on financial results and less focus on non-financials, which is a clear contrast to the company's strategic intent. Analysis of the field notes on interaction revealed the following systemic flaws in management approach:

- Lack of team briefings and debriefings in service delivery in all departments at all case study hotels. This is indicative of managers failing to incorporate practical learning within each day's service delivery shift management. Briefings and debriefings are imperative if service delivery in the kitchen, restaurants, bars, front office and housekeeping is to be flawless and satisfy customer requirements.
- Lack of periodic team member meetings at all but one case study hotels. This observation points to lack of effective communication and leadership in the organisation. The importance of communication and leadership in driving a focused team to attain a competitive advantage over rival organisations cannot be overemphasised.
- Imposition of employee holidays, forcing team members to take holidays against their wishes. This was a major source friction between team members and management, which contributed to high team turnovers as will be discussed under contextual constraints.

Observations on staff-related recruitment, training, development and motivation issues revealed that although the case study hotels offered all employees a 25% staff discount, managers failed to equitably and fairly reward all employees on its bonus scheme. The reward scheme only applied to management positions and was causing friction between managers and team members. Key flaws emerging from the analyses are summarised below:

- Case study managers largely ignoring laid down company procedures on recruitment and selection resulting in people being employed without the requisite vetting for skills and attitude. This is indicative of poor-quality recruitment practices that are detrimental to service delivery and customer satisfaction.
- Failure to adequately induct new team members. Corporate policy that required three full weeks of intensive induction the assignment of team champions (mentors) to help ease new employees into the job, and regular appraisals is largely ignored. Managers instead take shortcuts that result in poorly trained staff manning service delivery.
- Corporate policy that requires bi-annual employee performance appraisals is ignored despite this being a pre-requisite for the awarding of annual wage increments. This points to the fact that case study managers are failing to learn from employee feedback and keep employee behaviour focused on attaining organisational goals.
- Improper implementation of the reward scheme as will be discussed in the following sections.

6.4.2.1 Performance Measures.

The initial balanced scorecard used seven key measures that helped managers to judge their performance against other units across the whole group. The measures were chosen for their centrality to the running of businesses, decision making, incentivising employees and managing performance. The measures seek to promote behaviours that are consistent with the hotel company's overall strategic aim. The following statement was used to determine the measures to include in the balanced scorecard:

"Delivering the right performance is essential to our business because we believe we should take care of our people, so that they will take care of our guests, resulting in improving profits and happy investors."

Thus, the measures reflect the organisation's culture and value it puts on its people. From the above statement came measures relating to employees, guests and investors, which are illustrated as a cause-and-effect relationships contributing to financial performance as shown in Figure 16 below. The relationships portray a learning organisation that has taken on-board its balanced scorecard, the human resources dimension; a common omission on many balanced scorecards that has attracted sharp criticism in the performance measurement discourse. The hotel company recognises that the first and perhaps the most crucial activity in driving business results is people management.

This recognition is fundamentally significant, especially for the hotel industry which relies on employees for the creation of experiences and memories and service delivery. This has a positive effect on the hotel's aim to deliver exceptional performance to its stakeholders. The balanced scorecard tracks performance using a simple spreadsheet focusing on performance against targets across the key measures.

Figure 16: Relationships between Non-financial and Financial Measures

By taking care of our employees ...	...our guests will have a great expereince and want to come back...	...driving up sales and profits and keeping our investors happy.
Non Financial Meaures: .Team Turnover .Health & Safety	Non Financial Measures: .Brand Standards .Guest recommend .Like-for-like Sales Growth	Financial Measures: .Occupancy vs Budget .Hotel Profit

[Source: Corporate documents]

236

The key measures are defined in Table 35 (p. 238). Table 35 provides evidence that the hotel company is a learning organisation that has evolved the initial seven key measures to nine by splitting the guest measures (i.e. brand standards, guest recommendation and like-for-like sales) into accommodation and food and beverage measures. At the time of writing this dissertation eight measures were in operation (see Figure 16, p. 236).

The changes were introduced in order to streamline the operations at unit level and improve the effectiveness of performance and reporting. The occupancy investor measure is under review with a view to dropping it from the balanced scorecard as it is considered similar to and duplicating the like for like sales measure. Further, Table 35 reveals that the guest recommendation replaced the complaints' ratio measure, which is still measured as a critical performance indicator. These changes portray an organisation that is progressively learning from its experience and modifying its approach to accommodate emerging ideas.

Table 35: Definitions of Key Performance Measures at Case Study Hotels

STAKEHOLDER	MEASURE	DEFINITION	RED/AMBER/GREEN
PEOPLE	Team Turnover	Number of leavers (excluding fixed-term contracts, deaths, and Retirees) as a % of total average headcount over the last 12 months.	Green >= site target Amber>unit target but< brand last year (60%) Red =< brand last year
	Health & Safety (H&S)	Combined result of most recent CMI H&S and food Safety Audits. Month-most recent audit, Year to date (YTD)-all audits.	Green = >Pass 100% group measures & or =75% + no crit issue Amber =Pass 100% of group measures & or result<75% + critical Red = failure of any of the group measures & or 6+ critical iss
	Brand Standards [Recently divided into Accommodation (Accom) and Food & Beverage (F&B) measures]	Month- most recent brand audit score (whether standard, wild or re-audit) remains until another audit is done. YTD-Average of all brand audits (standard, wildcard or re-audit) carried out in the year	Accom.: Pass mark 83.5% Green=>83.5% Amber =>80<83.5% Red<80% F & B: Pass mark 65% Green=>65% Amber=>60%<65% Red<60%
GUEST	Guest Recommendation (There are plans to split this measure into two; hotel and Restaurant)	Number of responders who definitely will recommend the hotel. Recommend replacing complaints ratio measure which will still be measured and reported as a critical key performance indicator.	Green =>unit target Amber<target but >last year (LY) Red=<last year
	Like for Like Sales (Recently split into two measures; hotel & restaurant)	Sales growth versus previous year in units unaffected by major capital investment	Green >= Budget Amber >= Retail Price Index (RPI- 3%) and < budget Red <RPI
	Occupancy	Unit occupancy versus budget	Green >= Budget Amber < budget but > LY Red =< LY
INVESTOR	Hotel Profit	Year on year hotel profit growth %. Profit measure at unit level has moved from Interest After Fixed Cost (IAFC) to a more directly controllable Interest Before Fixed Cost (IBFC) profit measure.	Green >= Budget Amber > LY but < Budget Red < Budget & LY

[Source: Corporate Documents, 2007-08 Financial Year]

6.4.2.2 How Performance is measured at Unit Level.

Performance against each measure is tracked via a spreadsheet that tracks performance results on a monthly basis against set targets and an in-store wall chart that displays clearly to employees the monthly and year-to-date results using a colour coding system. A traffic light system (i.e. Green, Amber and Red) is applied to the associated scoring system to create an overall score per unit.

The colour coding depends on the general rules explained in Table 36 below. Colour coding makes it easy for teams to spot areas that need attention; red means area requires immediate action whereas amber indicates deteriorating standards whilst green reflects good performance.

Table 36: General Performance Colour Coding Rules

- If a result against a measure is better than the budget and last year, it is colour coded **GREEN.**

- If a result against a measure is better than last year but worse than budget, it is colour coded **AMBER.**

- If a result against a measure is worse than last year and budget, it is colour coded **RED.**

Based on the above rules a unit will score points for the colour associated with its performance against the measures. The scoring system is:

- For a measure that is **GREEN** = 3 points.

- For a measure that is **AMBER** = 1 point.

- For a measure that is **RED** = 0 points.

[Source: Brand Standards Manual]

Currently, the case study hotels are able to score a maximum of 24 points per month (i.e. eight measures and 3 points are the maximum per measure). This will change to 27 when the ninth Restaurant recommendation measure becomes operational. The overall score is clearly visible on the balanced scorecard which is distributed each month. A sample Balanced Scorecard chart is illustrated in Figure 16 (p. 236).

239

6.4.2.3 How the Balanced Scorecard is used.

The balanced Scorecard (BSC) results are used for decision making across three key management roles (see Table 37, p. 241). In essence, the BSC offers a more focused way of setting budgets and aligning incentives and ensures that employees understand better what they are doing, and that they are all working towards the same corporate goals. It therefore, offers a potential mechanism for motivating teams and identifying areas for improvement with a potential for differentiating teams from competition.

The notion of action plans and their implementation is very important because the real value of measurement derives from the action that follows (Neely, 1998). Neely (1998) argued that unless action plans are implemented based on the information supplied by the measurement system, its impact on performance will be non-existent no matter how good the system is. In that context, observations at the case study hotels revealed that managers were not implementing the non-financial action plans that they generated. These action plans were only generated to fulfil brand audit requirements, and the process did not involve employees. This inaction by the unit managers is counterproductive to the ethos of the hotel company and could prove costly in the long term.

When the managers were challenged on their inaction, they blamed lack of time and interest by staff. It also emerged that managers were reluctant to invoke the disciplinary procedures for fear that the only staff they had, would leave the hotels exposed as they were already struggling with high staff turnover averaging 104%.

Table 37: How the Balanced Scorecard is Used

Management Role	Explanation
Setting targets and objectives	- The BSC is used to formulate and justify targets for performance of the teams regularly and measuring results against the targets. - The results are used to report performance, communicate current issues and take decisions on future issues.
Reviewing Performance	- The BSC is used to review and report performance results at team meetings. - It provides a mechanism for identifying areas for improvement on a monthly basis. - Reviewing and evaluation of unit management performance, providing an objective basis for determining management bonuses.
Continuous improvement	- The BSC provides a consistent way of identifying areas that require improvement. Colour coding makes it easy. - Results used to draw up corrective action plans in order to drive performance improvement. - It is used to engage staff to contribute towards performance through linking objectives to the performance measures

[Source: Original Research and Corporate Presentations, 2007]

6.4.2.4 Critique of the Balanced Scorecard

From the employees' perspective, the balanced scorecard is not balanced. Employees' views and concerns are not reflected on the scorecard whilst those of guests feature prominently. Using team turnover as the only employee measure does not do justice from an employee's perspective. It lacks a qualitative employee perspective. This result does not reflect well for a company that portrays a staff caring image and raises concern on the company's commitment to staff welfare.

It is expected that the company should at least include a team-member satisfaction measure as a show of commitment to caring and listening to employees. This concern grows in importance when the company's reward system is taken into account. Perhaps the most damaging critique of the balanced scorecard derives from the Rewards Scheme operated by the hotel company (see Table 38, p. 243).

The reward scheme provides evidence that corporate managers are prepared to reward more handsomely those managers that achieve on the financial measures than on non-financial measures. For instance, a general manager can earn up to 90% of his salary for delivering on the profit measure alone compared to 10% on the combined non-financial measures. Moreover, the balanced scorecard is not balanced in that it excludes other key stakeholders such as suppliers, local community and local government.

The reward scheme in Table 38 above is highly instructive as to which aspects managers should focus their attention and most attractive to the unit managers; who can get away with paying minimum attention to non-financial measures in favour of the more lucrative financial measures. The reward scheme indicates the prevalence of the over-focus on financial measures at the expense of non-financial drivers of future performance. This implies that managers are more likely to be in favour with superiors if they deliver on the profit front.

Table 38: Management Reward/ Incentive Scheme

Measure	Bonus per Green Result as % of Salary	Bonus per Amber Result as % of Salary	Maximum Bonus
Team turnover Health & Safety	GM: 2% of Salary Mgmt Team: 1%	GM: 1% Mgmt Team : 0.5%	Up to 4 % of Salary (GM) 2% (Mgmt)
Brand Standards Guest Recommend Like for like Sales Growth	GM: 2% Mgmt Team: 1%	GM: 1% Mgmt team: 0.5%	Up to 6% of Salary (GM) 3% (Mgmt)
Profit	Up to 90% of Salary for GM Up to 45% of Salary for Mgmt Team		

| Abbreviations GM=General Manager; Mgmt = Management | | | |

[Source: Company Bonus Scheme Document, 2009/10]

More importantly, these findings are in sharp contrast to the intention of the company to strike a balance between financial and non-financial measures. The scheme is counterproductive in that it encourages managers to focus on the short-term by cutting costs. This probably explains management inaction on non-compliance on non-financial issues reported earlier. Moreover, the reward scheme excludes team members whose actions directly impact upon the guests' experience. This does not reflect well on a company that believes in caring for its employees.

This evidence gives credence to manager H's earlier assertion that senior managers use service quality as a public relations instrument in order to make the company look good. The glaring double standards displayed by the reward scheme, which is skewed in favour of management, negates the company's core principles and is counterproductive to the advancement of a service quality ethos in the company. Such practices expose the company to accusations that it pays lip service to service quality as a profitable ploy to charging high premiums, which keep the investors happy. Furthermore, these actions betray the company's claims to a balanced commitment to its stakeholders.

These practices provide ample evidence pointing towards an unbalanced scorecard as it is clear that the shareholders' values are the central focus at the expense of customers and employees.

6.5 Contextual Constraints

Research questions on contextual constraints affecting service quality and performance improvement attracted very similar responses, which are best discussed together. Managers viewed the management of service quality as a constituent part of performance improvement. Results for the research questions were obtained from two sources; interviews and observations. Analyses of the interview results revealed the following three constraints: competition, high staff turnover and budgetary constraints. Whereas participant observations yielded the following constraints; unfair reward systems, lack of policy on service quality and two other constraints closely related to high team turnover (to be discussed under team turnover) namely poor recruitment and induction practices and poor leadership.

6.5.1 Competition

All managers; middle, first-line and team leaders, were in agreement that competition posed the greatest threat to their respective hotel units. The managers considered the intense competitiveness of the budget hotel environment compelling and a non-negotiable survival issue. The intense competitiveness of the sector has been brought about by the exponential growth in budget hotels since 2001 and recently buoyed by the recessionary conditions in the economy since 2008. The managers attributed the high levels of competition in the sector to two main reasons. Firstly, the entrance of too many players into the booming budget sector meant that a wider choice became available to the customers.

Secondly, the wider hotel choice raised the expectations of the customers, who became increasingly knowledgeable and discerning in their hotel selection process. As discussed earlier the search for competitive differentiation and advantages forced the chain management to focus on quality and performance improvement strategies.

Manager D succinctly observed that:

> "The cut-throat competition has made all hotels very similar, so we have to develop innovative strategies to differentiate ourselves from competition and guests demanding value for money do not make life easy for us as they take advantage of the competitive hotel environment"

Indeed, other managers were in agreement that customers' shop around for the best value for money deal and in so doing, play competitors against each other. This is indicative of an increasingly knowledgeable customer base that is more eager than before to use its bargaining power to its advantage by playing competitors against each other. A lack of emotional attachment to budget hotels, discussed earlier, complicates issues as customers are most likely to switch to perceived providers of the best value proposition. That is, the battle between competitors in the budget sector is that of customer perceptions. That is where the battle will be won.

When asked for strategies that they are using to fend off competition, the managers revealed that they were under instructions from head office to compete on quality and not on price. This, however, is counterproductive as the managers believed their direct competitors were using the price strategy to attract customers from their organisation. Indeed, the researcher confirmed that middle managers did not have the flexibility to alter room rates as these were set by head office.

This was further compounded by the fact that senior managers failed to provide the requisite financial resources that support the desire to compete on quality. Most of the managers believed the instructions from head office were informed by a desire to charge high premium prices but lacked the financial backing. Furthermore, when asked for a reaction to the statement that 'quality has replaced price as the determining factor for hotel selection' all the managers disagreed strongly. They believed that in the budget hotel sector, price will always be the decisive factor.

These views are supported by the empirical study by Mintel (2009), which revealed customers considered price as the determining factor in their choice of budget hotels. This revelation brings into doubt the whole idea of adopting service quality ethos in the budget sector. The above point grows in importance given the lack of emotional attachment to the budget hotel offering that we discussed earlier. When asked whether they have communicated their views to senior managers, the managers claimed they had communicated their views, but the senior managers were somewhat insensitive. Manager F, from the Food and beverage department, explained that:

"As the organisation becomes larger, the more insensitive the top managers become, to views from the lower levels"

His colleague from the Front Office department was in agreement. He highlighted the level of insensitivity as follows:

"we used to have a reservation system that would allow the receptionist to check in a group of rooms at the same time especially when one person is responsible for paying for all rooms. That system has been substituted by a retrogressive one, just because someone sitting at head office believes they know what is best for us. In the new system, all rooms have to be checked in one by one and hence if one customer is paying for a number of rooms, they have to enter their credit or debit card pin several times…this is causing a lot of delays and complaints at check in'

Indeed, the researcher can confirm that the new system is causing frustration among both team members and customers, yet head office is adamant that the system is better. This evidence points to a lack of consultation by the top management on operational issues.

Hence the prevalence of a one sided top-down communication system, which appear to relegate middle managers to mere ciphers of instructions from senior managers. In other words, middle managers do not seem to have any room to manoeuvre.

6.5.2 a) High Team Turnover

The managers reported high team turnover as the most serious threat to the sustainability of service quality and performance improvement. At the time of writing this thesis the average team turnover for the five case study hotels was 104% against a budget of 49%. These high levels of team turnover do not auger well for an organisation that claims to value and care for its people.

They are an indication that the case study hotels are experiencing staff retention difficulties. Perhaps more importantly, the high rates of team turnover could potentially pose a huge cost to the units and the budget chain as a whole. Indeed, the Chartered Management Institute (CMI) estimates that the average cost of turnover per employee is £4 625, while that of a manager is estimated at £8 000. This, therefore, means that the high team turnover rates, if unchecked, will hit the bottom-line.

The managers attributed the high levels of team turnover to staff attitudes and lack of commitment to the industry. The managers explained that most of the people who apply for hotel jobs are reluctant to pursue a career in the hotel industry. Commenting on the implications of employing such people Manager A said:

> "It is very difficult to get them to do the right thing; they do their jobs half heartedly paying minimal attention to service quality and performance issues. In short, they simply do not care"

Emphasising the importance of committed staff manager B commented that:

> "The key success factor in this industry is having a stable, well trained, competent and committed team. Teams are the key players who can delight or annoy guests through their attitude and behaviour. Most of our team members do not bother to engage the guests socially."

The manager's view confirms the critical importance of staff attitude, training, retention and the need for interactions between employees and guests that the researcher alluded to earlier. The point on a stable workforce implies that hotel managers must not only focus on appointing good employees, but also focus on retaining them.

The manager's comment finds support in the quality discourse which suggests that hospitality employees are part of the product and are ultimately responsible for the satisfaction or dissatisfaction of guests with the experiences they have had (Zeithaml *et al.*, 1993).

Person-to-person interactions between customers and staff are an essential element in the marketing of services and building of loyalty (Crosby, 1990; Zeithaml *et al.*, 1993). In support of the manager's comment, a general unwillingness to interact with guests and indifference to guest complaints were observed. Some of the reception staff used unprofessional terms like 'guys, 'mate', 'love' and 'chaps' in their conversations with guests.

A similar opinion was echoed by Manager C who stated that:

> "As a manager you are only as good as the weakest point in your workforce. Our weakest point at this unit is staff attitude and with that you get punished by guest for poor service… guests will never come back"

The managers' views confirm the notion that industries with high-value services only develop as quickly as the skills and capabilities of their operating staff (Harrington & Akehurst, 1996). When asked to comment on the implications of high team turnover Manager C reported that:

> "High team turnover is costly to the hotel in that you find yourself continually hiring and training new teams which in turn trigger a vicious cycle of training costs, which are not supported by the budget"

The managers attributed the negative staff attitude and lack of commitment to the poor image of the industry; anti-social working hours and inadequate remuneration. This evidence is indicative of managers who are failing to address the conditions of work environment by adopting a more favourable work-life balance approach that could alleviate the notion of anti-social hours. Indeed, none of the managers interviewed considered the potential benefits of a job-sharing approach to address the teams' concerns. The findings are consistent with those of Horwath & Horwath (1988) who reported that the industry was not perceived as a compassionate and caring industry.

6.5.2 b) Poor Recruitment and Induction practices

However, contrary to managers' assertions, observations by the researcher revealed that managers were to a great extent responsible for the negative staff attitudes that prevailed at their sites. It was observed that managers, in a bid to save on costs, mostly ignored the laid down company procedures on recruitment and selection and induction. Failure to follow the corporate policy on recruitment and selections means the case study hotel managers were:

- Missing out on an excellent opportunity to identify and appoint better skilled employees. This was indeed the case as managers gave jobs to the first person that walked through the door looking for a job without any vetting for skills and attitude.
- Failing to manage the potential team member expectations that would increase the probability of new team members feeling dissatisfied and wanting to leave the organisation.

The researcher also identified lack of adequate induction as a contributing factor to team members' negative attitude. In all instances, the researcher observed that induction was hurried and usually lasted a day. This is in sharp contrast to the corporate policy that requires three full weeks of induction and stipulates that new team members should be assigned team champions (mentors) and cannot start work before completing the induction process. By failing to provide for adequate induction, line managers at the case study hotels are missing out on the opportunity to:

- Develop their teams.
- Positively influence job satisfaction and team retention.
- Positively influence guests' experiences.
- Drive continuous improvement.

The importance of induction cannot be over-emphasised. Research has shown that the initial impressions that a team member gets of an organisation in the first days has a significant impact, on how long they will stay. Indeed, a study by CIPD (2005) has shown that one in seven employees leave after less than six months and that 40% of the leaving population had only two years of experience.

Thus, proper induction is important because it serves a number of purposes i.e. giving the fresh team member an opportunity to learn about the new working environment and organisational culture as well as emotionally adjust to new workplace values and standards. In other words, a properly structured, planned and executed induction programme is imperative as it would effectively help a new team member to feel confident that their needs are being catered for and that the organisation values them.

Enquiries into the induction matter revealed that each unit had a fully developed induction kit provided by head office for guidance. The guidance contained very extensive induction processes that had to be followed together with the relevant forms to be completed and retained in each employee's personnel file. Indeed, a personnel files audit at four cases confirmed that induction details were missing. This evidence confirms the complicity of middle managers in bad practice that may be contributing to high team turnover.

It was further observed that most team members perceived promotions to team leader positions as biased and not done according to the company policy. The company policy requires that these positions be advertised internally. This policy was largely being ignored by managers. Consequently, those promoted faced resistance from teams leading them to resign contributing to high turnover. However, despite the evidence, to the contrary, managers denied this was the case.

6.5.2 c) Poor Leadership

The observations in a) and b) above point to a lack of proper leadership at the case study unit levels. Indeed, a few more cases of bad practices by management need highlighting. Below is a list of these anecdotal observations discussed previously that expose the behaviour of managers at the units:

- Management meetings were dominated by discussions on cost-cutting measures at the expense of service quality. At case study hotels 1and 2 this included reducing staff levels by frustrating them out of the organisation, getting rid of long serving team members on higher wages and replacing them with new ones at the minimum wage level.

250

At case study hotel 2, the strategy also involved operating at skeleton staff levels.

- Lack of team members' meetings. No team members' meetings were held during the ten months of observation at all but one unit. This means managers were failing to communicate and obtain staff feedback. This lack of consultation contributed to negative attitudes as managers made decisions that affect team members without involving them. Hence contributing to lack of ownership among team member and feelings that they were not valued.

- Managers literally forcing team members to take holidays without pre-warning. The researcher had firsthand experience of this when he turned up for work only to be told that the general manager had arbitrarily allocated a holiday.

- Some line managers ignoring the team-member bi-annual performance review process, which is a prerequisite for the awarding of wage increments. This resulted in all team members getting the same basic annual increment irrespective of their performance. Hence team members felt dissatisfied since there was no reward for better performance.

- Line managers were relying heavily on university students as a source of labour in order to keep the wage bill down as students accepted the minimum wages. While students provide a good alternative source of labour, their availability cannot be counted on since they tend to be available only during term time and are likely to switch employment if offered a better wage elsewhere. This contributed to high team turnover and a lack of consistency in services.

The few instances of observation highlighted above are in sharp contrast to the managers' responses during the interviews and serve to remind researchers not to rely entirely on interviews as a method of data collection. These observations are highly instructive in that the unit managers selectively gave favourable accounts of their experiences that would make them appear good. This evidence points to the need for researchers to adopt a multiple method approach that would enable triangulation of various sources.

In this instance, the researcher, by living the experience, could uncover those practices that managers kept hidden at the interviews, thereby highlighting the advantages of a multiple-sources approach adopted for this research. Thus, the results in this section show that unit managers are knowingly contributing to the negative staff attitudes by their own cost-cutting behaviours. Such behaviours are counterproductive as they undermine the development of organisational competences and capabilities among team members.

6.5.3 Budgetary Constraints

Managers reported that they were always under extreme pressure from regional and head office managers to operate within very tight budgets, especially in cost centres. This, they claimed, creates friction between profit generation and expenditure on service quality and performance improvements. Commenting on the tension, Manager B said:

> "We bear the brunt of all the budgetary pressures imposed from above. This leaves us with no choice but to cut costs"

In support of the manager B's view, it was observed that at heads of department meetings, more emphasis was placed on discussing and drawing up cost cutting action plans than on service quality and performance improvements. All managers agreed to this observation and explained that their work was already cut out for them in very specific terms with Manager A stating that:

> "It's either you carry out the instruction, or you ship-out. It is a simple as that"

The managers admitted that they could do better in terms of service quality and performance improvements but their hands were tied and restricted by costs, which are not supported by the budget. The managers blamed regional and corporate leaders for their failure to deliver on the quality and performance fronts.

Manager C said the following about the situation:

> "Head office creates this euphoria on quality and performance; It allocates meagre budgets and expects you to deliver the best quality. It will never happen...the casualties of all this will be quality and performance which we are trying to champion"

252

In addition, it was observed that most of the departments were operating at levels below their budgeted staff allocation, which the managers blamed on regional managers who instructed them not to fill up vacant positions. For example, at case study hotel 4, the front office with an allocation of eight was operating with six-team members; one team member was on maternity leave and one had resigned. As both were not replaced, this resulted in an overstretched team that failed to deliver to the expected levels. The situation was even worse in the restaurant where one server and a duty manager regularly served 55-60 dinner covers; while one waiter regularly served 60 breakfast covers, resulting in long service delays and huge refunds for slow service.

This evidence is indicative of managers acting to cut costs by reducing staff levels in order to make savings on budgetary targets and retain the financial incentives. In such circumstances service quality improvements become secondary issues. These results confirm Parasuraman's (2002) observation that conflicts between financial performance, especially cost considerations and customer service improvements are more often than not resolved in favour of the former, particularly when managers are predisposed to improve their bottom lines by cutting costs, as appears to be the case in the case study hotels in this research.

6.5.4 Unfair Reward/Incentive Scheme

In addition to budgetary constraints and high team turnover, it was discovered that the reward scheme was a contentious issue that is causing a lot of tension between managers on one side and team members on the other.

The scheme rewards management teams for good performance based on the Balanced Scorecard results, but leaves out the team members who actually deliver the quality and performance. Consequently, this is causing disquiet and a hardening of feelings among teams that feel alienated; they feel they are just being used to generate rewards for the management. The implications of this finding on service and performance improvement are too ghastly to contemplate.

Given the lucrative bonus scheme tied to budgets, it appears managers are under pressure to pursue courses of action that make budgets look good even if that means jeopardising service and performance improvements. These practices are counterproductive to the advancement of service quality and continuous improvements. Given this evidence it is the contention of the researcher that these bad practices could explain the observed indifference to guest care by teams, lack of commitment and high levels of team turnover discussed above.

6.5.5 Lack of Policy on Quality

This constraint has been discussed extensively in section 6.3.1.1. Suffice to say here that managers' efforts to champion service quality improvements are severely impeded by lack of visible marketing strategies and tactics to communicate the company's quality promise to key stakeholders. This observation implies inherent difficulties in the implementation of continuous service quality improvements.

6.6   Relationship between Quality and Performance

Managers expressed different views regarding the relationship between service quality and performance, which are presented here in the managers' own words.

Manager A:

> "My view is that service quality is important for maintaining the market share and growing it through recommendations which in turn promotes repeat business. By satisfying repeat guests you promote loyalty which in turn drives sales and profitability. So yes, there is a long-term positive relationship between the two, but it is not direct and easy to prove"

Manager C concurred with Manager A when he said:

> "I believe that improving service quality leads to improved performance. Once you achieve a consistent level of the expected service quality, you begin to satisfy your guests, build loyalty and trust towards the hotel, which open up the gates to repeat patronage. At this point, you can adjust your prices upwards with less guest resistance and hence profits are maximised provided costs are managed well too."

Managers A and C's views concur with the existing body of knowledge, which suggest that service quality has apparent linkage to profitability (Buzzel & Gale, 1987), customer satisfaction (Boulding et al 1993) and customer retention (Reichheld & Sasser, 1990).

Manager M differed with his colleagues by stating that:

> "From my experience there appear to be no relationship at all... As an example last year, we exceeded our guest recommendation targets but failed to achieve our financial budget. On the contrary, this year, we are well ahead of our financial targets but our service quality measures are very poor. So at face value, I am not convinced that service quality enhances performance."

Manager T was also convinced there is no link and considered service quality just a public relations gimmick to maintain repeat business. Overall the majority (70%) of managers thought there was an indirect link between service quality and business performance. In support of this notion manager P proposes how the relationship works:

> "... guests shop around for better value for money and value represents the balance between price and quality... so the better the quality the more the guest would be compelled to buy"

It is important to note that none of the managers had credible empirical evidence to support their assertions and thus the evidence is anecdotal. This suggests that managers of the case study hotels do not have the right methodologies to determine whether or not a link exists. This mixed reaction to the question on the link suggests that managers do not have faith in the measurement systems in operation. It is therefore, imperative that the link must be demonstrated if the middle managers are to truly live the service quality and brand standards ethos of the budget chain.

6.7 Chapter Summary

In summary, this chapter presented and analysed patterns of qualitative interview results that provided answers to the research questions raised against the interview scheme. The results were presented in the form of selected direct quotes from respondents, summarised tables of facts synthesised from the responses and discussions that linked results to literature and previous empirical research.

In order to conclude the chapter the researcher will briefly conclude against each investigative question for both service quality and business performance constructs.

6.7.1 Service Quality

Investigative question 1:

How do budget hotel managers conceptualise service quality and how do those conceptualisations compare to the relevant quality discourse?

In terms of service quality conceptualisation, the research has established that in general management orientations are positively in tune with the quality discourses. The results are indicative of managers who are in the right mindset to deliver on the quality front. The evidence indicates that although managers differed in terms of definitions, the differences were more on emphasis than on the principle. It can be concluded that the pursuit of service quality is a fight to influence organisational behaviour, which in turn would positively impact on customer perceptions leading to their retention.

Investigative question 2:

How and why do budget hotel managers implement and measure the service quality concept?

In terms of implementation of service quality ethos the results indicate that the case study hotels engage in a number of service quality activities including branding guest experiences through research, sustaining service consistency through brand standards and operation of an unconditional service guarantee. Measurement of service quality at the case study hotels is accomplished through both process and outcome measures.

The evidence indicates that the following measures are used to measure service quality by the case study hotels: brand auditing, regular guest satisfaction surveys, opinion polls and guest commend cards. Thus, it can be concluded that the results confirm the implementation and measurement of service quality initiatives at the case study hotels. However, results also indicate some flaws in the implementation of the service quality ethos at the case study hotels. These flaws include:

- **Lack of a policy on quality**: consequently, it can be concluded that the case study hotels lack a robust mechanism for communicating their commitment to service quality.
- **Misalignment of organisational and guest priorities**: guests are not involved in prioritising the service quality measures that are included in the customer satisfaction survey. It can thus be concluded that the case study hotels are failing to listen intently to their customers' needs and wants as they are listening to the wrong things.
- **Improper implementation of the satisfaction guarantee;** while the satisfaction guarantee states that it is 100% unconditional, in reality, it is conditional as it relates exclusively to room charges and breakfast. In this regard, it can be argued that the guarantee is misleading.
- **Central price setting and control** make it difficult for the hotels to compete effectively by manipulating price as managers have to seek for permission from seniors in order to alter price.

6.7.2 Business Performance

Investigative research question 1:

How do budget hotel managers conceptualise business performance and how do those conceptualisations compare to the relevant quality discourse?

In terms of business performance, the evidence shows that unlike service quality, the case study hotels had adopted a definition provided by the Institute of Personnel Management (1992). However, the definition lacks contextual specificity.

Similar to service quality, conceptualisations of business performance by the case study hotel managers were in line with the performance discourse.

Investigative research question 2:
How and why do budget hotel managers implement and measure the business performance concept?

In terms of implementation the results indicate that the case study hotels implement a balanced scorecard strategy that is supported by an incentive scheme, which is intended to positively influence team member behaviours. The balanced scorecard also serves as a global measurement tool that tracks employees' performance progress over seven key performance indicators. The findings suggest that the measurement of performance is motivated by the desire to balance financial and non-financial drivers of performance. The results indicate that the case study hotels are actively involved in applying concepts of performance management from the academic field.

Evidence provided suggests that the budget hotel chain has adopted the balanced scorecard from the academic field as the best-practice performance measurement system. Thus, it can be argued that the hotels are committed to evidence-based management through measurement. However, the evidence also highlights major flaws in the implementation of the performance management system. However, the results reveal that performance management efforts are seriously impeded by flaws in implementation. The main flaws being:

- **Management failure to implement action plans;** observations at the case study hotels revealed that managers were not implementing action plans drawn from the performance measurement system.
  Although action plans were generated on paper, these were never implemented but served to fulfil brand audit requirements. It can therefore be concluded that managers are failing to realise the real value of the measurement systems in place.

- **Improper implementation of the performance reward/ incentive scheme**; the reward scheme provides evidence of biased implementation as it reveals that corporate managers reward financial achievements more handsomely than non-financial achievements. Perhaps more importantly, the reward scheme excludes non-management team members whose actions impacts more directly on guest experiences. Thus, it can be concluded that both the balanced scorecard and the performance incentive scheme are not truly balanced.

6.7.3 Contextual Issues affecting both Service Quality and Business Performance

Investigative research question 3:

What contextual issues do budget hotel managers have to deal with and how do these affect management decisions, implementation and measurement?

On contextual issues affecting the organisations under study, four points were highlighted. These include competition, high team turnover, budgetary constraints, unfair reward scheme and lack of policy on quality. Based on the evidence provided in this chapter it can be concluded that overall, except for competition, both senior and middle management are responsible for failing to implement the service quality and performance ethos by failing to provide budgetary support and ignoring company policies respectively. Overall, it can be concluded that the evidence in this chapter suggests that the case study hotels in the research have the appropriate service quality and performance measurement systems in place but are failing at the implementation stage.

6.7.4 Relationship between Service Quality and Business Performance

Investigative research question 4:

How do hotel managers perceive the relationship between service quality and business performance?

The evidence suggests that case study hotel managers do not have a mechanism for assessing the relationship between service quality and business performance. However, a majority (70%) of the respondent managers perceived a positive but indirect relationship. In that context, it can be concluded that managers at the case study hotels lack an effective empirical instrument to make research-informed judgements on the relationship. Based on the researcher's assessment, investigative research question 4 was the least effectively addressed and this has implications for quality and performance researchers

Having presented, analysed, discussed and drawn preliminary conclusions from the results in this chapter, Chapter 7 will extract, expand and synthesise the main conclusions briefly discussed above that have emerged from the discussion in this chapter. From the conclusions, recommendations to practice and theory as well as suggestions for future research will be explored in the next chapter.

Chapter 7:

Conclusions and Implications

7.0 Introduction

Chapter 6 was devoted to the presentation, analyses and discussions on the research findings within the context of the literature. This chapter will review and summarise the results emerging from the data analyses in chapter 6 and extract the main general conclusions. In that context, this chapter will restate the research question and the investigative research questions from the research. The chapter will then address the research's distinct contribution to the body of knowledge by way of drawing conclusions to the research questions and emerging issues. The thesis contributes to knowledge in two ways.

The first contribution emanates from the knowledge gained from the investigative research questions. The second contribution derives from the use of a relatively new methodological approach; critical realism, in a field that is predominantly positivistic. Recommendations for professional practice will be addressed and research limitations will then be drawn from the general conclusions. The chapter is therefore organised into research problem, conclusions about each investigative research question and emerging issues, conclusions about the overarching research problem, Implications for theory, recommendations for policy and practice, limitations and further research.

7.1 Research Problem Restated

The central research problem being addressed in this thesis is:
How and why do UK branded budget hotel middle managers conceptualise service quality and business performance?

The investigative research questions arising from the research problem are:

1) **How do budget hotel managers conceptualise service quality and performance and how do those conceptualisations compare to the relevant academic discourses?**

2) **How and why do budget hotel managers implement and measure the concepts?**
3) **What contextual service quality and performance issues do budget hotel managers have to deal with and how do these affect management decisions on implementation and measurement?**
4) **How do budget hotel managers perceive the relationship between service quality and business performance?**

The research adopted a qualitative; field based multiple case study research design across five branded budget hotels belonging to a leading UK owned budget hotel chain. For data collection, the research employed a mixed method approach using semi-structured interviews, documentary evidence and participant observation in a triangulation fashion. Data analysis employed a hybrid holistic/embedded multiple case analytical strategy.

This approach was necessitated by the researcher's desire to treat each case study hotel as autonomous with room to manoeuvre while the fact that the case study hotels belonged to the same owner could not be overlooked. In the opinion of the researcher, the hybrid analytical approach would enable one to link corporate strategy to business operations in a triangulation manner that yields a deep and rich understanding of the phenomena under investigation.

7.2 Conclusions against investigative research questions

The findings concerning these were dealt with in greater detail in chapter 6. This section will summarise those results and extract general conclusions.
This will be done for each investigative research question against each of the constructs; service quality and business performance.

7.2.1 Service quality
Investigative Research Question 1:
How do budget hotel managers conceptualise service quality and how do those conceptualisations compare to the relevant academic discourses?

The conceptualisation of service quality has attracted considerable attention in the literature (Asher; 1996; Crosby, 1979; 1984; Getty & Getty, 2003; Parasuraman et al., 1985: 1988).

262

The findings in this research suggest that respondent managers' conceptualisation of service quality is consistent with the literature. Indeed, definitions of service quality provided by the managers echoed notions of *'conformance to requirements* (Crosby, 1984); *'fitness for purpose'* (Juran 1982); *'meeting and exceeding customer expectations'* (Asher, 1996: Juran, 1988 Lewis & Booms (1983) and *'continuous improvement'* (Deming 2000; Getty & Getty, 2003).

However, manager C added an important element to the definition, that of meeting and exceeding expectations at a profit. This appears to highlight the importance of profit as a determinant of the level of service quality an organisation provides. How managers strike a balance between service quality and profit appears to be important. This will be dealt with in the section on the reward scheme. Further, managerial perceptions at the hotels confirmed assertions in the reviewed service quality literature to the effect that hotels are involved in the creation of memories and experiences, which are essential components of a cognitive evaluative process that forms an important variable in consumer behaviour (Czepiel *et al.*, 1985).

However, the managers' perceptions did not appear to support Parasuraman *et al.*'s (1985:1988) view of service quality as a gap between customer's expectations and their perceptions on the performance they actually receive. Overall, service quality was perceived as a critical differentiation strategy that offers competitive advantages to the case study hotels. It can therefore be concluded that managers at the case study hotels conceptualised service quality in conformity with the quality discourse. Thus, their conceptualisation of service quality compares favourably with the discourse. This could be a reflection of the company's synergistic links with external research companies and experts on service management.

Investigative Research Question 2:
How and why do hotel managers implement and measure service quality?

Table 39 (p. 264) shows the methods of service quality implementation and measurement used by the case study hotels in the research.

The case study hotels implement a research informed branding strategy as a way of managing and ensuring consistency of service delivery.

Table 39: Implementation &Measurement of Quality at the Case Study Hotels

Implementation Strategies	Measurement Strategies
1. Branding a) Branding guest experience through research. b) Sustaining service consistency through brand standards **2. 100% Unconditional Service Guarantee** • This is a critical service differentiation strategy used in order to: a) Introduce tangibility to service b) Reduce purchase risks c) Force teams to focus on quality d) Empower teams to act proactively e) Convert customers into advocates	• Measurement employs both process and outcome measures: **1. Brand audit** ▪ Evaluates staff competency and the entire guest journey systems. **2. Guest recommendation surveys** ▪ Measure both process and outcomes direct from guest. **3. YouGov opinion polls** ▪ Measures brand awareness/popularity **4. Guest Comment cards**

The findings indicate that the case study hotels operate a 100% unconditional service guarantee as a unique service quality promise and resolution to guest dissatisfaction. The idea of a service guarantees is not new internationally. However, the budget chain to which the case study hotels belong stands out as the first UK owned Hotel Company to introduce and operate the service guarantee. The concept was borrowed from the US, the guarantee operated by the budget chain is perceived as unique in that the case study hotels *'do not evaluate the level of guest's dissatisfaction by a percentage refund or time limits to fix, it is unconditional.'*

This is based on the bold steps taken by the company strategists to focus on service quality as a better driver of competitive differentiation than brand standards. Thus, although still critical, in order to drive customer satisfaction and repeat custom, delivery of brand standards were deemed not adequate to sustainably differentiate the service offer from competition.

In that context the findings suggest that the single most important reason for implementing service quality is to uniquely set the hotel apart from competition. That notion lends credence to the view that the pursuit for quality is a search for competitive advantage through differentiation strategies (Harrington, 1999). The findings suggest that the service guarantee is an essential and unique competitive service quality differentiating strategy for two reasons. Firstly evidence suggests that the guarantee introduces some tangibility aspects to the hotel service offer, which significantly reduces the level of perceived risks associated with purchasing services.

Secondly the guarantee empowers teams to provide whatever service deemed necessary to create guest satisfaction including proactively and unconditionally refunding the guest. However, evidence from observation suggest that the spirit of empowerment among teams is undermined by middle managers who discourage teams from refunding proactively as this negatively affect the case study hotels' profits on which the managers are incentivised. Thus, these observations imply that managers may be resisting company policy as they act to protect their bonuses at the expense of customer satisfaction.

The findings on the use of service guarantee as a service quality strategy are inconsistent with the UK hospitality literature particularly in the context of UK owned budget hotels. A browse through the UK hotel literature indicated that there is a paucity of information on service guarantees. A browse through the worldwide service quality literature returned some results from the USA. However, the results indicated that discussions on the concept of service guarantees are still at the conceptualisation stage.

In that context it can be concluded that the concept of a service guarantee as a service quality strategy is an important concept that has emerged from the present research. These findings suggest a current disparity in UK hotel service quality literature and a consequent paucity in knowledge that need to be addressed. This paucity in UK budget hotel literature suggests that the current research has made a significant contribution to knowledge.

In terms of service quality measurement the evidence suggests that the case study hotels are listening to their guests as they engage in a constant dialogue with guests to ensure that guest expectations are continually and consistently being met or exceeded. Measurement enables the hotel to discover opportunities for improvement. Feedback is collected through both outcome measures such as guest recommendation and comment cards and process measures such as brand standards audit.

The findings portray the case study hotels as learning organisations that are guided by research based facts in the decision making process. Varied evidence is available to support this view. First, the adoption of the guest recommendation quality measure following recommendations from a Harvard Business Review research which suggested that 'the likelihood to recommend' is the most effective predictor of repeat purchases. This evidence implies that the case study hotels pursue repeat purchase as a growth strategy.

Second, the case study hotels employ a brand research strategy to develop brand standards in order to attain world class status. Third, findings indicate that the case study hotels borrow and implement research and academically generated concepts such as service guarantees, guest recommendation and balanced scorecards. Based on the above results it can be concluded that the budget chain provides a typical example of a learning and innovative organisation which anchors its strategic decisions on research findings and engagement with academic expertise.

On the negative, the service quality results revealed some fundamental flaws in the implementation and measurement of service. These flaws include:

- **Lack of policy on service quality:**

Although respondent managers recognised the over-arching differentiation power of service quality, their organisations lacked an explicit policy on quality. The arguments that quality is inherent in the service satisfaction guarantee and brand standards do not hold.

Building quality expectations into brand standards and a service guarantee without expressing these in explicit terms represents strange logic in promoting a 'fuzzy' and contextual concept of service excellence. The power of an explicit quality policy on promoting brand visibility and recognition is of paramount importance. The results point to a major weakness in the marketing strategy of the hotels and an apparent gap between management conceptualisations and practical reality. Similarly, the evidence also reveals sharp contradictions between the quality discourse, which advocates for strong policies on quality and practice. This may be indicative of inherent problems in implementing the quality concept.

It may also be symptomatic of hotel managers using the quality discourse rhetorically because they know it is expected and remains highly attractive to the underlying profit motive of hotels. In that context, it can be concluded that the case study hotels lack a guiding principle on quality that positively and productively influence employees/guests' attitudes and behaviours. That is to say, efforts to deliver on the quality front are impeded by lack of visible marketing strategies and tactics to communicate effectively the company's quality ethos to the key stakeholders.

- **Lack of consultation on measurement priorities:**

The findings on customer satisfaction surveys revealed that there is an apparent lack of guest and team member involvement in prioritising the service quality measures that are included in the survey instrument. This means there is a misalignment of organisational and guests' measurement priorities. In other words the questions asked in the survey reflected what corporate managers wanted to have answers for at the expense of guest values.

Additionally, the results suggest a disconnection between the service quality promise of a good night sleep and the reporting priority. The good night sleep priority of the guarantee is not given top priority in the balanced scorecard report, where it is replaced by the guest recommendation measure. Consequently, it can be argued that the balanced scorecard is not truly reflective of guest needs and wants.

Furthermore, the results indicate that although the case study hotels appear to be listening to their guest, the lack of guest involvement in prioritising what to measure, suggests the case study hotels may be listening to the wrong values. Additionally, failure to involve team members in determining attributes of service quality to measure, suggests that the case study hotels are being insensitive to the key stakeholders' input.

- **Outsourcing of the customer satisfaction measurement function**

Results indicate that the budget chain has outsourced the customer satisfaction measurement function to an outside research company. This approach is flawed since the Data Protection Act (1998) inhibits direct access by the case study hotel managers to the guests. Direct interactive access to complaining guests is imperative if guest perceptions and complaints are to be managed in a way that enhances continuous improvement. Consequently, the Data Protection Act (1998) serves as an impediment to effective communication and complaint resolution. Furthermore, this deprives the case study hotels of the invaluable in-depth qualitative inputs from their guests.

7.2.2. Business Performance

Investigative Research Question 1:

How do budget hotel managers conceptualise business performance and how do those conceptualisations compare to the relevant discourses?

From the interviews and discussion in chapter 6 it emerged that managers were in agreement with notions from the business performance literature that defining performance is fraught with problems due to the highly contextualised nature of the industry. Like service quality, managers demonstrated knowledge of what performance management entails. They defined performance in terms of how an organisation utilises its resources to meet organisational goals.

However, managers had no problem defining performance measurement and did not see it as problematic as performance management. This result is in sharp contrast to the performance discourses which is fraught with disagreements over the definition of performance measurement.

It appears the managers found it easy to define the concept of performance measurement in their highly defined budget hotel context. This could be the result of brand standardisation which adopts a similar definition across the hotels. Thus, it can be concluded that management perceptions and orientations of business performance were found to be consistent with and confirmed the performance management discourses.

Investigative Research Question 2:

How and why do budget hotel managers implement and measure business performance?

Table 40 below summarises the approaches used to implement and measure business performance at the case study hotels.

Table 40: Implementation and Measurement of Performance at the Hotels

Implementation Strategies	Measurement Strategies
1. Balanced Scorecard • Tracks performance over 7 key Indicators (see table 2) • Provides balance between financial and non-financial measures **2. Performance Incentive Scheme** • Encourages and rewards appropriate performance behaviours and actions	**Balanced Scorecard tracks performance over:** 1. Team turnover 2. Health and Safety 3. Brand standards 4. Guest recommendation 5. Like for like sales growth 6. Occupancy versus Budget 7. Hotel Profit

The findings revealed that the case study hotels use a balanced scorecard as a global measurement tool that tracks progress over seven key performance indicators. The findings suggest that the measurement of performance is motivated by the desire to balance financial and non-financial drivers of performance. Of particular importance is the realisation by the budget hotel chain that it was over-relying on traditional and historical short-term financial measures whose weaknesses are heavily criticised in the reviewed performance measurement literature (Atkinson & Brander Brown, 2001; Neely, 1998; Norton & Kaplan, 1992; 2001).

Furthermore, emerging from the analysis of documentary evidence is the confirmation of views in the quality discourse that non-financial measures are the fundamental drivers of future performance (Bittlestone 1994; Fitzgerald et al, 1993; Kaplan and Norton, 1992; 2001). The most important aspect of the balanced scorecard appears to be its ability to provide a quick snapshot of performance that is easy to understand and interpret and its centrality to decision making. This implies that it allows the case study hotel managers to translate the corporate vision into easily understood individual objectives for teams.

The budget hotel chain demonstrated innovation by converting its vision statement into cause-and-effect relationships, which clearly show how the non-financial measures should contribute to the financial measures. Perhaps more significantly, at least on paper, is the value the company places on its employees; there is a realisation that people management is a crucial activity in delivering the highest performance to stakeholders. Furthermore, the findings portray a learning organisation that has addressed the main weakness of scorecards by including the human resources dimension; a common omission on many a scorecards that has attracted sharp criticism in the performance measurement discourse. In that context, it can be concluded that the case study hotels provide typical text -book examples on the application of corporate vision strategies using research and academic inspired concepts, models and theories.

On the negative side, observations on the application and use of the scorecard raised a number of concerns. Firstly, the observations confirm the fact that managers at the case study hotels are failing to implement the action plans drawn up after obtaining feedback from the balanced scorecard. This evidence implies that managers are failing to carry out the most fundamental and valuable element of performance measurement. This finding reveals sharp contradictions between the performance measurement discourse and practice. Neely (1998), advised that the real value of measurement comes from the action that follows it.

Neely (1998) argued that an organisation can have the best system but unless appropriate action is taken based on the information supplied by the system, its impact on performance will be non-existent. This implies that by failing to transform plans into action managers are not realising any positive value from the measurement process. The concern grows in importance when you take into account the reward system operated by the budget hotel chain, which provides evidence that corporate managers are prepared to reward more those managers that achieve on the financial measures than on non-financial measures.

These findings suggest a disturbing trend whereby there is a seemingly apparent and deliberate corporate leadership attempts to influence managers not to pay serious attention to non-financial performance measures. Consequently, managers are more likely to be in favour with superiors if they deliver on the profit front. More importantly, these findings are in sharp contrast to the written intentions of the corporate budget chain to strike a balance between financial and non-financial measures. Thus, there is the danger that senior management may be presiding over false performance and rewarding management failure.

Furthermore, the results expose glaring double standards in the management of the reward/incentive scheme. The scheme only rewards management and leaves out non-management employees, a move that contradicts the company's core principle of caring for its people. The reward scheme in its current form is counterproductive to the advancement of a performance and quality improvement ethos in the company. This begs the question; what values are the corporate leaders promoting?

The reward scheme creates very fertile conditions for a manager to indulge in unethical behaviours that promote false performance reporting. Given the lucrative bonus scheme tied to the financial measures, as Neely (1998) suggested, managers are more likely to be motivated to pursue actions that will make the figures look good, even if that means jeopardising business performance.

Moreover, given the skewed bonus scheme, expecting managers to pay equal attention to both budgetary and non-financial measures appears a very strange logic by any stretch of the imagination. Further, findings suggest that the balanced scorecard, from a team member perspective, is not balanced. Varied reasons support this view. First, the team turnover measure used is not based on employee research. The team turnover score lacks a genuine and objective team engagement approach that contradicts and negates any claims to caring for employees.

This implies that employees' satisfaction opinions are not reflected whereas those of guests feature on the balanced scorecard, albeit inadequately. It can therefore be concluded that although the case study hotels have a best-practice performance measurement system in place, its effectiveness is undermined by the non-transformation of policies and plans into action. Thus, the case study hotels are yet to realise the real value of a well-balanced scorecard system. In that practical context, the scorecard is not truly balanced.

7.2.3 Contextual Issues Affecting Service Quality and Performance

Investigative Research Question 3:

What contextual issues do managers have to deal with and how do these affect management decisions on implementation and measurement?

As discussed in chapter 6, questions on contextual issues for both service quality and performance improvement attracted very similar responses which are best discussed together.

7.2.3.1 Competition

The results seem to suggest that competition is an important factor that affects managerial decisions on service quality and performance. Research question 2 on quality has identified the search for competitive differentiation as the most important reason that led the budget chain to focus on service quality as a differentiation strategy. The fast-changing and highly aggressive environment in which budget hotels operate demands that hotel managers search and implement strategies in order to improve the offer and create a unique competitive advantage.

According to Neely (1998), the need for a sustainable competitive advantage has driven the subjects of service quality and business performance management higher up the management agenda. The quality discourse suggests that service quality components have the greatest potential to create distinctions among hotel operators (Gronroos, 2000; Harrington & Akehurst, 1996; Kandampully et al., 2002; Parasuraman et al., 1988; Saleh & Ryan, 1991), which the case study hotel managers seem to have heeded.

To remain in business every company has to redesign its offer and devise better ways of getting and using feedback. Thus, it can be concluded that competition is a compelling and non-negotiable contextual issue that case study hotel managers have to deal with as it determines whether or not the business survives in the highly competitive environment. Emphasising the importance of competition manager D observed that:

> *"The cut-throat competition has made all hotels very similar, so we have to develop innovative strategies to differentiate ourselves from competition and guests demanding value for money do not make life easy for us as they take advantage of the competitive hotel environment"*

7.2.3.2 High Team Turnover

The importance of a stable labour force characterised by low turnover to an organisation cannot be over-emphasised. The case study hotels have one of the highest team turnovers in the group averaging 104%. This has implications for service quality and performance improvements in that the hotel is continuously engaged in a costly vicious cycle of hiring and training. Indeed, the Chartered Management Institute estimates the average cost of turnover per team at £4, 625.

As a result, high team turnover rates, negatively affect the consistency of service delivery and the sustainability of improvement initiatives. High levels of team turnover rates deny the organisations stability and the opportunity to meet and exceed guest expectations as available teams will have to shoulder more responsibilities, which put them under a lot of pressure, which negatively affects their performance.

It can therefore be concluded that managers at the case study face real challenges in attracting and retaining people with the right attitude and commitment to the hotel industry. The case study hotel managers attributed the high team turnovers to negative staff attitudes, which contributed to the lack of commitment to the industry. The managers reported that team members were reluctant to pursue a career in the hotel industry. Commenting on the implications of employing such persons manager B explained:

> "The key success factor in this industry is having a stable, well trained, competent and committed team. Teams are the key players who can delight or annoy guests through their attitude and behaviour. Most of our team members do not bother to engage the guests socially."

However, contrary to the managers' explanations, the researcher observed that the managers' flawed actions were to a large extent responsible for the high levels of team turnover. These actions are summarised below:

- Deliberate failure to follow and transform company policy on recruitment and selection into action.
- Failure to adequately induct new team members.
- Failure to follow proper team promotion procedures- lack of transparency.
- In some cases, managers frustrating experienced team member out of the job to avoid pay increases in order to keep the wage costs low and make budgetary savings.
- Management forcing team members to go on holiday without prior-warning.
- Improper implementation of the reward/incentive scheme.
- Heavy reliance on part-time university students.
- Poor remuneration.

Against this backdrop of contradictions between interview and observation evidence, it can be concluded that the use of a multi-method approach to data collection proved effective in exposing reality. The lesson drawn from this experience is that researchers need to treat data collected through interviews with caution. It is therefore, advisable to corroborate interviews with participant observation in order to reveal the real 'lived' experience of respondents. Potentially, interviewees can mislead the interviewer by saying what is expected whilst keeping reality conveniently under cover.

7.2.3.3 Budgetary Constraints

From the results, it appears that the overlapping responsibilities on the budget between regional and unit managers is counterproductive in the sense that regional managers can veto allocated budgetary expenditure. As discussed in chapter 6, managers are forced to operate understaffed departments and abandon training programmes in order to save on budgets. Indeed, as one manager claimed, it appears corporate managers are happy to create a euphoria on service quality and performance improvement, but are not committed to supporting their enthusiasm through financial resources.

Hence the commitment to continuous improvement becomes a deceitful and worthless hollow promise. Thus, it can be concluded that conflicts between profit generation and expenditure on service quality and performance improvements are settled in favour of the former, particularly as managers are predisposed to improve their bottom lines by cutting costs. Moreover, the reward/incentive scheme, discussed in the next section, entrenches the cost-cutting practice as it rewards financial performance at the expense of non-financial performance.

7.2.3.4 Biased Reward Scheme

Based on the analysis of the company reward scheme, which incentivises managers for performance, it can be concluded that despite the company claims, to the contrary, the over-focus on traditional financial drivers of performance is still prevalent and actively supported by the corporate leadership. This reveals contradictions between what the company portrays to the outside world and what it does in real practice. This implies that the company is still sacrificing long term non-financial drivers of performance for short-term financial gains. This also implies that achieving a real balance between financial and non-financial measures remains an elusive goal. This is based on the premise that unit managers are benefiting from the existing biased status quo and are more inclined to concentrate on the monetary measures for as long as it brings them in favour with their superiors, and the current incentive scheme is in existence. To expect them to challenge the system that is benefiting them defies logic.

As companies are judged by the policies that they promote and practice, the budget chain risks being viewed as one that pays lip service to service quality and performance issues. Indeed, the company will be perceived as one that rhetorically advances these issues because they are still largely attractive to guests and profitable to the organisation. Such a negative image if allowed to develop will be costly in the long-term. Further, the biased reward scheme is creating tensions between managers and employees by rewarding managers and leaving out the real players in the delivery of service quality.

As a result, employees become demoralised, which contributes to high team turnover thereby jeopardising the continuous improvement goal. It can therefore be concluded that senior managers through their policies are promoting conditions that are conducive to false performance reporting. The evidence presented in this thesis is highly instructive of the senior management's financial performance orientation which is at the centre of the incentive scheme. Indeed, the incentive scheme provides the strongest evidence that senior managers are prepared to sacrifice service quality and performance improvements at the altar of profits as they appear to hope for quality, but only reward financial performance.

7.2.4 Relationship between Quality and Performance
Investigative Research Question 4:
How do budget hotel managers perceive the relationship between service quality and business performance?

On the relationship between service quality and business performance findings show that the majority of managers generally agree with the proposition in the literature that 'service *quality leads to improved business performance'*. The results imply a positive relationship between service quality and business performance. However, the majority (70%) responses suggest that the relationship is indirect implying there are other intermediaries at play such as customer satisfaction, retention, loyalty and image. Conversely, a third of respondent managers did not believe there was a link between service quality and business performance.

The non-believers based their perceptions on the flawed incentive scheme allocations, which gives a token 10% reward to all non-financial measures. However, it is important to note that none of the managers had empirical evidence to support their views. Hence the evidence is anecdotal. In that context, it can be concluded that managers at the case study hotels lack an effective empirical instrument to make research-informed judgements on the relationship. Based on the researcher's assessment, investigative research question 4 was the least effectively addressed and this has implications for quality and performance researchers.

7.3 Conclusion regarding validity, reliability generalisability of the research

This section concludes on the integrity of the case study research in terms of validity, reliability and generalisability of the research and its findings. These have been dealt with in greater detail in the methodology chapter (5). The conclusion on the quality criteria will be achieved by matching these quality criteria against the four designs suggested by Yin (2003) and Christie et al., (2000). Careful design and execution of the research process can avoid or at least reduce criticisms directed at case study research for the lack of methodological rigour and possibility of bias (Patton, 2002; Yin, 2003).

Construct Validity

Construct validity ensures the adequacy of operational measures for the concepts under study. The researcher achieved construct validity through a critical literature review, use of multiple sources of evidence against each investigative question. Additionally the researcher established a chain of evidence that link back to the research questions using the multiple sources of evidence. Furthermore, the researcher used external informants to review draft case study reports. In that context, all respondent managers were given the opportunity to read, reflect on and challenge the transcripts and thesis chapters.

Internal Validity

Internal validity in qualitative research is concerned with the establishment of phenomena in a credible manner. The researcher achieved internal validity by using within case analysis, cross-case analysis, pattern matching, expert reviews and the development of diagrams and data matrices to demonstrate the internal consistency of the information collected (Christie et al ., 2000). Furthermore, preliminary results of the research were presented at a conference where the findings were subjected to rigorous peer review processes. Further tactics used to ensure internal validity include precisely distinguishing the unit of analysis, linking of the analysis to prior theory and the analysis of a pilot case study (Yin, 2003).

Generalisability

Also known as external validity is concerned with the scope to which research findings can be replicated beyond the proximate research case studies (Christie et al., 2000; Yin, 2003). Case study research carries out analytical generalisation in which findings are generalised into a broader theory (Perry, 1998). Analytical generalisation in this research has been achieved through the use of a multiple case studies methodology and the comparison of evidence. Additionally, the research adhered strictly to an interview protocol and cross case analysis which ensures analytical generalisations. Thus, the researcher believes that the findings of the research allow analytical generalisations to be made.

Reliability

Reliability or dependability is concerned with the ability of other researchers to carry out the same research and achieve similar results (Yin, 2003). Reliability in realism research, like this research, is based on the assumption that there is a single reality which is studied repeatedly (Merriam, 1988). To achieve reliability the researcher established the case study protocol during data collection, executed an interview protocol and established a case study data base.

7.4 Emergent Issues

During analysing the research findings, three unexpected issues emerged. These issues are first, the role of a service guarantee as a service quality strategy. Second the issue of a silent policy on quality. Third, contradictions in results collected through interviews and documentation on one hand and observations, on the other hand.

7.4.1 Service Guarantee as a Service Quality Strategy

The UK hospitality literature reviewed by the researcher within the context of the UK owned hotels, failed to discover the use of service guarantees being used as differentiating strategies for budget hotels. The research findings have therefore identified a gap in budget hotels literature. This paucity in knowledge within the context of budget hotels needs to be addressed. The concept of service guarantees has its origins in the USA where it was championed by Hart (1988); an expert on the application of service guarantees in US hotels.

Previous research on guarantees examined their potential to: improve performance (Hart, 1988); augment the value of service (Maher, 1991); gain higher market share (Hart et al., 1992); improve internal performance (Hart, 1995); achieve excellent service quality (Sowder, 1996). It is argued that once established a guarantee can ensure the delivery of an exceptional quality of service that reduces perceived risk of dissatisfaction for the guest whilst forcing managers to pay attention to service quality (Kandampully & Butler, 2001).

7.4.2 Lack of Explicit Policy on Quality

Research findings in chapter 6 revealed that managers expressed ignorance of the existence of a policy on quality, but claimed that this was inherent in the brand standards and service guarantee. These findings are inconsistent with the literature which advocates for a strong explicit policy on quality that visibly communicates the commitment by the organisation to quality (Harrington & Akehurst, 1996). These findings suggest a disturbing trend on the nature of service quality implementation at the case study hotels.

279

It is expected that in the highly competitive budget hotel sector, managers clearly spell out their service quality policy and put in place mechanisms to affect its implementation. The view that a service guarantee replaces or serves as a policy on quality in the researcher's view is misplaced and represents strange logic. It is the considered view of the researcher that a service guarantee is better viewed as a service recovery mechanism that serves to buttress the policy on quality.

In essence, a service guarantee is a promise to reimburse a guest when the company fails to deliver. In that context, a service guarantee can neither serve as nor replace the need for a formal policy on quality. The present evidence reveals sharp contradictions between the quality discourse and practical reality which in turn suggests inherent difficulties in implementing the hotel quality ethos.

7.4.3 Contradictions between Different Data Sources

The findings revealed contradictions between results collected through interviews and documentation on one side and observations on the other. This may be indicative of managers picking up the quality and performance discourses and making use of them, possibly because they know what is expected of them during interviews.

The researcher is convinced that a completely different perspective of results would have been portrayed had he only relied on interviews and documentation. Thus, observations served to disconfirm some of the results thereby enabling the researcher to provide a more realistic perspective of the results. The findings also revealed contradictions between company policies or intent and practice. These are discussed elsewhere.
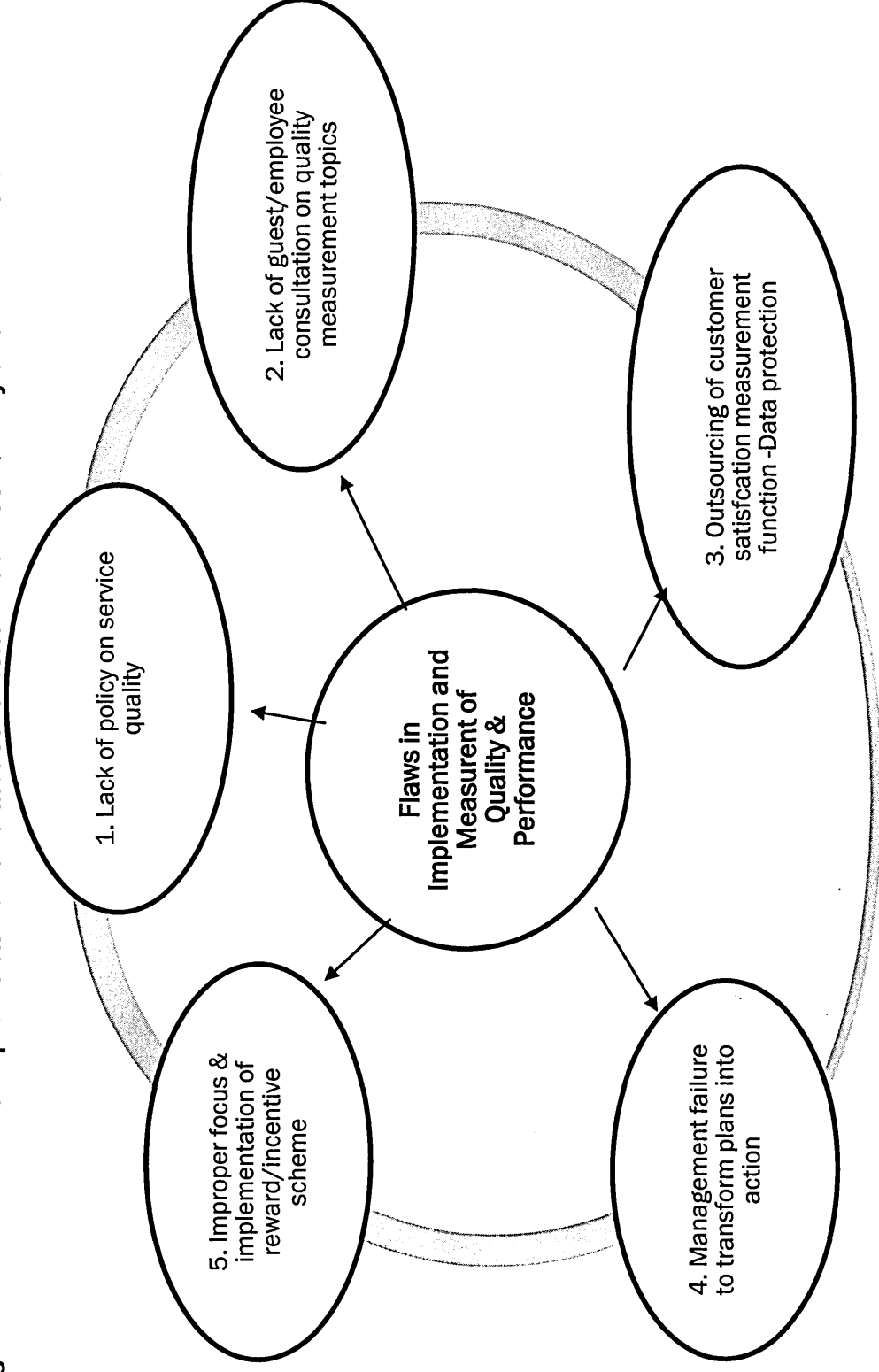
7.5 Conclusions about the Research Problem

Based on the evidence presented in chapter 6 and summarised in sections 7.2 to 7.4 above, it can be concluded that the case study hotel managers' conceptualisation and orientations of the constructs of quality and performance are consistent with the respective literatures.

However, decisions on the management of service quality and business performance are undermined by flaws in implementation and measurement as well as limited by contextual constraints. The flaws in implementation and measurement are summarised in Figure 17 (p. 282) and discussed in detail in section 7.2. Analyses of the flaws illustrated in Figure 17 confirm that all the flaws are of a controllable nature.   This implies poor management and leadership practices at both corporate and operational levels. The implications from these results to practice will be discussed in section 7.6 below.

The contextual constraints are summarised in Figure 18 (p. 284) and include competition, high team turnover, budgetary and a biased reward scheme. The constraints are fully discussed in section 7.2.3. The findings suggest that these constraints, especially budget constraints put managers under so much pressure that they end up pursuing actions, which are contrary to organisational values. However, one fact is clear about all the constraints except for competition. That is, like the flaws, they are controllable by the management. This suggests that failure to achieve improvements in quality and performance may be due to deliberate human actions. The actions manifest themselves in the form of double standards as management promote service quality cultures and performance policies but fail to provide adequate financial resources for middle level managers to deliver.

Figure 17: Flaws in the Implementation and Measurement of Service Quality and Performance

1. Lack of policy on service quality

2. Lack of guest/employee consultation on quality measurement topics

3. Outsourcing of customer satisfcation measurement function -Data protection

4. Management failure to transform plans into action

5. Improper focus & implementation of reward/incentive scheme

Flaws in Implementation and Measurent of Quality & Performance

[Source: synthesised from current research]

282

The results suggest that while the case study hotels value a balanced perspective towards financial and non financial drivers of service quality and performance, the reward scheme appears to incentivise manager to go against these values. Further the company portrays a caring image towards its non management people but fails to proportionately reward them for their efforts. Thus, conflicts of interests between shareholders, customers and employees appear to be settled in favour of shareholders as managers focus on short term profitability to enhance their incentives and shareholder dividends at the expense of long term drivers of service quality and performance improvements.

It can therefore be concluded that the real value of quality and performance measurement at the case study hotels are yet to be realised as managers fail to implement action plans drawn from customer feedback. This lends credibility to previous conclusions that companies appear to be implementing measurement techniques without thinking through what they want to achieve or anticipating the changes that are required to achieve successful levels of measurement (Harrington & Akehurst, 1996).

Figure 18: Contextual Factors Affecting Service Quality and Performance
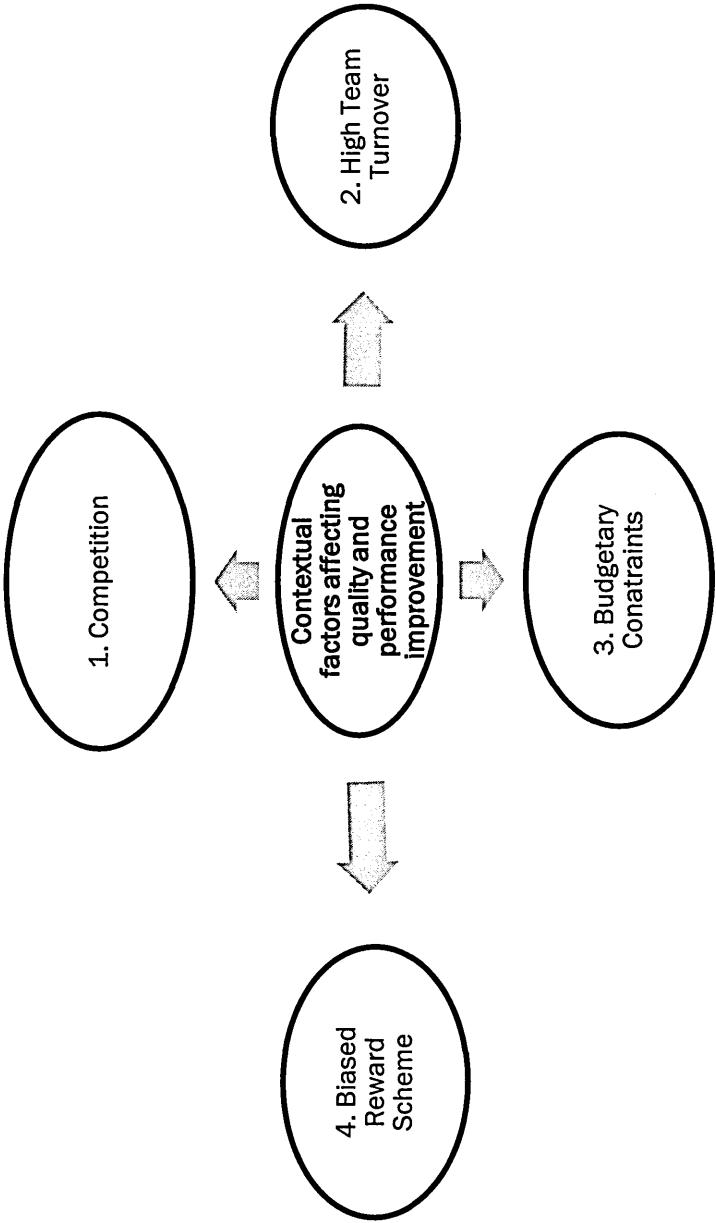
[Source: synthesised from current research]

In the final analysis, it is significant to point out that as service quality and business performance are becoming major parts of business practice, it is important for managers to implement quality and performance policies aimed at measuring and researching their effectiveness rather than paying lip service to these issues. This gives the impression that the case study hotel managers may be adopting and rhetorically using the quality and performance improvement concepts as a marketing campaign related to changing fashions. Thus, it appears the concept of quality remains largely attractive to the hotel industry as it allows hotels to improve their images while, in reality, they maintain an underlying profit-making strategy. Indeed, senior managers seem to hope for quality, but reward financial performance.

In this regard, the researcher concurs with Macdonald's (1996) assertion that 'management can talk about quality (and performance) until the cows come home (and often do), but if their actions belie their words, they are doomed to failure'. Indeed, at the operational level, managers appear to sacrifice quality and performance issues at the altar of profits. This practice is not sustainable in the long term and creates a conducive environment for false performance reporting. However, having said that, it is important for researchers to appreciate that the case study hotel managers face some genuine obstacles in their efforts to implement the service quality and performance ethos. It is contended that the area of research in this study requires further empirical study for validation purposes.

7.6 Contribution to Knowledge

To highlight the distinct contribution of this research to knowledge, the research has successfully applied a relatively new methodology, critical realism, in a field dominated by positivism methodologies. Thus the research used a methodology in a sector of the hotel industry where it has not been used before. Secondly, very little qualitative research has been done investigating service quality and business performance from managers' perspectives in the specific context of UK budget hotels. The rapid growth of budget hotels reported in chapter 2 does in fact call for increased research into their operations, yet very few researchers have taken the challenge.

Thirdly, the research has identified a gap between theory and practice that needs addressing. Research findings suggest that although budget hotel managers are actively using service quality and performance models and measurement tools developed in the academia, their efforts are impeded by flaws at the implementation stage. This implies that models developed in the academia are still to make a positive contribution to practice. This highlights the need for a closer cooperation between academic researchers and practitioners in order to close the gap.

Furthermore the results imply that managers may be taking up concepts and measurement instruments without a full understanding of how to effectively implement them. In the specific context of the branded budget hotels, the research identified a lack of modern literature as most of the literature cited is dated. That demonstrates a lack of interest in a field that is growing rapidly.

7.7 Implications for Theory

In the course of analysing the research findings one unexpected issue that has implications for the wider body of knowledge emerged; the use of a service guarantee as a service quality strategy. Following a review of the UK hospitality literature, there was no reference to service guarantees being employed as differentiating strategies in the hotel sector. This lack of coverage of service guarantees in UK literature implies a disparity in literature and paucity in knowledge, which must be addressed. This identified gap in literature suggests the study has made significant contribution to knowledge.

7.8 Implications for Policy and Practice

The study has identified fundamental flaws in the implementation of service quality and business performance (see Figure 17, p. 253). The flaws include lack of policy on service quality, lack of consultation with customers and employees in prioritising topics in the customer satisfaction survey, outsourcing of the customer satisfaction measurement function, failure to transform policies and plans into action and improper focus and implementation of the performance reward scheme. These flaws potentially have significant consequences for practice in terms of the sustainability of competitive service and performance differentiation.

Furthermore, differentiation is impacted upon by contextual factors (competition; high team turnover; budgetary constraints and a biased reward scheme (see Figure 18, p. 255). In that context and based on the evidence presented in chapter 6, the following practical implications and recommendations are noteworthy:

1. The results suggest that competition is a non-negotiable external contextual factor that is crucial to the survival of the case study hotels. The fast-changing and highly competitive environments that budget hotels operate in demands that managers do research and implement strategies that improve the service offer and create unique sustainable competitive advantages.

2. The results reveal that hotel managers in the case study hotels are failing to control high team turnover and attract and retain the right calibre of staff with the requisite attitude, job interest and service skills. The practical implication being that it undermines the ability of the case study hotels to deliver the required quality of service. In essence service quality is the interaction and exchange of human actions and behaviours.

   The lack of a large representation of hospitality and tourism graduates is a cause for concern. This is perhaps indicative of the fact that UK Universities are not producing enough graduates to meet the demands of the hotel sector. Thus there is a need for managers to be innovative in terms of creating conducive work practices to stem high levels of team turnover by introducing concepts of flexible working and job sharing.

3. By respondent managers' admission, remuneration remains very low in the budget hotels sector. The results imply that managers must address the wage structures if they are to attract experienced and committed staff.

4. The results suggest that hotel managers at the case study hotels, under pressure from corporate leaders, are forced to focus on short-term financial gains at the expense of service quality. Adherence to strict budgets forces managers to cut staffing levels and expenditure on service quality improvements. While this approach may be desirable in the short-term, it is unsustainable in the long-term.

287

Thus, the results highlight the need for corporate managers to allocate adequate financial resources for the implementation of continuous improvement. There is also the need to shift management focus to the longer term and recognise that it takes time for the benefits of longer term measures to be felt organisationally (Presbury et al., 2005).

5. The results on the reward scheme focus and implementation suggest a disturbing trend where corporate leaders appear to be promoting unfair practices by hoping for quality, yet rewarding financial performance. Additionally, the reward scheme does not permeate the entire organisations as only managers are rewarded. These results indicate the need to devise an equitable reward scheme that permeates the whole organisation if behaviours are to be managed effectively and efficiently.

   Furthermore, the reward scheme provides evidence that the managers prefer financial measures over non-financial measure. The reward scheme should benefit every person in the company as they contribute towards organisational goals. It also helps by uplifting the employees' morale as they know that they are valued and that there is something in the scheme for them.

6. The results indicate that from customers and employees perspectives, the balanced scorecard is not truly balanced. Thus there is need for managers to balance the scorecards by balancing the focus on guests and employees by using employee engagement measures. Thus the case study hotel managers should develop mechanisms that enhance the use of measures for the benefit of both guests and the organisation.

7. The results point to a lack of policy on quality. There is, therefore, a need to establish an explicit policy on quality that communicates the company's commitment to quality to guests and employees. There is a misconception that service guarantees and brand standards can replace the need for a policy on quality.

8. The evidence implies a glaring gap between practice and theory and suggests that managers may be using the quality and performance discourses rhetorically in order to make the case study hotels appear good. There is need for managers to practice what they say; 'walking the talk'

7.9 Research Limitations

The limitations with the current research are:

- The scope of the research. The research is based on five budget hotels belonging to the same UK hotel chain. While limited generalisations to the population may be made to other hotel units belonging to the same hotel chain that owns the case studies, the findings cannot be generalised to other UK owned budget hotels.

- The research focused on branded budget hotels and therefore the findings cannot be generalised to other categories of UK hotels or the hospitality industry as a whole.

- The research is also limited by a lack of access to interview corporate level managers and non-management employees at the case study hotels. This study relied on evidence from five general managers, ten line managers and five team leaders at the case study hotels. However, their perceptions and orientations were triangulated by using documentary evidence and participant observations.

- The study concentrated on the perceptions of managers and hence does not take into account the perspectives of the other major stakeholders in hotel service encounters such as customers, employees and shareholders.

- Finally this research collected data intended to provide both a descriptive and explanatory account of processes that could be described as forming an integral part of the organisation's quality and performance processes and the extent to which quality is perceived by managers to be related to business performance.

It is however, important to note that many of the research limitations discussed in this section emerge as future research, which is discussed further in section 7.10.

7.10 Future Research

This research has provided important insights into the conceptualisation, implementation and measurement of service quality and business performance in five branded budget hotels. The research has revealed management orientations, a number of implementation and measurement flaws and contextual constraints that impede improvements in service quality and business performance.

There has been limited previous critical realist qualitative research on these phenomena in the UK branded budget hotel context. Thus, the current research provides a basis for further research into service quality and business performance aspects. However, the qualitative nature of this research requires validation and authentication of the results obtained from the case study hotels. The implications for future research being that:

- Future research could explore the orientation, attitudes and practical behaviour of managers across the entire UK budget hotel sector and more broadly across the whole UK hotel sector.
- Future research could replace the case study research strategy with action research strategy that allows direct intervention in order to address the flaws and constraints identified in the present research.
- Future research needs to broaden the participants' base in order to capture the views of other key stakeholders such as employees, customers and local communities.
- Additional research could explore the existence of false performance reporting as an unethical behaviour in the budget hotel settings across the different managerial levels of the organisations. In this regard, false performers are defined as individuals or groups that seek to improve their perceived performance at the expense of their actual performance.

Such persons would disguise their behaviour in order to obtain positive advantages from the organisation in terms of performance reporting.

The proposed further research should aim to investigate the extent to which this behaviour is widespread, produce an instrument to measure it and assess the challenges in poses for service quality and business performance evaluations in the budget setting.

- Further research could also investigate the extent to which customers and employees are engaged in designing and prioritising measures of quality and performance measurement instruments.

- Additional research could develop an instrument for measuring the relationship between service quality and business performance (not just financial performance).

In terms of future research, the research findings, therefore, emphasise the need for closer cooperation between academics and hotel practitioners in addressing the implementation dilemma. If academics are going to make significant contributions to practice; they dare not indulge in the luxury of engaging in unending ground breaking theoretical discourses, for their thematic focus should resonantly be application and implementation.

Word count: 82 941

Bibliography

Amaratunga, D. & Baldry, D. (2002). Moving from performance measurement to performance management. *Facilities*, Vol. 20, pp.217-223.

Amaratunga, D. & Baldry, D. (2001). Case study methodology as a means of theory building: performance measurement in facilities management organisations. *Work Study*, Vol. 50, No. 3, pp. 95-104.

Andersen, B.; Henriksen, B & Aarseth, W. (2006). Holistic Performance Management: An Integrated framework. *International Journal of Productivity and Performance Management*, Vol. 55, No.1, pp. 61-78.

Antony, F.; Antony, F. F. & Ghosh, S. (2004). Evaluating service quality in a UK hotel chain: a case study. *International Journal of Contemporary Hospitality Management*, Vol.16, No. 6, pp. 380-384.

Armstrong, M. (2006), *Performance Management: Key Strategies & Practical Guidelines*. (3rd. ed.). London & Philadelphia: Kogan Page.

Asher, M. (1996). *Managing quality in the service sector*. London: Kogan Page.

Atkinson, H. & Brander Brown, J. (2001). Rethinking performance measure: assessing progress in UK hotels. *International Journal of hospitality management,* Vol.13, No.3, pp.128-135.

Babakus, E. & Boller, G. (1992). An empirical Assessment of the SERVQUAL scale. *Journal of Business Research*, Vol. 24 (May), pp. 253-268.

Bale, D. (1984). *The future of the budgets*. Note, May, pp.12-13. Available at: http://cqx.sagepub.com/content/25/1/11.full.pdf.

Banker, R. (2006). Keynote speech to address four key questions regarding the use of performance measures to determine pay. *Perspectives on Performance*, Vol. 5, No. 2.

Banker, R.; Potter, G. & Srinivasan, D. (2005). Association of nonfinancial performance measures with financial performance of a lodging chain. *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 46, No. 4, pp.394-412.

Baum, T. (1995). *Managing human resources: a strategic approach*. London: Chapman and Hall.

Bazeley, P. (2004). Issues in mixing qualitative and quantitative approaches to research. In Buber, R. & Gadner, J. (eds.). *Applying qualitative methods to marketing management research*. Basingstoke: Palgrave McMillan.

Berg, B. L. (2008). *Qualitative research methods for social sciences* (7th ed.). London: Pearsons.

Bhaskar, R. (1978). *Realist theory of Science*. London: Verso.

Blaikie, H. R. (2000). Towards a purposeful approach to the constant comperative method in the analysis of qualitative interviews. *Proceedings of the 5th International conference for methodologies in social sciences*. Cologne.

Bloemer, J.; Ruyter, K. & Wetzels, M. (1999). Linking perceived service quality and service loyalty: a multi-dimensional perspective. *European Journal of Marketing,* Vol. 33, No.s 11/12, pp. 1082-106.

Bocci, F. (2004). Defining performance measurement. *Perspectives on Performance,* Vol. 3, No.s 1/2.

Bolton, R. N. & Drew, J.H. (1991). A multi-stage model of customers' assessment of service quality and value. *Journal of Consumer Research,* Vol. 17, No. 4, pp. 375-84.

Bonoma, T. (1985). Case research in marketing; opportunities, problems and a process. *Journal of Marketing Research,* Vol. 12, pp. 199-208.

Boulding, W.; Stealin, R. & Zeithaml, V. A. (1993). A dynamic process model of service; from expectations to behavioural intention. *Journal of Marketing,* Vol. 30, pp. 7-27.

Bourne, M & Neely, A. D. (2003). Implementing performance measurement systems: a literature review. *Business Performance Management,* Vol. 5, No. 1, pp. 1 -24.

Bowman, C (1998), *Strategy in Practice,* (2nd ed). London: Financial Times/Prentice Hall.

BPP (2010). *The global hospitality industry.* London: BPP Learning Media Ltd

Brander Brown, J. & McDonnell, B. (1995). The balanced scorecard: short term guest or long term resident? *International Journal of Contemporary Hospitality Management,* Vol. 7, Nos. 2/3, pp. 7-11.

Brenner, M., Brown, J. & Canter, D. (1985). *The Research Interview: Uses and Approaches.* London: Academic Press

Brignall, S. (2002). The unbalanced scorecard: a social and environmental critique. The Third International Conference on Theory and Practice in Performance Measurement and management. Boston, July, pp.85-92.

British Hospitality Association (BHA) (2010). *Economic contribution of UK hospitality industry report.* UK: Oxford Economics.

Bromley, D.B. (1986). *The case study methodology in psychology and related disciplines.* Chichester: Wiley.

Brotherton, B. (2004). Critical success factors in UK budget hotel operations. *International Journal of Operations & Production Management,* Vol. 24, Vol. 9, pp. 944-969.

Brown, S. W., Fisk, R. P. & Bitner, M. J. (1994). The development and emergence of services marketing thought. *International Journal of Service Industry management,* Vol.5, No. 1, pp.21-48.

Buttle, F. (1996). SERVQUAL: review, critique, research agenda. *Journal of Marketing,* Vol. 30, No. 1, pp. 8-32.

Buzzel, R. & Gale, B. (1987). *The PIMS principles: linking strategy to performance.* New York: Free Press.

293

Callan, R. & Lefebve, C. (1997). Classification and grading of UK lodges: do they equate to managers' and customers' perceptions"? *Tourism Management*, Vol. 18, No. 7, pp. 417-424.

Carman, J. M. (1990). Consumer perceptions of service quality: an assessment of the SERVQUAL dimensions. *Journal of Retailing*, Vol. 66, No. 1, pp. 33-55.

Carson, D. & Coviello, N. (1996). Qualitative research issues at the marketing or entrepreneurship interface. *Marketing Intelligence and Planning*, Vol. 14, No. 6, pp. 51-8.

Carson, D.; Gilmore, A.; Gronhaug, K. & Perry, C. (2001). *Qualitative Research in Marketing*. London: Sage.

Christie, M.; Rowe, P.; Perry, C. & Chamard, J. (2000). *Implementation of realism in case study research methodology*. Proceedings to the International Council for Small Business, Annual Conference, Brisbane.

Clark, F.; Tynan, C. & Money, A. (1994). Senior managers' views on quality: a strategic perspective. Journal of Strategic Marketing, Vol. 2, pp. 61-84.

Clow, K. F. & Vorhies, D. W. (1993). Building a competitive advantage for service firms. Journal of Services Marketing, Vol. 7, No. 1, pp. 22-32.

Cokins, G. (2006). *Performance management*. In Adkins, T (Ed). *Case studies in performance management: A guide from the experts*. New Jersey: John Wiley and Sons.

Conlon, G. (1996). True Romance. *Sales and Marketing Management*, Vol. 148, No. 5, pp. 85-90.

Coyle, M. P. & Dale, B.G. (1993). Quality in the hospitality industry: a study. *International Journal of Hospitality Management*, Vol. 12, No. 2, pp. 141-53.

Creswell, J.W. (2009). *Research design: Qualitative, quantitative and mixed method approaches (3rd ed.)*. Lincoln: Sage Publications.

Creswell, J.W. (2007). *Qualitative enquiry and research design: choosing among five approaches*. (2nd ed.) Lincoln: Sage Publications.

Crompton, J. L. & Mackay, K. J. (1989). Users' perception of relative importance of service quality dimensions in selected public recreation programs. *Leisure Sciences*, Vol. 11, pp. 367-75.

Cronin, J. & Taylor, S. A. (1992). Measuring service quality: a re-examination and extension. Journal of Marketing, Vol. 56, July, pp. 55-68.

Crosby, L.A.; Evans, K. & Cowles, D. (1990). Relationship quality in service selling: an impersonal influence perspective. *Journal of Marketing*, Vol. 54, No. 3, pp. 68-81.

Crosby, P. B. (1984). *Quality Without Tears*. New York: New American Library.

Crosby, P. (1979). *Quality is free: the art of making art quality certain*. New York: Hodder and Stoughter.

Cruz, I. (2007). How might hospitality organizations optimize their performance measurement systems?" *International Journal of Contemporary Hospitality Management,* Vol. 19, No. 7, pp. 574-588.

Czepiel, J. A. & Gilmore, R. (1987). *Exploring the concept of loyalty in services.* In Congram, J.A. & Shanahan, J. (eds.). T*he services marketing challenge: integrating for competitive advantage,* pp. 91-4. Chicago: AMA.

Czepiel, J. A.; Soloman, M. R. & Surprenant, C. F. (1985). *The service encounter.* New York: D. C. Health and Company.

Delloitte & Touche (2000), *UK Budget Hotel Survey.* St Albans: Deloitte & Touche.

Delloitte & Touche (2003), *UK Budget Hotel Survey.* St Albans: Deloitte & Touche.

Deming, W. (1986) *Out of the Crises.* Mass: MIT, Centre for Advanced Engineering Study.

Denscombe, M. (2010). *The Good Research Guide for Small-scale Social Research Projects.* Maidenhead: Open University Press.

Denton, G. A. & White, B. (2000). Implementing a balanced-scorecard approach to managing hotel operations: the case of white lodging services. *Cornell Hotel and Restaurant Administration Quarterly* 2000, Vol. 41; pp. 94-107.

Denzin, N. K. & Lincoln Y. S. (eds.) (2005). *The Sage handbook of qualitative research.* (3rd ed.). Thousand Oaks: Sage Publications.

Denzin, N. K. & Lincoln Y. S. (eds.) (1994). Handbook of qualitative research. Thousand Oaks: Sage Publications.

Deshpande, R. (1983). Paradigms lost; on theory and method in research in marketing. *Journal of Marketing,* Vol. 47, No. 4, pp. 101-10.

de Waal, A. A. (2003). Behavioural factors important for the successful implementation and use of performance management systems. *Management Decisions,* Vol. 41, No. 8, pp. 688-697.

Dittmer, P. (2002). *Dimension of the Hospitality Industry.* (3rd ed.). New Jersey: John Wiley & Sons.

Doran, M. S.; Haddad, K. & Chow, C. W. (2002). Maximising the Success of Balanced Scorecard Implementation in the Hospitality Industry. *International Journal of Hospitality and Tourism administration,* Vol. 3, No. 3, p. 33-57.

Dowell, R.; Hing, N. & Leiper, N. (1998). *GROVQUAL: A New Research Tool for Measuring Excessive Service in Hospitality.* Working Paper for the Australian Tourism and Hospitality Research Conference, Griffith University, Gold-coast, Queensland, February 11-14.

Doyle, P. (1994). Setting business objectives and measuring performance. *European Management Journal,* Vol.12. No. 2, p.123-132.

Easton, G. (1992). Learning from case studies. (2nd ed.). New York: Financial Times/ Prentice Hall.

Eccles, R. G. (1991). The performance management manifesto. *Harvard Business Review*, Vol. 69, Jan-Feb. p. 131-7.

Edvardsson, B. (2005). Guru's view, service quality: beyond cognitive assessment. *Managing Service Quality,* Vol. 15, No. 2, pp. 127-131.

Edvardsson, B.; Gustafsson, A. & Roos, I. (2005). Service portraits in service research: a critical review. *International Journal of Service Industry Management,* Vol. 16, No. 1, pp.107 -121.

Edvardsson, B.; Thomasson, B.; & Ovretveit, J. (1994). *Quality of Service: Making It Really Work.* London: McGraw-Hill.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review,* Vol. 14, No. 4, pp. 339-66.

Ekinci, Y. & Riley M. (1998). A critique of the issues and theoretical assumptions in service quality measurement in the lodging industry: Time to move the goal – post? *Hospitality Management,* Vol. 17, pp. 349-362.

Emory, C. W. & Cooper, D. R. (1991). *Business research methods.* (4th ed.). Boston: Irwin.

Enz, C.A. & Siguaw, J.A. (2000). Best practice in service quality. *Cornell Hotel and Restaurant Administration Quarterly*, October, pp. 20-31.

Enz, L.; Canina, L. & Walsh, K. (2001). Hotel industry average: an inaccurate tool for measuring performance. Cornell Hotel and Restaurant Administration Quarterly, December, pp. 22-32.

Epstein, M. J. (2003). *Measuring and management performance in the 21st Century: The performance prism.* Cranfield School of Management. Last accessed 2 April 2012 at: http://www.som.cranfield.ac.uk/som/dinamic-content/research/documents/prism%20book%20-chapter%201.pdf

Evans, J.R. (2004). An exploratory study of performance measurement systems and relationships with performance results. *Journal of Operations Management*, Vol. 22, pp. 219-32.

Evans, N. (2005) Assessing the balanced scorecard as a management tool for hotels. *International Journal of Hospitality Management*, Vol. 17, No. 5, pp.376-90.

Feurer, R & Chaharbaghi, K. (1995). Performance measurement in strategic change. *Benchmarking for Quality Management & Technology*, Vol. 2, No. 2, pp.64-83.

Finn, D. W. & Lamb, C. W. (1991). An evaluation of the SERVQUAL scale in a retail setting. *Advances in Consumer Research*, Vol.18, pp. 483-490.

Fiorentino, A. (1995) Budget hotels: not just minor hospitality products. *Tourism Management, Vol.* 16, No, 6. pp. 455-462.

Fitzgerald, L.; Johnston, R.; Brignall, S.; Silvestro, R. & Voss, E. (1991). *Performance measurement in service business.* UK: CIMA.

Gee, C. Y. (1994). *International hotels, development and management.* Orlando: Educational Institute of the American Hotel and Motel Association.

296

Getty, J. M. & Getty, R. L. (2003). Lodging Quality Index (LQI): Assessing customers' perceptions of quality delivery. *International Journal of Contemporary Hospitality Management,* Vol. 15, No. 2, pp. 94-104.

Getty, J. M. & Thompson, K. N. (1994). The relationship between Quality, Satisfaction and Recommending Behaviour in Lodging Decisions. *Journal of Hospitality and Leisure Marketing,* Vol. 2, No.3, pp. 3-22.

Gilbert, D. & Lockwood, A. (1990). Budget hotels- the USA, France and UK compared. *Travel and Tourism Analyst,* Vol. 3, No. 1, pp. 19-36.

Gilmore, A. & Carson, D. (1996). Integrative qualitative methods in a services context. *Marketing Intelligence and Planning,* Vol. 14, No. 6, pp. 21-26.

Glasser, N. (1999). The future of grounded theory. *Qualitative Health Research,* Vol. 9, No. 6, pp. 836-45.

Gomes, C., Yasin, M. & Lisboa, J. (2007). The effectiveness of hospitality Service operations: measurement and implementation concerns. *International Journal of Contemporary Hospitality Management,* Vol. 19, No. 7, pp. 560-573.

Gronroos, C. (2007). *Service management and marketing: customer management in service.* (3rd ed.). Chichester: John Wiley & Sons.

Gronroos, C. (2000). S*ervice management and marketing: a customer relationship management approach.* (2nd ed.). Chichester: John Wiley & Sons.

Gronroos, C. (1984). *Service Management and Marketing.* Lexington, MA: Lexington Books.

Guba, E.G. & Lincoln, Y.S. (1994). *Competing paradigms in qualitative research.* In Denzin N.K. and Lincoln, Y. S. (eds.). *Handbook of qualitative research.* Thousand Oaks: Sage Publications.

Gummesson, E. (2000). *Qualitative methods in management research.* London: Sage Publications.

Gummesson, E. (2002). *Total relationship in marketing strategy: Moving strategy from 4Ps- Product, Price, promotion, place – of traditional marketing management to the 30Rs- the thirty relationships of a new marketing paradigm.* Oxford: Butterworth-Heinemann.

Gundersen, M.G.; Heide, M. & Olsson, U.H. (1996). Hotel guest satisfaction among business travellers: what are the important factors? *The Cornell Hotel and Restaurant Administration Quarterly,* Vol. 37, No. 2, pp. 72-81.

Gustafsson, A. & Johnson, M. (2003). *Competing in the service economy.* San Francisco: Jossey-Bass

Hackett, G. (2006). Why companies fail. Perspectives on Performance, vol. 5, Issue 2.

Haktanir, M. & Harris, P. (2005) "Performance Measurement Practice in an Independent Hotel Context", International Journal of Contemporary Hospitality Management, Vol. 17, No. 1, pp. 39-50.

Hammersley, M. & Atkinson, P. (2007). *Ethnography: principles in practice.* (3rd ed.) London: Routledge.

Harrington, D. & Akehurst, G. (2000). An empirical study of service quality implementation. *The Services Industry Journal,* Vol. 20, No. 2, pp. 133-156.

Harrington, D. & Akehurst, G. (1996). Service Quality and Business performance in the UK Hotel Industry. *International Journal of Hospitality Management,* Vol. 15, No. 3, pp. 283-298.

Harrington, D. (1999). Quality implementation in selected UK hotels: perspective and future challenges. *Tourism and Hospitality Research,* Vol. 1, No.2, pp. 103-118.

Harris, P. (1999). *Profit planning.* (2nd ed.). Oxford: Butterworth-Heinemann

Harris, P. J. & Brander Brown J. (1998). Research and development in hospitality accounting and financial management. *International Journal of Hospitality Management,* Vol. 17, No. 2, pp. 161-81.

Harris, P. J. & 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. 120-7.

Hart, C.; Doherty, N. & Ellis-Chadwick, F. (2000). Retail adoption of the internet: implications for retail marketing. *European Journal of Marketing,* Vol. 34, No. 8, pp. 954-974.

Hart, C. (1988). *The power of unconditional service guarantees.* Harvard Business Review, pp. 55-62.

Hart, C. (1995). *The power of internal Guarantees.* Harvard Business Review, Vol. 73, No. 8, pp. 64.

Harte, H. G. & Dale, B.G. (1995). Improving quality in professional service organisations: a review of key issues. *Managing Service Quality,* Vol. 5, No. 3, pp. 34-44

Hasan, M. & Kerr, R. (2003). The relationship between total quality management practices and organizational performance in service organizations", *The TQM Magazine,* Vol. 15, No. 4, pp. 286-291.

Hedges, A. (1985). *Group Interviewing.* In Walker, R. (ed.). Applied qualitative research. Aldershot: Gower.

Heskett, J. L.; Sasser, W. E.; jr. & Schlesinger, L. A. (1997). The service profit chain: how leading companies link profit and growth to loyalty, satisfaction and value. New York: Free Press.

Heskett, J. L.; Jones, T.; Loveman, G. W.; Sasser, W. E. & Schlesinger, L. A. (1994). Putting the service-profit chain to work. *Harvard Business Review,* Vol. 72, No. 2, pp. 164-1 75.

Hinton, B. (2008). Valuing limited-Service hotels: A pragmatic framework from a broker's perspective", *The Appraisal Journal,* Vol. 76, No. 1, pp. 47-53.

Hooley, G. J. (1993). Market Led Quality Management. *Journal of Marketing Management,* Vol. 9, pp. 31 5-335.

Hooley, G.J.; Saunders, J.; Piercy, N.F. & Nicoulaud, B. (2008). *Marketing strategy and competitive positioning.* (4th ed.). Harlow: Financial Times/ Prentice Hall.

Hotstats (2010). *UK hotel industry report.* London: Hotel Analyst.

Huberman, A. & Miles, M (1985). *Assessing local causality in qualitative research: exploring clinical methods for social research.* Beverly Hills: Sage Publications.

Huckestein, D & Diboff, R. (1999). Hilton Hotels: A Comprehensive Approach to Delivering Value to all Stakeholders. *Cornell Hotel and Restaurant Administration Quarterly,* Vol. 40, No. 4, pp. 28-39.

Hudson, S. (2008). *Tourism and Hospitality Marketing: A global perspective.* Thousand Oaks: Sage Publications.

Hudson, S.; Miller, G.A. & Hudson, P. (2006). The role of research in improving tourism and hospitality services: measuring service quality. In Prideaux, B.; Moscardo, G. & Laws, E. (eds.). *Managing tourism and hospitality services: theory and international application,* pp. 237-250. Wallingford:CABI

Hudson, S. & Shephard, G. (1998). Measuring service quality at tourist destinations: an application of Importance-Performance Analysis to an Alpine ski resort. *Journal of Travel and Tourism Marketing,* Vol. 7; No. 3, pp. 61-77.

Hudson, M.; Smart, A. & Bourne, M. (2001). *Theory and practice in SME performance measurement systems. International Journal of Operations & Production Management, Vol. 21, No.8, pp. 1096-115.*

Hunt, S. (1991). *Modern marketing theory.* Cincinnati: Southern Western.

Hyde, K.F. (2000). Recognising deductive processes in qualitative research. Qualitative Market Research. *An International Journal,* Vol. 3, No. 2, pp. 82-89.

Iacobucci, D.; Ostrom, A. L.; Braig, B.M. & Bezjian-Avery, A. (1996). *A conical model of consumer evaluation and theoretical bases of expectations.* In Swartz, T.A.; Bowen, D.E. & Brown, S. W. (eds.). *Advances in services marketing and management,* Vol. 5.pp. 53-71. Greenwich: JAI Press

Imrie, R. & Fyall, A. (2001). Independent mid-market UK hotels: marketing strategies for an increasing competitive environment", *Journal of Vocation Marketing,* Vol. 7, No. 1, pp. 63-74.

Ittner, C.D.; Larcker, D.F. & Randall, T. (2003). Performance implications of strategic performance measurement in financial services. *Accounting, Organisations and Society,* Vol. 28, No.s 7/8, pp. 715-41.

Jacobson, R. & Aacker, D. (1987). The strategic role of product quality. *Journal of Marketing,* Vol. 51, p.31-44.

Jagels, M. (2007). *Hospitality Management Accounting.* (9th ed.). New Jersey: John Wiley &Sons.

Johns, N. (1999). *Quality Management. In Brotherton, B (ed.) (1999). The Handbook of Contemporary Hospitality Management Research (pp. 333-349).* Chichester: John Wiley & sons Ltd.

299

Johns, N. & Lee-Ross, D. (1998). *Research methods in service industry management.* London: Thomson Learning.

Johns, N. & Tyas, P. (1996). Investigation of the perceived components of the meal experience using perceptual gap methodology. In Cooper, C., Lockwood, A. (eds.). *Progress in Tourism, recreation and hospitality Management,* Vol. 2, pp. 15-26. London: Belhaven Press.

Johnson, G., Scholes, K., Whittington, R. (2011). *Exploring strategy: text and cases* (9th ed.). London: Financial Times/ Prentice Hall.

Johnston, R. (1995). The determinants of service quality: satisfiers and dissatisfiers. International Journal of Service Industry Management, Vol. 6, No. 5, pp. 53-71.

Johnston, R.; Silvestro, R.; Fitzgerald, L. & Voss, C. (1990). *Developing the determinants of service quality.* In Langeard, E. and Eiglier, P. (eds.). *Marketing, operations and human resource insights into services.* First International Research Seminar on Services Management, pp. 373, 393. IAE: Aix-en-Provence.

Jones, P. (2010). Performance management. [online] Ashridge Virtual. Last accessed on 30 April 2012 at:
 http://www.ashridge.org.uk/ashridge/valg.nsf/site/PEMLG02.htm?opendocument

Jones, P. (2002). Introduction to Hospitality Operations: An Indispensable Guide to the Industry. (2nd ed.), UK: Continuum.

Jones, P. & Lockwood, A. (1989). *The management of hotel operations.* London: Cassell.

Juran, J. M. (1988). *Juran on planning for quality.* New York: The Free Press

Juran, J. M. (1982). *Upper Management and Quality.* New York: Juran Institute.

Justus, G.(1991). Microtel:how simple translates into success. Cornell Hotel and Restaurant Administration Quarterly, Vol. 32,, no. 4, pp. 50-54

Kandampully, J. & Butler, L. (2001). Service guarantees: a strategic mechanism to minimise customers' perceived risk in service organisations. *Managing Service Quality,* Vol. 11, No. 2, pp. 112-120.

Kandampully, J.; Mok, C. & Sparks, B. (2002). *Service quality management in hospitality, tourism and leisure.* New York: The Howarth Hospitality Press.

Kaplan, R. & Norton, D. (2001) "Transforming the Balanced Scorecard from Performance Measurement to Strategic Management. *Accounting Horizons,* Vol. 15, No. 2, pp. 147-160.

Kaplan, R. & Norton, D. (2000). Having trouble with your strategy? Then map it. Harvard Business Review, Vol. 78, No. 5, pp. 3-11.

Kaplan, R.S. & Norton D. P. (1992). The balanced scorecard: measures that drive performance. *Harvard Business review* January-February, p. 71-80

Kasavana M, & Brooks, R. (1998). *Managing Front Office Operations.* (5th ed.). USA: Educational Institute of American Hotel and Motel Association.

Kasavana M. & Brooks, R. (2001) *Managing Front Office Operations*, (6th ed.). USA: Educational Institute of American Hotel and Motel Association.

Key Note, (2005) Hotels, Edited by Philippa Drewer, 200'Ed, Hampton: Key Note Ltd.

Key Note, (2007) Top Markets; Travel and Tourism, Edited by Isla Gower, Second Edition, Hampton: Key Note Ltd.

Kennerley, M. and Neely, A. (2005) *"A Framework of Factors Affecting the Evolution of Performance Measurement Systems"*, International Journal of Operations & Production Management, Vol. 22, No. 11, pp. 1222-1245.

Kerfoot, O. & Knights, D. (1995). *Empowering the quality worker:* the seduction and contradiction of the total quality phenomenon. In Wilkinson, A and Willmott, H. (eds.). *Making quality critical: new perspective on organizational change.* London: Routledge.

Kimes, S. E. (2001). How Product Quality Drives Profitability: The Experience at Holiday Inn. *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 42, No. 3, pp. 25-31.

Knutson, B. J.; Stevens, P. & Patton, M. (1995). DINESERV: Measuring Service Quality in Quick Service, Casual/Theme and Fine Dining Restaurants. *Journal of Hospitality and Leisure Marketing,* Vol. 3, No. 2, pp. 35-44.

Knutson, B. J.; Stevens, P.; Wullaert, C.; Patton, M. & Yokoyama, F. (1991). *LODSERV:* A Service Quality Index for the Lodging Industry. *Hospitality Research Journal,* Vol. 14, No. 3, pp. 277-284.

Kotas, R. (1975). *Market orientation in the hotel and catering industry.* London: Surrey University Press.

Kotler, P.; Bowen, J.T. & Makens, J. C. (2010) *Marketing for hospitality and tourism* (6th ed.). New Jersey: Pearson/ Prentice Hall.

Kotler, P. (1997). *Marketing management: analysis, planning, implementing and control.* (9th ed.). US: Pearsons.

Kris, A. & Fahy, M. (2003). Shared service centres-delivering value from effective finance and business processes. [online]. Financial Times / Prentice Hall Last accessed 2 April 2012 at:
http:www.businesstitles.com/cat/management/shar3100.htm

Lee, D. (1984). *The budgets: three views.* Notes, May, pp. 11-12. Available at:
http://cqx.sagepub.com/content/25/1/11.full.pdf

Lester, T. (2001). Back to the bottom line: performance management, *The Financial Times, August 15th, P11.* [online]. Last accessed 20 June 2012 at: http://www.asp-consulting.com/MDB/media_folder/242_2001_8_Financial_Times_Limited_Back_to_th e_bottom_line.pdf

Lawson, R., Stratton, W. & Hatch, T. (2003). The benefits of a scorecard system. *CMA Management* June/July, pp. 24-26

Levy-Bovin, J. (2003). Hotels: a brief history, *Hospitalitynet.org.* [online]. Last accessed on 2 April 2012 at: http://www.hospitalitynet.org/news/4017990.search?

Lewis, R.C. & Booms, B.H. (1983). The marketing aspects of service quality. In Berry, L.L.; Shostack, G. & Upah, G. (eds.). *Emerging perspectives on service marketing,* pp. 99 -107. Chicago: American Marketing.

Likierman, A. (2006). Why isn't performance measurement popular? *Perspectives on Performance,* Vol. 5, Issue 2, pp. 10-11.

Lincoln, Y. S. & Guba, E.G. (1985). *Naturalistic Inquiry.* London: Sage Publications.

Lingle, J. H. & Schiemann, W. A. (1996). From the balanced scorecard to strategic gauges: is measurement worth it? *Management Review,* Vol. 85, No. 3, pp. 56-61.

Lockwood, A. (2008) Operational Performance. In Jones, P. (ed.). Handbook of Hospitality Operations and IT. Oxford: Butterworth-Heinemann.

Lovelock, C. & Gummesson, E. (2004). Whither service marketing? In search of a new paradigm and fresh perspectives. *Journal of Service Research,* Vol. 7, No. 1, pp. 20-41.

Lovelock, C. (1991). *Services Marketing.* New York: Prentice Hall

Macdonald, J. (1996). TQM – does it always Work? Some reasons for disappointment. *Managing Service Quality,* Vol. 6, No. 5, pp. 5-9.

McCaskey, D. & Symes, S. (2004) "Travel Inn: Everything You Want for a Good Night's Sleep 100 Percent Satisfaction Guaranteed or Your Money Back", *International Journal of Contemporary Hospitality Management,* Vol. 16, No. 3, pp. 166-174.

McCune, J.T. (1989). Customer satisfaction as a strategic weapon-the implications for performance management. *Human Resources Planning,* Vol. 12, No. 3, pp.195-204.

Marshall, C. & Rossman, G. B. (2010). *Designing qualitative research.* (5th ed.). Thousand Oaks: Sage Publications

Martilla, J. A. & James, J. C. (1977). Importance-performance Analysis. *Journal of Marketing,* Vol. 41, No. 1, pp. 13-17.

Martin, M. & Jackson, T. (1998). Personnel practice. UK: The Cromwell Press.

Martinez, V. (2005). What is the value of using performance measurement systems? Perspectives on performance, Vol. 4, No. 2, pp. 16-18.

Merriam, S. B. (1988). *Case study research in education: a qualitative approach.* San Francisco: Jossey-Bass.

Miles, M. B. & Huberman, M.A. (1984). *Qualitative data analysis: A Sourcebook of New Methods.* Thousand Oaks: Sage Publications.

Mintel (2009*). Budget hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=395 460

Mintel (2007). *Budget hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=219 276

Mintel (2005). *Budget hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=114 707

Mintel (2003). *Budget hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=369

Mintel (2010). *Hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=479 971

Mintel (2004). *Hotels – UK.* [online]. Last accessed on 30 April 2012 at: http://academic.mintel.com/sinatra/oxygen/search_results/display/?no_redirect&id=682 13

Moullin, M (2005). Defining PM-the debate continues. Perspectives on Performance, Vol. 4, No. 1.

Moullin, M. (2002), Delivering Excellence in Health and Social Care. Buckingham: Open University Press,

Murasiranwa, E.T. (2009). Hotel service quality and business performance: A case study. Unpublished postgraduate dissertation, Sheffield: Sheffield Hallam University.

Murdoch, A. (1997). The performance pyramid, Accountancy, Vol. 120, pp. 52.

Nebel. E.C. & Schaffer, J.D. (1992). *Hotel strategic planning at the business and unit level in the USA.* In Teare, R. and Olsen, M. (eds.). International Hospitality Management Corporate strategy in practice. New York: John Wiley &Sons. pp. 228-54.

Neely, A. (2006). Balanced perspectives on the balanced scorecard: a summary. *Perspectives on Performance*, Vol. 5, No. 2, pp.6.

Neely, A. (2005). Defining performance measurement: adding to the debate. *Perspectives on Performance*, Vol. 4, No. 2, pp.14-15.

Neely, A.; Gregory, M. & Platts, K. (2005). Performance measurement system design: a literature review and research agenda. International Journal of Operations and Production Management, Vol. 25, No. 12, pp.1228-1263

Neely, A.; Adams, C. & Crowe, P. (2001). The performance prism in practice. *Measuring Business Excellence,* Vol. 5, No. 2, pp. 6-12.

Neely, A.; Adams, C. & Kennerley, M. (2002). *The performance prism: the Scorecard for measuring and managing stakeholder relationships.* London: Financial Times/ Prentice Hall.

Neely, A. (2002). *Business Performance Measurement: theory and practice.* Cambridge: Cambridge University Press.

Neely, A. (1999). The performance measurement revolution: why now and what next? *International Journal of Operations and Production Management,* vol. 19, no. 2, pp. 205-28

Neely, A. (1998). *Measuring Business Performance: Why, what and how.* London: The Economist Books.

Neely, A.; Gregory, M. & Platts, K. (1995). Performance measurement system design: a literature review and research agenda. International Journal of Operations and Production Management, Vol. 15, No. 4, p. 85-116.

Neuman, W. L. (2010). *Social research methods: qualitative and quantitative methods.* (7th ed.). London: Pearson Education.

Oakland, J. S. (2003). *Total quality management: text with cases.* Oxford: Elsevier.

Oh, H. (1999). Service quality, customer satisfaction and customer value: a holistic approach. *Hospitality Management,* Vol. 18, No. 1, pp. 67-82.

Olian. J.D. & Rynes, S.L. (1991). Making total quality work: aligning organizational processes. *Performance Measures and Stakeholders'. Human Resources Management.* Vol. 30. No.3. pp. 303-33.

Oliver, R. L. (1999). Whence customer loyalty? *Journal of Marketing,* Vol. 63, pp. 33 - 44.

Oliver, R. L. (1993). A conceptual model of service quality and service satisfaction: compatible goals, different concepts. In Swartz, T.A.; Bowen, D.E. & Brown, S.W. (eds.). *Advances in services marketing and management: research and practice,* Vol. 2, pp. 65-85. Greenwich: JAI Press.

Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research,* Vol. 17, pp. 460-469.

Olsen, M. D., Teare, R. & Gummesson, E. (1996). *Service Quality in Hospitality Operations.* London: Casselll.

Olsen, M. D. (1992). *Strategic management in the hospitality industry: a literature review.* In Cooper, C. (ed.). *Progress in Tourism, Recreation and Hospitality Management,* Vol. 3, pp. 215-231.

O'Neill, M. (2001). *Measuring Service Quality and Customer Satisfaction.* In Kandampully, J.; Mok, C.; Sparks, B. (eds.). (2001). *Service Quality Management in Hospitality, Tourism and Leisure.* New York: The Haworth Hospitality Press.

Orlikowski, W. & Baroudi, J. (1991). Studying information technology in organisations: research approaches and assumptions. *Information Systems Research,* Vol. 2, No. 1, pp. 1-28.

Outhwaite, W. (1983). *Towards a realist perspective, pp. 321-330.* In Morgan, G. (ed.). *Beyond method: Strategies for social research.* Beverley Hills: Sage Publications..

Page, S.J. & Connel, J. (2006). *Tourism: a modern synthesis.* (2nd ed.) UK: Cengage Learning EMEA.

Page, S. & Prescott, T.L. (2005). *Performance management and customer satisfaction: constructing a conceptual model for enquiry.* Paper presented at the 4th European Conference on Research Methods in Business and Management Studies. Paris: Universite Paris-Dauphine. April 21st-22nd.

Page, S.; Orange, G. & Burke, A. (2000). A knowledge management mete-model for systems development: a cultural perspective in information systems research, teaching and practice. In Beynon-Davies, P; Williams, M.D. & Beeson, I. (eds.) Maidenhead: McGraw Hill pp.332-340.

Parasuraman, A. (2002). Service Quality and Productivity: a synergistic perspective. *Managing Service Quality,* Vol. 12, No. 1, pp. 6-9.

Parasuraman, A.; Berry, L. L. & Zeithaml, V. A. (1994). Re-assessment of expectations as a comparison standard in measuring service quality: implications for further research. *Journal of Marketing,* Vol. 58, pp.111-24.

Parasuraman, A.; Zeithaml, V. A. & Berry, L. L. (1991). Refinement and Re-assessment of the SERVQUAL scale. *Journal of Retailing,* Vol. 67, No. 4, pp.420-450.

Parasuraman, A.; Zeithaml, V. A. & Berry, L.L. (1988). *SERVQUAL:* A multi-item scale for measuring consumer perceptions of service quality. *Journal of Retailing,* Vol. 64, pp. 12-40.

Parasuraman, A.; Zeithaml, V. A. & Berry, L.L. (1985). A conceptual model of service quality and its implication for future research. *Journal of Marketing,* Vol.49, pp. 41-50.

Parkhe, A. (1993). Messy research, methodological predispositions and theory development in international joint ventures. *Academy of Management Review,* Vol. 18, No. 2, pp. 227-68.

Patton, M. Q. (2002). *Qualitative research and evaluation methods.* Thousand Oaks: Sage Publications.

People 1st (2010). *The structure and ownership across the hospitality, leisure, travel and tourism sector.* UK: People 1st .

Perry, C. (1998). Processes of a case study methodology for postgraduate research in marketing. *European Journal of Marketing,* Vol. 32, No.s 9/10, pp. 785-802.

Perry, C. (2001). Case research in marketing. *The Marketing Review,* Vol. 1, pp. 303-323.

Phillips, P.A. (2007). The Balanced Scorecard and Strategic Control: A Hotel Case Study Analysis. *The services Industry Journal,* Vol. 27, No. 6, pp.731-746.

Phillips, P. A. (1999). Performance measurement systems and hotels: a conceptual framework. *Hospitality Management,* Vol. 18, pp. 171-182.

Phillips, P.A. (1997). Trouble in the UK hotel sector. *International Journal of Contemporary Hospitality Management,* Vol. 9, No. 4, pp. 149-154.

Phillips, P. & Louvieris, P. (2005). Performance measurement systems in tourism, hospitality and leisure small medium sized enterprises: a balanced scorecard perspective. *Journal of Travel Research,* Vol. 44, No. 2, pp.201-11.

Phillips, P. A. & Moutinho, L. (1998). Strategic planning systems in hospitality and tourism. Wallingford: CAB International.

Porter, M. E (1998), *Competitive Advantage: Creating & Sustaining Superior Performance.* New York: Free Press

Powell. T.C. (1995). Total quality as competitive advantage: A review and empirical study. *Strategic Management Journal.* Vol. 16. Pp. 15.-3 7.

Pratt, D. (2005). A comment on the debate between Max Moullin and Fabrizio Bocci. *Perspectives on Performance*, Vol. 4, No. 2, pp. 12-13.

Presbury, R.; Fitzgerald, A. and Chapman, R. (2005). Impediments to improvements in service quality in luxury hotels. *Managing Service Quality*, Vol. 15, No. 4, pp. 357-373.

Pruett, M. & Thomas, H. (1996). Thinking about quality and it's links with strategic management. *European Management Journal*. Vol. 14, No. 1, pp.37-46.

Quester, P.; Wilkinson, J.W. & Romaniuk, s. (1995). A test of four service quality measurement scales: the case of the Australian advertising industry. Working paper 39, centre de Recherche et d'Etudes Appliquees, Group esc Nantes Atlantique, Graduate School of Management, Nantes, France.

Quest, M. (1983). Is there a future for low-tariff UK hotels? *Caterer and Hotelkeeper*, Vol. 29, pp. 55-61.

Reichheld, F.F. (1996). *The loyalty effect: the hidden force behind growth, profits and lasting value.* Boston: The Harvard Business School Press.

Reichheld, F. F. & Sasser, E. W. (1990). Zero defections: quality comes to services. *Harvard Business Review*, Vol. 68, No. 5, pp. 105-111.

Reid, R. D. & Bojanic, D. C. (2006). *Hospitality Marketing Management* (4th ed.) US: Hoboken, N.J. John Wiley and Sons Inc.

Riege, A.M. (2003). Validity and reliability tests in case study research: A literature review with hands on applications for each research phase. *Qualitative Market Research: An International Journal*, Vol. 6. No. 2, pp. 75-86.

Robson, C. (2011*). Real World Research*. (3rd ed.). London: John Wiley

Robinson, S. (1999). Measuring Service Quality: Current thinking and future requirements. *Marketing Intelligence and Planning*, Vol. 17, No.1, pp. 21-32.

Roper, A. & Carmouche, R. (1989). Budget hotels- a Case of mistaken identity", *Contemporary Hospitality Management,* Vol. 1, No. 1, pp. 25-3 1.

Rust, R.T. and Oliver, R.L. (eds.), (1994). *Service Quality: New, Directions and practice* London: Sage Publications.

Rust, R. T. & Zahorik, A. J. (1993). Customer satisfaction, customer retention and market share. *Journal of Retailing*, Vol. 69, No. 2, pp. 193-215.

Sale, J.E.M.; Lofeld, L.H. and Brazil, K. (2002) Revisiting the quantitative-qualitative debate: Implications for mixed methods research. *Quality and Quantity*, Vol. 36, pp. 43-53.

Saleh, F. & Ryan, C. (1992). Analysing Service Quality in the Hospitality Industry using the SERVQUAL model. *Service Industries Journal*, Vol. 11, No. 3, pp. 324-43.

Sasser, W. E.; Olsen, R. P. & Wyckoff, D. D. (1978). *Management of service operations: text and cases.* Boston: Allyn & Bacon.

Saunders, M. N. K. and Lewis, P. (2012). *Doing research in business and management: an essential guide to planning your project.* London: Financial times.

Saunders, M. N. K.; Lewis, P. and Thornhill, A. (2012). *Research Methods for Business Students. (6th ed.).* London: Financial Times Press/ Prentice Hall.

Sekaran, U. (2012). *Research methods for business: a skill building approach.* (5th ed.). New York: John Wiley & Sons.

Senior, M. & Morphew, R. (1990). Competitive strategies in the budget hotel sector. *International Journal of Contemporary Hospitality Management,* Vol. 2, No. 3, pp. 3-9.

Silverman, D. (2009). *Doing qualitative research. (3rd ed.).* Thousand Oaks: Sage Publications.

Sinclair, D. & Zairi, M. (1995). Effective process management through performance measurement. Business Process Re-engineering and Management Journal, Vol. 19, No. 19, pp.75-88

Sobh, R. & Perry, C. (2006). Research design and data analysis in realism research. *European Journal of Marketing,* Vol. 40, No.s 11/12, pp. 1194- 1209.

Soteriou, A. C. & Zeinos, S. A. (2000). *On the impact of quality on performance: first empirical evidence from the finance industry.* [On-Line]. Last accessed on 1 May 2012 at: http:/lwww. ise.nus.edu.sg/proceedings/apors2000/full papers/2 1 -05-fp.htm

Stake, R. E. (2005). *Multiple case study analysis.* Guilford: Guilford Press.

Stake, R.E. (1995). *The art of case study research.* Thousand Oaks: Sage Publications.

Stake, R.E. (1994). *Case Studies.* In Denzin N.K. and Lincoln, Y. S. (eds.). *Handbook of qualitative research.* Thousand Oaks: Sage Publications.

Stutts, A. T. (2001). *Hotel and lodging management: an introduction.* New York: John Wiley & Sons.

Taylor, V.A. & Miyazaki, A.D. (1995*).* Assessing actual service performance: incongruities between expectation and evaluation criteria. *Advances in Consumer Research,* vol. 22, pp. 599-605.

Teas, R.K. (1994). Expectations as a comparison standard in measuring service quality: an assess of a reassessment. *Journal of Marketing,* Vol. 58, No.1, pp. 132-9.

Teas, R. K. (1993). Consumer Expectations and the Measurement of Perceived Service Quality. *Journal of Professional Services Marketing,* Vol. 8, No. 2, pp. 33-54.

TRI (2007). *Budget hotels UK 2007.* London: TRI Consulting Publications.

Tsoukas, H. (1989). *The validity of ideographic research explanations.* Academy of Management Review, Vol. 24, No. 4, pp. 551-61.

Vargo, S.L. & Lusch, R.F. (2004). The four service marketing myths- remnants of a good-based manufacturing model. *Journal of Service Research,* Vol. 6, No. 4, May, pp. 324-35

Veal, A.J. (2011). *Research Methods in Leisure and Tourism: A practical guide (4th ed.).* London: Pearson Education.

Williams, C & Buswell, J. (2003). *Service Quality in Leisure and Tourism*. Oxon: CAB International.

Wilkinson, A. and Wilmott, H. (eds.), (1995). *Making quality critical*. London: Routledge. pp. 1-32,

Wilson, A. (2000). The use of performance information in the management of service delivery, *Marketing Intelligence & Planning*, Vol. 18, No. 3.

Yilmaz, Y. (2006). Performance measurement in tourism industry needs change. *Perspectives on performance,* Vol. 4, No. 2, pp. 8.

Yin, R.K. (1981). The case study as a serious research strategy. *Knowledge: Creation, Diffusion, Utilisation,* Vol. 3, No.1, pp. 97-114.

Yin, R. K. (2008). *Case Study Research: Design and Methods* (4th ed.) Thousand Oaks: Sage Publications.

Yin, R. K. (2003). *Case Study Research: Design and Methods* (3rd ed.). Thousand Oaks: Sage Publications.

Zahorik, A. J. & Rust, R. T. (1992). *Modelling the impact of service quality on profitability: a review.* In Swartz, T. A.; Bowen, D. E. & Brown, S. W. (eds). Advances in Service Marketing and Management, pp. 49 - 64. Greenwich: JAI Press.

Zairi, M. (2000). Managing customer dissatisfaction through effective complaints management systems. *The TQM Magazine,* Vol.12, No. 5, pp. 331-337.

Zairi, M. Letza, S.R. & Oakland, J.S. (1994). *TQM: its impact on bottom line results,* London: Technical Communications.

Zeglat, D. (2008). *An investigation of the relationship between service quality and profitability in the UK budget hotel sector.* Unpublished postgraduate thesis, Surrey: University of Surrey

Zigan, K & Zeglat, D. (2010). Intangible resources in performance measurement systems of the hotel industry. *Facilities,* Vol. 28, No.s 13/14, pp. 597-610.

Zeithaml, V. & Bitner, M.J. (2003). *Services Marketing: Integrating customer focus across the firm.* (3rd ed.). New York: McGraw-Hill.

Zeithaml, V. A. (2000). Service quality, profitability and the economic worth of customers: What we know and what we need to learn. *Journal of Marketing Science,* Vol. 28, No. 1, pp. 67-85

Zeithaml, V. A.; Berry, L.L. & Parasuraman, A. (1996). The behavioural consequences of service quality. Journal of Marketing, Vol. 60, April, pp. 31-46.

Zeithaml, V. A.; Berry, L.L. & Parasuraman, A. (1993). The nature and determinants of customer expectations of service. *Journal of the Academy of Marketing Science,* Vol. 21, pp. 1-12.

Zeithaml, V. A., Parasuraman, A. & Berry, L.L. (1990). *Delivering Quality Service: Balancing customer perceptions and expectations.* New York: Macmillan Inc.

Appendices

Appendix 1: Interview Schedule/Protocol

_____

Research Problem:

How (and why) do contextual factors impact on UK Branded Budget Hotel unit level Managers' conceptualisation, implementation and measurement of service quality and business performance?

Interviewee: _____
Organisation: The Case Study Hotel
Interviewer: ETM
Date: _____

Before Beginning the Interview:

- <u>**Summarise the purpose of the project**</u>: _The purpose of the interview is to obtain your views on service quality and business performance practices in your hotel. I am particularly interested in your definitions, experiences and perceptions on implementation, measurement, contextual constraints and recommendations._

- <u>**State the confidentiality policy and obtain consent**</u>: _Written and oral reports coming out of this research will present only aggregate data and information. Your responses will be kept confidential and your anonymity is guaranteed. Nothing said by you would be attributed to your name._

- <u>**Ask if interviewee has any questions**</u>.

About You and Your Hotel Organisation:

1. First tell me about your career history: length of service in hotels, qualifications etc.

2. Secondly tell me about your hotel: its mission, its values, its goals, its stakeholders, its size and its market.

Service Quality:

Your Definition, Goals, and Objectives for Service Quality:

3. Tell me about your perception of service quality and your experiences in managing it:

   Definition, service quality policy, goals for pursuing quality, importance of service quality, impediments to continuous service quality improvements

4. How are you implementing the concept of service quality in your organisation?

   Service quality programmes, their goals and factors that made you undertake them.

Business Performance:

Your Definition, Goals, and Objectives for Business Performance

5. What is the story of your experiences of managing and measuring hotel business performance?

   Performance and performance measurement definitions, goals, approaches to performance management and measurement and contextual constraints to continuous performance improvements

Your Reasons, Goals, and Objectives for Measurement:

6. How important is the concept of management by measurement to your organisation?

7. What factors led you to undertake service quality and performance measurement?

How You Are Measuring Service Quality and Performance

8. Tell me about your approaches to measuring service quality and business performance: *types of measures, selection criteria for measures and justification of choice of measures etc.*

9. What issues, problems or concerns specifically about data have you encountered, if any, in your efforts to measure service quality and business performance?

10. Besides data concerns, what barriers to implementing and measuring service quality and business performance have you encountered, if any?

11. How have you overcome these barriers?

12. Can you explain how you evaluate the usefulness of the results you have gotten?

How You Report the Results of Measurement

13. What is the story of your experiences of reporting the results of quality and performance measurement?

    I.e. *how do you use the results, barriers to reporting, strategies to overcome the barriers and any unintended consequences of implementing quality and performance measurement activities.*

Your Opinions about Service Quality and Business Performance

14. Tell me about your perception and experiences regarding the effectiveness of current service quality and performance measurement efforts in your organisation?

15. Please explain whether being in the hotel context has any peculiar / unique contextual service quality and performance implications and how these affect decision making on implementation and measurement.

16. How do you think service quality and performance issues in budget hotels are different with regards to non budget hotels?

17. How do you strike a balance between the often conflicting demands of the various stakeholders? *Customers versus shareholders for example.*

18. What is your view on the propositions that

    'Enhanced service quality leads to improved hotel business performance'.

    I.e. is there a link or relationship between service quality and performance? Why should we expect or not expect a link? How the relationship (if any) does manifest itself? How do you measure the link?

19. What are your experiences (if any) with academic generated measurement approaches in measuring service quality and performance?

    Perceptions on the contribution of academic research to industry: their practicability and reliability and recommendations on improving partnerships and cooperation between academia and industry.

20. Is there anything else you think I should know about your experiences with service quality and business performance that would help me in compiling accurate and precise accounts for my thesis?

This is the end of the interview.
Thank you for your time and Contribution.