

Utility Based Assessment of Business Excellence Factors for Five-Star Hotels in India using AHP

Deepali Anand, Dr. Alka Munjal, Richa Manocha

Abstract

The purpose of this paper is to determine the factors of business excellence which are important in formulation of long-term policies leading to competitive advantage in luxury hotels in India. Malcom Baldrige model of excellence was taken for further studies. A survey was conducted amongst 20 executives from top and middle level management working in luxury and five-star hotels in NCR. AHP was used as statistical tool to determine important criteria for decision making that will help in formulation of strategies for luxury hotels. It was concluded that strategic planning and leadership are two most important criteria of excellence for luxury hotels.

Key Words: *Analytical hierarchy process (AHP), Tourism industry, Luxury hotels, Consistency index (CI), Consistency ratio (CR).*

1. Introduction

Knowledgeable, aware and demanding customers have made competition intense and has changed the rules of the game. Another “Me too” product is no longer accepted and purchased by the informed customer. Thus, challenge faced by marketer’s today is to evolve and find out new ways of fulfilling customer needs while remaining profitable. This objective can be achieved when the organisation strives to improve continuously and transform business processes. Improvement in quality, process and achieving excellence is only possible when people are involved across the different levels in an organisation.

Business excellence can be implemented in learning organisations by involving and motivating people to undergo self-assessment, thereby helping the organisations to identify and assess its strengths that will help to grab the opportunity before competitors. It is an important tool for service-based companies where tangibility is difficult to establish.

Indian hospitality sector has seen an upsurge due to the prospering tourism industry. Customer’s now-a-days have a wide choice of accommodation based on their travel objectives. Different formats have evolved over the years from luxury hotels to Airbnb, leading to shift in bargaining power from hoteliers to customers across different star category of hotels. Marketers has to offer best product at most competitive price in the given segment. Physical product offering of luxury and heritage hotels remains by and large similar, then how do they ensure that customer prefers them over others? This research paper aims to rank the factors of business excellence along with its utility for luxury hotels. It will aid the managers of luxury hotels to focus on the important criteria and take strategic decisions accordingly. This study is based upon the response sought from top and middle level managers of five star and luxury hotels. Questionnaire relating to Business Excellence was administered to the sample population of 20 people and the findings indicate that depending

upon their respective utilities, these attributes play a vital role in identifying important parameters of business excellence.

1.1 Indian Hospitality Industry – An overview

Till the year 2003 India was not looked upon as a popular tourist destination. The Foreign Tourist Arrival (FTA) was less than 3 million per year. Today, the FTA is more than 10 million and is expected to reach 30.5 million by 2028. India's competitive advantage in tourism industry is due to the plethora of niche tourism products available. Religious, MICE, Medical, Luxury tourism, Eco tourism, Rural, Adventure, Sports, Cruises and wellness are a few to name some. The importance and significance of tourism industry has been highlighted in the report published by World Travel & Tourism Council (WTTC) in the year 2019. By the year 2028 the tourism industry will add approximately 10 million jobs. Currently 42.9 million jobs are directly or indirectly generated by tourism industry and this figure is likely to go as high as 52.3 million by the end of 2028.

Tourism industry is a significant contributor in generating foreign exchange, US\$ 2.55 billion was generated by the industry in the year Jan 2019. Government of India also realizes the importance of the industry and has taken several initiatives to promote the sector's growth. New visa reforms have been introduced to citizens of 166 countries that led to increase in FTA's. India ranked 12th in Asia Pacific Region in terms of most attractive destination while it ranked 40th in the world list.

According to Ministry of Tourism (MOT) E-Tourist visa led to an increase in FTA by 143% to 10.8 Lakh in 2016, that further grew by 57.2% to 17 Lakhs during 2017. With the increase in price of dollar vis-à-vis rupee international travel became less attractive to domestic travellers. Expenditure by domestic traveller is increasing at CAGR of 7.2% and is expected to reach 26.43 trillion by the year 2028.

Booming tourism industry has a cascading effect on hospitality sector, there has been an increase in average occupancy rate and revenue rates of rooms. Hospitality industry is promising due to the increase in business and leisure travellers. An upsurge in the rising disposable income of middle class has also contributed in increased travel. Medical tourism, adventure tourism, luxury tourism and many other formats have attracted tourists to India from across the globe. Every traveller looks for accommodation based on his travel objectives. Budget hotels are booming & attracting lot of foreign players.

Investment Glimpses in Indian Hospitality Industry

In the year 2018, travel and tourism witnessed an investment of US\$ 45.7 billion.

In the last 20 years hotel and tourism sector has received a FDI of US\$ 15.61

GOI estimates that by the year 2030 the market size of cruise travellers will be around 1.2 million. In the next 3 to 5 years an investment of US\$ 300 million is planned by Dream Hotel Group.

1.2 Scope of Luxury Hotels in India

Luxury hotels provide a luxurious and bespoke experience to its guests. The global luxury market is valued at US\$ 93.37 billion in the year 2019 and is expected to grow further with CAGR of 4.1%. The drivers of emerging tourism and corporate industries are rising

disposable income, rise in preference of leisure travel, increase in standard of living etc. Indian hotel industry is expected to reach at INR1210.87 billion by the end of 2023 with a CAGR of 13% during 2018-2023, this growth will be contributed by arrival of foreign tourists and business delegates. Luxury has been defined beyond yoga and spa sessions. Customer expects the service provider to keep the reservation process simple and offer some discounts as well. Luxury travellers do not like to wait for check-in and checkout, premium hotels have developed their own applications so that customers can do the same through their mobile phones/tabs. A luxury traveller wants to feel known and valued all the time, housekeeping to be quiet & dependable, dining that is unique and offers best food etc.

CARE Ratings Ltd has published a report on 7 January 2019 stating that more and more business will come from luxury hotels. This is substantiated by the fact that business travellers in cities like Mumbai, Bengaluru, NCR, Kolkata premium room demand was 70 – 90%. In cities like Jaipur, Goa, Kerala, Agra etc the demand for premium rooms has increased considerably. With this increasing trend in luxury rooms many hotel chains have planned to expand and add more luxury rooms by the end of FY23.

2. Literature Review

2.1 Need for Business Excellence

Porter and Tanner (2012) in their research paper identified business excellence as an important strategic tool to gain competitive advantage through better performance. It was suggested that it's a measurement process which enables an organisation to identify strengths and weaknesses. Tsiotras et. al. (2016) highlighted through their study that if an organisation wants to gain a competitive position in the market, then it has to continuously assess its performance and scan the market for new opportunities. Also, it helps to create an environment of continuous improvement that ensures sustainability. Business excellence model helps an organisation to recognise critical prerequisites for success and delineates the guidelines that will help in remaining competitive. It enables an organisation to promote an inter departmental cooperation that will help in achieving the ultimate goals (Lasrado & Uzbeck, 2017)

2.2 Business Excellence and Quality Dimensions

Business excellence models like MBNQA, Baldrige Model, Deming Prize, EFQM, Canada Business Excellence Award, Australian Business Excellence have been developed by various countries to strive for continuous improvement and promote performance excellence. The motive behind all these models is to gain efficiency and effectiveness thereby leading to competitive advantage. Talwar (2011) compared these models and concluded that these models have different criteria based on different point of view. It was concluded that mainly there are 7-10 criteria having further sub criteria, these seven drivers are leadership, planning, people, process, customer, information and results (Tan, 2002; Amir & Reiche, 2013).

2.3 Importance of Business Excellence in Hotel Industry

Hospitality being a service-based industry attracts lot of competition and the only way to remain competitive is to offer quality product to the customer. Due to technological advancements, customer now-a-days is well informed and is looking for better features and facilities at a competitive price. Hoteliers therefore are constantly looking for ways to offer

unique services to its customers, thus motivating the hoteliers to inculcate a quality-based culture that will help them to improve their efficiency (Bouranta et.al; 2017). Claver et.al (2006) brought out in their research that quality has improved businesses to enhance service quality, employee motivation, competitive position, customer satisfaction, market share etc. there are many challenges that a service based organisation faces like service delivery process, customer expectations, increased operating cost, competition, poor demand, lack of efficient employees, inadequate hotel facilities, untrained or not so empathetic staff that can be dealt through business excellence (Ahmad, 2015; Crick & Spencer, 2011; Mehmarzadeh& Chang, 2015).

3. Research Methodology

The aim of this research paper is to identify the factors that are important for luxury hotels in achieving business excellence.

Business excellence has multiple parameters and the same can be analysed through a multi-attribute decision analysis model. For an effective decision-making multiple objective decision analysis and multiple attribute decision are taken together. The decision maker can acquire optimal goals by limiting critical conditioning; multi attribute value theory is the ground for multiple attribute decision analysis model. AHP has been used as a tool to identify the attributes in luxury hotels. AHP is an analytical method and does not require many participants (Hearth, 2004; Lam & Zhao, 1998). Participants need to be an expert in their field of study as having a high number of participants may lead to inconsistency (Shrestha et.al, 2004; Wong et. al, 2008).

Table 1 gives a detail profile of the respondents whose perception with respect to business excellence of luxury hotels was measured. A survey was conducted with 20 senior and middle management people working with 5 star and above hotels in NCR. Input was gathered in the form of paired comparison of different dimensions representing business excellence,for this purpose a square matrix was formed.Reliability of the data collected was established using AHP consistency ratio (CR), it measures the consistency in between the judgements made by the experts. Saaty (2008) stated that AHP allows certain degree of inconsistency in between the responses received from respondents, if this value is less than or equal to 0.10 then the results are reliable.

Table1: Respondents Profile

Item		Frequency
Respondent's category	Industry experts	
	Top & Middle level employees	16
	Policy Makers	1
	Quality experts	3
Gender	Male	18
	Female	2
Age Group	Less than 40 years	2
	41-50 years	9
	51-60 years	6
	More than 61 years	3
Highest level of education	Bachelors	2
	Masters	17
	PhD	1
Years of experience	10-15 years	2
	15-20 years	15
	More than 20 years	3

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The four stages of AHP (Saaty, 2008) were applied to compare the criteria and its corresponding sub-criteria. To derive weights from a Pairwise Comparison Matrix (PCM), executives were requested to compare categories with regard to their importance to the desired goal. The relative importance was determined using a number between 1 and 9 to explain the extent to which one element is dominant over another, corresponding to the criterion to which they were compared (Saaty, 2008). Here, 1 indicates equal importance between the two items, and 9 signifies the extreme importance of one item over the other in a pair. Once all the pairwise comparisons were completed, an average pairwise comparison matrix was constructed representing the judgements of all the executives for the criteria and sub-criteria.

4. Findings

In case of luxury hotels, hoteliers try to create differentiation in the minds of the customer's by creating a unique position. Strategy & Planning helps in identifying the factors which will help in creating a unique position in customer's mind. Strategic direction (13.10%) aids in defining the overall purpose and direction of the hotel. With proper direction profitable customer segments are identified, who value the hotel's core competencies. Luxury hotel's offer a bespoke experience to its customers hence the product is tailor made. Accurate strategic planning process helps to deliver right product at the right time and that too in first attempt. The biggest challenge faced by any service-based company is that the product delivered is intangible and the people who deliver the service become a critical part of service delivery process. Therefore, it becomes important to imbibe organisation value and philosophy in each and every employee across hierarchy. Leadership (26.70%) is the second most important criteria of business excellence for luxury hotels. Proactive, learned and informed leaders will only to be able to make effective strategic plans. Strategic Intent (11.60%) and Strategic Direction (13.10%) are closely related to one another. When purpose is set clearly, strategies can be formulated for success and sustainability.

No. of Paired Comparisons	171
Consistency Ratio (CR)	9.60%
Principal Eigen Value	21.807

Table2: Priority of different dimensions of business excellence for 5-Star Hotels

Dimensions of Business Excellence	Priority	Rank	Cumulative Frequency
Planning Process	15.30%	1	15.30%
Strategic Direction	13.10%	2	28.40%
Strategic Intent	11.60%	3	40.00%
Customer Relationship	10.70%	4	50.70%
Customer Knowledge	8.00%	5	58.70%
Achieving Sustainability	7.60%	6	66.30%
Leading Organisation Culture	6.20%	7	72.50%
Community Involvement	5.30%	8	77.80%
Knowledge Application	3.60%	9	81.40%
Building OCP	3.60%	10	85.00%
Measuring Organisational Performance	2.60%	11	87.60%
Process Improvement	2.60%	12	90.20%
Employee Empowerment	2.20%	13	92.40%
Process Management	1.70%	14	94.10%
Creating Work Culture	1.60%	15	95.70%
Personal Involvement	1.40%	16	97.10%
Customer Perception	1.20%	17	98.30%
Process Output	0.90%	18	99.20%
Data Accuracy	0.80%	19	100.00%
Total Weight	100%		

Table 3: Relative weight of attributes (consolidated criteria wise) for 5-Star Hotels

Strategy & Planning	28.40%
Leadership	26.70%
Customer and Market Focus	19.90%
Success & Sustainability	10.20%
HRM	5.20%
Process Improvement, Management & Innovation	5.20%
Information & Knowledge	4.40%

On evaluating table 2 and table 3 and the inputs given by top and middle managers of luxury hotels, the factors that create business excellence are strategy & planning along with right leadership. The sample was drawn from luxury hotels that are present in other segments as well thus an accurate strategic direction and planning helps to define the unique market segments and offer a unique product.

5. Conclusion

Snyman & Drew (2003) in their study concluded that strategy planning techniques and tools are more common in large organizations due to the availability of resources both human and capital. Strategic planning will only be successful if the leaders could identify the opportunities well intime and play upon them. Visionary leaders are capable of transforming goals into actions. An effective leader can influence and improve organization's performance in the areas of finance, corporate and organizational goals this has also been established by previous researchers (Asree et al., 2010; Bono and Judge 2004, Suresh et al., 2012). Hence it

can be concluded that business excellence can be achieved in luxury, 5-star and 4-star hotels by focusing on strategy & planning and leadership simultaneously. Positive leadership helps outlines a hotels reputation (Ruiz et al., 2014; Suresh et al., 2012) Although some researchers have cited importance of strategic planning for all hotels despite their age and size (Aldehayyat et al., 2011; Hussein & Ayoun, 2001).

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