A STUDY OF THE CRITICAL SUCCESS FACTORS THAT ARE SYNONYMOUS WITH EFFICIENT INTERNATIONAL TOURIST HOTELS IN TAIWAN

by

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A thesis submitted to the University of Western Sydney in part fulfillment of the requirements for the degree of Doctor of Philosophy

June, 2009

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Acknowledgements

Without the good sense and guidance of my supervisors Associate Professor Terry Sloan and Ms. Rayka Presbury this research would have never been completed. I thank them for their timely rescue effort, and for fitting my problem into their already busy lives.

I am indebted to a number of hotel managers who volunteered their valuable time to share with me about their experience to operate hotel, making data gathering an enjoyable social and learning experience.

Finally, I would like to dedicate this thesis to my family with love and gratitude for their support, encouragement, patience and understanding during my study in overseas. I apologise for all my absences and for my lack of attention to all their lives. I am happy to announce they have their husband and dad back. Now it is time for us all to focus on fulfilling new dream.
Statement of Authentication

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text. I hereby declare that I have not submitted this material, either in whole or part, for a degree at this or any other institution.

........................................

Chieh Heng Ko

June, 2009
# Table of Contents

Acknowledgements

Statement of Authentication

Table of Contents

List of Tables

List of Figures

Appendices

Abstract

Chapter One: Introduction

1.1 Background to the Research

1.2 Brief Introduction to Taiwan

1.3 Taiwan Tourism Industry

1.4 Taiwan Hospitality Industry

1.5 Taiwan Hotel Sector

1.5.1 Marketing Condition

1.5.2 Hotel size

1.5.3 Location

1.5.4 Guests’ Nationality

1.5.5 Occupancy and Average Room Rates

1.5.6 Management Style

1.5.7 Business Revenue Structure

1.5.8 Business Expenditure Structure

1.6 Researcher’s Background in Taiwanese Hotel Sector

1.7 Research Objectives

1.8 Research Question

1.9 Overview of Research Design

1.10 Research Significance

1.10.1 Managerial Importance

1.10.2 Academic Importance

1.11 Structure of the Thesis

Chapter Two: Industry Review

2.1 Chapter Introduction

2.2 Current Trends of Tourism Industry in Asia

2.3 Comparison of Taiwan Tourism with Asian Countries

2.3.1 Number of Visitor Arrival

2.3.2 Major Source Markets of Visitor Arrival

2.3.3 Total Tourism Expenditure

2.3.4 Length of Stay for All Inbound Visitors
8.3.2 Respect and Support for Professional Knowledge is an Indispensable Element in Hotel Management

8.3.3 Positive Corporate Culture is a Motivating Power to Enhance Hotel Performance

8.3.4 Innovation and Renovation are Important Strategies for Hotel to Enhance Competitiveness

8.3.5 Quality Employees are the Important Assets to Increase Hotel Performance

8.3.6 Well-trained Employees can Increase Hotel’s Productivity

8.3.7 Empowerment Allows Employees to Quickly Respond to Consumer Needs and Increase Customer Satisfaction

8.3.8 Providing Good Work Environment will Make Employees Present the Best in Return

8.4 Qualitative Approach to Address the Limitation of DEA

8.5 Limitations of the Study and Recommendations for Future Research

8.6 Concluding Remarks

List of References

Appendices
List of Tables

Table 1.1 Yearly target and performance for Doubling Tourist Arrivals Plan................................................................. 6
Table 1.2 Visitor arrivals 1996-2006...................................................... 8
Table 1.3 Occupancy rate 1997-2006...................................................... 8
Table 1.4 Hotel size of international tourist hotel in Taiwan...................... 9
Table 1.5 Location of international tourist hotel in Taiwan........................ 10
Table 1.6 Guests’ nationality of international tourist hotel in Taiwan........ 10
Table 1.7 Occupancy of international tourist hotel in Taiwan.................. 11
Table 1.8 Average Room Rate of International Tourist Hotel in Taiwan..... 12
Table 2.1 Asia tourist change between 1999 and 2005............................... 21
Table 2.2 Number of visitor arrival in Taiwan, Hong Kong, Singapore, Malaysia in 2004.................................................... 23
Table 2.3 Top five source markets of visitor arrival in Taiwan, Hong Kong, Singapore, Malaysia in 2004............................................. 23
Table 2.4 Total tourism expenditure in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 24
Table 2.5 Length of visitor stay in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 25
Table 2.6 Visitor spending pattern in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 25
Table 2.7 First or return visit in Taiwan, Hong Kong, Singapore in 2004..... 26
Table 2.8 Purpose of visit in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 26
Table 2.9 Hotel room occupancy rate in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 27
Table 2.10 Average room rate in Taiwan, Hong Kong, Singapore, Malaysia in 2004.......................................................... 28
Table 2.11 The ratio of room revenue and food and beverage revenue in Taiwan, Hong Kong, Singapore in 2004............................. 28
Table 2.12 Monthly hotel occupancy rate in Taiwan, Hong Kong, Singapore in 2004.......................................................... 28
Table 2.13 Preference of type of hotels according to major inbound visitor... 40
Table 3.1 Summary of previous studies using DEA in hotel sector............. 64
Table 3.2 Departmental critical success factors........................................ 69
Table 3.3 Ranking of the factors influencing hotel productivity............... 71
Table 4.1 Factors that previous studies found to influence performance..... 90
Table 5.1 Operational efficiency of international tourist hotel in 2005 through DEA.......................................................... 101
Table 5.2 Comparing DEA with location, hotel type, management type and major source of customer............................................. 103
Table 5.3 Top 10 hotels with the highest average room rate...................... 105
Table 5.4 Comparing DEA efficiency according to location...................... 107
Table 5.5  Rank-ordered list of DEA efficiency score and the score after area adjustment………………………………………………………… 108
Table 5.6  Comparing DEA efficiency according to the number of hotel room……………………………………………………………… 111
Table 5.7  Rank-ordered list of DEA efficiency score and the score after hotel size adjustment………………………………………………………… 112
Table 5.8  Comparing DEA efficiency according to hotel age……………… 116
Table 5.9  Rank-ordered list of DEA efficiency score and the score after age adjustment……………………………………………………………… 117
Table 5.10 Comparing DEA efficiency according to room rate……………… 120
Table 5.11 Rank-ordered list of DEA efficiency score and the score after room rate adjustment……………………………………………………………… 121
Table 5.12 Comparing DEA rank with adjustment rank according to different influence factors……………………………………………………………………………… 124
Table 5.13 Slack analysis of operational efficiency………………………… 127
Table 5.14 Malmquist Index—efficiency change from 2003 to 2005……….. 129
Table 5.15 Three groups according to DEA operational efficiency………… 131
List of Figures

Figure 2.1  2005 worldwide tourist arrivals ........................................... 21
Figure 2.2  The location of 57 international tourist hotels in Taiwan .......... 30
Figure 3.1  Research model for hotel performance measurement ............ 75
Figure 4.1  The movement of the intertemporal efficiency frontier ......... 84
Figure 4.2  Research design for this study ............................................ 94
Figure 6.1  Summary of critical success factors causing hotel with good performance ................................................................. 236
Figure 6.2  Summary of the factors leading to the performance of poorly performing hotels ......................................................... 237
# Appendices

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix 1</td>
<td>Request for External Organisation Participation</td>
<td>344</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>Consent Form</td>
<td>346</td>
</tr>
<tr>
<td>Appendix 3</td>
<td>Pilot Interview Protocol</td>
<td>348</td>
</tr>
<tr>
<td>Appendix 4</td>
<td>Final Interview Protocol</td>
<td>352</td>
</tr>
<tr>
<td>Appendix 5</td>
<td>Transcript of Interview (Hotel G9)</td>
<td>363</td>
</tr>
<tr>
<td>Appendix 6</td>
<td>Ethics Approval Letter</td>
<td>370</td>
</tr>
<tr>
<td>Appendix 7</td>
<td>Participating Hotel Characteristics</td>
<td>371</td>
</tr>
<tr>
<td>Appendix 8</td>
<td>Profile of Participating Managers</td>
<td>379</td>
</tr>
</tbody>
</table>
Abstract

This research is to evaluate the operational performance of International Tourist Hotels in Taiwan, and explores the critical success factors that contribute to good performance. In the face of a highly competitive environment, a hotel’s operational performance plays a crucial role in determining the hotel’s profitability and competitiveness. Performance measures can provide hotel managers with benchmarking information and insights into how the hotel can improve performance with its current resources, or through changing resource allocation. Therefore, it is very important for managers to evaluate their hotels’ operational performance.

Different approaches and techniques have previously been employed to conduct such evaluations, however, the often-used mechanisms for measuring and analyzing performance of hotels do not capture the relevant performance issues necessary for the hotel sector. Data envelopment analysis (DEA) however provides a framework that integrates several relatively disparate inputs and outputs, producing a single productivity index to help analysts identify which hotel is the most efficient. This technique has been used in this study to assess the relative productivity efficiency of Taiwanese hotels.

This research initially adopted DEA to measure the relative operational efficiency of 57 international tourist hotels in Taiwan. However, the DEA approach can only determine relative operational efficiency but does not identify the factors that give rise to inefficiency or lead to efficiency. Furthermore, DEA only calls attention to those hotels in which efficiency and inefficiency exist, but cannot provide suggestions on how to improve operational efficiency. A qualitative approach is a good way to address this limitation of DEA. Thus after using DEA to evaluate hotel’s operational efficiency this research used a qualitative approach to further explore the critical success factors that contribute to hotels having good performance in Taiwan. From their DEA score, the 57 international tourist hotels were divided into three groups: the hotels with good efficiency, the hotels with average efficiency and the hotels with poor efficiency. Based on these three groups, this research chose several hotels as
sample from each group, conducting in-depth interviews with the managers of each sampled hotel.

The interviews revealed that there are 13 critical success factors contributing to Taiwanese international tourist hotels having good performance, including: 1. owner’s emphasis, 2. professional knowledge and experience in hotel management, 3. innovation and features, 4. outsourcing, 5. quality employees, 6. training, 7. positioning, 8. empowerment, 9. corporate culture, 10. physical facilities and renovation, 11. work environment, 12. brand, and 13. creative marketing.

Among the 13 critical success factors, hotel owner’s emphasis played a significant role. The owners of the good-performance hotels regard their hotel as a core business. Therefore, they provide full support to management with the finance and resources necessary for hotel operation. They perceive operating a hotel as a highly professional task and are willing to provide full trust and to sufficiently delegate their power to professional hotel managers. In addition, their proactive attitude has a strong influence on the hotel’s corporate culture and this corporate culture further effects employees’ behaviour and makes hotel operations more efficient. Additionally, through cultivating quality employees, conducting employee training and empowering employees to deal with service failures in the first instance, hotel’s operational efficiency, service quality, customer’s satisfaction and hotel’s reputation are also enhanced. Moreover, the interviews also revealed that through innovation in physical facilities, management strategies, service content, and regular renovation, those hotels with good operational performance increase their profit, raise awareness of the hotels, improve the image of the hotels and attract more customers.

Through determination of these factors, this research provides hotel managers with a list of advice and recommendations to develop effective strategies to meet a highly competitive environment. Furthermore, the development of this research makes a useful contribution to theory in performance measurement, and provides an approach to overcome the limitations of previous performance research, and develop the strategic theory to enhance hotel performance.
1.1 Background to the Research

Performance measurement is an important managerial activity that is of key concern to hotel managers. Hotels rely on performance measurement to help managers control, monitor and make incremental improvements in operations; and enable hotels to more effectively meet the changing demands and challenges of their competitive environment. These changing demands and challenges reflect an emerging new competitive order – one exemplified by the increasing sophistication of customers and management practices, and the acceleration of globalization and product differentiation (Huckestein and Duboff, 1999). Furthermore, hotel’s business environment is complicated by the dynamics of changes and competition. Effective decision making now requires knowledge of how to assess whether the hotel has delivered or will deliver its strategic objectives, and how this compares with its peers (Phillips, 1999). All of those need an appropriate performance measurement system.

The hotel sector in Taiwan is encountering a highly competitive environment due to the rapid expansion of hotels, and this has led to the fact that eight international tourist hotels have closed down over the last six years. Average occupancy rates have decreased from 73% to 69% between 2005 and 2006 (Taiwan Tourism Bureau, 2006) which is surprising given the surge in new demand entering the market.

Hwang and Chang (2003) noted that Taiwanese hotels have adopted two ways to respond to competition. First, by targeting international travelers and domestic tourists to increase the source of customers. Second, to join franchise-chains, outsourced management and acquired membership in international hotel associations to introduce international management systems and improve their managerial capacities. Despite these competitive measures, it has been hard for these hotels to improve their performance. According to a monthly report on international tourist hotel operations in Taiwan over 2006, the occupancy rate and average room rate of international hotels in 2006 were 69% and US$ 95 respectively, (Taiwan Tourism Bureau, 2006).
Compared with Hong Kong (87%, US$ 140) (Hong Kong Tourism Board, 2007), the occupancy rate and average room rate in Taiwan is much lower. Most of the hotel owners were not satisfied with this result. Furthermore, according to Taiwan Tourism Bureau (2007c), 43 hotels and approximately 12,165 rooms have been scheduled to open between 2007 and 2010. This will make the hotel sector in Taiwan encounter an even high competitive environment.

Facing this situation, considering how to formulate competition strategy, strengthen operational efficiency and enhance hotel’s productivity has become essential not only for profitability but also for a hotel’s survival. When formulating any strategy, it is necessary to have a sound knowledge of the operating efficiency of a given hotel relative to the entire industry (Hwang and Chang, 2003).

The traditional approach to evaluate efficiency is ratio analysis. Ratio analysis is an effective method for evaluating the relationship between just two variables, but it is inadequate in the multi-output, multi-input setting that characterizes hotel operations (Reynold, 2003). On the other hand, financial performance measures are also common approaches to evaluate operational performance. However, over emphasis on financial measures such as return on investment (ROI), can produce a narrow focus on divisional profitability at the expense of overall profitability for the hotel, and it encourages managers to focus on the short term at the expense of the long term.

An alternative such as data envelopment analysis (DEA) provides a framework that integrates several relatively disparate inputs and outputs, producing a single productivity index to help analysts identify which hotel is most efficient (Reynold, 2003). Therefore, this technique will be used in this study to assess the relative operational efficiency of Taiwanese hotels.

Moreover, one of the issues which hotel managers are most concerned about is the differences in performance levels that exist between different hotels and what possible factors may justify those differences. Therefore, based on the results of efficiency evaluation, this study will use a qualitative approach to identify the critical success factors contributing to efficient hotel operations to assist hotel managers to develop
strategy and enhance operational performance.

1.2 Brief Introduction to Taiwan

Taiwan is officially known as the Republic of China (ROC). Founded in 1912, the ROC is Asia’s first constitutional republic. The ROC government, led by the National Party, relocated to Taiwan in 1949 when the Chinese Communist Party established the People's Republic of China (PRC) on the mainland. It has since exercised jurisdiction over Taiwan, Penghu, Kinmen, Matsu, and numerous other islets. The two sides of the Taiwan Strait have since been governed as separate territories.

The island of Taiwan is located in the Western Pacific between Japan and the Philippines off the southeast coast of China, from which it is separated by the Taiwan Strait. With a total area of about 36,179 square kilometers, Taiwan is 394 kilometers long and 144 kilometers wide at its widest point (Taiwan Year Book 2006).

Taiwan’s population surpassed 22.56 million, and almost 70 percent of Taiwan’s population is concentrated in metropolitan areas. The capital city, Taipei, is located in northern Taiwan with a population of 3 million and become a political and economic centre (Taiwan Year Book 2006). The official language of Taiwan is Mandarin Chinese, but because many Taiwanese are the descendants of immigrants from southeastern China, Min-nan is also widely spoken.

Taiwan has been rapidly implementing democracy since the mid-1980s. Various political parties compete in regular elections, and more posts are now filled by popular election than ever before.

Historically, conflict in the Taiwan Strait has remained a serious threat to the stability of the Asia-Pacific region and world peace. Even today as trade, business, and private contacts between the two sides are rapidly expanding, the Beijing authorities on the Chinese mainland still refuse to renounce the use of force against Taiwan. In recent years, both sides of the Taiwan Strait have faced major internal and external challenges. Taiwan has implemented thoroughgoing democratization leading to an unprecedented change of governing party; China is undergoing economic and political
transition; cross-strait interactions have increased following the accession of both sides to the World Trade Organization. Cross-strait relations are no longer merely a regional issue but have become an important item on the agenda of international relations. The two sides therefore need to develop new perspectives and learn to coexist and co-prosper under an international framework.

Taiwan is the 17th largest economy in the world, the 14th largest exporter and 16th largest importer, and the third largest holder of foreign exchange reserves, with over US$180 billion (Taiwan Year Book 2006).

Furthermore, Taiwan has had one of the fastest growing economies for the past five decades, and its development has been praised as an “economic miracle”. Taiwan has gradually high-teched its industries over the past two decades and currently has the fourth largest information hardware and semiconductor industries in the world. Innovative, high-quality “Made in Taiwan” products are sold worldwide. In January 2002, Taiwan joined the World Trade Organization (WTO), becoming an official partner in the world trading system. Today, the government is vigorously promoting a knowledge-based economy and industrial modernization to transform Taiwan into a “green silicon island” of high value-added production.

Taiwan’s gross national product (GNP) in 2004 was US$295.6 billion, with GNP per capita reaching US$13,139. That same year, gross domestic product (GDP) was US$286.9 billion. The service sector constitutes the bulk of Taiwan’s economy at 67.10 percent of the GDP and employs the largest share of the workforce at 57.3 percent (Taiwan Directorate-General of Budget, Accounting and Statistics, 2005)

A lack of natural resources and a relatively small domestic market have made Taiwan dependent on foreign trade, which constitutes over 80 percent of the GNP. Consequently, this has allowed Taiwan to generate one of the world’s largest foreign exchange reserves. In 2004, Taiwan’s foreign trade totaled US$243.1 billion, with exports increasing by 6.29 percent to reach US$130.6 billion and imports rising by 4.94 percent to hit US$112.5 billion (Taiwan Bureau of Foreign Trade, 2005).

As part of its efforts to help revive the economy, the government in May 2002 launched the Challenge 2008 National Development Plan, which emphasizes such
goals as strengthening international competitiveness, upgrading the quality of life, and promoting sustainable development. The government and private sector will work together to pave the way for Taiwan's emergence as a “green silicon island” in the first decade of the new century.

**1.3 Taiwan Tourism Industry**

Tourism has become an industry that is held in high importance by countries all over the world. Together with the high-tech industry, it is regarded as one of the star industrial sectors of the 21st century, delivering evident benefits in creating jobs and earning foreign exchange. According to estimates by the World Travel and Tourism Council (WTTC), over the next ten years the global tourism industry will enjoy a rise in tourism expenditure from US$1,754.5 billion to US$2,969.4 billion, will increase its share of global GDP from 3.6% to 3.8%, and will increase the number of jobs it provides from 234 million to 279 million (World Travel and Tourism Council, 2006). Thus it is evident that the tourism industry will play a major role in future global economic development.

Moreover, Taiwan, in 2004 received a total of 2,950,342 visitor arrivals, who stayed an average of 7.61 nights and spent an average of US$238.25 per person per day, bringing in a total of US$4,053 million (Taiwan Tourism Bureau, 2004). In 2005, thanks to a variety of vigorous promotional efforts by public and private agencies, the total number of visitor arrivals rose to 3,378,118 and their average length of stay was 7.10 nights, with their average daily spending of US$267.02 per person bringing in total tourism revenue of US$4,977 million (Taiwan Tourism Bureau, 2005c). Tourism serves as an important means to increase economic growth. In order to mold a new image of Taiwan as an “island of tourism”, and attract more foreign visitors to Taiwan, one tourism plan “Doubling the Number of Foreign Tourists to Taiwan”, has been listed in “the Challenge 2008 National Development Plan”.

Due to the special characteristics of its geographic environment, Taiwan possesses an abundance and diversity of natural and cultural resources, offering great potential for the development of tourism. The purpose of this plan is to make an all-out effort to
double the number of international tourist arrivals and, in so doing harness its driving power and combining the forces of all related government agencies, carry out improvements to Taiwan’s tourism environment in due order of urgency to raise it up to international standards. The plan sets the following targets for growth in the number of international visitors to Taiwan by 2008 (Taiwan Tourism Bureau, 2005a):

1. The annual number of visitors coming to Taiwan for the purpose of “tourism” to be raised to at least two million from its current level of around one million.

2. Through efforts to effectively remove bottlenecks and tap into potential visitor source markets, the annual number of Taiwan’s visitor arrivals to grow to 5 million from its current level of around 2.6 million.

However, thus far the plan appears to be failing as indicated in Table 1.1. Although the number of tourist arriving in Taiwan had stable increase between 2003 and 2005, it was still far from the goal of yearly target, except in 2003. If the situation is not improved, it would be difficult to attain expected goals. Therefore, both the public and private sectors need to work harder to achieve the goal of promoting and developing the tourism industry of Taiwan, and fully realizing its potential economic impact.

### Table 1.1 Yearly Target and Performance for Doubling Tourist Arrivals Plan

<table>
<thead>
<tr>
<th>Performance</th>
<th>Yearly Target</th>
<th>Unit: 10,000 visits</th>
<th>Attainment</th>
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<tbody>
<tr>
<td>Indicators</td>
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<td>Tourism</td>
<td>210</td>
<td>320</td>
<td>350</td>
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<tr>
<td>Business</td>
<td>65</td>
<td>120</td>
<td>140</td>
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<tr>
<td>Conference</td>
<td>72</td>
<td>94</td>
<td>99</td>
</tr>
<tr>
<td>Family visit</td>
<td>3</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>38</td>
<td>41</td>
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</tbody>
</table>

2. Purpose of visit

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Yearly Target</th>
<th>Unit: 10,000 visits</th>
<th>Attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>108</td>
<td>114</td>
<td>125</td>
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<tr>
<td>Hong Kong</td>
<td>48</td>
<td>50</td>
<td>56</td>
</tr>
<tr>
<td>Singapore</td>
<td>20</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Korea</td>
<td>12</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>U.S.</td>
<td>37</td>
<td>45</td>
<td>46</td>
</tr>
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<td>Europe</td>
<td>16</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Australia</td>
<td>4</td>
<td>5</td>
<td>6</td>
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</table>

Source: Taiwan Tourism Bureau, 2005a
1.4 Taiwan Hospitality Industry

Over the past ten years, the hospitality industry in Taiwan has grown in tandem with the expanding economy of the country and the increased use of hospitality facilities by foreign visitors. As Peter Drucker (1974, p.73) has pronounced “Service is the growth sector of a modern society”. Taiwan’s successful economic development has propelled it into the ranks of newly industrialized societies. Along with this distinction, the growing importance of the service sector becomes inevitable. According to the 2004 statistics, provided by the Taiwan Directory-General of Budget, Accounting and Statistics (2005), the service sector constitutes the bulk of Taiwanese economy at 67.10 percent of the GDP and employs the largest share of the workforce at 57.3 percent. One industry which provides many of the services demanded by tourists is the hospitality industry. Not only does it provide accommodation service, but it also provides food and beverages and other services tourists need. As it plays an important role in the tourism industry, the performance of the hospitality industry can serve as one of the leading indicators of the level of development of tourism in a country, and a good understanding of the characteristics of the hospitality industry is useful for policymakers. Therefore, more and more people put much emphasis on hospitality development in Taiwan.

1.5 Taiwan Hotel Sector

The development of the hotel sector is strongly linked to the hospitality development of Taiwan. Hotels are the providers of lodgings, meals, social interactions, conferences and entertainment for visitors. According to the Taiwan Tourism Bureau (2004), 48.5% (US$ 87.55) of the daily expenditure of US$ 180.52 per visitor is spent within the hotel. Hotel expenses account for the largest expenditure for visitors to Taiwan. Hotel operations are strongly dependent upon the number of visitors and occupancy rates. For the past decade, visitor arrivals have maintained positive growth except for the period in 2003 during the SARS epidemic, as exhibited in Table 1.2.
Table 1.2: Visitor Arrivals 1996-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Visitors</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2,358,221</td>
<td>1.13</td>
</tr>
<tr>
<td>1997</td>
<td>2,372,232</td>
<td>0.59</td>
</tr>
<tr>
<td>1998</td>
<td>2,298,706</td>
<td>-3.10</td>
</tr>
<tr>
<td>1999</td>
<td>2,411,248</td>
<td>4.90</td>
</tr>
<tr>
<td>2000</td>
<td>2,624,037</td>
<td>8.82</td>
</tr>
<tr>
<td>2001</td>
<td>2,831,035</td>
<td>7.89</td>
</tr>
<tr>
<td>2002</td>
<td>2,977,692</td>
<td>5.18</td>
</tr>
<tr>
<td>2003</td>
<td>2,248,117</td>
<td>-24.50</td>
</tr>
<tr>
<td>2004</td>
<td>2,950,342</td>
<td>31.24</td>
</tr>
<tr>
<td>2005</td>
<td>3,378,118</td>
<td>14.50</td>
</tr>
<tr>
<td>2006</td>
<td>3,519,827</td>
<td>4.19</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007b

As for occupancy rates, Table 1.3 indicates that occupancy rates were stable between 61% and 64% before 2002 but dropped dramatically to 57.43% in 2003 owing to SARS. After that, occupancy rates started to increase significantly, specially in 2005, when occupancy rates reached a peak of 73.33%, but after that it dropped to 69.39% in 2006.

Table 1.3: Occupancy Rate 1997-2006

<table>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>64.49</td>
<td>62.51</td>
<td>61.29</td>
<td>64.85</td>
<td>62.02</td>
<td>61.63</td>
<td>57.43</td>
<td>66.22</td>
<td>73.33</td>
<td>69.39</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007b

According to the Taiwan Tourism Bureau (1999), the hotel sector in Taiwan can be divided into international tourist hotels and standard tourist hotels. In order to be called a hotel in Taiwan, a premises must provide single rooms, double rooms and suite rooms. To be classified as an international tourist hotel the total number of rooms must be over 80 in city areas, at least 30 rooms in scenic areas. Standard tourist hotel, on the other hand, are smaller operations. Standard tourist hotel located in the city must have in excess of 50 rooms, with a minimum of 30 rooms in other areas. The plum-grading system is issued by Taiwan Tourism Bureau for hotel grading. This plum-grading system is similar to the star-grading system used by many countries in the world. A hotel with more plums means that it has more quantity of hotel facilities. An international tourist hotel is a hotel with five or four plums, which provides many services and facilities to its guests, such as various types of guest rooms and restaurants, recreation (e.g., bars, night clubs, shopping stores), exercise facilities (e.g., swimming pools, gyms), children's nursery, in-house medical consultation, valet services, and business-related needs (convention venues, business centre, and internet
services). A standard tourist hotel is a medium size hotel with two or three plums, which only offers guest services such as accommodation and catering. The focus of this study is on international tourist hotels because the degree of competitiveness in this marketplace is high and the amount of resources these hotels consume to create outputs of services is considerable. The following sections will analyze the current competitive environment of the Taiwanese international tourist hotels.

1.5.1 Marketing Condition

According to marketing conditions, hotels can also be categorized into two types: commercial hotels, which accommodate guests for business; and resorts which accommodate guests for leisure. Currently, there are 57 international tourist hotels in Taiwan. Of these, 40 are commercial hotels and 17 are resorts. Consequently, most of the international tourist hotels in Taiwan are business hotels.

1.5.2 Hotel size

Hotel size is based on the number of rooms, and Table 1.4 shows the number of hotels with rooms between 200 and 400 is 36 (52%), whilst the number of hotels with more than 500 rooms is only 6 (11%). Therefore most of the international tourist hotels in Taiwan are middle size hotel (200-400 rooms).

<table>
<thead>
<tr>
<th>Hotel size</th>
<th>Number of hotel</th>
<th>Number of room</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 700 rooms</td>
<td>2</td>
<td>1628</td>
<td>8.86%</td>
</tr>
<tr>
<td>601-700 rooms</td>
<td>2</td>
<td>1292</td>
<td>7.03%</td>
</tr>
<tr>
<td>501-600 rooms</td>
<td>2</td>
<td>1161</td>
<td>6.31%</td>
</tr>
<tr>
<td>401-500 rooms</td>
<td>6</td>
<td>2961</td>
<td>16.11%</td>
</tr>
<tr>
<td>301-400 rooms</td>
<td>11</td>
<td>3760</td>
<td>20.45%</td>
</tr>
<tr>
<td>201-300 rooms</td>
<td>25</td>
<td>5784</td>
<td>31.46%</td>
</tr>
<tr>
<td>101-200 rooms</td>
<td>8</td>
<td>1556</td>
<td>8.46%</td>
</tr>
<tr>
<td>Below 100 rooms</td>
<td>2</td>
<td>243</td>
<td>1.32%</td>
</tr>
<tr>
<td>total</td>
<td>57</td>
<td>18385</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a
1.5.3 Location

Table 1.5 shows 42.10% of the international tourist hotels are located in Taipei, the capital city, and 12.28% of the international tourist hotels are located in Taiwan’s second largest city, Kaohsiung. That shows that most of the international tourist hotels in Taiwan are concentrated in city.

Table 1.5: Location of International Tourist Hotel in Taiwan

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of hotel</th>
<th>%</th>
<th>Number of room</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taipei</td>
<td>24</td>
<td>42.10</td>
<td>8879</td>
<td>48.29</td>
</tr>
<tr>
<td>Kaohsiung (Southern Taiwan)</td>
<td>7</td>
<td>12.28</td>
<td>2853</td>
<td>15.52</td>
</tr>
<tr>
<td>Taichung (Central Taiwan)</td>
<td>5</td>
<td>8.77</td>
<td>1361</td>
<td>7.40</td>
</tr>
<tr>
<td>Hwalaing (Eastern Taiwan)</td>
<td>5</td>
<td>8.77</td>
<td>1626</td>
<td>8.84</td>
</tr>
<tr>
<td>Scenic area</td>
<td>8</td>
<td>14.03</td>
<td>1656</td>
<td>9.01</td>
</tr>
<tr>
<td>TauChuMiao</td>
<td>4</td>
<td>7.01</td>
<td>1050</td>
<td>5.71</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>7.01</td>
<td>960</td>
<td>5.22</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>100.00</td>
<td>18385</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a

1.5.4 Guests’ Nationality

The percentage of guest’ nationality in Taiwan’s international tourist hotels in 2005 is local guests (43.32%), Japanese guests (21.80%), Northern America (7.93%), Asian guests (12.55%) and European guests (4.26%). Therefore, the largest foreign guests in Taiwan’s international tourist hotels were from Japan. In addition, the percentage of Japanese guests and the other Asian guests increased between 2003 and 2005 but the percentage of guests from local, Europe and Australia decreased.

Table 1.6: Guests’ Nationality of International Tourist Hotel in Taiwan

<table>
<thead>
<tr>
<th>Year</th>
<th>Local</th>
<th>Overseas Chinese</th>
<th>Northern America</th>
<th>Japan</th>
<th>Asian (Excluding Japan)</th>
<th>European</th>
<th>Australia</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>55.56</td>
<td>3.75</td>
<td>6.50</td>
<td>15.92</td>
<td>10.79</td>
<td>3.63</td>
<td>0.86</td>
<td>2.97</td>
</tr>
<tr>
<td>2004</td>
<td>48.41</td>
<td>5.09</td>
<td>7.85</td>
<td>17.67</td>
<td>11.57</td>
<td>4.46</td>
<td>0.90</td>
<td>4.04</td>
</tr>
<tr>
<td>2005</td>
<td>43.32</td>
<td>4.59</td>
<td>7.93</td>
<td>21.80</td>
<td>12.55</td>
<td>4.26</td>
<td>0.78</td>
<td>4.76</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a
On the other hand, the ratio of foreign customers in each region varies greatly. Domestic customers are more evenly distributed, and the ratio is the highest in scenic areas (23.97%), followed by Hualien (19.53%), and Taipei (18.7%). Overseas Chinese customers mostly stay in Taipei (54.9%), followed by Taoyuan, Hsinchu, and Miaoli (14.57%) and Taichung (12.33). North Americans mostly stay in Taipei (67.72%), followed by Taoyuan, Hsinchu, and Miaoli (8.86%). They seldom stay in Hualien (only 0.51%). European, Australian, and other foreign travelers also stay mainly in Taipei (69.77%, 79.27%, and 64.39%, respectively).

The ratio of nationality of foreign customers is different in each area. In Taipei, Japanese travelers take the largest proportion (33.19%), followed by Asian travelers (18.68%), and domestic travelers (17.23%). In Kaohsiung, domestic travelers take the main proportion (57.55%), followed by Japanese travelers (10.12%). In Taichung, domestic travelers also take the major proportion (49.90%), followed by Japanese travelers (21.78%). Therefore, domestic travelers take the major proportion in most cities in Taiwan except for Taipei.

### 1.5.5 Occupancy and Average Room Rates

Occupancy and average room rate is an important indicator reflecting hotel performance. Most hotels in Taipei, Kaohsiung, Taichung, TauChuMiao are business hotels and hotels located in Hualien and Scenic area are resorts. Table1.7 shows business hotels in city has higher occupancy rate than resort, except SARS happening in 2003. However, average room rate of resorts is higher than that of business hotels. (see Table 1.8)

<table>
<thead>
<tr>
<th>Year</th>
<th>Taipei</th>
<th>Kaohsiung</th>
<th>Taichung</th>
<th>Hualien</th>
<th>Scenic area</th>
<th>TauChuMiao</th>
<th>Other</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>57.37</td>
<td>56.86</td>
<td>58.12</td>
<td>65.25</td>
<td>63.96</td>
<td>42.30</td>
<td>57.04</td>
<td>57.43</td>
</tr>
<tr>
<td>2004</td>
<td>69.30</td>
<td>62.64</td>
<td>68.10</td>
<td>59.12</td>
<td>62.70</td>
<td>56.28</td>
<td>71.19</td>
<td>66.22</td>
</tr>
<tr>
<td>2005</td>
<td>76.96</td>
<td>71.66</td>
<td>83.56</td>
<td>60.80</td>
<td>62.53</td>
<td>70.32</td>
<td>70.87</td>
<td>73.33</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a
### Table 1.8 Average Room Rate of International Tourist Hotel in Taiwan

<table>
<thead>
<tr>
<th>Year</th>
<th>Taipei</th>
<th>Kaohsiung</th>
<th>Taichung</th>
<th>Hualien</th>
<th>Scenic area</th>
<th>TauChu Miao</th>
<th>Other</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>93.44</td>
<td>59.44</td>
<td>63.38</td>
<td>81.41</td>
<td>103.09</td>
<td>74.65</td>
<td>71.53</td>
<td>83.97</td>
</tr>
<tr>
<td>2004</td>
<td>100.32</td>
<td>62.44</td>
<td>63.38</td>
<td>87.32</td>
<td>108.65</td>
<td>78.12</td>
<td>71.94</td>
<td>89.53</td>
</tr>
<tr>
<td>2005</td>
<td>104.85</td>
<td>62.76</td>
<td>70.26</td>
<td>82.03</td>
<td>115.62</td>
<td>69.32</td>
<td>78.35</td>
<td>91.59</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a

#### 1.5.6 Management Style

Based on patterns of hotel, hotels are classified into two large groups: independent operations and chain operations. Chain operations are further subdivided into franchise chain and management contract.

Independent operation refers to investors who do not rely on foreign management. They operate hotels on their own and are responsible for their own management decisions. In Taiwan, people prefer having their own business; therefore, most of Taiwan international tourist hotels are run by independent operators. For the franchise hotels, the owners must pay franchise fees, advertising fees and loyalty fees, for which they obtain an established brand name, operating instructions, personnel training programs, and access to a centralized reservation system. Currently, there are ten franchise hotels in Taiwan. Management contract refers to hotels wherein investors formulate a management contract and entrust international chain hotels to manage the hotel on its behalf. Hotel ownership and management are entirely separated. Currently, the number of management contract hotels is four.

#### 1.5.7 Business Revenue Structure

According to the Taiwan Tourism Bureau (2007a), in 2005, the average business revenue of 57 hotels in Taiwan is US$19,879,467. In terms of region, the average revenue of hotels is the highest in Taipei (US$28,228,803), followed by Kaohsiung (US$20,621,428), Taichung (US$ 16,007,114), and Hualien (US$9,743,501)

In 2005, the total revenue of international tourist hotels is US$1.13 billion. The major sources of revenue include guestroom, food and beverage, laundry, store rent, service
fee, and others. In terms of the revenue structure, food and beverage takes the largest ratio (44.14%), followed by guestroom (40.84%). The total revenue of the two services takes 84.98% of total business revenue.

In recent years, international tourist hotels in Taiwan have begun to gain more revenue from food and beverage service than from guestrooms. In 2005, among the 57 international tourist hotels, 31 gain more revenue from food and beverage service than from guestrooms, and 26 gain more revenue from guestrooms than from food and beverage service. Hotels in Hualien, scenic areas, and Taoyuan, Hsinchu, and Miaoli areas gain more revenue from guestrooms than from food and beverage service. Hotels in Taipei, Taichung, and Kaohsiung gain more revenue from food and beverage service than from guestrooms. Therefore the contribution of food and beverage service to international tourist hotels in Taiwan is becoming more and more important. For international tourist hotels in metropolitans, this service is even more contributive than guestrooms.

### 1.5.8 Business Expenditure Structure

According to the Taiwan Tourism Bureau (2007a), in 2005, the average business expenditure of 57 hotels in Taiwan is US$17,329,348. In terms of region, the average expenditure of hotels is the highest in Taipei (US$24,000,676), followed by Kaohsiung (US$19,806,481), Taichung (US$13,428,431), and Hualien (US$8,549,903).

The major items included in business expenditure are salary, cost of food and beverage, utility and gas, depreciation, repair and maintenance, and laundry. In terms of the ratio of each item to the total expenditure, salary is the highest (34.13%), followed by cost of food and beverage (19.11%), telephone fee, cleaning fee, and other fees (16.11%), and depreciation (9.21%).
1.6 Researcher’s Background in Taiwanese Hotel Sector

The researcher has worked in the Taiwanese hotel industry for more than seven years. During these seven years, the researcher has experienced receptionist, front desk supervisor, assistant lobby manager and front desk manager. From working experience, the researcher understands that hotel performance is the major concerns for most hotel managers and they are looking for effective approaches to improve their performance. Through this research, the researcher will provide hotel managers with a list of advices and recommendations to develop effective strategies to enhance hotel performance.

1.7 Research Objectives

Performance evaluation and developing competitive strategy are essential for hotel management because hotels operate in a highly competitive market, in which many hotels compete to attract clients in order to be economically viable. Thus the level of competition in the accommodation market demands efficiency and strategy. When business is poor, hotel managers can use strategy to boost their operational efficiency to enhance its profitability. In contrast, when business is good, successful hotel continue to focus on strategy and efficiency as a means of ensuring their prosperity.

When formulating any strategy, it is necessary to have a sound knowledge of relative operational efficiency of a given hotel relative to the entire industry. Similarly, in formulating competition strategies, one must first identify what factors lead to good performance, namely the critical success factors contributing to good performance. Furthermore, which hotels serve as positive examples and become the models of best practice for the other hotel is also important in the industry. All of these help hotel managers evaluate their strengths and weakness in formulating strategies. Therefore, the objectives of this study are:

1. To evaluate the operational efficiency of international tourist hotels in Taiwan.
2. To identify the critical success factors contributing to good performance.
3. To identify which hotels have good performance and have become a benchmark for
other hotels; and which hotels are inefficient and should improve their operation.
4. To analyze the reasons why benchmarking hotels are doing well and how inefficient hotels can improve their performance.
5. To determine the strategies that are more effective in the highly competitive environment.

1.8 The Research Questions

Efficiency was defined by Jones and George (2003, p.215) as a measure of how well or how productively resources are used to achieve a goal. Organisations are efficient when managers minimize the amount of input resource or the amount of time needed to produce a given output of goals or service. Lovell (1993) also defines efficiency of an organization as a comparison between observed and optimal values of its output and input. In terms of an organisations behavioural goals, efficiency is measured by comparing observed and optimum costs, revenue, or whatever the organisation is assumed to pursue, subject to the appropriate constraints on quantities and prices.

A manager’s responsibility is to ensure that an organisation and its members perform as efficiently as possible. The fewer the inputs required to produce a given output, the higher will be the efficiency of the production system. Therefore, it is very important for managers to evaluate organisational efficiency. Different approaches and techniques have been employed to conduct such evaluations. However, the often-used mechanisms for measuring and analyzing efficiency of organisation have remained too narrow to capture the broad spectrum of factors that actually contribute to an organisation’s success (Reynold, 2003). Data envelopment analysis (DEA) will be used in this research because it can integrate multiple input and output variables and remedy this shortcoming.

This research will investigate the following:

1. What is the relative operational efficiency of international tourist hotels in Taiwan?
2. What have been the operational efficiency changes in international tourist hotels in recent years?
3. Which hotels have improved their operational efficiency to become a benchmark for other hotels?

Previous research using DEA to evaluate hotel efficiency only indicated: efficiency scores; efficient and inefficient hotels; and what part of inefficiency by hotels should improve. That means that previous research only answered “how well a hotel is doing”; “which hotel is doing best?” and “what dimension the inefficient hotel could improve” but ignored the most important question “why this hotel is doing well?”

In fact, the real aim of applying DEA is to identify what factors lead to efficiency and what factors result in inefficiency. Consequently, this research will further explore:

4. What are the factors that lead hotel to have good efficiency in Taiwan?
5. What kind of strategy can be developed to increase hotel efficiency?

1.9 Overview of Research Design

To understand the operational efficiency of Taiwanese international tourist hotels, this research adopted data envelope analysis (DEA) to measure the relative operational efficiency of 57 international hotels in Taiwan, and identify which hotels have good performance and have become a benchmark for other hotels; and which hotels are inefficient and should improve their operation.

However, DEA approach can only determine relative operational efficiency but cannot identify the factors that give rise to inefficiency or lead to efficiency. Furthermore, DEA only calls for attention to those hotels in which efficiency and inefficiency exist but cannot provide suggestions on how to improve operational efficiency. Therefore, this research further used qualitative in-depth interview with hotel managers to explore the critical success factors that lead to hotels to have good performance in Taiwan, and how inefficient hotels can improve their performance. Through analysis of the data, this research provided hotel managers with a list of advices and recommendations to develop effective strategies to meet a highly competitive environment.
1.10 Research Significance

This research is important because it evaluates the operational efficiency of international tourist hotels in Taiwan and identifies the critical success factors contributing to good performance. Specially, the results could be used to develop the strategies which are more effective in the highly competitive environment.

1.10.1 Managerial Importance

The main objective of measuring efficiency is to gain an insight of how a company is evaluated and how it can improve efficiency with its current resource base or change resource allocation. This is especially important in the management of hotels under a highly competitive environment. The major problem in measuring lies on the incommensurability of different output measurements as well as input measurements. This problem can be solved by using the DEA approach.

This research will adopt DEA to measure the relative operational efficiency of 57 international tourist hotels in Taiwan. By comparing relative efficiency and the rate of efficiency change of the hotel sector, an individual hotel’s competitiveness and pace of progress can be identified. A further exploration of critical success factors contributing to hotels having good performance can help managers to understand factors determining the operational performance and develop effective strategies to meet a highly competitive environment. This research will provide hotel managers with a list of recommendation to enhance hotel performance.

1.10.2 Knowledge Contribution

Although several previous researchers have used DEA to evaluate hotel operational efficiency, their results only focus on efficiency scores and indicated which hotel performed efficiently. However, they did not identify what factors contribute to efficiency and what factors result in inefficiency. Moreover, previous researchers only measured quantitative data and often overlooked intangible issues such as hotel
location, management system, and human resource. These issues may be external to the control of management but can crucially affect hotel operational efficiency. As Lucas and Deery (2004) indicated that qualitative research enquiries have great potential when exploring issues in the field of hospitality. Therefore, this research will also consider these issues and use qualitative approach to explore critical success factors contributing to good hotel performance.

This research contributes three extensions to the existing knowledge:

- First, this research uses a qualitative approach to explore the critical success factors contributing to hotel having good performance.
- Second, this research considers the intangible factors that were often ignored by previous researches.
- Lastly, this research will develop effective strategies to improve hotel operational performance.

The development of the research makes a useful contribution to the theory of performance measurement, and provides an approach to overcome the limitations of previous hotel performance researchers, further developing methods to enhance hotel performance.

1.11 Structure of the Thesis

This introductory chapter provides a general overview of the research background, research objectives, research method, research significance and thesis structure. Chapter two introduces the background to the tourism and hotel sector of Taiwan, including a comparison of hotel sector performance between Taiwan and other Asian countries, and the analysis of the competitive environment of Taiwanese international tourist hotels and the problems facing Taiwanese hotel sector.

Chapter three initially reviews the traditional approaches of the performance measurement and their shortcoming when applied in the hotel sector. The hotel sector has its own particular service delivery characteristics such as perishability,
intangibility, heterogeneity and simultaneity, and this increases the difficulties when conducting performance measurement in hotel sector. Therefore, this chapter introduces the principle of DEA and the advantages of applying DEA in the hotel sector. To further explore the factors leading to hotel with good performance, this chapter reviews the nature of critical success factors, application and its advantages. In addition, the model used in this research is also introduced.

Chapter four provides details of the research methodology that underpinned the research process. It initially describes quantitative approach used in this research, including the concept of DEA, the input and output data used in DEA, followed by explaining qualitative approach used in this research, discussing the reason this study use qualitative in-depth interview and its advantage. Data collection method, the design of the interview protocol and data analysis method are also described in this chapter.

Chapter five reports on the results of using DEA to measure the operational efficiency of 57 international tourist hotels in Taiwan and discusses the relationship between operational efficiency and some influence factors. This chapter also presents the results of DEA slack analysis and uses the Malmquist Index to explain the annual change of the operational efficiency of each hotel. Chapter six presents the findings from the qualitative in-depth interview with hotel managers and explains the critical success factors contributing to Taiwanese international tourist hotels having good performance.

Chapter seven evaluates what was learnt from the critical success factors contributing to Taiwanese international tourist hotels having good performance and discusses the impact of every factor on hotel operational performance. Finally, chapter eight provides the implication of the research, and some practical suggestions for hoteliers. The limitations of this research and recommendations for further research are also offered.
Chapter Two: Industry Review

2.1 Chapter Introduction

Over the last decade, the Asian region has become the fastest growing tourism region in the world. Tourism is one of the most important industries in a large number of Asian countries (WTO 2005a). This chapter reviews the growth and development of the tourism industry in the Asian region. In addition, a comparison of the tourism industry performance and hotel sector performance are made between Taiwan and other Asian countries, to highlight the trends and changes. Furthermore, the hotel sector in Taiwan is facing highly competitive pressure in recent years. This chapter also analyzes the competitive environment of Taiwanese hotel sector and the problems facing international tourist hotels in Taiwan.

2.2 Current Trends of Tourism Industry in Asia

According to the World Tourism Organisation (WTO), tourist arrived to Asia Pacific reached an all-time high of 145.5 million in 2004. Over the last decade, the Asia Pacific region has been the fastest growing tourism region in the world (WTO 2005a). Statistics from the World Tourism Organization for 2004 showed that tourist arrivals and receipts in Asia accounted for a 19.0% and 20.2% share of the world’s total respectively (WTO 2005a). Asia continues to be the most widely visited region after Europe in 2005. Although Europe attracts more than half of the world’s travelers (see Figure 2.1), its share of the global market is slowly being eroded by the likes of Asia, the Middle East and Africa as these markets grow in popularity.
The Asia Pacific region has been gaining market share at the expense of the Americas and European regions, which saw a decline in their respective shares during the same period. Visitor arrivals to Asia Pacific increased by 7.8% in 2005—outperforming the world average of 5.6%. Overall the region saw arrivals arrow at a faster pace than America and Europe but slower than the Middle East and Africa (WTO, 2006).

As seen in the Table 2.1 below, every region across Asia saw tourist numbers increase in 2005. The best performer was North-East Asia, which fuelled by China, was the only region to experience double-digit growth. South Asia, South-East Asia and Oceania achieved consistent increases in visitor numbers at approximately 4-5%.

### Table 2.1 Asia Tourist Change between 1999 and 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia &amp; the Pacific</td>
<td>156.7</td>
<td>145.4</td>
<td>12.1</td>
<td>4.7</td>
<td>8.1</td>
<td>-9.3</td>
<td>27.2</td>
<td>7.8</td>
</tr>
<tr>
<td>North East Asia</td>
<td>87.6</td>
<td>79.4</td>
<td>12.6</td>
<td>4.7</td>
<td>11.9</td>
<td>-9.6</td>
<td>28.6</td>
<td>10.3</td>
</tr>
<tr>
<td>South East Asia</td>
<td>50.6</td>
<td>48.3</td>
<td>13.4</td>
<td>7.9</td>
<td>5.1</td>
<td>-13.3</td>
<td>30.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Oceania</td>
<td>10.5</td>
<td>10.1</td>
<td>8.4</td>
<td>-2.0</td>
<td>0.8</td>
<td>-1.0</td>
<td>12.1</td>
<td>4.0</td>
</tr>
<tr>
<td>South Asia</td>
<td>8.0</td>
<td>7.6</td>
<td>5.4</td>
<td>-4.5</td>
<td>0.4</td>
<td>10.2</td>
<td>18.5</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: World Tourism Organisation 2006

Tourism is one of the most important industries in the economies of Asian countries (Singh, 1997). Tourism generates three major economic benefits to the host country,
namely foreign exchange, income generation, and employment (Firag 2001). Foreign exchange earnings, in terms of foreign tourists’ expenditures on accommodation, food, and travel in the host country, are considered the most important economic contribution of the tourism industry. Tourism not only generated direct income but each unit of tourists’ expenditure circulates within the economy creating more indirect income. The indirect income is returned to the local economy, and has a significant multiplier effect as it is spent over and over again. Moreover, tourism is a labour-intensive industry which has the potential to create more jobs per unit than any other industry (Varma 2001), including both skilled and unskilled jobs. The key to the success of tourism in the Asian region is a clear recognition by the host governments of the important role of tourism in the economic development of the country (Singh 1997). Tourism serves as an important means to increase economic growth, raise the quality of life, create employment, and improve the overall balance of payments by helping to offset deficits in other sectors. The WTO projects that by the year 2020, Asia Pacific will attain 397 million arrivals and become the world's number two tourism region (WTO 2005a). This is an indication that the growth of tourism in the Asian region in the next decade will be nothing short of spectacular.

2.3 Comparison of Taiwan Tourism with Asian Countries

Tourism is the important industry in Asia. In the face of this situation, Taiwan, one of the Asian countries, can not ignore this trend. The following sections compare tourism performance between Taiwan and its major competitive countries in Asia to understand the current development of Taiwan tourism industry.

2.3.1 Number of Visitor Arrival

For the number of visitor arrival, Table 2.2 shows that in 2004, the number of visitor arrival in Taiwan was much less than Hong Kong, Singapore and Malaysia. Among these four regions, Hong Kong and Singapore can be regarded as city. Only Malaysia is a country which is bigger than Taiwan. However, the performance of Taiwan in visitor arrival was much less than the other three regions. Taiwan should make much effort to attract more foreigners to visit.
Table 2.2: Number of visitor arrival in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Number of visitor arrival</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>2.95million</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>21.81million</td>
</tr>
<tr>
<td>Singapore</td>
<td>8.30million</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15.70million</td>
</tr>
</tbody>
</table>


2.3.2 Major Source Markets of Visitor Arrival

The major source markets of visitor arrivals are depicted in Table 2.3, this shows that the top market for visitor to each region is their neighboring country. Specially in Hong Kong, owing to the abolition of China tour group quotas and the introduction of individual visit scheme, China contributed 12,245,856 visitors in 2004, accounting for 56.1% of total visitor arrival and brought HK$33,941million expenditure in Hong Kong (Hong Kong Tourism Board 2005), making Hong Kong one of the top 10 most popular tourist destinations across the world.

Table 2.3: Top five source markets of visitor arrival in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th>Number of visitors</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan top five source markets</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>887,311</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>417,087</td>
</tr>
<tr>
<td>USA</td>
<td>382,822</td>
</tr>
<tr>
<td>Singapore</td>
<td>165,666</td>
</tr>
<tr>
<td>South Korea</td>
<td>148,059</td>
</tr>
<tr>
<td>Hong Kong top five source markets</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>12,245,865</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2,074,795</td>
</tr>
<tr>
<td>Japan</td>
<td>1,126,250</td>
</tr>
<tr>
<td>USA</td>
<td>1,051,696</td>
</tr>
<tr>
<td>South Korea</td>
<td>539,190</td>
</tr>
<tr>
<td>Singapore top five source markets</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,765,000</td>
</tr>
<tr>
<td>China</td>
<td>880,000</td>
</tr>
<tr>
<td>Japan</td>
<td>599,000</td>
</tr>
<tr>
<td>Australia</td>
<td>561,000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>537,000</td>
</tr>
<tr>
<td>Malaysia top five source markets</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>5,420,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>940,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>545,000</td>
</tr>
<tr>
<td>Japan</td>
<td>456,000</td>
</tr>
<tr>
<td>China</td>
<td>425,000</td>
</tr>
</tbody>
</table>

Although China is a neighboring country of Taiwan, due to political issue, in the past Chinese tourists were not allowed to make sightseeing trips to Taiwan. However the Taiwanese government lifted this ban on Chinese visitors to Taiwan in July of 2008. This gives great hope to the Taiwanese tourism industry and represents a huge potential source of income for the tourism industry and also represents a potential boost for the Taiwanese economy. On the other hand, Japanese tourists play an important role in these four regions. Therefore, Taiwan should also place emphasis on Japanese tourists.

2.3.3 Total Tourism Expenditure

Comparing Taiwan with other Asian regions in total tourism expenditure, the results (see Table 2.4) show that total tourism expenditure in Taiwan in 2004 was much less than Hong Kong, Singapore and Malaysia. For decades, due to a pattern of economic development that focused on manufacturing, the government of Taiwan paid less attention in tourism development. However, as mentioned above tourism has become one of the important industries and source of foreign exchange among Asian countries, Taiwan should re-evaluate its economic development policy and pay more attention in developing tourism.

<table>
<thead>
<tr>
<th></th>
<th>Total Tourism Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>US$4,053million</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>US$11,760million</td>
</tr>
<tr>
<td>Singapore</td>
<td>US$4,130million</td>
</tr>
<tr>
<td>Malaysia</td>
<td>US$8,471million</td>
</tr>
</tbody>
</table>


2.3.4 Length of Stay for All Inbound Visitors

Table 2.5 indicates that compared with the other regions, the length of stay of inbound visitors in Taiwan was longer. This is the strength of Taiwan tourism development because increasing the length of stay can also increase international tourist receipt. Due to the special characteristics of its geographic environment, Taiwan possesses an abundance and diversity of natural and cultural resources, Taiwan should have the
ability to strive for inbound visitors to stay longer.

Table 2.5: Length of visitor stay in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Length of stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>7.6 nights</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3.7 nights</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.2 nights</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.8 nights</td>
</tr>
</tbody>
</table>


2.3.5 Visitor Spending Pattern

Comparing visitors spending pattern in Taiwan, Hong Kong, Singapore, Malaysia, Table 2.6 shows that hotel bill made up the largest portion of visitor’s expenditure in Taiwan and Malaysia. On the other hand, visitors in Hong Kong and Singapore spent more than half of their consumption in shopping. This indicates that inbound visitors contribute more in the hotel sector in Taiwan and Malaysia.

Table 2.6: Visitor spending pattern in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Hotel Bill</th>
<th>Shopping</th>
<th>Food &amp; Beverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>48.50%</td>
<td>18.62%</td>
<td>12.40%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>20.20%</td>
<td>55.90%</td>
<td>13.31%</td>
</tr>
<tr>
<td>Singapore</td>
<td>22.12%</td>
<td>50.32%</td>
<td>14.21%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>34.71%</td>
<td>21.56%</td>
<td>18.73%</td>
</tr>
</tbody>
</table>


2.3.6 First or Return Visit

Table 2.7 reveals that compared with Hong Kong and Singapore, more than half of visitors to Taiwan were first time visit. On the contrary, more than 60% of visitors in Hong Kong and Singapore were return visitors. Therefore, Taiwan should make effort to encourage inbound tourists to come back again.
Table 2.7: First or return visit in Taiwan, Hong Kong, Singapore in 2004

<table>
<thead>
<tr>
<th></th>
<th>First time visit</th>
<th>Return visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>50.52%</td>
<td>49.48%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>35.56%</td>
<td>64.44%</td>
</tr>
<tr>
<td>Singapore</td>
<td>33.12%</td>
<td>66.88%</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2005, Hong Kong Tourism Board 2005, Singapore Tourism Board 2005

2.3.7 Purpose of Visit

It is revealed in Table 2.8 that in Hong Kong, Singapore and Malaysia, the percentage of visitors for pleasure purpose was much higher than that for business purpose. However, in Taiwan, the percentage of visitors for business purpose was nearly equal to that for pleasure purpose. This revealed that more visitors to Hong Kong, Singapore, and Malaysia were for pleasure purpose. In the contrary, many visitors to Taiwan were for business purpose. This may be the result of the above mentioned pattern of economic development, and the fact that Taiwan has put much emphasis on manufacturing and paid less attention in tourism development.

Table 2.8: Purpose of visit in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>Pleasure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>32.68%</td>
<td>34.97%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>25.02%</td>
<td>49.61%</td>
</tr>
<tr>
<td>Singapore</td>
<td>26.21%</td>
<td>34.37%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10.86%</td>
<td>42.52%</td>
</tr>
</tbody>
</table>


2.4 Comparison of Taiwanese Hotel with Asian Countries

The hotel sector plays a significant role in Asian economy (Pine et al. 1998). To understand hotel’s performance in Asia, the following sections compared room occupancy rate, average room rate, the ratio of room to food and beverage revenue and monthly hotel room occupancy between Taiwan and its major competitive countries in Asia.
2.4.1 Room Occupancy of Taiwan, Hong Kong, Singapore and Malaysia in 2004

Comparison of hotel room occupancy in Taiwan, Hong Kong, Singapore and Malaysia is shown in Table 2.9. The results show that room occupancy in Hong Kong and Singapore was much higher than Taiwan and Malaysia. Choy (1998) indicated that although visitors’ arrivals have increased in Asia, occupancy rates have varied considerably. Only Hong Kong and Singapore have consistently achieved occupancies exceeding 80%. Indonesia, Malaysia and Thailand have an oversupply of rooms resulting in heavily discounted rates. Taiwan seems to be the same situation. The report from Taiwan Tourism Bureau (2007c) indicates that approximately 12,164 hotel rooms have been scheduled to open between 2007 and 2010. The additional rooms will make it difficult to overcome existing oversupply and prolong the time period of low occupancies. Therefore, Taiwan should develop new market and strive for more inbound visitors.

Table 2.9: Hotel room occupancy rate in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Room Occupancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>66%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>88%</td>
</tr>
<tr>
<td>Singapore</td>
<td>81%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>61%</td>
</tr>
</tbody>
</table>


2.4.2 Average Room Rate of Taiwan, Hong Kong, Singapore and Malaysia in 2004

Table 2.10 indicates that among Taiwan, Hong Kong, Singapore and Malaysia, Hong Kong enjoyed the highest average room rate. This resulted from the fact that many Chinese tourists visited Hong Kong and created hotel boom in this region. Compared with Hong Kong, the average room rate in Taiwan was lower but still higher than Singapore and Malaysia. This may result from high living standard in Taiwan and high land cost and may affect the competitiveness of Taiwanese hotels in Asia.
Table 2.10: Average room rate in Taiwan, Hong Kong, Singapore, Malaysia in 2004

<table>
<thead>
<tr>
<th></th>
<th>Average Room Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>US$95</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>US$103</td>
</tr>
<tr>
<td>Singapore</td>
<td>US$80</td>
</tr>
<tr>
<td>Malaysia</td>
<td>US$61</td>
</tr>
</tbody>
</table>


2.4.3 The Ratio of Room Revenue to Food and Beverage Revenue

Table 2.11 reveals that the ratio of room revenue to food and beverage revenue in Hong Kong and Singapore was about 6 to 4. On the contrary, food and beverage revenue in Taiwanese hotel was higher than room revenue. This reveals that food and beverage play an important role in Taiwanese hotel sector but the importance of room is more than food and beverage in hotel in Hong Kong and Singapore.

Table 2.11: The ratio of room revenue and food and beverage revenue in Taiwan, Hong Kong, Singapore in 2004

<table>
<thead>
<tr>
<th></th>
<th>Room</th>
<th>F&amp;B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>59%</td>
<td>33%</td>
</tr>
<tr>
<td>Singapore</td>
<td>57%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2005, Hong Kong Tourism Board 2005, Singapore Tourism Board 2005

2.4.4 Monthly Hotel Occupancy Rate in 2004

Comparing monthly hotel occupancy rate in Taiwan, Hong Kong and Singapore, the results show that the peak month and low month of occupancy in these three regions were similar. Table 2.12 shows that the highest occupancy rate in Taiwan, Hong Kong and Singapore was in November and the lowest occupancy rate appeared in January. However, the gap between the highest occupancy rate in peak month and the lowest occupancy rate in low month in Taiwan was more than Hong Kong and Singapore. This implies that hotel sector in Taiwan has more difficult operational environment.

Table 2.12: Monthly hotel occupancy rate in Taiwan, Hong Kong, Singapore in 2004

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>54</td>
<td>63</td>
<td>63</td>
<td>60</td>
<td>62</td>
<td>69</td>
<td>70</td>
<td>68</td>
<td>68</td>
<td>73</td>
<td>78</td>
<td>69</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>78</td>
<td>81</td>
<td>95</td>
<td>86</td>
<td>84</td>
<td>86</td>
<td>93</td>
<td>91</td>
<td>85</td>
<td>89</td>
<td>96</td>
<td>81</td>
</tr>
<tr>
<td>Singapore</td>
<td>69</td>
<td>81</td>
<td>80</td>
<td>80</td>
<td>79</td>
<td>83</td>
<td>85</td>
<td>81</td>
<td>83</td>
<td>82</td>
<td>85</td>
<td>81</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2005, Hong Kong Tourism Board 2005, Singapore Tourism Board 2005
2.5 The Competitive Environment of Taiwanese International Tourist Hotels

The following sections discuss the competitive environment of Taiwanese international tourist hotels in terms of economic trends, social trends, political trends and technological trends. In addition, Porter’s five forces of industry competition are also utilized to explore the characteristics that determine the nature of Taiwanese hotel sector, as well as relationships that exist between the hotel and its external stakeholders. This analysis will be used in the construction of the semi-structured interviews developed in section 4.4. A map of Taiwan indicating the location of the hotels used in this research is depicted in Figure 2.2.
Hotels in Taipei
Grand Formosa Taipei
Caesar Park Hotel Taipei
Grand Hyatt Hotel
Sherwood Hotel
Ambassador Hotel Taipei
Shangri-La’s Hotel
Brother Hotel
Westin Hotel
Sheraton Hotel
Gloria Prince Hotel
Landis Hotel Taipei
Howard Hotel Taipei
Royal Hotel Taipei
Riverview Hotel
San Want Hotel
United Hotel
Emperor Hotel
Grand Hotel Taipei
Imperial Hotel
Holiday Inn Hotel
Fortuna Hotel
Crown Plaza Hotel
Santos Hotel
Landis Resort Yanminsan
Golden China Hotel

Hotels in Taoyuan, Hsinchu
Taoyuan Hotel
Ta Shee Resort
Ambassador Hotel Hsinchu
Royal Hotel Hsinchu

Hotels in Taichung
Evergreen Laurel Hotel
Howard Hotel Taichung
Plaza Int’l Hotel
Splendor Hotel Taichung
Hotel National
Lalu Hotel

Hotels in Tainan
Tainan Hotel
Tayih Landis Hotel Tainan
Evergreen Plaza Hotel
Hibiscus Resort

Hotels in Kaohsiung
Howard Hotel Kaohsiung
Ambassador Kaohsiung
Grand Hi-Lai Hotel
Han-Hsien Hotel
Splendor Hotel Kaohsiung
Holiday Garden
Kingdom Hotel
Grand Hotel Kaohsiung

Hotels in Hwaleng
Marshal Hotel
China Trust Hotel Hwaleng
Farglory Hotel
Parkview Hotel
Astar Hotel
Grand Formosa Taroko

Hotels in Taitong
Royal Hotel Chihpen
Naruwan Hotel

Hotels in Kengting
Caesar Park Hotel Kenting
Howard Hotel Kenting

Figure 2.2: The location of 57 International Tourist Hotels in Taiwan
2.5.1 Economic Trends and Influence

According to the 2004 Annual Survey Report on Visitors Expenditure and Trends in Taiwan published by Taiwan Tourism Bureau (2004), in 2004, the amount of total annual income of inbound visitor expenditure in Taiwan was US$ 4,053 million, accounted for 1.33% of GDP. The average daily expenditures per visitor visiting Taiwan were US$ 180.52. Of this total, spending in hotels totalled US$ 87.55, making up 48.50% of the overall figure, followed by 18.62% in shopping and 12.40% in meals outside the hotels. Thus, hotels make up the largest portion of visitor’s expenditure and play an important role in the development of tourism in Taiwan.

Due to a pattern of economic development that focused on manufacturing previously, the government of Taiwan paid less attention in tourism development. However, in recent years, depressed demand for Taiwanese exports and the movement of Taiwanese manufactures to China has resulted in economic depression and relatively high unemployment in Taiwan, which is the reason why government changed policy and put emphasis on tourism industry. Tourism is the only industry which cannot move from Taiwan. Therefore, Taiwanese government tries to attract more foreign tourists and create more jobs through this industry and further improve Taiwanese economic condition.

In fact, the hotel sector moves with the state of the economy. When the economy is thriving then hotel occupancy rates are high. But if a recession hits, then the hotels are also the first to suffer. This is particularly apparent in Taiwanese international tourist hotels. In Taiwan, most international tourist hotels are located in Taipei (the capital city) and Kaohsiung (second largest city in Taiwan). In addition to these cities, Hsingchu, Tainan and Taichung are other cities with more international tourist hotels because three major science parks are located in these cities. As a result, the hotel market in these regions is entirely constructed on the prosperity of the science park. If the business of the industries in the park is good, the business of local hotels will also be good. If the business of the industries in the park is poor, local hotels will also be seriously affected. This also implies that in Taiwan, hotel is an industry which is strongly affected by other industry. Their prosperity depends on other industries and
the entire economic environment.

In the view of Wise (1993), countries with economic growth in the Asia-Pacific region have been major contributors to the growth of tourism in the region. According to the Annual Tourism Report 2004 from the Taiwan Tourism Bureau (2005b), Asian travellers to Taiwan made up the largest portion of inbound arrivals, amounting to 75.90% of the total. Reflecting in hotel sector, Asian travellers are the largest foreign guests in Taiwan international tourist hotels, accounting of 65.94% of the total foreign guests. In fact, they are also the most important consumers among the inbound visitors. According to the analysis, the average daily expenditures per visitors from Japan were the highest (US$ 245.96), followed by Hong Kong (US$ 159.38), Korea (US$ 154.89), Singapore (US$ 141.50), Europe (US$ 125.55) and USA (US$ 120.88). Moreover, with economic boom in China, Chinese tourists are also powerful consumers. Consequently, Taiwan government has lifted the ban on Chinese tourist to Taiwan in July of 2008 and Taiwanese hotel and tourism industry expect this policy to bring the huge profit for them.

2.5.2 Social Trends and Influences

In 2000, the government of Taiwan implemented a five-day workweek and cut down the number of public holidays to compensate for lost man-hours. The impact of the five-day workweek resulted in changes in the leisure consumption habits of Taiwanese people. Previously extended holiday periods allowed many Taiwanese to travel abroad. However, Taiwanese now having fewer long holidays and more two-day weekends would have less opportunity for foreign travel but choose to consume the local tourist products more than before. According to government studies conducted by the Taiwan Tourism Bureau (2005b), approximately 90% of Taiwan’s population went on domestic trips in 2004, a jump from just over 85% in 2000. The percentage of the total population taking overseas trips, on the other hand, dropped from 22.6% to 20.8% during the same period. Of all Taiwanese that went on overseas trips, only 11.3% did not take domestic trips in 2004, down from 15.3% in 2000. This study revealed that over 91% of Taiwanese took holidays during 2004, a sharp increase from the 88.2% in 2000.
Moreover, based on the Taiwan Tourism Bureau’s survey (2005b), same day returns account for the largest share of domestic trip lengths, worth over 61% in 2004, followed by 24% for overnight stay trips. The fastest growing trip length in domestic holidays was 2-3 day trips, increasing by nearly 3 percentage points since the introduction of the two-day weekend in 2000. The two-day weekend policy changed Taiwanese lifestyles significantly, most notable in boosting the total number of domestic trips by approximately 18%.

As a result, the introduction of a two-day weekend in 2000 helped transform the holiday culture in Taiwan, with an increase in the numbers taking domestic trips. In addition to this, a combined effort from both the government and the media helped promote new destinations across Taiwan for weekend getaways, including information on what to see, and where to eat and sleep. This was an important factor in the rise in the number of domestic trips. Consequently, there was a great opportunity to use local hotels and tourism facilities.

On the other hand, according to “2004 Annual Survey on Visitors Expenditure and Trends in Taiwan” (Taiwan Tourism Bureau 2004), 81% of inbound visitors were satisfied with their overall experience in Taiwan. They were inclined to be satisfied with “Tourism convenience”, “Tourism internationalisation” and “Environment safety”. As for those items involved with the previous three ones, “Friendliness of people” and “Accommodation facilities” earned highest satisfaction. Therefore, these two items could be strengthened in Taiwanese hotel sector.

Greater emphasis on leisure is also a positive growth factor in hotel sector development. An increased pursuit of leisure-oriented lifestyles has meant that more people are driving growth in tourism developments as well as pushing demand for domestic short trips. Growing pressures associated with busy urban lifestyles has meant that many Taiwanese, across a wide range of age groups, are demanding time to get away. Increasingly, young consumers are placing more emphasis on life experience and enjoyment. There are also an increasing number of middle-aged adults who want to wind down on a regular basis due to the mounting pressures of work and
family. Furthermore, changes in attitude among retirees and the elderly have seen these groups also explore getaway options. Retirees are spending more, and society in general is encouraging these people to indulge themselves, to take regular breaks to enhance their physical and psychological wellbeing. These factors have particularly boosted growth in tourism and hotel sector.

2.5.3 Political Trends and Influences

In 2002, Taiwan government launched “Challenge 2008”, with the aim of using 10 major investment projects to help transform the national economy. The National Development Plan proposed to double the number of tourist arrivals between 2005 and 2008. This was one of the program’s goals, making Taiwan an attractive market over the forecast period. The government also planned to focus on quality rather than quantity and heavily promote specific destination such as Taipei 101, National Palace Museum, Sun Moon Lake, Alishan. This entailed promoting Taiwan internationally, redeveloping the country’s tourism infrastructure and boosting confidence within the industry. It has committed around US$200 million to the development of domestic tourism facilities, the renovation of hotel facilities and the promotion of tourism industry internationally.

However, in the last eight years, there was an element of uncertainty about the government’s approach in implementing new and necessary tourism measures. On several occasions, plans for important changes in the tourism industry were drawn up, only to be dropped when a new minister was appointed to the tourism role. The ongoing changes in government positions resulted in a continually changing agenda for the tourism industry, with the lack of consistency leading to a lack of any effective action. As a result, many plans were delayed, cancelled or simply renegotiated and redefined. Although government officials set many positive goals to grow the industry, limited results were achieved.

2.5.4 Technological Trends and Influences

Cutting-edge technology has greatly influenced travellers and the industry’s way of
doing business. From the consumer’s point of view, technology has created a heightened expectation. In addition, the increased use of all types of electronic devices means that the hospitality industry must be able to accommodate the needs of its travelling customers. In the face of this trend, Taiwanese international tourist hotels have invested much money to improve information technology these years to meet this trend.

Almost all the international tourist hotels in Taiwan now have established websites, which act not only as sources of information but also as marketing tools which facilitate online transactions. Well-designed hotel websites with useful information and extra benefit for customers can increase sales volume and improve the hotel’s reputation (Chung and Low, 2003). Using online transaction, customers can make a reservation on hotel website and pay online with a credit card. In 2003, the number of online transaction in Taiwan increased to US$ 20 billion, with hotel-related products accounting for 48.5% (Wang, et al. 2006).

On the other hand, business travellers have a high propensity to stay wired through portable electronics such as cellular phone, laptop computer, handheld personal digital assistant. Moreover, a significant proportion of travellers used the Internet or e-mail when away from home. Therefore, most Taiwanese international tourist hotels have established this equipment to meet customers’ needs.

In addition to consumers, the industry itself has been influenced by technological advances. A higher demand for customized service has been very popular. Consumers believe that service should be suited to their specific needs. Although this requires more effort for hospitality companies, new software for customer relations management and tracking Web customers have provide Taiwanese international tourist hotel with the opportunity to learn more about their customers and provide customized service at the individual level. The integration of computer systems within a property and between a property and distribution systems also reduce Taiwanese international tourist hotel costs while improving communication, efficiency and effectiveness.
2.5.5 Hotel Sector Competition

This section uses Porter’s five forces of industry competition to briefly explore the characteristics that determine the nature of Taiwanese hotel sector, as well as relationships that exist between the hotel and its external stakeholders.

2.5.5.1 Entry Barriers

Entering the hotel sector in Taiwan has become quite a daunting task. As Taiwan is a small island with a large population, and almost 70 percent of Taiwan’s population is concentrated in metropolitan areas, land cost for building a new hotel is very high. Moreover, overbuilding in city areas has made it extremely difficult to find a good site on which to build a hotel. In addition, current hotels enjoy a loyal customer base, which comes from many years of past advertising, customer service and word of mouth. These factors make it very hard for a new hotel to compete. However, many investors expect that opening the door to Chinese tourists will bring large benefit for the Taiwanese hotel sector, and Taiwanese customers prefer staying in new hotel; therefore, even entry barriers are high, many private enterprises still make a large investment in hotel sector.

On the other hand, for hotels already in the industry, it is just as difficult to leave as it is to enter. The hotel product is very specific and this makes it difficult to apply the industry’s tangible resources to other industries. Possible scenarios include the conversion of hotels to apartments or office buildings. However, these are costly scenarios and are therefore rarely enacted. Fortunately, investment in hotel sector during this time is popular in Taiwan, many investors buy old hotel, demolishing it, reusing the land to build a new hotel. That makes it possible for some old hotels find a good way to leave this industry.

2.5.5.2 Suppliers

In Taiwan, a large variety of industries provide the products and services that are necessary to operate a hotel. Some of the major product categories of suppliers
include cleaning and maintenance, food and beverage, soft goods, furniture, technology, and guest amenities. Service supplier categories include education and associations, professional service such as housekeeping assistance. Regardless of the category, almost all of suppliers offer generic goods that could be used in the hotels of almost any segment and the chain hotel operators tend to purchase raw materials or spares in large quantities. In addition, although employees’ high turnover rate commonly exists in Taiwanese hotel sector, it also can be reduced through long-term cooperation with hotel schools. Therefore, it is difficult for hotels to be controlled by suppliers. However, there are some exceptions that allow brands to incorporate unique elements into their hotels. For example, the Westin Taipei features the Heavenly Bed. This bed, specially created for Westin by Simmons, is one of the few items that can be purchased from only one supplier. On the other hand, some exotic food materials are very expensive because they have to be imported from overseas and they are not substitutable. To reduce the cost, some Taiwanese hotels start to import food materials by themselves, not via agent.

2.5.5.3 Substitutes

In recent years, active moves have been taken by Taiwanese government in guiding the internationalization of home-stay, the improvement of five star equipment for motels and the fair price of service department. The major hotel substitutes for leisure traveller are home-stay and motel. For business travellers, service apartment have become the major substitutes to the hotel sector. Supported by successful innovative programs, they have changed the industrial and market structure.

The most used substitute for the leisure traveller would be home-stay and motel. The home-stay and motel experiences in Taiwan are totally different from those that would be gained in other countries. Many facilities and thoughtful services in motels and home-stay are better than international tourist hotels and they provide customers with much warmer and more confidential environment. That is not what an international tourist hotel can provide. Consequently, even though their room rate is not cheaper than international tourist hotels, they still attract many leisure travellers.
For business travellers, a substitute is the service apartment. Some companies are realizing that renting apartments for employees who are doing temporary projects away from home is cheaper than putting them up in hotels for weeks at times. These apartments often come with weekly or even daily housekeeping. They provide the advantage of knowing that there will be a vacancy for the entire stay. Companies no longer have to worry about major events that may occupy all of the hotel rooms in city.

Another new type of hotel, called the boutique hotel, also hit international tourist hotels in Taiwan. As modern travellers become more sophisticated in their tastes, special for business travellers, they select hotels based on the quality of stay they provide and the status they bestow. To meet these guests’ needs, these new type of hotels are designed to provide larger rooms with fashionable and elegant atmosphere. Boutique hotels tend to be small, urban hotels, many times with fewer than 100 rooms; therefore, hotel staff can pay more attention to every customer. Moreover, they only focus on business travellers, not accepting group; therefore, customers can enjoy a quieter and more simple environment.

In the face of these substitutes, more and more international tourist hotels in Taiwan are adapting to changing market needs and responding to the challenge of these substitutes by renovating hotel property to make their hotels more innovative and fashionable.

**2.5.5.4 Competition**

There are many hotels in Taiwan, and none of them possess a dominant position; therefore, competition in Taiwanese hotel sector is intense. To survive in such an intensive environment, every hotel has the strategy to be the best at what it does. While some hotels are better than others, they are all striving to come up with some sort of a sustainable competitive advantage. Most hotels struggle to define their competitive advantage. In fact, most changes in the industry are the result of hotels copying innovations created by the competition. For example, one innovative service, called express check in, was created by Hyatt Taipei. This innovation allows guests to check in while riding the hotel’s shuttle bus from airport to hotel. This would be its
competitive advantage. But once this innovation is introduced, every hotel in Taipei adopts the same practice and the competitive advantage disappears. This follow-the-leader mentality has been occurring for long time. Other examples of this trend range from providing a free breakfast to including basic amenities like irons and boards in all of the guest rooms.

Overall, it is difficult to develop a significant and successful strategy over other competing hotels in Taiwan. It has been proven that hotels retaliate to competitive moves by matching or exceeding any other hotel that comes up with a new advantage in the industry. For customers, aggressive competition has led to hotels offering more amenities and customized services for equal or lower rates. However, such tactics have also hurt hotels by requiring them to offer more value to keep up with the competition and this correlates to a decrease in profits.

In addition, many international tourist hotels are under construction or in preparation and become potential competitors. In 2007, 43 international tourist hotels were approved by the Taiwan Tourism Bureau (2007c). Most of them belong to hotels groups and others are cross-area investors seeking to take more market share and the competition is extremely vigorous. In future, Taiwanese hotel sector will be facing more challenges.

2.5.5.5 Customers

Hotel customers can be classified into frequent individual travelers (FIT) and groups. The FIT includes businessmen and individual tourists. For the travelers requiring longer term of business trip, they are less affected by seasonal factors, tend to stay longer and show higher brand loyalty; however, they are also limited in asking for more favorable price with the hotel. The individual tourists are also limited in bargaining with the hotel, except for the promotions launched by the operator.

As for the group travelers arranged by travel agent or by other source other than travel agent, they have higher bargaining ability with the hotel because of the market size. Through massive room booking, normally the hotel would offer very attractive
According to the “2004 Annual Survey on Visitors Expenditure and Trends in Taiwan” (Taiwan Tourism Bureau 2004), the major choice of accommodation for the inbound visitors in Taiwan was “hotel” (82%). 50% of visitors preferred staying in international tourist hotels and 44% of visitors chose general hotels as their accommodation. 72% of the inbound visitors’ overall satisfaction of accommodation inclined to the level of “Good”. The locations of the accommodations focused around Taipei (74%) and also to an extent, around Koahsiung (12%). The major options of accommodation rates per night were from US$45-US$90 for 36.50% of the visitors and from US$90-US$135 for 27.02% of the visitors. Table 2.13 below shows that the visitors from USA, Europe and Australia, New Zealand preferred spending more money in accommodation than the visitors from Asian countries. This also indicates that Asian visitors are more sensitive in room rate and are not concerned about the quality of hotel. In contrast, visitors from USA, Europe and Australia, New Zealand emphasize on what they are living in, they would spend more in living in higher-end hotels.

Table 2.13: Preference of type of hotels—according to major inbound visitor

<table>
<thead>
<tr>
<th>Main Market</th>
<th>Preference of Type of Hotel</th>
<th>Rate (per night)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Int’l tourist hotels</td>
<td>US$ 45- US$90</td>
</tr>
<tr>
<td>Hong Kong/Macau</td>
<td>Int’l tourist hotels</td>
<td>US$ 45- US$90</td>
</tr>
<tr>
<td>Singapore</td>
<td>General hotels</td>
<td>US$ 45- US$90</td>
</tr>
<tr>
<td>Korea</td>
<td>General hotels</td>
<td>US$ 45- US$90</td>
</tr>
<tr>
<td>Malaysia</td>
<td>General hotels</td>
<td>US$ 45- US$90</td>
</tr>
<tr>
<td>Europe</td>
<td>Int’l tourist hotels</td>
<td>US$ 90- US$135</td>
</tr>
<tr>
<td>Australia New Zealand</td>
<td>Int’l tourist hotels</td>
<td>US$ 90- US$135</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2004 Tourism Survey
2.6 Open Door to Chinese Tourists

The hotel sector in Taiwan is experiencing immense pressure due to the rapid expansion of hotels, and this has led to the fact that eight international tourist hotels have closed down over the last six years. One of them was the Mirama Hotel Taipei, for example, it attracted many Japanese customers since its opening in 1978. In recent years, newly operated hotels have entered into the market, leading to the excess supply of rooms. Amid fierce competition, the older hotels were refurbished to retain and attract new customers. Some independent hotels have joined international franchise-chains to promote their managerial capability. As the Mirama Hotel Taipei failed to respond to these changes, it eventually closed down in 2000. Another example, the Asia World Plaza Hotel had a large number of rooms so it required more manpower and operational work than competition but unfortunately it failed to allocate resources in an efficient way and slowly adjusted the management, as a result, the Asia World Plaza Hotel also closed in 2006.

Hwang and Chang (2003) noted that Taiwanese hotels adopt two ways to respond to competition. First, by targeting international travelers and domestic tourists so as to increase the source of customers. Second, some hotels joined franchise-chains, outsourced management and acquired membership in international hotel associations to introduce international management systems and promoting managerial capacities. Despite these competitive measures, it is still hard for them to improve their performance. According to “Monthly report on international tourist hotel operations in Taiwan in 2006”, the occupancy rate and average room rate of international hotels in 2006 was 69% and US$ 95 respectively, (Taiwan Tourism Bureau, 2006). Compared with Hong Kong (87%, US$ 140) (Hong Kong Tourism Board, 2007), the occupancy rate and average room rate in Taiwan is much lower. Most of the owners were not satisfied with this result. Originally, they expected “The plan of doubling the number of foreign tourists to Taiwan” could bring more demand of market; however, the result of the implementation of this plan made them disappointed. Therefore they transferred their expectation on Chinese tourists.

Owing to political restrictions, Chinese tourists were not allowed to make sightseeing
trip to Taiwan. On Taiwan’s side, Taipei is afraid that opening the door to Chinese tourists will cause serious overstay visa problems. On China’s side, Chinese citizens wanting to travel abroad need to first apply with their government authorities, which have a list of legally-approved travel destinations. Taiwan is not listed. As Beijing insists Taiwan is a renegade Chinese province, it is not likely to list Taiwan as a foreign country. Therefore, in the last eight years only mainland Chinese tourists who legally reside in third countries or who are traveling from a second country were permitted to visit Taiwan. Mainland Chinese tourists were not allowed to visit Taiwan directly after they left China.

For decades, due to a pattern of economic development that focused on manufacturing, the government of Taiwan had no interest in developing the tourism industry. In the past decade, however, more attention has been paid to tourism. To meet that goal, tourism officials and executives began looking toward China, their interest came from the profits being made in Hong Kong due to the huge number of Chinese tourists that pour into the former British colony every day. Statistics made public by world tourism organization (WTO, 2005b) show that nearly 22 million tourists visited Hong Kong in 2004, making Hong Kong one of the top 10 most popular tourist destinations across the world. Most of that are contributed by Chinese tourists. In fact, Taiwan must open up to Chinese visitors if the government wants to succeed in its plan of doubling tourist arrivals by 2008. Therefore, Taiwan government has lifted the ban and allowed Chinese tourists to make sightseeing visits to Taiwan from July of 2008. This policy gives great hope to the Taiwanese hospitality industry, because this represents a huge potential source of income for the hotel and restaurant industry, as well as for retail outlets that sell name-brand products, which are hard to come by in China and are therefore snatched up by shopping Chinese tourists. This also represents a potential boost for the Taiwanese economy.

Opening the door to Chinese tourists to enter Taiwan may create a need for hotel rooms. To meet the demand, many private enterprises started to invest in hotel sector. According to the Taiwan Tourism Bureau’s statistic (2007c), there are 43 new international tourist hotels under construction in 2007. Therefore, even Chinese
tourists bring more demand for hotels, Taiwanese hotels still face a highly competitive environment.

2.7 Chapter Summary

This chapter has reviewed the overall tourism industry and hotel sector in Taiwan and its neighbouring Asian countries. The Asian region has become the focus of the worldwide tourism industry. Over the last decade, Asian tourist arrivals and receipts rose faster than any other regions in the world. This prompts tourism to become the most important sector in the economies of Asian countries. Almost all Asian nations are committing substantial manpower and resources to attract more arrivals.

For decades, due to a pattern of economic development that focused on manufacturing, the government of Taiwan had no interest in developing the tourism industry. With the tourism boom in Asia, Taiwan started to pay more attention in tourism development in recent years. However, comparing Taiwanese tourism development with that in other Asian countries, the tourism performance in Taiwan is much less than other Asian countries in number of visitor arrival, total tourism expenditure. Only in the length of stay of inbound visitor is the performance of Taiwan better than other Asian countries. This reveals that Taiwan needs to make greater efforts in tourism development.

Comparison of the hotel sector between Taiwan and Asian countries shows that there are many differences. Although visitor’s arrivals have increased in Asia, occupancy rates have varied considerably. Only Hong Kong and Singapore have consistently achieved occupancies exceeding 80%. The performance in other Asian countries including Taiwan is not good. In recent years, the hotel sector in Taiwan is a highly competitive environment due to the rapid expansion of hotels, and this has led to eight international tourist hotels closing down over the last six years. In the face of this situation, hotel’s operational efficiency plays a crucial role in determining a hotel’s profitability and competitiveness. Performance measurement can provide hotel managers with benchmarking information and further insight of how the hotel can improve efficiency with its current resources or through changing resource allocation.
The following chapter will explore the importance of performance measurement and how to create and sustain competitive advantage through performance measurement in the hotel sector.
Chapter Three: Literature Review

3.1 Chapter Introduction

Performance measurement is an important managerial activity that is of key concern to managers. However, determining how to measure performance of a company is always difficult. First there is the problem of finding useful definitions of concepts such as competitiveness or performance. Second there is the problem of how to measure these concepts. Studies into corporate performance have tended to use a variety of different measures, which can be classified into two groups: financial and non-financial measures. In the past decade or more, financial measures of performance have received severe criticisms. As a result, new systems that incorporate financial measures with operational measures of performance have emerged.

In addition, although performance measures have an important role in monitoring past achievements and providing the basis for planning and control decisions, unless they are related to the particular kind of business the process encompassing performance evaluation becomes undermined. As with other industries, the hotel sector has its own particular characteristics associated with the provision of the hotel product and, therefore, the measures used to assess hotel performance should reflect the specific activities and kinds of products and services offered.

On the other hand, one of the issues which hotel managers are most concerned about is the differences in performance level that exists between different hotels and what possible factors may justify those differences. This chapter reviews the literature about performance measurement in hotel sector, the measures used to assess hotel performance and critical success factors in hotel operation.

3.2 Performance Measurement

Performance measurement is a critical topic for management. Neely, Gregory and Platts (1995) indicated that performance measurement is the process of quantifying
action, where measurement is the process of quantification and action leads to performance. Kolter (1984) used the marketing perspective to explain this. Organisations achieve their goals, that is they perform, by satisfying their customers with greater efficiency and effectiveness than their competitors. In this context, effectiveness refers to the extent to which customer requirements are met, while efficiency is a measure of how economically the firm’s resources are utilized when providing a given level of customer satisfaction. Slack (1991) noted that this is an important point because it not only identifies two fundamental dimensions of performance, but also highlights the fact that there can be internal as well as external reasons for pursuing specific courses of action. Take, for example, one of the quality-related dimensions of performance—product reliability. In terms of effectiveness, achieving a higher level of product reliability might lead to greater customer satisfaction. In terms of efficiency, it might reduce the costs incurred by the business through decreased field failure and warranty claims. Hence the level of performance a business attains is a function of the efficiency and effectiveness of the actions it undertakes. In other words, performance measurement can be regarded as the process of quantifying the efficiency and effectiveness of action (Neely et al, 1995).

Flapper, Fortuin and Stoop (1996) further indicated that good managers keep track of the performance of the system they are responsible for by means of performance measurement. Their staff, carrying responsibility for certain activities within the system, need performance measurement to see how well they are performing their tasks. This also holds for the employees actually executing the various process steps. So performance indicators are important for everyone inside an organisation, as they tell what has to be measured and what are the control limits the actual performance should lie within.

In the past, many performance measures have been developed, however, these measures have usually been associated with a number of fundamental weaknesses (Atkinson and Brown, 2001). Part of the reason for this is that traditional performance measures were developed from costing and accounting systems. This has been criticized for encouraging short term action (Banks and Wheelwright, 1979; Hayes
and Garvin, 1982), lacking strategic focus (Skinner, 1974), encouraging local optimisation (Hall, 1983), encouraging minimisation of variance rather than continuous improvement (Johnson and Kaplan, 1987; Lynch and Cross, 1991), not being externally focused (Kaplan and Norton, 1992), and even for destroying the competitiveness of US manufacturing industry (Hayes and Abernathy, 1980).

In addition, limitations in their accuracy and neutrality (Johnson and Kaplan, 1987); a dominance of lag/result over lead/determinant measures (Fitzgerald et al., 1991); an emphasis on the short term – often at the expense of strategic issues (Fitzgerald et al., 1991); little appreciation of the links and relationships between key areas and aspects of an organization (Lynch and Cross, 1991); focusing on past achievements while largely ignoring the drivers of future performance (Banks and Wheelwright, 1979); and an overall lack of balance (Kaplan and Norton, 1992) are also regarded as their weakness. Hayes and Abernathy (1980) further noted that these traditional performance measurements that are designed for external reporting were being inappropriately used to manage business enterprises.

In order to more effectively deal with the problems mentioned above, a number of proposals have been put forward to develop more appropriate performance measurement systems. For example, it is suggested that instead of a focus on financial measures (Kaplan, 1994), it is important for performance measures to pay more attention to non-financial factors such as service quality and customer satisfaction (Eccles, 1991; Fitzgerald et al., 1991). Indeed, Bittlestone (1994) states that it is clear to any director that the fundamental drivers of performance are often non-financial in their nature. Shank and Govindarajan (1993) further supported this argument with the concept of strategic cost management; they introduced standards as qualitative and quantitative “changing targets” based on learning curves and the total quality management approach. This represented a significant step in the development of performance measurement (Curtis and Donald, 1990; Johnson, 1992; Dixon, Nanni and Vollmann, 1990; and Kaplan, 1988) leading to the conclusion that non-financial measures have many strengths and that non-financial measures were more directly traceable to the strategy of the firm (Shank and Govindarajan, 1993). Furthermore, according to Dixon et al. (1990), as performance reports are dominated by financial
measures, performance evaluation is weakened by the inherent limitations of financial information. They further suggest that for performance management, the measures are typically delayed due to the accounting period, and too summarised due to the length of the accounting period.

It is also widely reported that an organisation’s performance measures should be linked to its strategic intent and its competitive environment (Fitzgerald et al., 1991; Lynch and Cross, 1995; Kaplan and Norton, 1996; Brown and Harris, 1998). In this respect, Lynch and Cross (1995) emphasize that departments and functions should know how they are contributing separately and together in meeting their strategic mission.

In addition, there is the increasing recognition that trade-offs between different measures – especially, for example, between short-term financial performance and longer-term discretionary and/or investment expenditure – need to be made more explicit (Geller, 1985; Fitzgerald et al., 1991). Moreover, managers also need to take account of different aspects of business activities. For instance, Kaplan and Norton (1992) highlight that financial measures are not enough to explain an organisation’s trends or decision effectiveness. The fundamental point, however, is that whatever happens in an organisation it is the effect of a variety of different causes – such as competitiveness, quality of products and services, and resource utilisation – and that these causes are prompted by customers (internal and external), employees (whose behaviour affects the organisation) and other stakeholders (shareholders, suppliers and investors). The literature suggests various ways of balancing these different aspects and Kaplan and Norton (1996) argue that most companies’ operational and management control systems are built around financial measures and targets, which bear little relation to the company’s progress in achieving long-term strategic objectives. As a consequence, it is suggested that an appropriately balanced collection of measures needs to be developed combining, for example, non-financial as well as financial aspects, together with more strategic and externally focused indicators. If managers focus their attention on only one aspect, then other areas will be bound to suffer (Kaplan and Norton, 1992).
3.3 Performance Measurement in the Hotel sector

The increase in tourism and business travel in recent decades has resulted in the growth of the hotel sector and lately the emergence of many new hotels (World Travel and Tourism Council, 2006). Amid this, the continued rise in market demand and guest expectation (Harris and Mongiello, 2001) – in terms of hotel facilities, quality of services and value for money – has prompted hotels to develop new services to meet guests’ request. Alongside these developments, competition between the hotels has intensified (World Travel and Tourism Council, 2006) and as a result there is a growing awareness among operators for the need to enhance the effectiveness of operational and business decision-making activities – such as those related to profit planning, control and improvement (Graham and Harris, 1999) – in order to maintain a competitive edge. An area in which the hotels are increasingly focusing attention is performance measurement.

As with other industries, the hotel sector has its own particular characteristics associated with the provision of the “hotel product” and, therefore, the measures used to assess hotel performance should reflect the specific activities and kinds of products and services offered. Similarly, although performance measures have an important role in monitoring past achievements and providing the basis for planning and control decisions, unless they are related to the particular kind of business, performance evaluation becomes undermined. Thus, when reviewing performance management systems, it is critical to recognise the fundamental “orientation” and “industry context” of an organisation (Kotas, 1975; Fitzgerald et al., 1991; Harris, 1999). Indeed, as Kotas (1975, p.66) noted that “the orientation of a business must necessarily have important implications for the choice of its accounting and control methods”.

The concept of “business orientation” (Kotas, 1973) is determined by a number of features, one of which is that businesses demonstrate a relatively high fixed cost structure such as service organization. This, it is argued, implies a need for measures to reflect a market orientation and to focus more on revenue management (Brown and Harris, 1998; Kotas, 1975; Harris, 1999). In contrast, businesses with a high variable
costs base, like manufacturing organisations, have a lower fixed cost structure and can be regarded as cost oriented, and focus more on product management (Brown and Harris, 1998). Thus, in general, the application of the business orientation concept in hotel sector would suggest a market oriented approach is more appropriate and, therefore, this should be taken into account in the determination of performance measures (Brown and Harris, 1998).

In terms of the “industry context”, as discussed by Harris and Mongiello (2001), although hotels essentially represent a service industry product, closer examination reveals that, through the provision of an integrated rooms, food and beverage service, a hotel encapsulates three significantly different kinds of industrial activity within a single arena, such as rooms (a near pure service product); beverage (a retail product); and food (comprising a production function). Thus, although from a consumer standpoint a hotel represents a total “seamless” product, the distinct nature and underlying diversity of activities involved in the provision of hotel services should be recognised and addressed in the determination of compatible performance measures. Indeed, by their very nature these discrete industrial activities tend to exhibit varying cost structures, which in turn reflect differing business orientations, for example rooms comprise a relatively high fixed cost structure whereas food and beverage contain a relatively low fixed cost structure.

In addition, it is also considered vital for performance measurement systems to reflect the complex nature of the service delivery process within hotels – including, as it does, such typical characteristics as high degrees of perishability, intangibility, heterogeneity and simultaneity (Jones and Lockwood, 1989; Fitzgerald et al., 1991), as well as mentioned above: outputs which combine pure service elements with retailing and manufacturing functions (Harris, 1999). Furthermore, there has been an increasing recognition within the hotel sector of the importance and value of people – employees as well as guests – in the service delivery process, which has led to suggestions that hotels need to develop better performance information relating to such key areas as employee morale and customer satisfaction (Geller, 1985; Woods, 1989; Fitzgerald et al., 1991).
3.4 Productivity Measurement in the Hotel sector

Productivity is another concept usually used to reflect company performance. In other words, performance is usually measured in terms of productivity, which is determined by the ratio of outputs over inputs, with larger values indicating better performance.

Traditionally, productivity has received more attention in the context of manufacturing than of service. However, over the last two decades, more attention has begun to be paid to its importance in the service sector, particularly, for hotels (Baker and Riley, 1994; David et al., 1996; Gummesson, 1998; Slattery, 1986). This is because hotels are facing more challenges and fiercer competition than ever before (Kilic and Okumus, 2005). Therefore, improving productivity is seen as a key issue for their survival and success in the long term (David et al., 1996; Jones, 1999; Slattery, 1986). However, it is often reported that productivity in hotels is lower than other industries (Johns and Wheeler, 1991; Medlik, 1998). This is partly attributed to the unique characteristics of the hotel sector, including its labor-intensive nature, high construction and fixed costs, the difficulty of introducing mechanization, and fluctuating demand (Jones and Lockwood, 1989; Lee-Rose and Ingold, 1994; McKinsey, 1998; Witt and Witt, 1989). In fact, low productivity in the hospitality sector has been identified as a source of concern by a number of researchers (Witt and Witt, 1989; Johns and Wheeler, 1991; McKinsey, 1998). Witt and Witt (1989) and Witt and Clark (1990) presented an impressive body of evidence that poor productivity in the hospitality industry is related to a lack of understanding and application of quantitative and analytical techniques. Moreover, this situation is unlikely to improve without a general change in the way productivity is measured and managed.

Schroeder (1985) defined productivity as the relationship between inputs and outputs of a productive system. Although this concept of productivity is widespread, this definition is difficult to operationalise. In fact, there is still no common agreement over the understanding and definition of the productivity concept. As pointed out by Prokopenko (1987), productivity is a complex concept which means different things to different people. Different or even conflicting definitions and perceptions of
productivity exist (Pickworth, 1987). For instance, from a narrower viewpoint it is defined as only reflecting production efficiency. This conventional approach derived from manufacturing and therefore, input-output ratio is still the usual basis of viewing productivity (Jones and Lockwood, 1989). On the other hand as discussed by Kuepers (1998) and Johnston and Jones (2004), productivity can be seen as complex and wider in scope including efficiency, effectiveness, quality, predictability and other performance dimensions.

The numerous productivity measurements lead to disagreement and confusion over the concept of productivity (Mahoney, 1988). Thus, some measurements relate to efficiency of performance such as cost per unit, output per employee, and other measurements relate to outcomes such as sales, customer satisfaction, reflecting effectiveness. While efficiency measures show whether an organization is doing things in the right way, they may not indicate effectiveness and hence whether the organisation is doing the right things (Sigala et al., 2005).

Fitzimmons and Fitzimmons (1998) and Andersson (1996) identified three generic difficulties in measuring productivity:

- Identification of the appropriate input and outputs;
- Measures of those input and outputs;
- Ways of measuring the relationship between input and outputs.

Johnston and Jones (2004) also presented three reasons for the difficulty in measuring productivity in service organisations:

- The outputs are usually expressed in different forms (mainly physical terms) to the inputs (physically different and measures of people);
- The ratio by itself tells us little about performance;
- Many different ratios can be used including financial and non-financial.

Productivity measurement in hospitality also faces additional difficulties due to the specific characteristics of its service nature that in turn create problems such as labour and process scheduling, consistency and demand (Sigala, 2004; Witt and Witt, 1989).
Indeed, several researchers (Sassers et al., 1978; Jones and Lockwood, 1989; Witt and Witt, 1989) argue that productivity management and measurement has been limited in the hospitality sector by the features and characteristics of services. Specifically, the intangible nature of hospitality service suggests that it is difficult objectively to define and measure the service output being provided such as number of guest-nights versus number of satisfied guests. The measurement and management of hospitality input and output is also complicated because of the simultaneous production and consumption of the hospitality services, as well as their perishability and heterogeneity, as service encounters are experienced differently by people or even by the same people in different circumstances.

In summary, Jones and Lockwood (1989) explained that productivity measurement and management in hospitality is extremely difficult because: inputs and outputs are difficult to standardize (mainly due to the unique nature of service transactions); input/output relationships are not constant (not standardized between units or departments); inputs and outputs may be difficult to measure (due to their variability and intangibility). In this vein, Witt and Witt (1989) identified three problems regarding productivity measurement in hospitality, similar to the generic difficulties referred to previously:

- the definition problem;
- the measurement problem;
- the ceteris paribus problem.

The definition problem refers to those difficulties encountered when attempting to define precisely what are the outputs and inputs of a given industry, which is particularly difficult when the outputs/inputs are intangible or are highly heterogeneous. Thus, the definition problem is similar to the problem of identifying the right inputs and outputs. The measurement problem was described as the problem encountered when outputs/inputs can be defined but cannot be measured. However, even if outputs/inputs can be measured in some way, there may be problems in terms of using suitable units of measurement. The ceteris paribus problem involves holding the other influences constant when examining the impact of a particular factor on productivity. Productivity in hotels may be said to have several factors both internal
Facing the difficulties of applying the productivity concept in hotel sector, a number of suggestions have been proposed. One of them is that quality should also be considered as a key productivity factor. For example, Gummesson (1998) defined the productivity as a ratio between output and input; but further referred to the interconnection between productivity, quality and profitability and discussed the role of customers in impacting productivity and quality. Johnston and Jones (2004) provided a structure for analyzing productivity in service organisations by distinguishing between operational and customer productivity. While operational productivity is defined as a function of the ratio of operational outputs to inputs over period of time where inputs are materials, customers and staff costs and outputs include service, revenue and customer satisfaction. Customer productivity is defined as a function of the ratio of customers’ inputs such as time effort and cost, to customer outputs such as satisfaction, experience and value. This approach provides invaluable insights about understanding the productivity in service operations.

Gömroos and Ojasalo (2004) give productivity a new concept. They think that productivity is related to how effectively inputs are transformed into outputs for the service provider and for its customers. In their conceptual study, they analyzed the requirements for the development of a productivity concept for service operations. Based on the analysis, they developed a service productivity model and proposed that service productivity is a function of internal efficiency, external efficiency and capacity efficiency. They particularly underlined that the notion of productivity as an ongoing learning experience, and referred to working on to improve productivity as not a static concept but rather a dynamic one in services.

### 3.5 Traditional Performance Measurement

As mentioned previously, performance measurement is an important managerial activity that is of key concern to hotel managers. Hotels need to rely on performance measurement to help managers control, monitor and make incremental improvements
in operations; and enable hotels to more effectively meet the changing demands and challenges of their competitive environment. These changing demands and challenges reflect an emerging new competitive order – one exemplified by the increasing sophistication of customers and management practices, and the acceleration of globalization and product differentiation (Huckestein and Duboff, 1999). Furthermore, today’s business environment is complicated by the dynamics of changes and competition. Effective decision making now requires knowledge of how to assess whether the hotel has delivered or will deliver its strategic objectives, and how this compares with its peers (Phillips, 1999), which needs an appropriate performance measurement. Various researchers have attempted to measure efficiency and performance in the hotel sector.

Previous studies have employed average occupancy rates and average room rates as indicators of performance. Other common indicators in the lodging industry measure economic performance through revenue measures (Baker and Riley, 1994) such as revenue/wage cost, gross profit/revenue, and net profit/revenue. Wassenaar and Stafford (1991) adopted a lodging index indicator to measure the performance for the hotel and motel industry. The lodging index is defined as the average revenue from each room, vacant or occupied, within a region or city during a given period. This index can combine average occupancy and room rates into a single indicator and be effective for local travel destinations. However, this method does not examine how efficiently firms are controlling costs.

Coltman (1978) and Fay, Rhoads and Rosenblatt (1971) used a cost-volume-profit approach to analyse individual hotel performance. Cost-volume profit analysis can be used in the planning phase of the business in testing or evaluating a forecast. It is useful in breakeven analysis, not only can it be used to analyze the performance of an individual firm, but it can be applied at a regional level for the purpose of comparing various types of firms. This is an effective method for examining how hotels translate volume into profits.

Kimes (1989) employed the perishable asset revenue management concept to evaluate hotel sector performance: this concept helps managers to determine the optimal
trade-off between average daily room rates and occupancy rates. The basic idea of perishable asset revenue management involves changing the price in order to select the customers to fill each room, which achieving the highest possible revenues. The benefits of this technique are generally attributed to three main categories: overbooking, proper allocations among the numerous rate classes, and length of stay.

Weatherford and Bodily (1992) developed a classification for length of stay and Weatherford (1995) provided a length of stay decision rate for perishable asset revenue management. However, it is difficult to obtain reliable average occupancy and room rates for many travel destinations. Lee (1984) pointed out that these statistics might be confusing or deceptive even if they are available. As a result, the overall industry trend will become irrelevant, if one indicator increases and the others decreases at the same time. In fact, some empirical studies suggest that occupancy and room rates have limited correlation (Arbel and Strebel, 1979; Greenberg, 1985).

Van Doren and Gustke (1982) use lodging industry sales receipt information to assess hotel sector performance. In their study, economic growth was examined in various states and select standard metropolitan statistical areas by measuring aggregate receipts and per capita receipts. This provides an effective method of measuring macro-level industry performance. However, this technique provides insufficient information about individual hotel performance and does not examine cost efficiency issues nor does it provide a method of determining optimal performance.

Wijeysinghe (1993) applies a method for calculating breakeven room occupancy that provides accurate calculations together with a system of effective management. He suggests that the general indicator to hotel efficiency can be used to analyze the source of loss, therefore, giving a better control of the business.

The labor-cost ratio is another common indicator. The ratio of payroll expenses to sales is commonly referred to as the labor-cost percentage. If hotels can minimize labor expenses, for instance, the effects on the bottom line should be readily evident. The shortcoming in that thinking is that decreasing labor costs—whether in the total number of labor hours used or in the cost for each hour worked—can have a direct and
dramatic negative effect on service quality. Thus, reducing labor expense as a percentage of sales can maximize short-term profits, but the long-term effect could be reduced operational viability (Raynolds, 2003). Moreover, this index is easily distorted by changes in sales revenue, and it is not necessarily a reflection of efficiency and productivity (Anderson, Fish, Xia, Michello, 1999).

Despite the above mentioned research which has attempted to accurately assess the efficiency of the hotel sector and provide robust firm-specific performance measures, managers are still faced with a dilemma when making strategic decisions. The major reason is that most of these previous studies employed ratio analysis and aggregated indices to evaluate performance. Ratio analysis is an effective method for evaluating the relationship between just two variables, but it is inadequate in the multi-output, multi-input setting that characterizes real-world organization. In such a situation, ratio analysis results in a nebulous set of ratios that, at best, provides no clear indication of true efficiency and, at worst, produces conflicting indications (Sexton, 1986). To avoid such complex arrays of information, it is necessary to synthesize the set of ratios as an aggregated index number. However, the synthesis of an index number requires deciding a priori weights that reflect the relative importance of components to obtain a suitable efficiency measure, and this gives rise to numerous difficulties (Banker et al., 1989).

Financial performance measures are common measures of managerial performance. There is nothing inherently wrong with the use of earning and profitability as determinants of business performance, however, over emphasis on financial measures such as earnings per share (EPS), return on investment (ROI), and return on capital employed (ROCE), can produce myopic behavior (Phillips, 1999). For example, ROI can produce a narrow focus on divisional profitability at the expense of overall profitability for the firm, and it encourages managers to focus at the short run at the expense of the long run. Atkinson and Brown (2001) also noted that financial performance measures have limitations in their accuracy and neutrality, causing a focus dominated by results rather than determinants and only stress past achievements while largely ignoring the drivers of future performance. Phillips (1999) further indicates that financial performance reflects functions only rather than cross
functional processes, and provides little guidance as to the root causes of problems. Moreover, lacking strategic focus and failing to provide data on quality, responsiveness and flexibility (Skinner, 1974); encouraging managers to minimize the variance from standard rather than seek to improve continually (Schmenner, 1988); failing to provide information on what customers want and how competitors are performing (Kaplan and Norton, 1992) are also its weaknesses.

To overcome the limitations mentioned above, Brown and McDonnell (1995) thought that it might be useful for hotel managers to consider the balanced scorecard approach by Kaplan and Norton (1992). Despite its popularity, it still has several shortcomings as the breakthrough method of assessing performance. According to Phillips (1999), many organisations have failed to define the measures of success that really need to be emphasized. Instead, performance indicators are used that tend to be easy to determine. Furthermore, users have also found it extremely difficult to communicate the scorecard to all levels within the organisation, as the scorecard is initially developed to put a focus on shareholder value.

From what has been discussed above, one may find that many performance measurements do not capture the relevant performance issues necessary for today’s business environment, specifically in the hotel sector. In fact, it is difficult to evaluate hotel efficiency without considering its service nature and characteristics. Brown and McDonnell (1995) noted that existing hotel performance measures were weak in three areas. First, hotel information systems were deficient in their ability to measure and monitor multiple dimensions of performance. This has been exacerbated by their focus on occupancy percentage, profit indicators and ROI. Second, despite the high level of managerial interest in measuring human resource, and marketing issues, existing performance measures are unable to deal with these issues adequately. Third, effective performance measures also have to be tailored to suit the specific needs of each hotel group. These major deficiencies have caused hoteliers to become increasingly frustrated with existing performance measurement system that do not support hotels in their quest for competitive advantage (Phillips, 1999). Therefore, when measuring hotel operational efficiency, one needs the techniques that are more sensitive than accounting and ratio measures and that can explicitly consider the mix
of services outputs.

3.6 Data Envelopment Analysis (DEA)

To overcome the shortcoming mentioned above new techniques have been developed that have the ability to compare the efficiency of similar service organizations by explicitly considering their use of multiple inputs to produce multiple outputs. These new efficiency techniques are divided into two categories. One category is data envelopment analysis (DEA) which involves the use of linear programming. The second category is econometric or stochastic frontier approach which is a set of regression-based techniques that derive inefficiency estimate from two-part error terms. Anderson et al. (1999) noted that both techniques use sample firms to construct an efficient production frontier. The frontier is efficient in the sense that a firm operating on the frontier could not increase output without increasing its input utilization, or it could not reduce its input utilization without decreasing output. Deviations from the frontier represent inefficiencies.

The stochastic frontier approach has the advantage of being a well-developed statistical test to investigate the validity of the model specification, and ability to decompose the deviation from efficient levels between noise and pure inefficiency (Barros, 2004). However, the primary limitation of the regression-based approach is that researchers are required to specify an explicit, subjective and, in some cases, quite restrictive functional form (Anderson, Fok and Scott, 2000). Another disadvantage is that researchers are required to make assumptions about the probability distribution of error terms: these necessary assumptions are arbitrary and lead to different conclusions about the technical efficiency of a firm (Green, 1993). In contrast, DEA does not require an assumption on functional form; it can readily handle multiple inputs and outputs (Anderson et al., 1999).

Data envelopment analysis (DEA) is a linear programming based method for measuring the relative efficiency of organisational units. Such units as hotels typically use a number of resources to secure a number of outputs. Boussofiane et al. (1991) indicated that a key stage in a DEA assessment is the identification of the input/output
variables pertaining to the units being assessed. These must reflect all resources used and outputs secured as well as the environment in which each unit operates.

DEA, as an efficiency assessment technique, does not only overcome the limitations of the traditional techniques of ratio analysis and the regression-based approach, but also provides an alternative framework that integrates several relatively disparate input and output variables simultaneously, including discretionary input variables such as those that are under manager’s control, and nondiscretionary variables such as those that are beyond managers’ control (Raynolds, 2003). In fact, this is one of the advantages of the application of DEA. Critical though these variables might be to a hotel’s efficiency, they typically are ignored in other methods of productivity assessment, owing to the difficulty in making comparisons across units (Sigala, 2004). The technique then produces a single productivity index that compares all units to the most-efficient units in the sample to help analysts identify which unit is most efficient given its own set of variables, which are then compared with others in the set.

Apart from the measure of the relative efficiency of each unit, DEA also yields information that proves useful in gaining a better insight into the performance of each unit and in guiding units to improve their performance. As mentioned above, DEA constructs an efficient frontier that represents the minimum costs necessary for a unit to achieve a given level of output. Any input utilization greater than this minimum amount is deemed excess and the unit is classified as inefficient. Raynolds (2003) indicated that this frontier is occupied by the units operating at 100 percent efficiency. A hotel’s presence on the frontier indicated that a unit is delivering maximum output given the available resource or, conversely, is maximizing its resources such that outcomes are proportional. Other units can be compared to the exemplars relative to individual variables, as indicated by the improvement opportunity values calculated for each input and output variable associated with inefficient operations (Anderson et al., 2000). In other words, DEA not only provides efficiency results but also shows how inefficient hotels might reduce the inputs used, or increase the outputs produced. A source showing what is leading to greater efficiency on that given dimension can be found in hotel with 100 per cent efficiency. This would be the slack analysis of inefficient hotel.
Most importantly, DEA allows for identification of the best practices and benchmarks for the poor performing units. DEA distinguishes the most productive unit or units within the competitive set, describes the relatively less-productive units (as compared with those displaying best practices), and calculates the excess resources used by each of those less-productive operations (Raynolds, 2003). In addition, DEA calculates precisely the amount of excess capacity or the ability to increase outputs in the units showing lower efficiency. Finally, it identifies which of the most-efficient units are most similar to the less-productive units and become benchmark (Raynolds, 2003). In other words, DEA assessment identifies efficient peer units for every inefficient unit. Efficient peer units can be used to highlight the weak aspects of the performance of the corresponding inefficient unit. The input/output levels of a peer unit can also sometimes prove useful target levels for the inefficient unit. Boussofiane et al. (1991) noted that DEA yields other target input/output levels as well for each inefficient unit. The assessment model used can be manipulated to yield targets that are compatible with preferences over changes to individual input/output levels for attaining relative efficiency.

Banker, Conrad and Strauss (1986) stress the assumptions underlying DEA and how they differ from other approaches to estimate performance, citing conventional regression analysis in particular. They further argued that DEA does not require an explicit specification of the functional form of the production function or pre-specification of weights. DEA focuses on efficient frontiers rather than on central tendencies, as is done in least-squares regression. This allows DEA to benchmark each observation separately, comparing it with its most similar peers.

In addition, DEA’s advantages were pointed out by many other researchers and are summarised as follows:

- It is independent of the units of measurement allowing flexibility in specifying inputs/outputs to be studied (Cooper, Seiford and Tone, 2000).
- It objectively assesses the ‘importance’ of the various performance attributes (Cooper, Seiford and Tone, 2000).
- It evaluates each entity in the best possible light – all alternative priorities will reduce performance (Sengupta, 1988).
● It calculates efficiency based on observed best practice – not against an ‘average’ or ‘ideal’ model (Sengupta, 1988).

● No functional relationship between inputs and outputs needs to be pre-specified. (Banker and Thrall, 1992).

● It is able to maintain evaluation equity (Lewin and Minton, 1986).

Due to many of the above advantages, DEA has become increasingly popular as a tool for assessing the relative productivity efficiency of companies. Applications using DEA have been numerous and can be found in many fields such as banks, hospitals, transportation, and include the hospitality industry.

Morey and Ditmam (1995) were the first researchers to apply DEA approach in the hotel sector. They employed DEA with their input-output data to analyze the efficiency of 54 hotels in the United States. The input factors used include room division expenditure, energy costs, salaries, non-salary expenses for property and related expenses for variable advertising, fixed market expenditures, payroll and related expenses for administrative work, and non-salary expenses for administrative work. The outputs used are total rate of growth, market share, total revenue and level of service provided. The research found that managers were operating at 89% efficiency and the least efficient hotels were 64%. Consequently, the results deemed the lodging market to be operating efficiently in U.S.A.. However, this study did not provide any information on the source of efficiencies.

In 2000, Anderson et al. evaluated the efficiency of 48 hotels in the United States using the DEA approach. They used the number of full-time equivalent employees, the number of rooms, total gaming related expenses, total food and beverage expenses and other expenses as inputs, using the total revenue generated from room, gaming and food and beverage as outputs. They reported that the mean overall efficiency score of hotels was only 42%, showing that the hotel sector was operating inefficiently. This finding contradicted their previous study (Andeson et al. 1999), which employed a stochastic frontier approach and found the hotel sector to be nearly perfectly competitive and efficient. Anderson et al. (2000) explained the main reason
for the difference is that they used a more comprehensive efficiency measure and were thus able to capture more inefficiency.

Barros and Alves (2004) also estimated the efficiency of 43 hotels of Enatur, the Portuguese hotel chain, by using DEA. They treated five inputs: number of full-time equivalent workers, salary received by these workers, external costs, operating costs and book value of property. Outputs were gauged by sales, number of guests and number of nights spent in the hotel. The results revealed that the mean efficiency score of Enatur was 85%. They listed nine factors to explain the probability to cause inefficiency including ownership, labor market, organization, scale economy, time lag, human capital, unequal access to information about activities and managerial procedures. For example they pointed out that ownership in Enatur might induce the principal-agent relationship. This related to the difficulty of controlling those empowered as managers acting on behalf of the owner. Moreover, the organizational factors associated with human capital, such as a lack of incentive for the improvement of efficiency, an ill-fated common attitude in most public enterprises might be another reason of inefficiency. However, all these factors are as yet their conjecture, they have yet to empirically validate these proposals.

Hwang and Chang (2003) adopted DEA to analyze the efficiency of 45 international tourist hotels in Taiwan in 1998. The inputs used were total operating expenses, the number of full-time employees, the number of guest rooms, total area of meal department. The outputs used are room revenue, food and beverages revenue, other revenue. The results indicated that managers were operating at 79.16% efficiency and only 20 of the 45 hotels improved the managerial efficiency over time. Consequently, the market for lodging services seems to be operating efficiently in Taiwan. However, the authors did not address the issues of economies of scale and effects of differences in hotel operating characteristics on hotel performance.

Chiang (2006) also adopted DEA with four input and three outputs to evaluate the efficiency of 25 four-star or five-star hotels in Taipei. The four inputs used are the number of hotel rooms, the capacity of food and beverage, the number of employees, and the total costs of the hotel. The three outputs used are the yielding index, the
revenue of food and beverage, and miscellaneous revenue. The efficiencies are measure and compared based upon three types of management: franchise licensed, internationally managed, and independently owned and operated. The results reveal that not all of Taipei’s franchise or internationally managed hotels perform more efficiently than the independent ones but the author did not provide any reason for this. The above findings are summarized in Table 3.1 following:

<table>
<thead>
<tr>
<th>Study</th>
<th>Units</th>
<th>Inputs</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morey and Dittman (1995)</td>
<td>54 USA hotels</td>
<td>Salaries for room activities; other room-related expenses; energy cost; salaries for prosperity, operation, and maintenance; salary for variable advertising; other variable advertising; fixed advertising expenses and general; other administrative and general expenses.</td>
<td>Total revenue; level of service delivered; market share; rate of growth.</td>
</tr>
<tr>
<td>Anderson, Fok and Scott (2000)</td>
<td>48 USA hotels</td>
<td>The number of full-time equivalent employees; the number of rooms; total gaming related expenses; total food and beverage expenses; other expenses</td>
<td>Total revenue</td>
</tr>
<tr>
<td>Barros and Alves(2004)</td>
<td>43 Portuguese hotels</td>
<td>number of full-time equivalent workers, salary received by these workers, external costs, operating costs and book value of property</td>
<td>sales, number of guests and number of nights spent in the hotel</td>
</tr>
<tr>
<td>Hwang and Chang (2003)</td>
<td>45 Taiwan hotels</td>
<td>total operating expenses, the number of full-time employees, the number of guest rooms, total area of meal department</td>
<td>room revenue, food and beverages revenue, other revenue.</td>
</tr>
<tr>
<td>Chiang (2006)</td>
<td>25 Taipei</td>
<td>The number of hotel rooms; Yielding index; food and</td>
<td></td>
</tr>
</tbody>
</table>

64
hotels the total space of food and beverage outlets; number of employees; total operating cost.

beverage revenue, miscellaneous revenue.

3.7 Research Gap

Although DEA has been used in previous research to evaluate hotel operational efficiency, the results only focus on efficiency scores; benchmarking hotels and inefficient hotels; the research thus far does not explore the reason why benchmarking hotels are doing well. In other words, they only answer “how well a hotel is doing”; and “which hotel is doing well”; but they ignored the most important question “why are certain hotels doing well”. The real aim of applying DEA is to identify what factors contribute to efficiency and what factors result in inefficiency. Berro (2005) also noted that DEA does not identify the factors that give rise to inefficiency and only calls attention to those units in which inefficiency exists. That is the limitation of DEA and most of the previous research that did not further explore the causes of inefficiency.

Evaluating hotel efficiency is to develop effective strategies to improve hotel operational performance. Johns and Wheeler (1991) proposed expansive and contractive productivity management strategies. The aim of the latter is to reduce inputs while increasing or maintaining output, while the aim of expansive strategy is to improve output while trying to keep inputs fixed. However, most of the previous DEA research did not discuss these issues and that will reduce the value of the research results. In fact, if these strategies are adopted, contractive strategies may be suitable for the back of the house in hotels such as housekeeping and executive office; and expansive strategies are better applied to front of the house such as front office and restaurants, to increase hotel sales and revenues.

Furthermore, most of the previous studies using the DEA approach only measured physical items. As a result, many of the other features of the hotel sector, such as service and atmosphere have been ignored. In addition, because each transaction with each customer can be regarded as unique, a quality factor should also be considered.
In fact, performance measurement becomes more complex when one also examines the array of hotel characteristics such as the simultaneous production and consumption of the hospitality service as well as their perishability and heterogeneity. Many researchers have shown that hotel performance can be significantly impacted by the following factors:

**Management:**
- Management style (Brorn and Dev, 1999)
- Supervision (Brorn and Dev, 1999)
- Managers’ competencies (Mill, 1994; Brorn and Dev, 1999)
- Management training (Jones, 1999; Mill, 1994)
- Management objectives (Jones, 1999; Mill, 1994)
- Organisational culture (Jones, 1999; Brorn and Dev, 1999)
- Organisation structure (Jones, 1999; Brorn and Dev, 1999)
- Cost control (Reynolds, 2003)

**Employees:**
- Employees’ qualifications (Baker and Riley, 1994)
- Employee recruitment (Baker and Riley, 1994)
- Employee training (Baker and Riley, 1994; Yeoman et al. 1996; Slattery, 1986)
- Employee motivation (Baker and Riley, 1994; Yeoman et al., 1996)
- Employee turnover (Baker and Riley, 1994; Yeoman et al., 1996)
- Skilled workforce (Yeoman et al., 1996)
- Multi-skill training (Yeoman et al., 1996; Slattery, 1986)
- Empowerment (Baker and Riley, 1994; Yeoman et al. 1996; Slattery, 1986)
- Disciplinary precautions (Slattery, 1986)
- Promotion opportunities (Baker and Riley, 1994; Yeoman et al. 1996; Slattery, 1986)

**Hotel condition:**
- Physical environment (Reynolds, 2003; Watson, 1996)
- Physical layout and design (Reynolds, 2003; Watson, 1996)
- Type of hotel (Jones, 1999; Parasuraman, 2002)
- Hotel size (Jones, 1999)
- Location (Jones, 1999; Parasuraman, 2002)

**Customers:**
Customer satisfaction (Sasse and Richardson, 1996; Brown and Dev, 1999)
Customer experience (Sasse and Richardson, 1996)
Customer perception (Sasse and Richardson, 1996)

**Technology:**
- Advance reservation (Slattery, 1986)
- Technological innovation (Slattery, 1986)

**External factors:**
- Economic climate (Watson, 1996)
- Political issue (Watson, 1996)
- Competition (Watson, 1996)
- Legal issue (Watson, 1996)
- Weather condition (Watson, 1996)

However, most previous research using DEA did not consider the factors listed above and this may affect the accuracy of the research. Consequently, this research further investigates the critical success factors (CSFs) contributing to good hotel performance in Taiwan in order to determine why the hotel is doing well.

### 3.8 Critical success factors

Critical success factors (CSFs) were first proposed by Daniel in 1961 as a means to classify critical information needs of managers, but it is generally considered that Rockart (1979) popularized the CSFs approach in the field of management information systems. Indeed, CSFs has a long history of application to the information systems field (Ghym and King, 1976; Rockart, 1979; Davis, 1979; Brotherton and Leslie, 1991; Robson, 1994). Until the last 20 years its application has been extended beyond this field as a more generic approach to management, particularly within the strategic and operational management fields (Devlin, 1989; Grunert and Ellegaard, 1993). Now the identification of CSFs has been used to identify information needs, to list and describe elements critical to system success, and help define and focus management’s responsibilities and efforts (Munro and Wheeler, 1980).

CSFs are defined as the limited number of areas in which results, if they are
satisfactory, will ensure successful competitive performance (Rockart, 1979). Digman (1990) also defined CSFs as the areas where things must go right for the business to flourish. Oakland (1995) regarded them as what the organization must accomplish to achieve the mission by examination and categorization of the impacts. He adds that they are the minimum key factors or sub-goals that the organization must have or need, and which together will achieve the mission. Kanji & Tambi (1999) stated that CSFs are the few things that must go well to ensure success for a manager and/or organization. They represent those managerial areas that must be given special and continual attention to cause high performance. These definitions see CSFs as points, areas, or goals that have to be given extensive attention and support by the management to achieve the mission, quality and high performance. Consequently, these areas have to be defined and measured before the organisation starts implementing any project.

By definition, any factor which is ‘critical’ is likely to be of the greatest importance and have a very high priority. It is also likely to embody significant consequences, either of a positive or negative nature. Therefore, as not every factor will be of equal importance to a company, it follows that a relatively limited number of factors will be crucially important to the competitive success of a company (Brotherton and Shaw, 1996). It is these CSFs, and the extent to which they are achieved, which will ultimately determine the success of a company or otherwise.

CSFs will be derived from features of both a company’s internal and external operating environments (Dickinson et al., 1984). In the case of a company’s ‘internal’ environment the CSF’s are likely to arise from particular characteristics of its products, process, people, and possible structures. In short, these CSFs will reflect the company’s specific situation, in terms of the core capabilities and competencies which are critical for its competitive advantage. Externally, the CSFs faced by a particular organisation will be derived from the nature of the industrial and market structures within which it operates. They will be derived from the broader conditions and trends evident in the wider business environment. These external CSFs will clearly be faced by all companies operating in a given external environment and are less controllable than the internal ones. Therefore, a company’s CSFs are essentially comprised of
those which are context specific and those which are generic to a given combination of industrial/market/broader environmental conditions (Geller, 1985).

As mentioned above, CSFs are the ‘must achieve’ factors both within a company and its external operating environment. This emphasis upon ‘achievement’ highlights an important characteristic of CSFs, namely that they are action-oriented. Consequently, they are not business objectives or goals but combinations of activities and processes designed to support the achievement of such desired outcomes specified by the company’s objectives or goals (Brotherton and Shaw, 1996).

Another attraction of the CSFs approaches is its pragmatic benefits. Researchers and consultants have often found direct and immediate applications for the results of their investigations (Brotherton and Shaw, 1996). Jenster (1987) found companies that identified CSFs and implemented their usage, through proper measurement, feedback and management, received a higher return on equity when compared to companies that did not employ CSFs methodology. Owing to the advantages of CSFs mentioned above, this research does not only evaluate the efficiency of Taiwan international tourist hotels but further investigate the CSFs contributing to good performance hotels to find out the reason why these hotels are doing well.

### 3.9 The Model of Critical Success Factors in Hotel Operation

In 2004, Brotherton (2004) applied CSFs in hospitality industry to explore the critical success factors in UK corporate hotels. He used the mailed questionnaire survey approach to identify the six most critical success factors across the various departments within UK hotels and developed the hotel departmental critical success factors. Its result is shown as Table 3.2 below:

<table>
<thead>
<tr>
<th>Department and Factors</th>
<th>Importance Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage (Production)</td>
<td></td>
</tr>
<tr>
<td>Producing consistent quality food</td>
<td>1</td>
</tr>
<tr>
<td>High hygiene standards</td>
<td>2</td>
</tr>
<tr>
<td>Appropriate standards and procedures</td>
<td>3</td>
</tr>
<tr>
<td>Efficient purchasing &amp; supplier liaison</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 3.2: Departmental critical success factors
<table>
<thead>
<tr>
<th>Topic</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimising food wastage</td>
<td>5</td>
</tr>
<tr>
<td>Using efficient production methods</td>
<td>6</td>
</tr>
<tr>
<td><strong>Food &amp; Beverage (Service)</strong></td>
<td></td>
</tr>
<tr>
<td>Appropriate staff attitude/appearance</td>
<td>1</td>
</tr>
<tr>
<td>Providing a high level of service</td>
<td>2</td>
</tr>
<tr>
<td>Enhancing customer care</td>
<td>3</td>
</tr>
<tr>
<td>Quality of food and drink presentation</td>
<td>4</td>
</tr>
<tr>
<td>Quality of ambience &amp; environment</td>
<td>5</td>
</tr>
<tr>
<td>High levels of staff skill</td>
<td>6</td>
</tr>
<tr>
<td><strong>Front Office</strong></td>
<td></td>
</tr>
<tr>
<td>Customer care</td>
<td>1</td>
</tr>
<tr>
<td>Staff attitude</td>
<td>2</td>
</tr>
<tr>
<td>Accurate &amp; efficient reservation system</td>
<td>3</td>
</tr>
<tr>
<td>Revenue/yield management</td>
<td>4</td>
</tr>
<tr>
<td>Staff sales skills</td>
<td>5</td>
</tr>
<tr>
<td>Maximisation of occupancy levels</td>
<td>6</td>
</tr>
<tr>
<td><strong>Back of House</strong></td>
<td></td>
</tr>
<tr>
<td>Effective cleaning schedules</td>
<td>1</td>
</tr>
<tr>
<td>Clear programme of planned maintenance</td>
<td>2</td>
</tr>
<tr>
<td>Provision of effective security systems</td>
<td>3</td>
</tr>
<tr>
<td>Effective inter-departmental liaison</td>
<td>4</td>
</tr>
<tr>
<td>Maintaining an effective laundry system</td>
<td>5</td>
</tr>
<tr>
<td><strong>Conference and Banqueting</strong></td>
<td></td>
</tr>
<tr>
<td>Attention to detail &amp; customer requirements</td>
<td>1</td>
</tr>
<tr>
<td>Quality of facilities</td>
<td>2</td>
</tr>
<tr>
<td>Competitive pricing</td>
<td>3</td>
</tr>
<tr>
<td>High quality food &amp; beverage provision</td>
<td>4</td>
</tr>
<tr>
<td>Providing flexible facilities</td>
<td>5</td>
</tr>
<tr>
<td>Upselling where possible</td>
<td>6</td>
</tr>
<tr>
<td><strong>Guest Accommodation</strong></td>
<td></td>
</tr>
<tr>
<td>Ensuring high levels of cleanliness</td>
<td>1</td>
</tr>
<tr>
<td>Providing consistent quality</td>
<td>2</td>
</tr>
<tr>
<td>Meeting customer needs</td>
<td>3</td>
</tr>
<tr>
<td>Operating appropriate training programs</td>
<td>4</td>
</tr>
<tr>
<td>Minimising costs</td>
<td>5</td>
</tr>
<tr>
<td>Providing a sufficient variety of rooms</td>
<td>6</td>
</tr>
<tr>
<td><strong>Leisure Operations</strong></td>
<td></td>
</tr>
<tr>
<td>High levels of cleanliness &amp; hygiene</td>
<td>1</td>
</tr>
<tr>
<td>Providing quality facilities</td>
<td>2</td>
</tr>
<tr>
<td>Operating an appropriate range of facilities</td>
<td>3</td>
</tr>
<tr>
<td>Attractiveness of the facilities</td>
<td>4</td>
</tr>
<tr>
<td>High quality staff</td>
<td>5</td>
</tr>
<tr>
<td>Maintaining membership levels</td>
<td>6</td>
</tr>
<tr>
<td><strong>Accounting &amp; Control</strong></td>
<td></td>
</tr>
</tbody>
</table>
Brotherton’s model provided the activities and process that UK hotel’s departments see as being critical to the achievement of the outcome priorities.

In 2005, another model developed by Kilic and Okumus (2005) explored the factors influencing hotel productivity in the Northern Cyprus. They also used a questionnaire to investigate those productivity factors in hotels in Northern Cyprus. The results were ranked according to the importance and shown as Table 3.3 below:

<table>
<thead>
<tr>
<th>Table 3.3: Ranking of the factors influencing hotel productivity</th>
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</thead>
<tbody>
<tr>
<td>Factors</td>
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<tr>
<td>Staff recruitment</td>
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<tr>
<td>Staff training</td>
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<tr>
<td>Customer expectations</td>
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<tr>
<td>Multi-skill training programs</td>
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<tr>
<td>Role of management</td>
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<tr>
<td>Organizational structure of the hotel</td>
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<tr>
<td>Training and qualifications of the managers</td>
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<tr>
<td>Service quality</td>
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<tr>
<td>Staff motivation</td>
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<tr>
<td>Staff pay, bonuses, and rewards</td>
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</table>
Kilic and Okumus’s model indicated that the five most important factors of hotel productivity were:

(1) staff recruitment
(2) staff training
(3) customer expectations
(4) multi-skill training programs; and
(5) the role of management

On the other hand, the weather, hotel facilities, empowerment, effective purchasing, forecasting, new technology, advertising, fear of getting it wrong, and external economic and political crises were not seen as important factors of hotel productivity.

### 3.10 Limitations of Previous Models

Although previous models explored the critical factors influencing hotel operation, they only indicated the importance of each factor and ranked them, they did not further discuss the detail of each factor and how these factors influence hotel operation and how to apply these factors in hotel operation.
The way both models used to collect data is questionnaire survey. This approach allows information to be collected from a large number of samples but cannot allow issue to be explored in greater depth. This may be the reason why both models did not further discuss the detail of each factor and how these factors influence hotel operation.

Additionally, both models did not divide the sample hotels into the hotels with good performance and hotels with poor performance. That may only point out the factors influencing hotel with good performance but it is difficult to recognize the factors leading to hotels having poor performance. Moreover, both models only indicated the critical factors contributing to hotel’s success but did not explore the factors causing hotel’s poor operation.

3.11 The Model of This Research

Due to the limitation of previous models, this research initially used DEA to evaluate operational efficiency of all international tourist hotels in Taiwan. At the same time, the Malmquist productivity approach was adopted to measure the operational efficiency change of these hotels. According to the results of DEA, hotels were divided into three groups: good efficiency, average efficiency and poor efficiency. A selection of hotels were chosen from each group as sampled hotels, then semi-structured personal interviews were conducted with managers of each sampled hotel. The data collected from interviews were analysed by qualitative approach to identify the critical success factors leading to hotels with good performance and to further develop strategies to enhance hotel operational performance. The model of this research is depicted in Figure 3.1.

According to Kolter (1984), performance measurement can be regarded as the process of quantifying the efficiency and effectiveness of action. Organisations achieve good performance by satisfying their customers with greater efficiency and effectiveness than their competitors. In this context, effectiveness refers to the extent to which customer requirements are met, while efficiency is a measure of how economically the firm’s resources are utilized when providing a given level of customer satisfaction.
Therefore, this research model utilized the DEA (efficiency) and the factors in previous researches satisfying customer’s requirements (effectiveness) to explore the critical success factors contributing Taiwanese hotels to have good performance.
Factors in previous researches influencing hotel performance and satisfying customer’s requirements

Management:
- Style
- Supervision
- System
- Cost control

Organisation:
- Culture
- Structure

Employees:
- Qualification
- Training
- Motivation
- Turnover
- Empowerment
- Promotion

Hotel condition:
- Lay & design
- Size
- Location
- Age

Marketing:
- Promotion
- Position
- Branding
- Service quality

Technology:
- Technological innovation
- Service innovation

Input:
- Number of rooms
- Number of employees
- Expense
- Cost

Output:
- Room revenue
- F&B revenue
- Other revenue

Efficiency

Data Envelopment Analysis

Group 1:
- Hotel with good efficiency

Group 2:
- Hotel with average efficiency

Group 3:
- Hotel with poor efficiency

Semi-structured Personal Interview

Find out critical success factors

Customer requirements are met

Develop the strategies to enhance operational performance

Figure 3.1: Research Model for Hotel Performance Measurement
3.12 Chapter Summary

This chapter’s review of the performance measurement in hotel sector indicates that as with other industries, the hotel sector has its own particular characteristics such as simultaneous production and consumption of the hospitality services, as well as their perishability and heterogeneity. This makes the measurement used to assess hotel performance more complicated and difficult. Most of the traditional approaches utilized ratio analysis to evaluate hotel performance. Ratio analysis is an effective method for evaluating the relationship between just two variables, but it is inadequate in the multi-output, multi-input setting that characterizes hotel sector. As a result, managers are still faced with a dilemma when making strategic decisions.

The review of literature reveals that financial approaches are another way often used to evaluate hotel performance. There is nothing inherently wrong with the use of earning and profitability as determinants of business performance, however, over emphasis on financial measures can produce myopic behavior. Financial performance measures have limitations in their accuracy and neutrality, causing a focus dominated by results rather than determinants and only stress past achievements while largely ignoring the drivers of future performance.

To overcome the shortcomings mentioned above new techniques have been developed. One of the new techniques is DEA. This chapter’s review of DEA literature shows that DEA is a linear programming based method and can integrate several relatively disparate input and output variables simultaneously, then produce a single productivity index to help analysts identify which unit is most efficient. Due to this advantage, DEA has become increasingly popular as a tool for assessing the relative productivity efficiency of companies.

Previous researchers also utilized DEA to evaluate hotel operational efficiency, but their results only focus on efficiency score; benchmarking hotels and inefficient hotels; they did not explore the reason why benchmarking hotels were doing well. Critical success factors (CSFs) may be a good way to investigate the factors contributing to hotel having good performance. Although previous CSFs literature has explored the
critical factors influencing hotel operation, they only indicated the importance of each factor and ranked them, they did not further discuss the detail of each factor and how these factors influenced hotel operation and how to apply these factors in hotel operation.

To overcome the above shortcoming, a new model (refer Figure 3.1) is developed by this research to achieve a more comprehensive exploration of the critical success factors contributing to good hotel performance in Taiwan in order to determine why the hotel is doing well. The following chapter will outline the design and methodology of the investigation in this research.
Chapter Four: Methodology

4.1 Chapter Introduction

Having reviewed the literature most pertinent to this study in the last three chapters, this chapter now provides details of the research methodology that underpinned the research process. The research approaches used within this study include both quantitative and qualitative methods. The research process was initiated using DEA to evaluate the operational efficiency of all international tourist hotels in Taiwan. The second stage was the employment of qualitative in-depth interviews to explore the critical success factors contributing to good performance of hotels.

4.2 The Research Methodology

The selection of an appropriate research methodology is crucial to the effectiveness of a research project. Often the methodology is more simply divided into quantitative and qualitative, but of most importance is that the methodology selected must complement the research questions being examined (De Vaus, 2002). As this research explores two major questions: 1. What is the relative operational efficiency of international tourist hotels in Taiwan? and 2. What are the factors that lead to hotel with good performance in Taiwan? This research used two empirical phases: a quantitative stage involving the use of DEA to evaluate the relative operational efficiency of international tourist hotels in Taiwan, and a qualitative stage involving the use of qualitative in-depth interviews to explore the factors creating good performance in hotels.

Quantitatively oriented studies tend towards a positivist approach, for example the social world exists externally, and therefore can be measured and observed. Whilst qualitative oriented studies frequently tend towards a phenomenological perspective, for example the world and reality are socially constructed and given meaning by people (Easterby-Smith et al., 1991). Because these two methods have distinct perspectives, when used together they can be seen as complementary. Miles and
Huberman (1994) indicated that quantitative and qualitative methods can enrich one another in the design, data collection and analysis stages when they are used together. Abernethy et al. (1999) also commented that use of multiple methods may provide a means of not only achieving the objectives of generalisability and limiting interview bias but also of enhancing the meaningfulness of the measures to those completing the survey. This is at the heart of issues relating to construct validity. Moreover, it allows the researcher to take advantage of the strengths of both DEA and in-depth interviews, while at the same time compensating for the weaknesses of each method.

In summary, Brownell (1995) and Yin (1989) highlight the following three benefits of using multiple research methods.

1. it overcomes survey bias and enhances the reliability and validity of data. Moreover, the deficiency of one method can be improved by using another method;

2. it verifies the results of the study obtained through one method with another, and assists in building the researcher’s confidence concerning their findings. Subsequently, it reveals new insights into and provides a richer explanation of the research problems; and

3. it deals with highly complex issues and facilitates deeper understanding of the relationship between various variables and situations.

Therefore, in this research the initial approach is quantitative and enables the researcher to gain a deep understanding of the operational efficiency of hotel sector in Taiwan. This is followed by a qualitative approach with data collected through in-depth interviews to identify the critical success factors leading to good performance of hotels. The qualitative stage enables the researcher to gain a variety of factors influencing hotel operational performance that would not have been possible within an exclusively quantitative approach.
4.3 Data Envelopment Analysis (DEA)

4.3.1 The Concept of DEA

DEA is a linear-programming-based benchmarking technique initially developed by Charners, Cooper and Rhodes (1978) to evaluate multiple outputs and inputs, producing a single measure of performance. In contrast to parametric approaches whose purpose is to optimize a single regression plane through the data DEA optimizes on each individual observation with an objective of calculating a discrete piecewise frontier occupied by the most efficient units. This frontier—and the associated measure for each unit, which is generally referred to as relative efficiency or productivity—has particular managerial relevance in that it allows for comparison of disparate operating units (Reynolds and Thompson, 2007). The term “relative” is rather important here since an organisation identified by the DEA technique as an efficient unit in a given set may become an inefficient one when evaluated in another set of organisations.

There are different mathematical forms of the DEA model. The model used in this study is CCR input-oriented model developed by Charners, Cooper and Rhodes in 1978. According to their model, the formulation is based on the following form:

Maximize \( E_k = \frac{\sum_{r=1}^{s} u_r y_{rk}}{\sum_{i=1}^{m} \frac{v_i x_{ik}}{v_i x_{ik}}} \)

Subject to:

\[ \sum_{r=1}^{s} u_r y_{rj} \leq 1 \quad \text{for} \quad j=1,2,\ldots,n \]
\[ \sum_{i=1}^{m} v_i x_{ik} \]
\[ u_r, v_i \geq \epsilon \geq 0 \quad r=1,\ldots,s \quad i=1,\ldots,m \]

Where

\( y_{rj} = \) observed quantity of output \( r \) produced by hotel \( j \)
\( x_{ij} = \) observed quantity of input \( i \) produced by hotel \( j \)
\( u_r = \) the weight given to output \( r \) by the hotel \( j \)
\( v_i = \) the weight given to input \( i \) by the hotel \( j \)
\( \epsilon = \) non-Archimedean quantity, a sufficiently small positive number
The linear fractional programming model above can be transformed into an ordinary linear programming model by letting \( u_r = t u_r \) and \( v_i = v_i \), where \( r^{-1} = \sum v_i x_{jk} \). Then the equivalent DEA model can be stated as follows.

Maximize \( E_k = \sum_{i=1}^s u_r y_{rk} \)

Subject to

\[ \sum_{i=1}^m v_i x_{ik} = 1 \]  
\[ \sum_{r=1}^s u_r y_{rj} - \sum_{i=1}^m v_i x_{ij} \leq 0 \quad \text{for} \quad j=1,2,\ldots,n \]
\[ u_r, v_i \geq \varepsilon \geq 0 \quad r=1,\ldots,s \quad i=1,\ldots,m \]

The DEA model above has the following interpretation within the context of hotels. There are \( n \) hotels in the observation set \( K \), each of which producing \( r \) different outputs using \( i \) different inputs and we are interested in determining the relative efficiency \( E_k \) of hotel \( k \in K \) with respect to all other hotels in the set \( K \). The relative efficiency \( E_k \) is nothing but the ratio of outputs of the hotel \( k \) to its inputs. Such a definition of efficiency transforms the multidimensional nature of input and outputs into a single scalar ratio of single output to a single input.

For computational convenience, the efficiency of any hotel, \( j \), can be solved by the dual of (1). The dual of (1) can be written as follows:

Minimize \( E_k = \theta - \varepsilon \left( \sum_{i=1}^m s_i^- + \sum_{r=1}^s s_r^+ \right) \)  
\[ \sum_{j=1}^n \lambda_j x_{ij} - \theta x_{ik} + s_i^- = 0, \quad i=1,\ldots,m \]
\[ \sum_{j=1}^n \lambda_j y_{rj} - s_r^+ = y_{rk}, \quad r=1,\ldots,s \]
\[ \lambda_j, s_i^-, s_r^+ \geq 0 \quad j=1,\ldots,n \quad i=1,\ldots,m \quad r=1,\ldots,s \]
\[ \theta \text{ unconstrained} \]

An analysis provides the following type of information for decision making purposes.

1. Each hotel being evaluated will have a value \( E_k \), \( 0 < E_k \leq 1 \), obtained from the DEA model indicating its efficiency level. If \( E_k < 1 \), the hotel is inefficient compared to ‘best practice’ units in the observation set \( K \). If \( E_k = 1 \), this is a relatively ‘best practice’ hotel and therefore is identified as an efficient one.
2. The DEA model will identify, from the viewpoint of a hotel \( k \), the ‘efficiency reference set’ \( K_k \) or ‘efficient frontier’ which is a subset of \( K \) that includes only those hotels with \( E=1 \) from the observation set \( K \). The hotel \( k \) is compared against the hotels in \( K_k \) to find the sources of its inefficiency. This is allows a hotel manager to locate and understand the nature of the existing inefficiencies by comparing his/her hotel with a select subset of more efficient hotels. It therefore avoids the need to investigate all hotels to understand the existing inefficiencies, and consequently helps allocate limited managerial resources to areas where efficiency improvements are most likely to be achieved.

3. The above model hence produces information with which managerial measures (reducing the inputs used, or increasing the outputs produced) can be formulated to make an inefficient hotel relatively efficient. For example, the necessary and sufficient conditions for any hotel, \( j \), to reach efficiency are \( K_j = \theta = 1, \quad s_{ij}^+ = s_{ij}^- = 0 \); therefore, the efficiency score is 1, and there are no input surpluses or output shortfalls. On the contrary, if a hotel \( j \) does not achieve 100% efficiency, then an improvement, \( x'_j = \theta x_j - s_{ij}^-, y'_j = y_j + s_{ij}^+ \), could be applied so that a 100% efficient hotel can be achieved. That is, the input is decreased by \( \Delta x_j = x_j - x'_j \) and the output is increased by \( \Delta y_j = y'_j - y_j \).

4.3.2 Input and Output Data

Using DEA to evaluate efficiency requires data that measures each of the relevant outputs and each of the inputs used to produce these outputs over a common time period. The outputs would include those outcomes that management believes are basic to the purpose of the organization, such as revenue. The inputs should reflect the resources that are required to produce the outputs such that an increase (decrease) in output levels is expected to result in an increase (decrease) in the amount of inputs used (Charnes et al. 1978).

The primary output of a hotel is revenue. There are two kinds of revenue for international tourist hotels in Taiwan: accommodation and meals. These constitute more than 80% of total hotel revenue. Other revenue includes revenue from laundry,
lease of store space, night clubs, service fee, all of which do not exceed 20% of total revenue. The three revenue output data used in this research are:

- Room revenue: refers to revenue from lease of rooms.
- Food and beverage revenue: the total revenue generated from all food and beverage revenue.
- Other revenue: the total revenue excluding the room and food and beverage revenue (e.g. laundry, telephone, conference room).

On the other hand, input resources for international tourist hotels management include input material, staff, capital and equipment. These resources produce tangible and intangible services through front office and back office operations. Therefore, among input factors, numbers of employees are used to represent input manpower, total floor area of food and beverage department, and the number of rooms is used to represent capital investments of hotel and operating expenses are used to represent cost of input changes. Therefore, the four input data used in this research are as following:

- Guest rooms: the number of each hotel rooms.
- Food and beverage capacity: the total space of all food and beverage outlets in each hotel.
- Number of full-time employees: refers to hired employees.
- Operating expenses: including employee salaries, rooms costs, food and beverage cost and other relevant operating costs.

The data used in this study was collected from the Annual Operation Report of the International Tourist Hotels in Taiwan 2005 published by Taiwan Tourism Bureau (2007a). The reason for covering the year 2005 is that this was the most recently published data available prior to the collection of the interview data in 2007.

4.3.3 Malmquist Productivity Index

The method for measuring an organisation’s efficiency can be extended to measure the change of an organisation’s efficiency. This study adopts the efficient frontier
approach, by using Malmquist’s productivity index, based on data envelopment analysis, to measure the efficiency change of international tourist hotels in Taiwan. To provide a framework for our productivity measurement, the measures outlined in previous research is adopted (Färe et al., 1992), as shown in the following Figure 4.1:

![Figure 4.1 The movement of the intertemporal efficiency frontier](image)

Here are represented two inputs, $x_1, x_2$ to produce one output $y$ at time $t$ and $t+1$. As shown in Figure 4.1, $f_t$ represents the efficient frontier at period $t$, and $f_{t+1}$ represents the efficient frontier at period $t+1$. $Z_t$ and $Z_{t+1}$ represent the inputs-outputs vector of a decision making unit (DMU) $Z$ at period $t$ and $t+1$, respectively.

To propose the method for measuring the efficiency change from the time periods $t$ to $t+1$, the efficiency distance function $D^{t+1}(x', y')$ is defined, which uses the efficient frontier period $t+1$ as the reference set for measuring the efficiency of a certain DMU $Z$ at period $t$, as the following linear programming problems:

$$D^{t+1}(x', y') = \text{Min} \ \theta$$

Subject to \begin{align*}
\theta x'_j - \sum_{j=1}^{n} \lambda_j^{t+1} x'_j & \geq 0 \quad i=1, \ldots, m \\
\sum_{j=1}^{n} \lambda_j^{t+1} y'^r & \geq y'_j \quad r=1, \ldots, s \\
\lambda_j^{t+1} & \geq 0, \quad j=1, \ldots, n \\
\theta & \text{ unconstrained}
\end{align*}

Similarly, $D^{t}(x^{t+1}, y^{t+1})$ may be defined, which use the efficient frontier period $t$ as
the reference set for measuring the efficiency of a certain DMU $Z$ at period $t+1$, as the following linear programming problem:

$$D^t(x^{t+1}, y^{t+1}) = \text{Min } \theta$$

Subject to

$$\theta x_j^{t+1} - \sum_{j=1}^{n} \lambda_j x_j^{t} \geq 0 \quad i=1, \ldots, m$$

$$\sum_{j=1}^{n} \lambda_j y_j^{t+1} \geq y_j^{t+1} \quad r=1, \ldots, s$$

$$\lambda_j \geq 0, \quad j=1, \ldots, n$$

$$\theta \text{ unconstrained}$$

Both $D^{t+1}(x', y')$ and $D^t(x^{t+1}, y^{t+1})$ are an input-oriented CCR model. From the geometric meaning of the aforementioned distance function in Figure 4.2 we know that:

$$D^t(x', y') = \frac{OZ'_t}{OZ_t}$$

$$D^{t+1}(x', y') = \frac{OZ'_{t+1}}{OZ'_t}$$

$$D^t(x^{t+1}, y^{t+1}) = \frac{OZ_{t+1}^{t+1}}{OZ^{t+1}_t}$$

$$D^{t+1}(x^{t+1}, y^{t+1}) = \frac{OZ_t^{t+1}}{OZ^{t+1}_t}$$

According to the Malmquist productivity index expressed by Färe (1992), the shift in efficiency (SIE) from period $t$ to period $t+1$ can be described by $\frac{OZ'_t}{OZ^{t+1}_t}$ and $\frac{OZ'_{t+1}}{OZ_t^{t+1}}$.

The geometric average of $\frac{OZ'_t}{OZ^{t+1}_t}$ and $\frac{OZ'_{t+1}}{OZ_t^{t+1}}$ can be used to measure the SIE, as represented by following:

$$\text{SIE}_{t,t+1} = \left[ \frac{OZ'_t}{OZ^{t+1}_t} \times \frac{OZ'_{t+1}}{OZ_t^{t+1}} \right]^{\frac{1}{2}} = \left[ \frac{OZ'_t}{OZ^{t+1}_t} \times \frac{OZ'_{t+1}}{OZ_t^{t+1}} \right]^{\frac{1}{2}} = \sqrt{D^t(x', y') \cdot D^{t+1}(x^{t+1}, y^{t+1})}$$

Also the catching-up in efficiency (CIE) from period $t$ to period $t+1$ can be represented as the following, which represents the ratio between the relative efficiency of a DMU at period $t+1$ against that at period $t$. 

85
CIE_{t,t+1} = \frac{OZ_{t+1}^{t+1}}{OZ_{t+1}^t} = \frac{D'(x^t, y^t)}{D'(x', y')}

CIE_{t,t+1} \times SIE_{t+1,t} can be used to measure the total efficiency change (TEC) from the time period \( t \) to period \( t+1 \); that is

\[ TEC_{t,t+1} = CIE_{t,t+1} \times SIE_{t+1,t} = \frac{D'(x^t, y^t)}{D'(x', y')} \times \frac{D'(x^{t+1}, y^{t+1})}{D'(x', y')} \]

\[ = \frac{D'(x^t, y^t) \cdot D'(x^{t+1}, y^{t+1})}{D'(x', y') \cdot D'(x', y')} \]

This is the same as Malmquest productivity index, that is Malmquest productivity index is used as a measure for efficiency change. A Malmquest productivity index > 1 means an increase in efficiency. On the contrary, if Malmquest productivity index is < 1, the efficiency decreases. Malmquist productivity index is used in this research to examine the operational efficiency change of international tourist hotels over the years from 2003 to 2005.

4.4 Qualitative Approach Used in This Research

4.4.1 Qualitative Methods

Using DEA to measure the operational efficiency of hotels can only reveal the efficiency score and cannot identify what factors lead to efficiency and what factors result in inefficiency. Therefore a qualitative approach was adopted to address this limitation. This involved the collection and analysis of verbal data by in-depth interviews with hotel managers, to develop the critical success factors contributing to hotels having good performance.

Qualitative research attempts to capture reality as it is perceived by participants and produces descriptive data that describe meaningful human actions (Sarantakos, 1993). It relies heavily on interpretive and critical research (Neuman, 2000). Supporters of qualitative approach view it as an alternative to positivism, and they accentuate the importance of the social environment in understanding the social world (Marsh, 1982, Hussey and Hussey, 1997). Easterby-Smith et al. (1991) also noted that qualitative methods are useful as aids or tools to help the respondents think about their own
worlds and consider, possibly for the first time, the way they construct their reality. In addition, with qualitative data one can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations (Miles and Huberman, 1994).

In comparison to quantitative studies, qualitative researchers usually work with small samples of people, nested in their context and studied in-depth—unlike quantitative researchers, who aim for larger numbers of context stripped cases and seek statistical significance (Miles and Huberman, 1994).

Qualitative methodology is less structured than quantitative methodology. In qualitative research, the researcher takes on a more active role than in quantitative research. The aim of this research is to deeply explore the factors leading to hotels having good performance and the reasons causing hotels to have poor performance. Qualitative methodology can allow these issues to be explored in greater depth. Therefore, when the researcher conducted personal interviews with hotel managers, the questions were open-ended and were aimed at obtaining different perspectives on factors influencing hotel operation.

### 4.4.2 Qualitative In-depth Interview

This research employed qualitative in-depth interviewing, that enables the researcher to obtain access to groups of people to provide a broad view of situations, people or settings which cannot be observed directly by the researcher in a short time (Minichiello et al. 1995, p.71). Such interviewing also presumes that the perceptions that people have in their minds, and the beliefs and attitudes they have, will impact on the action they take or are prepared to consider, or even understand. More pragmatically, it is an approach that helps to ensure respondents understand the questions by allowing the opportunity to rephrase them (Sekaran, 1992).

There are a number of advantages to using the qualitative in-depth interview as the method for data collection:

1. it has the potential to overcome the poor response rates of a questionnaire survey
(Richardson et al., 1965, Smith, 1975).

2. it is well suited to the exploration of attitudes, values, beliefs and motives (Richardson et al., 1965, Smith, 1975).

3. it provides the opportunity to evaluate the validity of the respondent’s answers by observing non-verbal indicators, which is particularly useful when discussing sensitive issues (Gordon, 1975).

4. it can facilitate comparability by ensuring that all questions are answered by each respondent (Bailey, 1987).

5. it ensures that the respondent is unable to receive assistance from others while formulating a response (Bailey, 1987).

6. it can allow the research issue to be explored in greater depth (Robson, 1993).

The emphasis in this research is on identifying critical success factors contributing to hotels having good performance via semi-structured personal interviews with senior hotel executives. This research has tended to be exploratory and descriptive because the researcher wanted to understand the critical factors in the hotel operation in Taiwan as seen through the eyes of managers in the industry, rather than only through the lens of macro analysis of industry statistics and profiles. This research asked a series of questions which were open-ended and which the respondents could answer in any way they wished (see appendix 4). While their descriptions may be incomplete when put in the macro context, they are important because the perception and ideas that are in the minds of managers in the industry are what drive their actions and their responses to the challenges surrounding them. Their understanding and perceptions are critical in developing a more complete picture about hotel operational performance compared with the recommendations and advice contained in academic and industry research and commentary.

4.4.3 Data Collection Method

The procedure for data collection began with a telephone contact between the researcher and each of the hotel general managers and asked permission to interview with other managers. At this time they were informed of the aim of the study and the objectives of the research and about the nature of the questions that will be asked
during the semi-structured interview, and sought participation and to arrange the interview time if they were willing to participate. In addition, a consent form (Appendix 2) for the interview was given to each of the participants to state if they are agreeable and that their participation is voluntary. It was stressed that anonymity will be secured in terms of participants’ names in the written report.

Audio-recording was needed as the researcher planned to use interviews as the primary source of data (Maykut and Morehouse, 1994). Therefore, participants also were informed in the consent form that the researcher wished to audio tape the interview and use it for analysis purposes only. The researcher is held personally responsible for the safe keeping of the tapes at a secure place for a period of time. Thereafter the tapes will be erased once they have been transcribed. This orientation process was beneficial for maintaining a positive interviewing climate and establishing the trust relationship between the interviewer and the interviewees (Stewart and Cash, 1994).

4.4.4 Interview Protocol

In order to determine the critical success factors contributing to hotels having good performance, this research developed an interview protocol (Appendix 4) to outline a set of questions about the critical factors influencing hotel operational performance. This protocol referred to the inputs and outputs previous DEA researches used and the other intangible factors that influence performance. These factors have been reviewed in the following Table 4.1 (reference to section 3.6, 3.7):
### Table 4.1: Factors that previous studies found to influence performance

<table>
<thead>
<tr>
<th>Inputs used in the previous studies include:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>number of rooms; number of full time employees in front office, housekeeping, telephone/switchboard, administrative and general, minor operations, marketing, maintenance and other; the number of heads or managers of departments; total number of part time employees; annual expenditure regarding direct material expenses, payroll and related expense and other expenses; annual expenditure was also broken down in the following hotel divisions front office, housekeeping, telephone/switchboard, administrative and general, minor operations, marketing, maintenance; annual energy expenses; annual management fees.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output used in the previous studies include:</th>
<th></th>
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<tbody>
<tr>
<td>room-nights achieved, hotel profit before fixed charges; hotel revenue; percentage of hotel revenue corresponding to the following departments; rooms division; minor operations; and telephone/switchboard. total rate of growth, market share.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factors that previous studies found to influence performance included:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Location: rural, city centre or suburban (Reynolds, 2003; Jones, 1999; Parasuraman, 2002).</td>
<td></td>
</tr>
<tr>
<td>Hotel design: old/traditional, redesigned/converted, purpose built (Jones, 1999; Parasuraman, 2002; Reynolds, 2003; Watson, 1996).</td>
<td></td>
</tr>
<tr>
<td>Ownership structure: independently or chain owned (Brown and Dev, 1999).</td>
<td></td>
</tr>
<tr>
<td>Management arrangement: independent management, chain management, franchise (Van der Hoeven and Thurik, 1984; Brown and Dev, 1999).</td>
<td></td>
</tr>
<tr>
<td>Recruitment: effective selection procedure (Brotherton and Shaw, 1996)</td>
<td></td>
</tr>
<tr>
<td>Employees’ qualifications (Baker and Riley, 1994)</td>
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<tr>
<td>Employee training (Baker and Riley, 1994; Yeoman et al. 1996; Slattery, 1986)</td>
<td></td>
</tr>
<tr>
<td>Employee motivation (Baker and Riley, 1994; Yeoman et al., 1996)</td>
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</tr>
<tr>
<td>Empowerment (Baker and Riley, 1994; Yeoman et al. 1996; Slattery, 1986)</td>
<td></td>
</tr>
<tr>
<td>Organisational culture (Jones, 1999; Brorn and Dev, 1999)</td>
<td></td>
</tr>
<tr>
<td>Market segments served: percentages of total roomnights referring to business, leisure, conference travelers and other (Van der Hoeven and Thurik, 1984).</td>
<td></td>
</tr>
<tr>
<td>Distribution channels; percentages of total reservations received through a property owned system (e.g. telephone), third parties and Internet (O’Connor, 2002).</td>
<td></td>
</tr>
<tr>
<td>Hotel size: number of rooms, bedspaces (Johns, Howcroft and Drake, 1997; Van der Hoeven and Thurik, 1984; Brown and Dev, 1999; Parasuraman, 2002).</td>
<td></td>
</tr>
<tr>
<td>Service: providing a high level of service (Brotherton and Shaw, 1996)</td>
<td></td>
</tr>
<tr>
<td>Technological innovation (Slattery, 1986)</td>
<td></td>
</tr>
</tbody>
</table>

This interview protocol comprised of two parts: general questions and specific questions. General questions were used to understand the general ideas hotel managers had about the factors they believed were influencing their operational performance. Specific questions were divided into three groups according to DEA results: questions for hotels with good performance, questions for hotels with average performance and questions for hotels with poor performance. These questions were designed according to the results of hotels in DEA to identify the specific factors influencing their operational performance. Through the comparison of results from three groups, the critical success factors leading to hotel with good performance were identified. It is believed that if the critical success factors of performance can be identified, then hotel managers and employees can be informed and trained in how to use and manipulate them to enhance hotel operating performance (Kilic and Okumus, 2005).
4.5 Research Design

Sarantakos (1993) stated that research design is based on research models that are rooted in the assumption that research is perceived as a sequence of steps closely inter-related, and the success of one step is dependent on completion of preceding step. Cook and Reichardy (1989) also noted that research models help researchers to conduct their research in a systematic way.

A research design helps researcher draw boundaries for research, by defining study setting, type of investigation that needs to be carried out, the unit of analysis and other relevant issues related to research. Hussey and Hussey (1997) stated that research process can be successful, only if the researcher makes the right choices in the research design. Therefore, having a systematic research design enables the researcher to clearly define boundaries for research, which assisted in answering the research questions. This research was conducted in six stages. Each stage of the research design is described in the following sections.

4.5.1 Efficiency Evaluation

To understand the operational efficiency of Taiwanese international tourist hotels, this research adopted DEA, developed by Charnes, A. et al. (1978), using multiple inputs and outputs to measure the relative operational efficiency of 57 international tourist hotels in Taiwan. At the same time, the research used the Malmquist productivity approach expressed by Färe, R. et al (1992) to measure the operational efficiency change of these international tourist hotels. The data necessary for this analysis was collected from “The Annual Operation Report of the International Tourist Hotels in Taiwan” published by the Taiwan Tourism Bureau. (reference to DEA evaluation section 4.3)

4.5.2 Exploring the Factors Influencing Operational Performance

To further explore the factors influencing hotel operational performance, this research conducted qualitative in-depth interview with hotel managers. The interview protocol
was developed to outline a set of questions about the critical factors influencing hotel operational performance. Based on the results of the DEA, 57 hotels were divided into three groups. The first group was the hotels with good efficiency. Their efficient score is high and they become “best practice” hotels. The second group comprised those hotels with an average efficiency score. The last group consisted of those hotels which scored low after DEA and need to improve their efficiency. (see section 5.6 dividing groups according to DEA score) Then, the qualitative in-depth interviews with the managers of each sample hotel were conducted.

4.5.3 Pilot Testing

Prior to conducting the interviews, pilot testing was carried out to test the relevance of the language of the interview protocol, and the appropriateness and completeness of the contents of the interview protocol in relation to its subject domain and purpose. The researcher was unsure about the responses’ response to the questions, and therefore felt that pilot testing could serve as a guide. The pilot testing was conducted in a way that would allow for refinement of the language and procedures as the testing proceeded.

Six hotel managers and two university assistant professors from a hospitality faculty were recruited to participate in the study as the pilot test. In the beginning, they were asked to review the draft interview protocol (Appendix 3) without help from the researcher. They were first asked to comment on their understanding of the interview questions and to comment on the relevance of the questions to the research issues. Then, they were asked to answer the questions to test whether respondents could and would answer the questions asked during the course of the interview and whether the interview protocol appeared to be appropriate for examining the research questions. After interviewing the participants, feedback was obtained pertaining to the nature of the questions asked, so as to help the researcher refine the interview protocol. A few of the interview questions had been modified for better and easier understanding. With the positive feedback, the researcher was able to proceed with the research.
4.5.4 Conducting In-depth Interviews

Based on the three groups categorized above, this research chose several hotels as representative of each group, and then semi-structured personal interviews were conducted with the managers of each sample hotel (see Table 6.1 and Table 6.2 for sampled hotels). This interview used open-ended questions to identify the perceptions of the managers as to what they believed are important in increasing operational performance. These interviews were conducted in Mandarin and then translated by researcher, who is a native speaker of the language, into English.

4.5.5 Analysis of Interview Data

Interview data was analysed by way of constant comparative method. In this approach to the analysis of qualitative data, the theory is generated from the data, or if existing theories seem appropriate, then these may be elaborated and modified as incoming data are compared against them (Denzin and Lincoln, 1994, p. 643). Researchers can also carry into current studies any theory based on their previous research, being careful to constantly match their a priori theories against the incoming data (Glaser, 1965). Through the analysis of qualitative data, critical successful factors contributing to hotels having good performance have been identified.

Figure 4.2 list the step-by-step process of this study.
4.6 Sampling Procedure

In an empirical study that uses a positivistic approach, selecting a sample is a prerequisite (Hussey and Hussey, 1997). A population is a body of people or any other collection of items under consideration for the purpose of the study (Hussey and Hussey, 1997). A sampling is a fraction of subjects drawn from a population. It
enables the researcher to study a relatively few number of subjects from the population in an attempt to obtain data that are representative of the whole target population (Neuman, 2000). Sampling in a study offers detailed information and a high degree of accuracy because they deal with relatively small number of units (Sekaran, 1992). The advantage of choosing several organisations in a single industry is to minimize significant heterogeneity (Chryssochoidis and Wong, 2000). Since samples are expected to be representative, they have to be chosen in a systematic way.

At the time of this research being conducted, there were more than 2600 hotels in Taiwan (Taiwan Tourism Bureau, 2005b). It was not possible to investigate all the hotels in Taiwan due to the constraints of time and cost. As Sarantakos (1993) noted, even where complete coverage is possible, it may not offer substantial advantage over a sample survey; on the contrary, sampling is likely to produce comparable and reliable results in a short period of time.

Qualitative inquiry concerns itself with information richness and typically focuses in depth on a relatively small sample selected purposefully. The goal of qualitative research is to gain deeper understanding of some phenomenon as seen or experienced by a selected group of people (Maykut and Morehouse, 1994). Patton (2002) confirmed that the logic of purposeful sampling relies on selecting information-rich cases for study in depth.

According to the Taiwan Tourism Bureau (2007a), the lodging industry in Taiwan is categorised into international tourist hotels, standard tourist hotels, standard hotels, and home-stay. Among these four categories, only international tourist hotels are required to report their operational data to the Taiwan Tourism Bureau monthly. The statistical data they offer includes room revenue, food and beverage revenue, occupancy rate, average room rate, number of rooms, number of employees, number of guests by type, and number of guests by nationality. International tourist hotels mostly operate on a large scale and dominate the hotel market; their operational data is available and can be regarded as key indicators of the hotel sector in Taiwan. Therefore, this research used 57 international tourist hotels as sample to conduct efficiency evaluation via DEA.
In addition, according to the results of DEA, the 57 hotels were divided into three groups. The first group is the hotels with good efficiency. The second group is comprised of hotels with an average efficiency score. The last group is hotels which are scored as inefficient. Several hotels were selected from each group, then the semi-structured personal interviews with managers were conducted with each hotel to explore the factors influencing their operational performance.

4.7 Data Analysis

4.7.1 Efficiency Evaluation

To understand the performance of international tourist hotels in Taiwan, this research used DEA to evaluate operational efficiency of 57 international tourist hotels. To find the DEA results, one computer software, DEAP 2.1 developed by Tim Coelli (1996), was used to handle the data in this research. This program was used to construct DEA frontier for the calculation of efficiency and also for the calculation of Malmquist productivity index. As DEAP 2.1 is a DOS program, to make it easier use in the Windows environment, this research also used a program, Win4DEAP, which provides a convivial Windows front end for DEAP. This program provides a spreadsheet-like interface to enter input and output data which DEA requires. After entering all data, the executive function was used to calculate the DEA score and Malquest productivity index. Through the DEA analysis, the benchmarking hotels and an individual hotel’s operational efficiency can be identified. Moreover, by comparing the Malmquist Index, it is possible to identify general trends in the efficiency of the hotel sector as a whole and to identify individual hotel exhibiting pattern of change in efficiency that differ from the rest of the industry.

4.7.2 Critical Success Factors Leading to Hotel Performance

To explore critical success factors contributing a hotel to have good performance, this research utilizes qualitative in-depth interview with hotel managers to identify the perceptions of the managers on what they believed are important to increasing
operational efficiency. Interview data was analysed through constant comparative method (CCM) developed by Glaser and Strauss (1967). CCM is an analysis tool in grounded theory. By comparing, the researcher is able to do what is necessary to develop a theory more or less inductively, namely categorizing, coding, delineating categories and connecting them (Boeije, 2002). Tesch (1990, p.96) noted that:

The main intellectual tool is comparison. The method of comparing and contrasting is used for practically all intellectual tasks during analysis: forming categories, establishing the boundaries of the categories, assigning the segments to categories, summarizing the content of each category. The goal is to discern conceptual similarities, to refine the discriminative power of categories, and to discover patterns.

Constant comparison goes hand in hand with theoretical sampling. This principle implies that the researcher decides what idea will be gathered next and where to find them on the basis of provisional theoretical ideas (Boeije, 2002). In this way it is possible to answer questions that have arisen from the analysis of and reflection on previous data. Thus, the researchers began to analyse interview data when each hotel interview was done. The benefit of doing this was that early data analysis guided subsequent data collection. The cycle of comparison and reflection on old and new material can be repeated several times. It is only when new contents do not bring any new information to light that categories can be described as saturated (Glaser, 1965).

Data coding is the process of conceptualising data and developing categories by reading the raw data and eliciting the meaning from it. Maykut and Morehouse (1994) suggested that a full transcript from an audio-recorded interview is important when interviews are to be a major source of data for qualitative research because preparing transcripts provides an important opportunity for researchers to relive the interview and become substantially more familiar with the data. Transcribed data are then categorised and the categories used as the basis for detailed coding. Subsequent coding might cause preliminary categories to be modified or new categories to be added. Minichiello et al. (1995) was emphatic that any researcher who wishes to conduct a good qualitative research must categorise and code well and that it is helpful to create a list of words which can be conceptualised into categories and linked into a general framework. A meticulous coding system creates the possibility
that the researcher can stumble across new ideas which creates categories that had not previously been thought about (Minichiello et al., 1995).

In terms of coding, Strauss (1987) had suggested that line by line transcript analysis can stimulate “provisional” answers. Masberg and Silverman (1996) suggested that the researchers read and reread the raw data until a set of comprehensive categories and themes emerges. These suggestions become important to this researcher to develop a systematic coding process, and to be clear about the steps involved.

To code data into categories, the researcher needed to identify the themes in the data first. Neuman (2000) suggested that researchers should possess four abilities to see the themes in the data: recognising patterns in the data, thinking in terms of systems and concepts, having tacit knowledge or in-depth background knowledge, and possessing relevant information. This study followed the steps which were suggested by these researchers. After themes were identified from the transcript, specific examples were coded as belonging in a specific category. Each code stands for one particular theme. As the raw data was categorised into a consistent data set, patterns emerge systematically for further analysis.

4.8 Ethical Consideration

In social research, ethics plays an important role as the research involves human subjects. Neuman (2000) noted that the researcher’s right to conduct research among human subjects is governed by a responsibility on the part of the researcher to guide, protect and oversee the interests of the people being studied.

The University of Western Sydney Human Ethics Committee guided the ethical issues in this study, which adhered to the expectations of the Ethics Committee. According to the Ethical Guidelines of the University of Western Sydney, for all participants, it was stressed that anonymity was secured in terms of participants’ names. There were not any identifiers used on the transcriptions or in the final report. It was made clear to the participants that their participation or non participation had no bearing on their employment status and did not adversely affect their continuation of employment with
the organization.

Participants also were informed in the consent form that the researcher wished to audio tape the interview and used it for analysis purposes only. The researcher was held personally responsible for the safe keeping of the tapes at a secure place. Thereafter the tapes will be erased once they have been transcribed.

This research has been approved by the University of Western Sydney Human Ethics Committee. The Approval Number is HREC 06/198 (see Appendix 6).

4.9 Chapter Summary

This chapter has detailed the research methodology, including research design, the principle of DEA and Malmquist productivity index, the data used in this study, data collection method and data analysis. The reason for selecting qualitative in-depth interview and the design of interview protocol also were explained. The next two chapters will provide the research finding through DEA and qualitative in-depth interview.
Chapter Five: Data Envelopment Analysis (DEA) Finding

5.1 Chapter Introduction

The research process was initiated using DEA to evaluate the operational efficiency of all international tourist hotels in Taiwan. The second stage was the employment of qualitative in-depth interviews to explore the critical success factors contributing to good performance of hotels.

The previous chapter outlined the methodology that underpins this research. This chapter reports on the results of using DEA to evaluate the operational efficiency of 57 international tourist hotels in Taiwan.

5.2 DEA Efficiency Analysis

To estimate the operational efficiency of 57 international tourist hotels in Taiwan, this study used input-output data on 57 hotels for the year 2005. The data was obtained from “Annual Operation Report of the International Tourist Hotels in Taiwan (2005)” published by Taiwan Tourism Bureau. Results, in order of relative operational efficiency, reference hotel and frequency with which each hotel is in the reference hotel groups, are shown in Table 5.1. A hotel with the value of 1 is a relatively ‘best practice’ hotel, and therefore is identified as an efficient one. On the contrary, a hotel with a value of less than one is inefficient compared to the ‘best practice’ hotels. The efficiency score of the Howard Hotel Taipei, for example, is 0.916, which means that the Howard Hotel Taipei has only attained about 92% efficiency in relation to the most efficient hotels.

Due to the DEA results coming from comparing different units, for each inefficient unit DEA can identify a set of corresponding efficient units that are said to form a reference group for the inefficient unit. Each reference unit will become the exemplar for the corresponding inefficient unit. For example, through DEA, we find that the reference groups of the Landies Hotel Taipei include the Caesar Park Hotel Taipei,
Sherwood Hotel and Grand Hyatt Hotel, and these three hotels become the benchmark for the Landies Hotel Taipei.

Table 5.1: Operational Efficiency of International Tourist Hotel in 2005 through DEA

<table>
<thead>
<tr>
<th>No</th>
<th>Hotel</th>
<th>Efficiency</th>
<th>Reference Hotels</th>
<th>Frequency as Reference Hotels</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>H21</td>
<td>Grand Formosa Hotel Taipei</td>
<td>1.000</td>
<td>H21</td>
<td>37</td>
<td>1</td>
</tr>
<tr>
<td>H7</td>
<td>Caesar Park Hotel Taipei</td>
<td>1.000</td>
<td>H7</td>
<td>23</td>
<td>1</td>
</tr>
<tr>
<td>H20</td>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td>H20</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>H22</td>
<td>Sherwood Hotel</td>
<td>1.000</td>
<td>H22</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>H2</td>
<td>Ambassador Hotel Taipei</td>
<td>1.000</td>
<td>H2</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>H54</td>
<td>Tainan Hotel</td>
<td>1.000</td>
<td>H54</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>H43</td>
<td>Lalu Hotel</td>
<td>1.000</td>
<td>H43</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>H23</td>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>H23</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>H10</td>
<td>Brother Hotel</td>
<td>1.000</td>
<td>H10</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>H24</td>
<td>Westin Hotel</td>
<td>1.000</td>
<td>H24</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>H48</td>
<td>Royal Hotel Chipen</td>
<td>1.000</td>
<td>H48</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>H46</td>
<td>Caesar Park Hotel Kenting</td>
<td>1.000</td>
<td>H46</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>H14</td>
<td>Sheraton Hotel</td>
<td>0.990</td>
<td>H20 H21 H10</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>H4</td>
<td>Gloria Prince Hotel</td>
<td>0.987</td>
<td>H21</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>H12</td>
<td>Landis Hotel Taipei</td>
<td>0.960</td>
<td>H2 H22 H20</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>H18</td>
<td>Howard Hotel Taipei</td>
<td>0.916</td>
<td>H21 H20 H22</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>H34</td>
<td>Evergreen Laurel Hotel</td>
<td>0.876</td>
<td>H21 H20</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>H47</td>
<td>Howard Hotel Kenting</td>
<td>0.871</td>
<td>H48 H20</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>H35</td>
<td>Howard Hotel Taichung</td>
<td>0.860</td>
<td>H21 H54 H7</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>H29</td>
<td>Howard Hotel Kaohsiung</td>
<td>0.844</td>
<td>H7 H21</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>H17</td>
<td>Royal Hotel Taipei</td>
<td>0.838</td>
<td>H7 H21</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>H8</td>
<td>Golden China Hotel</td>
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<td>H21 H7</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>H50</td>
<td>Taoyuan Hotel</td>
<td>0.835</td>
<td>H22 H20 H7</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>H38</td>
<td>Marshal Hotel</td>
<td>0.821</td>
<td>H21 H7</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>H27</td>
<td>Ambassador Hotel Kaohsiung</td>
<td>0.818</td>
<td>H21 H2</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>H28</td>
<td>Grand Hi-Lai Hotel</td>
<td>0.802</td>
<td>H21</td>
<td>0</td>
<td>26</td>
</tr>
<tr>
<td>H6</td>
<td>Riverview Hotel</td>
<td>0.800</td>
<td>H21 H7</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>H42</td>
<td>Landies Resort Yanminsan</td>
<td>0.788</td>
<td>H22 H43 H21</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>H9</td>
<td>San Want Hotel</td>
<td>0.788</td>
<td>H2 H22 H21</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>H13</td>
<td>United Hotel</td>
<td>0.783</td>
<td>H2 H22</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>H5</td>
<td>Emperor Hotel</td>
<td>0.779</td>
<td>H13</td>
<td>0</td>
<td>31</td>
</tr>
<tr>
<td>H33</td>
<td>Plaza In’t Hotel</td>
<td>0.776</td>
<td>H21 H7</td>
<td>0</td>
<td>32</td>
</tr>
<tr>
<td>H55</td>
<td>Tayih Landis Hotel Tainan</td>
<td>0.771</td>
<td>H7 H21</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td>H36</td>
<td>Splendor Hotel Taichung</td>
<td>0.767</td>
<td>H21</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>H31</td>
<td>Han-Hsien Hotel</td>
<td>0.760</td>
<td>H21</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>H1</td>
<td>Grand Hotel Taipei</td>
<td>0.753</td>
<td>H21 H23</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>H39</td>
<td>China Trust Hotel Hwaleng</td>
<td>0.750</td>
<td>H21 H20</td>
<td>0</td>
<td>37</td>
</tr>
<tr>
<td>H41</td>
<td>Farglory Hotel</td>
<td>0.749</td>
<td>H7 H21 H20</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>H51</td>
<td>Ta Shee Resort</td>
<td>0.742</td>
<td>H21 H43</td>
<td>0</td>
<td>39</td>
</tr>
<tr>
<td>H3</td>
<td>Imperial Hotel</td>
<td>0.729</td>
<td>H21 H7</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>H16</td>
<td>Holiday Inn Hotel</td>
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<td>H48 H21 H20</td>
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<td>41</td>
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<tr>
<td>H53</td>
<td>Ambassador Hotel Hsinchu</td>
<td>0.716</td>
<td>H21</td>
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<tr>
<td>H52</td>
<td>Royal Hotel Hsinchu</td>
<td>0.716</td>
<td>H48 H7 H21</td>
<td>0</td>
<td>42</td>
</tr>
<tr>
<td>H30</td>
<td>Splendor Hotel Kaohsiung</td>
<td>0.712</td>
<td>H21 H7</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>H26</td>
<td>Holiday Garden</td>
<td>0.708</td>
<td>H21 H7 H13</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>H40</td>
<td>Parkview Hotel</td>
<td>0.679</td>
<td>H21 H13 H7</td>
<td>0</td>
<td>46</td>
</tr>
<tr>
<td>H32</td>
<td>Hotel National</td>
<td>0.665</td>
<td>H7 H54 H21</td>
<td>0</td>
<td>47</td>
</tr>
</tbody>
</table>
In many practical DEA assessments one needs more than the mere mathematical results to communicate to a relatively inefficient unit that their performance could improve. Reference units can prove helpful in this respect (Boussofiane et al, 1991). Merely contrasting the input/output levels of the relatively inefficient hotel with those of its reference hotels often helps to highlight inadequacies in the performance of the relatively inefficient hotel. Also, given the fact that the reference hotels are relatively efficient and have a similar input/output orientation, they can provide examples of good operating practice for the inefficient hotel to study. They may also provide suitable targets for it, particularly where some reference hotels are of a similar size to the inefficient hotel. The higher the frequency a relatively efficiency hotel has been referred to by other hotels, the higher is its chance of being a benchmark hotel.

The DEA results show that there are 12 hotels with an efficiency score of 1, including the Grand Formosa Hotel Taipei, Caesar Park Hotel Taipei, Royal Hotel Chipen, Grand Hyatt Hotel, Sherwood Hotel, Ambassador Hotel, Tainan Hotel, Lalu Hotel, Shangri-La’s Hotel, Brother Hotel, Westin Hotel and Caesar Park Hotel Kenting. These were the most efficient hotels in Taiwan in 2005. Among these hotels, the Grand Formosa Hotel is referred by hotels with poor efficiency 37 times, and became the best hotel with good efficiency. Moreover, among the hotels with good efficiency, 9 are business hotel and 3 resort hotels. As for location, 8 hotels are located in Taipei and 4 are located in other areas in Taiwan. The primary sources of customers for 9 hotels are foreign customers, and the remaining 3 are local customers. 11 hotels focus on individual customers and only one hotel has a focus on groups of customers. Eight hotels are the members of chain operation while 4 hotels are independently managed and operated (see Table 5.2).
Table 5.2: Comparing DEA with Location, Hotel Type, Management Type and Major Source of Customer

<table>
<thead>
<tr>
<th>No</th>
<th>Hotel</th>
<th>Efficiency</th>
<th>Location</th>
<th>Hotel Type</th>
<th>Management Type</th>
<th>Major Source of Customer</th>
<th>Customer Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>H21</td>
<td>Grand Formosa Taipei</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>61% 39%</td>
</tr>
<tr>
<td>H7</td>
<td>Caesar Park Hotel Taipei</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>60% 40%</td>
</tr>
<tr>
<td>H20</td>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Chain</td>
<td>Foreign</td>
<td>67% 33%</td>
</tr>
<tr>
<td>H22</td>
<td>Sherwood Hotel</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>100 0%</td>
</tr>
<tr>
<td>H2</td>
<td>Ambassador Hotel Taipei</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>41% 59%</td>
</tr>
<tr>
<td>H54</td>
<td>Tainan Hotel</td>
<td>1.000</td>
<td>Tainan</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>93% 7%</td>
</tr>
<tr>
<td>H23</td>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Chain</td>
<td>Foreign</td>
<td>70% 30%</td>
</tr>
<tr>
<td>H10</td>
<td>Brother Hotel</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>72% 28%</td>
</tr>
<tr>
<td>H24</td>
<td>Westin Hotel</td>
<td>1.000</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Chain</td>
<td>Foreign</td>
<td>69% 31%</td>
</tr>
<tr>
<td>H48</td>
<td>Royal Hotel Chipen</td>
<td>1.000</td>
<td>Taitung</td>
<td>Resort</td>
<td>Local Chain</td>
<td>Local</td>
<td>83% 17%</td>
</tr>
<tr>
<td>H43</td>
<td>Lalu Hotel</td>
<td>1.000</td>
<td>Sun Moon Lake</td>
<td>Resort</td>
<td>Independent</td>
<td>Local</td>
<td>78% 22%</td>
</tr>
<tr>
<td>H46</td>
<td>Caesar Park Hotel Kenting</td>
<td>1.000</td>
<td>Kenting</td>
<td>Resort</td>
<td>Local Chain</td>
<td>Local</td>
<td>70% 30%</td>
</tr>
<tr>
<td>H14</td>
<td>Sheraton Hotel</td>
<td>0.990</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Chain</td>
<td>Foreign</td>
<td>62% 38%</td>
</tr>
<tr>
<td>H4</td>
<td>Gloria Prince Hotel</td>
<td>0.987</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Franchise</td>
<td>Foreign</td>
<td>52% 48%</td>
</tr>
<tr>
<td>H12</td>
<td>Landies Hotel Taipei</td>
<td>0.960</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Franchise</td>
<td>Foreign</td>
<td>100% 0%</td>
</tr>
<tr>
<td>H18</td>
<td>Howard Hotel Taipei</td>
<td>0.916</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>87% 13%</td>
</tr>
<tr>
<td>H34</td>
<td>Evergreen Laurel Hotel</td>
<td>0.876</td>
<td>Taichung</td>
<td>Business</td>
<td>Local Chain</td>
<td>Local</td>
<td>86% 14%</td>
</tr>
<tr>
<td>H47</td>
<td>Howard Hotel Kenting</td>
<td>0.871</td>
<td>Kenting</td>
<td>Resort</td>
<td>Local Chain</td>
<td>Local</td>
<td>61% 39%</td>
</tr>
<tr>
<td>H35</td>
<td>Howard Hotel Taichung</td>
<td>0.860</td>
<td>Taichung</td>
<td>Resort</td>
<td>Local Chain</td>
<td>Local</td>
<td>85% 15%</td>
</tr>
<tr>
<td>H29</td>
<td>Howard Hotel Kaohsiung</td>
<td>0.844</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>65% 35%</td>
</tr>
<tr>
<td>H17</td>
<td>Royal Hotel Taipei</td>
<td>0.838</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>Foreign</td>
<td>100% 0%</td>
</tr>
<tr>
<td>H8</td>
<td>Golden China Hotel</td>
<td>0.837</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>31% 69%</td>
</tr>
<tr>
<td>H50</td>
<td>Taoyuan Hote</td>
<td>0.835</td>
<td>Taoyuan</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>18% 82%</td>
</tr>
<tr>
<td>H38</td>
<td>Marshal Hotel</td>
<td>0.821</td>
<td>Hwaleng</td>
<td>Resort</td>
<td>Independent</td>
<td>Local</td>
<td>26% 74%</td>
</tr>
<tr>
<td>H27</td>
<td>Ambassador Kaohsiung</td>
<td>0.818</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local Chain</td>
<td>Local</td>
<td>59% 41%</td>
</tr>
<tr>
<td>H28</td>
<td>Grand Hi-Lai Hotel</td>
<td>0.802</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Independent</td>
<td>Local</td>
<td>74% 26%</td>
</tr>
<tr>
<td>H6</td>
<td>Riverview Hotel</td>
<td>0.800</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>7% 93%</td>
</tr>
<tr>
<td>H42</td>
<td>Landies Resort Yanminsan</td>
<td>0.788</td>
<td>Yanminsan</td>
<td>Resort</td>
<td>Local Franchise</td>
<td>Local</td>
<td>73% 27%</td>
</tr>
<tr>
<td>H9</td>
<td>San Want Hotel</td>
<td>0.788</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>79% 21%</td>
</tr>
<tr>
<td>H13</td>
<td>United Hotel</td>
<td>0.783</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>Foreign</td>
<td>65% 35%</td>
</tr>
<tr>
<td></td>
<td>Hotel Name</td>
<td>Score</td>
<td>City</td>
<td>Type</td>
<td>Ownership</td>
<td>Local</td>
<td>Foreign</td>
</tr>
<tr>
<td>---</td>
<td>--------------------</td>
<td>-------</td>
<td>----------</td>
<td>------------</td>
<td>-----------</td>
<td>-------</td>
<td>---------</td>
</tr>
<tr>
<td>H5</td>
<td>Emperor Hotel</td>
<td>0.779</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>H33</td>
<td>Plaza Int’l Hotel</td>
<td>0.776</td>
<td>Taichung</td>
<td>Business</td>
<td>Local</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>H55</td>
<td>Tayih Landis Hotel</td>
<td>0.771</td>
<td>Tainan</td>
<td>Business</td>
<td>Local Franchise</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>H36</td>
<td>Splendor Hotel Taichung</td>
<td>0.767</td>
<td>Taichung</td>
<td>Business</td>
<td>Local Franchise</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>H31</td>
<td>Han-Hsien Hotel</td>
<td>0.760</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>H1</td>
<td>Grand Hotel Taipei</td>
<td>0.753</td>
<td>Taipei</td>
<td>Business</td>
<td>Local Chain</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>H39</td>
<td>China Trust Hotel</td>
<td>0.750</td>
<td>Hwaleng</td>
<td>Resort</td>
<td>Local Franchise</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>H41</td>
<td>Farglory Hotel</td>
<td>0.749</td>
<td>Hwaleng</td>
<td>Resort</td>
<td>Independent</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>H51</td>
<td>Ta Shee Resort</td>
<td>0.742</td>
<td>Ta Shee</td>
<td>Resort</td>
<td>Independent</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>H3</td>
<td>Imperial Hotel</td>
<td>0.729</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>H16</td>
<td>Holiday Inn Hotel</td>
<td>0.719</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Franchise</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>H53</td>
<td>Ambassador Hotel Hsinchu</td>
<td>0.716</td>
<td>Hsinchu</td>
<td>Business</td>
<td>Local Chain</td>
<td>94%</td>
<td>6%</td>
</tr>
<tr>
<td>H52</td>
<td>Royal Hotel Hsinchu</td>
<td>0.716</td>
<td>Hsinchu</td>
<td>Business</td>
<td>Local Chain</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>H30</td>
<td>Splendor Hotel Kaohsiung</td>
<td>0.712</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local Franchise</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>H26</td>
<td>Holiday Garden</td>
<td>0.708</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>H40</td>
<td>Parkview Hotel</td>
<td>0.679</td>
<td>Hwaleng</td>
<td>Resort</td>
<td>Independent</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>H32</td>
<td>Hotel National</td>
<td>0.665</td>
<td>Taichung</td>
<td>Business</td>
<td>Independent</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>H25</td>
<td>Kingdom Hotel</td>
<td>0.660</td>
<td>Kaohsiung</td>
<td>Business</td>
<td>Local</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>H56</td>
<td>Evergreen Plaza Hotel</td>
<td>0.659</td>
<td>Tainan</td>
<td>Business</td>
<td>Local Franchise</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>H45</td>
<td>Grand Hotel Kaohsiung</td>
<td>0.658</td>
<td>Kaohsiung</td>
<td>Resort</td>
<td>Local Chain</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>H15</td>
<td>Fortuna Hotel</td>
<td>0.652</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>H57</td>
<td>Naruwan Hotel</td>
<td>0.632</td>
<td>Taitung</td>
<td>Resort</td>
<td>Independent</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>H19</td>
<td>Crown Plaza Hotel</td>
<td>0.627</td>
<td>Taipei</td>
<td>Business</td>
<td>Int’l Franchise</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>H37</td>
<td>Astar Hotel</td>
<td>0.621</td>
<td>Hwaleng</td>
<td>Resort</td>
<td>Local</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>H11</td>
<td>Santos Hotel</td>
<td>0.603</td>
<td>Taipei</td>
<td>Business</td>
<td>Independent</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>H49</td>
<td>Grand Formosa Turoko</td>
<td>0.594</td>
<td>Taroko</td>
<td>Resort</td>
<td>Local Chain</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>H44</td>
<td>Hibiscus Resort</td>
<td>0.477</td>
<td>Nansi</td>
<td>Resort</td>
<td>Independent</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a
Among these hotels, 5 hotels are also members of the Top 10 hotels with the highest average room rate in Taiwan (see Table 5.3).

Table 5.3: Top 10 hotels with the highest average room rate

<table>
<thead>
<tr>
<th>Rank</th>
<th>Hotel</th>
<th>Efficiency</th>
<th>Average Room Rate Unit: US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lalu Hotel</td>
<td>1.000</td>
<td>253</td>
</tr>
<tr>
<td>2</td>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>172</td>
</tr>
<tr>
<td>3</td>
<td>Westin Hotel</td>
<td>1.000</td>
<td>171</td>
</tr>
<tr>
<td>4</td>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td>163</td>
</tr>
<tr>
<td>5</td>
<td>Landies Resort Yanminsan</td>
<td>0.788</td>
<td>159</td>
</tr>
<tr>
<td>6</td>
<td>Farglory Hotel</td>
<td>0.749</td>
<td>135</td>
</tr>
<tr>
<td>7</td>
<td>Royal Hotel Chipen</td>
<td>1.000</td>
<td>130</td>
</tr>
<tr>
<td>8</td>
<td>Sheraton Hotel</td>
<td>0.990</td>
<td>125</td>
</tr>
<tr>
<td>9</td>
<td>Landies Hotel Taipei</td>
<td>0.960</td>
<td>119</td>
</tr>
<tr>
<td>10</td>
<td>Howard Hotel Taipei</td>
<td>0.916</td>
<td>117</td>
</tr>
</tbody>
</table>

Source: Taiwan Tourism Bureau 2007a

From these analyses, it can be concluded that hotels with good operational efficiency have the following common features:

- business hotels
- located in Taipei
- focusing on foreign customers and individual customers
- chain operations
- providing top level, luxurious facilities and charging expensive room rates.

5.3 The Relationship between Operational Efficiency and Some Influence Factors

Hotel operational efficiency is influenced by many factors. Some factors can be controlled by management but others are outside the control of hotel. Although DEA can be used to evaluate hotel operational efficiency, the results only indicate the relative efficiency of all sample hotels and do not consider the role of factors such as location, room rate, hotel size and hotel age. As Morey and Dittman (1995, p.21) observed, “sometimes one must look past the numbers and take into account qualitative factors”. For example a hotel may be scored relatively inefficient if it is located in an area with a difficult competitive environment, whilst another hotel gains
a good DEA score because the area this hotel is located in has a favorable environment. By only comparing the relative efficiency of all hotels without considering where the hotel is located in, inaccurate benchmarks for operational efficiency may be generated. Therefore, this research further adjusted a hotel’s DEA score according to some significant influencing factors, including location, hotel size (the number of hotel room), hotel age and room rate. The adjustment score is the ratio of the original DEA score to the average DEA score for all hotels in each area, size, age, and room rate.

\[
\text{Adjusted DEA} = \frac{\text{Original DEA score}}{\text{Average DEA for all hotels in each area, size, age, and room rate}}
\]

Through this adjustment, the effect of different influencing factors on DEA efficiency can be found. By comparing each hotel’s adjusted score, a more objective measure of operational efficiency, as opposed to overall hotel efficiency, will be determined.

5.3.1 DEA Adjustment According to Area

Table 5.4 shows that hotels located in Taipei had better operational efficiency than those in Central area, followed by East Coast and Kenting, Taoyuan and Hsinchu, Kaohsiung. The operational efficiency of hotels in Tainan is the poorest.

Taipei is a capital city and financial centre in Taiwan. Most of the multi-national companies’ offices are located in Taipei. Along with the large number of incoming visitors that specifically visit Taipei, a high percentage of business travelers also stay in Taiwan. Therefore, hotels in Taipei enjoy the best operational performance in Taiwan.

On the other hand, the Central area was originally one of the most popular tourist destinations. In recent years, with the establishment of Taichung Science Park, many international businessmen are attracted to this area. These factors may account for hotels in the Central area having good performance.
Table 5.4: Comparing DEA Efficiency According to Location

<table>
<thead>
<tr>
<th>DEA Efficiency of Hotels in Taipei</th>
<th>DEA Efficiency of Hotels in Kaohsiung</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Efficiency</td>
<td>Hotel Efficiency</td>
</tr>
<tr>
<td>Grand Formosa Taipei</td>
<td>Howard Hotel Kaohsiung</td>
</tr>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>Ambassador Kaohsiung</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>Grand Hi-Lai Hotel</td>
</tr>
<tr>
<td>Sherwood Hotel</td>
<td>Han-Hsien Hotel</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>Splendor Hotel Kaohsiung</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>Holiday Garden</td>
</tr>
<tr>
<td>Brother Hotel</td>
<td>Kingdom Hotel</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>Grand Hotel Kaohsiung</td>
</tr>
<tr>
<td>Sheraton Hotel</td>
<td>Mean</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
<td>DEA Efficiency of Hotels in Tainan</td>
</tr>
<tr>
<td>Landis Hotel Taipei</td>
<td>Tainan Hotel</td>
</tr>
<tr>
<td>Howard Hotel Taipei</td>
<td>Tayih Landis Hotel Tainan</td>
</tr>
<tr>
<td>Royal Hotel Taipei</td>
<td>Evergreen Plaza Hotel</td>
</tr>
<tr>
<td>Golden China Hotel</td>
<td>Hibiscus Resort</td>
</tr>
<tr>
<td>Riverview Hotel</td>
<td>Mean</td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>DEA Efficiency of Hotels in Taoyuan, Hsinchu</td>
</tr>
<tr>
<td>United Hotel</td>
<td>Taoyuan Hotel</td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>Ta Shee Resort</td>
</tr>
<tr>
<td>Grand Hotel Taipei</td>
<td>Ambassador Hotel Hsinchu</td>
</tr>
<tr>
<td>Imperial Hotel</td>
<td>Royal Hotel Hsinchu</td>
</tr>
<tr>
<td>Holiday Inn Hotel</td>
<td>Mean</td>
</tr>
<tr>
<td>Fortuna Hotel</td>
<td>DEA Efficiency of Hotels in East Coast, Kenting</td>
</tr>
<tr>
<td>Crown Plaza Hotel</td>
<td>Marshal Hotel</td>
</tr>
<tr>
<td>Santos Hotel</td>
<td>China Trust Hotel Hwaleng</td>
</tr>
<tr>
<td>Landis Resort Yanminsan</td>
<td>Farglory Hotel</td>
</tr>
<tr>
<td>Mean 0.862</td>
<td>DEA Efficiency of Hotels in Central area</td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>Astar Hotel</td>
</tr>
<tr>
<td>Evergreen Laurel Hotel</td>
<td>Royal Hotel Chihpen</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
<td>Naruwan Hotel</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>Grand Formosa Taroko</td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
<td>Caesars Park Hotel Kenting</td>
</tr>
<tr>
<td>Hotel National</td>
<td>Howard Hotel Kenting</td>
</tr>
<tr>
<td>Lalu Hotel</td>
<td>Mean</td>
</tr>
<tr>
<td>Mean 0.824</td>
<td></td>
</tr>
</tbody>
</table>

The East Coast and Kenting is a popular tourist destinations, with many hotels in this area enjoying high room rates due to the income this area attracts from domestic holidaymakers, with most spending at least one night due to the greater distances involved between this area and Taiwan’s major cities. However, much of the hotel occupancy in this area relies on travel for leisure purpose, which tends to be highly concentrated around weekends and public holidays. This causes the large gap in occupancy between high and low seasons and influences hotels’ operational efficiency.
Kaohsiung is the largest shipping port in Taiwan and Taiwanese second largest city. This area has the second highest concentration of hotels, however, the number of travellers visiting this area is low resulting in supply being greater than the demand. Finally, Tainan, Taoyuan and Hsinchu are famous because the major Taiwanese science park is located in these areas, but most customers in both areas are engineers, not managers as those in Taipei. They would not spend too much for accommodation. Moreover, Taoyuan and Hsinchu are too close to Taipei. This makes many customers stay in Taipei rather than in this area. All these factors influence the operational efficiency of hotels in these areas.

Table 5.5: Rank-ordered list of DEA efficiency score and the score after area adjustment

<table>
<thead>
<tr>
<th>Hotels located in Taipei</th>
<th>Location</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Formosa Taipei</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Sherwood Hotel</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Brother Hotel</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>Taipei</td>
<td>1.000</td>
<td>1</td>
<td>1.160</td>
<td>5</td>
</tr>
<tr>
<td>Sheraton Hotel</td>
<td>Taipei</td>
<td>0.990</td>
<td>13</td>
<td>1.148</td>
<td>13</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
<td>Taipei</td>
<td>0.987</td>
<td>14</td>
<td>1.145</td>
<td>14</td>
</tr>
<tr>
<td>Landis Hotel Taipei</td>
<td>Taipei</td>
<td>0.960</td>
<td>15</td>
<td>1.114</td>
<td>18</td>
</tr>
<tr>
<td>Howard Hotel Taipei</td>
<td>Taipei</td>
<td>0.916</td>
<td>16</td>
<td>1.063</td>
<td>23</td>
</tr>
<tr>
<td>Royal Hotel Taipei</td>
<td>Taipei</td>
<td>0.838</td>
<td>21</td>
<td>0.972</td>
<td>29</td>
</tr>
<tr>
<td>Golden China Hotel</td>
<td>Taipei</td>
<td>0.837</td>
<td>22</td>
<td>0.971</td>
<td>30</td>
</tr>
<tr>
<td>Riverview Hotel</td>
<td>Taipei</td>
<td>0.800</td>
<td>27</td>
<td>0.928</td>
<td>38</td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>Taipei</td>
<td>0.788</td>
<td>28</td>
<td>0.914</td>
<td>39</td>
</tr>
<tr>
<td>Landis Resort Yanminsan</td>
<td>Taipei</td>
<td>0.788</td>
<td>28</td>
<td>0.914</td>
<td>40</td>
</tr>
<tr>
<td>United Hotel</td>
<td>Taipei</td>
<td>0.783</td>
<td>30</td>
<td>0.908</td>
<td>41</td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>Taipei</td>
<td>0.779</td>
<td>31</td>
<td>0.904</td>
<td>43</td>
</tr>
<tr>
<td>Grand Hotel Taipei</td>
<td>Taipei</td>
<td>0.753</td>
<td>50</td>
<td>0.883</td>
<td>45</td>
</tr>
<tr>
<td>Imperial Hotel</td>
<td>Taipei</td>
<td>0.729</td>
<td>40</td>
<td>0.729</td>
<td>48</td>
</tr>
<tr>
<td>Holiday Inn Hotel</td>
<td>Taipei</td>
<td>0.719</td>
<td>41</td>
<td>0.834</td>
<td>49</td>
</tr>
<tr>
<td>Fortuna Hotel</td>
<td>Taipei</td>
<td>0.652</td>
<td>51</td>
<td>0.756</td>
<td>54</td>
</tr>
<tr>
<td>Crown Plaza Hotel</td>
<td>Taipei</td>
<td>0.627</td>
<td>53</td>
<td>0.727</td>
<td>55</td>
</tr>
<tr>
<td>Santos Hotel</td>
<td>Taipei</td>
<td>0.603</td>
<td>55</td>
<td>0.700</td>
<td>56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotels located in Central area</th>
<th>Location</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lalu Hotel</td>
<td>Central area</td>
<td>1.000</td>
<td>1</td>
<td>1.297</td>
<td>2</td>
</tr>
<tr>
<td>Evergreen Laurel Hotel</td>
<td>Central area</td>
<td>0.876</td>
<td>17</td>
<td>1.063</td>
<td>22</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
<td>Central area</td>
<td>0.860</td>
<td>19</td>
<td>1.044</td>
<td>25</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>Central area</td>
<td>0.776</td>
<td>32</td>
<td>0.942</td>
<td>36</td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
<td>Central area</td>
<td>0.767</td>
<td>34</td>
<td>0.931</td>
<td>37</td>
</tr>
<tr>
<td>Hotel National</td>
<td>Central area</td>
<td>0.665</td>
<td>47</td>
<td>0.871</td>
<td>51</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotels located in Kaohsiung</th>
<th>Location</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howard Hotel Kaohsiung</td>
<td>Kaohsiung</td>
<td>0.844</td>
<td>20</td>
<td>1.133</td>
<td>15</td>
</tr>
<tr>
<td>Hotels located in Kaohsiung</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Ambassador Kaohsiung</td>
<td>Kaohsiung</td>
<td>0.818</td>
<td>16</td>
<td>1.098</td>
<td>19</td>
</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
<td>Kaohsiung</td>
<td>0.802</td>
<td>26</td>
<td>1.077</td>
<td>20</td>
</tr>
<tr>
<td>Han-Hsien Hotel</td>
<td>Kaohsiung</td>
<td>0.760</td>
<td>35</td>
<td>1.020</td>
<td>26</td>
</tr>
<tr>
<td>Splendor Hotel Kaohsiung</td>
<td>Kaohsiung</td>
<td>0.712</td>
<td>44</td>
<td>0.956</td>
<td>32</td>
</tr>
<tr>
<td>Holiday Garden</td>
<td>Kaohsiung</td>
<td>0.708</td>
<td>45</td>
<td>0.950</td>
<td>33</td>
</tr>
<tr>
<td>Kingdom Hotel</td>
<td>Kaohsiung</td>
<td>0.660</td>
<td>48</td>
<td>0.886</td>
<td>44</td>
</tr>
<tr>
<td>Grand Hotel Kaohsiung</td>
<td>Kaohsiung</td>
<td>0.658</td>
<td>50</td>
<td>0.883</td>
<td>45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotels located in Tainan</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tainan Hotel</td>
<td>Tainan</td>
<td>1.000</td>
<td>1</td>
<td>1.376</td>
</tr>
<tr>
<td>Tayih Landis Hotel Tainan</td>
<td>Tainan</td>
<td>0.771</td>
<td>33</td>
<td>1.061</td>
</tr>
<tr>
<td>Evergreen Plaza Hotel</td>
<td>Tainan</td>
<td>0.659</td>
<td>49</td>
<td>0.906</td>
</tr>
<tr>
<td>Hibiscus Resort</td>
<td>Tainan</td>
<td>0.477</td>
<td>57</td>
<td>0.656</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotels located in Taoyuan, Hsinchu</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Taoyuan Hotel</td>
<td>Taoyuan</td>
<td>0.855</td>
<td>23</td>
<td>1.129</td>
</tr>
<tr>
<td>Ta Shee Resort</td>
<td>Taoyuan</td>
<td>0.742</td>
<td>39</td>
<td>0.980</td>
</tr>
<tr>
<td>Ambassador Hotel Hsinchu</td>
<td>Hsinchu</td>
<td>0.716</td>
<td>42</td>
<td>0.946</td>
</tr>
<tr>
<td>Royal Hotel Hsinchu</td>
<td>Hsinchu</td>
<td>0.716</td>
<td>42</td>
<td>0.946</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotels in East Coast, Kengting</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Marshal Hotel</td>
<td>East Coast</td>
<td>0.821</td>
<td>24</td>
<td>1.064</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
<td>East Coast</td>
<td>0.750</td>
<td>37</td>
<td>0.973</td>
</tr>
<tr>
<td>Farglory Hotel</td>
<td>East Coast</td>
<td>0.749</td>
<td>38</td>
<td>0.971</td>
</tr>
<tr>
<td>Parkview Hotel</td>
<td>East Coast</td>
<td>0.679</td>
<td>46</td>
<td>0.881</td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>East Coast</td>
<td>0.621</td>
<td>54</td>
<td>0.805</td>
</tr>
<tr>
<td>Royal Hotel Chihpen</td>
<td>East Coast</td>
<td>1.000</td>
<td>1</td>
<td>1.297</td>
</tr>
<tr>
<td>Naruwan Hotel</td>
<td>East Coast</td>
<td>0.632</td>
<td>52</td>
<td>0.820</td>
</tr>
<tr>
<td>Grand Formosa Taroko</td>
<td>East Coast</td>
<td>0.594</td>
<td>56</td>
<td>0.770</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting</td>
<td>Kengting</td>
<td>1.000</td>
<td>1</td>
<td>1.297</td>
</tr>
<tr>
<td>Howard Hotel Kenting</td>
<td>Kengting</td>
<td>0.871</td>
<td>18</td>
<td>1.130</td>
</tr>
</tbody>
</table>

Table 5.5 above is a rank-ordered list of the hotels after the area adjustment has been applied. Table 5.5 reveals that there is a large change in hotel efficiency rank after area adjustment. The rank of most of the hotels located in area with lower average DEA score has been increased after adjustment, including Kaohsiung, Tainan, Taoyuan, Hsinchu and East Coast, Kengting. On the contrary, the rank in most hotels located in area with higher average DEA score has been reduced, including those in the Taipei, Central area. As a result, the hotels from rank 1 to rank 5 are no longer the hotels located in Taipei.

This result indicates that some hotels in fact have better operational efficiency but are scored relatively inefficient by DEA because these hotels are located in the area with a difficult competitive environment. On the other hand, hotels with a good DEA score do not necessarily have better operational efficiency, just because they are located in favorable areas. Therefore, although Tainan Hotel and the other 11 hotels are ranked at No.1 in DEA, through area adjustment, the Tainan Hotel becomes the only hotel in the Top 1 category. This implies that managers in Tainan Hotel in fact have better
management ability and performance, even though they are given a difficult business environment, they still utilize the hotel’s geographical segment and develop its characteristics to capture the customers in this area. Similarly, both Royal Hotel Chihpen and Caesar Park Hotel Kenting are resorts and located in East Coast and Kenting. Most hotels’ DEA score in this area is poor because the major market segment in this area is local customers and is strongly influenced by season. However, after adjustment, both hotels are ranked at number 2, meaning that the managers of both hotels are performing well. On the other hand, Taipei is a capital city and financial centre and enjoys the biggest market in Taiwan. Therefore, as to those managers working with Taipei’s hotels with good DEA score, their ability and performance should be scored poorly because they should be doing even better, given their most favorable environment in Taiwan.

5.3.2 DEA Adjustment According to Hotel Size

Table 5.6 shows that the hotels with more than 360 rooms have better operational efficiency than those between 80 and 160 rooms, followed by those having between 261 and 360 rooms. The operational efficiency of hotels between 161 and 260 rooms is the poorest. This shows that there can be a positive relationship between hotel size and hotel performance if the number of rooms is either above 360 or between 80 and 160. If a hotel has more than 360 rooms, the land cost per room can be significantly lowered. These hotels can also benefit from economies of scale, as the average operating cost per room can be reduced. However, the benefit depends on the market demand. Given sufficient customers, hotels with more rooms can earn more. As shown in Table 5.5, hotels with more than 360 rooms and a good DEA score are mostly located in Taipei. Due to that fact that the market demand is greater in Taipei, hotels in this area can easily attract customers as long as they are properly managed. Those with more rooms can certainly exhibit a better business performance.

It is easier to position in the market a hotel with 80 to 160 rooms than a larger hotel. These small hotels are able to focus on a target market to maximize the effect of their marketing. Management of 80 to 160 room hotels is also easier than for larger hotels, and can be achieved with a relatively smaller team. Hotels with rooms within this
range are less affected by business seasons, in which room occupancy rates may greatly vary. For them, the cost of managing 80 to 160 rooms is lower. They can get a quicker return on investment, and the risk of investment is much lower, too. Although hotels with a small quantity of rooms may suffer from a higher cost per room, they can acquire lands at a lower cost or old hotels have amortized much of the cost of land and physical facilities. Moreover, some hotels position themselves as luxurious hotels and focus on top-level customers, therefore they still can create better performance.

Table 5.6: Comparing DEA efficiency according to the number of hotel room

<table>
<thead>
<tr>
<th>The number of hotel room: 80-160</th>
<th>The number of hotel room: 261-360</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Efficiency</td>
<td>Hotel Efficiency</td>
</tr>
<tr>
<td>Tainan Hotel 1.000</td>
<td>Sherwood Hotel 1.000</td>
</tr>
<tr>
<td>Lalu Hotel 1.000</td>
<td>Westin Hotel 1.000</td>
</tr>
<tr>
<td>Howard Hotel Taichung 0.860</td>
<td>Evergreen Laurel Hotel 0.876</td>
</tr>
<tr>
<td>Landies Resort Yanninsan 0.788</td>
<td>Howard Hotel Kaohsiung 0.844</td>
</tr>
<tr>
<td>Emperor Hotel 0.779</td>
<td>Marshal Hotel 0.821</td>
</tr>
<tr>
<td>Grand Hotel Kaohsiung 0.658</td>
<td>San Want Hotel 0.788</td>
</tr>
<tr>
<td><strong>Mean 0.848</strong></td>
<td><strong>Tayih Landis Hotel Tainan 0.771</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The number of hotel room: 161-260</th>
<th>Han-Hsien Hotel 0.760</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brother Hotel 1.000</td>
<td>Imperial Hotel 0.729</td>
</tr>
<tr>
<td>Royal Hotel Chipen 1.000</td>
<td>Holiday Garden 0.708</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting 1.000</td>
<td>Parkview Hotel 0.679</td>
</tr>
<tr>
<td>Gloria Prince Hotel 0.987</td>
<td>Kingdom Hotel 0.660</td>
</tr>
<tr>
<td>Landies Hotel Taipei 0.960</td>
<td>Fortuna Hotel 0.652</td>
</tr>
<tr>
<td>Royal Hotel Taipei 0.838</td>
<td>Nuarwan Hotel 0.632</td>
</tr>
<tr>
<td>Golden China Hotel 0.837</td>
<td>Astar Hotel 0.621</td>
</tr>
<tr>
<td>Riverview Hotel 0.800</td>
<td>Santos Hotel 0.603</td>
</tr>
<tr>
<td>United Hotel 0.783</td>
<td><strong>Mean 0.759</strong></td>
</tr>
<tr>
<td>Plaza Int’l Hotel 0.776</td>
<td><strong>The number of hotel room: 360 and over</strong></td>
</tr>
<tr>
<td>Splendor Hotel Taichung 0.767</td>
<td>Grand Formosa Hotel Taipei 1.000</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng 0.750</td>
<td>Caesar Park Hotel Taipei 1.000</td>
</tr>
<tr>
<td>Ta Shee Resort 0.742</td>
<td>Grand Hyatt Hotel 1.000</td>
</tr>
<tr>
<td>Ambassador Hotel Hsinchu 0.716</td>
<td>Ambassador Hotel Taipei 1.000</td>
</tr>
<tr>
<td>Royal Hotel Hsinchu 0.716</td>
<td>Shangri-La’s Hotel 1.000</td>
</tr>
<tr>
<td>Evergreen Plaza Hotel 0.659</td>
<td>Sheraton Hotel 0.990</td>
</tr>
<tr>
<td>Crown Plaza Hotel 0.627</td>
<td>Howard Hotel Taipei 0.916</td>
</tr>
<tr>
<td>Grand Formosa Taroko 0.594</td>
<td>Howard Hotel Kenting 0.871</td>
</tr>
<tr>
<td>Hibiscus Resort 0.477</td>
<td>Taoyuan Hotel 0.833</td>
</tr>
<tr>
<td><strong>Mean 0.753</strong></td>
<td><strong>Ambassador Hotel Kaohsiung 0.818</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Grand Hi-Lai Hotel 0.802</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Grand Hotel Taipei 0.753</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Farglory Hotel 0.749</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Holiday Inn Hotel 0.719</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Splendor Hotel Kaohsiung 0.615</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Hotel National 0.665</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Mean 0.858</strong></td>
</tr>
</tbody>
</table>

For hotels having 161 to 360 rooms, finding a clear market position may be difficult. In Taiwan, it is hard for a hotel to fill all its rooms in this quantity, no matter which
customer segment it is targeted. To increase room occupancy rate, it has to attract all kinds of customers and fill all rooms, with no clear distinction between floors. Complexity of service content and difficulty of management will be increased as a result. Sometimes, it even needs to solicit group customers with reduced prices to fill a large block of vacant rooms. This strategy will definitely slash the profit of the hotel. In addition, this quantity of rooms may be too low to effectively share the land cost and gain a significant effect from economy of scale. As a result, the hotel’s performance will be affected.

From the above analysis, it may be concluded that Taiwanese international tourist hotels with more rooms (more than 360) and fewer rooms (less than 160) have better operational efficiency. The operational efficiency in the hotels with middle number of rooms (between 161 and 360) is worse.

Table 5.7: Rank-ordered list of DEA efficiency score and the score after hotel size adjustment

<table>
<thead>
<tr>
<th>The number of hotel room: 80-160</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Tainan Hotel</td>
</tr>
<tr>
<td>Lalu Hotel</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
</tr>
<tr>
<td>Landies Resort Yanninsan</td>
</tr>
<tr>
<td>Emperor Hotel</td>
</tr>
<tr>
<td>Grand Hotel Kaohsiung</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The number of hotel room: 161-260</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Brother Hotel</td>
</tr>
<tr>
<td>Royal Hotel Chipen</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
</tr>
<tr>
<td>Landies Hotel Taipei</td>
</tr>
<tr>
<td>Royal Hotel Taipei</td>
</tr>
<tr>
<td>Golden China Hotel</td>
</tr>
<tr>
<td>Riverview Hotel</td>
</tr>
<tr>
<td>United Hotel</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
</tr>
<tr>
<td>Ta Shee Resort</td>
</tr>
<tr>
<td>Ambassador Hotel Hsinchu</td>
</tr>
<tr>
<td>Royal Hotel Hsinchu</td>
</tr>
<tr>
<td>Evergreen Plaza Hotel</td>
</tr>
<tr>
<td>Crown Plaza Hotel</td>
</tr>
<tr>
<td>Grand Formosa Taroko</td>
</tr>
<tr>
<td>Hibiscus Resort</td>
</tr>
</tbody>
</table>
Table 5.7 is a rank-ordered list of the hotels after the adjustment according to the number of hotel rooms. Table 5.7 reveals that hotels with more than 360 and between 80 and 160 has been reduced after adjustment. This indicates that having a larger room quantity (more than 360) or a smaller one (between 80 and 160) is more positively influential to hotel performance. Without this advantage, the hotels’ performance will be affected and rank will be reduced. This is because finding a clear position is very easy for hotels having 80 to 160 rooms. For example, the Lalu Hotel, which has only 96 rooms, is clearly set to be a top-level resort hotel. The Tainan Hotel is positioned as a business hotel. With a clear market position, these hotels can maximize the effect of marketing and provision of services. Most important of all, they can easily fill all the rooms even in low business seasons. For hotels with more than 360 rooms, as long as the market demand is large, the more rooms they have, the

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Room Count</th>
<th>Score</th>
<th>Rank</th>
<th>Room Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherwood Hotel</td>
<td>345</td>
<td>1.000</td>
<td>1</td>
<td>1.318</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>354</td>
<td>0.876</td>
<td>17</td>
<td>1.154</td>
</tr>
<tr>
<td>Evergreen Laurel Hotel</td>
<td>283</td>
<td>0.844</td>
<td>20</td>
<td>1.112</td>
</tr>
<tr>
<td>Howard Hotel Kaohsiung</td>
<td>289</td>
<td>0.821</td>
<td>24</td>
<td>1.082</td>
</tr>
<tr>
<td>Marshal Hotel</td>
<td>268</td>
<td>0.788</td>
<td>29</td>
<td>1.038</td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>306</td>
<td>0.771</td>
<td>33</td>
<td>1.016</td>
</tr>
<tr>
<td>Tayih Landis Hotel Tainan</td>
<td>311</td>
<td>0.760</td>
<td>35</td>
<td>1.001</td>
</tr>
<tr>
<td>Imperial Hotel</td>
<td>336</td>
<td>0.729</td>
<td>40</td>
<td>0.960</td>
</tr>
<tr>
<td>Holiday Garden</td>
<td>274</td>
<td>0.708</td>
<td>45</td>
<td>0.933</td>
</tr>
<tr>
<td>Parkview Hotel</td>
<td>343</td>
<td>0.679</td>
<td>46</td>
<td>0.895</td>
</tr>
<tr>
<td>Kingdom Hotel</td>
<td>302</td>
<td>0.660</td>
<td>48</td>
<td>0.870</td>
</tr>
<tr>
<td>Fortuna Hotel</td>
<td>304</td>
<td>0.652</td>
<td>51</td>
<td>0.859</td>
</tr>
<tr>
<td>Naruwan Hotel</td>
<td>276</td>
<td>0.632</td>
<td>52</td>
<td>0.833</td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>293</td>
<td>0.621</td>
<td>54</td>
<td>0.818</td>
</tr>
<tr>
<td>Santos Hotel</td>
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<td>0.603</td>
<td>55</td>
<td>0.794</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Room Count</th>
<th>Score</th>
<th>Rank</th>
<th>Room Quantity</th>
</tr>
</thead>
<tbody>
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<td>1.000</td>
<td>1</td>
<td>1.157</td>
</tr>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>388</td>
<td>1.000</td>
<td>1</td>
<td>1.157</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>432</td>
<td>1.000</td>
<td>1</td>
<td>1.157</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>422</td>
<td>1.000</td>
<td>1</td>
<td>1.157</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>686</td>
<td>0.990</td>
<td>13</td>
<td>1.146</td>
</tr>
<tr>
<td>Howard Hotel Taipei</td>
<td>606</td>
<td>0.916</td>
<td>16</td>
<td>1.060</td>
</tr>
<tr>
<td>Howard Hotel Kenting</td>
<td>405</td>
<td>0.871</td>
<td>18</td>
<td>1.008</td>
</tr>
<tr>
<td>Taoyuan Hotel</td>
<td>390</td>
<td>0.833</td>
<td>23</td>
<td>0.964</td>
</tr>
<tr>
<td>Ambassador Hotel Kaohsiung</td>
<td>457</td>
<td>0.818</td>
<td>25</td>
<td>0.947</td>
</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
<td>436</td>
<td>0.802</td>
<td>26</td>
<td>0.928</td>
</tr>
<tr>
<td>Grand Hotel Taipei</td>
<td>405</td>
<td>0.753</td>
<td>36</td>
<td>0.872</td>
</tr>
<tr>
<td>Farglory Hotel</td>
<td>381</td>
<td>0.749</td>
<td>38</td>
<td>0.867</td>
</tr>
<tr>
<td>Holiday Inn Hotel</td>
<td>755</td>
<td>0.719</td>
<td>41</td>
<td>0.832</td>
</tr>
<tr>
<td>Splendor Hotel Kaohsiung</td>
<td>592</td>
<td>0.615</td>
<td>44</td>
<td>0.824</td>
</tr>
<tr>
<td>Hotel National</td>
<td>404</td>
<td>0.665</td>
<td>47</td>
<td>0.770</td>
</tr>
</tbody>
</table>
more profits they can make from these rooms. Moreover, the land cost can be shared by a large quantity of rooms, and there is the benefit of economy of scale. As shown in Table 5.7, hotels with more than 360 rooms and a good DEA score are mostly located in Taipei, where a large market demand is ensured. The large quantity of rooms has become an advantage for these hotels to enhance operational performance. Therefore, these hotels with good DEA score do not necessarily have better operational efficiency just because they have favorable number of rooms. Without the advantage of such hotel size, their operation will be affected and they may not have good operational efficiency.

On the other hand, the rank in hotels with the number of room between 161 and 260, and between 261 and 360 has been increased after adjustment. This indicates that hotel size has a negative influence on the operational efficiency of hotels whose rooms range between 161 and 360. Hotels having rooms within this range of quantity can neither find a clear position to enhance operating efficiency nor reduce cost through economy of scale. Therefore, these hotels may have better operational efficiency but are scored poorly by DEA because these hotels have unfavorable number of room. Without the limits of this factor, their operational efficiency may be increased.

Most of the hotels with 160 to 360 rooms have suffered from limited performance due to their size. However, the Brother Hotel, Royal Hotel Chipen, and Caesar Park Hotel Kenting seem to be the exceptions. All these hotels have been established for more than 20 years. Having earned a return on their physical facilities investment long ago, they now run their hotels at a relatively lower cost. Additionally, they also possess very experienced employees. Even though their room quantities cannot bring them the benefits of economies of scale, their low operating cost and experienced employees have offset the negative effect of their hotel size. As a result, after hotel size adjustment, these hotels still remain at the top of the ranking. On the other hand, after hotel size adjustment, the Sherwood Hotel and Westin Hotel slip from the first place to the fourth. Both Taipei-based hotels have a large quantity of rooms. Having a clear position in the market is not a good choice for large hotels, but the two hotels have been clearly positioned as business hotels. The demand for business hotels is
sufficient in Taipei, and the two hotels have established a good reputation. Therefore, their room quantities have not caused any negative effect on their performance. They could probably exhibit better performance if they had more rooms. Hotel size adjustment is intended to exclude the effect of hotel size, both positive and negative. Without the advantage of hotel size, these two hotels’ ranks would certainly drop after hotel size adjustment.

5.3.3 DEA Adjustment According to Hotel Age

Table 5.8 shows that the hotels with age between 21 and 30 years have better operational efficiency than those between 11 and 20 years, followed by the age more than 31 years. The operational efficiency of hotels with age less than 10 years is the poorest. The reason for this is that hotels aged between 11 and 30 have more management experience and are operated on a well-established system. In addition, they have accumulated a large customer base and formed good relationships with customers. Since they have been established for more than 10 years, they certainly have created a certain degree of reputation. For these hotels, all these are intangible assets and factors of their high performance. Hotels aged more than 30 also have the above-mentioned advantages. However, they were built long time ago; most of the physical facilities are worn and old. Without regular renovation, they may give customers a negative impression that they are outdated and suffer from low performance. As to hotels established fewer than 10 years, they have newer facilities but they also need to be run at a higher operating cost incurred by the investment on such new facilities. Location is another problem for young hotels, because it is hard to find a good and less expensive location to build a new hotel. Young hotels set up in good locations may suffer from poor performance due to a high land cost. However, building a hotel at a less expensive location to alleviate the burden of land cost is also not a good option, because its performance will be confined to its poor location. In addition, these young hotels lack a huge customer base, sufficient reputation, and mature management experiences and systems. These factors may be very influential to the performance of hotels established for no more than 10 years.
Table 5.9: Comparing DEA efficiency according to hotel age

<table>
<thead>
<tr>
<th>Hotel age: below 10 years</th>
<th>Efficiency</th>
<th>Hotel age: 21-30 years</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lalu Hotel</td>
<td>1.000</td>
<td>Brother Hotel</td>
<td>1.000</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>1.000</td>
<td>Royal Hotel Chipen</td>
<td>1.000</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
<td>0.860</td>
<td>Caesar Park Hotel Kenting</td>
<td>1.000</td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>0.788</td>
<td>Sheraton Hotel</td>
<td>0.990</td>
</tr>
<tr>
<td>Tayih Landis Hotel Tainan</td>
<td>0.771</td>
<td>Landies Hotel Taipei</td>
<td>0.960</td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
<td>0.767</td>
<td>Howard Hotel Taipei</td>
<td>0.916</td>
</tr>
<tr>
<td>Farglory Hotel</td>
<td>0.749</td>
<td>Royal Hotel Taipei</td>
<td>0.838</td>
</tr>
<tr>
<td>Ambassador Hotel Hsinchu</td>
<td>0.716</td>
<td>Golden China Hotel</td>
<td>0.837</td>
</tr>
<tr>
<td>Royal Hotel Hsinchu</td>
<td>0.716</td>
<td>Taoyuan Hotel</td>
<td>0.833</td>
</tr>
<tr>
<td>Splendor Hotel Kaohsiung</td>
<td>0.712</td>
<td>Marshal Hotel</td>
<td>0.821</td>
</tr>
<tr>
<td>Evergreen Plaza Hotel</td>
<td>0.659</td>
<td>Landies Resort Yanminsan</td>
<td>0.788</td>
</tr>
<tr>
<td>Naruwan Hotel</td>
<td>0.632</td>
<td>Plaza Int’l Hotel</td>
<td>0.776</td>
</tr>
<tr>
<td>Hibiscus Resort</td>
<td>0.477</td>
<td>Imperial Hotel</td>
<td>0.729</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td><strong>0.757</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel age: 11-20 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Formosa Hotel Taipei</td>
<td>1.000</td>
<td>Parkview Hotel</td>
<td>0.679</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sherwood Hotel</td>
<td>1.000</td>
<td>Caesar Park Hotel Taipei</td>
<td>1.000</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>Ambassador Hotel Taipei</td>
<td>1.000</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
<td>0.987</td>
<td>Tainan Hotel</td>
<td>1.000</td>
</tr>
<tr>
<td>Evergreen Laurel Hotel</td>
<td>0.876</td>
<td>Ambassador Hotel Kaohsiung</td>
<td>0.818</td>
</tr>
<tr>
<td>Howard Hotel Kenting</td>
<td>0.871</td>
<td>Grand Hotel Taipei</td>
<td>0.753</td>
</tr>
<tr>
<td>Howard Hotel Kaohsiung</td>
<td>0.844</td>
<td>Holiday Garden</td>
<td>0.708</td>
</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
<td>0.802</td>
<td>Hotel National</td>
<td>0.665</td>
</tr>
<tr>
<td>Riverview Hotel</td>
<td>0.800</td>
<td>Kingdom Hotel</td>
<td>0.660</td>
</tr>
<tr>
<td>United Hotel</td>
<td>0.783</td>
<td>Grand Hotel Kaohsiung</td>
<td>0.658</td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>0.779</td>
<td>Fortuna Hotel</td>
<td>0.652</td>
</tr>
<tr>
<td>Han-Hsien Hotel</td>
<td>0.760</td>
<td>Santos Hotel</td>
<td>0.603</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
<td>0.750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ta Shee Resort</td>
<td>0.742</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crown Plaza Hotel</td>
<td>0.627</td>
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<td></td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>0.621</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Formosa Taroko</td>
<td>0.594</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td><strong>0.824</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.9 is a rank-ordered list of the hotels after age adjustment. Table 5.9 reveals that the rank in hotels with age between 11 and 20 years, and that between 21 and 30 years has been decreased after age adjustment, but every hotel slips down the ranking by different degrees. It can be inferred that hotel age has positive effect on the performance of these hotels. Without this age factor, these hotels’ performance and rank will significantly drop. As mentioned earlier, they have rich experiences, numerous customer sources, a certain degree of reputation, and a well-established management system. All these are advantages they rely on to enhance operational performance. Without the age advantage, their performance will definitely decrease, and their rank will drop. Because these hotels have different properties in their age
advantage, their ranks descend at different degrees.

Table 5.9: Rank-ordered list of DEA efficiency score and the score after age adjustment

<table>
<thead>
<tr>
<th>Hotel Age: below 10 years</th>
<th>Hotel</th>
<th>Hotel Age</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lalu Hotel</td>
<td>5</td>
<td>1.000</td>
<td>1</td>
<td>1.321</td>
<td>1.321</td>
<td>1</td>
</tr>
<tr>
<td>Westin Hotel</td>
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<td>1</td>
<td>1.321</td>
<td>1.321</td>
<td>1</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
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<td>0.860</td>
<td>19</td>
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<td>1.136</td>
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</tr>
<tr>
<td>San Want Hotel</td>
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<td>0.788</td>
<td>29</td>
<td>1.014</td>
<td>1.014</td>
<td>20</td>
</tr>
<tr>
<td>Tayih Landis Hotel Tainan</td>
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<td>33</td>
<td>1.018</td>
<td>1.018</td>
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<td>Splendor Hotel Taichung</td>
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<td>1.013</td>
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<td>0.989</td>
<td>0.989</td>
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</tr>
<tr>
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<td>51</td>
</tr>
<tr>
<td>Hibiscus Resort</td>
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<td>0.477</td>
<td>57</td>
<td>0.630</td>
<td>0.630</td>
<td>57</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel age: 11-20 years</th>
<th>Hotel</th>
<th>Hotel Age</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Formosa Hotel Taipei</td>
<td>18</td>
<td>1.000</td>
<td>1</td>
<td>1.214</td>
<td>1.214</td>
<td>6</td>
</tr>
<tr>
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<td>1.000</td>
<td>1</td>
<td>1.214</td>
<td>1.214</td>
<td>6</td>
</tr>
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<td>Sherwood Hotel</td>
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<td>1.000</td>
<td>1</td>
<td>1.214</td>
<td>1.214</td>
<td>6</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
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<td>1.000</td>
<td>1</td>
<td>1.214</td>
<td>1.214</td>
<td>6</td>
</tr>
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<td>14</td>
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<td>1.198</td>
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</tr>
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<td>17</td>
<td>1.063</td>
<td>1.063</td>
<td>18</td>
</tr>
<tr>
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<td>18</td>
<td>1.032</td>
<td>1.032</td>
<td>21</td>
</tr>
<tr>
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<td>20</td>
<td>1.024</td>
<td>1.024</td>
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</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
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<td>0.973</td>
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<td>30</td>
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<tr>
<td>United Hotel</td>
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<td>0.783</td>
<td>30</td>
<td>0.950</td>
<td>0.950</td>
<td>33</td>
</tr>
<tr>
<td>Emperor Hotel</td>
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<td>0.779</td>
<td>31</td>
<td>0.945</td>
<td>0.945</td>
<td>36</td>
</tr>
<tr>
<td>Han-Hsien Hotel</td>
<td>11</td>
<td>0.760</td>
<td>35</td>
<td>0.922</td>
<td>0.922</td>
<td>38</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
<td>11</td>
<td>0.750</td>
<td>37</td>
<td>0.910</td>
<td>0.910</td>
<td>41</td>
</tr>
<tr>
<td>Ta Shee Resort</td>
<td>12</td>
<td>0.742</td>
<td>39</td>
<td>0.900</td>
<td>0.900</td>
<td>43</td>
</tr>
<tr>
<td>Crown Plaza Hotel</td>
<td>17</td>
<td>0.627</td>
<td>53</td>
<td>0.761</td>
<td>0.761</td>
<td>54</td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>16</td>
<td>0.621</td>
<td>54</td>
<td>0.754</td>
<td>0.754</td>
<td>55</td>
</tr>
<tr>
<td>Grand Formosa Taroko</td>
<td>10</td>
<td>0.594</td>
<td>56</td>
<td>0.721</td>
<td>0.721</td>
<td>56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hotel age: 21-30 years</th>
<th>Hotel</th>
<th>Hotel Age</th>
<th>DEA Score</th>
<th>DEA Rank</th>
<th>Adjustment Score</th>
<th>New Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brother Hotel</td>
<td>28</td>
<td>1.000</td>
<td>1</td>
<td>1.164</td>
<td>1.164</td>
<td>11</td>
</tr>
<tr>
<td>Royal Hotel Chipen</td>
<td>21</td>
<td>1.000</td>
<td>1</td>
<td>1.164</td>
<td>1.164</td>
<td>11</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting</td>
<td>26</td>
<td>1.000</td>
<td>1</td>
<td>1.164</td>
<td>1.164</td>
<td>11</td>
</tr>
<tr>
<td>Sheraton Hotel</td>
<td>25</td>
<td>0.990</td>
<td>13</td>
<td>1.153</td>
<td>1.153</td>
<td>14</td>
</tr>
<tr>
<td>Landies Hotel Taipei</td>
<td>27</td>
<td>0.960</td>
<td>15</td>
<td>1.118</td>
<td>1.118</td>
<td>16</td>
</tr>
<tr>
<td>Howard Hotel Taipei</td>
<td>29</td>
<td>0.916</td>
<td>16</td>
<td>1.066</td>
<td>1.066</td>
<td>17</td>
</tr>
<tr>
<td>Royal Hotel Taipei</td>
<td>28</td>
<td>0.838</td>
<td>21</td>
<td>0.976</td>
<td>0.976</td>
<td>26</td>
</tr>
<tr>
<td>Golden China Hotel</td>
<td>21</td>
<td>0.837</td>
<td>22</td>
<td>0.974</td>
<td>0.974</td>
<td>27</td>
</tr>
<tr>
<td>Taoyuan Hotel</td>
<td>24</td>
<td>0.833</td>
<td>23</td>
<td>0.970</td>
<td>0.970</td>
<td>31</td>
</tr>
<tr>
<td>Marshal Hotel</td>
<td>19</td>
<td>0.821</td>
<td>24</td>
<td>0.956</td>
<td>0.956</td>
<td>32</td>
</tr>
<tr>
<td>Landies Resort Yanminsan</td>
<td>22</td>
<td>0.788</td>
<td>28</td>
<td>0.917</td>
<td>0.917</td>
<td>39</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>24</td>
<td>0.776</td>
<td>32</td>
<td>0.903</td>
<td>0.903</td>
<td>42</td>
</tr>
<tr>
<td>Imperial Hotel</td>
<td>22</td>
<td>0.729</td>
<td>40</td>
<td>0.894</td>
<td>0.894</td>
<td>48</td>
</tr>
<tr>
<td>Holiday Inn Hotel</td>
<td>27</td>
<td>0.719</td>
<td>41</td>
<td>0.837</td>
<td>0.837</td>
<td>50</td>
</tr>
<tr>
<td>Parkview Hotel</td>
<td>23</td>
<td>0.679</td>
<td>46</td>
<td>0.790</td>
<td>0.790</td>
<td>52</td>
</tr>
</tbody>
</table>
Hotel age: 31 years and more

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Age (years)</th>
<th>Service Quality</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>34</td>
<td>1.000</td>
<td>1</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>40</td>
<td>1.000</td>
<td>1</td>
</tr>
<tr>
<td>Tainan Hotel</td>
<td>41</td>
<td>1.000</td>
<td>1</td>
</tr>
<tr>
<td>Ambassador Hotel Kaohsiung</td>
<td>31</td>
<td>0.818</td>
<td>25</td>
</tr>
<tr>
<td>Grand Hotel Taipei</td>
<td>43</td>
<td>0.753</td>
<td>36</td>
</tr>
<tr>
<td>Holiday Garden</td>
<td>38</td>
<td>0.708</td>
<td>45</td>
</tr>
<tr>
<td>Hotel National</td>
<td>32</td>
<td>0.665</td>
<td>47</td>
</tr>
<tr>
<td>Kingdom Hotel</td>
<td>41</td>
<td>0.660</td>
<td>48</td>
</tr>
<tr>
<td>Grand Hotel Kaohsiung</td>
<td>32</td>
<td>0.658</td>
<td>50</td>
</tr>
<tr>
<td>Fortuna Hotel</td>
<td>33</td>
<td>0.652</td>
<td>51</td>
</tr>
<tr>
<td>Santos Hotel</td>
<td>29</td>
<td>0.603</td>
<td>55</td>
</tr>
</tbody>
</table>

On the other hand, hotels older than 31 years have slightly increased in rank after age adjustment. This reveals that hotel age has a negative influence on these hotels. All these hotels have been established for more than 30 years. Even if they have rich management experiences and a huge customer base, they still can hardly get rid of the image as an old hotel. However, after age adjustment, most of these hotels have moved up on the list. This manifests that they actually have good management conditions and capabilities, but these merits are confined to the disadvantage of hotel age. The Caesar Park Hotel Taipei, Ambassador Hotel Taipei, and Tainan Hotel are however the exceptions. All of them are very historic hotels, but they perform renovation on a regular basis. Moreover, having been established for a longer period of time, these hotels have earned the return on their physical facilities investment long ago and are therefore operated at a lower cost. The most important is that they all are located in the best business district of the region. In early days, lands could be acquired easily and at a lower cost. They have the advantage of location, which is the primary concern of most customers in hotel choice. Therefore, even if their competitiveness is slightly reduced by their ages, it is augmented by their locations.

As for hotels less than 10 years of age, their rank has increased after age adjustment. This implies that age has negative influence on hotels established for fewer than 10 years. Generally, hotels aged less than 10 do not have sufficient management experience and mature systems. Their operations are less efficient. In addition, their customer base and reputation in the market are incomparable to those of hotels running for more than 10 years. However, after age adjustment, their ranks all move up. This implies that these hotels could have exhibited better performance. Since they have been run for no more than 10 years, their physical facilities may still look new.
This is a critical advantage of young hotels. However, it cannot be exploited mainly because the impact of age is too large. It should be noted that the Lalu Hotel and Westin Taipei all commissioned international hotel chains to manage their hotels in the beginning. With the professionalism and experience of international hotel chains, a sound system was quickly set up, bringing both hotels to a normal track in a very short time. Additionally, these international hotel chains have built a large customer base over the years. Carrying the brands of these international hotel chains, both hotels gain higher reputation from customers in a short time. Although the Lalu Hotel decommissioned the management team five years later, the plans and systems left behind allowed it to return to the normal track in a very short time. Therefore, although both hotels are no more than 10 years old, they have not been significantly affected by the age factor. After age adjustment, they still remain first on the list.

5.3.4 DEA Adjustment According to Room Rate

Table 5.10 shows that hotels with higher room rate (more than US$101) have better operational efficiency, followed by the hotels with lower room rate (between US$40 and US$70). Hotels that charge high room rates usually have certain unique characteristics. They use their characteristics as an appeal to customers who are very concerned about special features of the hotel, but are insensitive to price. This type of customer is less affected by business cycles, so there is no clear distinction of business seasons for these hotels, and the hotels can thus exhibit better performance. Hotels that charge low room rates are mostly old. To offset the disadvantage of old physical facilities, they need to attract customers by offering low room rates. Although they sell their rooms at a low price, they also run them at a lower cost, thus there is still room for profit. Additionally, low room rates are very appealing to price-sensitive customers, so these hotels can still maintain their performance at a satisfactory level.
Table 5.10: Comparing DEA efficiency according to room rate

<table>
<thead>
<tr>
<th>Hotel room rate : US$40-$70</th>
<th>Hotel room rate : US$71-$100</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hotel</strong></td>
<td><strong>Efficiency</strong></td>
</tr>
<tr>
<td>Tainan Hotel</td>
<td>1.000</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
<td>0.987</td>
</tr>
<tr>
<td>Golden China Hotel</td>
<td>0.837</td>
</tr>
<tr>
<td>Taoyuan Hotel</td>
<td>0.833</td>
</tr>
<tr>
<td>Marshal Hotel</td>
<td>0.821</td>
</tr>
<tr>
<td>Ambassador Hotel Kaohsiung</td>
<td>0.818</td>
</tr>
<tr>
<td>Riverview Hotel</td>
<td>0.800</td>
</tr>
<tr>
<td>United Hotel</td>
<td>0.783</td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>0.779</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>0.776</td>
</tr>
<tr>
<td>Han-Hsien Hotel</td>
<td>0.760</td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
<td>0.750</td>
</tr>
<tr>
<td>Holiday Garden</td>
<td>0.708</td>
</tr>
<tr>
<td>Hotel National</td>
<td>0.665</td>
</tr>
<tr>
<td>Kingdom Hotel</td>
<td>0.660</td>
</tr>
<tr>
<td>Grand Hotel Kaohsiung</td>
<td>0.658</td>
</tr>
<tr>
<td>Fortuna Hotel</td>
<td>0.652</td>
</tr>
<tr>
<td>Astar Hotel</td>
<td>0.621</td>
</tr>
<tr>
<td>Santos Hotel</td>
<td>0.603</td>
</tr>
<tr>
<td>Hibiscus Resort</td>
<td>0.477</td>
</tr>
<tr>
<td>Mean</td>
<td>0.749</td>
</tr>
</tbody>
</table>

**Hotel room rate : US$101 and more**

| Grand Formosa Hotel Taipei  | 1.000                       |
| Grand Hyatt Hotel           | 1.000                       |
| Sherwood Hotel              | 1.000                       |
| Lulu Hotel                  | 1.000                       |
| Shangri-La’s Hotel          | 1.000                       |
| Westin Hotel                | 1.000                       |
| Royal Hotel Chipen          | 1.000                       |
| Caesar Park Hotel Kenting   | 1.000                       |
| Sheraton Hotel              | 0.990                       |
| Landies Hotel Taipei        | 0.960                       |
| Howard Hotel Taipei         | 0.916                       |
| Royal Hotel Taipei          | 0.838                       |
| Landies Resort Yanminsan    | 0.788                       |
| Farglory Hotel              | 0.749                       |
| Ambassador Hotel Hsinchu    | 0.716                       |
| Royal Hotel Hsinchu         | 0.716                       |
| Grand Formosa Taroko        | 0.594                       |
| Mean                        | 0.898                       |

On the other hand, the operational efficiency of hotels with middle room rate (between US$71 and US$100) is the poorest. The reasons these hotels are forced to charge middle room rate and suffer from poor performance may be (1) They do not possess the features that customers consider worth a high price; (2) Even if they have attractive features, the market they are located in cannot accept high room rates; (3)
There is an excessive number of hotels in the market, making the supply greater than the demand, and they are forced to lower their room rates in such highly competitive environment; (4) they are operated at a high cost, which reduces the room for profit.

| Table 5.11: Rank-ordered list of DEA efficiency score and the score after room rate adjustment |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
| Hotel room rate : US$40-$70                      | Room Rate | DEA Score | DEA Rank | Adjustment Score | New Rank |
| Tainan Hotel                                    | 60       | 1.000     | 1        | 1.335            | 9        |
| Gloria Prince Hotel                             | 68       | 0.987     | 14       | 1.318            | 11       |
| Golden China Hotel                              | 68       | 0.837     | 22       | 1.117            | 20       |
| Taoyuan Hotel                                   | 45       | 0.833     | 23       | 1.112            | 29       |
| Marshal Hotel                                   | 41       | 0.821     | 24       | 1.096            | 32       |
| Ambassador Hotel Kaohsiung                      | 62       | 0.818     | 25       | 1.092            | 33       |
| Riverview Hotel                                 | 45       | 0.800     | 27       | 1.068            | 35       |
| United Hotel                                    | 63       | 0.783     | 30       | 1.045            | 38       |
| Emperor Hotel                                   | 53       | 0.779     | 31       | 1.040            | 39       |
| Plaza Int’l Hotel                               | 56       | 0.776     | 32       | 1.036            | 40       |
| Han-Hsien Hotel                                 | 60       | 0.760     | 35       | 1.015            | 42       |
| China Trust Hotel Hwaleng                       | 56       | 0.750     | 37       | 1.001            | 43       |
| Holiday Garden                                  | 51       | 0.708     | 45       | 0.945            | 44       |
| Hotel National                                  | 56       | 0.665     | 47       | 0.888            | 46       |
| Kingdom Hotel                                   | 46       | 0.660     | 48       | 0.881            | 47       |
| Grand Hotel Kaohsiung                           | 56       | 0.658     | 50       | 0.879            | 48       |
| Fortuna Hotel                                   | 43       | 0.652     | 51       | 0.870            | 50       |
| Astar Hotel                                     | 48       | 0.621     | 54       | 0.829            | 52       |
| Santos Hotel                                    | 66       | 0.603     | 55       | 0.805            | 53       |
| Hibiscus Resort                                 | 60       | 0.477     | 57       | 0.637            | 57       |
| Hotel room rate : US$71-$100                    |           |           |           |                  |          |
| Caesar Park Hotel Taipei                        | 92       | 1.000     | 1        | 1.684            | 1        |
| Ambassador Hotel Taipei                         | 100      | 1.000     | 1        | 1.684            | 1        |
| Brother Hotel                                   | 79       | 1.000     | 1        | 1.684            | 1        |
| Evergreen Laurel Hotel                          | 81       | 0.876     | 17       | 1.475            | 4        |
| Howard Hotel Kenting                            | 94       | 0.871     | 18       | 1.466            | 5        |
| Howard Hotel Taichung                           | 88       | 0.860     | 19       | 1.448            | 6        |
| Howard Hotel Kaohsiung                          | 73       | 0.844     | 20       | 1.421            | 7        |
| Grand Hi-Lai Hotel                              | 80       | 0.802     | 26       | 1.350            | 8        |
| San Want Hotel                                  | 97       | 0.788     | 29       | 1.327            | 10       |
| Tayih Landis Hotel Tainan                       | 91       | 0.771     | 33       | 1.298            | 12       |
| Splendor Hotel Taichung                         | 84       | 0.767     | 34       | 1.291            | 13       |
| Grand Hotel Taipei                              | 88       | 0.753     | 36       | 1.268            | 14       |
| Ta Shee Resort                                  | 81       | 0.742     | 39       | 1.249            | 15       |
| Imperial Hotel                                  | 80       | 0.729     | 40       | 1.227            | 16       |
| Holiday Inn Hotel                               | 93       | 0.719     | 41       | 1.210            | 17       |
| Splendor Hotel Kaohsiung                        | 73       | 0.712     | 44       | 1.199            | 18       |
| Parkview Hotel                                  | 82       | 0.679     | 46       | 1.143            | 19       |
| Evergreen Plaza Hotel                           | 72       | 0.659     | 49       | 1.109            | 30       |
| Naruwan Hotel                                   | 88       | 0.632     | 52       | 1.064            | 36       |
| Crown Plaza Hotel                               | 91       | 0.627     | 53       | 1.056            | 37       |
| Hotel room rate : US$101 and more               |           |           |           |                  |          |
| Grand Formosa Hotel Taipei                      | 144      | 1.000     | 1        | 1.114            | 21       |
| Grand Hyatt Hotel                               | 163      | 1.000     | 1        | 1.114            | 21       |
Table 5.11 is a rank-ordered list of the hotel after the room rate adjustment. Table 5.11 reveals that hotel efficiency rank has a large change in the hotel with higher room rate and middle room rate. The rank of hotels with higher room rate (more than US$101) is sharply decreased after the room rate adjustment. This reveals that a high room rate has a positive influence on hotel performance. As mentioned earlier, most of these hotels have certain unique characteristics that customers consider worth a high price. Higher room rates give these hotels a larger room for profit and helps increase their performance. However, after room rate adjustment, all of these hotels slip down the ranking. The eight hotels that originally ranked first on the DEA list plummet to the 21st place after the adjustment. This indicates that the influence of room rate on these hotels is really large. Without this factor, they could not exhibit the same performance.

Moreover, the rank of hotels with middle room rate (between US$71 and US$100) has a dramatic increase after room rate adjustment. This indicates that mid room rate (between US$71 and US$100) have a negative influence on the performance of these hotels. However, after room rate adjustment, all these hotels climb upward on the list. This implies that these hotels have good management abilities and lack only the elements that they can rely on to charge high room rates or reduce cost. Therefore, hotels that charge mid room rates are advised to either develop features worth a high price or reduce operating costs. For instance, the Caesar Park Taipei, Ambassador Hotel Taipei, and Brother Hotel all have a history of more than 20 years, so they can be operated at a lower cost. In addition, they are situated at districts where they can easily attract customers. Even if they charge mid room rates, they still earn large
profits. They are not really influenced by the room rate factor. After room rate adjustment, they remain at the top of the ranking.

On the other hand, after room rate adjustment, the change in hotel efficiency rank has different effects in hotels with lower room rate (between US$40 and US$70). The impact of low room rate varies across different hotels. Hotels that slip down the ranking after room rate adjustment, such as Tainan Hotel and China Trust Hotel Hwaleng, are operated at a lower cost or under good control of costs, so the strategy of low room rate has positive influence on their performance. Gloria Prince Hotel and Golden China Hotel are located in highly competitive districts. They are forced to take the low price strategy to attract customers. As these hotels do not have the cost advantage mentioned above, the low price strategy turns out to be a negative force that drags down their performance. After room rate adjustment, their ranks all move slightly upward. Thus, if the factors that cause the low room rate can be improved, the two hotels’ performance can be improved. As to hotels with low DEA scores, after room rate adjustment, they move slightly upward but not to a significant degree. This implies that their management conditions and abilities are not good in nature. Even a low price strategy cannot effectively enhance their performance.

5.3.5 The Effect of Different Factors on DEA Efficiency Measures

Table 5.12 indicated that except for the Hsbiscus Resort, the DEA efficiency rank of other Taiwanese international tourist hotels are changed with the different influence factors including location, hotel size, age, and room rate. This implies that the performance of hotels in Taiwan is affected by various factors and varies depending on the impact of each factor. Table 5.12 shows that among the 12 high-performance hotels, the Grand Formosa Hotel Taipei, Grand Hyatt Hotel, Sherwood Hotel, and Shangri-La’s Hotel are most benefited by these four factors. After adjustment, in other words, without the positive effect of these factors, these hotels immediately move down the ranking. In comparison, the Brother Hotel is least benefited by these factors. It is more positively affected by only location and hotel age. As it also possesses other conditions and good management abilities, it remains at the top of the DEA ranking after adjustment of room rate and hotel size. The same result is found on the Royal
Hotel Chipen, Caesar Park Hotel Taipei, Caesar Park Hotel Kenting, and Ambassador Hotel Taipei, which are not significantly affected by the adjustment of these factors due to their superior management performance. It should be noted that of the four factors, location and room rate are most influential to the 12 high-performance hotels. 8 of the 12 hotels have relied on one of both dominant factors to obtain good performance. Without these factors, their performance may be seriously affected. From above analysis, it can be concluded that if using DEA to evaluate hotel’s efficiency without considering other influence factors, the result would be inaccurate and cannot provide the real information of operational efficiency.

Table 5.12: Comparing DEA rank with adjustment rank according to different influence factors

<table>
<thead>
<tr>
<th>Hotel</th>
<th>DEA Rank</th>
<th>Area Adjustment Rank</th>
<th>Room Rate Adjustment Rank</th>
<th>Number of Room Adjustment Rank</th>
<th>Hotel Age Adjustment Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Formosa Hotel Taipei</td>
<td>1</td>
<td>5</td>
<td>21</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>1</td>
<td>5</td>
<td>21</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Sherwood Hotel</td>
<td>1</td>
<td>5</td>
<td>21</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Tainan Hotel</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Lalu Hotel</td>
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<td>4</td>
<td>21</td>
<td>8</td>
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</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>1</td>
<td>5</td>
<td>21</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Brother Hotel</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>1</td>
<td>5</td>
<td>21</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Royal Hotel Chipen</td>
<td>1</td>
<td>2</td>
<td>21</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting</td>
<td>1</td>
<td>2</td>
<td>21</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Sheraton Hotel</td>
<td>13</td>
<td>13</td>
<td>31</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Gloria Prince Hotel</td>
<td>14</td>
<td>14</td>
<td>11</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Landis Hotel Taipei</td>
<td>15</td>
<td>18</td>
<td>34</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Howard Hotel Taipei</td>
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<td>23</td>
<td>41</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>Evergreen Laurel Hotel</td>
<td>17</td>
<td>22</td>
<td>4</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Howard Hotel Kenting</td>
<td>18</td>
<td>16</td>
<td>5</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td>Howard Hotel Taichung</td>
<td>19</td>
<td>25</td>
<td>6</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Howard Hotel Kaohsiung</td>
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<td>15</td>
<td>7</td>
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</tr>
<tr>
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<td>29</td>
<td>45</td>
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<tr>
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<td>20</td>
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<td>33</td>
<td>31</td>
</tr>
<tr>
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<td>24</td>
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<td>21</td>
<td>32</td>
</tr>
<tr>
<td>Ambassador Hotel Kaohsiung</td>
<td>25</td>
<td>19</td>
<td>33</td>
<td>37</td>
<td>19</td>
</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
<td>26</td>
<td>20</td>
<td>8</td>
<td>40</td>
<td>28</td>
</tr>
<tr>
<td>Riverview Hotel</td>
<td>27</td>
<td>38</td>
<td>35</td>
<td>22</td>
<td>30</td>
</tr>
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<td>Landies Resort Yanninsan</td>
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<td>39</td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>28</td>
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<td>10</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>United Hotel</td>
<td>30</td>
<td>41</td>
<td>38</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>31</td>
<td>43</td>
<td>39</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>32</td>
<td>36</td>
<td>40</td>
<td>26</td>
<td>42</td>
</tr>
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<td>Tayih Landis Hotel Tainan</td>
<td>33</td>
<td>24</td>
<td>12</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
<td>34</td>
<td>37</td>
<td>18</td>
<td>27</td>
<td>24</td>
</tr>
</tbody>
</table>
5.4 Slack Analysis

For a hotel manager, after DEA evaluation, the next step may be to estimate how much the outputs could be increased and/or the magnitude of inputs that could be conserved by inefficient hotels. This means additional decreases in specific inputs could be achieved for a hotel to operate as well as the most efficient hotels, and increases in output could be reached at lowered levels of resource inputs. Therefore, in this section, DEA is used to analyse the slack of the inefficient hotels. Suggested improvements of the slack input-output variables for the inefficient hotels are presented in Table 5.13. We take the Golden China Hotel as an example to explain the slack of inefficient hotel. Clearly, this hotel should be able to increase its room revenue to that of efficient hotel by 20 per cent. Moreover, the Golden China Hotel should be able to reach its current output level even if all inputs were cut from their existing level to 85 per cent of employees, 82 per cent of guest rooms. The result shows the existence of a great amount of slack for this hotel, and the need to utilize its resource more efficiently.
We also select a number of non-zero slacks for each output/input to examine the factor causing inefficient hotels. Non-zero slack identifies the marginal contribution to efficiency score with additional decreases in inputs and increases in output. We find that increasing room revenue enjoys the largest number (38 hotels) of cases of non-zero slack in output and reducing the number of employees enjoys the largest number (35 hotels) of cases of non-zero slack in input. This implies that the room revenue in several international tourist hotels in Taiwan is poor and these hotels should improve their room performance. Moreover, inefficient hotels in Taiwan can effectively increase operational efficiency by reducing the number of their employees.

By examining the input-output variables, a number of suggestions can be made: the Ta Shee Resort has the highest suggested percentage of room numbers to cut of 49 per cent. For the Howard Hotel Kenting it is suggested that the highest percentage of F&B space be reduced by 51 per cent. The Emperor Hotel needs to cut the highest percentage of employees by 39 per cent. The Taoyuan Hotel has the highest suggested percentage of operating expense cut of 12 per cent. On the other hand, the Grand Hotel Taipei needs to increase the highest suggested room revenue by US$3,332,199.68. The Splendor Hotel Taichung is suggested to increase the highest F&B revenue by US$876,001.31
Table 5.13: Slack analysis of operational efficiency

<table>
<thead>
<tr>
<th>No.</th>
<th>Hotel</th>
<th>Efficiency</th>
<th>Input</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Employees</td>
<td>No. of Guest Rooms</td>
<td>Total Area of F&amp;B Unit: square meter</td>
<td>Operating Expenses Unit: US$</td>
</tr>
<tr>
<td>H21</td>
<td>Grand Formosa Taipei</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H7</td>
<td>Caesar Park Hotel Taipei</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H20</td>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H22</td>
<td>Sherwood Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H2</td>
<td>Ambassador Hotel Taipei</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H54</td>
<td>Tainan Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H23</td>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H10</td>
<td>Brother Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H24</td>
<td>Westin Hotel</td>
<td>1.000</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H43</td>
<td>Lalu Hotel</td>
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<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
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<td>0(0.00)</td>
</tr>
<tr>
<td>H46</td>
<td>Caesar Park Hotel Kenting</td>
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<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H14</td>
<td>Sheraton Hotel</td>
<td>0.990</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H4</td>
<td>Gloria Prince Hotel</td>
<td>0.987</td>
<td>0(0.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H12</td>
<td>Landies Hotel Taipei</td>
<td>0.960</td>
<td>23(8.46)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H18</td>
<td>Howard Hotel Taipei</td>
<td>0.916</td>
<td>27(3.42)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H34</td>
<td>Evergreen Laurel Hotel</td>
<td>0.876</td>
<td>108(30.51)</td>
<td>2863(48.95)</td>
</tr>
<tr>
<td>H47</td>
<td>Howard Hotel Kenting</td>
<td>0.871</td>
<td>154(38.02)</td>
<td>2053(50.90)</td>
</tr>
<tr>
<td>H35</td>
<td>Howard Hotel Taichung</td>
<td>0.860</td>
<td>23(12.17)</td>
<td>1868(43.43)</td>
</tr>
<tr>
<td>H29</td>
<td>Howard Hotel Kaohsiung</td>
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<td>32(11.31)</td>
<td>1623(27.63)</td>
</tr>
<tr>
<td>H17</td>
<td>Royal Hotel Taipei</td>
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<td>41(15.53)</td>
<td>69(5.32)</td>
</tr>
<tr>
<td>H8</td>
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<td>0.837</td>
<td>25(15.43)</td>
<td>40(18.60)</td>
</tr>
<tr>
<td>H50</td>
<td>Tao Yuan Hotel</td>
<td>0.834</td>
<td>21(14.12)</td>
<td>988591.27(12.15)</td>
</tr>
<tr>
<td>H38</td>
<td>Marshal Hotel</td>
<td>0.821</td>
<td>140(40.44)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H27</td>
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<td>0.818</td>
<td>35(10.51)</td>
<td>160(35.01)</td>
</tr>
<tr>
<td>H28</td>
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<td>81(11.51)</td>
<td>3398(34.15)</td>
</tr>
<tr>
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<td>Riverview Hotel</td>
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<td>51(25.37)</td>
<td>1078(31.90)</td>
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<tr>
<td>H42</td>
<td>Landies Resort Yanmingsan</td>
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<td>10(20.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H9</td>
<td>San Want Hotel</td>
<td>0.788</td>
<td>6(2.24)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H13</td>
<td>United Hotel</td>
<td>0.783</td>
<td>21(8.64)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H5</td>
<td>Emperor Hotel</td>
<td>0.779</td>
<td>25(39.06)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>Code</td>
<td>Hotel Name</td>
<td>Rating</td>
<td>Yearly Revenue (10^6)</td>
<td>Annual Profit (10^6)</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------</td>
<td>--------</td>
<td>-----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>H33</td>
<td>Plaza Int’l Hotel</td>
<td>0.776</td>
<td>29(15.68)</td>
<td>27(11.95)</td>
</tr>
<tr>
<td>H55</td>
<td>Tayih Landis Hotel Tainan</td>
<td>0.771</td>
<td>17(6.1)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H36</td>
<td>Splendor Hotel Taichung</td>
<td>0.767</td>
<td>59(13.14)</td>
<td>16(7.20)</td>
</tr>
<tr>
<td>H31</td>
<td>Han-Hsien Hotel</td>
<td>0.760</td>
<td>56(9.88)</td>
<td>82(26.37)</td>
</tr>
<tr>
<td>H1</td>
<td>Grand Hotel Taipei</td>
<td>0.753</td>
<td>100(14.70)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H39</td>
<td>China Trust Hotel Hwaleng</td>
<td>0.750</td>
<td>0(0.00)</td>
<td>103(41.12)</td>
</tr>
<tr>
<td>H41</td>
<td>Farglory Hotel</td>
<td>0.749</td>
<td>44(10.71)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H51</td>
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<td>58(32.04)</td>
<td>101(48.56)</td>
</tr>
<tr>
<td>H3</td>
<td>Imperial Hotel</td>
<td>0.729</td>
<td>0(0.00)</td>
<td>41(12.20)</td>
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<tr>
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<td>Holiday Inn Hotel</td>
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<td>0(0.00)</td>
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<tr>
<td>H53</td>
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<td>0.716</td>
<td>8(2.43)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H52</td>
<td>Royal Hotel Hsinchu</td>
<td>0.716</td>
<td>34(14.66)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H30</td>
<td>Splendor Hotel Kaohsiung</td>
<td>0.615</td>
<td>0(0.00)</td>
<td>70(11.82)</td>
</tr>
<tr>
<td>H26</td>
<td>Holiday Garden</td>
<td>0.708</td>
<td>11(9.17)</td>
<td>95(34.67)</td>
</tr>
<tr>
<td>H40</td>
<td>Parkview Hotel</td>
<td>0.679</td>
<td>18(9.83)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H32</td>
<td>Hotel National</td>
<td>0.665</td>
<td>30(12.66)</td>
<td>173(38.82)</td>
</tr>
<tr>
<td>H25</td>
<td>Kingdom Hotel</td>
<td>0.660</td>
<td>18(9.83)</td>
<td>46(15.23)</td>
</tr>
<tr>
<td>H56</td>
<td>Evergreen Plaza Hotel</td>
<td>0.659</td>
<td>7(3.00)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H45</td>
<td>Grand Hotel Kaohsiung</td>
<td>0.658</td>
<td>8(5.44)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H15</td>
<td>Fortuna Hotel</td>
<td>0.652</td>
<td>40(21.05)</td>
<td>72(23.68)</td>
</tr>
<tr>
<td>H57</td>
<td>Nuniwan Hotel</td>
<td>0.632</td>
<td>22(9.61)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H19</td>
<td>Crown Plaza Hotel</td>
<td>0.627</td>
<td>31(12.77)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H37</td>
<td>Astar Hotel</td>
<td>0.621</td>
<td>27(11.15)</td>
<td>10(5.95)</td>
</tr>
<tr>
<td>H11</td>
<td>Santos Hotel</td>
<td>0.603</td>
<td>5(2.23)</td>
<td>0(0.00)</td>
</tr>
<tr>
<td>H49</td>
<td>Grand Formosa Taroko</td>
<td>0.594</td>
<td>0(0.00)</td>
<td>25(11.16)</td>
</tr>
<tr>
<td>H44</td>
<td>Hibiscus Resort</td>
<td>0.477</td>
<td>16(10.81)</td>
<td>28(13.93)</td>
</tr>
</tbody>
</table>
From slack analysis of inefficient hotels, we find that only 11 hotels are suggested to cut their operating expense and only 14 hotels are suggested to increase their food and beverage revenue. This indicates that most international tourist hotels in Taiwan have good control of operating expense and good performance in food and beverage; and do not need to put much emphasis on these two areas.

5.5 Change of Operational Efficiency

The Malmquist Index for measuring efficiency change, as mentioned previously (section 4.3.3), was used to examine the operational efficiency change of international tourist hotels over the years from 2003 to 2005. Among 57 current international tourist hotels in Taiwan, the Evergreen Plaza Hotel was opened in 2004, and is not included in this measurement. The results of the analysis are listed in Table 5.14. A smaller value indicates a hotel with a slower pace of progress over the past 3 years, and as such it is regarded as a hotel with poor strategy and poor management. A large value indicates a hotel with a faster pace of progress over the past 3 years.

The results indicate that among 56 international tourist hotels, there were 38 hotels with an efficiency change of greater than 1. This means that between 2003 and 2005, the operational efficiency of 38 hotels have been improving, with the Sheraton Hotel leading. On the other hand, there were 18 hotels with an efficiency change of less than 1. This means that the operational efficiency of these 18 hotels has been declining, with the Hibiscus Resort having the poorest record. Therefore, between 2003 and 2005, 2/3 of the Taiwanese international tourist hotels have progressed in operational efficiency, and 1/3 of Taiwanese international tourist hotels have experienced an operational efficiency decline.

Table 5.14: Malmquist Index—efficiency change from 2003 to 2005

<table>
<thead>
<tr>
<th>Rank</th>
<th>Hotel</th>
<th>Efficiency</th>
<th>Efficiency in 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Grand Formosa Hotel Taipei</td>
<td>1.000</td>
<td>1.095</td>
</tr>
<tr>
<td>2</td>
<td>Caesar Park Hotel Taipei</td>
<td>1.000</td>
<td>1.181</td>
</tr>
<tr>
<td>3</td>
<td>Grand Hyatt Hotel</td>
<td>1.000</td>
<td>1.110</td>
</tr>
<tr>
<td>4</td>
<td>Sherwood Hotel</td>
<td>1.000</td>
<td>1.078</td>
</tr>
<tr>
<td>5</td>
<td>Ambassador Hotel Taipei</td>
<td>1.000</td>
<td>1.110</td>
</tr>
<tr>
<td>6</td>
<td>Tainan Hotel</td>
<td>1.000</td>
<td>1.051</td>
</tr>
<tr>
<td>7</td>
<td>Lalu Hotel</td>
<td>1.000</td>
<td>1.170</td>
</tr>
<tr>
<td>7</td>
<td>Shangri-La’s Hotel</td>
<td>1.000</td>
<td>1.026</td>
</tr>
<tr>
<td>9</td>
<td>Brother Hotel</td>
<td>1.000</td>
<td>1.069</td>
</tr>
<tr>
<td>10</td>
<td>Westin Hotel</td>
<td>1.000</td>
<td>1.108</td>
</tr>
</tbody>
</table>
5.6 Dividing Groups According to DEA Score

From the results of DEA, the 57 hotels are divided into three groups as shown in Table 5.15. The first group are the hotels with good efficiency. Their efficiency score
is 1 and they become the best practice hotels. There are 12 hotels in this group. The second group is comprised of hotels with an average efficiency score (0.990-0.750) and these become the hotels with middle efficiency, including 25 hotels. The last group is comprised of hotels with an efficiency score less than 0.749, which are regarded as hotels with poor efficiency that need to improve their operational efficiency. 20 hotels belong to this group.

Table 5.15: Three groups according to DEA operational efficiency

<table>
<thead>
<tr>
<th>Hotels with Good Efficiency (DEA Score=1)</th>
<th>Hotels with Middle Efficiency (DEA Score: 0.990-0.750)</th>
<th>Hotels with Poor Efficiency (DEA Score: less than 0.749)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Formosa Hotel Taipei</td>
<td>Sheraton Hotel</td>
<td>Farglory Hotel</td>
</tr>
<tr>
<td>Caesar Park Hotel Taipei</td>
<td>Gloria Prince Hotel</td>
<td>Ta Shee Resort</td>
</tr>
<tr>
<td>Royal Hotel Taitung</td>
<td>Landies Hotel Taipei</td>
<td>Imperial Hotel</td>
</tr>
<tr>
<td>Grand Hyatt Hotel</td>
<td>Howard Hotel Kaohsiung</td>
<td>Holiday Inn Hotel</td>
</tr>
<tr>
<td>Sherwood Hotel</td>
<td>Howard Hotel Taipei</td>
<td>Ambassador Hotel Hsinchu</td>
</tr>
<tr>
<td>Ambassador Hotel Taipei</td>
<td>Evergreen Laurel Hotel</td>
<td>Royal Hotel Hsinchu</td>
</tr>
<tr>
<td>Tainan Hotel</td>
<td>Howard Hotel Kenting</td>
<td>Splendor Hotel Kaohsiung</td>
</tr>
<tr>
<td>Lalu Hotel</td>
<td>Howard Hotel Taichung</td>
<td>Holiday Garden</td>
</tr>
<tr>
<td>Shangri-La’s Hotel</td>
<td>Taoyuan Hotel</td>
<td>Parkview Hotel</td>
</tr>
<tr>
<td>Brother Hotel</td>
<td>Royal Hotel Taipei</td>
<td>Hotel National</td>
</tr>
<tr>
<td>Westin Hotel</td>
<td>Golden China Hotel</td>
<td>Kingdom Hotel</td>
</tr>
<tr>
<td>Caesar Park Hotel Kenting</td>
<td>United Hotel</td>
<td>Evergreen Plaza Hotel</td>
</tr>
<tr>
<td>Marshal Hotel</td>
<td>Grand Hotel Kaohsiung</td>
<td></td>
</tr>
<tr>
<td>Ambassador Hotel Kaohsiung</td>
<td>Fortuna Hotel</td>
<td></td>
</tr>
<tr>
<td>Grand Hi-Lai Hotel</td>
<td>Naruwan Hotel</td>
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</tr>
<tr>
<td>Riverview Hotel</td>
<td>Crown Plaza Hotel</td>
<td></td>
</tr>
<tr>
<td>Landies Resort Yanminsan</td>
<td>Astar Hotel</td>
<td></td>
</tr>
<tr>
<td>San Want Hotel</td>
<td>Santos Hotel</td>
<td></td>
</tr>
<tr>
<td>Emperor Hotel</td>
<td>Grand Formosa Taroko</td>
<td></td>
</tr>
<tr>
<td>Plaza Int’l Hotel</td>
<td>Hibiscus Resort</td>
<td></td>
</tr>
<tr>
<td>Tayih Landis Hotel Tainan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Splendor Hotel Taichung</td>
<td></td>
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</tr>
<tr>
<td>Han-Hsien Hotel</td>
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<tr>
<td>Grand Hotel Taipei</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China Trust Hotel Hwaleng</td>
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</tr>
</tbody>
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The DEA approach can only determine relative operational efficiency but does not identify the factors that give rise to inefficiency or lead to efficiency. Furthermore, DEA only calls attention to those hotels in which efficiency and inefficiency exist, but cannot provide the hotels with suggestions on how to improve their operational efficiency. Therefore, based on the three groups categorized above, this study chose several hotels as representatives of group, and then conducted semi-structure personal interviews with the managers of each sample hotel to explore the factors that contribute to hotels having good performance, and the reasons leading to hotels with
poor performance. This analysis will be presented in the next chapter.

5.7 Chapter Summary

The results of DEA analysis indicated that there are 12 hotels with efficiency score of 1, becoming the most efficient hotels in Taiwan. Some of the common features in these hotels are:

- business hotels
- located in Taipei
- focusing on foreign customers and individual customers
- chain operations
- providing top level, luxurious facilities and charging high room rates.

Through DEA adjustment according to different influence factors, it can be concluded that there are many factors influencing hotel operation. In terms of location, hotels located in Taipei have better operational efficiency than those in Central area, followed by East Coast and Kenting, Taoyuan and Hsinchu, Kaohsiung. The operational efficiency of hotels in Tainan is the poorest. Comparing different hotel size, hotels with more rooms (more than 360) and fewer rooms (less than 160) have better operational efficiency. The operational efficiency in the hotels with middle number of rooms (between 161 and 360) is worse. On the other hand, hotel age has a certain influence on hotel operation, but this influence is only apparent for hotels with age less than 10 years. The influence of age on hotels with more than 10 years seems to be limited. Furthermore, a higher room rate (more than US$101) brings Taiwanese international tourist hotels with better operational efficiency. The operational efficiency in the hotels with middle room rate (between US$71 and US$100) is worse. Therefore, if using DEA to evaluate hotel’s efficiency without considering other influence factors, the result would be inaccurate and cannot provide the real information of operational efficiency.

On the other hand, through slack analysis, it can be concluded that most international tourist hotels in Taiwan have good control of operating expenses and good performance in food and beverage; and do not need to put much emphasis on these two areas. However, the room revenue in many international tourist hotels in Taiwan
is poor and should be improved to lift their performance.

This chapter also used Malmquist Index to measure the efficiency change of 56 hotels between 2003 and 2005. The results indicated that operational efficiency of 38 hotels has been improving and 18 hotels has been declining during these three years.

Utilising the results of DEA discussed in this chapter, the factors contributing to hotel having good performance and the reasons leading to hotel with poor performance will be explored in next chapter with managers through semi-structured interviews.
Chapter Six: Interview Finding

6.1 Chapter Introduction

In the previous chapter hotel operational performance was displayed using DEA. The DEA approach was used determine the relative operational efficiency of these hotels, but could not identify the factors that give rise to inefficiency or lead to efficiency. Furthermore, DEA only calls attention to those hotels in which efficiency and inefficiency exist, but cannot provide suggestions on how to improve operational efficiency. Therefore, this chapter further explores the factors that lead to good performance in hotels in Taiwan.

6.2 The Context

From the results of DEA, 57 hotels were divided into three groups as shown in Table 5.15. The first group consists of hotels with good efficiency, with a score of 1. There are 12 hotels in this group. The second group is comprised of hotels with a middle efficiency score (0.990-0.750), including 25 hotels. The last group is comprised of hotels with an efficiency score of less than 0.749 which is regarded as poor efficiency and these hotels need to improve their operational efficiency. 20 hotels belong to this group.

From each of these three groups, several hotels were chosen, and a qualitative in-depth interview with managers of each sample hotel conducted. Accordingly the aim of this qualitative stage was to collect data in order to:

- explore how benchmarking hotels are doing well and the reasons why inefficient hotels’ operation are poor.
- identify the critical success factors contributing to hotel performance.

The demographic data for the participating hotels and a profile of the managers who were interviewed are displayed in Appendix 7 and Appendix 8. The interviews revealed that there are 13 critical success factors contributing to Taiwanese international tourist hotels having good performance. The following sections describe
6.3 Critical Success Factors Contributing to Hotel Performance

Analysis of interview data revealed 13 critical factors influencing hotels’ operational performance, including: 1. owner’s emphasis; 2. professional knowledge and experience in hotel management; 3. innovation and features; 4. outsourcing; 5. quality employees; 6. training; 7. positioning; 8. empowerment; 9. corporate culture; 10. physical facilities and renovation; 11. working environment; 12. brand and 13. creative marketing. The findings with respect to each of these factors are discussed in greater detail below. (Note: In the following section, hotel code: G1, G2,…….refer to the hotels with good performance. A1, A2,…….refer to the hotels with average performance. P1, P2,…….refer to the hotels with poor performance):

6.3.1 Owner’s Emphasis

Owner’s emphasis means that hotel owners who have enthusiasm with hotel management are willing to view it as a core business and support resources necessary to hotel management. In this research, when asked what factors lead to good performance, it was found that many managers in hotels with good performance attributed the business success to their owners’ emphasis and dedication. These owners view managing a hotel as the focus of their career rather than simply an instrument of investment. The manager of Hotel G1 said that:

*Our CEO (hotel owner) does not have any background in hotel management, but he has incomparable enthusiasm for it. His major success is that he always clearly and articulately expresses his goals and ideas to managers, lets us do the work, and offers full support (M2).*

The manager of Hotel G4 also stated that:

*Our Chairman’s (hotel owner) business career started with shoe manufacturing, but he has tremendous interest in running a hotel. In the beginning, he found that among many international tourist hotels in Taipei, none was qualified enough to receive top business guests from all over the world. Therefore, he set up his goal to establish this hotel and manage it as a representative work in the second half of his life (M7).*
The manager of Hotel G8 said:

*Our foreign general manager usually compliments our chairman (hotel owner) on well knowing how to run a hotel, because whenever we need to renovate facilities or invest a huge amount of money, the chairman will always provide full support with almost no hesitation* (M11).

The interview findings indicated that owner’s participation in hotel planning is one of the indicators that reflect an owner’s emphasis. These hotel owners who can be involved in planning usually have prospective concepts and a sense of mission in managing the hotel. Through participation in hotel planning, they can really establish an ideal hotel. The manager of Hotel G4 stated that:

*During the planning period, our chairman was fully devoted. From location, architectural design, line of movement design to service content, he participated in the planning of every section of the hotel, in pursuit of building the best hotel in Taiwan. Thus, the design materials and facilities used were also the best. Thanks to his dedication and support, we enjoyed huge popularity after opening. The sales department was originally set up to attract new clients. Because of the unexpectedly good business, we had to learn how to decline our clients* (M7).

It was clear throughout the interviews that owner’s emphasis is also reflected by whether an owner can detect the core problem in hotel management and use his power to initiate a reform. The manager in Hotel G5 pointed out:

*Our hotel is an old hotel with 44 years of history. It received huge popularity before, but to most people, it has always been a conservative hotel. The main problem lies in the seniority of the employees, as most of them have served hotel for more than 30 years. They are used to constant operation procedures. After our new owner took over the leadership from his mother five years ago, he immediately identified the problem in management. He felt that following old models only makes an organization rigid and confine the thinking of employees. Therefore, he encouraged retirement of senior employees and introduced a young management team, which really brought a new look of the hotel at last* (M8).

Additionally, the data revealed that owner’s emphasis can be the trust and full support for professional managers. Owners do not necessarily have to engage in hotel management but consign the management to professional managers or a hotel consultant team, to which they offer material and financial support with a trusting
attitude. The owner of Hotel G8 stated that:

Successful management of an internationally competitive hotel hinges on owner’s full support, and such support comes from trust. In return, managers have to present good performances to the owner. Without the owner’s support, even the best team will make futile efforts. Our achievement is attributed to the full support of our owner (M11).

The findings from the interviews indicated that among the hotels with average operational performance in this research, some are family-owned businesses. Due to the variety in the dedication and opinions of family members, normal operations of the hotels are affected and cause poorer performance. The group of Hotel A3, for instance, is the biggest local hotel chain and is the most profitable hotel in Taiwan. However, this group started to suffer from performance declines from 2001 and its four affiliated international tourist hotels (in this interview research, Hotel A2, A5 are the affiliated hotels of Hotel A3) presented declining results in the Malmquist Index during 2003-2005. The managers interviewed pointed out that one of the important factors is that hotel is operated by family members.

Family ownership is one of the main characteristics of Hotel A3. The founder’s 9 sons often cause problems. For example the manager of Hotel A3 said:

The founding boss had 9 sons, who now have more than 20 heirs in the third generation. The number of heirs in the second and third generations exceeds 35. Everything has to be approved via family meetings, so reaching a consensus is becoming harder and harder (M20).

In the wake of Hotel A3’s expansion into the biggest hotel group in Taiwan, opinion incongruence started to emerge. A manager of Hotel A2 said:

Conservative family members think that today’s achievement should be maintained and further expansion and investment is not appropriate. The other party of family members contended that all the other competitors are proactively expanding and renovating their hotels to cater Mainland Chinese visitors, and how can we be absent in this trend of development. Both parties were insistent, and everything ended up stalled (M19).

Another manager of Hotel A5 also mentioned:
After the second and third generations took over the management, this family business was like a chariot pulled by multiple horses. Every member wanted to engage in the management of business, personnel or purchase, but only the chairman and the president of the group were held fully responsible for the management, no matter successful or not. At last, both sides pinned the blame on each other, resulting in more inaction and reluctance to manage the normal operations of the hotel (M22).

As depicted in the above comments, the management of Hotel A3 was composed of numerous family members. Opinion incongruence among family members affected the normal operations of the hotel and caused a gradual decline in its business performance.

The data also showed that the same family firm issue also influenced the operational performance of Hotel A7. Unveiled in 1988, Hotel A7 was one of the two major hotels in Taichung City. However, it was also a strong family-controlled business. A manager who once served in Hotel A7 revealed:

Some important positions were taken by family members. Because the family members were inharmonious, many decisions could not be smoothly carried out, and employees were often ignorant of what to follow (M24).

In addition to family-owned businesses, the managers interviewed revealed that some hotel owners have overestimated their capability in hotel management. For example, the manager of Hotel A8 revealed:

In the first two years after opening, the hotel management was commissioned to a management contract company. Two years later, our owner thought he has realized everything and running a hotel is not so difficult, so he decided to take over the management. However, after he personally engaged in the management, he realized it is not as simple as previously imagined (M25).

Among the managers of poor performing hotels, some expressed that owner’s excessive involvement in hotel management and reluctance to accept advice of professional managers have resulted in wrong decisions and affected the operational performance of their hotels. For instance, the manager of Hotel P2 stated:

Our owner’s career commenced with a construction company. He always said “My hotel has been built so well. It is impossible to be unpopular”. However, selling houses is different from leasing hotel rooms. In addition to construction,
hotel business relies on the services provided, internal management, position, and marketing. Moreover, our owner cannot tolerate if he sees customers waiting in a long line for check-in. He probably has no idea that during the peak seasons, employees are always insufficient. We follow his direction and hire more employees. As a result, during the low season, these employees are usually left idling. He has also arranged some people from his original construction company to manage the logistic businesses, including personnel and finance. Unfamiliar with hotel operations, these people cannot provide suitable support when front-line staffs require assistance. Most important of all, our boss is ill-tempered. Everything, once he has settled, cannot be changed. Any attempt of persuasion will only induce anger. Therefore, no one dares provide any suggestion to him (M29).

As to Hotel P2, its owner is deeply involved in management. However, he has strong subjective thinking and refuses to accept advice from professional managers. This finally causes this hotel to have poor performance.

The manager of Hotel P5 also complained about owner’s excessive involvement in hotel management.

*Our owner is too involved in management and is too short-term profit oriented. He knows practically nothing about running a hotel, but if profit margins are not met then he is liable to take over. This kind of management model promotes owner interests rather than guests’ interests and professional managers become his implement. Owner has a hand in everything marching to the beat of profits. If the hotel is not making profit then he starts cutting on service and will not spend enough for maintenance and renovation (M32).*

The interviews with managers pointed to the fact that for some hotel owners, running a hotel is only an investment instrument. Through opening a hotel, they can heat up the transactions of lands around the hotel or increase value of the hotel land and sell it at a higher price later. They have never really been dedicated to the management of their hotels. Hotel P7 is one of the hotels managed for this purpose. The manager of Hotel P7 said:

*The new owner is a big conglomerate. When it bought out our hotel, we thought the handover was nothing bad and hoped the new owner could really revive the low-spirited Hotel P7. However, six months later, we found that our owner only keeps buying out department stores and other hotels in the vicinity and never cares about the management of the hotel. We then realized that the owner attempted to induce more transactions of the surrounding lands and take*
opportunities to gain some profits. Hotel management does not interest the owner at all. Certainly, with no new resource introduced, the dropping operational performance can hardly be pulled back (M27).

Hotel P8 located in Kaohsiung is also an old hotel with 40 some years of history. It is the first international tourist hotel in Kaohsiung and located in the most prosperous area, so it was once a high-performing hotel for more than 10 years. The interview findings indicated that in recent years, the owner has tended to take a more conservative and passive attitude in management, making it hard for Hotel P8 to return to the once-glamorous golden era. A manager of Hotel P8 revealed:

Due to declining health conditions, our owner has been less involved in management and become more conservative than ever. Simply put, he has made enough money long ago, and all he is expecting now is maintaining the status quo. Because this hotel has been running for 40 some years, returns from the initial hardware investment have been gained. Any present change may only increase business risk. In terms of his current management, as long as the cost of human labour can be covered, all the incomes are extra earnings. With stable sources of group visitors, our owner is satisfied and unwilling to make any significant change (M35).

It was clear throughout the interviews that owner’s emphasis on hotel management has significant influence on hotel operational performance. In good performance hotels, owners are personally involved in the management to show their ideals and enthusiasm. Additionally, owners provide full trust and support for professional managers. In these cases, the key to success lies in owner’s emphasis. Through such emphasis, financial support and resources can be provided, and good hotel operational performances can be achieved. On the other hand, for some hotel owners, running a hotel is only an investment instrument, and they have never really been dedicated to the management of their hotels, but only care about profit. Moreover, although some hotel owners are positively involved in management, their thinking is conservative and they reject advice from professional managers. All these factors finally cause these hotels to show poor performance.

6.3.2 Professional Knowledge and Experience in Hotel Management

Hotel employees with professional knowledge and experience can create new
competencies and sustainable competitive advantage (Gjelsvik, 2002). Hotel managers often explicitly state that they are devoted to differentiate their hotel from competitors by offering superior service. Differentiated and better service requires that the employees master hotel specific skills and knowledge. Therefore, having rich knowledge and experience in hotel management has become an important element for hotel operations. The president of Hotel G7 mentioned:

*I must admit that international chains or foreign consultant companies really have a certain edge in their management and marketing. In addition to a brand that facilitates international marketing, marketing position, architectural and spatial planning, and establishment of standard operation procedures are all their merits. For investors, these are precious experiences indispensable in the preparation of a new hotel. Without the aid of these predecessors, it is easy to take a wrong step* (M10).

The owner of Hotel G9 also agreed that:

*International chains would attach importance to each detail in their management. Each task is comprehensively deliberated. All the possible problems that may arise and solutions to these problems are considered in advance. In other words, they mean to be well-prepared before any incident occurs or is expected by customers. This notion is absent in local hotels. On the other hand, with respect to many services, while many local hotels have been self-satisfied, international chain hotels will demand themselves to do a better job. They set a higher standard to follow. This is what we have to learn from them* (M13).

A manager of Hotel G2 also pointed out that:

*The employee turnover rate in hotels is high, and almost all the tasks are taken care of by multiple shifts. These will make hotel services inconsistent and variable. Only professional management and sound system can ensure that shift is not a variable in service quality.* (M4)

The manager of Hotel G4 also said:

*To operate a hotel in an efficient manner, a professional management system and training are essential. In this industry, service is provided by human, but human is the most uncertain and uncontrollable factor. Think about the difference between the results of two employees, one is dedicated and one is not. We cannot ensure every employee can be dedicated to his/her job or maintain his/her condition, but we can use a management system or training to ensure that a consistent level of service can be offered at all times, even if an employee is not*
The interviews with managers pointed to the fact that professional knowledge that comes with joining a hotel chain and experience in hotel management can help hotels build standard operation procedures (SOP) and equip employees with professional knowledge and correct service attitudes, which are of critical importance for a new hotel in the beginning. The manager of Hotel G1 mentioned:

_In the beginning, we commissioned an international hotel chain to manage our hotel. During that period, this international hotel chain helped us establish SOPs and build up our employees’ professional knowledge and attitudes. Today’s achievements are attributed to such solid foundations (M1)._}

The managers interviewed indicated that the hotel management system should be built with professional knowledge and experience in hotel management. It deals with the organizational structure, functions of each department, and cross-departmental coordination. As indicated by the manager of Hotel G9:

_Building a sound hotel management system is contributive to our operation. A problematic hotel does not necessarily have problematic employees. In most cases, it has something wrong with its management system, such as the absence of a clear definition of responsibilities or insufficient communications (M14)._}

Additionally, hotels with rich professional knowledge and experience are able to address a critical incident or complaint immediately. As stated by the manager of Hotel G9:

_International hotel chain’s professional management knowledge may not be observable in routine works. In the case of an accident or customer compliant, the efficiency of its crisis-solving ability will be conspicuous (M14)._}

The research findings revealed that the professional knowledge and experience in hotel management is also reflected on service quality control. Through an exclusive control system, consistency of service quality can be ensured. As mentioned by the manager of Hotel G8:

_Our hotel group has not only set an SOP for every operation but also built a “Measure Quality System (MQS)” to examine the quality of each operation. This is the key to our pursuit from A to A-plus (M12)._
The manager also added:

_The content of MQS is detailed and complicated. The book has a length of 4000 pages. This has been exclusively compiled to meet the potential needs of top-class international business travelers for a hotel. Take bathroom items as an example. Most hotels simply provide useful items, and some may provide items of specific name brands. But according to our long-term observations and customer feedbacks, we have set up a set of specifications for towels, soap, and shampoo. All the details from size, weight to material are specified (M12)._ 

The managers interviewed also pointed out that the professional knowledge of hotel management is not fixed but needs to be adjusted according to the trends of the time, customer demands, and the changes in the competitive environment. The manager of Hotel G3 mentioned:

_The competitive environment is changing all the time, and customers have more and more demands. Invariable service contents and methods may be ultimately excluded from the market. Only through constant modification or update of services can we retain the patronage of our customers (M6)._ 

In the interviews it was relayed that time and speed are two elements most concerned by business travellers. Therefore, hotels with professional knowledge and experience are dedicated to simplifying operation procedures to provide fast response to customer needs. As indicated by the manager of Hotel G2:

_Many customers may complain and wonder why their problems cannot be immediately addressed. Through our investigation, we have found most of their problems are not difficult to solve, but the procedures used to solve their problems are too complicated. As a result, we are constantly improving our operation procedures to make them simpler and more efficient (M4)._ 

The manager of Hotel G8 also pointed out:

_Our headquarters have made a research on the MICE market and found that when selecting a proper meeting place, corporate organizations are most concerned about response speed. 85% of them will deliver their business to the first responder. For this reason, we have reviewed our operation procedures and accelerated our response speed. An audit system has also been set up to check if our salespersons have responded to our customers in the shortest time (M11)._ 

The interview data indicated that hotels with good performance, and average
performance are also equipped with professional knowledge and rich experience in hotel management. The only difference is that some of them put too much emphasis on providing quality service to customers and ignore the concept of cost.

Hotel A1 has placed its service focus on providing thoughtful services for customers, making them feel fully respected. The CEO of Hotel A1 who directed this service style is thus given the honor of “godfather of the hotel sector in Taiwan”. The manager of Hotel A1 stated:

Every customer knows that we do not set up counters in our reception lobby for the purpose of breaking down the barrier between our customers and our staffs. Each receptionist responsible for escorting customers from the airport to our hotel is able to call our customers by their names. In each guest room, envelopes and name cards printed with the name of the guest will be prepared in advance. All these are our principles of receiving guests (M17).

The manager added:

Based on the characteristics of hotel services, we have developed a reverse-pyramid management model. In this model, customers are placed in the first layer. Recognition of customers is vital to our hotel. Customers are our boss. Under customers are front-line clerks. They are the core personnel providing services to customers on behalf of the hotel. Under the front-line clerks are the logistic departments and supervisors who are responsible for simplifying the operations of front-line clerks and make their services more efficient. The general manager and CEO are at the bottom. They provide support to supervisors of each department. Through this notion, we intend to let all supervisors understand they are the backup troops for front-line clerks. We believe only with full support and authorization of supervisors, can the basic-level employees combat in the front line (M17).

The success of Hotel A1 has also allowed it to transfer its service model through franchisement. So far, there are a total of 7 hotels participating in this franchise system. However, having practically run the given operations, some franchise hotels has begun to question about the management styles of Hotel A1. The manager of Hotel A8, one of the franchise hotels, mentioned:

I must admit that Hotel A1’s service styles are brilliant. But these service styles require approximately 1/4 more human labour than common styles adopted by other competitors. For our hotel, this is a huge cost (M25).
The manager of Hotel A1 confessed:

*Profitability is never our primary concern. What we care about is whether we can provide high-quality service to our customers. On such condition, hiring more human labour and spending more money are inevitable* (M17).

Another controversy between franchise hotels and Hotel A1 lies in the reverse-pyramid management model. An ex-manager of Hotel A1 franchise hotel expressed

*We know the importance of such management model for hotel operation. But in Taiwan, it is virtually impossible to ask a boss to take every advice from employees* (M4).

Research findings indicated that due to the incongruence of management ideas between Hotel A1 and franchise hotels, many franchise hotels no longer follow the methods or service models provided by Hotel A1.

Another local hotel, Hotel A3, is also renowned for its outstanding management and its own chain system. The manager of Hotel A3 mentioned:

*The success of Hotel A3 has allowed us to accumulate knowledge of hotel management and establish our own chain system. Unlike other hotels, we have our own architects and affiliated construction firms. After a new hotel is constructed, talents cultivated through our leadership training program will step in to manage the hotel. Therefore, from development to operation, we do everything by ourselves and never rely on others* (M20).

However, an ex-manager of Hotel A3 pointed out that:

*This hotel chain likes to do everything on its own. A talented person who has not started from the entry level in this chain system can hardly be promoted. Therefore, a closed system is formed. This closed system, along with its conservative styles, has given us an impression that this hotel chain is an outdated enterprise* (M27).

Another ex-manager of Hotel A3 said:

*This chain’s management system is characterized by stringent supervision and layer-based control. In each department, in addition to the head of department,
an additional inspector is deployed to mainly avoid human mistakes. This organizational design might be workable 10 years ago but also caused that most employees would rather follow the guideline than to create something new. In this era, such approach is inefficient (M11).

Hotel A7 is also a hotel with average operational performance. Its family-controlled management style has resulted in a lack of professionalism and the absence of a sound system. A manager of Hotel A7 said:

*The board is composed of only family members. Many managers and employees are also family members. They are colleagues and relatives at the same time. Because some of them are not harmonious, serious problems have occurred in hotel management* (M24).

He further added:

*There is no a sound management system in operation. Management highly depends on people, not system. All the decisions are in the hand of family members and many have been made at their whims. Professional managers are not respected here, so the turnover of managers is high* (M24).

The lack of professional knowledge and experience was however noticeable in poor performing hotels and the managers interviewed expressed that this was a factor.

The owner of Hotel P1 in Kaohsiung used to run a banquet catering restaurant. After he had made some money, he wanted to expand his business. He then bought the financially-crippled hotel and renamed it Hotel P1. Contrary to his expectation, the operational performance of original hotel did not improve and even deteriorated after he took over. The main cause was the owner’s lack of knowledge about hotel management. A manager of Hotel P1 said:

*After our owner bought this hotel, he introduced a large number of people who used to work for his restaurant into the hotel. For instance, he appointed his restaurant executive chef to be the general manager of the hotel. I do not mean to say that the chef was not capable of managing the hotel, but managing a small local restaurant is essentially different from managing an international hotel with more than 300 guestrooms. Small-scale restaurants usually do not have a clear-cut organizational structure and a systematic employee training system. Let alone regular updates of facilities. After these people were inaugurated, they really showed their ignorance of these concepts* (M28).
He further pointed out:

*Even the owner bought this hotel, he managed the hotel in the same way he managed his restaurant and did not put much emphasis on room operation. The owner invested most resources in food and beverage, specially in banquet services, because he thought such investment would bring quick returns as long as the business was good. Running guestrooms was a long-term investment that could not bring returns in a short time. Therefore, he was unwilling to take the risk (M28).*

Hotel P5 is another hotel with poor operational performance. It also suffered from deterioration of operational performance due to the manager’s lack of experience. A manager of Hotel P5 pointed out that:

*Our general manager is good on finance. Those who study finance will usually resort to cost reduction when in face of poor operational performance. He laid off 20% employees and cut capital budgets. At last, the hotel’s service quality was seriously affected (M32).*

The same manager added:

*Moreover, he repeated a mistake that many general managers would make. Managers would be immediately replaced if their departments could not turn in satisfactory performance. Therefore, change of positions of managers was constant. The manager of the western food restaurant and the manager of the Chinese food restaurant were switched, and the bar manager and the manager of Teppanyaki were switched. Such switch of position was not intended for cross training or exploitation of the managers’ expertise. A manager would be sent to another department before he became familiar with the current department” (M32).*

The manager of Hotel P6 attributes his owner’s lack of experience in hotel management to poor performance. He said:

*Our old boss passed the hotel ownership to his first son, who is not talented in hotel management at all. He could have commissioned the management to professional managers, but he wanted to be involved in every business, despite his ignorance. At last, many decisions he made indeed appealed to many customers but brought negative returns (M33).*

Another hotel with poor operational performance, Hotel P8, has a dominative first
lady, who always manages the hotel according to her personal preference, disregarding the opinions of professional managers. An ex-manager of Hotel P8 mentioned:

*Our boss’ wife rules everything. She is Japanese. She keeps a close eye on everything and does not fully trust professional managers. She is easily affected by her personal preference. She hears our advices but seldom accepts them* (M32).

The managers interviewed revealed that lacking of sound management system is also the factor leading to hotel with poor performance but is usually overlooked by hotels with poor performance. The manager of Hotel P4 said:

*Many managers have always focused on marketing strategies and overlooked their internal management system. The impact of these factors is latent and not easily detected, but it is very influential* (M31).

The above interview data shows that managers recognized the importance of professional knowledge and experience for hotel management. Only hotels equipped with professional knowledge and experience in hotel management were able to establish a sound management system, SOPs compliant with customer needs, effective crisis-solving mechanisms, and a quality control system to maintain service quality. All of these are essential to hotel management and may affect operational performance. However, those hotels where owners are highly involved in hotel operation, do not take advice from professional managers, are less effective. Resulting in a management team composed of owner’s family members, lacking a professional background where operational performance is negatively influenced. Managing a hotel is professional and complicated. It cannot be done simply with the owner’s personal ideas or reliance on trustworthy family members. Respect for professional knowledge and management experience is still an indispensable element in hotel management.

### 6.3.3 Innovation and Features

Innovation can be defined as the combined activities leading to new, marketable products and services and/or new production and delivery systems (Burgelman et al.,
1996, p.2). Innovation is regarded as an essential activity for firms that desire to face competition on the basis of quality and suitability of purpose (Johne et al., 1990). In this research, managers of hotels with good operational performance all agree that innovation features as a key to increasing hotel profits. In the competitive hotel market, only by offering innovative and characteristic products can hotels attract customers without engaging in price battles. The manager of Hotel G1 said:

*International business travelers have seen everything and tasted everything. If hotels want to attract them, they need to have special features. To make a hotel special, innovation and differentiation are indispensable* (M2).

To show the value of its innovation, Hotel G1 has set up a research and development department, in charge of the innovation of the hotel’s products and services. This department is also managed by a specialized general manager. “This is not only the first but also the only organization in Taiwan’s hotels”, said the manager. (M2)

The manager of Hotel G4 mentioned:

*Our customer retention rate exceeds 50%. Our image of a pure business hotel and unique style are the key factors that lead to the high customer retention rate. For top-class business travelers, price is usually not their primary concern. What they really care about are special features of the hotel. Because our owner is a lover and collector of antiques, a collection of antiques is displayed in the hotel. With such display, our hotel looks like a hotel and also like a small-sized museum. It has become one of our features* (M7).

The manager of Hotel G3 also indicated:

*As a leading brand in the international tourist hotel market, in addition to maintaining our service quality, we also need to have prospective visions to accurately predict customers’ expectations 10 years later. Therefore, our “strategy for success” is constant innovation* (M5).

Hotel G8 also appeals to modern business travelers, by equipping and complying rooms in their Executive Floor with electronic devices. The manager of Hotel G8 indicated:

*Business travelers have traveled around the globe. They are more updated with the contemporary information technology. They use technology to collect information and also use it to manage their business. Therefore, for international*
business travelers, “information plus technology” are not simply essential but vital (M12).

Ahead of other competitors, Hotel G8 has provided e-services in its new Executive Floor. These e-services include wireless internet access, VPN connection, video conferencing, VOIP internet phone. The manager mentioned “Our hotel services should catch up with the technology”. (M12)

The manager added:

The innovation of the amenities in these rooms has not only received popularity among our guests but also increased the guestroom revenue by 30% (M12).

The managers interviewed revealed that in Taiwan, a resort hotel simply means a hotel built in a scenic area and has no specific features and recreational functions. Therefore, based on the innovation of customer’s vacation models, Hotel G10 attempted to change customer’s habit of experiencing a vacation. The manager of Hotel G10 pointed out:

Taiwanese consumers do not have the habit of enjoying the pure relaxation around a fixed tourist spot. When they arrive at the hotel after a long drive, they usually go out and search for fun immediately. Their original intention for a vacation is to relieve fatigue and pressure, but after the vacation, they simply get more tired (M15).

For this reason, Hotel G10 is the first hotel that offers the package including 1 stay, 2 meals, and SPA. This package allows guests to spend more time in the hotel and relax themselves. The hotel has also designed several events and activities, including afternoon tea, season-based menu, and regular wine-tasting parties. Guests are invited to participate in the wine-tasting parties. Moreover, the hotel also works with a bookstore and selects 100 top-rated travel books for guests to borrow. The manager said:

Our constant improvement of facilities is intended to keep our guests in the hotel and let them take time enjoying the real experience of relaxation. We expect our guests to enjoy the total relaxation, doing nothing at all or doing something they seldom do, reading some books they seldom read. Travelers are supposed to slow down their pace (M15).
The data indicated that Hotel G10’s innovative vacation model has successfully attracted many consumers. Moreover, the huge gap in occupancy between high-season and low-season has almost vanished now.

The findings from the interviews showed that innovation can be applied to hardware facilities and management strategies. For instance, Hotel G11 has enhanced the overall operational performance by innovating with the idea of increasing bed occupancy rate to replace the conventional idea of increasing room occupancy rate. The manager of Hotel G11 mentioned:

*Our renovation was finished not long ago. In our renovation, we added rooms with two-double beds to enhance bed occupancy rate. All the resort hotels have to cope with high and low seasons. Hotel managers all know it is necessary to increase room occupancy rate during low seasons and increase average room rates during high seasons. However, to implement such strategy and increase profit is a big challenge for managers. In the past, hotels charge their guests by room, but now we charge our guests by number of persons. During high season, our guests will come with their entire family or a bunch of friends. Each two-double bed room can accommodate four guests. If we charge them by persons, the revenue of each room can be increased. During low season, this type of rooms can be used to upgrade our customers, so we have more flexibility in the utility of rooms (M16).*

In Hotel G1, innovation is also applied to new services. Hotel G1 is well-known for catering wedding banquets services. Wedding planning service is the key to its success. The manager of Hotel G1 mentioned:

*Taiwanese wedding banquets are too simple. Even if wedding banquets are held in five-star hotels, for wedding guests, they just come for a feast at a more luxurious place. However, a wedding banquet should not simply be a feast (M2).*

Having an unforgettable wedding is a common dream of many newlyweds. Hotel G1 knows this dream, so it provides a wedding planning service. The manager mentioned:

*This service is to design a unique and exclusive wedding for each pair of newlyweds. Every wedding we design will turn out to be “tear-inducing”, because it is moving and interactive. Inviting a few special guests to make some remarks should not be the sole activity in a wedding banquet. In addition to the romantic element, filial piety and gratitude are also elements of true happiness.*
Therefore, in each wedding banquet, we will design a small program for the newlyweds to thank their parents in the way they seldom do or are shy to do. This program usually draws applause of the guests. It can move not only the hosts but also the guests (M2).

This manager also provided a good example about this innovate service:

*I can tell you a story about how we apply this service. A new couple held their wedding banquet in our hotel last year. However, bride’s mother was seriously sick in the hospital and can’t attend this wedding. Our wedding consultant knew this situation, using a video camera to take a film of her mother’s speech in the hospital. All these process we didn’t tell this couple. When this film was screened at the wedding banquet, all the people got surprised and crying. What our consultant did really touched this new couple and later they introduced many their friends to have wedding in our hotel (M1).*  

Despite the positive effects of innovation on the business performance, the managers interviewed also proposed a few principles to follow, including the speed of innovation (innovation has to be fast) and compliance with customer needs. The manager of Hotel G1 said:

*Hotel services can be easily imitated. Any new idea will be used by other competitors. Therefore, innovation should be fast and continuous (M1).*

The manager of Hotel G10 also agreed, saying:

*Innovation needs to comply with customer needs. If not, it is just a waste of time and efforts. For instance, we once attempted to promote a conference holiday offer and introduced the team building training course that was very popular in foreign nations. However, such program was not popular among our guests. The innovation did not bring expected effects but only a huge amount of sunk cost (M15).*

Among hotels with average performance, Hotel A1 has established a unique service style through innovation of its service methods. The manager said:

*In almost all the hotels in Taiwan, there is a big counter in the reception lobby. In fact, counter is a cold design. It is like a wall separating the clerks and customers and forming a relationship where both parties opposite to each other. In our hotel, there is no counter. We intend to create a home-like feeling for our guests. Breaking down the counter also opens the boundary of our services. We place two old desks of the 30s in the lobby and let receptionists escort our guests*
to the seats. Our guests can enjoy instant relaxation after a long trip and take their time checking in (M18).

The same manager added:

When our guests enter their rooms, they will be surprised. There are a stack of name cards and personalized envelopes and letter papers printed with their names. They can use the name cards during their trips. Because of these thoughtful services, we have won the patronage of many loyal customers (M18).

However, according to the interviews, these innovative tactics are not too necessary when applied to its franchise hotel, Hotel A8. The manager of Hotel A8 mentioned:

For our guests, these innovative tactics are indeed thoughtful but not necessary. Our guests are different from those of Hotel A1. They have different needs too. The methods used by Hotel A1 are not very effective in our hotel (M25).

Among the hotels with poor operational performance, Hotel P3 is a hotel still dedicated to innovation. However, its innovative ideas are appealing but not necessary to customers in this area. Guests in this area (Hsinchu) usually demand for a tidy, quiet, and safe place to stay. Therefore, acceptable room rates turn out to be more appealing than innovation. The manager of Hotel P3 said

We have made a huge investment to obtain a leading advantage in the market. Our hardware and software facilities are the latest and other hotels in Hsinchu are incomparable in this aspect (M30).

However, an ex-manager of a hotel in Hsinchu mentioned:

In Hsinchu Science Park, factories account for a large proportion. Cross-national companies such as IBM, HP, and Microsoft are not based here, and most of the business travelers here are engineers. Hotel P3 has good and innovate amenities, but not many can afford it (M19).

At last, subject to market factors, Hotel P3 which was originally positioned as a top-class hotel has been forced to lower its room rates and also influence its performance.

As to other hotels with poor operational performance, research findings revealed that most of them have no innovative measures, and most of their managers presented a
passive attitude toward innovation in the interview. The manager of Hotel P1 said:

To be honest, what we have are also offered in other hotels. There is nothing innovative” (M28).

The manager of Hotel P8 said:

I think in hotel management, maintaining service stability and consistency is the most important. I do not think innovation is imperative (M35).

It was identified by many managers in the interview that innovation and special features have positive effects on hotel business. However, the manager of Hotel P7 pointed out the main problem of innovation in the hotel sector. He said

Innovation depends on the owner’s attitude and finance. If the owner supports it and has sufficient finance, innovation is not a problem at all (M24).

From these interviews, it is apparent that innovation is an important source of competitive advantage in hotel markets where customer preferences are changing rapidly, where competition is intense, and where differentiation is limited. Through innovation in hardware facilities, management strategies, and service contents, those hotels with good operational performance increase their profit, raise awareness of the hotels, improve image of hotels and attract more customers. In the contrast, some hotel owners do not fully realize the importance of innovation as an effective marketing tool, and its potential for attracting customers and finally make hotel operational performance poor.

### 6.3.4 Outsourcing

Outsourcing can be defined as when an organisation uses an external company to carry out activities previously carried out within the organisation (Bailey et al., 2002). It was revealed throughout the interviews that among hotels with good operational performance, many have adopted outsourcing of hotel operations. Managers interviewed agreed that outsourcing is a strategy that can reduce costs and business risks. If market opportunities are disappearing, hotels can immediately terminate introduction of labour from subcontractors, who need to deal with surplus labour alone and share the risks of market fluctuations. Hotels only need to pay the
previously settled price to subcontractors, and they can enjoy professional services
and save a huge amount of personnel management cost. As stated by the manager of Hotel G2.

In 2002, a significant organizational reform was launched in our hotel. We outsourced all the restaurants and reserved only the banquet hall and the coffee shop. By doing so, we could hire fewer employees and also evade the risks of running the restaurants to concentrate on the management of guest rooms (M4).

Outsourcing food catering services is also adopted by Hotel G9. The manger of Hotel G9 said:

We originally had 8 restaurants and 1 banquet hall. Due to intense competitions in Taipei’s restaurant market, we decided to outsource restaurants with lower returns. We then cooperated with Starbucks and let them manage one business unit in the first floor (M14).

The data showed that not only food catering but also guest room services can be outsourced. For instance, a manager of Hotel G3 revealed:

We have more than 856 rooms, the largest amount of hotel guest rooms in Taiwan. The cost of housekeepers responsible for cleaning the guest rooms is considerable. In the cost structure of hotel management, human cost takes up a large proportion. To effectively reduce human cost, we have outsourced half of cleaning works to professional housekeeping companies (M6).

However, the managers did note concerns about outsourcing is that outsourcing may influence service quality. The manager of Hotel G3 further added:

I cannot deny that outsourcing has certain negative impact on our service quality but not to a significant extent. Besides, compared with the costs saved, the benefits of outsourcing are greater. Under the supervision of our experienced leaders, the total service quality can still be maintained at a certain level (M6).

The managers interviewed stated that outsourcing can not only reduce cost and risk but also increase profits and new customer sources. The manager of Hotel G9 expressed:

In the beginning, we were worried that outsourcing the restaurant to Starbucks would affect the business of our coffee shop. Unexpectedly, since opening in 2004, Starbucks has enjoyed huge popularity but never caused any negative impact on
our coffee shop. Many Starbucks guests would also dine in our restaurants (M14).

This research also illustrated that through cooperation with subcontractors, outsourcing helps hotels offer more professional and advanced facilities and services. As stated by a manager of Hotel G1:

Customers now demand more functions of the banquet hall and conference rooms, compelling hotels to make more investment on hardware equipment and maintenance of equipment. Generally, a banquet hall or a conference room is usually equipped with numerous spotlights, a projector, and video systems. Due to the fast advancement of electronic products, these facilities become outdated easily, if their specifications are not compatible with customer needs. To provide better service quality, our hotel had to purchase new equipment again in the past. Such acquisition was a waste of money and never-ending. Therefore, we began to seek for subcontractors. When we planned the banquet hall, we only reserved an exclusive space and power supplies for these facilities and outsourced all the hardware services. Through such strategy, we can frequently use the most cutting-edge equipment and avoid wastes of money (M3).

The interviews pointed to the fact that an unexpected increase of demand for human labour or hardware facilities can also be managed through outsourcing. For instance, the manager of Hotel G3 said:

In the past, unexpected guest groups always put us in dilemma, because we had to deal with the needs for extra bed and the additional load on housekeepers. Now, through outsourcing, we can ask subcontractors to provide immediate human and facility supports (M4).

The interviews illustrated that outsourcing allows hotels to concentrate only on special areas and develop their core businesses. The manager of Hotel G2 mentioned:

Many economic hotels in Taipei offer accommodation at a lower rate and enjoy good business, mainly because they afford lower costs. These hotels were built on old and rented buildings. They provide only accommodation and no food services. They focus on simple business items and do not run the risk of managing food catering services. In fact, we have many conditions in common. Our hotel has been operated for more than 20 years, and all the hardware investments have been covered by earnings long ago. If we outsource our restaurant, we reduce our total business cost and focus our attention on guest rooms. With our five-star service quality plus a good location, we are sure to be more competitive than other hotels (M4).
The results from this research show that hotels with average business performance still follow traditional concepts and tend to take a more conservative attitude toward outsourcing. In other words, they either refuse to outsource or outsource non-important businesses. The manager of Hotel A4 revealed:

*Due to the policy of our group, we do not outsource any of our hotel businesses* (M21).

Another local chain hotel, Hotel A3, also does not outsource their business items. “Because our chain system consists of numerous hotels, we can save a lot of business costs via joint purchase and resource sharing. Thus, it is not necessary for us to adopt outsourcing” (M20), said a manager of Hotel A3.

The manager of Hotel A9 said:

*We also considered about outsourcing the guest room services, as such strategy could really save considerable costs. However, service quality is still our primary concern. So far, we have not found any appropriate subcontractor, and only the gardening and cleaning of public areas have been outsourced* (M24).

Hotel A8, on the other hand, refuses to adopt outsourcing on the grounds it could have negative impact on service quality. The manager of Hotel A8 expressed:

*We are not confident of subcontractors. We are running a five-star hotel, after all. To ensure our service quality, even if we need to pay more, we will rather do it ourselves* (M25).

The research findings revealed that hotels with poor performance are still observing the effects and benefits of outsourcing. Outsourcing hotel businesses is still not prevalent in Taiwan, so they do not want to implement such strategy without prudent deliberation. A manager of Hotel P2 mentioned:

*Outsourcing hotel businesses requires powerful managers and supervisors, so that the work quality of subcontractors can be properly monitored. So far, we are still not confident that we can do a good job. However, considering the methods taken by hotels in Taipei, I do not exclude the possibility that we will implement similar methods in the future. From my point of view, I think outsourcing hotel businesses is an inevitable tendency. But I need to convince my boss first, because our corporate culture prefers doing everything by ourselves* (M29).
The manager of Hotel P5 revealed:

*I know some hotels in Taipei have outsourced housekeeping jobs to other companies. I am observing the benefits of outsourcing too. I’m more worried about the management of these external employees. For instance, housekeepers need to walk into our guest rooms. Will they engage in theft? Besides, if subcontractors suddenly breach the contract without prior notice, and pull out all the human labours, how are we going to deal with that situation? These are factors I’m concerned about, so we tend to be more cautious before taking this step (M32).*

Under this trend of professional task division, outsourcing has become an inevitable strategy for many industries. Most of the hotel managers interviewed admitted that outsourcing can contribute to the reduction of business costs, evade operational risk and allow hotel to concentrate on core business. Moreover, through cooperation with subcontractors, outsourcing can help hotels offer more professional and advanced facilities and service. Thus, resources can be concentrated for businesses that the hotel is good at, and risks of running unfamiliar business can be avoided. However, outsourcing hotel businesses is still not prevalent in Taiwan, so conservative hotels are more hesitant to take this strategy. The most concern is that it could have negative impact on service quality. In fact, this problem can be solved through hotel’s proper supervision. As long as there are appropriate subcontractors, service quality can be still effectively controlled and outsourcing is certainly a good strategy in increasing hotel performance.

### 6.3.5 Quality Employees

Long working hours, hard working loading, shifts, and relatively low payment make the hotel sector an unattractive work environment. Under this situation, it is important whether the employees’ personality can fit in the industry. The quality employees that hotels need are those who can understand and accept the characteristics of the hotel sector, then, they are likely to remain with the hotel, perform well and have a successful career path. Managers of hotels with good performance all expressed the importance of quality employees for hotel operations. Compared with other industries, the hotel sector is not a glamorous career nor an easy way of earning a living. It is
demanding and stressful work, and requires long and often unsocial working hours (Mullins et al., 1991). In this situation, it is not easy to make employees actively and fully devoted to providing services to customers, unless they have an incomparable passion for hotel service. As the manager of Hotel G10 said:

\[\text{In hotels, it is impossible for employees to only do their own work and they are always required to do extra work, because customers often have additional requests. These extra works are mostly not within the responsibility of hotel employees and require employees’ passion for their jobs. Fortunately, we have many employees of this kind in our hotel. I am usually impressed with their enthusiasm (M15).}\]

To control the service quality, all hotels develop standard operation procedures (SOPs) as a guideline for their employees. However, the managers interviewed indicated that services completely based on SOPs may also be the worst of all. The manager of Hotel G1 said:

\[\text{If servicepersons cannot discern the situations and insist on carrying out specified SOPs, even though customers have been impatient, the results will be miserable. Therefore, before one becomes our formal employee, we will pay extra attention to whether he has the characteristic of being discerning (M3).}\]

\[\text{“Being discerning is inborn and hard to teach”, added the manager (M3).}\]

The manager of Hotel G9 said:

\[\text{In staff recruitment, our general manager will first evaluate if the applicants have service attributes. Those who have such attributes can carry out assignments as expected without too much guidance, and those who do not have such attributes can hardly finish the assignments even under close guidance (M14).}\]

The managers interviewed revealed that to succeed in Taiwanese competitive hotel market requires the ability to innovate, and such ability relies on creative employees. The manager of Hotel G1 said:

\[\text{The people we need have creativity plus discipline. Creativity can produce innovation and discipline can make innovation successful. Fortunately, we have many with this kind of employees. They make sure our hotel operation is successful and efficient. Most hotel managers in Taiwan are specialists but specialists can be trained. As long as staff work hard and accumulate enough}\]
experience, they can also become specialists some day but does not mean they will become good managers. This must be born, cannot be trained. Moreover, manager must be smart. Experience is important but can only teach us how to do. Smart manager will know how to do better (M1).

The finding of this study indicated that customers can accept old hotels but not old management concepts. To make an old hotel look new, cultivating quality employees with new concepts is necessary. The manager of Hotel G6 that has 44 year history mentioned:

*Many old hotels in Taiwan are permeated with an old climate. Employees are proud of their experiences and reluctant to learn and make progress. We know this drawback. Therefore, in addition to hiring a new manager to introduce new concepts, we also encourage our employees to take advanced training, courses or participate in contests or take certification exams, so that they can absorb new knowledge and maintain their vitality* (M9).

To reduce human cost and enhance efficiency of human resources, it is expected that staff are multi-skilled. The manager of Hotel G3 said:

*To make our human resources more flexible, we implement cross training programs on a regular basis, so that every employee can acquire multiple skills and support other departments if necessary* (M6).

In the interview it was relayed that in face of this variable competitive environment, hotel managers now ask for not only professional abilities but also for a diverse range of knowledge. As pointed out by the manager of Hotel G9:

*Hotel is a human-based sector, so we need managers of each department to be equipped with professional competencies and also the ability to utilize human resources. With such ability, they know how to select proper talents, and cherish talents. We cannot let the human resource department manage all affairs about human resources. Besides, in face of intense competition, the head of each department is required to acquire the knowledge of marketing. Even if they do not have to cope with sales business, they still have to be familiar with marketing concepts. As a result, they are able to teach their subordinates how to promote their products* (M13).

The managers interviewed also indicated that a hotel is like a small society where there are all kinds of people. Hotel managers need to carefully observe the performance of each employee and deploy each employee to the right position, so that
the operational efficiency of the hotel can be enhanced. The manager of Hotel G11 said:

*Getting the right people and put in the right place is not a new idea but I believe very few hotels put emphasis on this issue. I am sure that most hotel managers spend most time in increasing profit, reducing cost and improving service but they never consider that sometimes you just change staff’s position then you can make operation more efficient and improve the service. Therefore, I always require department head to keep looking at their staff and find out their potential ability and give them a chance to develop their ability (M16).*

Understanding the importance of quality employees for hotel management, several hotels with good operational performance have been dedicated to cultivation of quality employees. The manager of Hotel G3 said:

*To effectively cultivate hotel’s managers, we have set up an academy and selected potential employees to receive a one-year training program and become candidates of future leaders. Moreover, we also offer scholarships to hotel management departments in various universities, in hope of recruiting outstanding students to work for our hotel after graduation (M6).*

Hotel G8 is working with Cornell University, using an E-Cornell Program designed by Cornell University to train their employees. The manager of Hotel G8 said:

*Employees interested in this advanced training can submit their application and take various professional courses offered by Cornell University Hotel Management College via the Internet. Moreover, our hotel group also set up the management academy in Beijing in 2004 to cultivate management professionals for our hotel (M12).*

Not only exploration and cultivation of quality employees are important, development of cultivated quality employees is also important. Proper opportunities should be given to quality employees so as to keep them in the hotel. Hotels with good operational performance all know this rule. Thus, in addition to cultivating quality employees, hotels should stimulate the growth of employees through expansion. The manager of Hotel G1 stated:

*Corporate development depends on quality employees, and retention of quality employees depends on development. Through ’advantage extension’, we extend our popular restaurants in the hotel to other locations outside the hotel. Such*
extension also offers more opportunity of development for hotel outstanding employees (M2).

The manager of Hotel G3 also indicated:

Our headquarters plan to set up 12 hotels in China in the 10 years to come. By that time, all the incumbent employees will be the major leaders in these new branches (M5).

It was revealed throughout the interviews that Hotel A1 is also a hotel that values quality employees. It emphasizes not only the professional competencies of employees but also the cultivation of their elegant temperament. The manager of Hotel A1 said:

We have been instilling them a concept; that is, you are a lady and a gentleman serving the other lady and gentleman. So our employees need to behave like a gentleman or a lady (M17).

The data indicated that Hotel A1 also views quality employees as an important factor of corporate success. It cherishes outstanding employees. The manager of Hotel A1 explained the way it retain outstanding employees and make them an important asset:

Providing a reasonable offer, an environment that encourages continued learning, and prospective development is our commitment to outstanding talents (M17).

She added that:

You have to let employees feel their devotion is proportional to their gain, so that they will endeavor to work for the hotel. Of course, if your offer can no longer satisfy them, you must satisfy them in other aspects, such as to provide them an environment where they can seek continued learning, progress, and future development (M17).

The majority of the managers interviewed stressed the importance of quality employees for their hotels, but some hotels with average performance have lost outstanding employees due to the lack of good use of employees or lack of respect for the employees. The manager of Hotel A4 mentioned:

To work in our hotel group, you must learn to be obedient and silent. Many young employees cannot stand such corporate culture and quit their jobs. Many of them can gain better development after hopping to other hotels (M21).
The manager of Hotel A7 also complained:

All the important positions in the hotel are taken by the owner’s family members, and most of them are not experts at all. Our professional managers not only have no room for development but also have to be supervised by a bunch of outsiders. What I cannot tolerate most is that the owner has deployed several his confidants around the managers. The managers seem to be monitored by the owner at any time (M24).

Interview findings showed that in the modern hotel sector, creative employees are needed. However, in the conservative Hotel A2, numbers of managers are cultivated from hotel’s leader training program and they are still trained as conservative managers rather than creative managers who can really enhance hotel business. An ex-manager of Hotel A2 mentioned:

In Hotel A2, there is a leader training program that is used to train future managers for the hotels of the group. However, this program teaches trainees to be always-abiding and gives them little room for individual development. At last, the leaders trained through this program are only obedient to the owner and not creative at all (M28).

It was clear throughout the interviews that for old hotels with a long history, conservativeness of senior employees is really a negative factor for operational performance. Therefore, adequate elimination of old employees and introduction of young ones is one of the keys to enhancing the performance of old hotels. An ex-manager of Hotel P8 mentioned:

Most of the employees have worked for more than 20 years. These old employees are experienced but they are also passive. They are willing to do what they are assigned to do and reluctant to accept new concepts and training, such as the popular cross training. This does not work here. The organization of Hotel P8 is bureaucratic. Employees need to climb from the bottom before they can be promoted as a leader. Seniority, rather than ability, is the key to promotion. For young employees who are passionate about this job, receiving promotion is the best encouragement. Since many important positions have been occupied by old employees, no matter how hard-working young employees are, they can never be promoted. This is the reason why Hotel P8 cannot retain outstanding employees (M35).

As to the hotels with poor performance, their performance is affected and part of
reason is that they have not found proper employees or placed employees in right positions. An ex-manager of Hotel P1 mentioned:

Our owner designated the chef of his old restaurant as the general manager of the hotel and used his old marketing team to sell guestrooms. At last, as shown in our poor performance, our owner has not placed the right persons in the right positions (M19).

The manager of Hotel P3 said:

In Hsinchu, it is hard to find proper employees for our hotel. Most of the good employees are working in the science park, because of better job offers. Therefore, our employees are mostly from outside the Hsinchu area. As soon as they find a job in their hometown, they will quit their current jobs. That is why our employee turnover rate is high, and good employees can hardly be kept (M30).

The manager of Hotel P7 also talked about the lack of good employees:

Most staff do not see working in the hotel as their career, but rather a job to tide them over until something better comes along. At the beginning, it is fun but they quickly get tired of it and leave the hotel. They are not willing to wait and learn, but want to move up right away. They tend to take shortcuts instead of learning everything from the bottom up. I also cannot blame them because hotel does not provide them with a sound training program and a sound career development plan (M34).

Unlike a factory, a hotel needs human to provide services. To make a hotel operate in an efficient manner, outstanding employees are indispensable. From the interviews, it can be concluded that hotels need to locate quality employees, cherish them, and invest on them by providing training programs and opportunities for further development, so that outstanding employees are willing to contribute themselves to enhance the hotel’s operational performance. In contrast, due to the lack of good use of employees or lack of respect for the employees, some hotels cannot retain quality employees and lead to negative impact on their operation.

6.3.6 Training

In the hotel sector, training is regarded as a path to quality customer service, consistency in job performance and satisfaction, and commitment to the organization
Almost all the managers of hotels interviewed agreed that employee training is the key to influence their operational performance. Managers intimated that compared with customers of the past, today’s customers are more demanding in their expectation of hotel attendants. Only practical employee training can ensure that employees can provide high-quality service and the hotel operations can be more efficient. The manager of Hotel G8 said:

*Customer’s expectations are more unpredictable and sometimes illogical. Today’s hotel attendants need to please customers holding more critical standards, and the difficulty of delivering service value is much higher. Therefore, employee training is absolutely the key to market success (M11).*

Moreover, managers interviewed revealed that hotels need employees with a high-level of professionalism and attention to detail. Employees who have not received stringent training are unable to provide professional services. As the manager of Hotel G1 said:

*We have a sound hotel operation system, but we still need to ensure the effectiveness of this system through regular training and auditing. I must emphasize that such training is absolutely necessary, because it can ensure our service quality and also the correctness and efficiency of our operations (M3).*

The manager of Hotel G9 also pointed out:

*Well-trained employees can increase the productivity of a hotel, because they can finish their work faster with fewer mistakes. They can indirectly reduce the burden on managers (M14).*

It was revealed throughout the interviews that many well-known chain hotels have attached great importance to employee training. As the manager of Hotel G9 said:

*Our hotel will allocate certain of percentage from revenue for employee training annually, and such a ratio can only be larger and cannot be less. Besides, every year, employees sent to the headquarters for advanced training and instructors assigned by the headquarters to teach us are almost countless (M14).*

The manager of Hotel G3 pointed out the emphasis on training:

*All our employees have one training passport. After they have finished a new training program, the instructor will make a record on this passport. This*
passport will also be a reference for future promotions (M6).

The interviews revealed that training is an important task, but training materials are usually overlooked in many hotels. Hotels with good operational performance compile the training materials according to practical conditions to satisfy practical needs. The manager of Hotel G9 mentioned:

We are the international chain. In our headquarters, there is a team responsible for developing training materials according to our brand spirit for the use of our hotels worldwide (M14).

The manager of Hotel G8 also said:

The hotel I used to work for also offered training to employees, but no systematic materials and professional instructors were provided. In most cases, a department head was invited to give employees a lecture. The lecturer usually chatted with employees at last and such training was ineffective. The current hotel has specialized people compile a set of systematic materials according to practical conditions. Even if a department head is asked to give employees a lecture, he will be required to follow the given materials. As a result, the expected effect of the training can be achieved (M12).

In addition to language training, etiquette training, and operation procedure training, many hotels with good operational performance revealed that they are developing new training programs according to practical needs. For instance, in Hotel G8, more than 90% of guests are business travelers. For a long time, sales pressure has been given to only salespersons. However, this hotel has realized that front-desk clerks cannot simply provide check-in and check-out services. They could be good salespersons too. Therefore, Hotel G8 decided to introduce the front-desk up-selling course into their employee training. The manager of Hotel G8 stated:

After a guest has booked a room in our hotel, front-desk clerks have the final chance to increase performance for the hotel. If they are willing to speak up and make use of their contact with customers, they can promote certain products or services and probably create different results. For example, when customers check in at the front-desk, clerks can persuade them to upgrade their room or purchase a product package, that may include SPA, dinner, to increase their consumption in the hotel (M11).

This manager added:
In the past, many front-desk clerks thought promoting products to customers is like selling insurance or doing direct sales, and had a sense of resistance. After they received the training, they started to change their attitude. They became more confident about the hotel and the products, and when they attempted to promote certain products, they no longer had the adverse feeling (M11).

Adding that the effect of up-selling training was immediately reflected upon the operational performance. “For example, a CEO of a foreign company upgraded his room from US$300 per night to US$2,000 per night. In the second month after the training, the revenue from guestrooms increased by US$60,000”, he added. (M11)

Another example is that in recent years, due to the prevalence of the Internet, the Internet has become a part of the work and life of business travelers. However, due to different computer settings, customers may experience difficulty when accessing the Internet. Therefore, Hotel G5 has especially trained the front-desk clerks and housekeepers to help customers solve Internet connection problem. The manager of Hotel G5 mentioned:

When customers tell us that they cannot access the Internet, in most cases, they have simply missed a simple setting. Unaware of such setting, they may need to spend a lot of time, trying this and that, and end up being frustrated. Therefore, we asked our IT engineer to train our front-desk clerks and housekeepers to help customers configure their Internet access. Now our customers are grateful that we can help them solve the Internet access problem (M8).

Additionally, data revealed that in recent years, corporate spirit and culture in hotels has been more emphasized and is a focus of training programs. The manager of Hotel G9 said:

Since 2001, our headquarters have listed corporate culture as a focus in our training to let all employees understand the spirit of our brand and convey such spirit to our customers (M14).

The manager of Hotel G8 also mentioned:

In employee’s orientation, a five-day corporate culture training program will be included, with the focus placed on “care”. We ask our new employees to provide more care for customers, colleagues, and the company (M12).

This research indicated that the training programs provided by hotels with good
operational performance are not entirely targeted at entry-level employees. The training programs are comprehensive. Everything related to hotel management is included in these programs. As the manager of Hotel G3 said:

In addition to basic skills training, we also emphasize employee’s professional training, which includes group power, interpersonal relationship, loyalty, communication ability, time management, mobility, and adaptability (M6).

The manager of Hotel G9 mentioned

All our department heads have to take the leadership course, because we have discovered their leaderships are very influential to their members and the performance of their departments. Therefore, it is necessary to establish their correct concepts through this course (M14).

The manager of Hotel G1 also mentioned

We provide training to not only full-time employees but also part-time and subcontractor’s employees. These part-time and subcontractor’s employees also have to take specific training courses before they are allowed to join our operations (M1).

The interviews with managers pointed to the fact that with regard to training methods, hotels with good operational performance adopt more flexible instructions and not limit their training to lecture or on-the-job training. For instance, Hotel G1 has constructed an e-learning system to assist employee’s training. This e-learning system is characterized by many advantages. As pointed out by the manager of Hotel G1:

50% of the annual employee training is repeated. Therefore, training contents that are highly repeated, systematic, and almost invariable can be delivered through this e-learning system to reduce expenditure (M2).

She added that:

In the past, new employees did not receive training until they came to work. They could not go online until approximately 10 days later after they finished the training. Now, with the e-learning system, new employees can preview the tasks of each department at home and be able to join our work force in only 3 days (M2).

The same manager explained that:
For large-scale hotels, the major trouble with holding employee training is not budget but arrangement of instructors, time, and location. Now, with this system, learning can be very flexible. Through distance learning, our employees can also learn at home (M2).

Among the hotels with average operational performance, Hotel A1 that has always stressed to provide human-based services also attaches great importance to training, especially the training for the mind. The manager of Hotel A1 mentioned:

In addition to professional knowledge, our training also focuses on human nature and dedication to service. We expect to see an atmosphere between employees and customers that is no longer confined to transactions (M18).

Hotel A3 Group that has eight branches across Taiwan also views training as an important factor that maintains the consistency of its quality. However, there may be a gap between training and practice. As indicated by the manager of Howard Hotel A3:

To make all hotels in our group provide consistent service quality, training is essential. However, the training materials have been used for several years without any modification and were not compiled according to the respective features of all branches. Therefore, there is a significant gap between training and practice, making training simply a formulated but ineffective process (M19).

The manager of Hotel A7 pointed out:

To provide training or not depends completely on the owner’s attitude, whether the owner considers it as important and whether the owner is willing to spend the money. Training is costly and not likely to bring immediate results, so it is usually neglected (M24).

Interview results indicated that as to the hotels with poor operational performance, due to the owner’s myopia, leaders’ unwillingness to cooperate, ineffective implementation, and lack of a systematic training plan have reduced the effect of training and affected the operational performance of hotels. This was confirmed by the manager of Hotel P6 who expressed:

We do provide training but not in an effective way. Employees are usually asked to watch some videos, but the practical situations may be more complicated than instructed on the videos. Besides, there is no systematic training program for hotels. Even if we want to instruct our employees, we don’t know what to instruct them (M33).
When asked about implementation of training programs, the manager of Hotel P1 said “Yes, we have all kinds of programs, including language training and etiquette training.” (M28) However, when asked about what other kind of training programs are provided, this manager could not answer immediately.

The manager of Hotel P7 responded in a more direct manner:

*Training? Don’t fantasize about it! Our owner does not allow a budget for training. Owners in Taiwan are mostly short-sighted. The effects of training are not instant, and hotel employee turnover is high, owners usually are reluctant to invest on employee training (M34).*

The manager of Hotel P8 complained:

*Our training courses have been arranged, but managers just don’t cooperate. They are unwilling to send their employees to the training class, citing reasons such as they are busy with their works or on the leave (M35).*

It was revealed throughout the interviews that training can ensure service quality and also the correctness and efficiency of operations. Well-trained employees can increase the productivity of a hotel, because they can finish their works fast with fewer mistakes. They can indirectly reduce the burden on managers. Through developing new training programs according to practical needs, hotels can increase revenue from the effects of training. Therefore, it is clear that the successful hotel see training as a critical factor for good business practice. In contrast, the effects of training are not instant and conspicuous, so the hotels with poor performance are unwilling to invest on training. Moreover, due to the owner’s myopia, leaders’ unwillingness to cooperate, ineffective implementation, and lack of a systematic training plan have reduced the effect of training and have affected their operational performance as a result.

### 6.3.7 Positioning

The concept of positioning is to create a distinctive place in the minds of potential customers—a place where customers know how the firm is, how the firm is different from the competition, and how the firm can satisfy the customers’ needs and wants (Shoemaker et al., 2007, p.349). Through the interviews, many managers mentioned
that due to rising operational cost, international tourist hotels are finding it difficult to capture the full range of customers. Therefore, they need to define their position, tighten their hardware facilities and software services in line with their target markets.

The manager of Hotel G2 indicated:

_Hotel managers need to realize that if they want to seize every business, they will end up doing nothing at all. The future market winner will base their business on providing adequate services rather than satisfying all kinds of customers_ (M4).

The data revealed that hotels with good operational performance usually have clear-cut positions, and many of them are targeted at serving customers at the top of the consumer pyramid. They believe customers at this level can bring more profits and their consumption is less affected by the economic environment. Since opening in 2003, Hotel G7 has attracted extensive attention, having the highest guestroom rate and membership fee, which have also symbolized it as the most expensive and top-level hotel in Taiwan. Its manager said:

_Through a market survey, we found there is indeed a group of top-class customers in Taiwanese leisure market. They can afford high price. As long as they identify the value of a high-price service, they will be willing to pay for the service_ (M10).

The way Hotel G7 attracts their customers, who will spend much money to stay in this hotel is through space and a beautiful landscape. Sun Moon Lake is the most famous scenic area in Taiwan. Located beside Sun Moon Lake, Hotel G7 takes advantage of the environment to blend the beautiful scenery into each guestroom. “From each guestroom, our guests can see a lively landscape. The décor designed based on minimalism gives our guests the feeling of being burden-free, simplicity, easiness, and comfort”, said the manager (M10).

The interviews with managers revealed that through the blending of space and scenery, Hotel G7 has created a rare and princely image, which can induce customers to stay at this costly hotel. “A high price brings a high profit. This is the merit of the high-end market”, said the manager, adding that “Human cost is the main expenditure of a hotel, but the gain exceeding the break-even point is 100% profit. We enjoy more profits than others” (M10). This is the main reason why Hotel G7 presents such outstanding
operational performance.

Hotel G1 also positions its newly-opened business floor as top-level guest rooms. The manager of Hotel G1 said:

*In the market of international tourist hotels, designing an Executive Floor according to the concept of “hotel within hotel” is a common strategy for attracting high-yield business guests. To differentiate our design from the conventional Executive Floor, we use brand-new hardware, value-added, all butler service, and all-inclusive pricing strategies to attract top-class customers and name it “(name deleted)” (M3).*

The manager stressed:

*(name deleted) is not an Executive Floor but a brand-new hotel. The major difference between (name deleted) and conventional Executive Floors is that (name deleted) is not a “hotel within hotel” but a “residence within hotel”. Our target customers are those at the top of the consumer pyramid. Among all the customer groups, only international business travelers at the top of the consumer pyramid are less likely to be affected by the business environment. In their choice of hotels, price is not the major concern. They care about the brand image, reputation of the hotel, and whether the products or services provided match their status and living styles (M3).*

With the launch of (name deleted), its room rate has also increased by 30%. In terms of 80% annual average occupancy rate, such investment could bring Hotel G1 at least US$1.6 million profits each year.

The data revealed that not all hotels with good operational performance are positioned to attract top-class customers. Some hotels are aimed at serving general public at a regularly-acceptable price. The manager of Hotel G5 mentioned:

*Not all the customers can afford high-price guestrooms or consider it necessary to stay in luxurious five-star hotels. In fact, many of them only ask for a clean, safe, and quiet hotel environment (M8).*

The manager of Hotel G2 said:

*International business travelers usually have little time to use the hotel swimming pool. Moreover, except the breakfast, they seldom dine in the hotel. Therefore, if the budget for these facilities can be used to enhance the business*
functions of the hotel, it can definitely bring more business (M4).

Therefore, under such consideration, Hotel G2 has evaluated the facilities it owns and made a good use of resources to attract budget-limited guests who want to stay in five-star hotels. The manager further added:

We outsourced all of our three restaurants, so as to reduce cost of human labours in charge of food catering services and avoid the operational risk due to poor business. Besides, the hotel land and building are our own properties. Since this hotel has been operated for more than 20 years, all the hardware investments have been covered by our earnings. Compared with other five-star hotels, our operational cost is much lower. We will take this advantage to attract budget-limited guests with lower guestroom rates (M4).

It was revealed throughout the interviews that another position strategy applied by hotels with good performance is to target business travelers whose needs have not been fully satisfied. These business travelers have some complaints about the five-star hotels where they are staying now, not because of the quality of the hotel service but the quality of other guests in the hotel. Due to low occupancy rates, many international tourist hotels will shift their business focus onto food catering service. Consequently, during dining hours, these hotels will become as noisy as a local market. Large-scale hotels with more than 500 rooms in Taiwan are able to accommodate a large number of guests but also need to cope with the large difference of occupancy rates between high and low business seasons. To increase their occupancy rates, they will lower their room rates for low business seasons. At last, the price reduction results in a large variation of guest levels. As pointed out by the manager of Hotel G4, “Such price adjustment will only increase the gap of the guest levels.” (M7)

This manager following said:

Due to the fact that Taiwan's international tourist hotels receive tourists and international business travelers on a regular basis, strictly speaking, there is no hotel in the market positioned to serve only business travelers. The unavailability of such hotels provides a niche position for our hotel (M7).

The manager of Hotel G4 mentioned:

Actually, business travelers are easy to serve. They demand a quiet, warm, and
private living space. You just need to concentrate on satisfying their needs and tastes. They only have a simple demand; that is to have a good sleep (M7).

In line with this demand by business travelers for privacy and quietness, Hotel G4 has a thoughtful plan for its architectural design and line of movement. The same manager said:

*We separate the guestrooms from public areas such as restaurants. All our guests, after they have checked in, will be escorted by exclusive evaluators that access to only guestrooms and reach their room floors. Therefore, their privacy, safety, and demand for quietness can be ensured. In addition, most hotels will issue membership cards to non-guestroom users to enhance the utility of hotel swimming pool, sauna, and gym. To provide our guests with the best service quality, we set up an exclusive fitness center for our guests and hire professional trainers to offer instructions* (M7).

“Many hotels claim to provide ‘a home away from home’, but in fact only a few can really realize that goal”, added the manager of Hotel G4 (M7). Therefore, Hotel G4 designed the hotel based on their imagination of the look of business travelers’ homes and created the feeling of a real home through spatial design, décor, and preparation of necessary items. At last, it has successfully attracted many business travelers.

The interviews pointed out the fact that in international tourist hotels there are vanity of food outlets catering to a range of market segment. However, guestrooms are usually limited to a single position in the market. The manager of Hotel G3 mentioned:

*In face of competition from numerous independent restaurants, international tourist hotels can no longer solely emphasize their five-star images and use high-price food service to attract top-class customers. Instead, they need to segment their restaurants and give each of the restaurants a unique and clear style and features, so as to compete with independent restaurants in the market* (M5).

Hotel G3 has 10 restaurants in the hotel. It is the international tourist hotel in Taipei that houses most restaurants. The manager of Hotel G3 said:

*Because we have a large number of restaurants in the hotel, we need to view and market each of them as an independent one, so as to fill each customer segment* (M5).
Therefore, the manager interviewed indicated that the hardware, décor, software, and menu of each restaurant in Hotel G3 are all designed according to its position, and target customers are located based on this position. The manager added:

*For instance, our Cantonese restaurant has a modern décor. It is designed for the customer group aged between 25-45 years old. Our Shanghai restaurant that offers Shanghai dishes are targeted at guests who come for a family reunion or a wedding banquet. Our Italian restaurant is aimed at attracting guests in the advertising and art areas who are more westernized. As to our French restaurant, it is the flagship restaurant of our hotel. It is directed to meet the demand of gourmets. With a clear-cut position, each restaurant will launch a promotional activity every two months. Therefore, different customer groups will be attracted to our hotel for dining (M5).*

The data revealed that Hotel G1 that houses nine restaurants in one hotel also adopts the strategy of customer segment positioning. It provides buffet meal at US$25 and also top-class food at US$125 per set. The manager of Hotel G1 said:

*When consumers come into Hotel G1, they seem to come to a food court. Everyone can find a restaurant that can suffice their taste (M1).*

This research revealed that among hotels with average operational performance, many also use the positioning strategy. Without cooperation with other resources, however, these hotels cannot benefit from such a strategy.

When first founded in 1979, Hotel A1 clearly defined two important positions for itself—one is to serve mainly European and American business travelers, and the other is to create a home like feeling. The manager of Hotel A1 indicated:

*Among the travelers to Taiwan, Japanese travelers take up the majority. Due to a limited number of guestrooms, we are unable to satisfy the needs of all guests from various nations and cultural backgrounds. Therefore, we decided to focus on the segment of European and American business travelers, which is expected to significantly expand in the near future. Moreover, these business travelers will spend most of their time traveling around the world, so we believed that a simple, warm, and home-like feeling is what they have most expected of. Creation of such feeling is not easily for most large-scale hotels. Therefore, based on this goal, we have been dedicated to create a home away from home for our western business travelers (M18).*
The manager interviewed pointed out that Hotel A1’s strategy has won the favor of more than 50% of western business travelers and retained many loyal customers. However, with the evolution of the times, more and more new hotels have joined this market and also targeted at western business travelers. Moreover, in recent years, the growth of incoming western travelers has slowed down. Hotel A1 that has not been renovated since it was established 30 years ago is becoming outdated. All of these reasons have affected the operational performance of Hotel A1. The manager of Hotel A1 said:

*Many guests tell us that our services are good but the services of other hotels are not bad either. The point is, except good services, there is nothing else they see as a merit of our hotel. Other hotels have not only good services but also new and better facilities* (M18).

He added:

*Besides, western business travelers are our original target segment, but now we have more domestic guests than foreign ones. After all, our hotel is more famous in Taiwan than in foreign nations. But the lower-price offers to domestic guests have also affected the income from our guestrooms* (M18).

Hotel A3 is another hotel with a distinctive position. It is also a hotel aimed at serving business travelers, but it attracts customers, particular businessmen who care less about fashion, with mid-level prices. The manager of Hotel A3 mentioned:

*We have always given our guests an impression of simplicity. Our business strategy is to provide five-star services at regular prices to business travelers who care more about price rather than luxury* (M20).

This research indicated that this strategy has indeed brought satisfactory performance to Hotel A3 in the past. However, with the polarization of consumer groups, consumers tend to pursue either the cheapest or the most expensive. Hotel A3 which has been appealing to consumers in between the two extremes is seriously affected. The manager admitted “Many guests will rather spend more money to stay at a better hotel or save some by going to a cheaper hotel.” (M20)

In response to this situation of Hotel A3, a hotel manager made the following remark:
After all, it is costly to maintain the service quality of a five-star hotel with 600 guestrooms. Although Hotel A3 has meant to provide regular-price guestrooms, the price cannot be further slashed. Compared with many economic business hotels, it is still an expensive hotel (M8).

The data revealed that the two international tourist hotels in Taichung, including Hotel A7 and Hotel A9, also know the importance of positioning, but subject to the market environment and a large number of guestrooms, they can hardly define their positions. The manager of Hotel A7 mentioned:

*Our hotel is positioned to be a business hotel, but there are limited business travelers and plenty of business hotels in Taichung. We cannot rely on a sole market, so it is hard to define our position* (M24).

The manager of Hotel A9 also stated:

*The competition among hotels in Taichung is very intense. With 222 guestrooms, we can be considered a hotel with a large number of guestrooms in Taichung. Therefore, under sales pressure, we have no choice but to serve all kinds of guests* (M26).

It was revealed through the interviews that some hotels suffer from poor performance because of their incorrect judgment of the market and the wrong position. For example, the two international tourist hotels, Hotel P3, and Hotel P4, located in Hsinchu. In Taiwan, the largest science park is located in Hsinchu, so many international business travelers will come to Hsinchu for business purpose. However, before these two hotels were set up, there were no international tourist hotel that qualified international standards in Hsinchu. Therefore, these two international tourist hotels in Taipei became interested in this business opportunity. Hotel P3, in particular, invested US$12.5 million on building the flagship branch of the group and positioned it as a luxurious hotel for business travelers. However, the market in Hsinchu is different from the market in Taipei. Despite a large number of international business travelers in Hsinchu, they do not demand international tourist hotel level service. Moreover, not every one of them can afford to stay in international tourist hotels. The manager of Hotel P4 said:

*Our occupancy rate is always good. The only problem is that our room rates can hardly be increased to our expected levels* (M31).
Hotel P3 has been proud of their highest room price and occupancy rate in Hsinchu. However, “the price of guestrooms in Hsinchu is much lower than that of the same level in Taipei”, sighed the manager. (M30)

An ex-manager of a hotel in Hsinchu mentioned:

> Most of the international business travelers in Hsinchu are engineers, but most of the international business travelers in Taipei are managers and CEOs. Among these engineers, only western ones are financially supported by their companies to stay in five-star hotels. The number of these western travelers is not enough to sustain two five-star hotels in Hsinchu. Other engineers from Japan and Korea usually travel on a budget. Even if they want to stay in five-star hotels, they may not be able to afford the cost (M14).

Under the market pressure, the two hotels have been forced to lower their room prices. Therefore, the value that the rooms deserve cannot be reflected. The manager of Hotel P4 said:

> The price here is probably enough for only economic hotels in Taipei. The price of standard rooms in Taipei is almost equivalent to the price of a suite in Hsinchu (M31).

The finding of this research indicated that Hotel P3 originally meant to attract managers of multinational companies who come to Hsinchu Science Park for business purposes and thus prepared numerous suites. Due to low occupancy rate of the suites, these suites end up being an incentive and used to upgrade customers. An ex-manager of a hotel in Hsinchu said:

> The branches of multinational firms in Hsinchu Science Park are mostly factories. When high-level managers of these firms come to Hsinchu, they will still return to Taipei after supervising the factories and stay in Taipei’s hotels (M27).

An ex-manager of Hotel P3 said:

> The cost of running such a hotel is high, so the room rate is certainly high. However, subject to market acceptance, they must lower the room rate; otherwise, they cannot reach the expected performance (M14).

The same situation also occurs in Tainan, where there is also a science park. Two
newly-established international tourist hotels, Hotel A8 and Hotel P9, are positioned as high level five-star hotels. The high-price rooms have not been accepted by the local market, so they are forced to lower their room prices. Their operational performances are significantly affected as a result. Moreover, the two hotels have to cope with the threat posed by the low-price offers of the local economic business hotels. The manager of Hotel P9 mentioned:

_In Tainan, there are numerous small-scale business hotels, each of which has about 50-80 rooms but no restaurant. They can lower the cost and use low-price offers to attract business travelers to the science park. Although their rooms are not highly priced, they are equipped with the amenities needed by business travelers such as ADSL connection. There are numerous hotels of this kind in Tainan, so our room rates and overall performance have been seriously impacted (M35)._

A hotel manager stated:

_Business travelers have different job positions. The budget for accommodation varies from position to position. Therefore, which segment of business travelers should a hotel satisfy should be comprehensively evaluated before in the early stage of hotel investment (M18)._

Obviously, there is a significant gap between the position of these hotels and market demand, and such a gap contributes to poor operational performance. Another hotel manager also remarked:

_Never be too stubborn. Many hotel owners care too much about their face and pursue only the star grade of their hotels. They usually end up having no choice but to carry on hardheaded. Thus, before investing a hotel, it is necessary to evaluate whether you want to build a good-looking hotel or you want to make money? In Tainan, it is not easy for four-star and five-star hotels to survive in this market. Unless you have 100% confidence, I would suggest not taking the risk (M9)._

It is clear throughout the interviews that in the face of different kinds of customers, it is impossible for hotels to capture all of them. Therefore, positioning is one of the most important elements of hotel marketing. The future market winner will base their business on providing adequate services rather than satisfying all kinds of customers. Hotels with good operational performance usually have clear-cut positions. Through successful positioning, hotels can save a lot of effort in marketing and increase their
profit. In contrast, those hotels suffering from low preference have an either incorrect position or cannot provide the service to meet the needs of their target market.

6.3.8 Empowerment

Empowerment is the process of giving employees real authority in their work to achieve continuous improvement, and job satisfaction in an organisation’s performance for better quality products and customer service in order to retain competitive advantage (Kinlaw, 1995, p.21). In the interviews, a large of percentage of hotel managers agreed that empowerment is of great importance to hotel business success however the problem lies with hotel owners who are reluctant to trust their employees and empower them. In Taiwan, many hotels with good performance are managed by professional consultant companies. That kind of commission is a type of empowerment. Independent hotels with good operational performance, also enjoy satisfactory business because their owners have an open-minded attitude and their employees are empowered to a high extent. The manager of Hotel G1 mentioned:

In a service system where speed and efficiency are critical, empowerment is absolutely necessary. Our employees are empowered to a certain extent. Many decisions that need to be authorized by supervisors in other hotels can be directly resolved by our employees. Thinking about a hotel with 600 guestrooms, if everything has to be determined by supervisors, how much time will be wasted (M3)?

The manager of Hotel G10 also said:

We understand that in the handling of customer compliant, our attitude in the first instance is critical. If a customer needs can be immediately satisfied, we may potentially overturn the customer’s negative attitude and even receive compliment on our service efficiency. Therefore, we are willing to provide resources necessary for dealing with customer complaint (M15).

The results from interviews illustrated that empowerment can reduce the burden on manager and is a recognition of employee’s competency. The manager of Hotel G11 mentioned:

As a director of this hotel, I have to manage a great deal of business everyday. If I don’t empower my employees, many things will be delayed and I will not have that much energy to take care of everything myself (M16).
Speaking of empowerment, managers of hotels with good operational performance all expressed their gratitude for their owners’ sufficient authorization, which has allowed them to make decisions within the authorized extent and avoid interference. As the manager of Hotel G10 said:

*Although I am just a manager, I am doing 50% of a director’s job. With sufficient empowerment of the director, I can easily carry out sales promotions. Even if other hotels are tempting me with better offers, I have still determined to stay to express my gratitude for the director’s trust in me* (M15).

The manager of Hotel G1 also said:

*Many people in this field have asked me why our hotel can release so many new products in a short time. In fact, there is no secret at all. Our boss just tells us his ideas and his expectation, and he will let us do the job independently. We will incorporate our creativity into his idea and present the results in our ways. Without any interference, we can certainly release products in an efficient manner.* (M2)

Many managers have revealed that, in terms of the large organization structure and meticulous division of labor in a hotel, if unit leaders are not given a proper power to make decisions, the efficiency of the entire hotel may be hampered. The manager of Hotel G5 gave an example:

*In terms of food catering, chefs of independent restaurant are authorized to purchase food materials. Some chefs will even pick them in the market by themselves. On the contrary, in other hotels, chefs are required to submit a list of food materials. After reviewed by the financial department, the list will be delivered to the general manager for approval. The purchase department will then compare market prices for each item on the list, before the materials can be purchased. The entire process takes several days. Most important of all, the purchased food materials may not meet the requirement of the chefs. So hotel restaurants have no competitiveness at all. At last, we decided to learn from independent restaurants and authorize chefs to purchase food materials independently* (M8).

The results from the interviews showed that in many hotels with lower performance, owners avoid empowerment for fear of abuse of power and loss of the hotel. However, managers of hotels with good operational performance revealed that such problems can be solved through proper design of the system. The manager of Hotel G9
The power of each level of employees has been clearly defined, and employees are also trained to properly use their power. Therefore, if there is an urgent need, our employees can help customers solve problems in the first time without the decision of the supervisor. Customer satisfaction can be enhanced too (M14).

The manager of Hotel G3 said:

We consider the loss caused by incorrect judgment of authorized employees is minimal and not influential to the hotel. If employees are not authorized to respond to customers’ requests and displease them, the loss will be the greatest for the hotel. Thus, we would rather empower our employees to solve problems for customers in the beginning (M4).

The managers interviewed revealed that the importance of empowerment is undoubted, but empowerment alone is not enough. Empowered employees need instruments to support and improve customer services, otherwise, not only customers but also employees will be frustrated. The general manager of Hotel G10 even empowers receptionists to provide free accommodation to those guests who have requested a change of room three times. He said “if a customer is still not satisfied after we have changed the room for the customer three times, we are to blame and we cannot charge the customer.” (M15)

Among the hotels with average operational performance, Hotel A1 has been widely praised for its employee-based services. Its manager expressed that the secret of their success is empowerment. The manager of Hotel A1 said:

We view our employees as the host who receives the guests on behalf of the hotel. They undertake the responsibility of a host, so they should have the decisions of a host. We have maximized our empowerment, allowing them to make decisions independently in contingent situations (M17).

Nonetheless, not every hotel with average business performance provides such extent of empowerment as Hotel A1. As an ex-manager of Hotel A4 said:

Our hotel group is an extremely centralized company. All the enterprises of the group are managed by professional managers, but major decisions have to be approved by the group CEO. The hotel is known for its discipline. In our hotel, everything has to be approved by the supervisors, and all employees are required
to obey the orders of supervisors. In such corporate culture, professional managers dare not make decisions by themselves. Owing to insufficient empowerment, the hotel has inadequate ability to cope with the changes in this highly competitive environment (M21).

The manager of Hotel A5 also said:

In our hotel, profit-centered system is adopted. The main advantage of this system is precise control of cost. However, excessive control of cost has some negative impact too. For instance, when customers’ requests or complaints involve costs, employees dare not make immediate decisions. Solutions to requests or complaints usually cannot be delayed. Our method can save costs but also hamper our operation efficiency (M22).

The interviews showed that for hotels with poor operational performance, insufficient empowerment of managers is one of the main problems. So some owners are reluctant to empower their managers but may indulge other employees who may then abuse power. Such insufficient or improper empowerment may not only affect a hotel’s operational performance but also highly reduce trust on employees. Many managers are discouraged. The general manager of Hotel P2 said:

The owner assigned his construction company team to manage human resources and finance of the hotel. They are good at constructions not hotel management. But everything related to human resource or finance requires their approval. As a general manager, I really don’t know what I can do (M28).

The manager of Hotel P8 also said “Our general manager is just an executor of decisions. The real decision maker is our owner’s wife”.

The manager of Hotel P6 complained about his owner:

Our owner is the biggest problem of our hotel. He is a typical son of a rich father and also a playboy. He has no idea about hotel management, but he does not empower managers either. He makes decisions at his own preference and usually makes troubles. The managers are responsible for cleaning up the mess he has caused (M33).

The manager of Hotel P4 explained the reason why its employees cannot be sufficiently empowered:

In most hotels, first-line employees are not given too much power. Because they
have insufficient experience, they are unable to judge if customer’s requests are reasonable. Therefore, many decisions are reserved for the managers (M30).

It is clear throughout the interviews that in hotel operations, promoting the culture of empowerment is necessary, especially for dealing with consumer requests that should be addressed immediately. Hotels with good operational performance realize this concept. Through empowerment and education, benefits will flow to customers and the hotel. Hotels can obtain an advantage that competitors are unable to duplicate. On the other hand, research findings also indicated that for hotels with poor operational performance, insufficient empowerment is one of the main problems. The insufficient or improper empowerment may not only highly reduce quality of service but also hit employees’ morale; and will have negative influence on hotel performance. Therefore, hotel owners should relinquish their traditional authority, in order to allow employees to make decisions and assume greater responsibility.

### 6.3.9 Corporate Culture

Culture can be defined as a set of assumptions or an ideology shared by members of an organisation. These assumptions are used by people to identify what is important and how things work in that company. When these assumptions become formalized, rules for behavior are established, so that people know how to act (Tidball, 1988). In the interview, a number of hotel managers revealed that good hardware facilities (e.g. luxurious restaurant, rooms with hi-tech equipment) and a sound management system are essential for running a hotel efficiently. However, to make a hotel operate efficiently, an intangible power to motivate employees is needed. That power is corporate culture. The manager of Hotel G9 said:

*Corporate culture is an intangible thread that connects all employees and makes them jointly work for the hotel. From a different perspective, we also use the charisma of corporate culture to create an efficient work environment (M13).*

The managers interviewed considered that the reason corporate culture is so influential to a hotel’s operational performance is related to the particular features of this industry. In the hotel sector, most of the operations and services rely on employees. Since employees are involved in these operations, the performance of these operations may be easily affected by human emotions. Therefore, hotels need
corporate culture to encourage employees. The manager of Hotel G3 said:

_The offers in hotels are usually not good. Although our employees are provided with better conditions, they are also busier than employees in other hotels. They need to suffer more pressure too. However, the key to keeping them in this hotel is our leading status in this industry. They are proud of being a part of Hotel G3 (M6)._ 

The manager of Hotel G10 also said:

_Hotel job is a low pay but hard work. Unless staff has great passion in service, otherwise, he is hard to devote himself in this job. Therefore, staff’s attitude is very important. We give every staff a card and require them to bring that card with them. In that card, recording our mission statement “Hotel G10 is a hotel using humanity management, changing traditional service model which customer is honorable but server is humble into a new thinking which all staff have confidence, passion and profession to provide customers with cordial service.” The purpose of requiring staff to bring this card with them is to remind them any time to keep confidence, passion and profession. All managers have responsibility to create an atmosphere to make staff feel proud of this job (M15)._

Moreover, the interviews showed that positive corporate culture will contribute employees to have an active attitude and negative corporate culture will lead employees to display negative behavior. As what the same manager said:

_If hotel’s corporate culture is positive, all the members will be affected by this atmosphere and work in positive way. On the contrary, if hotel bring its member negative feeling, its member will work negatively (M15)._

The data revealed that a hotel’s corporate culture is usually affected by the owners. A proactive owner can easily form a positive corporate culture. The manager of Hotel G1 said:

_Our president cares about efficiency very much, so our hotel is famous for its high efficiency in this industry. For instance, the renovation of the feast hall may require 2-3 months in other hotels, but in our hotel, it takes only 20 days. Our president sets a time table for everything and tracks the work progress according to the table. His pace is fast. If any manager cannot catch up, he is not likely to survive in our hotel. During 2002-2004, the position of the general manager was sequentially taken by three different persons, because these ex-managers were unable to catch up with his pace. Thus, our president is also nicknamed “the terminator of general managers”. Because of his stringent demands, our_
employees have formed the habit of being proactive and dedicated (M2).

To maintain corporate culture, the manager of Hotel G10 suggested that hotel should look for employees who identify with this hotel. He said:

Getting the people who recognize this hotel to this team is always my principle. Theoretically, an organisation allows its member with opposite opinion thus he can push this organisation to improve. The condition is this member must identify this organisation and the interaction with other members must be benignant; otherwise, organisational harmony will be spoiled. However, I don’t think that most organisational members’ mind is such wide that can accept opposite opinion all the time. Therefore, we only look for the person who can blend into this team. Under this corporate culture, all the members in our division, special for managers and supervisors, have an unvoiced pact. We all know how to handle the problem, how to make a decision, how to resolve the problem, then we don’t need to have meeting all the time or everything must ask manager (M15).

Hotel G3 induces dedication of employees by building their confidence and who are proud of the organisation. Its manager said:

For many years, Hotel G3 has been a leading hotel in Taiwan in terms of operational performance, average room rate, average occupancy rate, revenue. Our employees are also proud of such achievement and consider they are the best. Because of such honor, they have a sense of mission and are willing to be more dedicated in their jobs (M6).

Hotel G6 encourages its employees to provide service with a positive attitude. Its managers said:

During my working in this industry for 20 years, I found that most hoteliers always do what they are assigned to do only. They seldom think of what they can do more or how they can do their best. Certainly, we can’t blame them because for this industry, even you do something good or correct, nobody will praise you. Customers will think that is your job, you just do what you should do. However, as long as you do something wrong, even just a little mistake, customers will blame you a lot. This is the fate of hospitality industry, but in our hotel, we encourage our staff to think more and do more toward our customers and hotel. This corporate culture makes our staff more actively devote themselves to the hotel. That may become the factor leading to our hotel to operate more efficiently (M9).

Hotel G5 revolutionized its corporate culture through large-scale elimination of old
employees and introduction of new ones. For this 44-year old hotel, the major resistance against innovation is the conservative ideology of old employees. Its manager said:

Even if our owner supports the reform, the organization has launched several measures for the reform, old employees still have conservative ideologies. These ideologies make employees understand and execute innovative works with an old-fashioned mind and even affect new comers. Therefore, we decided to eliminate old employees completely (M8).

The manager of Hotel G11 also said:

The corporate culture that makes employees treat each other like family members is the soul of efficient operations. In our hotels, many employees have been working for this hotel for a long time. They get along well, so they are like a big family. Some decisions that may probably need to be resolved through meetings in other hotels can be directly carried out with prior information in our hotel. This kind of corporate culture is an important factor facilitates our efficient operations (M16).

Corporate culture is still influential to hotels with average performance. Hotel A1, that is renowned for its unique service styles, has attributed its high-quality services to their corporate culture. Its manager said that:

Our achievement is entirely contributed by our service-based corporate culture. Our corporate culture can be reflected on our four major service codes, including (1) every member is a host of the hotel, (2) always think ahead of customers, (3) respect the uniqueness of each customer, and (4) never say NO easily. Through these service codes, we encourage our employees to be thoughtful for our customers and be proactive to provide services (M17).

Research results illustrated that despite significant benefits of a corporate culture for a hotel’s operations, some hotels with average operational performance are negatively affected by their peculiar corporate cultures. The manager of Hotel A4 said:

We are in a service industry, so employees’ actions may directly affect our business results. Thus, our hotel attaches great importance to group spirit, harmonious cooperation, and cleanliness. Because our group started with marine transportation business, on the ocean, disciplines are very important. In our corporate guideline, the code of ‘absolute obedience’ is included. No matter what our CEO says, the order will be carried out from top to bottom (M21).
Such corporate spirit makes execution of decisions efficient but may cause problems when applied to the hotel sector. An ex-manager of Hotel A4 said “Many rules are too rigid. If a customer has special needs, there is no room for us to satisfy his needs.” (M21)

Speaking of corporate culture, the manager of Hotel A5 mentioned:

*Our hotel gives customers a feeling of simplicity. Such feeling is related to our corporate culture. Our hotel emphasizes service stability rather than unique or extraordinary services. As to the expectation of employees, we are required to only follow the guidelines and do our jobs right* (M22).

An ex-manager of Hotel A5 also mentioned:

*Hotel A5’s conservativeness has formed a closed corporate culture. Such closed culture is to do everything independently. From interior design, renovation to talent cultivation, everything is managed by headquarter. Under this closed culture, the hotel has been using its own system and seldom absorbed the management knowledge from the outside world. As a result, there is not much variation in hotel’s service, marketing, and even product packaging* (M37).

The manager of Hotel A7 even pointed out the profit-oriented corporate culture of Hotel A7.

*What is the corporate culture of our hotel? Strictly speaking, no. If there is such culture, it is probably profit orientation. Whenever we propose a new project, the owner always asks us how much it costs, and how much return we can earn. If the profit is not good enough, the project will be completely dropped* (M24).

Speaking of the impact of corporate culture on operational performance, managers of hotels with poor performance admitted that negative corporate cultures in part contribute to poor operational performance.

Hotel P9 is a hotel jointly operated by the government and a private enterprise. The ownership belongs to government, and one hotel chain is commissioned to manage the hotel. However, all the financial decisions need to be approved by government. The administrative procedures of government-run enterprises are complicated and time consuming. Thus, many important decisions have been seriously delayed. The conflicts between the two distinctive corporate cultures have further impacted the
operational performance of the hotel. The manager of Hotel P9 said:

Government-run enterprises are traditionally more bureaucratic, and private enterprises care about efficiency. Therefore, when the two corporate cultures meet, there will certainly be conflicts (M36).

The manager added:

If I have a purchase application document, after I have acquired the approval of our general manager, I need to submit it to government for review. You know the efficiency of government-run enterprises is always not high. This document has been submitted for one month, and I have not received any response. At last, when I tried to trace the progress, I was told that the document was still left on an official's desk, and the official has forgot about it (M35).

The corporate culture of Hotel P5 is characterized by passive attitude of employees, because of the general manager’s authoritarian leadership. The manager of Hotel P5 mentioned:

Our general manager is not an expert in hotel management, but he still wants to manage everything. If any problem occurs, he always asks his employees to be responsible. Now we think doing less work is saving more trouble and dare not have our opinions (M31).

The conservativeness of Hotel P8’s owner has also created a corporate culture that employees are satisfied with their status quo. An ex-manager of Hotel P8 said:

P8’s owner has made enough money, so he is becoming more conservative and passive in his management. Most of his employees have been serving him for more than 20 years and significantly affected by his attitude. They don’t expect to do anything new but just carry out their own assignments and wait for retirement (M19).

She added:

Its organization is very bureaucratic. Seniority rather than position matters in the hotel. Therefore, young managers are usually unable to lead senior subordinates. At last, many young and outstanding managers are unwilling to join this hotel (M19).

The manager of Hotel P2 is also unsatisfied with the corporate culture in the hotel, especially as reflected in the burden of paper work. He said:
The mother company of our hotel is a construction company. If the sale of a construction project is not ideal, they will ask their employees to write a lot of reports to identify their shortcomings. Now they have introduced this approach to our hotel. If our operational performance is not satisfactory, we are required to work out a bunch of paper works. Therefore, we need to stay in the office all day long writing reports or join review meetings, with all other important things put aside. However, after the meetings and reports, there is still no substantial improvement plan (M28).

An ex-manager of Hotel P7 mentioned:

The culture of Hotel P7 is that we just care about what we are assigned to do. Some new comers do not know this. When they are too enthusiastic, they will be blamed for being too nosy (M22).

As the above results have shown, in the hotel sector, most of the operations and services rely on staff. Since staff are involved in these operations, the performance of these operations may be easily affected by human emotions. As corporate culture reflects the attitudes, values, behavior patterns and priorities of a firm, hotels need corporate culture to motivate employees. It is clear throughout the interviews that a positive corporate culture will contribute employees to have a positive attitude and a negative corporate culture will lead to employees behaving in a negative way. Thus it can be concluded that corporate culture has a profound influence on a hotel’s performance, especially employees’ work attitude. Therefore, hotels should be devoted to building positive corporate cultures.

6.3.10 Physical Facilities and Renovation

Physical facilities are regarded as an important service in the hotel sector because of its impact in forming many of the first impressions by customers. It is usually easier to meet or exceed customer expectations when the first impressions have been positive (Kuntson, 1988). On the other hand, renovation can be defined as the process of retaining or improving the hotel image by modifying the tangible product through any changes in the hotel layout and/or any additions or replacement of materials and equipment (Hassanien and Baum, 2002). In the interview, numbers of the managers have mentioned that physical facilities and renovation are very important for hotel operations. Good physical facilities and regular renovation of these facilities can
ensure continuous patronage of customers and increase profits. The manager of Hotel G11 directly pointed out the necessity of physical facilities and regular renovation:

\[
\text{A hotel is a high-price commodity. The best way to make customers feel their expenditure deserves is to provide the best physical facilities (M16).}
\]

In Taiwan, Hotel G7 is famous for being a top-class resort. The manager of Hotel G7 pointed out:

\[
\text{Physical facilities are the element of competitiveness. Only hotels that are willing to invest on physical facilities can seize the market. The service industry is different from the manufacturing industry. Cost control will only discount customer’s feeling. With good physical facilities, profits can be gained fast. The traditional idea that less investment leads to faster returns should be replaced by doing better leads to faster returns, and investing too little leads to no return at all (M10).}
\]

It is revealed from the interview that many customers come to a hotel not necessarily for accommodation or dining. A part of them come to pursue a sense of ‘freshness and fashion’. Therefore, regular update of amenities is an important factor that maintains the trendiness of the hotel and attraction to customers. This was reflected by the manager of Hotel G8:

\[
\text{With the elapse of time, hardware will gradually become old, consumer’s feeling of freshness will naturally fade, and the hotel’s revenue and profits will drop. Therefore, physical facilities should be renewed on a regular basis (M11).}
\]

The interview results suggested that several international chain hotels with good performance have listed regular renovation as an important task. They will also make a thorough evaluation before the renovation, so the effect of such investment will be obvious. As the manager of Hotel G8 said:

\[
\text{Take the renovation of our restaurant as an example. In the past, our product life cycle was about 7-10 years. But now, due to the intense market competition, we will suggest our owner to launch a renovation every 5-6 years. Each renovation will take us about US$2 million. Therefore, in our investment planning, we will statistically analyze the potentiality and growth of the business after renovation, so that our owner knows the purpose of the investment, motivation, and the expected time to collect returns. We think only through 100% transparency and 100% professionalism, can we help the owner understand and support the}
\]
She added: “In fact, we seldom make mistakes, because we cannot lose our face” (M11).

The manager of Hotel G3 also mentioned:

*Our business growth relies on continuous innovation and constant renovation. In the past, each renovation could increase our operational performance by 35% to 40%, and the returns on investment could equal the cost of the investment in 3-3.5 years. People will think Hotel G3 always spends a lot of money on renovation. In fact, we seldom miscalculate our investment* (M5).

Hotels can take the opportunity of renovation to review the planning of the hotel, eliminate outdated facilities, and make a better use of them. For instance, the manager of Hotel G6 mentioned:

*Outdoor swimming pools were very popular in Taiwan 20 years ago, but not now. Therefore, we have turned it into a pool-side restaurant and added facilities to create an outdoor movie theater. Now, it has been revived* (M9).

Since regular renovation is necessary, hotel managers also suggested that creativity rather than luxury of architectural materials should be stressed in the renovation. This was confirmed by the manager of Hotel G11:

*We asked our designers to use his creativity to make our guestrooms fashionable without the use of very good materials. By not using expensive materials, we can save cost and also comply with the trend of having a small-scale renovation every 3 years and a large-scale one every 5 years* (M16).

The manager of Hotel G1 also pointed out:

*In the beginning of our plan, we considered about the convenience of future maintenance and update. We used consistent designs, including specification and colors, for our restaurant and guestrooms. Therefore, maintenance or update can be less costly and easier* (M2).

Several hotels with average performance also know the importance of physical facilities and regular updates. As a result, these hotels have implemented an update of facilities. However, the scale of the renovation is minimal, so the effect is limited. The manager of Hotel A3 observed:
Our owner has always emphasized to use the best facilities in the beginning, because best facilities are more durable. However, modern people do not renew a facility because it is broken but because it is out of style. Like the furniture in our rooms, it was once the best (made of mahogany), but now it is very outdated (M20).

The manager of Hotel A1 said:

Many guests told us that we have nothing else to compliment on except good services. I admit that our major disadvantage is that our physical facilities are old. In fact, we also want to renovate our hotel, but it is hard to renovate this old building. Our floor area is small, large-scale renovation may interfere with the normal operation of the hotel (M20).

The manager of Hotel A7 observed:

Old hotels could probably use low-price offers to attract consumers in the past. Now, the market is very competitive. Such tactic may not work any longer (M24).

He further pointed out the essential reasons why many hotels do not renovate their designs:

I think regular renovation is necessary, but the point is whether the owner supports it and has money for the investment (M24).

An ex-manager of Hotel A7 also said:

Even if Hotel A7 use low-price offers to attract customers, customers still demand it using the standard for an international tourist hotel. They will not lower their standard simply because they pay less. Hotel A7 is carrying the title of an international tourist hotel, so it cannot reduce its service items. Therefore, if it cannot increase its revenue, its operational performance will not be satisfactory (M21).

Most of the hotels with poor performance did not renovate due to a lack of owner’s support and money. No matter what physical facilities update or renovation is proposed, a certain amount of investment is required. For owners who do not receive high returns from their hotels, before their business can be improved, they will tend to take a more conservative attitude toward such investment. As the manager of Hotel P1 said:

We usually suggested our owner to renovate the hotel, but the owner would only
make a small-scale renovation, like changing the carpet, replacing the wallpaper, and so on. This kind of renovation is not visible to customers. Our owner is reluctant to take such investment risk, because whether the business revenue can be increased after the renovation and when he can collect the return on such investment are not clear. As a result, he is unwilling to invest on renovation (M28).

The manager of Hotel P8 also mentioned

We are an old hotel with more than 40 years of history. Our construction is old. If we renovate our hotel, all the internal pipes have to be torn down, otherwise, the effect is limited. Therefore, the best way is to close the hotel for a large-scale renovation. However, this is a serious decision. Unless the owner has such plan on his mind it, it is hard for us to persuade him (M35).

Good physical facilities can certainly attract customers, but whether the market can accept the higher rates of rooms that come with better facilities should also be considered.

Performance of Hotel P3 is actually poor but its manager proudly claimed:

We are the hotel that has the highest room rates and highest room occupancy rate. Such achievement is attributed to our excellent physical amenities and service quality. We are the only hotel in Hsinchu that can provide facilities of five-star hotels (M30).

However, an ex-manager of Hotel P3 pointed out:

To maintain the service quality of Hotel P3 requires high investment on employee training and physical facilities. Such cost will be reflected on the room rates. The guests who choose Hotel P3 are mostly western engineers. They are less budget limited. Therefore, they can afford to stay in such hotel. In Hsinchu, the number of customers who can afford such hotel is not as large as expected. Other engineers from Japan and Korea usually travel on a budget. Even if they want to stay in five-star hotels, they may not be able to afford the cost. Besides, another five-star hotel, Hotel P4, is also sharing the market. Hotel P3 has 249 rooms. To fill so many rooms, it has to lower its room rates. If that is the case, how can it cover its cost (M19)?

Services in the hotel sector are often intangible. Due to the intangible nature of services, customers sometimes have difficulty in understanding and evaluating new services, and they may use physical facilities to judge the service. Therefore, tangible
facilities play a significant role in hotel operation. However, with the elapse of time, physical facilities will gradually become old, consumer’s feeling of freshness will naturally fade, and the hotel's revenue and profits will drop. Therefore, physical facilities should be renewed on a regular basis. Moreover, many customers come to a hotel not necessarily for accommodation or dining, but also the environment and atmosphere presented in the hotel. Therefore, regular renovation is an important factor that maintains the trendiness of the hotel and attraction to customers. The interview results indicated that renovation has improved the operational efficiency of hotels and in such cases has resulted in increased productivity, profitability, and customer satisfaction. However, hotel renovation requires a considerable amount of investment. Thus, many owners are unwilling to undertake investment risks, and as a result, their performance has suffered.

6.3.11 Work Environment

A positive work environment means that hotels are contributing to establishing a humanized environment which looks after employees, puts emphasis on employees’ welfare, and regards employees as an important asset. This will enhance a strong sense of cohesion, which is contributive to hotel performance. The managers interviewed suggested that working in a hotel is relatively challenging, and requires a high level of dedication. However, the hotel job is characterized by long working hours, hard working loading, shifts, and relatively low payment. These make the hotel sector an unattractive working environment. Therefore, the managers interviewed revealed that in addition to hiring the employees who can understand and accept the characteristics of the hotel, hotels should create a comfortable and human-centered working environment to show their concerns for employees, and employees would also present a positive work attitude in return. As mentioned by the manager of Hotel G10:

"The key to encourage hotel employees’ spontaneous dedication to their jobs lies in the build-up of a fair environment, where good employees are trusted, properly positioned, and rewarded, and unsatisfactory ones are warned, punished, and even eliminated" (M15).

The logic behind the methods that Hotel G3 uses to encourage and keep good
employees is “to treat employees like customers” (M5). Therefore, Hotel G3 has built a comfortable work environment for their employees. The same manager said:

In our hotel, employees are allowed to dine in a restaurant built with US$90,000, play basketball, table tennis in the sport zone, and purchase cheap daily items in the convenience store inside the hotel (M5).

In addition, hotel employees are expected to work long hours. They usually have no additional time to enjoy a private life. Therefore, Hotel G3 set up an Employee’s Concierge to help employees organise things like gifts, tickets to shows, or sending flowers. The same manager explained:

The trifles of employees are critical for an enterprise. An enterprise needs to start with small things to show its care for their employees. Feeling the warmth offered by their company, employees will have a sense of belongingness and be more willing to work together to help the company grow (M5).

Similarly the human resource department of Hotel G9 has implemented a series of “Benefit Innovation Plans”, in the hope of creating a good work environment through the offer of innovative benefits to enhance employee satisfaction. For example, the manager of Hotel G9 stated:

The service industry is based on people, and people are the most important asset of our hotel and also the key to hotel’s success. The implementation of such plans is intended to create better benefits to assure employees and encourage them to create higher production values of the hotel (M14).

Managers interviewed pointed out that every hotel has to cope with unreasonable customers from time to time. Unreasonable customers not only bother employees but also usually hurt their morale. Hotel G11 has full support from its employees because of its efforts to adequately maintain the dignity of employees. The manager of Hotel G11 gave an example:

We once had an unreasonable customer, who attempted to mess up the entire hotel no matter how we tried to appease his rage. To our surprise, our general manager, when he learned about this, asked us to expel the customer. He said that customers should be reasonably treated and so should the employees. Certainly, we did not really expel the customer. But the general manager’s support for us has really encouraged us to devote ourselves to the hotel (M16).
Research findings illustrated that in addition to spiritual encouragement, providing monetary reward is one of the most direct and effective methods that can induce employee’s devotion. This was reflected in the statement of the manager of Hotel G1:

In our hotel, a specific performance goal is defined for every department. If any department can achieve the specified goal, all employees of the department will be given a considerable amount of monetary reward. Because our hotel's operational performance has been very good, what matters most for our employees is not whether they can receive the bonus but how much they can get. This is also the reason why our employees have a very proactive work attitude (M1).

It was revealed throughout the interviews that among hotels with average operational performance, Hotel A1 views employees as the most important asset of an enterprise and therefore are dedicated to building a positive work environment where employees can develop their potentiality. The manager of Hotel A1 said:

We have a five-year employee development project. This project requires employees to evaluate their short-term and long-term goals on a form every six months. This form is not intended to merely boost their morale but to help them achieve their goals (M17).

For instance, a servant expects to be a secretary to executive chef. Our human resource department will analyze the work of the secretary to executive chef for him and let him understand whether the work meets his expectation. If it does, the human resource department will arrange an internship of the expected position for him. If the employee can present his qualification for the position after the internship, he will be designated as a candidate for the position and become the first to be considered if one day the position is vacant.........This is a tailor-made course that helps each employee do what he/she really likes to do (M17).

We’ve been working hard to create a employee-centered work environment. This is also the reason why we could enhance the cohesion of our employees (M17).

The same manager added:

Our managers are pleased to be used by their employees at any time. They will never refuse to socialize with customers on behalf of the hotel when asked to, because they believe that smart employees need to use the value of supervisors, and while employees serve customers, supervisors need to serve employees (M17).
This manager also mentioned:

*We are especially concerned about backoffice staffs like those working in the laundry or the engineering department. Customers usually compliment first-line staffs but not backend ones, because the efforts of backoffice staffs are not highly visible. If backoffice staffs can feel the care provided by the hotel, they usually cherish such care and are willing to work harder (M17).*

The data revealed that Hotel A1 views understanding employees as an important task for management. To achieve this goal, Hotel A1 is dedicated to training each department head as a supervisor who cares about his subordinates. This manager said:

*In our human resource department, there are not only administrative staffs dealing with general affairs but also a supervisor transferred from other departments on a rotational basis to direct this department. Through this rotation of supervisors, supervisors of all departments would learn how to take care of their employees, understand their employees, and become a bridge between their employees and the company (M17).*

Overall the findings from this research indicated that except Hotel A1, most of the hotels with average business performance do not regard taking care of employees and providing a good work environment as important, so employees’ needs and feeling are usually ignored in these hotels. The manager of Hotel A2 said:

*Low-paid basic level staffs are those have to frequently cope with customer complaints and criticisms, so their morale is more vulnerable. Hotels should set up measures to encourage these front-line basic level staffs (M19).*

A similar opinion was voiced by the manager of Hotel A5 who stated:

*Hotel employees cannot only do their own business, because hotels need to provide services to customers, who may usually request for additional services. Therefore, whether employees are willing to do extra works depends on their passion for the jobs and the hotel’s attitude toward employees (M22).*

The manager of Hotel A9 indicated:

*Our owner gives us the impression that he does not mind if we dislike our jobs, because a long line of applicants are waiting for our positions (M26).*

A manager of the family-controlled Hotel A7 also expressed that:
Favoritism and partiality are serious problems in a family enterprise. Our owner treats family members and general workers differently. For the same mistake, family members may receive only an oral warning, but general workers will be punished. Therefore, many employees are very dissatisfied with such inequality (M24).

It was revealed throughout the interviews that hotels with poor operational performance, pay more attention to attracting customers, and employees’ feelings are comparatively less important. Moreover, for these hotels, employees’ feelings are not deemed as influential to hotel performance.

“Employees will be satisfied enough if they can get fully paid every month and dare not anticipate what else the company can do for them” (M32), said the manager of Hotel P5, which has been rumored to have ongoing finance problem.

The manager of Hotel P1 indicated:

> Speaking of employee benefits, I think the benefits are similar across all hotels. Benefits that other hotels can provide to their employees are also offered in ours. However, providing special or additional benefits, in terms of our current situation, is beyond our ability (M28).

The manager of Hotel P7 also said

> All the owners are the same. If a company has business surplus, improvement of work environment or employee benefits is not a problem at all. If not, everything is a problem (M34).

According to the above hotel managers, hotel’s attitude and employee’s dedication are interactive. If a hotel can show more concern for its employees, the employees will be very willing to dedicate themselves to the hotel in return. On the contrary, if the hotel is indifferent to the feeling of employees and treats them as people hired to work for the hotel, its employees will take a passive attitude toward their jobs and refuse to devote themselves to the hotel. Therefore, employees should be regarded as one of the important assets and hotels should build a work environment where employees are looked after sincerely. Thus, employees will also have a stronger sense of cohesion, which is contributive to hotel performance.
6.3.12 Brand

A brand is the product or service of a particular supplier, which is differentiated by its name and presentation (Tepeci, 1999). A brand is a promise to the customer. People love brands because they offer levels of service delivery and product quality that are personalized, outstanding, and dependable (Muller, 1998). All the managers interviewed working in hotels with good performance considered that brand has a large contribution to operational performance. Despite the large number of hotels capable of meeting customer demands in this competitive market, customer satisfaction is not equal to customer loyalty. Only the value and power of a reliable brand can lead to both customer satisfaction and customer loyalty.

“A brand is formed in the mind of consumers”, said the manager of Hotel G10, “Our hotel not only sell commodities but also offer a surprising, pleasant, and unforgettable experience that makes our customers identify with our brand concept and service value. Our customers will become loyal to our brand and actively promote it through word of mouth”, he added (M15).

This was confirmed by the manager of an international hotel chain, Hotel G3, who indicated that:

Respectful brands will usually win. Our constant appearances on the top performance charts in Taiwan are attributed to its brand. Maintaining brand value is an important business cost. Our aim is to provide consistent services in America or European nations to our customers, no matter they stay in our chain in Taipei, Beijing or Shanghai (M5).

The managers interviewed revealed that the brand effect is the largest influence in the hotel business. When consumers approve of a certain brand, they believe that service quality and service level will remain constant across hotels of the same brand, and when they need to choose a hotel, they prefer a familiar brand. The manager of Hotel G2 mentioned:

Five years ago, after we severed our cooperation tie with international hotel chain, our business dropped by 40% due to the lack of the support from international hotel chain’s global reservation system. We adopted a new brand, Hotel G2, because it has gained considerable reputation in Kenting. For consumers, such brand in Taipei is strange but not new, so consumers accepted this brand soon. With our efforts to uphold the brand spirit of Hotel G2, we
quickly recovered consumer’s confidence for our hotel (M5).

It was clear throughout the interviews that some hotels with good operational performance also use this brand effect to enhance its business. Hotel G1 is an example:

*There are several restaurants in our hotel. Among these restaurants, Japanese restaurant, banquet reception hall, and Thai restaurant are very popular and have become the famous brand. Therefore, we use the brands of these popular restaurants to extend our restaurants to other locations outside the hotel. Our goal is to open 10 restaurants similar to those in our hotel and create double revenue within 3 years (M2).*

The data indicated that in Taiwan, many historic hotels suffer from the negative impression of the general public that their amenities are outdated. However, some old hotels adhere to the history of their old brands and progress with the time. Despite the long history of hotel hardware, these old hotels still try to maintain the glamour of their old brands. The manager of Hotel G6 that has 43 years of history said:

*In Taiwan, an old brand is a burden to a hotel, because it implies everything in the hotel is old and the quality is poor. However, our old brand is an asset. For more than 40 years, we have been deeply rooted in the mind of Tainan residents. When they come downtown, they are used to seeing our hotel, because it has always been their first choice for a family reunion, gathering of friends, and wedding banquets. Our major advantage lies in our long-term professional experience and the relationships we have built with our customers. In the present, many customers still insist to dine in our hotel, for the reason that they are more familiar with our employees and our employees understand their needs. Our employees are professional and hospitable. For so many years, they have established their own relationships with customers. They can remember the name, preference, and important events of many customers. Customers’ special need can also be immediately addressed. Because of such friend and family like relationships, many customers still prefer our hotel to other five-star hotels in Tainan (M9).*

Hotel G5 is another historic hotel that has created a new image by establishing a new department for the new brand. The 44-year-old Hotel G5 is patronized by many Taipei residents. It is also the oldest international tourist hotel in Taiwan. However, as mentioned by the manager of Hotel G5:

*Our long history has helped us accumulate countless clientele, and these
clienteles are important intangible assets of our hotel. However, the long history is also a divider between new generation consumers and us. In the competition with new hotels, we are relatively more powerless. Therefore, since our new owner took office, he has initiated a series of measures called “greeting customers with a new look” (M8).

This manager added:

At last, our (name deleted) bakery has successfully taken a considerable share of the gift market. The 60-square-meter store can create US$100,000 revenue each month. More importantly, (name deleted) bakery has successfully helped our hotel attract young consumers who attach great importance to tastes and delicate foods. In the past, we usually saw many black limousines parked in front of our hotel. Now, we can see red Ferraris too (M8).

It was clear throughout the interviews that by introducing new restaurant brands, Hotel G5 infused a flow of vigor into the hotel. “In particular, the new brands have inspired the morale of employees and created a brand new look of the hotel”, said the manager with excitement (M8).

Among hotels with average operational performance, Hotel A1, Hotel A4, and Hotel A3 also attempt to develop their brand advantages based on the popularity of their brands. The manager of Hotel A1 said:

The era of fighting alone has gone by. Now, hotels need to do branding and take advantage of franchisement. Through franchisement, hotels can make joint purchase and unite their marketing power. They can not only reduce business cost but also assure consumers of the service quality of hotels with a reliable brand (M17).

The manager of Hotel A8 also mentioned:

The brand of Hotel A1 is very famous in Taiwan. We joined its franchise because of the popularity of the brand and a large group of loyal customers. If these customers visit Tainan, they can rest their worries and simply choose to stay in a franchised hotel (M25).

A similar opinion was voiced by the manager of Hotel A4:

Our group is internationally famous for its marine and air transport services. Taking advantage of the popularity of the brand in our group, we did not have to make too many efforts to create a new hotel brand. Moreover, following the spirit
of the brand—pursuit of excellence, we have quickly become one of the best hotels in Taichung (M21).

Nevertheless, Hotel A7 does not agree that branding is critical. The manager of Hotel A7 mentioned:

*I admit that a brand is influential but only to foreign customers. General Taiwanese customers have low brand loyalty. They mostly care about the comfort of the hotel and also the price. Besides, they like to stay in new hotels. Most of our guests choose to stay in our hotel because we are a five-star hotel but we charge only the price of three or four-star hotels. Basically, their choice is not correlated with brands at all (M24).*

The research findings indicated that most of the hotels with poor operational performance did not see branding as influential to operational performance. The manager of Hotel P1 mentioned:

*Our business customers stay in our hotel mainly because their companies have signed a contract with us and they have no option. Therefore, I personally think their choice is not correlated with brands. Moreover, business customers have no brand loyalty. They will swarm to a different hotel if it has more appealing price offers (M27).*

A manager who worked with Hotel P8 before said:

*Most of the owners of old hotels in Taiwan do not have the concept of branding, and they have no idea about how to create a good image or brand spirit. This is a really a pity, because old hotels can still form a brand by presenting itself as a witness of history, a witness to celebrities or a witness to certain significant events. These historic stories can be passed along. It is really a pity that most old hotels have not taken advantage of their history (M19).*

From the above interviews, it can be concluded that in a competitive hotel sector, the key to increasing and preserving market share is winning new customers and keeping them. Additionally, using brand strategy to retain loyal customers is one of the most important competitive survival tools because loyal customers provide repeat business and higher profits. Building and nurturing the brand in a consistent manner, understanding what it stands for and clearly communicating that to the target market will prevent hotel from becoming commodities and increase its level in customers’ mind. However as indicated by the respondents, not all hotels take advantage of their old brand; some do not attempt to create a good image for their brands and have little
idea about brand identity.

### 6.3.13 Creative Marketing

The idea of creative marketing is presented by Bursk’s comments on innovation: “Doing new things so as to cause new things to happen—the new things to happen being more business from existing customers as well as the acquisition of new customers” (Bursk, 1967, p.3). He further pointed out that Although a competitive edge built on creative, innovative marketing—which is hard to imitate—may be difficult to attain, once attained, can be maintained (Bursk, 1967). The findings of the research suggested that marketing is listed as an important task in every hotel. However, the marketing strategies most hotels have adopted are similar. As a result, these strategies have limited effects on the increase of business. However, as presented by hotels with good operational performance, they sufficiently exploit their creativity in marketing and their revenue and operational performance have increased. As mentioned by the manager of Hotel G1:

> The common marketing strategies adopted by most hotels include visiting customers, providing product packages, and advertising. These strategies are undeniably good. If every hotel uses the same strategies, customers will end up comparing prices and products. They will not be touched and pick up our hotel directly (M2).

The manager of Hotel G3 said:

> Good marketing can only attract customers, but creative marketing can retain customers. (M4)

Therefore, creative marketing has become a powerful instrument that hotels can use to enhance performance.

It was revealed throughout the interviews that to effectively communicate with target consumers, accurately deliver information of new events, and influence more customers, Hotel G1 has decided to deliver their service contents to customers through the latest and most economic media, such as MSN, Skype, and YouTube. The manager of Hotel G1 mentioned:
Especially for foreign consumers, making telephone reservation via toll-free Skype allows them to easily communicate with hotels at no cost. Since the Skype special line was set up, we have had 10-20 customers using this line to make reservations every day. This line helps increase the close case speed and also saves communication time and cost (M2).

Besides, due to the perishability of hotel products, room and restaurant managers can determine the promotion plans for tomorrow or even the evening, according to the orders status. Therefore, MSN Messenger allows us to transfer instantaneous online information such as special discount, special offer to our members, so that yield management is magnified. Once becoming our member, the customers will receive news and coupons through MSN connection. Moreover, through YouTube webpage, customers can find the newest footage about hotel promotion (M2).

Hotel G3 implements loyalty marketing by issuing membership cards and fashion magazines. The manager of Hotel G3 mentioned:

Aspire Privilege Card is a dining membership card. Unlike ordinary hotel membership cards, this card allows holders to enjoy discount and also convert the bonus into dining or room coupons. More importantly, we have added more values to this card through resource integration. Card holders can also enjoy a special discount at 23 fashion boutiques, including Hugo Boss, Jil Sander, and Fendi Casa. Our cross-industry integration has added more values to the benefits of our members (M6).

Moreover, Hotel G3 also provides promotional packages according to the trends or important events. Another manager of Hotel G3 said:

When Taiwan Lottery was first released, there was a craze among the general public. We took this opportunity to offer 30% discount to lottery buyers with two digits matching the drawn number. We also worked with the nearby Warner Village Cinema to release dining+movie and room+movie packages, which were very popular at that time (M5).

Hotel G11 replaced the traditional strategy of filling vacant rooms with group customers with direct marketing on loyal customers to boost business in low reasons. As the manager of Hotel G11 said:

Loyal customers usually stay in hotels for a vacation, meaning the products and services provided in hotels are agreeable to them. Instead of lowering prices for travel agencies to develop the group tour market, we give special offers to old
customers. Through direct marketing, we give low-price offers to our old customers as a return for their patronage. However, room discount is not a sufficient incentive. Making old customers feel highly respected is more important. Providing news of a promotional event is only one-way communication and ineffective. Therefore, we ask our sales to directly call our customers and invite them to take a vacation at our hotel. Our strategy has received great popularity among old customers (M16).

The managers interviewed revealed that in the past, the marketing targets of hotels were confined to corporate organizations or travel agencies. This market is large but filled with more competitors. Thus, Hotel G5 tried to explore the market that is potential but not attended yet. The manager of Hotel G5 mentioned:

We have discovered that there are numerous community-based social groups, composed of mainly retired seniors, in central and southern Taiwan. They travel on a regular basis. This market is big but always ignored. Besides, many universities in Taiwan have tourism and hospitality departments. They need to arrange off-campus instructions for their students. If we can offer both accommodation and a venue for off-campus instructions, we can be benefited from this business opportunity (M8).

Therefore, Hotel G5 tailor-made a package for these groups and approached them proactively. The same manager added that:

For instance, we arranged a stay + 2-day tour in Taipei for these senior groups and a package of stay + practical instructions of hotel operations for students of tourism and hospitality. Both promotional packages were very effective (M8).

Data showed that contract customers are a stable source of customers and targets that business hotels aim at. Hotel G2 adopted creative marketing strategies to create the best operational performance over the last 10 years. The key to such success is contract customer management and setting challenging goals. The manager of Hotel G2 explained:

Traditionally, hotels prepare a standard contract for contract customers and offer room rates according to the number of room nights provided by customers. This method is not applicable in today’s market. The market is volatile, so salespersons need to design an exclusive contract for each company and provide rewards to attract customers (M4).

When analyzing the room demand of each company, as mentioned by this manager:
Some companies request for rebate, while others ask for additional services, including laundry, Internet access, and pickups. Therefore, our salespersons will inquire each customer’s needs and prepare a customized all-solution contract. This is our contract customer management (M4).

In addition to effective management of contract customers, Hotel G2 has another creative marketing idea, called setting challenging goals. It means sales managers need to set the goal to the maximum level, so as to really boost sales performance. This manager explained that:

If you expect to reach 100% sales performance, you should set the goal to 130%. Such setting challenging goals is not intended to over-exploit our salespersons. In the past, each salesperson is distributed with a certain number of contract customers. Salespersons would be used to focus their attention on more productive customers. With such habit, they were likely to concentrate on only 30% customers and neglect the productivity of the rest 70% customers (M4).

Hotel G7 which aims to lure mainly top-class customers holds a VIP Night every year. Top-class customers are invited to join this party. In addition to building closer relationships with them, Hotel G7 has also successfully increased the popularity of the hotel through this annual event. The manager of Hotel G7 said:

Don’t underestimate on this party, because it is filled with rich programs. This year, for instance, we have a relaxing cocktail party, candlelight dinner, model catwalking, singing performance, fireworks, wine tasting, and the premiere of makeup and skin care products on the next day. The event was exciting and packed with our guests. We have to immediately prepare for the next year’s activities after each party (M10).

The same manager added that:

We will mail an invitation letter to our customers about two months in advance. Due to the popularity of this event, all our 98 rooms will be reserved within one week. Some top-class customers who have missed the event before will reserve the room for the event one year earlier (M10).

In maintaining customer relationships, Hotel G4 attempted to increase the interaction between the hotel and customers through the ‘adoption system’. The manager of Hotel G4 mentioned:
Each salesperson is responsible for a number of contract customers. If these customers come to stay in our hotel, they are seemingly adopted by the salesperson. During the breakfast hour, the salesperson will show up in the restaurant and greet their customers. In addition to expressing the concern of the hotel, the salesperson also needs to solve customers’ problems in the first time. Such approach is easy but gives customers a sense of being respected (M7).

Among hotels with average operational performance, some also have presented their creativity in marketing. Hotel A1 is a well-known hotel in Taiwan. One may have never stayed in this hotel but is likely to know about it. This is because the CEO of Hotel A1 wrote a book and presented his concepts of managing a hotel in this book. With the increasing popularity of this book in Taiwan, this hotel is gradually becoming known to more and more people. The manager of Hotel A1 mentioned:

*I believe our CEO’s book has increased our reputation and many people choose to stay in our hotel because they have read this book (M17).*

However, an ex-manager of Hotel A1 indicated

*In its CEO’s description, Hotel A1’s services are almost perfect. Some people would visit Hotel A1 with a fault-picking attitude. Besides, Hotel A1 is becoming old, and there has been no large-scale renovation in recent years. To maintain the image described in that book, it could only improve the software. More human labours were thus required in such improvement, so its operational cost was raised. If you ask me why Hotel A1, with such status, cannot reach the top operational performance, I will tell you that its CEO is a contributor and also the blocker to the development of Hotel A1” (M25)*

Hotel A4 has allied with publishing companies and set up a story house in the hotel to let children have a pleasant stay in the hotel. The manager of Hotel A4 said

*In our story house, we have professional story tellers who can act along the stories, making listening to stories like watching movies. Our goal is to assure parents on vacation that they can leave their children in the hotel to do their business. We have received positive feedbacks to this story house since it was opened (M21).*

Hotel A7 has taken full advantage of local events to promote event-based products. The hotel manager said:

*The Intercontinental Cup Baseball Games were held in Taichung, so we tried to*
win the stay of these baseball players in our hotel and also took this opportunity to promote our restaurants by telling our customers that they would have a chance to meet baseball stars if they dine in our hotel. During that period of time, our restaurant was full every day (M24).

In Taiwan, Hotel A3 pioneered in sending salespersons to large companies to directly promote room contracts. This strategy used to be the most effective of all. Many competitors also followed to use the same marketing strategy. As Hotel A3 remained conservative, this strategy was no longer an advantage, and no other creative marketing methods have been proposed ever since. A manager of Hotel A3 sighed:

In the beginning, Hotel A3 used resilient marketing methods and quick expansion strategies, so it could easily hold a distant lead over competitors. In recent years, this family-controlled hotel has become extraordinarily conservative and prudent in management, so the hotel performance has been affected as a result (M20).

On the other hand, it was revealed throughout the interviews that most of the hotels with poor operational performance still adopt traditional marketing methods, including visiting, package promotion, low-price offers. Although Hotel P2 once attempted to use placement marketing which was very popular in foreign nations, it did not obtain significant results. The hotel manager pointed out:

Two years ago, we sponsored a TV idol drama. The entire drama was filmed in our hotel, and all the scenes were intentionally filled with romantic and pleasant atmosphere to demonstrate the quality of our hotel and features of our delicate services. This sponsorship was expected to attract more customers. However, probably because this drama was not very popular, we saw little effect of such sponsorship (M29).

The 40-year-old Hotel P8 has good conditions to enhance its business through marketing, but its conservative and passive management concepts have limited the development of the hotel. An ex-manager of Hotel P8 mentioned:

Hotel P8 is close to Love River. Since Love River has become a well-known scenic spot in Kaohsiung in recent years, Hotel P8 should take this opportunity to re-package and market their products to draw consumer’s attention to Hotel P8. It is a pity that their management has no such awareness and cannot grasp this great opportunity. By comparison, the neighboring Hotel A10 is much more dynamic. It has introduced new employees and adopted many new strategies. Its marketing strategies are especially remarkable. It allies with car rental
From the above interview, it can be concluded that conducting creative marketing has the potential successfully win price battles and win customers’ loyalty. The key is to design products according to customer demands and conduct marketing activity from the perspective of customers. As a result, business growth may be achieved and visibility, brand value, and consumer perceptions of the hotel are enhanced. However, several hotels still use traditional marketing techniques. With little focus on the consumer, and a greater focus on the profit, with marketing strategies being related to the products offered. As a result, fewer customers are attracted. Therefore, hotels should shift away from profit and product-oriented approach, and base their marketing on the perspectives of customers. Then the effects of their marketing can increase sales growth and also enhance hotel popularity.

### 6.4 Other Factors Influencing Hotel’s Operation

The above sections are the critical factors contributing to hotel performance and proposed by the majority of managers interviewed. In addition, there are some other factors mentioned by a portion of managers in the interview. Although these factors are considered to be important, additional factors, not all managers agreed on their influence on hotel operations, with some pointing out different views. The following sections discuss these views in detail:

#### 6.4.1 Land Acquisition

In the interview, when speaking about how to enhance operational performance of a hotel, the manager of Hotel G1 which ranks top in terms of DEA efficiency evaluation provided a special perspective. He advised that hotels owners should not buy land to build a hotel, because the land price is too high in Taiwan. If hotel owners spend excessive capital on land acquisition, the room rates will definitely be high. Even if their business is good, the huge land cost has already reduced their profit margins, so their operational performance will be limited. This manager said:
Our branch, Hotel P10, for instance, gave us a very good lesson. The land acquisition cost was so huge that we could not reach the break-even point until 10 years later. Now, before we acquire a land to build a hotel, we will estimate the land cost, interest, and depreciation. The total cost cannot exceed 15% of the revenue. If it does, we will lose our competitiveness. It is not possible to buy lands to build a hotel in Taipei and still make money now. Thus, we would rather lease a building and operate our hotel in this building (M2).

This business model was immediately challenged by the manager of Hotel A3. The manager of Hotel A3 said:

For our hotel, it is a very important competitive weapon to own both the land and construction of the hotel. Compared with many hotels built on leased lands or buildings, we can save a lot of rent cost. Therefore, our hotel can enjoy higher profitability and a sound corporate nature (M20).

An ex-manager of Hotel A3 also pointed out:

Among the eight chain hotels of this hotel company, only Hotel A3, Hotel A5, and Hotel A2 which were built in early years are possessions of this hotel company, and the other five hotels were built on leased lands. It can be inferred that in later years, this hotel company has also realized that finding a suitable land to build a hotel is not easy (M28).

Some hotel managers said that the model of Hotel G1 is reasonable but still questionable, because the land at good location can hardly be leased at a low price. As the manager of Hotel P2 said:

Some hotel owners leased the land because they had no choice. Land at good locations is usually very expensive. Even if they want to buy, the landlords do not sell (M29).

This manager’s insight was echoed by a Hotel G9’s manager, who said

Now, it is hard to find an appropriate location in Taipei to run a hotel. Even if there is any, the land is probably controlled by a certain group, and you can only lease it from them. Our hotel is currently built on a land leased by a group. This group acquired the land at an astronomical price, so our rent is probably beyond your imagination (M13).

The general manager of Hotel P7 also mentioned:

Leasing a land and not buying it is good for hotel owners in the short run. After all, they can save a huge amount of money from land acquisition. However, in the
long run, the landlords will be more benefited, because if the hotel’s business is good, the land value will increase. Therefore, the real beneficiary is the landlords (M34).

The manager of Hotel P2 added:

In fact, some hotel owners do not really expect to make profit from hotel management. They sometimes aim to activate the surrounding area and increase the value of neighboring lands. As to the hotel business, they don't really care as long as it is not too poor (M29).

Despite the above mentioned advice hotel owners still tend to acquire land to build a hotel. However, in the past decade, due to the constant increase of land price, land acquisition cost also keeps rising, compelling hotel owners to consider using a different management model. Therefore, Hotel G1’s idea of “leasing a land and not buying it” may be a viable model that other hotel owners can evaluate and follow.

6.4.2 Regional Market Characteristics and Management Difficulties

Many managers mentioned that market characteristics vary from region to region, and they have significant influence on hotel operational performance. For instance, Hotel A6 which was opened in 1995 has topped local competitors for the last decade in terms of occupancy and average room rate. It has become the leader of hotels in Kaohsiung. However, this number one hotel has never achieved positive returns. Therefore, “leader of hotels in Kaohsiung” has always been a heavy title for Hotel A6. From a review of its loss over the past decade, it can be discovered that its room price is largely responsible. In Kaohsiung, the supply of hotels is greater than the demand for hotels. All the local hotels have been forced to engage in a cut-throat price competition. At last, all the five-star hotels in Kaohsiung have to run deficits. The manager of Hotel A6 mentioned:

In early years, there were only four international tourist hotels in Kaohsiung. The demand was greater than the supply. In the 1990s, the opening of three direct links across the Taiwan Strait was anticipated. Many hotel owners were optimistic about the future of Kaohsiung and invested huge amounts of capital to build new hotels. Within only 10 years, four new hotels have joined the competition. The total number of hotel rooms grew from less than 1200 to more than 4600 in a short time. The market was excessively saturated, so all the local hotels were involved in a cut-throat competition. Our average room rate was
always the highest among local competitors. But the highest price dropped from US$115/night in 1998 to US$77/night in 2002. There is a big gap between this price and the average level in Taipei, US$160/night (M23).

The same manager added:

Moreover, Kaohsiung has been a stopover point for travelers from northern or central Taiwan to Kenting. In early years, there was no large-scale hotel in Tainan, so business travelers in Tainan would stay in hotels in Kaohsiung. However, with the increase of hotels in Kenting and Tainan in recent years, Kaohsiung has lost the advantage of being a stopover point. Affected by the external environment, almost all the five-star hotels in Kaohsiung are running deficit now. We spent US$250 million on building this hotel. Under the heavy interest burden, we have to suffer a deficit of US$312,500 each year, despite our status of being a leader of hotels in Kaohsiung. For all hotels in Kaohsiung, low price is the fundamental cause of our agony (M23).

Besides, managers interviewed indicated that consumers in southern Taiwan and consumers in Taipei have different purchase powers and habits. The manager of Hotel A2 mentioned:

Consumer in southern Taiwan do not have a high purchase power like those living in Taipei. In other words, the number of southern citizens who can afford to stay or dine in a five-star hotel is small. Besides, in terms of foods, southern people demand to eat delicious foods at a general price level, but most people living in Taipei do not really care about the price if the foods are delicious. Southern people are more pragmatic. Like a set of steak meal that costs US$40, southern people will evaluate if the meal is worth that price. They do not mind the service, décor, and atmosphere of the restaurant. On the contrary, in Taipei, taste, service, décor, and atmosphere are all important (M19).

A similar opinion was voiced by the manager of Hotel G6 who stated:

“Tainan is an old city. Consumers in Tainan are also more conservative. However, they are picky about foods. They like traditional tastes. Non-authentic tastes can hardly satisfy them”, said a manager of Hotel G6.

Many hotel managers expressed that only the opening of three direct links and visit of tourists from Mainland China can help relieve the predicament facing most hotels in southern Taiwan. The manager of Hotel A10 expressed with dissatisfaction that:

Eight years ago, we thought the government would lift the ban on Chinese
visitors to Taiwan and invested tens of millions dollars on renovation. However, the newly renovated floor has become old four years ago, but the ban has not been lifted yet. We did not give up our hope and renovated it again. Now, another four years have passed. The second renovation is also old, and Chinese visitors are still not coming. We really don’t know what else we can do now (M27).

Recently, a hotel in Kaohsiung was sold for US$10 million. When this manager was told about this news, he is very upset about the disposal. He said:

This kind of hotel was worth at least US$25 million eight years ago. Were it in Taipei, it could be disposed of at more than US$50 million. However, it is sold at only NT$330 million. Of course, I’m very upset about it (M37).

Obviously, if Chinese visitors are not allowed to travel to Taiwan and the lifting of ban on the three direct links is still delayed, business opportunities in Kaohsiung will fade rapidly. Facing such situation, the Taiwanese government has lifted the ban on Chinese visitors to Taiwan in July of 2008. It is expected that this policy will improve hotel business in Kaohsiung.

Hsinchu is a city not far from Taipei. The survival of hotels in Hsinchu depends on Hsinchu Science Park. Because of the science park, many foreign technicians are based in Hsinchu for a long term and many business travelers will come to Hsinchu for business, helping the development of local hotels. However, international business travelers in Hsinchu and those in Taipei are of distinctive types. They also have different demands in the choice of hotel. An ex-manager of a hotel in Hsinchu observed:

Most of the international business travelers in Hsinchu are engineers, but most of the international business travelers in Taipei are business managers and CEOs. Among these engineers, only western ones are financially supported by their companies to stay in five-star hotels. Other engineers from Japan and Korea usually travel with a certain budget. Even if they want to stay in five-star hotels, they may not be able to afford the cost (M3).

An ex-manager of Hotel P3 also indicated:

Engineers do not have high demands of accommodation. They demand only a quiet and comfortable room, so expensive suites are not appealing to them at all. Japanese and Korean travelers are frugal. They even share a room with their colleagues. Because they usually leave the hotel early and come back late, they
don’t have time to use many luxurious facilities in the hotel. As a result, they would rather choose to stay in cheaper standard hotels (M4).

Some managers have indicated in their analysis that hotels in Hsinchu are highly reliant on the science park. The business of hotels in Hsinchu is highly correlated with the business of industries in the science park. This was reflected by the manager of Hotel P4:

The hotel market in Hsinchu is entirely constructed on the prosperity of the science park. If the business of the industries in the park is good, the business of local hotels will also be good. If the business of the industries in the park is poor, local hotels will also be seriously affected (M31).

Moreover, compared with other areas in Taiwan, Hsinchu has relatively fewer international tourist destinations. Therefore, it is hard for hotels in Hsinchu to receive leisure guests other than business travelers to the science park.

Although there are only two international tourist hotels in Hsinchu, owing to the particular characteristics of customers in Hsinchu, the two hotels do not enjoy advantages but are seriously affected by the low-price offers of other standard hotels. They cannot reflect their cost on the room rates as expected. Besides, due to their strong reliance on the science park, their business also sways with the business of the science park.

Hotel P10 is located inside the well-known tourist location in eastern Taiwan, Taroko National Park. It is the only international tourist hotel in this region, but it has not benefited from this monopolistic advantage. Due to adverse weather conditions and geographic factors, it is trapped in a poor business environment. The manager of Hotel P10 mentioned:

Our hotel is located in Taroko National Park that can best represent the beauty of Taiwan. Our owner built the hotel because of this reason. However, we did not expect that the roads to this area will be constantly blocked by earthfalls, especially when a typhoon hits Taiwan. In most cases, we have to wait for 1-2 weeks before the blockage is removed. For tourists, the risk of coming here is also increased. Moreover, Taroko is usually viewed as a mid point in the itinerary of group tours, so visitors seldom stay the night in Taroko................. Another difficulty is that we can hardly recruit employees. For job applicants, they need to travel a long way to work in our hotel and cope with the risk of earthfalls. Many are reluctant to work in our hotel. In the present, half of our labour are
supported by hotel schools, and we also need to spend more costs on laundry and acquisition of supplies (M37).

The manager of Hotel P2 located also in eastern Taiwan also talked about the predicament of eastern hotels.

Hualien, commonly referred to as the backyard of Taiwan, is one of the most unpolluted scenic areas in Taiwan. However, for the tourism industry, the major problem lies in the large gap in occupancy between high and low seasons. Take our hotel as an example. We have occupancy rate over 60% in only 6 months during the entire year, and we have business only on the weekends. July and August are the two months in which we are likely to have the best business, but typhoons constantly appear during this period of time to slash our business. Besides, the tourist market in Hualien is still based on local customers. The local market is limited, and Hualien has to compete with other area in Taiwan because compared with other scenic spots in Taiwan, such as Sun Moon Lake and Kenting, transportation to Hualien is comparatively inconvenient. It is also difficult for Hualien to attract the revisit of tourists in a short time. The local hotel market is filled with numerous home-stays. The number of home-stays in Hualien is only second to the number in central Taiwan. The low-price strategy of these home-stays affects one-star and two-star hotels, so one-star and two-star hotels also use the same strategy to attract customers of three-star and four-star hotels. At last, three-star and four-star hotels follow this strategy, threatening the business of five-star hotels (M29).

This manager added:

However, there is also a merit in Hualien. Entry-level employees have low turnover rate and are very stable. Local job opportunities are limited, so entry-level employees seldom quit their jobs. A large portion of local residents are aborigines. During aboriginal festivals, hotels need to permit the leave of aboriginal employees and let them participate in the events. Compared with entry-level employees, managing staffs are relatively less stable and hard to recruit. Hualien is a distant from any city in Taiwan. Many outstanding managers are not willing to come and work for us (M29).

This manager also called for “the government’s proactive development of the overseas market or the opening for Chinese tourists to fill the local market, so as to solve the current predicament of hotels in Hualien.” (M29)

From the above analysis of two managers’ opinions, we can discover that despite being one of the best scenic areas in Taiwan, Hualien features several adverse factors,
including weather, transportation, and market size, all of which have caused several difficulties in management for hotels in this area. The current solution relies on the government’s proactive promotion of Taiwan’s tourism to foreign nations, so that the tourist development in eastern Taiwan can be revived.

Taichung is the third metropolitan city in Taiwan, behind only Taipei and Kaohsiung. In recent years, hotels in Taichung have experienced the most intense competitions. Central Taiwan has several well-known scenic spots. The establishment of Central Taiwan Science Park once helped increase the business of the local hotel sector in 2004. However, during our interview, when asked about occupancy rate and operational performance, all the hotel managers shook their heads to say “Running a hotel in Taichung is getting harder and harder.” The manager of Hotel A5 mentioned:

*In the past few years, due to the construction of the science park, many foreign technicians would come to Taichung to assist in machine installation. That is why we enjoyed the prosperity at that time. Now, many plants have been fully completed, and most foreign technicians have left Taiwan. The effect of the science park is gradually fading. In 2007, three new hotels also joined the competition with us. The total number of rooms was suddenly increased by 500. Moreover, there are many small business hotels and motels in Taichung. That is why there is a strong imbalance between supply and demand in Taichung (M22).*

The manager of Hotel P7 said:

*To enhance occupancy rate, local hotels have offered more flexible discounts. Giving away amusement park tickets or free dining coupons has become a regular promotional gift (M34).*

In the face of growing competition and poor business, hotel managers in Taichung all talked about their sufferings. Therefore, two different opinions were expressed. The manager of Hotel A9 said

*Taichung City Government should prohibit establishment of new hotels. All the hotels should petition the government for the set up of such limitation (M26).*

However, another opinion, as proposed by the manager of Hotel A4, was that prohibiting establishment of new hotels in Taichung is simply a passive measure. The government should take more active measures, such as building large-scale exhibition halls, holding international activities, and promoting the local tourism industry, to
facilitate the elevation of hotel business.

During the interview, when informed of the good business situation in Taipei, most hotel managers were not surprised. Taipei is a capital and also the political and financial center of Taiwan. It certainly has a larger market. In addition, the living standard in Taipei is higher. There will definitely be more business opportunities for international tourist hotels in Taipei. This was confirmed by the manager of Hotel A5 who expressed the view that:

*International tourist hotels need to attract foreign business travelers for better business. On one hand, they can sell their rooms at a higher price, and on the other, foreign business travelers have higher loyalty. Many foreign companies are located in Taipei, so the market of foreign business travelers is certainly larger (M22).*

The manager of Hotel A4 said:

*The population in Taipei is large. The living standard and level of internationalization of people in Taipei are also higher. For them, consumption in five-star hotels is common. However, in elsewhere around Taiwan, unless for business purpose or celebration for an important event, people seldom visit five-star hotels (M21).*

Based on his experience of serving as a vice general manager in an international hotel chain in Taipei, the general manager of Hotel P7 pointed out the key reason for good business of hotels in Taipei that:

*In Taipei, the market is big, and the business environment is good. If hotel owner are willing to invest on the improvement of service quality, they can draw more customers and create more profits. A virtuous circle can be formed. On the contrary, in elsewhere around Taiwan, the business environment is poor. Hotel owners are conservative and reluctant to make more investment. At last, they will experience difficulty attracting customer and be trapped in a vicious circle (M34).*

Hotels in Taipei enjoy a better market and more promising business environment, but the manager of Hotel G4 also pointed out an underlying problem. He said:

*The hotel market in Taipei is large, but the number of hotels in Taipei is also the largest. Competitions are very intense. For instance, all the international tourist hotels that were closed or disposed of during the last five years are all located in*
Taipei. In this business environment, hotels need to create their own features so as to survive in Taipei (M7).

Likewise, for hotels in other areas of Taiwan, if they can make use of their exclusive resources and present local features, they can still present good business performance in a poor business environment.

Tainan Hotel, for instance, has been running in this market for more than 40 years. Located in southern Taiwan, where the business environment is relatively poorer, it can still present outstanding business performance even under the threat of two new hotels. When asked about their secret of success, the manager of Tainan Hotel expressed with smiles:

Many fellow competitors have asked me how come our business can be so good, even if we seldom advertise and many have forgotten about us. I told them they were wrong. You have forgotten about us, but our customers never have (M9).

He added:

Residents in Tainan are conservative and self-contained, but they are also friendly and nostalgic for the old days. We take advantage of these characteristics and build close relationships with them. For many local residents, we are a part of their old memories. From celebration for the first month of a newborn baby, birthday, blind date, wedding banquet to family reunion, we have taken part in every section of their growth. They are already used to being with us and seeing us as a part of their life. Although many new hotels have joined this market in recent year, our status in the mind of local residents still remains (M9).

It can be discovered that on this small island, Taiwan, customer type, consumer habit, market characteristic, and even competitive situations all vary from one region to another. Except for hotels in Taipei, hotels in elsewhere around Taiwan are facing an adverse business environment due to a smaller market scale. However, some hotels still can create good business through exploitation of their exclusive resources and presentation of local features. On the other hand, hotels in Taipei have a larger market. Due to a larger number of competitors sharing this market, all of them are under heavy pressure from competitors. Therefore, all hotels should thoroughly evaluate the characteristics of their market and make use of their exclusive conditions and resources to develop strategies that meet the needs of their local markets.
6.4.3 Food and Beverage

In the past, people used to measure a hotel’s business performance by its room rate and room occupancy rate. However, during our interview, it was revealed that many managers reminded that the importance of food and beverage cannot be ignored, because in some hotels, food and beverage is more contributive than rooms. The manager of Hotel G1 said:

*Many people may think a hotel has to make profit by selling rooms, because in terms of cost, rooms are cheaper than restaurants. However, in terms of the area and performance ratio, the profit created by food and beverage can even exceed that created by guestrooms. Besides, restaurants have a high turnover rate, but each room can be sold once per night. By comparison, food and beverage has larger room for profitability (M1).*

Since food and beverage is so contributive to Hotel G1, one may wonder how the hotel achieves it. The manager proposed five key factors: (1) grasp of the dining tendencies in the market, (2) make consumers feel the food or service is better than they can possibly get at its cost, (3) maintain competitiveness of the hardware facilities, (4) make services visible, and (5) provide more business hours to stimulate consumption (M1).

In addition, the results suggested that Hotel G1 adopted the advantage extending strategy to set branches of high-performing restaurants outside the hotel. The other manager of Hotel G1 said:

*Our dining service is very successful. Owing to limited space, several restaurants are constantly full. Thus, we adopted the advantage extending strategy to establish branches of high-performing restaurants outside the hotel. This strategy can increase not only our revenue but also our reputation (M2).*

The findings from the interviews indicated that another hotel in southern Taiwan, Hotel G6, also focuses on dining service. In this hotel, the revenue from dining service reaches as high as 76% of the total revenue. Compared with Hotel G1 that offers diversified dining services with nine restaurants, Hotel G6 can only focus on southerner’s favorite dining style, buffet. The manager of Hotel G6 said:

*Since established, our hotel has been running for more than 40 years. Our
hardware facilities are very old now. We have always wanted to renovate the hotel, but unless we tear it down and rebuild it, the hardware improvement will be very limited. Therefore, we decided to place our business focus on dining service, which we considered as less affected by our old facilities. The main characteristic of our strategy is that we focus on providing the quality rather than the quantity. To provide multiple choices for customers, most hotels will set up more than three restaurants. However, we only concentrate on one restaurant, buffet, and it is the favorite type of southerners (M9).

The reason of Hotel G6 can gain more than 3/4 of its revenue from a single buffet restaurant lies in variety of foods, cooking skill, and cost control. The manager said:

> An appealing buffet restaurant has to first provide diversified foods from the east and the west. Local residents are very picky about foods. Tainan is an old city. Local residents have tasted all kinds of traditional foods, so they care very much about the flavors. The majority of buffet restaurants have a common problem. They provide diversified foods but each dish is ordinary. Many great chefs are reluctant to prepare food for buffet, because they think the level is low. However, we are different. Each of our dishes is a work of an award-winning chef. We view each buffet dish as a dish for the set meal. Moreover, we also add some of the famous Taiwanese desserts and Dim Sum dishes. Such addition is not available in other restaurants (M9).

This manager also introduced the effect created by the skills of famous chefs.

> In Taiwan, all the buffet restaurant owners know that they cannot care if customers eat too much. Instead, they should expect customers to eat more, because the leftover is the money they should have earned but lost. In fact, when running a buffet restaurant, a penny saved is a penny earned. How do we save money? To inexperienced people, buying cheap food materials and providing more of them to customers is the way to save cost. According to our observation, customers often drop the food if it does not taste good. At last, buying cheap food materials is just a waste of money. A real expert should explore new dishes and make cheap materials delicious and worth the money that customers pay. Our chefs just have such talent (M9).

Another feature of Hotel G6 is the special dining environment. This manager added:

> We have an outdoor poolside restaurant, which is very rare among hotels in Taiwan. This used to be an outdoor swimming pool. Outdoor swimming pools were very popular in Taiwan 20 years ago, but not now. Therefore, we have turned it into a poolside restaurant and added facilities to create an outdoor movie theater. Now, it has been revived and become one of our main features (M9).
Many hotel managers also pointed out that the rising of independent restaurants in recent years has posed a strong threat to hotel restaurants. To maintain business performance, in addition to improvement of service quality, many hotels also focus on the banquet market. Several managers explained that compared with independent restaurants, international tourist hotels have a better venue to develop its banquet service. The importance of banquet service to international tourist hotels can be reflected by the following figures provided by the managers interviewed. As pointed out by the manager of Hotel G8, the revenue from banquet service takes up 33% revenue of the restaurant and 15% of the total revenue of hotel. In 2006, Hotel G1 gained 17% annual revenue from banquet service and Hotel G9 gained 20%. In 2006, Hotel A6 gained 52% revenue from its food and beverage service, and of the 40% was contributed by banquet service. The manager of Hotel P5 said “To evaluate a hotel’s performance in food and beverage, banquet service can be an index. A feast priced at NT$20,000 per table can help a hotel gain NT$2 million if there are 100 tables in one evening. How many steaks or set meals at NT$1,000 you have to sell to produce such revenue?” In most international tourist hotels, the revenue from banquet service usually exceeds 15% or even 20% of the total hotel revenue. Therefore, hotel owners attach great importance to this large market, especially wedding banquets. Many managers expressed that unless modern people do not get married, this business will always be there. In the modern time, people are more and more concerned about luxurious settings of wedding, so international tourist hotels can be benefited from this business opportunity. From the strategies that hotels use to compete in the market of wedding banquet, nine major tendencies were induced as follows:

1. Set price flexibly by date and time. The manager of Hotel G1 mentioned:

   *Taiwanese people usually pick a lucky day on the lunar calendar for a wedding banquet or other kinds of banquets. According to our statistics, there are only about 160 lucky days in a year. Almost all the restaurants are full on these lucky days, but completely vacant on non-lucky days. To solve this gap between peak and off-peak reservations, we have adopted the flexible pricing strategy. We will insist our price on lucky days but offer discounts on ordinary days. We encourage customers who are unable to find a restaurant on a specific lucky day to reserve banquet tables in our hotel on an ordinary day (M1).*

2. Provide more choices of venue. The manager of Hotel A6 said:
There are many restaurants in our hotel, so the venue for holding a wedding banquet is not limited to the banquet hall. However, many hotels restaurants are more self-centered and care about their own business. If the banquet hall is full, they will directly turn down their customers. Therefore, we demand our departments to get rid of the organizational barrier. If the banquet hall is full, or the space required is smaller, customers will be immediately recommended to reserve other restaurants in our hotel. After all, once customers come to our place, we will never let go our customers easily (M23).

3. Set banquet planners to be responsible for banquet planning. The manager of Hotel G3 said:

Banquets, especially wedding banquets, involve complicated tasks. From decoration to the ceremony process, all these tasks should be integrated. Therefore, we have special banquet planners, responsible for all kinds of business related to banquet service for customers. We also provide special wedding planning for our customers. We can design a unique and exclusive wedding for each pair of newlyweds (M5).

4. Cater to the needs of customers and hold a tailor-made banquet. The manager of Hotel G6 said:

In Taiwan, most of the banquet restaurants offer their customers only three different menus, prepared according to the price and food style. Many customers may think their choices are not enough, and the banquets are seemingly dominated by the restaurants. Our way is to let our customers organize the menu by their own preference. As long as our chefs can cook the expected dishes, no matter what they expect to eat, eastern style, western style or combination of the two styles, we will do our best to cater to their needs. No matter decoration of the venue or type of the banquet, we will comply with customer demands and customize the banquet for them (M9).

5. Virtual reality demonstration. The manager of Hotel G3 said:

In the past, hotels usually offer a free or discounted table of feast for customers to sample the dishes. Last year, we set up an exclusive demonstration area to display everything involved in a banquet, including types of table setting, use of tableware, and dishes. This kind of virtual reality demonstration allows customers to more clearly understand the content of the banquet and we can so take this opportunity to promote higher-level products and increase our profits (M5).

6. Creative dish-presenting show. The manager of Hotel A6 said
Dish-presenting show has always been the edge of five-star hotel banquet halls. To create a more impressive atmosphere, we have asked professionals to design several dish-presenting shows. We can provide multiple choices to our customers, according to various themes. This is one of the features of our banquet hall (M23).

7. Cross-industry alliance and integration of resources. The manager of Hotel G1 said:

To hold a creative and impressive wedding, what a hotel can do is limited. Therefore, we ally with flower shops, wedding photography companies, photographers, clock and watch sellers, jewelry stores, audio and light effect engineers, public relation companies, and advertising companies. With the aid of these professionals, we can provide more comprehensive services and products. More importantly, cross offering of discount also allows us to share channel resources and customer sources with other industries (M2).

8. Expand channels and engage in direct marketing. The manager of Hotel G9 mentioned:

To expand our customer sources, we have been active in seeking cross-industry alliance to share more marketing channels with them. High-level consumers of credit card issuing companies are the targets we endeavor to approach. Therefore, we are cooperating with American Express and the largest wedding service portal site in Taiwan, Very Wed, to provide tempting discounts and encourage customers to make reservations for off-peak days. The results of such cooperation are satisfactory (M14).

9. Provide outside catering service. The manager of Hotel G2 mentioned:

A larger venue for banquet service is required so as to create higher production value. The space of our banquet hall is limited. It becomes too crowded if the number of tables exceeds 60. We are unable to take the order that requires more tables than that number. Therefore, we have changed our strategy and offer outside catering service to create business outside the hotel (M4).

Hotel A3 is an average hotel in terms of overall performance, but it is very famous in the food and beverage market in Taiwan. This hotel company has a chain hotel in all the three major metropolitan areas, Taipei, Taichung, and Kaohsiung. In these hotels, the revenue from food and beverage service exceeds more than 45% of the total revenue. Therefore, food and beverage service is very important for this company. When asked about the success factors, the manager of Hotel A3 said “We attract customers with affordable prices.” (M20)
Take Beijing duck offered by Yangtse River Restaurant as an example. Yangtse River Restaurant supplies Shanghai dishes. It is not supposed to provide Beijing duck. We discovered that the price of Beijing duck in the market is generally over NT$1000, so we decided to promote this product by lowering the price of one duck to NT$840. The profit from Beijing duck seems low, but customers usually order more than one duck. With the increase of our customers, our business is also getting better (M20).

Another strategy adopted by Hotel A3 is to localize food flavors. That is to modify the flavor of some western foods to meet the taste of Taiwanese consumers. The manager said:

Taiwanese consumers are the main target of the restaurants in international tourist hotels, so we need to modify the flavor of our western foods to cater to the taste of Taiwanese consumers. For instance, Taiwanese people like our chocolate and cheese cakes but not our authentic Austrian apple strudels. Therefore, we assembled our managers to sample the apple rolls. They all preferred the crispy and slightly sour taste to apple strudels and could not accept the strudels with a strong flavor of cinnamon. We then asked our chef to modify the recipe and lower the ratio of cinnamon. Moreover, to present our new strudel to our customers, we minimized the apple strudels and served them for free in the buffet restaurant. Customers immediately show a high level of acceptance of this localized flavor, and our business was also benefited (M20).

Finally, this manager introduced the features of Hotel A3 restaurants with creative combinations of foods. He said:

There are nine restaurants in our hotel. For most of our customers, they may not have the chance or time to taste the foods of every restaurant. Our Rosewood Restaurant is located on the 14th floor patio of the hotel. The space is large and comfortable. However, it is a pity that the restaurant does not offer dinner from Monday to Thursday. We then put together the signature dishes from all the restaurants to offer multinational foods. Customers can enjoy the specialties of each restaurant in our hotel at the cost of a buffet meal (M20).

The strategy Hotel A3 used is to attract customers with friendly prices and further provide localized flavors and creative product combinations as an all-solution choice for customers. These strategies indeed create outstanding performance in its food and beverage service.
Among hotels with poor business performance, some hotels admitted that poor performance in food and beverage service would really impact the overall business of the hotel. The manager of Hotel P2 said:

In general urban business hotels, the revenue ratio of guestrooms to food and beverage is about 6:4 or even 5:5. In our hotel, the ratio of our resort rooms to food and beverage is about 7:3. The performance of our food and beverage service is really poor. It creates less than 20% revenue of our hotel (M29).

When talking about the possible solution to improve this situation, this manager said it is really difficult.

One of the methods is to adopt the one-stay and two-meal offer. However, our room rates are already high. Such offer will further increase the room rates. If we really adopt this strategy, our food and beverage service may not be benefited, and the rates may scare away our customers. Another method is to combine our three restaurants into one to reduce our loss. Our owner does not agree on this idea. The last method is to find famous chefs and provide special food, in an attempt to attract our customers to eat in the hotel restaurants (M29).

The results suggested that Hotel A9 is another hotel whose business has been affected by the poor performance of its food and beverage service. The manager of this hotel indicated that the main cause of poor performance is Taichung residents have high demand for food and beverage service but cannot accept the high price of foods in hotel restaurants (M26).

An ex-manager of Hotel A9 also pointed out:

Five-star hotel restaurants need to be careful with every detail in their food and beverage service. Hotel A9 is most frequently criticized about the inauthenticity of its foods and low food diversity (M21).

In face of poor restaurant performance, the manager of Hotel A9 proposed a solution:

We decided to offer economical meals. We planned to renovate our 12F restaurant into a food court, where our customers can taste various specialties of different nations, to cater to the habit of local consumers (M26).

Traditionally, the major business of a hotel is accommodation. However, from our interview, it can be discovered that in Taiwan, the contribution of food and beverage
service to hotel business is considerable. In some hotels with good performance, the revenue from such service is even greater than that from guestrooms. In addition, some hotels with poor performance have been affected by the poor business of their food and beverage service. Therefore, in the evaluation of how to enhance the overall performance of a hotel, food and beverage service should also be considered.

6.4.4 Chain Operation

In our interview, several hotel managers have more than once attributed the achievement of the hotel to joining international hotel chain. Based on their rich experience in hotel management, these managers proposed their opinions about the future development of business hotels in Taiwan. One of the managers said:

In the future, the competition among top-level business hotels will be based on the competition between international chain and international chain. Without an international brand, business hotels can hardly share the market (M8).

Another manager added:

Our family, starting from my father, has been engaged in hotel management for more than 30 years. However, eight years ago, when we established Hotel G9, I insisted to introduce the international chain brand to attract customers on the top of the consumer pyramid. The era of fighting alone has gone by. With the advent of the global village era, we need to borrow the power from international chain brands to reinforce our competitiveness and attract international business travelers (M13).

In addition to brand and management power, this manager also mentioned the major power of international chain management group lies in synergy created from chain operations and a rich database of customers. The manager said:

Take our hotel as an example. More than 65% of our customers are contributed by the international hotel chain reservation system. With numerous affiliated hotels, international hotel chain has also allied with multiple industries to promote bonus collection program for loyal customers. Loyal customers will be inclined to choose the hotel associated with this international hotel chain, no matter where they travel. This is a very powerful competitive weapon. (M13).

Another reason why hotel joined the international chain is that it could elevate the
hotel service quality to an international level. The manager of Hotel G3 said:

The hotel rating system in Taiwan is not completely in line with international standards. Determination of star rating is also ungrounded. The present system cannot really benefit hotel management. Becoming membership of this international hotel chain also indicates that our service quality has reached the international standard, so international business travelers will choose to stay in our hotel because of international hotel chain’s quality assurance (M6).

However, the owner of Hotel G7, which also has good operational performance, disagreed with the perspective mentioned above. The owner of Hotel G7 used to believe that international chains are superior in hotel management, so it commissioned international hotel chain to manage the hotel in the first three year after the opening. However, in Taiwanese society, human affections are important in management. The system of international chains is not always applicable. During the cooperation with international hotel chain, it also discovered some blind spots in this international chain’s management. That is why they severed the cooperation tie three years later due to disparity in management concept. The owner of Hotel G7 said:

I think the common problem encountered in the introduction of international chain management into the local market is excessive rigidity in management. They care about only the ends not the means. In our opinion, this logic does not work in Taiwan, because there must be a certain causal relationship between means and ends. In foreign nations, employees may be immediately fired if they make a mistake. I think this kind of management model has the effect of “killing one man to terrorize a thousand”, but will seriously affect the group morale. The ideal model is to give more opportunities to employees, ask them not to repeat the same mistake or adjust their positions if they make a mistake (M10).

This owner also pointed out:

In the beginning, when we discussed about the cooperation with international hotel chain, we were assured that we could win up to 30% foreign customers in Taiwan. Our business was good after our opening, but such performance was created by our efforts. In fact, we had less than 10% foreign customers. We had good business and high reputation, so I planned to set up 10 hotels in Taiwan and China, and tried to recruit outstanding staffs. To my surprise, hotel chain transferred all the outstanding talents that I trained to other foreign hotels affiliated with this chain. When this chain asked me not to interfere with their management, I was really angry. I am the owner of this hotel. I spent US$60 million on this hotel. How could they demand me to be silent (M10)?
Other hotel managers agreed that introduction of the value and expertise of international chains is effective, but also noted that hotel location and target market should be considered. The manager of Hotel P1 said:

*International chains are really more professional and can help us attract more foreign customers. However, it is necessary to take into account the location of the hotel and target customers. If the hotel is located in Taipei and aimed at serving foreign customers, introduction of an international chain can surely benefit the growth of business, because there are many foreign travelers in Taipei, they have higher brand loyalty, and they will choose familiar international chains. If the hotel is located elsewhere, the number of foreign guests may be small, and local customers usually have no brand awareness. Therefore, the effect of an international chain will be minimal (M28).*

One hotel manager also indicated that cooperation between local hotels and international chains will end up broken, mainly due to excessive license fee. Most hotel owners consider the license fee of international chains as unreasonable. After they start to gain positive returns, they will be eager to manage the hotel by themselves to save the license fee and increase their profits. The manager of Hotel P2 said:

*The management and consulting fee required by international chains take up 10~20% annual revenue of a hotel. International chains help owners manage the hotel, market the commodities, and provide training, but they cannot assure profitability. For investors, they have to pay not only loan interest to banks but also management fee to consulting companies. Without profit assurance, no one can really pay the fee with smiles (M29).*

The manager of Hotel G1 also said:

*Many local hotel owners are smart. They commission the hotel management to international chains in the beginning and try to learn from them. Two or three years later, when they think they have acquired the knowledge and they can obtain the same performance at lower cost, they will terminate the cooperation with international chains and manage their hotels by themselves (M2).*

The manager of Hotel G4 further pointed out:

*Many hotels joined international chains simply because of the potential business brought by their global reservation system. For them, the high license fee paid on yearly basis would really be a heavy burden. Without such benefit, they would*
not join the international chains (M7).

On the other hand, the manager of Hotel A3 having the largest chain operations in Taiwan also said that it is not necessary to join an international chain to gain competitive advantage. Local chains also have strong competitiveness. The benefits of local chains are three-fold: brand effect, management knowledge and talents, and resource sharing. In the aspect of brand effect, the manager of Hotel A3 said:

*Do not underestimate brand effect. Even if domestic people have low brand loyalty, when they choose a hotel to stay, they will still choose the brand they are familiar with. Our chain has such effect, because consumers think the chain operation of our hotel assures that the management and service can achieve a certain level. For customers who have stayed in our hotels before, if they were satisfied with our service, our chain hotel will be their first choice when they travel to a different place in Taiwan. We have numerous chain hotels, so our visibility can be higher (M20).*

Speaking of the knowledge in management, this manager mentioned:

*I think in addition to good hardware facilities, management ability is the key to the success of a hotel. Even if a hotel can recruit several experienced managers, they may have difficulty integrating these managers. Moreover, the ways in cross-department coordination, communication, and cooperation cannot be easily created in a short time. More importantly, the organizational culture that can facilitate the operations of a hotel is not imitable. None of these is a problem for us. Through chain operations, we can quickly transfer our success experience to our chain hotels (M20).*

This manager added:

*Chain operation also allows us to take the advantage of resource sharing, joint purchase, and united marketing (M20).*

However, from the DEA result, it can be discovered that not every local chain has good operational performance. An ex-manager of Hotel P3 mentioned:

*Unlike international chains, local chains do not have a global reservation system. Without this advantage, local chains are much inferior to international chains in terms of operational performance (M30).*

Speaking of the advantage of chains in management knowledge, this manager disagreed on such statement. He said:
Taiwan is small, but market characteristics vary from region to region. Consumer habit also varies greatly. It is not possible to apply a fixed management model to all the regions. For instance, consumers in Taipei have strong purchase power. Price does not matter if the product is good. However, when southern consumers consider the quality of a product, they also take into account its price. Therefore, local chains’ transfer of their success experience from one chain to another may not be workable (M7).

The manager of Hotel G2, which is also a local chain hotel, echoed the above opinion:

To be honest, except for the same brand and same boss, there is not much connection between our hotel and our branch, Hotel G11. We are a business hotel, and Hotel G11 is a resort. Our main customers are foreign travelers, and theirs are local tourists. Our rooms are priced at mid level, and they target the top-level customers. If you ask me why both of us have good business, I can only say the success is attributed to the use of a right management strategy for respective markets (M4).

The manager of Hotel A6 said:

Several years ago, we introduced a local franchise system, which was very successful in Taipei. One year later, we found that model was only workable in Taipei, did not work in Kaohsiung (M23).

When asked about the reasons, he said “Because the customer type, consumer habit, and market tendencies in between the two markets are completely different.” (M23)

An ex-manager of Hotel A2 also mentioned:

Local chains are not as stringent as international chains in service quality control, so the service quality of local chain hotels is not consistent (M27).

From the above analysis, it can be discovered that both international chains and local chains can bring positive effect on a hotel’s business performance. However, as customer type, consumer habit, and market tendencies may vary from one market to another, such effect may also vary greatly. Therefore, before adopting chain operations, it is necessary for hotels to evaluate their market characteristics and their own demands.
6.4.5 Number of Rooms

In the previous section (section 5.3), the analysis results showed that the number of rooms has certain of influence on hotel’s operational performance. In the interviews several hotels with poor operational performance also attributed their poor business to the excessive number of rooms. The manager of Hotel P2 said:

If we had only 90 rooms, we could easily create the atmosphere and value of 90 rooms like Hotel G7. However, we have 391 rooms. During high seasons, we enjoy high room rates and occupancy rate. But we also have to suffer from negative feedbacks, because we have to receive all kinds of customers. Some like quietness and some do not. All of them are mixed together in one hotel. I certainly want to provide customers with better services. With so many rooms, it is really difficult to make every customer satisfied. Besides, the huge gap between high and low seasons also affects us significantly. Even during high seasons, it is hard to fill all the rooms. But in low seasons, our occupancy rate may be lower than 40%. Let alone the fact that low seasons span six months (M29).

Some managers interviewed thought that excessive number of rooms would not only affect the positioning of a hotel but also make it harder to satisfy every customer. In addition, arrangement of human labours and sales promotions would also become more complicated with the increase of room number. This was reflected by the manager of Hotel P5 who stated:

If the room number is small, it is easier to position your hotel, develop your target customers, and achieve the goal of occupancy rate or room rate. Moreover, you can sufficiently satisfy the need of each customer. Many of service concepts and measures, like trying to know and understand each customer or conducting in-house check-in, are only feasible when the number of rooms is small (M32).

Moreover, in order to fill all the rooms, hotels need to use low-price offers to attract long-term and stable customer sources. Therefore, their profits will be eroded. The manager of Hotel P1 mentioned:

We have 311 rooms. To enhance our occupancy rate, we need to attract long-stay customers, travel agencies, and airline crew with low-price offers. With these basic customer sources, we can go on to pursue other customer sources. This strategy has beautified our occupancy figures but also shrunk our profits (M28).

The manager of Hotel P7 further pointed out:
In terms of the current business environment, hotels with more than 200 rooms can only survive in Taipei. In other areas of Taiwan, the market scale is small. Without stable and long-term group customers, hotels with more than 200 rooms can hardly survive. I think the optimal number of rooms in a hotel is about 150 (M34).

Since hotel managers or owners all know that excessive number of rooms may increase the difficulty in management, why did they build so many rooms? The manager of Hotel G10 pointed out the common attitude of many hotel owners in Taiwan.

Many hotel owners bought their hotel lands at a high cost. In this situation, they cannot build only 100 or 200 rooms on the acquired lands. By building more rooms, they wanted to share the cost of the lands and also increase their revenue. Their investment can be returned in a shorter time. However, excessive number of rooms also requires more investment and management efforts (M15).

The same manager added:

Our owner’s principle of investing a hotel is not to build more than 200 rooms. He thinks such scale is optimal for management. Excessive rooms also increase investment risks. Investing on a hotel with no more than 200 rooms is safest and can bring full returns faster. More importantly, we don’t need to take loans to invest the hotel of that scale (M15).

From the interview, it can be discovered that the number of hotel room does constitute a significant influence on hotel performance, problems derived from excessive number of rooms, such as complicated customer sources, unclear position, and being trapped in cut-throat competition, are really a trouble for some hotels and become one of the factors affecting their poor operational performance. Therefore, the number of room is exceptionally important and in the planning of a hotel, evaluation of the local market should be carried out in a prudent manner.

6.5 Chapter Summary

The aim of this chapter is to present the qualitative findings of this study. The findings is described by using a thematic structure, which first outlined the international tourist
hotels’ context and then detailed the 13 factors (see Figure 6.1), which were identified to capture the salient factors contributing to hotels having good performance. In addition, 5 other factors were proposed by some managers and were regarded as the important factors influencing hotel’s operation but were not accepted by some other managers.

It was clear throughout the interviews that among 13 critical success factors contributing to hotel having good operational performance, hotel owner’s attitude plays a significant role. The owners of good-performance hotels regard hotel as a core business, not just an investment instrument. Therefore, they provide fully support in finance and resource necessary to hotel operation. They perceive operating a hotel as a highly professional task and are willing to provide full trust and sufficiently delegate their power to professional managers. In addition, their proactive attitude makes a strong influence on hotel’s corporate culture and this corporate culture further affect employees’ behaviour and make hotel operation more efficient. On the contrary, for some hotel owners, they have never really been dedicated to the management of their hotels, but only care about profit. Even some hotel owners are positively involved in management, their thinking is conservative and rejects to accept advices from professional managers. These factors finally cause these hotels with poor performance.

Research findings also indicated that quality employees, training and empowerment are important for hotel operation. Understanding the importance of quality employees for hotel management, several hotels with good business performance have been dedicated to cultivation of quality employees. They are willing to invest in employees’ training. They perceive that well-trained employees can increase the productivity of a hotel, and can indirectly reduce the burden on managers. Through developing new training programs according to practical needs, hotels can increase revenue from the effects of training. In addition, they use empowerment to deal with service failures in the first instance, because empowerment does not only make customers’ needs immediately satisfied, but also overturn the customer’s negative impression on hotel operational efficiency. Therefore, the successful hotels see these as critical factors for good business practice. In contrast, hotels with poor performance have lost outstanding employees due to the lack of good use of employees or lack of respect for
the employees. They are unwilling to invest on employees training because the effects of training are not instant and conspicuous. Moreover, they are afraid that due to employee’s abuse of power, hotel will get loss. Therefore, they will not decentralize power. These are the reasons why these hotels cannot have good performance.

Moreover, the interviews with managers pointed to the fact that innovation and regular renovation are regarded as the critical factor to increase hotel operational performance. Through innovation in hardware facilities, management strategies, and service contents, those hotels with good operational performance increase their profit, raise awareness of the hotels, improve image of hotels and attract more customers. In addition, regular renovation is an important factor that maintains the trendiness of the hotel and attraction to customers. Those hotels with good operational performance realize that innovation and renovation can improve the operational efficiency of the hotel that will lead to an increase in productivity, profitability, and customer satisfaction. Therefore, they are willing to conduct innovation and renovation. However, innovation and renovation require a considerable amount of investment, but issues such as whether they can generate more revenue and when they can be repaid are not foreseeable. Thus, many hotels are unwilling to undertake investment risks. As a result, their performance has been influenced.

It is noted from the interview that Taiwan is a small island, but customer type, consumer habit, market characteristic, and even competitive situations all vary from one region to another. It seems to be difficult to apply a fixed management model to all the regions. Except for hotels in Taipei, hotels in elsewhere around Taiwan are facing an adverse business environment due to a smaller market scale. However, some hotels still can create good business through exploitation of their exclusive resources and presentation of local features. Therefore, all hotels should thoroughly evaluate the characteristics of their market and make use of their exclusive conditions and resources to develop suitable strategies that meet the needs of their local markets.
Figure 6.1: Summary of critical success factors contributing to hotel having good performance

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
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<tbody>
<tr>
<td><strong>Owner’s Emphasis</strong></td>
<td>Owner’s evolvement</td>
<td>Owner’s thinking</td>
</tr>
<tr>
<td></td>
<td>Trust professional manager</td>
<td>Finance &amp; resource support</td>
</tr>
<tr>
<td><strong>Professional Knowledge &amp; Experience</strong></td>
<td>SOP</td>
<td>Emphasize detail</td>
</tr>
<tr>
<td></td>
<td>Management system</td>
<td>Cross-departmental coordination</td>
</tr>
<tr>
<td></td>
<td>Crisis-solving ability</td>
<td></td>
</tr>
<tr>
<td><strong>Innovation &amp; Features</strong></td>
<td>Avoid price battle</td>
<td>Predict customers’ future expectation</td>
</tr>
<tr>
<td></td>
<td>Equipment innovation</td>
<td>Service innovation</td>
</tr>
<tr>
<td></td>
<td>Business model innovation</td>
<td></td>
</tr>
<tr>
<td><strong>Quality Employees</strong></td>
<td>Incomparable passion for hotel works</td>
<td>Service attribute</td>
</tr>
<tr>
<td></td>
<td>Creativity plus discipline</td>
<td>Multi-skill</td>
</tr>
<tr>
<td></td>
<td>Deploy employee to the right position</td>
<td></td>
</tr>
<tr>
<td><strong>Outsourcing</strong></td>
<td>Reducing costs &amp; risks</td>
<td>More professional &amp; advanced facility &amp; service</td>
</tr>
<tr>
<td></td>
<td>Cope with unexpected increase demand of labour</td>
<td>Concentrate on core business</td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>Indeed implement training</td>
<td>Develop training program according to practiced needs</td>
</tr>
<tr>
<td></td>
<td>Comprehensive training program</td>
<td>More flexible training method</td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>Immediately solve customers’ problem</td>
<td>Reducing the burden on managers</td>
</tr>
<tr>
<td></td>
<td>Recognition of employees’ competency</td>
<td>Training employees to use power</td>
</tr>
<tr>
<td><strong>Corporate Culture</strong></td>
<td>An intangible power to encourage employees</td>
<td>Positive corporate culture leads to employees with active attitude</td>
</tr>
<tr>
<td></td>
<td>Proactive owners form a positive corporate culture</td>
<td></td>
</tr>
<tr>
<td><strong>Physical Facilities and Renovation</strong></td>
<td>The best way to make customers feel their expenditure deserve</td>
<td>Keep facility up-to-date</td>
</tr>
<tr>
<td></td>
<td>Accurate evaluation before renovation</td>
<td>Creativity rather than luxury of architectural materials</td>
</tr>
<tr>
<td><strong>Working Environment</strong></td>
<td>Build up a fair environment</td>
<td>Treat employees like customers</td>
</tr>
<tr>
<td></td>
<td>Create a better welfare for employees</td>
<td>Maintain the dignity of employees</td>
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<tr>
<td></td>
<td>Monetary reward</td>
<td>Create an environment where employees can develop their potentiality</td>
</tr>
<tr>
<td><strong>Branding</strong></td>
<td>Create reputation</td>
<td>Win customers’ loyalty</td>
</tr>
<tr>
<td></td>
<td>Quality assurance</td>
<td>Maintain the glamour of historic hotel</td>
</tr>
<tr>
<td><strong>Creative Marketing</strong></td>
<td>Utilise technical media such as MSN</td>
<td>Implement loyalty marketing by Membership card</td>
</tr>
<tr>
<td></td>
<td>Conduct direct marketing toward loyal customers</td>
<td>Explore the market that is potential but not attended yet</td>
</tr>
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</table>
Figure 6.2 Summary of the factors leading to the performance of poorly performing hotels

The factors leading to the poor performance

**Owner’s Emphasis**
- Owner’s strong subjective thinking in management
- Owner’s excessive involvement in management
- Reluctance to accept advice of professional managers
- Taking a conservative and passive attitude in management

**Professional Knowledge & Experience**
- Management team is composed of owner’s family members
- There is not a sound management system in hotel
- Management highly depends on people, not system
- Professional knowledge is not respected in hotel

**Innovation & Features**
- Innovation does not respond to actual customer demand
- Innovative ideas are from managers but seldom listen to first-line staffs’ opinion
- Hotel owners are not willing to take the risk of innovation

**Quality Employees**
- Lack of good use of employees
- Lack of respect of employees
- Have not placed employees in right position
- The employees are trained to be only obedient to the owner and not creative at all
- Employees are only willing to concentrate on maintaining the status quo

**Outsourcing**
- Service quality is major concern
- Do not trust subcontractors
- Have not found any appropriate subcontractor
- Worry about the management of external employees

**Training**
- Training programs concentrate on areas customers do not consider important
- Training is costly and not likely to bring immediate benefits
- Regard training as an operating expense rather than an investment

**Position**
- Hotels’ resource cannot support their position
- Incorrect position
- Position is not clear
- Do not position their products in terms of customers

**Empowerment**
- Managers are reluctant to empower their employees
- Hotel owners are afraid that due to employees’ abuse of power, the hotel will suffer a loss
- Employees are not trained to properly use their power

**Corporate Culture**
- Negative & conservative corporate culture
- Closed corporate culture
- Bureaucratic corporate culture
- Profit oriented corporate culture
- Corporate culture emphasizes “absolute obedience” and causes inflexibility

**Physical Facilities and Renovation**
- Hotel owners lack the concept that “renovation increases hotel competitiveness”
- Hotel owners think that broken facilities should be repaired rather than directly renewed
- Renovation is used on the maintenance level in terms of extending the useful life of the property rather than reposition the property.
- Many owners are unwilling to undertake investment risks in renovation.

**Working Environment**
- Do not provide employees with good working environment
- Taking care of employees is not deemed as important
- Employees’ needs and feeling are usually ignored
- Employees are not fairly treated and their morale are hurt

**Branding**
- Brand is usually a burden to old hotels, because everything is old and quality is poor.
- The owners of old hotels lack the concept of brand
- Hotel owners do not attempt to create a good image for their brands
- Hotel owners have little idea about brand identity

**Creative Marketing**
- It is hard for hotels to utilize traditional marketing skills to create loyal customers
- Employees help customers resolve their problems in a passive manner
- Hotels’ marketing is focused not on the customers, but on the profit.
Chapter Seven : Discussion

7.1 Chapter Introduction

The previous chapter presented the findings of the qualitative phase of the research, involving interviews with hotel managers, together with the researcher’s observations and research notes taken.

This chapter specifically addresses the research question, draws conclusions from the interview results and discusses implications.

7.2 Owner’s Emphasis

As revealed by the data in the last chapter, many hotel owners in Taiwan are not experts in hotel management. Rather hotels are owned by entrepreneurs who employ professional managers to operate the hotels (Hotel G1, G4, G7, G8, A2, A3, A5, A7, A8, P2). No matter what management model, the owners almost always make the ultimate decision with respect to financial resources. Implementation of all investment plans or significant decisions are still approved by the hotel owners. Hence, hotel owners’ attitude and the gap in management ideas between owners and managers may influence hotel performance. Guilding (2003) indicated that in the hotel sector there is a subset of hotels where one party owns the physical assets of the hotel (the owner), and an independent second party manages the hotel (the operator). This schism between ownership and management signifies that unlike the context of most capital budgeting, where investment decisions are made within the confines of a single hierarchical organisation, two distinct organisations are frequently involved in hotel investment decision making processes. Agency theory has been widely-used in research concerned with exchanges where one party, the principal (frequently represented by the owner of a business), assigns work to a second party, the agent (frequently represented by an employee of the business owned by the principal). It attempts to expose the conflicts between principal and agent (Guilding, 2003).

One factor giving rise to principal-agent conflict is a differential in the principal and
agents’ perceived relevant time horizon. Some Taiwanese hotel owners tend to be too short-term profit oriented. If hotels are not making profit, they start cutting on service and will not spend enough on maintenance and improving customer service (Hotel P5, P6). This kind of management model does not only hurt hotel’s image but also hit hotel’s performance. Beals (1995) noted that problems in the owner/operator relationship stems from the separation of wealth from operations, which is the source of the wealth and that this becomes a problem due to owners and operators having different perspectives on time. Guilding et al. (2001) claimed that investors put an emphasis on immediacy and the discounting of future cash flows. The hotelier, however, has a culture that is more closely aligned to a longer time horizon, and long-term customer relationships. As a consequence, relative to managers, owner are more short-termist in their approach to investment appraisal. However, short-termist action that the operating hotel might take which could be contrary to the long-term interests of the owning hotel include reduced training and asset maintenance expenditure and the promotion of investment expenditure that might result in relatively high short-term returns but low long-term returns.

It is of no doubt that owners invest in hotels for profits. In Taiwan, a considerable number of hotel owners have started their career from the real estate business (Hotel G1, G2, G7, G10, G11, A2, A3, A5, P2, P4, P7). Compared with real estate from which investors can reap massive profits in a short time, running a hotel is a long-term and persistent investment. If not realizing this particular feature of the industry, owners will have frequent conflicts with their professional managers. Certainly, the performance of their hotels will be affected as a consequence. Beals (1995) claimed that investors, to the frustration of operators, seek precision that goes beyond assembling cost estimated to forecasting concrete benefits in terms of increases in net operating income measured over a specific time line. Not surprisingly, operators frequently complain that investors fail to provide adequate capital to realize the full potential of the hotels they manage, and investors accuse hoteliers of misspending capital, and this is certainly the case for hotels in Taiwan. Therefore, those hotel owners who can trust and give full support to their managers are really rare and highly appreciated. Consequently as the data revealed in the previous chapter, managers also attributed their achievement to owners’ emphasis and dedication, because their owners did not intervene in hotel management simply due to a short-term profit variation;
instead, they continued to provide resources and financial support. These owners not only view hotels as an instrument of making profits but also well understand the features of this business and manage it as a long-term career.

Although many owners have attached much importance to the management of their hotel business, the problem is that the methods hotel owners take will become a significant factor influencing hotels’ performance. In our interviews, several managers mentioned that they hoped owners could provide full support in their operation, and such support included financial support and respect for their professional management (Hotel A7, P2, P5, P6). After all, employee training, physical facilities and renovation require a huge expenditure, sometimes even exceeding millions of Taiwan dollars. Without owners’ support, even an outstanding team will not succeed (Hotel G8). As discussed by Eyster (1977) the cash shortage cripples hotel manager’s ability to promote the property aggressively and maintain it adequately. This handicap usually results in lower-than-anticipated business volume.

Hotels are a highly professionalised and delicate business, so hotel management relies on owner’s trust of and respect for managers. However, as found in our interviews, this is a major complaint of many managers of low-performance hotels. Taiwanese hotel owners were unwilling to accept the advice of professional managers, preferred using their intuition to manage their hotel, and insisting on their own personal views. In fact, many of their management methods differed from modern principles of hotel management (Hotel A7, P2, P6). As a result, these hotels performed poorly. In Taiwan, many owners only care about profit. Although financial losses may be the result of economic and market factors beyond the control of the operator, the owner’s doubts about the operator’s ability, aggressiveness, and conscientiousness are heightened because they think the managers bear little or no downside financial risk. As a result, if owners cannot gain profits or as much as expected from their hotel business, they will begin to intervene in the management. However, their intervention, in most cases, will only worsen the performance of their hotels.

A couple of hotel owners in Taiwan have developed a successful business before investing in hotel management. Therefore, they usually manage their hotels in the same way they managed their previous business (Hotel P2, A8). However, the hotel
business has its specific characteristics and is very different from other businesses. Owners do not necessarily have to be an expert on hotel management, because they can get out of conventional frameworks and introduce new ideas into this industry. However, operating a hotel requires professional knowledge and skills. Owners still have to rely on professional managers. It was found in our research that most owners of high-performance hotels understand their limits and are willing to delegate their power to professional managers. For instance, some owners of high-performance hotels have good ideas and high ambitions, but they deliver their goals and ideas to professional managers and let them manage to achieve the goals without intervention of the owner (Hotel G1, G3, G4). We can say this owner’s respect for professionalism has paved the way for professional managers to attain high performance of the hotel.

In addition, owner’s concepts of and attitudes toward hotel management significantly influences hotel performance. Several managers interviewed mentioned that if their owners have innovative ideas and proactive attitudes, their hotels are more likely to have better performance (Hotel G1, G4, G5). On the contrary, owners with conventional ideas or conservative attitudes will only frustrate managers and gradually weaken the competitiveness of the hotel (Hotel P7, P8). The reason for this is that owners with a proactive attitude will naturally form a force propelling employees to work hard. This attitude has a positive effect on hotel performance. In contrast, passive and conservative owners seldom show support to their managers, even if they have done certain jobs that contribute to hotel performance. In the long run, employees will also become passive and conservative. The hotel’s performance will certainly be affected. In our research, a significant performance difference was found among hotels, depending mainly upon the ideas and attitudes of hotel owners.

According to the data presented in the previous chapter, family business is one of the factors leading to poor performance. It was revealed throughout the interviews that in such family owned hotels, the power is dominated by owner or family members (Hotel A2, A3, A5, A7, P2, P8). All important positions in the hotel are taken by the owner’s family members, and most of them are not experts. Professional managers in such hotels not only have no room for development but also have to be supervised by a bunch of family members. As professional managers are not respected in such hotels, the turnover of managers is high (Hotel A7, P8). As argued by Yeung (2000), the
centralization of power through the domination of family ownership and control is almost the defining characteristic of Chinese family firms. This centralization of power is found in the “centripetal authority” around founders or core family members (Tong, 1991). Due to the centralization of power, Chinese family business distrust non-family members and is more likely to stress family and kinship relationships in doing business (Kao, 1993). The distrust of non-family members can explain conservative management policies in that it leads to a great reluctance to appoint outside professional managers and a disregard of any outside advice. Conservative management practices also result from the tendency of hotel owner to rely on their past experience as the platform for learning. External learning is rare. Nepotism is another characteristics of family business (Yeung, 2000). This is also the reason why several important positions in family owned hotel are taken by the owner’s family members, even though they may be not experts. However, nepotism is also an obstacle to operational performance in family owned hotels, because the important positions are employed not on the basis of qualifications and performance but on the basis of relationship to the family. This does not only make some of their decisions against the professional management principles, but also discourages able and competent professional managers who aspire to perform their abilities in the hotel.

In addition, managers interviewed mentioned that there is not a sound management system in family owned hotels (Hotel A7, P8). All the decisions are in the hand of family members and many have been made at their whims. This is in accord with Wong’s (1988, p.63) argument that Chinese family business is less standardization of activities and fewer routine procedures—management by persons rather than management by rules. This is an antithesis of the Western style of management, which is based on rules, contracts, and professionalism (Chandler, 1977, p.92). As a result, this kind of management model in family owned hotels is critical limit to growth, because ad hoc decisions of family owned hotels make it impossible to institutionalize formal organisational structures and clearly defined lines of authority. On the other hand, research findings also showed that family owned hotels are composed of numerous family members. Opinion incongruence among family members also affects the normal operations of the hotel and causes a gradual decline in hotel operational performance (Hotel A2, A3, A5). A family business is originally created to achieve high performance with the joint efforts of family members. However, in
practice, family members running a family business usually have divergent opinions and even attack one another for personal interest. In a family-owned hotel, the simple relationship between employer and employees is intertwined with family relationships. For example, a family member works in the hotel. He is an employee of the hotel but at the same time he is also a senior family member of the manager. If his performance is not good, it is hard for the manager to deal with this employee. Although a family-owned business is an inevitable result of the current culture in Taiwan, hotel owners need to be aware that hotel should be managed and operated professionally. Therefore, for a hotel management system to operate with efficiency, they must hand over the management of the hotel to professional managers.

From the research results, it can be concluded that owners of high-performance hotels in Taiwan have the following characteristics: (1) Enthusiasm with hotel management: due to high enthusiasm with hotel management, owners are willing to view it as a core business, even if it is only a small part of their portfolio. (2) Understanding of the features of this industry: owners who understand the features of the hotel business are more willing to support resources necessary to hotel management. (3) Respect for professionalism: owners perceive operating a hotel as a highly professional task and are willing to sufficiently delegate their power to professional managers. With a sense of mission, they not only wish to run a profitable hotel but also make it the best. Because of these characteristics, these hotels can always be fully supported by their owners, and their employees can be sufficiently empowered. As a result, hotel operational performance has been increased.

### 7.3 Professional Knowledge in Hotel Management

A hotel provides multiple services. It has been estimated that a modern and top-level hotel is operated by dozens of professionals using a combination of techniques from more than 40 management areas (Huang, 1994). In an international tourist hotel, almost everything that customers need is available. That is why it is also called “a city within a city”. In a hotel, numerous services are provided and each service involves different knowledge and skills. Thus, professional knowledge and experience in management have become indispensable for efficient operation of a hotel. In addition, hotel managers often explicitly state that they are devoted to differentiate the
hotel from competitors by offering superior service. Differentiated and better service requires that the employees master hotel specific skills and knowledge. Therefore, Gjelsvik (2002) pointed out that hotel employees with professional knowledge and experience can create new competencies and sustainable competitive advantage.

The resource-based perspective on strategy regards the firm as a bundle of resources and suggests that their attributes significantly affect the firm’s competitive advantage (Wernerfelt, 1984). Most conspicuous among these resources are those that are valuable, scarce, imperfectly tradable, and hard to imitate. Professional knowledge is a critical firm-specific resource that does not easily lend itself to transfer and imitation by other firms (Barney, 1991). Grant (1996) also argued that knowledge is a firm’s most critical competitive asset, and Spender (1996) contends that knowledge and the firm’s ability to generate it are at the core of the theory of the firm. Therefore, knowledge creation and transfer of knowledge within the firm contribute to higher firm performance (Hitt et al., 2001). A hotel business is not protected by a patent. One of its competitive advantage lies in its intangible asset—management knowledge. Hotel with a knowledge that either gained from experience or management theory, will have at least an initial advantage.

Research findings in chapter 6 indicated that the best way for a hotel’s management to present professionalism and experience is to always think ahead of customers and set a high standard for itself. It was revealed that international hotel chains were usually well-prepared before any incident occurs or is expected by customers (Hotel G3, G8, G9). With respect to many services, while many local hotels have been self-satisfied, international hotel chains always demand themselves to do a better job. They set a higher standard to follow (Hotel G3, G8, G9). In this increasingly competitive environment, making customers satisfied is already not enough, because satisfied customers may not necessarily be loyal. Therefore, services should evolve to make customers not only satisfied but also moved. Using the professionalism and experience globally accumulated over the years, international hotel chains always try to provide adequate services before demanded and set a high standard for themselves. This is the reasons why these hotels can have good performance and the notion local hotels need to learn.
Moreover, hotel services have an inherent tendency to be inconsistent or variable (Nobel, 2000). The results of the research illustrated that part of the reason for inconsistency in hotel sector is because many of its services are provided by humans rather than machines. Humans are not as consistent as machines, and the human element is the most uncertain and uncontrollable factor (Hotel G1, G3, G8, G9). In addition, employee turnover rate is high, and almost all the tasks are taken care of by multiple shifts. This leads to service quality being hard to control with impacts on operational performance (Hotel G3, G8, G9). However, this shortcoming can be improved through professional management and experience to assist hotels to build up a sound management system. Professional knowledge and experience in hotel management can help hotels build standard operation procedures (SOP) and equip employees with professional knowledge and correct service attitudes to ensure that shift is not a variable in service quality, and a consistent level of service can be offered at all times, even if an employee is not at their best condition (Hotel G1, G2, G4). Hotel service cannot only focus on quality, stability and consistency should be emphasized as well. In a hotel, most services are provided by employees, but employees are the most unstable factor of all. Employees are easily susceptible to personal emotions and the external environment and provide services of inconsistent quality. Through the use of professional knowledge and management experience, the impact of the human factors can be reduced to ensure that all employees provide services at a constant quality level in any condition, so that the stability and consistency of hotel services can be maintained.

Managers interviewed also pointed out that to make a hotel operate efficiently, it is very important to build a sound management system, because a hotel is usually comprised of many departments and to complete the job, all departments need to cooperate. A problematic hotel does not necessarily have problematic employees. In most cases, it has something wrong with its management system, such as the absence of a clear definition of responsibilities or insufficient communications (Hotel G1, G9). Professional hotel management knowledge and experience can build a system suitable for that particular hotel according to real situation and increase its operational performance. On the other hand, in the judgment of the service quality of a hotel, the focus cannot be placed on its regular services but on its way of handling customer complaint shall any contingency occurs (Hotel G3, G4, G9). If it is capable of quickly
and properly handling customer complaints and contingent events that cannot be forecasted, its ability to handle routine works will be definitely of no doubt. To have this ability, training of professional knowledge and accumulation of experiences are indispensable. Therefore, professional knowledge and experience in management can help a hotel efficiently solve contingencies and maintain customer satisfaction.

Although professional knowledge and experience has a strongly influence on hotel’s operational performance, it was also discovered that conflicts between professional knowledge in management and ideas of the owner may constantly occur. In Taiwan, as mentioned in the previous section, most hotels are not run by hotel owners with professional knowledge. Some entrepreneurs established hotels simply because they have land and sufficient capital, and these hotel owners are very involved in management and are characterized by stringent supervision and control. This leads to the tendency of hotel owners to rely on their past experience as the platform for management and a great reluctance to accept advice from professional managers. As a result, most employees would rather follow owner’s opinion than create new ideas. In this era of emphasizing professionalism and efficiency, such an approach will have a negative impact on hotel operations (Hotel A2, A3, A5). Moreover, the management team in some hotels is composed of owner’s family members, close relatives or friends. It was observed that one aspect of nepotism is that these people have highly loyalty and can be trusted by the owners. However, these people have no professional background and there is not a sound management system in this kind of hotels. Management highly depends on people, not systems. All the decisions are in the hand of family members and many have been made at their whims. Professional knowledge is not respected in such hotel. As a result, the operational performance is seriously influenced and becomes poor (Hotel A7, P6). It can be inferred that hotel owners do not have to be an expert in hotel management, but they need to hand over the management to professional managers. Although these hotel owners have their own ideas and methods of running a hotel, they still need to respect and accept advices of professional managers. Managing a hotel is professional and complicated. It cannot be done simply with the owner’s personal ideas or reliance on trustworthy family members. Respect for professional knowledge and management experience is still an indispensable element in hotel management.
Hotels are businesses that must make profit to survive. To hotel owners, great service without profit is nothing (Nebel, 2000). There was agreement by those interviewed that good services make more satisfied customers, which should lead to repeat business, a better reputation. However, every additional dollar spending on service immediately reduces pretax profit by a dollar. According to the interview results, some management teams have outstanding professional knowledge in hotel management, but they put too much emphasis on providing quality service to customers and ignore the concept of cost. It is difficult for most Taiwanese hotel owners to accept this service model (Hotel A1, A8). Nebel (2000) indicated learning how to stay in budget and provide quality service, at any management level in a hotel, is the essence of effective management. Consequently, when management team manages a hotel, they should propose a business plan to the owner with consideration of both the cost and owner’s interest. This business plan needs to cover details of business operations, profits to be obtained, time of return on investment. With a better understanding of the goal and merits of the plan, the owner may be more willing to trust experienced professionals and authorize them to run the hotel. In sum, professional management and experience can be effective and contributive to hotel performance only on the ground of trust.

It was apparent throughout the research results that professional knowledge in hotel management can help hotels establish a sound management system, SOPs compliant with customer needs, effective crisis-solving mechanisms, and a quality control system to maintain service quality. Specially, professional knowledge in hotel management puts emphasis on each detail and all the possible problems that may arise and solutions to these problems are considered in advance. Moreover, it sets a higher standard to follow and requires the service provided to be of high standard. All of these are the factors contributing to good operational performance in hotels. On the other hand, hotel management knowledge has been more highly developed in western countries, and Taiwanese hotel managers could do well to have much more communication and exchange opportunities with international hotel chains, and learn specific operation and management practices from them. They may have chances to open up their international views and gain knowledge from prestigious hotel groups with successful experiences. The hotel sector in Taiwan is competing in the global market. Hoteliers should be aware of the trends of global service development and
take constructive action to cope with future changes and challenges.

7.4 Innovation and Features

Innovation is regarded as an essential activity for firms that desire to face competition on the basis of quality and suitability of purpose (John and Snelson, 1990). In the face of a hotel environment where customer preferences are changing rapidly, where competition is intense, and where differentiation is limited, innovation seems to be an important strategy for hotel to enhance operational performance. Ottenbacher and Gnoth (2005) stated that in the turbulent hospitality industry, hotels are continuously forced to look for ways of improving quality and increasing profits. One approach to attain this goal is through innovation, or the ability to develop and launch new and successful hospitality services. Innovations are critical for not only survival but also for long-term stability and profitability (Cooper & Edgett, 1999). Similarly, research finding indicated that innovation has significant influence on increasing hotel’s profit, because in the competitive hotel market, only by offering innovative and characteristic products can hotels attract customers without engaging in price battles (Hotel G1, G8, G10). New products represent an important resource of survival and growth for the service industry. In this regard, the development of innovation has become a strategic weapon for hotels.

From a customer’s perspective, the hospitality market is continually inundated by many similar, often easily substitutable service offerings. This can cause difficulties for hotel managers as they attempt to differentiate an individual hotel from its competitors. Without special features, it is difficult for hotels to attract new customers (Hotel G1). One solution to this challenge may be to offer new and innovative features to customers. On the other hand, the hospitality industry is rapidly changing due to accelerations in information technology (Olsen and Connolly, 2000). Managers will need to make proactive changes which focus even more intensely on customer preferences, quality, and technological interfaces in order to stay competitive in such a dynamic environment (Karmarkar, 2004). Customers today do not exhibit, as in past decades, a truly brand loyal behavior. Customers instead are choosing to patronize hotels that offer the best value proposition under existing budgetary constraints. Consequently, innovation becomes an essential factor for hotel’s operation.
Jogaratnam and Tse (2004) revealed that the hotels tended to emphasize a proactive approach toward marketing, innovation, and risk taking and these hotels were associated with higher levels of performance. In contrast, the hotels tended to favor a strategic orientation that emphasized behavior that was noninnovative, reactive, and risk averse. These hotels were more likely to be associated with lower levels of performance. Research results revealed that hotels could increase operational performance from the implementation of innovation. For example, through physical facility innovation, some hotels did not only receive popularity among customers but also increased customer retention rate and profit (Hotel G3, G4, G8). Hotel G10 utilized innovative service model to successfully change customer’s habit of experiencing a vacation. This hotel did not only attract more consumers, but also diminished the huge gap in occupancy between high-season and low-season. Furthermore, Hotel G11 created new management strategies. Through innovating with the idea of increasing bed occupancy rate to replace the conventional idea of increasing room occupancy rate, its overall operational performance has been enhanced. All of these support Victorino’s et al. (2005) arguments, that innovation is a crucial aspect of a hotel’s ability to differentiate itself from its competitors and can contribute more to a hotel’s revenues.

A hotel environment is constantly changing and that change is part of the reality of business. In this turbulent environment, being adaptive is not good enough. Therefore, Jogaratnam and Tse (2004) argued that given the pace of change in the lodging industry, innovation will be a deciding factor in obtaining sustainable competitive advantage. Interviews indicated that the reason Hotel G3 became the leading brand of international tourist hotels in Taiwan is that it has prospective visions to accurately predict customers’ expectations 10 years later. In other words, its innovation is based on the prospective prediction of customers’ needs. Supporting Jogaratnam and Tse’s (2004) arguments that hotels who are able to envision the future and create products and services that take advantage of upcoming opportunities will become the leader in the industry.

Most managers understand the importance of innovation. However, it is not easy to be innovation. Indeed, the failure rate for innovation is high. On average, four out of ten
new service fail (Griffin, 1997). The possible reasons for failure in many hotels are that managers develop a personal favorite idea without conducting market research (Ottenbacher, 2007). The new offer might be incorrectly positioned in the marketplace, and often does not respond to actual and anticipated customer demand. Interview findings indicated that this is the main reason that some hotels in Taiwan have failed (Hotel A8, P3, P9). Quoting the words of one manager that said: “Innovation needs to comply with customer needs. If not, it is just a waste of time and efforts” (Hotel G10).

According to the research, some hotels offer innovative products or services that are of a high quality; however, their customers are not willing to pay such high prices (Hotel A8, P3, P9). As a results, although these products and service are innovative, the market is too small and the costs is too high, and financial returns are quite disappointing. Therefore, if hotels do not have the knowledge about what customers really need and want, they still cannot increase their operational performance through innovation.

Moreover, hotels need to target their innovation at high-growth markets, high dollar-volume markets, or markets that offer high margins (Ottenbacher, 2007). Research results indicated that for high dollar-volume markets, price is usually not a customer’s primary concern. What they really care about are innovative features of the hotel (Hotel G1, G4). Therefore, the merit of targeting innovation at high dollar-volume markets is bringing a good return. Ottenbacher (2007) also indicated that the potential and attractiveness of the target market are crucial parameters for innovation success. The potential relates to the current and future size of the market. The current market needs to be large enough to promise a worthwhile return. Hotels often have to make significant financial investments in innovation, yet only those innovations show immediate return on investment and promise a long-term volume are perceived as successful. Some hotel owners in Taiwan are not willing to take this risk, because innovation is easily duplicated by other hotels and they cannot be assured of a reasonable return. As a result, they would only maintain their current service rather than implement any innovation. Whilst several managers regarded innovation as a strong competitive advantage, the lack of a budget and owner’s support precluded them from bringing their ideas forward (Hotel P5, P7).

On the other hand, innovation should be developed by a formal, empowered
development team (Laurie et al., 2006). Employees are critical within the process. Hotel managers should not develop innovation by themselves but should significantly integrate employees within the whole process (Ottenbacher, 2007). However, Taiwanese hotels innovative ideas are from owners at the top level of management and they seldom listen to first-line staffs’ opinion (Hotel A8, P3). Selden and MacMillan (2006) indicated that successful innovations have high levels of employee input from idea to launch. Employees can help to identify consumer needs and wants and are therefore an excellent source for new ideas. Employee involvement will probably increase employee loyalty, reduce turnover, and improve customer service (Selden and MacMillan, 2006). Accordingly, if employees are involved in the process, they may better understand and support the innovation when it is launched. As a result, there will be higher levels of employee commitment and motivation, which is also critical for successful hotel innovations.

Additionally, innovation needs to be communicated and marketed to hotel customers. Ottenbacher and Gnoth (2005) stated that effective communication with customers is a key success factor that drives performance of hotel innovations. Effective communication comprises effective and well targeted advertising or promotion campaigns; informing customers about the new service; and achieving a distinct position with the new service. This is also the limitation when Taiwanese hotels utilize innovation strategy. Consequently, even hotels are devoted to develop innovative service, they cannot neglect the importance to deliver the message about their innovative products to their customers. After all, it is not sufficient simply to create an innovation and announce it exists because even the best products and services do not sell themselves.

Despite the positive effects of innovation on hotel performance, the managers interviewed argued that hotel services can be easily imitated. Therefore, innovation should be fast and continuous (Hotel G1, G3). This is consistent with Agarwal’s et al. (2003) opinion that innovation is particularly critical to service firms, as their products are difficult to protect through patents and copyrights. To enjoy competitive advantage, service firms may need to continuously innovate to stay ahead of competitors.

Successful innovation can raise awareness of the hotel, improve image of hotel,
enhance customer loyalty, and attract new customers. Moreover, innovation does not only offer a competitive advantage but also deliver its benefits and unique features to establish a distinct positioning in the buyer’s mind. The research results suggest that the hotels with good operational performance had a proactive approach toward innovation; in comparison, the hotels suffering from poor performance were less likely to consider innovation. Therefore, to maintain competitive advantages, hotels need to have prospective visions to accurately predict customer expectations and satisfy them with creativity. Then, they can prosper in the highly competitive market.

7.5 Outsourcing

Outsourcing has become an important strategic tool in today’s competitive business environment. Research findings indicated that an increasing number of Taiwanese hotels have adopted outsourcing of their operations. Espino-Rodríguez (2004) revealed that new technologies, fiercer competition and an ever-changing environment are leading hotels to reduce the level of vertical integration and focus on their main activities, or core competences. Previous research has indicated that cost reduction is the main reason of outsourcing (Bettis et al., 1992; Blumberg, 1998; Nieminen et al., 2006). Cost reduction is a result of taking advantage of the supplier’s economies of scale, since the sub-contracted firms which are offering their services are more specialized, and thus more efficient than the client firm (Espino-Rodríguez, 2004). Furthermore a greater flexibility in terms of cost can be achieved, in that fixed costs can become variable in accordance with the firms seasonal requirements (Bettis et al., 1992). Consequently, the increase in outsourcing can lead to effective reductions in production costs. The managers interviewed revealed that in the cost structure of Taiwanese hotel management, human cost takes up a large proportion (Hotel G1, G2, G3). According to DEA slack analysis (section 5.4), hotels suffering from inefficient operation can effectively improve their operational efficiency by reducing the number of employees. Under this condition, outsourcing seems to be a good solution to reduce labour cost. Specially, hotel who are subjected to seasonal business. Between high and low seasons, there is a large gap of demand for human labour. Outsourcing can assist with meeting seasonal demand or for managing incremental demands beyond a core capacity that has been maintained in-house. Consequently, outsourcing is a strategy that can reduce costs and business risks. If market opportunities are disappearing,
hotels can immediately terminate labour from subcontractors, who need to deal with surplus labour alone and share the risks of market fluctuations. Conversely, unexpected increases in demand for human labour or physical facilities can also be easier to cope with through outsourcing.

However, outsourcing today is not just for cost reduction. It is considered a strategy enabling hotels to strengthen their resources and consolidate competitive advantage. McIvor (2000) believed that outsourcing is no longer so much a tactic seeking short-term results, most especially cost reduction, as a strategic approach attempting to achieve and maintain competitive advantage. In other words, cost reduction is just one of the effects of outsourcing. In fact, outsourcing can be applied to provide more positive functions in hotel management. As hotel services are very diverse, it is hard for a hotel to master every aspect. Therefore, hotel should analyze the value chain of its activities, apart from concentrating on those activities that it really knows how to do and outsourcing those that it does not do efficiently. Thus, resources can be concentrated for businesses that the hotel is good at, and risks of running unfamiliar businesses can be avoided. Quinn and Hilmer (1994) indicated that outsourcing non-essential processes enables the organization to direct more managerial attention to the tasks it can do well while entrusting those that can be done better by a supply company to the management of other companies. Blumberg (1998) stated that outsourcing allows management to devote to priorities of a strategic nature and so have resources available for other purposes, giving greater flexibility in operations. Research finding showed that after evaluating the performance of every business unit, hotels having good operational performance usually outsource those operations that they do not know how to do, do not have capacity to perform them better, and do not generate good revenue to reduce the loss and increase attention to their core activities. (Hotel G2, G3, G9). In Taiwan, most of the international tourist hotels provide numerous service items. With limited human and material resources, they are certainly unable to perfect every service. Moreover, large vertically integrated and diversified organisations make a hotel bureaucratic, slow to react and senior management is limited in their ability to obtain and process relevant information. Through outsourcing, hotels can focus more on their core services, and by spreading operations over a variety of suppliers, risk can be reduced and shared, and hotels can react more quickly and effectively to changes in the market. Therefore, it may be concluded that
outsourcing is one of the key strategies that can enhance hotel performance.

Another reason for outsourcing is that some service quality can be improved through outsourcing. Research finding indicated that through cooperation with subcontractors, outsourcing helps hotels offer more professional and advanced facilities and services. Even sometimes, because of the expertise of subcontractors, the service quality they have provided turns out to be better than what hotel could possibly do (Hotel G1, G9). This is consistent with Espino-Rodríguez’s (2004) suggestion that one of the basic reasons for outsourcing is the improved service quality of outsourced processes, since hotels that outsource recognize that there are suppliers in the market who are capable of performing some operations better than the hotels themselves can. In recent years there has been an increased in strategic alliances to acquire the new capacities necessary to achieve and sustain competitive advantage (McIvor, 2000). This is especially important, since strategic alliances may unintentionally lead to the acquisition of knowledge and the absorption of capabilities. In this way, hotels which outsource their services can have access to the latest technology without having to invest.

Outsourcing is still a new business strategy for hotels in Taiwan. Although the majority of the managers interviewed knew the various advantages of outsourcing, there was a certain lack of confidence in whether outsourcing service can lead to better performance, access to skills and abilities that are unavailable. Compared with hotels of good performance, those suffering from poor performance have seldom or never adopted an outsourcing strategy, mainly taking into account its negative effect on service quality (Hotel A8, A9, P1, P2, P5). This finding is consistent with Teng’s et al. (1995) argument that the problem of outsourcing is related to the service quality of suppliers. Therefore, even if some hotels in the research have units with poor operational performance, these hotels may still insist on managing the units on their own. At last, their insistence drags down the performance of the entire hotel.

However, this problem can be solved through careful selection process and hotel’s proper supervision. Outsourcing risk can be initially reduced during the selection process when suppliers are screened out based on reputation and experience. Incentives and penalties for good and bad performance are other measures used to
reduce risk to the hotel. As long as hotel has experienced professional managers and supervisors to monitor the work of subcontractors, the service quality still can be controlled at a certain level. In addition, not all the aspects of service quality are concerns of customers. Espino-Rodríguez (2004) noted that some service items with no direct exposure or of less importance to customers can be outsourced to reliable subcontractors such as cleaning and gardening which there is no direct contact between customers and hotel staff. Thus, although outsourcing indeed has certain negative impact on service quality, but not to a significant extent. Compared with the costs saved, the benefits of outsourcing are greater (Hotel G3). Accordingly, as long as there are adequate suppliers that offer services with a good quality/price ratio, hotels should consider to increase their outsourcing in the peripheral items because these items are not the core operations of the hotel service and there is no direct contact between the customers and the staff. Even serviced quality is influenced by subcontractors, customers do not really care.

It is apparent throughout the research that outsourcing can effectively reduce operational cost, evade operational risk and allow hotel to concentrate on core business. Moreover, through cooperation with subcontractors, outsourcing can help hotels offer more professional and advanced facilities and service. Unexpected increase of demand for human labours or hardware facilities can also be managed through outsourcing. It cannot be denied that outsourcing has certain negative impact on service quality but not to a significant extent. In fact, through setting up a proper supervision system, the service quality still can be controlled. Compared with the costs saved, the benefits of outsourcing are greater. Therefore, those hotels with poor performance should not insist on doing everything by themselves. They should evaluate every service carefully, then outsource those activities that have less direct contact with the hotel staff, have poorest performance and does not have capacity to perform better, to increase their operational performance.

7.6 Quality Employees

It is the people in a hotel operation who determine whether or not the quality function is being carried out in an acceptable manner. Hotel work is people-oriented and labour is the most important resource in determining hotel’s effectiveness. Therefore, getting
quality employees becomes an essential factor for increasing hotel operational performance. Nebel (2000) indicated that hiring the right employees is critically important for hotels because they are more than service businesses, they are hospitality service businesses. Therefore, hotels are not just looking for employees to service customers, they are searching for hosts and hostesses to entertain customers. Ottenbacher et al. (2006) noted that hotels often have the same hardware, which means that employees are the ultimate moderator for differentiating services. In the hotel sector, other sources of competitive advantage are easier to access and, therefore, easier to copy. Only cultivating quality employees can become a unique competitive advantage and difficult to imitate. Research finding revealed that managers of hotels with good performance valued the contribution of employees in hotel operations. Almost all managers interviewed expressed the importance of quality employees for hotel operation (Hotel G1, G3, G6, G8, G9, G11, A1). Although high technology and information system have replaced many traditional administrative functions, it is not possible to replace service employees in an intensive “hands on” customer service culture in hotel sector. Therefore, quality employees will continue to be an important factor to enhance hotel operational performance.

From a strategic perspective, hotels are not simply in the business of selling accommodation, food and beverages but rather, in the business of providing people with memorable experiences of service (Nebel, 2000). The one providing such service is employees. All the hotel’s luxurious hardware and facilities will be in vain if a high level of service cannot be provided by employees. Therefore, quality employees become very important for hotel operation. However, due to the particular characteristics of hotel sector, it is important whether the employees’ personality can fit in the industry. Long working hours, hard working loading, shifts, and relatively low payment make the hotel sector an unattractive working environment. Employees must be happy and enjoy working in the hotel sector. Understanding the importance of quality employees, hotels with good performance have made their human resource strategy part of their strategic planning process and integrate it into daily operations. They strive for the alignment of their employees with the company’s vision, goals and business strategy. When combined with the alignment of the equipments and systems used by employees, these hotels will be positioned to effectively compete and win in the market.
In the interviews, the managers unanimously pointed out that people with a proactive attitude and incomparable passion are most wanted and needed by hotels (Hotel G1, G9). It is not surprising that employee attitude ranks high on the list of management concerns. Since much of the service provided by hotels has important intangible components, how people perform their tasks is often as important as what they do (Nebel, 2000). Attitude, therefore, is the most important attribute in selection staff and its priority is superior to knowledge, skill, and ability (Moy and Lam, 2004). In fact, hotel operational knowledge and skill can be learned by orientation and on-the-job training, but positive attitude and work ethics are not likely to be easily trained. It is difficult to develop these attributes in employees after entering the industry. This is why these attributes are regarded as the most wanted and needed by hotels. The attitudes and behaviors of hospitality employees can significantly influence customers’ perceptions of the service. Hotels must, therefore, find ways by which they can effectively manage their service employees’ attitudes and behaviors so that they can more reliably deliver high-quality services.

To ensure service quality, almost all the hotels have designed a standard operational procedure (SOP) for each task. However, if everything has to follow an SOP without taking consideration of the actual situation, SOP-compliant services may be the worst of all. Therefore, discerning and quick-witted employees are also quality employees in the eye of managers (Hotel G1, G3, G9). People having these characteristics will react to situations according to practical needs and can accomplish assignment without much guidance from the executive, but those who do not have such attributes can hardly finish the assignments even under close guidance. In the face of today’s intensive competitive environment, providing customers with satisfied service seems to be not enough. Hotel’s service should further move them and establish their loyalty. Therefore, hotel’s service needs to be advanced. Before customers talk about what they want, hotel should be able to identify their needs and be well-prepared. The way to attain this goal depends on getting the quality employees with incomparable passion. Then they will be fully devoted to providing customers with memorable experience of service.

Research finding also pointed out that to succeed in Taiwan, hotels require the ability
to innovate, and such ability relies on creative employees (Hotel G2, G5, G6). This finding supports Ottenbacher’s (2007) argument that successful operational performance in hotels is linked to the involvement of employees in the process at the idea generation, planning, and design stages of the new service. The absence of employees who have the skills and the experience to develop innovations is one of the strongest handicaps to innovation (Johne and Storey, 1998). With the elapse of time, all hotels become old. However, their hardware can be old, but not their management concepts. To make hotel maintain a fresh atmosphere, establishing a management team equipped with innovative concept is necessary. Therefore, in addition to hiring the employees with innovative thinking, hotel should also encourage employees to take advanced training and courses, so that they can absorb new knowledge and be devoted to hotel innovation.

In today’s competitive environment a shortage of quality employees is a serious problem facing most hotels in Taiwan. Yang (2007) stated that as the average of educational level has risen significantly in Taiwan in the last decade, it has resulted in more and more difficulty in recruiting entry level employees. Educated young Taiwanese are not enthusiastic to do entry level jobs because they regard these services as beneath them. Yang (2007) further revealed that the educational experience provided to the hospitality industry appears not to have helped. Most hospitality students were not willing to commit themselves to the industry after they graduated. Students chose hospitality programs for their major because they were attracted by the prospect of working in a luxurious and exciting environment. However, before graduating, they are required to take internships in the hospitality industry. During their internship, most students were shocked by the high work loads, shift work and unattractive payment levels.

Compared with the other industries, hotels are generally low wage and labor-intensive (Nebel, 2000; Byrne, 1986; Knight, 1971), and thus the sector cannot compete in the labor market. As a consequence, skilled and experienced workers often overlook hotels for better paying job elsewhere, and as a result, hotels often hire less-qualified workers (Nobel, 2000). Moreover, a hotel career is not a glamorous career nor an easy way of earning a living, it is demanding and stressful work, and requires long and often unsocial working hours (Mullins and Davies, 1991). The managers interviewed
revealed that under this situation, the way to attract good employees is to provide a reasonable offer, an environment that encourages continued learning, and prospective development. (Hotel G1, G3, A1). In other words, hotel should let employees feel their devotion is proportional to their gain, so that they will endeavor to work for the hotel. If hotel offer can no longer satisfy them, hotel should also satisfy them in other aspects, such as to provide them an environment where they can seek continued learning, progress, and future development. Ottenbacher (2007) pointed out that hotels should view employees as a competitive advantage and not as a cost factor. This practice may attract excellent staff as they are perceived to be values by management. In fact, quality employees are abundant, but they also need opportunities to demonstrate their capabilities. Given opportunities and full supports, they will present the best to the hotel in return.

Shortage of middle level managers is another problem facing the hotel sector in Taiwan. Yang (2007) noted that although many middle level managers are available in the hotel sector, their qualification, competences and capabilities have not kept up with the requirements of the position title they have. Assistant Managers are promoted to be Managers, or Managers are promoted to be Directors simply because the vacancy needs to be filled, rather than because the person has the skills or qualifications needed. In the face of this problem, some high-performance hotels have set up an internal management academy to cultivate mid-level managers. They selected potential employees to receive intensive and professional training in this academy and become candidates of future leaders (Hotel G1, G3, G8). In addition to cultivating mid-level managers, hotel can utilize the management academy to build a clear career vision for all employees and highlight how each employee has opportunities to be promoted. Employees can understand their potential development and achievement when they are employed in the hotel from the beginning. Although this is a good way to cultivate and motivate quality employees, it is pity that only few hotel owners are willing to do this because this kind of measures imply that hotels have to make certain of financial investment. Yang (2007) indicated that many hotel owners in Taiwan are product-oriented and regard physical facilities as the way to gain competitive advantage. They are more likely to make investments in physical facilities because they think luxurious amenity is attractive to customers. However, it seems that they do not realise that physical facilities can be imitated easily and usually
results in a “me-too” phenomenon in the cycle of competition. Therefore, in addition to physical facilities, investment in cultivating quality employees is also important and cannot be neglected.

It was revealed throughout the interviews that employees have varied skills. Thus hotel managers need to carefully observe the performance of each employee and deploy each employee to the right position, so that the operational efficiency of the hotel can be enhanced (Hotel G10, G11). This supports Owen’s et al. (2001) findings that sustainable high performance is possible only when hotel has the right people in the right roles with the right manager. To ensure that hotels have the right people in the right jobs hotels need to identify the strengths of the individual employees first. Second, hotels should position the individual in a role that capitalizes on these strengths, and third, hotels should engage the employee such that they are actively using their talents. Owen et al. (2001) further indicated that when hotels do this successfully, employees will exhibit: competence, cost-effectiveness, commitment, congruence with the organisation’s core values and desire to serve customers. Therefore, hotels should thoroughly evaluate each employee’s abilities and place the right person at the right position, so as to enhance the performance of the hotel. Besides, not only exploration and cultivation of quality employees are important, development of cultivated quality employees is also important. Proper opportunities should be given to quality employees so as to keep them in the hotel. The research illustrated that through hotels’ expansion, they offer more opportunities for internal staffs to develop their abilities and induce their growth (Hotel G1, G3). This is also a significant approach to retain quality employees.

Although hotels with poor operational performance also alluded to the importance of quality employee, their requirement and expectation toward quality employees are different from high performance hotels. Employees in these hotels are expected to be quiet, not to have their own opinion, and just obey and follow owner’s ideas (Hotel A2, A3, A4, A5, A7). Under this environment, the employees are trained to be only obedient to the owner and not creative at all. Even though they have some creative ideas or innovative thoughts in their minds, they are reluctant to propose these to the top management because they fear that either they will be burdened with extra worklord or be criticised if the new ideas are not successful. As a result, there is not
much room for personal development and hotel’s performance is affected and cannot be increased.

It was revealed in this research that the conservative attitude of senior employees is one of the major contributors to low performance (Hotel P7, P8). These hotels are full of not only old facilities but also senior employees, who have rich experience but outdated concepts in hotel management. These employees are only willing to concentrate on maintaining the status quo and do what they are assigned to do and are reluctant to accept new concepts and training. In addition, the organisation in these old hotels are bureaucratic (Hotel P7, P8). The way to become a leader depends on seniority rather than ability. No matter how hard-working young employees are, they can seldom be promoted. In Taiwan, some senior employees have been employed for many years but their mindset, competence have not had significant improvement in the past years. Since senior employees play an important role in setting a good example, they have to continuously upgrade their own skills before they can require that sort of development from other employees. Moreover, the competitive hotel environment is intense and constantly changing. Under this situation, if employees are used to routine procedures, always following old models with an expectation to remain the status quo, they will only lower the competitiveness of the hotel. Therefore, hotels should stimulate senior employees to take new challenges. If necessary, they should even eliminate non-qualified ones and employ young management teams and concepts to infuse new vitality to their old hotels and create a brand new look of the hotel.

Hotels represent a labour-intensive customer service industry where people are largely the essence of the hotel operation. The success of hotel strategy execution is dependent upon people. It is the people that develop, explore and convert new ideas into products and service. They also delight customers with impeccable customer service. All of these tasks that people do every day directly impact on hotel performance. To make a hotel operate in an efficient manner, quality employees are indispensable. From the interviews, it is clear that hotels need to locate talented staff, cherish them, and invest on them by providing training programs and opportunities for further development, so that employees are willing to contribute themselves to enhance the hotel’s operational performance.
7.7 Training

Employee training is a critical factor to improve the performance of individuals and groups of employees. This in turn, implies changes in employees’ knowledge, skills, attitudes, and social behavior (McColl-Kennedy et al., 1997). All of these will enhance frontline expertise and further strengthen a hotel’s competitive advantage. Research findings revealed that customer’s expectations are more unpredictable and sometimes illogical. Today’s hotel attendants need to please customers with high standards, which makes delivering service value more difficult (Hotel G8, G9). Therefore, employee training is absolutely the key to market success. As Bell and Zemke (1998) argue, customers are demanding higher and higher levels of service, and hotels are recognizing more and more the critical role service plays in their ultimate success. McColl-Kennedy and White (1997) also noted that hotels that recognize the importance of service encounters and in particular the interactions between front line service providers and their customers spend considerable effort, time and other resources in training their employees in service encounters. Research findings indicated that employee training are thought to be critical in improving the level of service and operational efficiency, and to increase customer satisfaction and loyalty (Hotel G1, G8, G9). Indeed, as Bill Marriott, CEO of Marriott Corporation, claims “you start with good people, you train and motivate them, and you give them an opportunity to advance, then the organisation succeeds” (cited in Zemke, 1989, p.31).

Managers interviewed indicated that hotel is the sector that requires high-levels of professionalism and attention to detail. Employees who have not received stringent training are unable to provide professional services (Hotel G1, G8, G9). Even having a sound hotel operation system, a hotel still needs to ensure the effectiveness of this system through regular training and auditing. Training can ensure hotel’s service quality, is up to expectation and is efficient. As the research indicated because they understand the importance of training for their operation, hotels with good performance are willing to contribute to employee training. This can be reflected in the following examples:

- Hotels allocate a certain of percentage from revenue for employee training
annually (Hotel G3, G9).

- Hotels prepare a training schedule for the entire year and all the managers have to follow this schedule to provide training to their employees (Hotel, G3, G8, G9).

- All employees have one training passport. After they have finished a new training program, the instructor will make a record on this passport. This passport will become a reference for future promotions (Hotel G3, G9).

- The training programs are not only arranged for by the human resource department. In each department, there is a training coordinator, who will arrange training programs according to practical needs of the department (Hotel G1, G3).

Buick et al. (1997) noted that training is a natural part of a hotel’s everyday workload and hotel could not continue to survive for long without it. Customers are invariably prepared to pay the right price for good service and only by constant investment in training can hotel deliver what they seek.

Desatnick (1987) pointed out that people will do the right things, and do the things right, if they are properly trained to do so. Thus hotel will be operated more efficiently. This is consistent with interview findings that well-trained employees can increase the productivity of a hotel, because they can finish their works fast with fewer mistakes. They can indirectly reduce the burden on managers (Hotel G9). Therefore, training should be continuously repeated to reinforce the learning and maintaining the desired behaviour. On the other hand, managers interviewed revealed that in recent years, corporate spirit and culture in hotels is emphasized in training programs (Hotel G8, G9). These programs are designed to help employees understand what the hotel considers important and what a hotel values, helping to shape each employee’s values. Through such training, hotels can make all employees understand the spirit of hotel brand and convey such spirit to customers.

McColl-Kennedy and White (1997) indicated that training must have plan. This is in accord with interview findings that training cannot be provided aimlessly. Training should be designed according to customer needs and for the purpose of enhancing hotel performance (Hotel G3, G5, G8). Those hotels with good performance have a training schedule for the entire year. All department heads follow this schedule to
provide training to their employees. Moreover, they develop new training programs according to practical needs and the effects of training immediately respond on revenue increase (Hotel G5, G8). Although employee training is significant for hotel operation, interview findings indicates that the content of the training is inappropriate in some hotels. That is, training programs may concentrate on areas which customers do not consider important. For instance, a program may be designed to train services providers on how to smile, rather than providing service providers with skill to enable them to foresee customer needs and wants and to be able to respond in a very personal and customized manner to that customer’s needs or wants. Therefore, without an appropriate and practical content, the effectiveness of the training will diminish.

On the other hand, the findings from the interviews show that the training programs provided by hotels with good operational performance are not entirely targeted at skilled training. The training programs are comprehensive. Everything related to and necessary for hotel management is included in these programs (Hotel G1, G3, G9). Nebel (2000) suggested that narrow job skills are not enough if a person is to grow and improve. Teaching employees such things as time management, stress management, interpersonal skills, value clarification, goal setting, and problem solving is a way of providing them with personal development skills that will also translate into improved operational performance. Therefore, to enhance a hotel’s performance, providing skill training to employees is really important. However, skill training is just the basic part of employee training. Hotel works cannot be perfected simply by familiarizing employees with necessary skills. Coordination, communication, and cooperation between employees, handling of contingencies, interaction with customers, and conveyance of corporate spirit all need to be improved through training. This is the reason why in addition to basic skills training, the hotels with good performance also emphasized employee’s professional training, which includes group power, interpersonal relationship, loyalty, communication ability, time management, mobility, and adaptability.

Research finding revealed that to make training more efficient, the training programs in the hotels with good performance are not only arranged by the human resource department, each department also arrange training programs according to practical needs of the department (Hotel G1, G3, G9). This is consistent with Buick and
Muthu’s (1997) argument that line management involvement in training and development can increase the effectiveness of training. In fact, training is not the sole responsibility of a hotel’s human resource department. All departments should be involved in training and development. Conducting training through individual department may be more consistent with practical needs. Moreover, as employees are often loyal to those people who train them (Buick and Muthu, 1997), this can also strengthen the relationship between managers and staff. However, in Taiwan, numerous hotel line managers are not interested in ongoing training, because when they are responsible for training, they face the challenge of allotting their time between their primary responsibility of operating the department and the job of training employees. They usually avoid taking this action because they feel they are too busy to train employees. As a result, much of the training is done by non-supervisory employees, and trainees are not trained to do the job according to the standard operation procedures, and consequently this reduces the effect of training.

Since training has the numerous benefits and contributes to overall success, one could expect to see the hotel sector spending relatively high levels on training in Taiwan. However, several Taiwanese hotels still do not put emphasis on training, specially in hotels with poor performance. The reasons given are that training is costly and is not likely to bring immediate results (Hotel A7, P5). This supports Clements and Josiam’s (1995) arguments that the main barrier to implementing employee training is the costs of training are upfront and obvious, while the benefits appear to be remote and unmeasurable. Durocher (1990) advanced that it is essential that employees are adequately trained to perform their job efficiently but the challenges and costs of providing that training have outstripped the capabilities of many companies to offer the training. In Taiwan, a number of hotel owners regard training as an operating expense rather than an investment. However, hotel performance is generated from a whole cluster of factors and it is not possible to measure precisely any financial performance benefits associated with expenditure on training (Lashley, 2002). As a result, they rationalize large investment in physical assets such as new technology and product development which can generate money directly, yet it is hard for them to see spending in employee training as an investment.

According to Miller, Porter and Drummond (1992), managers who do not train their
people are not all stubborn fools or cynics; the problems are real. To provide training or not depends completely on the owner’s attitude, whether the owner considers it as important and whether the owner is willing to spend the money (Hotel A7, P5). There must be a recognisable benefit to the training activity, and if direct benefit and value cannot be identified then hotel owners will not spend money in training. However, the money spent on training can be earned back from increasing performance and even create more profit (Reid and Barrington, 1994, p.121). For instance, reducing the maintenance costs of a hotel may be affected by training housekeeping employees. Moreover, training can save labour, as Buick and Muthu (1997) argued that the only way to hire less employees and at the same time provide efficient customer service is by developing the skills of employees. And this is only possible through the creation and implementation of a well-planned customer-oriented service quality training. In addition, although training is costly, through technology application, training cost can be reduced and increase efficiency. For instance, Hotel G1 constructed an e-learning system through Internet to assist employee’s training. As more than 50% of the employee training is repeated, and can be delivered through e-learning system to reduce expenditure. Moreover, the major trouble with holding employee training is not only budget but also arrangement of instructors, time, and location. With this system, learning can be very flexible and through distance learning, employees can also learn at home.

Another reason why some Taiwanese hotels do not invest in employee’s training lies in high employee turnover. Interview findings show that those hotels which do train properly usually lose their good people to competitors offering higher wages, better benefits and more prestige (Hotel A3, A5). It is therefore clear that large amounts of money are lost in training employees for the benefit of others. As Miller et al. (1992) reported training may reduce turnover, but it does not eliminate it, given the easy come, easy go workers in the hospitality industry. No wonder many hotels have shirked their responsibilities for training employees and see training as a greater financial risk than other options for investment of the organisation’s limited financial resources. However, as employee turnover is inevitable, maintaining a suitable level of employee turnover can result in a virtuous cycle. If all the positions in a hotel are occupied, in-coming employees will never have the chance to be promoted. Hotels can take various measures to retain good employees, but they cannot stop training
employees simply because well-trained employees are more likely to be poached by competitors. The cost of not providing training is much greater than that of losing good employees.

Customers are becoming increasingly aware of the difference between good and bad service and products. People travel more and dine out more frequently; as this occurs, they have increased knowledge of and concerns about the accommodation and food service purchases they make. In order to remain competitive and to show real growth in business, hotel operations should perform to customers’ expectations. In large part, this ability to perform is gained through ongoing training of staff members at all hotel levels. It is clear throughout the interviews that training can ensure service quality and also the correctness and efficiency of operations. Well-trained employees can increase the productivity of a hotel, because they can finish their work fast with fewer mistakes. They can indirectly reduce the burden on managers. Through developing new training programs according to practical needs, hotels can increase revenue immediately from the effects of training. Furthermore, employees may view an effective training experience as an indication that the hotel is willing to invest in them and cares about them; thus training may enhance their commitment to the hotel. Therefore, employee training is important to hotel operation and hotel should pay more emphasis on training.

7.8 Position

In today’s highly competitive marketing environment, the positioning concept is one of the most important elements of marketing (Blankson and Kalafatis, 2001) because the long-term success of companies and their products depend on how well they are positioned in the marketplace (Brooksbank, 1994; Mazanec, 1995). Fisher (1991) asserted that a differentiated position generates high return on profits. McAlexander et al. (1993) found that the selection of a positioning strategy correlates significantly with company’s financial performance. Shoemaker et al. (2007, p.351) noted that the objective of positioning is to create a distinctive place in the minds of potential customers—a place where customers know who the firm is, how the firm is different from the competition, and how the firm can satisfy the customers’ needs and wants. It is about creating the perception that the firm is best able to solve customers’ problems.
Accordingly, if a hotel does not create a distinctive position in a customers’ mind there may be several pitfalls:

1. It may be forced into a situation of competing directly with stronger competitors.
2. It may lack true identity and customers do not know what it offers and what needs are fulfilled.
3. It may lack top-of-the-mind awareness and is not part of the customer’s evoked set.

Therefore, having a clear position helps the hotel save a lot of effort in marketing and designing service content, décor, and deployment of employees according to the target market can help a hotel run more efficiently and expectedly. Research findings indicated that hotels with good operational performance usually have clear positions (Hotel G1, G2, G3, G4, G7), because in today’s diversified society, it is impossible for hotels to attract all kinds of customers. If they want to seize every business, they will end up doing nothing at all. The future market winner will base their business on providing adequate services for a target customer rather than satisfying all kinds of customers.

This research found that hotels with good operational performance usually target customers at the top of the consumer pyramid, because customers at this level can bring more profits and their consumption is less affected by the economic environment (Hotel G1, G4, G7). As for this kind of customers, when they choose hotels, they care more about the brand image, reputation of the hotel, and whether the products or services provided match their status and living styles. Price is not their major concern. Moreover, human cost is the main expenditure of a hotel, but the gain exceeding the break-even point is 100% profit. Therefore, a high price brings a high profit. This is the merit of the top-level market (Hotel G1, G7). It is also found from DEA analysis (section 5.3) that higher room rate (more than US$ 101) delivers Taiwanese international tourist hotels better operational efficiency. Accordingly, it seems to be a good position strategy for hotel to target this market.

On the other hand, not all the customers can afford high-price guestrooms or consider it necessary to stay in luxurious five-star hotels. This research shows some old hotels
are run at a lower operating cost because they have earned the return on their investment of hardware facilities long ago. Therefore, they are positioned at serving general public at a regularly-acceptable price. As a result, this position does increase hotel’s performance (Hotel G2, G6, G5). In fact, many customers only ask for a clean, safe, and quiet hotel environment. Due to the fact that international business travelers usually have little time to use the hotel facilities such as swimming pool and, except for breakfast, they seldom dine in the hotel, if the budget for these facilities can be used to enhance the business functions of the hotel and reduce the room rate, it can definitely bring more business.

Another position strategy applied by hotels with good performance is to target those business travellers whose needs have not been fully satisfied (Hotel G4, G7). At times of low occupancy, many Taiwanese international tourist hotels will shift their business focus onto food catering service. Consequently, during dining hours, these hotels will become very noisy. In addition, large-size hotels with more than 500 rooms in Taiwan are able to accommodate a large number of guests but also need to cope with the large difference of occupancy rates between high and low business reasons. To promote the overall occupancy, they usually discount room rates in low business seasons. As a result, the price reduction results in a large variation of guest levels. As Taiwan’s international tourist hotels receive tourists and international business travellers on a regular basis, strictly speaking, there is no hotel in the market positioned to serve only business travellers. This provides hotels with an opportunity to create a new position to target pure business travellers. As for this kind of customers, their duration of travel is normally longer and the average price paid for a room is higher. Moreover, the source of this type of customers is stable and less likely to be affected by seasonal factors. They also have higher brand loyalty. Thus, as long as hotels can provide them with a suitable environment, this new position indeed brings hotels a good performance.

It is noted that before adopting positioning strategy, the hotel should first evaluate whether its conditions can satisfy the needs of the target market and whether the target market has enough potential to support such position. According to the research findings, hotels that have benefited from this strategy all have conducted a thorough investigation in advance to make sure there are such needs in the local market and
they have compliant facilities and services (Hotel G1, G4, G7). On the contrary, those hotels suffering from low performance have an incorrect position or cannot provide the service to meet the needs of target market. For example some hotels were positioned as middle-level price, but they cannot reduce their operational cost to provide real cheap products (Hotel A3, A2, A5). Some hotels position themselves as luxury hotels but what the market really needs is not such high class hotels (Hotel A8, P3, P4, P9). The reason of such wrong position is that these hotels do not position their products in terms of customers’ perceptions. Lewis (1990) indicated that creating a successful position requires recognition of consumers’ perceptions. Positioning a hotel without sufficient investigation and deliberation will widen the gap between the hotel services and market demands and yield unsatisfactory performance. Therefore, in the positioning of a hotel, what customers really need should be taken into consideration.

On the other hand, from the research results, it can be found that in Taiwanese hotel market, most of the hotels are positioned according to level of luxuriousness and price. This positioning approach seems to be limited and does not necessarily meet the needs of customers. Hence, more types of positions should be considered. Easinwood and Mahajan (1989) supported this argument and presented a number of positioning categories such as intangibility-based positions (offer a tangible representation and offer an augmented service); heterogeneity-based positions (the people advantage position, package the service, and a superior product through technology); and simultaneity-based positions (better accessibility, customization, and offer a complete product line).

In addition, with the evolution of time, hotels need to review the appropriateness of its position. A successfully positioned hotel may attract other competitors to take the same position. With more and more hotels fitted in the same position, the first one to take this position will gradually lose the advantage of its position. It has been discovered in this research that a number of hotels could gain advantage of its position in the beginning but began to lose such advantage as there were more and more followers in the market, providing better facilities and services than the pioneer (Hotel A1, A3, A7). Therefore, after taking a position, hotels should also constantly review market situations and adjust its position or even reposition themselves to seek new
markets and new opportunities.

It is clear from the research that in the face of different kinds of customers, it is difficult for hotels to attract all of them. Therefore, position is one of the most important strategies of hotel marketing. Hotel managers need to define their position, and the physical facilities or software services should be provided according to their position to satisfy the needs of their target customers. However, before adopting a position, the hotel should first evaluate whether its conditions can satisfy the needs of the target market and whether the target market has enough potential to support such position. Moreover, an essential component of a successful positioning strategy is gaining a better understanding of customers’ perceptions. The findings from this research illustrate that hotels that have benefited from this strategy were based on consumers’ perceptions and conducted a thorough investigation in advance to make sure there are such needs in the local market and they have compliant facilities and services. In the contrast, the hotels suffering from poor performance have an either incorrect position or cannot provide the service to meet the needs of their target market. Therefore, hotels should seriously research the wants and needs of their target market and identify the opportunities for creating the service that differentiates them from the competition and for serving their target market better than competitors.

7.9 Empowerment

Empowering front-line staff to deal with service failures has been proposed as a method of recovering from service breakdown and ensuring greater customer satisfaction. Kinlaw (1995, p.21) pointed out that empowerment is the process to give employees real authority in their work to achieve continuous improvement and job satisfaction in an organisation’s performance for better quality products and customer service in order to retain competitive advantage. Empowerment encourages and allows individuals to take personal responsibility for quick response times to consumer needs and complaints with greater warmth and enthusiasm (Yip, 2000). The results of this research indicated that almost all the hotel managers agreed that empowerment is of great importance to hotel operational performance. In fact, empowerment of employees in the hotel sector is not only sensible but almost unavoidable. Employees need flexibility to adapt their behavior to the demands of
each service encounter, thereby meeting customer needs effectively. Accordingly, hotel managers should allow employees to use their own judgment in solving problems and transfer responsibilities, provide opportunities for personal initiatives, and demonstrate trust in their employees.

Interview findings indicated that in a service system where speed and efficiency are critical, empowerment is absolutely necessary. In the handling of customer compliant, if customer’s need can be immediately satisfied, hotel may potentially overturn the customer’s negative attitude and even receive compliment on service efficiency (Hotel G1, G10). This is approved by Bitner’s et al. (1990) argument that the service provider’s ability to respond to a service failure has been shown to influence customer satisfaction and service quality evaluations. When service failure occurs, a quick recovery can help to restore customer satisfaction and dissatisfaction, and also of perceptions of service quality and related outcomes (Brown et al., 1994). Hotel industries continue to strive for higher standards of service quality. Therefore, empowerment has become especially important, because frontline employees need empowerment to respond promptly to the individual needs of the increasingly demanding consumer in increasingly unpredictable service situations. Through empowerment, hotels can respond to customers’ needs quickly, increase productivity and improve customer relationships. Furthermore, as employees learn about the connection between their decisions, actions and customers value, this will increase employees’ confidence and customers’ loyalty, obtain ideas about improving the service delivery, and gain ideas for new service.

Managers interviewed indicated that hotel managers have a great deal of business to do everyday. If they do not empower their employees, it is impossible for them to take care of everything and the efficiency of hotel’s operation may be hampered. (Hotel G2, G3). Therefore, in terms of such large organisation and sophisticated function as a hotel, it is necessary for hotel to implement empowerment. It does not only increase operational efficiency but also reduce the burden on managers (Hotel G2, G5). These findings are consistent with Brymer’s (1991) argument that through empowerment, hotel managers will experience fewer interruptions because employees can take action on customer service and satisfaction. As employees make more decisions on their own, managers will have more time for the many tasks for which they are responsible.
Through empowerment, customer problems can be resolved quickly when a supervisor or manager does not have to be located, apprised of the situation, and asked to render a decision. Such a benefit is especially important on busy days, as it allows employees to serve all customers in a personalized and efficient fashion. Moreover, empowerment allows employees to provide feedback to managers about customer needs, problems, and concerns, and about how resources and solutions can be directed to those issues. Managers will then have more insight about how to improve customer service and satisfaction, through ongoing communications from the customers to the employees to the managers. As managers spend more time supporting employees and less time issuing orders, the managers can focus on the customers and how better to serve them.

Findings of this research suggested that empowerment is also a kind of recognition of employee’s competence. Employees know that they are empowered because they are trusted. Likewise, empowerment allows employees to win customer trust, because customers know their problems can be immediately addressed by employees (Hotel G3, G8). This finding is supported by Brymer’s (1991) claim that manager may develop more trust in and better rapport with front-line employees when those employees are allowed to share in the responsibility for customer satisfaction. Through empowerment, managers and employees work together as a team, more in an adult-to-adult relationship and less in an adult-to-child relationship. Additionally, as employees can win customers’ trust, the relationship between employees and customers will be strengthened.

Empowerment can also increase employee’s sense of responsibility. Because when employees are given the information and authority required to handle customer issues, they cannot avoid assuming responsibility. Such an increase in responsibility will give them a sense of having ownership in the hotel (Lashley, 1995). This is why speaking of empowerment, managers interviewed all expressed their gratitude for their owners’ sufficient empowerment, which has allowed them to make decisions within the authorized extent and avoid interference (Hotel G1, G10, G12). The result of which may create more positive employees and enhance operational efficiency. In addition, decentralized decision-making will help employees develop and grow in the job, and will enable managers to see who may have potential for future advancement.
As mention above, although empowerment can increase hotel’s service quality, customer’s satisfaction and operational efficiency, several of Taiwanese hotels still avoid empowering their employees. These results are in accord with Cacioppe’s (1998) view that resistance from management is the most common constraint to empowerment. Kizilos (1990) pointed out that many managers have spent years acquiring power and authority and are often unwilling to give it up. However, the role of management is to lead and facilitate the empowerment process. Therefore, hotel managers should relinquish some of their traditional authority, in order to allow employees to make decisions and assume greater responsibility. In fact, in this research, those employees with high empowerment can incorporate their creativity into their ideas and present the results in their way without any interference and complicated procedure (Hotel G1, G2, G5). The results make hotel’s operation more efficient.

A successful empowerment program requires a number of factors, including empowerment guidelines, training and reward. Cacioppe (1998) indicated that organisation cannot just pay lip service to the ideals of empowerment, instead they must build and nurture an environment that supports empowered behavior. In order to introduce a structured system of empowerment, empowerment guidelines were required to set boundaries for employee decision making. These guidelines provided a framework in which staff can achieve levels of customer service and perform confidently in order to surpass both personal and organisational expectations (Klidas et al., 2007). One of the reasons why many Taiwanese hotel owners will not decentralize power is that they are afraid that due to employee’s promising more than it is cost-effective for the hotel to deliver, the hotel will suffer a loss (Hotel G10, P4). In fact, this problem can be prevented through proper design of the system and employee training. Through system design, the power of each level of employees can be clearly defined, and employees are also trained to properly use their power. Therefore, if there is an urgent need, employees can help customers solve problems the first time without the decision of the supervisor.

Furthermore, training is necessary to ensure that empowerment is able to distinguish the difference between the guidelines and existing policy and procedures. Cacioppe
(1998) pointed out that employees cannot act in an empowered manner without training. Effective training generally supports the goal of empowerment by enhancing morale and motivation, increasing flexibility, reducing staff turnover and allowing employees to function independently without the need for constant supervision (Hope and Hühlemann, 1997). This is the major gap in the Taiwanese hotel sector. The way to prevent employee’s abuse of power is not avoiding empowerment. Instead, hotels should develop empowerment training programs to enhance the skills necessary for employees to be able to handle their increased authority and responsibility effectively and to exercise good judgment. In addition, training also fosters in employees feelings of self-efficacy necessary to initiate their participation in decision making, by imparting the requisite skills and knowledge needed to render such participation effectively.

On the other hand, during the empowerment process, the event of mistakes or incorrect decisions, managers should not reprimand or penalize employees, but, on the contrary, praise them for having taken an initiative for service quality and customer satisfaction (Brymer, 1991). Mistakes should be perceived of as learning opportunities (Randolph, 1995) and managers should seize the opportunity to provide additional guidance and coaching (Carlzon, 1987). Interview findings are consistent with above argument. The managers interviewed revealed that hotels view employees as the host who receives the customers on behalf of the hotel. They undertake the responsibility of a host, so they should have the decisions of a host. Therefore, hotels should maximize their empowerment, allowing them to make decisions independently in contingent situations. Even the loss caused by incorrect judgment of empowered employees is minimal and not influential to the hotel. If employees are not empowered to respond to customers’ requests and displease them, the loss will be the greatest for the hotel (Hotel G1, G3, G8, A1). Thus, empowerment requires creating a non-blame culture wherein well-intentioned mistakes are discussed in a supportive way. Otherwise, employees will be afraid of assuming responsibility and will avoid the risk of making decisions without prior approval from their superiors.

It is maintained that successful service will be determined by staff who feel committed to delighting the customer and do whatever it takes to ensure customer satisfaction. Employee empowerment is claimed to be a technique which will both
encourage the necessary level of commitment to organisational goals and provide the necessary discretion and autonomy to generate the level of customer service required (Lashley, 1995). The hotels with good performance understand this theory and teach employees how to apply empowerment on their service. This becomes their advantage which their competitors cannot imitate and increase their operational performance.

7.10 Corporate Culture

Corporate culture is the collective sum of beliefs, values, meanings and assumptions that are shared by members of company and that is used by people to identify what is important and how things work in that company (Tidball, 1998). In the interviews conducted for this study, several hotel managers suggested that in addition to good hardware facilities and a sound management system, it is still necessary for hotels to have an intangible power to motivate employees. That power is corporate culture. Bettinger (1989) pointed out that of the key factors that contribute to sustained high performance, none is more important than a strong positive corporate culture. A strong positive corporate culture is a prerequisite to consistently high performance. He further explained that every organisation must have a clear strategy for achieving success. In each case, there will be certain values that contribute to the success of that strategy. In companies with strong cultures, those core values are clearly understood and practiced by individuals at all levels of the organisation. They become so powerful as to affect day-to-day behaviour on the job.

Research data indicated that some hotel owners cared about operational efficiency very much and required employees in high standard. If employees cannot attain this standard, they were not likely to survive in the hotel. Due to owner’s stringent demands, employees formed the habit of being proactive and dedicated, and increased hotel’s operational performance (Hotel G1, G3, G8, G9). This finding is consistent with Bettinger (1989) arguments that one of the most powerful characteristics in companies with strong cultures is the emphasis on high performance standards. In such firms, these standards are firmly ingrained in the culture and are communicated and reinforced in everything the company does. Because such companies refuse to tolerate mediocrity and everyone knows it, the substandard performance who either cannot or will not perform at the required level will not last. In terms of this point, it
can be concluded that insisting on high standard corporate culture, can bring hotels with good operational performance and maintain their competitive advantage.

In the interviews, it was relayed that a hotel job was lowly paid and hard work. Unless employees had great passion in service, it was difficult for them to devote themselves to the job. Therefore, several hotels utilized mission statement to remind employees to have confidence, passion and profession to provide customers with cordial service (Hotel G1, G3, G8, G9). As suggested by Robbins et al. (1994), culture conveys a sense of identity for organisational members, it facilitates the generation of commitment to something larger than one’s individual self-interest and provides a “social glue” that helps hold the organisation together and thereby acts as a control mechanism that shapes the attitudes and behaviour of employees. Therefore, all managers have responsibility to create an atmosphere to make staff feel proud of this job. The positive effects of increased employee identification and commitment highlight the importance of linking culture and strategy to achieve heightened organisation performance.

The interviews with managers pointed to the fact that corporate culture has above all strong influence in the hotel sector. This is related to the characteristics of this industry. In the hotel sector, most of the operations and services rely on employees. Since employees are involved in hotel operations, the performance of these operations may be easily affected by human emotions. Therefore, hotels need corporate culture to motivate employees (Hotel G3, G8, G9). This supports Kemp’s et al. (2001) findings which revealed that employees needs for achievement, recognition, responsibility, advancement and satisfying work must be recognised and appropriately responded to. Corporate culture can play a role to encourage employees. If employees are deems to be important and are nurtured through a hotel’s corporate culture, the benefit to the hotel is that employees will enable the hotel to adapt and respond to changes in its internal and external environment, whist enjoying the benefits of employee commitment to the hotel and its cultural strategy.

On the other hand, research results revealed that a number of hotels had a corporate culture where employees treat each other like family members. Thus, some problems that may probably need to be resolved by formal meetings in other hotels can be
directly dealt with just through communication in those hotels (Hotel G6, G10, G11). Kemp et al. (2001) pointed out that the stronger an organisation’s culture, the less management needs to invoke formal rules and intervene to guide employee behaviour. Those guides will be internalised in employees when they accept the organisation’s culture. A hotel is like a small society and is consist of many employees and different departments. Therefore, communication is always an important but challenging task. As employees’ educational level varies from elementary school to graduate school, they may have different levels of understanding on the same issue. Moreover, different departments have their specific function. In the face of the problem, they may have their own profit considerations. Both of them will increase the difficulty in communication, even leading to ambiguity and misunderstanding, and influencing hotel operation. Corporate culture can become an intangible power and play an important role in forming collective value and thinking among employees and different departments, and bring about the realization of corporate objectives. This will help hotel employees and each department attain effective communication and further facilitate hotel’s efficient operation and a competitive advantage to increase hotel operational efficiency.

There are two main ways in which a tight culture strategy alignment becomes a powerful force in influencing people to do their job better (Thompson and Strickland, 1996). First, a work environment where the culture matches well with the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one’s job. This method is supported by several hotels in this research (Hotel G1, G3, G8, G9). These hotels have a reputation as leading hotels in Taiwan for many years in terms of operational performance. Their employees are very proud of such achievement and consider they are the best. Because of such recognition, they have a sense of mission in their mind and push them to be more dedicated in their jobs. This kind of corporate culture, when successfully internalized in the mind of employees, forms a strong force of motivation, propelling employees to be more dedicated to their works for the honor of the hotel.

Second, a strong strategy-supporting culture nurtures and motivates people to do their best; it provides structure, standards and a value system in which to operate; and it
promotes strong company identification among employees (Thompson and Strickland, 1996). This argument is applied by some hotels in this research. These hotels contribute to service-based corporate culture. Their corporate culture can be reflected on several service codes, including (1) every employee is a host of the hotel, (2) always think ahead of customers, (3) respect the uniqueness of each customer, and (4) never say NO easily (Hotel G1, G8, A1). Through these service codes, these hotels concretize their corporate culture and encouraged their employees to be thoughtful of customers and be proactive in providing services. Due to such unique corporate culture being created, these hotels have produced outstanding operational performance.

On the other hand, the research findings showed that the corporate culture in some hotels is to emphasize disciplines (Hotel A4, P9). In their corporate guideline, the code of ‘absolute obedience’ is included. Such corporate spirit makes execution of decisions efficient but may cause inflexibility. For example, some rules may be too rigid. If customers have special needs, there are no room for employees to satisfy their needs. This is approved by Dwyer et al. (1998) argument which argues that corporate culture must be flexible enough to respond to changing environmental circumstances. In the hotel sector, the external environment creates many pressures for change and, customers needs and what they see as important are constantly changing, and once demands are met, future expectations are increased. In the face of these pressures of change, it is necessary for hotel to do appropriate and timely responses. However, corporate culture can be very resistant to change and may therefore impair the development of business strategies that are essential response to changes in the external environment (Kemp et al., 2001). In this research, some hotels’ corporate culture is simplicity (Hotel A2, A3, A5). These hotels emphasize service stability rather than unique or extraordinary services. Employees are required to only follow the guidelines and do their jobs. It is not encouraged to have innovative and creative ideas. However, under keen and changeable competitive environment, such corporate culture was short of vigor. As a result, these hotels always stay at the same place and never make progress. Even under the pressure of highly changeable environment, since employees have been used to this conservative culture, it is difficult for them to do any change. This is the reason why these hotels are finally leaded to poor performance.
Furthermore, several hotels in the research used highly control to manage their employees (Hotel P2, P5, P6). These hotel owners are used to managing the hotel using military approaches. They want employees to take each action as ordered. In the long run, employees have become used to listening to orders. Whenever there is any contingent affair, employees just stand there and wait for orders. As a result, the corporate culture which everything follows order is formed. Kemp et al. (2001) indicated that the use of overt control should be avoided in the hotel sector as tight control discourage daring and initiative. Above all, hotel can never be like a military troop. Hotel employees cannot take each action as ordered. In the hotel sector, each customer is a challenge and employees should be encouraged to be creative in devising solutions to challenges presented by customers. Management should realize and value the fact that better ways of operating can grow from employees’ creativity. Employees should be engaged in providing a variety of service in response to customers’ enquires and trying new approaches to deal with customer service.

A special phenomenon in this research should be noted that in the Taiwanese hotel sector, hotel owners can control the development of hotel’s corporate culture (Hotel G1, G10, A3, A7, P2, P8). As most Taiwanese hotels belong to independent operation, hotel owners usually are deeply involved in hotel operation including operative strategy, management style and personnel matters. Under this situation, even professional managers have their own thinking, they can only follow owner’s idea. Otherwise, they cannot work with this hotel. After a period of time, this phenomenon will make a strong influence on hotel’s corporate culture. As a result, if hotel owner’s attitude is positive, it is easy for this hotel to have positive corporate culture. On the contrary, if hotel owner’s mind is negative, hotel’s corporate culture will turn to negative. As for some hotels with poor performance, most of their owners were old generation. This kind of entrepreneurs usually rose in business by their own efforts. Therefore, they only believed themselves. It is difficult for them to take advice from professional managers. In addition, their thinking tended to be conservative. All investments were based on how much return they can get rather than what service they can provide. As a result, these hotels were leaded to be a conservative corporate culture and influenced their performance. This implies that in Taiwan, corporate culture is an important factor influencing hotel performance, but formation of
corporate culture is critically affected by hotel owner’s attitude.

Every hotel has a corporate culture, a complex and dynamic reflection of the attitudes, values, behavior patterns, priorities, and self-image of the hotel. Some cultures are positive, allowing the hotel to adapt successfully to the changing needs of the market and to outperform its peers on a consistent basis. Others are negative, which adversely affects performance and may threaten the hotel’s existence. Most hotels have cultures somewhere in between, exhibiting cultural strengths and weaknesses. Hotels should manage strategically their culture, to tap its strengths in order to achieve superior performance, and to identify their weaknesses in time to overcome them.

7.11 Physical Facilities and Renovation

There is little doubt that attention to physical surroundings is expected to be more important to hotel business compared to other types of services (Verma, 2000). For most successful hotels, tangible physical environment plays an important role in generating excitement and this determines customers’ intentions and willingness to recommend. Not surprisingly, in this research, numbers of the managers have mentioned that physical facilities and renovation are the key factor to attract customers. Both factors are even more important than intangible service. However, this finding is notably different from previous service-quality research. Parasuraman et al. (1991) reported that the tangible service environment had no effect on customers’ overall quality perceptions of a telephone company, two insurance companies, and two banks. Similarly, Cronin and Taylor (1992) found that the tangible aspects of the service environment had no effect on customers’ quality perceptions of pest control and dry-cleaning service. Dabholkar et al. (1996), on the other hand, also noted that the tangible aspects of department stores do influence customers’ quality perceptions, but are a lesser degree than the intangible service factors.

The reason for the difference is that previous service research focused mainly upon service encounters of relatively short duration, such as those in banking, insurance, dry cleaning and pest control. Customers use these types of services mainly for utilitarian reasons and typically spend only a brief period of time inside the service
facility. In these cases, service quality is apt to be perceived by customers primarily on the basis of intangible factors, such as reliability, responsiveness, assurance, and empathy and less on the tangible aspects of the physical environment. However, when a customer spends at least one night in a hotel the physical environment is likely to be subject to constant observation and hence may more strongly influence one’s perception of the service provision.

In addition, such large difference may also be attributed to the following reasons: (1) Hotels rated as international tourist hotels certainly have reached a high level in terms of their service quality. Providing good services is an essential requirement for international tourist hotels. For this reason, these hotels seldom or even dare not take service quality as a special feature to solicit customers (Hotel G1, G2, G8). (2) Service quality is a subjective perception, which varies from one customer to another. Services widely rated as satisfactory may still induce customer compliant. However, physical facilities are tangible and can be more objectively evaluated. Through improvement of physical facilities, an attractive environment can be easily created (Hotel G2, G10). (3) International tourist hotels in Taiwan have encountered a bottleneck in the development of new service. Unless their intangible service can have big differences from other hotel, it is hard for them to attract customers. Therefore, the way to overcome this is to seek breakthroughs in tangible facilities (Hotel G7, G8). Zeithaml (1981) embodies a core concern in stating that it is harder for consumers to evaluate services than goods. Therefore, in a study conducted by Dube et al. (2000) about the top ten attributes driving the hotel purchase decision, respondents ranked physical aspects and room design of the hotels as the third and forth determinants of their purchase decision. This was above service attribute and only slightly lower than the hotel’s location and brand name, which were the first and the second respectively. In comparison with a physical product, the service concept is very abstract and difficult for customers to interpret and evaluate before purchase. The best way to make customers feel their expenditure is worthwhile is to provide the best physical facilities.

Recently, Taiwanese people are paying more attention to recreation, and are willing to pay for luxurious enjoyment (Hotel G1). Therefore, good physical facilities seem to be more effective than high-quality services in satisfying customer’s demands for
luxurious enjoyment. On the other hand, in Taiwan, the impact of tangible physical environment lies in forming many of the first impressions by customers. It is usually easier to meet or exceed customer expectations when the first impressions have been positive. Those impression that are formed and based on a physical facility help create a context for the services that will follow. Therefore, it is necessary for hotel to use good physical facilities as a competitive advantage.

The physical surroundings may more directly influence consumers’ affective responses. Previous research in environment psychology has shown that properly designed physical environments may produce feeling of excitement, pleasure, or relaxation (Russell and Pratt, 1980). This is what hotel customers really want. According to the interview finding, a number of customers come to a hotel not necessarily for accommodation or dining. A part of them come to pursue the atmosphere presented in the hotel (Hotel G1). Hirschman and Holbrook (1982) argued that consumers patronize hospitality service more for hedonic than for utilitarian reason. Hedonic consumption seeks pleasure or emotional fulfillment, as opposed to functional usefulness, from the service experience (Babin et al., 1994). Because of the hedonic or emotional context, consumers of hotels are apt to be more sensitive to the tangible environment provided in the hotels. Therefore, hotels need to constantly renovate their physical facilities to maintain the comparativeness of their environment to retain customers.

Since tangible facilities are important for a hotel operation, it will also be necessary for hotels to conduct regular renovation. Above all, with the elapse of time, physical facility will gradually become old, consumer’s feeling of freshness will naturally fade, and the hotel’s revenue and profits will be influenced. Therefore, physical facility should be renewed on a regular basis (Hotel G8). Hassanien and Baum (2002) pointed out that hotel renovation can be seen as those activities associated with the development and modification of the hotel’s tangible assets used to produce services in order to extend the useful life of the property to stay competitive, improve the operational efficiency of the property, and to build up a better image for the property within its marketplace. In addition, hotel renovation is considered as one of the most essential tools for product innovation in the hotel business (Hassanien, 2007). In other words, renovation can achieve product innovation, which may lead to profitability,
customer satisfaction and probably market leadership. Consequently, through renovation, hotels can increase market share, maintain corporate image and standard, reposition the property within its marketplace and show customers that hotel cares about what they think.

The above explanation reveals the necessity of renovation for hotels, but the findings in this research have shown that only a small portion of hotels in Taiwan are proactively engaged in renovation, and major barrier come from hotel owners. All the managers interviewed indicated that they realized the importance of renovation but could not do anything about it, because they were not decision makers with respect to such issue (Hotel A7, P1, P5, P7, P8). While doing renovation, hotels often have to make significant financial investments. The point is whether the owner supports it and has money for the investment. This supports Hassanien and Baum’s (2002) findings, which revealed that owners are one of the main barriers to renovation. Many renovation programmes are altered and delayed because of resistance from hotel owners. Most of the hotels in Taiwan are run by independent owners. Owners have strong power over the management. Many of them lack the concept that “renovation increases hotel competitiveness”. Senior owners, in particular, always think that broken facilities should be repaired rather than directly renewed. Some even argue that the best facilities should be used in the beginning, believing that they can be more durable and problem-free in the future. However, modern people do not renew a facility because it is broken but because it is out of style. Consequently, Taiwanese hotel owners do not fully realize the importance of renovation as an effective marketing tool, and its potential to attract new markets. In turn, renovation is used in the Taiwanese hotel on the maintenance level in terms of extending the useful life of the property rather than reposition the property and increasing competitiveness.

On the other hand, hotel renovation requires a considerable amount of investment, but issues such as whether renovation can generate more revenue and when it can be repaid are not foreseeable. Thus, many owners are unwilling to undertake investment risks. This is especially true for owners of poor-performance hotels. Such risks are too high before their business conditions can be improved. Most of them will rather take a more conservative attitude toward regular renovation. In Taiwan, only international chain hotels implement regular renovation. These chain companies have listed regular
renovation in the terms of the contract with hotel owners in the beginning. Thus, they will appropriate a certain budget for renovation every year. According to the International Society of Hospitality Consultants (ISHC) survey, each limited service hotel should allocate about 4 per cent of its gross revenue for renovation while full service hotels should allocate about 7 per cent for renovation, to stay competitive (Berg and Skinner, 1995). Therefore, international hotel chains perform renovation in a planned and systematic manner, and a thorough assessment of each renovation project will be carried out in advance. For example an international chain is doing its investment planning, and it will statistically analyze the potentiality and growth of the business after renovation, so that its owner knows the purpose of the investment, motivation, and the expected time to collect returns. Through this communication and trust between owner and chain company, chain company can help the owner understand and support the renovation (Hotel G8).

Remarkably, high-performance hotels will base their renovation plans on market tendencies and customer expectations. In other words, their renovation plans are market-oriented. Some low-performance hotels also have renovation plans, but they renovate their hotels simply because other hotels have benefited greatly from renovation or because of the intense competition from new hotels. Their renovation plans are not actually based on customer needs and expectations, so the effects may be limited. Another interesting phenomenon is that Taiwan Tourism Bureau, the authority of international tourist hotels in the central government, has not fully implemented hotel rating systems. Many hotels that have not been renovated for decades can still maintain their status as a five-plum hotel, despite the fact that their facilities are old and outdated. These hotels take the low-price strategy to lure customers who demand quality of five-star hotels and care about the price. However, their customers do not lower their requirement simply because the room rates are lowered. They still demand services that five-star hotels are supposed to offer. Carrying the title of a five-star hotel, these hotels cannot make any reduction of their service items and may sometimes fail to satisfy customer demands for some physical facilities. Consequently, their operational performance cannot be satisfactory.

As mentioned above, renovation requires a considerable amount of investment. To maximize the return on limited expenditures, planning in advance has become very
important. The results from the interviews indicated that in some hotels, renovation plans are dominated by the hotel management and seldom involve participation of customers (Hotel A2, P1). Results of such renovation plans can be only seen on renewed carpets and wallpapers, and what customers really care about is not improved at all. Customers cannot even perceive any change of the hotel after the renovation. This supports Hassanien’s (2006) finding, which revealed that many hotels do not involve its customers directly in the renovation process through identifying their wants, needs and requirements before embarking on its plans. Instead, the hotel set its renovation plans based upon past customer experience and its head office experience. However, previous research revealed that customer input is an essential element of the innovation or new product development process (Hart and Baker, 1994; Rothwell, 1994). Consequently, hoteliers should put more emphasis on developing services or products (through renovation) that match customers’ needs. Thus, they could adopt a customer-oriented approach to renovation and obtain customer input in their renovation programmes in order to gain better results.

The impact of tangible physical environment lies in forming many of the first impressions by customers. It is usually easier to meet or exceed customer expectations when the first impressions have been positive. On the other hand, excitement, pleasure, and comfortable environment are often an end goal of customers. This research indicated that hotel service providers can enhance the level of excitement through effective design and renovation of the tangible environment. Although overall perceptions of intangible service quality also influence consumers’ affective response to the service encounter, the intangible aspects are by nature subject to employee heterogeneity or inconsistency. An attractively designed physical environment, on the other hand, can more consistently generate a positive influence on consumers’ feelings about the place. Moreover, in current competitive environment of Taiwanese international tourist hotel, it is hard to catch customers just through intangible service. After all, customers expect to see something worth of their cost and the best way to make customers feel their expenditure deserves is to provide the best hardware facilities. Thus, an exhilarating physical environment and renovation may, in a sense, play a significant role to attract customers and hotels should pay more attention in this issue.
7.12 Work environment

Hotels employ large numbers of people who provide a variety of intangible personal services to customers. To be effective, these services must be provided hospitably. However, the hotel sector is characterized by low job security, low pay, shift duties, limited for promotion and high labour turnover (Byrne, 1986). Under this situation, how to make employees dedicate themselves to a hotel depends not only on their passion for their jobs, but also whether a hotel can provide employees with a good work environment. It was discovered that high-performance hotels would attempt to create a comfortable and employee-centered work environment to show their concerns for employees, and employees would also present a positive work attitude in return. This situation can be explained by social exchange theory.

Social exchange theory is the norm of reciprocity, which requires employees to respond positively to favorable treatment from one’s employer (Blau, 1964). Rousseau (1989) found that many employees believed that they and their work organisation had reciprocal obligations that exceeded formal responsibilities by both parties. Rousseau characterized this psychological contract as an implicit understanding by employees that they and their employer will consider each other’s needs and desires when taking actions that affect the other. If employers fail to fulfil the terms of the psychological contract, employees would reduce their inclination to work beyond their explicit job responsibilities (Rousseau and Parks, 1993).

In the research, one of the critical factors leading to some hotels’ success is to regard employees as the most important asset (Hotel G1, G3, G8, G9, A1). Therefore, these hotels implemented a serious of innovate welfare for their employees. The purpose of this welfare is intended to create better benefits to assure employees and encourage them to create higher production values of the hotel. This is supported by Eisenberger’s et al. (1986) arguments that employees form a general perception concerning the degree to which the organisation values their contributions and cares about their well-being. Employees’ high perceived organisational support would strengthen affective commitment to the organisation and increase efforts made on its behalf (Shore and Shore, 1995). In the hotel sector, most of the operations and services rely on employees. Therefore, employees should be regarded as one of the
important assets. Since employees are involved in hotel operation, the performance of these operations may be easily affected by human emotions. If a hotel manages and looks after employees sincerely then employees will serve customers wholeheartedly, and customers may have a positive experience and feed that back to the hotel. This would be a virtuous circle. Employees are internal customers of the hotels and hotels need to provide employees with warm service and good working environment to make them happy. Only happy employees will generate more happy customers. This relationship is the fundamental principle needed in an effective and sustainable customer service culture. Therefore, hotel cannot ignore the importance of providing its employees with good working environment.

The findings of this research indicated that a number of hotels with good performance contributed to establishing a humanized working environment that can motivate employees. One of the approaches is to build up a fair environment. Under a fair working environment, good employees can be trusted, properly promoted, and rewarded. On the contrary, bad ones are warned, punished, and even eliminated. This could be the critical factors motivating employees (Hotel G6, G10). Lawler and Porter’s Equity Theory (1967) supported this situation and suggested that individuals are concerned about the “fairness” with which they are treated in an organization in comparison with their peers. The theory suggested that fair rewards are an important link between performance and satisfaction. Hotel employees usually compare their rewards such as pay, promotion, status and recognition with those of their peers doing similar tasks. They will only improve their job performance if they feel that fairness within the organisation’s pay system. However, when they feel that they are unfairly treated when compared with their colleagues, they will be less willing to exert effort at work. In some Taiwanese hotels, due to manager’s pursuit of self-interest and absence of a sound system, employees are not fairly treated. For instance, in some family hotels, power is held in the hand of family members. The power of non-family managers is confined in almost every aspect. This causes dissatisfaction among employees and also hurts their morale. Therefore, building a fair and reasonable work environment is necessary. In this environment, hard-working employees can be substantially rewarded, and lazy ones properly punished. Employees understand that hard work and dedication can always lead to rewards and recognition. Therefore, they will be more willing to dedicate themselves to the hotel.
Moreover, interview findings revealed that the strategy to encourage and keep good employees is to treat employees like customers. For example, hotel concierge is a unit which assists customers with various tasks on a daily basis. In some hotels, an internal concierge is set up to help employees deal with various tasks in life. Although these tasks are ordinary and trivial, they are important for employees. For employees to concentrate on works without worrying about the deadlines of these tasks, these hotels have set up a special department to help them deal with personal affairs. J. Willard Marriott, founder of Marriott Corporation, stated “In the service business you cannot make happy guests with unhappy employees” (Hostage, 1975, p.98), “We know that if we treat our employees correctly, they will treat the customer right. And if customers are treated right, they will come back” (LeBoeuf, 1987, p.147). Frontline employees who are experiencing poor working environment can do irreparable harm to a firm—in terms of patronage and favourable word-of-mouth advertising—since they are often the only agents in contact with customers (Blodgett et al., 1993). Therefore, hotels should pay attention not only to welfare of their external customers (the ones who come through the front door and pay for services), but also the welfare of their internal customers (the individuals who serve the customers). Hotels should build a work environment where employees are treated like customers, and employees’ small affairs are viewed as big ones of the hotel. The smaller the employees’ personal affairs are taken care of, the more they can perceive the concern of the hotel. Employees will also have a stronger sense of cohesion, which is contributive to hotel performance. In addition, listening to the voice of employees is also an important part in employee care. Since employees are viewed as internal customers of a hotel, the hotel is responsible for understanding the problems and needs of their employees and proactively engaged in solving them. Therefore, it may be necessary to introduce Employee Assistance Program (EAP) in the hotel. An Employee Assistance Program (EAP) is an employee-provided program that is used as a management tool to assist employees in dealing with personal or domestic problems before they seriously impair job performance (Tanke 2001). Once employees understand what sort of assistance or care they have access to in the workplace, they will not fear dealing with issues and will be delighted to devote themselves to the hotel.

On the other hand, providing monetary reward is one of the most direct and effective
methods that can induce employee’s devotion (Hotel G1, G3). This finding is supported by the concept of Theory M (Money) postulated by Weaver (1988), who suggested the offering of direct cash rewards for employees or workers demonstrating above-average productivity. In Taiwan, a financial incentive is regarded as the most direct and effective methods to encourage employees. Some hotels distribute financial incentives based on the performance on departmental level. By contrast, some hotels distributes financial incentives based on employees’ individual performance. These hotels conduct employees’ performance evaluation every year and the results of evaluation will become the basis of salary adjustment. Although this method would increase payroll costs, profits gained from increased sales offset the costs. Therefore, financial incentive is still regarded as a good way to increase hotel operational performance. It can be noted that financial incentives depend on the result of performance evaluation. Therefore, performance evaluation should be carried out in a prudent manner. If the performance goal for a particular department is set too high, it may be unattainable and becomes impractical. If employee’s individual performance is not evaluated on the same ground, controversies over the evaluation result may be incurred. All these reduce the encouraging effect of financial incentives.

It is apparent from the research that in high-performance hotels, the relationship between hotels and employees are usually like partners or family members. Hotels would care for their employees with sincerity, and employees would be pleased to dedicate themselves to the hotels in return (Hotel G3, G9, G11, A1). These positive outcomes are founded on a philosophy that employees are an asset, and that taking care of employees and investing in them will win their loyalty and bring increased benefits for hotel. This is a simple idea, yet several Taiwanese hotel owners are unconvinced, unwilling, or unable to view employees as an asset to their hotels. As to those hotels suffering from low performance, they usually treat employees as simply people hired to work for the hotel owners (Hotel P1, P2, P5, P6, P7). These hotel owners do not deem taking care of employees and providing a good work environment as important, so employees’ needs and feeling are usually ignored. Some hotels even regarded employees as substituent labour. These hotel owners do not mind if employees dislike their jobs, because they think a long line of applicants are waiting for their positions. These hotel owners think that they can always use financial incentives to find competent employees to work for them. However, they have
ignored the fact that getting people to do the job is one thing, whether these people are willing to be fully dedicated to this work is another. If they do not change this thinking but always treat employees this way, their employees will also take a passive attitude and refuse to be fully devoted to their works. Hinken et al. (2000) indicated that the reason employees are willing to stay with organisations is that effective human-resources practices provide a supportive work environment. In turn, the organisation profits from the service quality provided by competent and loyal employees.

A good work environment is a good incentive for employees and contributive to hotel performance. However, research result shows that some hotel owners consider a good work environment as simply equipped with good hardware facilities, such as a luxurious staff restaurant, recreational facilities. In fact, improving the hardware in the work environment indeed demonstrates the hotel’s emphasis on employee’s value, but such effort can only makes employee not dislike this work environment, it cannot guarantee that all employees like the environment and are therefore willing to fully devote themselves to the hotel. According to Herzberg’s et al. two-factor theory (1959), there are two distinct and independent factors influencing employee’s motivation: 1. Hygiene factors influencing job dissatisfaction, which include pay, company policies, working conditions and the nature of supervision satisfaction. 2. Motivating factors influencing job satisfaction, which include recognition, promotion, achievement, the intrinsic nature of the work and opportunities for personal growth. Job factors such as pay, status and working conditions are considered by Herzberg as extrinsic factors. These factors have a placating effect such that employees will become dissatisfied with their job when these needs are not adequately met. However, they may not contribute to job satisfaction even when they are adequately met. On the contrary, factors such as the work recognition, achievement feeling, opportunities for growth and advancement are known as intrinsic factors. They are the true and forceful motivators that generate job satisfaction. Therefore, if a hotel wants to establish a working environment employees are willing to dedicate themselves to the hotel, management should pay more attention to establish an environment which can meet employee’s needs in achievement, recognition, promotion and personal growth.

In the hotel sector, although superior facilities are the foundation of a quality delivery
system, it is the front-line employees who deliver the competence, convenience, respect, care, and integrity that convert the facility into true value for the customer. With competent and motivated employees, great service is possible; without it great service is a “pipe-dream” (LeBoeuf, 1987). To sum up, hotels should view employees as an important asset and form a good work environment with proper care for them. Then, they will be pleased to dedicate themselves to the hotels in return.

7.13 Brand

Branding plays a special role in service companies because a strong brand increases customers’ trust of the invisible, enabling them to better visualize and understand the intangible and reduce customers’ perceived financial, social or safety risk. The managers interviewed revealed that a brand is formed in the mind of consumers, because hotels do not only sell commodities but also offer a surprising, pleasant, and unforgettable experience that makes customers identify with hotel brand concept and service value. As a result, customers will become loyal to brand and actively promote it through word of mouth (Hotel G1, G10). When the nature of hotel services is considered, hotel customers leave a hotel with only the memories of their experiences. The biggest challenge for the hotel sector is tangibilizing the intangible hotel experience (Berry, 1986; Levitt, 1981). One way to overcome this challenge can be by creating a strong brand, which represents the hotel services and appears to customer’s tangible characteristics of an actual product. A strong brand enables customers to better visualize and understand the intangible side of the products and services. Additionally, a brand reduces customer’s perceived monetary, social, or safety risk in buying services, and can help to optimize their cognitive processing abilities.

It was revealed throughout the interviews that respectful hotel brands will usually win, because these hotels with the same brand promise that service quality and service level will remain constant (Hotel G3, G8). Moreover, their brands enjoy the high reputation in the hotel market. Thus, consistent service quality and brand advantage will win customers’ loyalty. Cai and Hobson (2004) supported this argument and stated that branding a hotel is more than just associating a property with a name and logo, a brand is a promise to the customer. Kayaman and Arasli (2007) pointed out that brand gives hotels the ability to charge a price premium over and above rival
hotel chains and independent hotels, because brand loyal customers perceive some unique value in the brand that no other alternative can provide, and they will pay more to stay in a hotel they know than to take a chance on a less expensive competitor. Thus it may be concluded that customers do not love brands merely because they run efficiently or have effective systems. They love brands because they offer levels of service delivery and product quality that are personalized, amazingly good, and dependable. The reason a hotel brand can be successful lies in their providing quality products and services. A brand represent a credible guarantee of quality to the consumers. Consequently, once the consumers are persuaded that the brand offers what they expect, they will stay with the brand. Brand names provide a symbolic meaning which assists the customers in the recognition and decision-making process. A consumer will choose a familiar name because brand names carry higher perceived quality. Brands generally deliver the quality they promised.

The interviews with managers pointed to the fact that brand effect is the largest influence of a brand on hotel business (Hotel G1, G3, G5, G8, G9). When consumers approve of a certain brand, they believe that service quality and service level will remain constant across hotels of the same brand. If one day they need to choose a hotel for stay, they will prefer a familiar brand. Hotels with good operational performance have used this brand effect to do brand extension. Jiang et al. (2002) stated that brand extension is the practice of introducing a new brand (differentiated by market segment) using a well-established brand name as leverage. Jiang et al (2002) also pointed out that brand extension can increase customer loyalty by increasing the switching costs from a particular brand family to a competitor’s brand. With extensions, firms can reach distinguishable groups of consumers with diverse needs. Customers familiar with a brand are more likely to patronize an extension of that brand rather than take risks with an unfamiliar brand. It is noted that many hotels in the world have successfully used brand-extension strategy but most of them is to differentiate products that carry a single, well-established brand name to penetrate a variety of market segments such as Holiday Inn’s introduction of Holiday Inn Express, Holiday Inn SunSpree Resorts, the upscale Holiday Inn Crown Plaza and Holiday Inn Select. However, in Taiwan, successful hotel brands also utilize brand expansion strategy but their model is different from that mentioned above. The brand extension strategy commonly adopted by hotels in Taiwan is to set up branches of
high-performing restaurants outside the hotel as independent restaurants. For instance, there are several restaurants in the Hotel G1. Among these restaurants, Japanese restaurant, banquet reception hall, and Thai restaurant are very popular and usually full during dining hours. Therefore, this hotel used the brands of these restaurants as independent brands to set up branches outside the hotel. As hotel development is usually confined to the space and area, only through external extension can it continue to create more revenue. These restaurants have been popular and well-known for their brands. Therefore, this hotel uses this foundation to extend the advantage of these brands. The so-called advantage is to have popular brands, a powerful team, and outstanding management capabilities. With such advantage, they can increase their business locations to generate more revenue and also create more space for employees to develop themselves. This is a new brand extension model created by hotels in Taiwan.

In this research, it is found that many historic hotels suffer from the negative impression of the general public that their facilities are outdated (Hotel A7, P7, P8). Theoretically, hotels carrying an old brand are supposed to have accumulated more customers, which can be an important intangible asset of the hotels. However, in Taiwan, an old brand is usually a burden to a hotel, because it implies everything in the hotel is old and the quality is poor. The reason is that most of the owners of old hotels in Taiwan lack the concept of brand. They do not attempt to create a good image for their brands and have little idea about brand identity. This is really a pity, because old hotels can still form a brand by presenting itself as a witness of history, a witness to celebrities or a witness to certain significant events. These historic stories can be passed along. However, most old hotels have not taken advantage of their history. Tepeci (1999) suggested that the brand should remain up-to-date and demonstrates an unceasing attentiveness to the changes in customer taste. To keep pace with changes in the marketplace hotels should meet and exceed customer needs and wants. In this research, there are two old hotels in Taiwan, Hotel G5, G6. Despite the long history of their establishment, they still maintain the glamour of their old brands. Their successful secret is to adhere to the history of their old brands but progress with the time. The owner of Hotel G5 realized that their old brand is indeed an important asset but also a barrier to new-generation customers. Such barrier may weaken their strength when they compete with new hotels. Therefore, the strategy this
hotel utilized is to open a new brand restaurant in an old hotel. No matter in décor, use of food materials or culinary skills, these new restaurants were all designed to differ from old ones and also the existing competitors in the market. They quickly drew popularity among consumers and also reestablished new brand images and status for the hotel. Through introduction of a new restaurant brand, this old hotel now runs with new vitality. As a result, despite the long history of hotel, they still maintain the glamour of their old brands. Hotel G6 is another successful case. It is located in Tainan, one of the old cities in Taiwan. Consumers in this area are more nostalgic for the old days. Despite constant renovation, this hotel has never renewed their most important asset—employees with abundant experiences. Over the years, many customers still insist to visit this hotel simply because of the familiar faces in the hotel. Employees of this hotel really understand their needs and have established close relationships with them. This is the reason why this old hotel’s performance has never declined for 40 some years. The two hotels are old, but both of them have taken their brand advantage to establish closer relationships with customers and increase their customer base. Besides, they have also introduced new elements (new facilities and new restaurants) into their old brands. As a result, the two hotels can still exhibit outstanding performance.

It is noted that from the research, brand has certain influence on customer choice, but not all kinds of customers will be influenced. Foreign customers are more concerned about brand, and local customers have relatively lower brand loyalty. This can be approved by the fact that most of the international chain hotels set up branches only in Taipei. In Taiwan, Taipei is the only city where there are more foreign visitors. In other cities, the main hotel customers are still local people. In the past, a hotel outside Taipei once attempted to introduce international brand to attract more customers. However, expected effects were not obtained. International customers have a higher level of brand awareness. Unfamiliar with Taiwanese hotels, they tend to select international brands first. In contrast, local customers can easily access information of every hotel, so they usually compare hotels in various aspects, including price, facilities, location, word-of-mouth. Brand is not the primary factor they consider in the choice of a hotel. This also causes local customers to have lower brand loyalty.

In Taiwan, the operational performance of international hotel brands is better than
local brands. In addition to better hotel management and higher loyalty of international customers, the perspectives of brand content and incentive for consumers plays an important role. Cai and Hobson (2004) argued that in branding hotels, customer feelings about the brand go beyond product and service features and prices. Strong and favourable feelings grow from long-term relationships cultivated and nurtured between the customer and the brand. However, some Taiwanese hotel brands, too often, focus on tangible attributes such as room features and promotional prices. Taiwanese hotels seldom make effort to shape spirit, image, and position of their brands. For managers of these hotels, brand spirit and brand image cannot be created in the short time, and the effect cannot be accurately measured. It is hard for them to convince hotel owners to invest in this aspect. They would rather concentrate their attention to physical facilities and promotion, from which significant effects of improvement can be observed after investment. International hotel brands, however, attach much importance to brand spirit and brand image. By building long-term relationships with customers, they can secure a position for their brands in the mind of customers. With more powerful brand content, they can certainly exhibit better performance. The competitive advantage of hotel features and benefits is short-lived. They raise the expectations of customers, and soon become a qualifier instead of a satisfier. Cai and Hobson (2004) suggested that the competitive advantage that is sustainable for a hotel brand can only be achieved through creating brand’s spirit and the message which the brand wants to express. Even high awareness of a hotel name does not get translated into significant contributions to the equity of its brand, unless the brand spirits and messages resonate favourably with its target market and are embraced by hotel employees.

To attract customers, most international hotel chains have developed frequent-guest programs (FGPs) that reward customers for repeat business. To make an FGP effective, the rewards must be appealing enough. These international brands have numerous chains around the globe and usually ally with car rental companies and aviation companies. Members of their FGPs can accumulate and use bonus points across several industries, so international business travelers are more attracted to hotel FGPs. Although these programs are costly for hotel firms, McCleary and Weaver (1992) found that business travelers who belong to FGPs are willing to pay more than nonmembers for a hotel room and FGP members are more likely to bring their
families along to stay in the hotel. However, under the constraint of limited scale and
resources, Taiwanese hotels are unable to provide reward programs. Even if similar
programs are offered, they are simply not appealing enough to customers. As
mentioned earlier, the common ways that local brands use to lure customers are
offering discounts and promotions. Under this tendency, local consumers become used
to comparing price first when choosing a place to stay. This is one of the reasons why
the brand loyalty of local consumers is not high.

Brand loyalty is one of the most important competitive survival tools because loyal
customers provide repeat business, higher market shares and profits, referrals, and
competitive advantage. It is apparent from the research that despite the large number
of hotels capable of meeting customer demands in this competitive market, customer
satisfaction is not equal to customer loyalty. Only the value and power of a reliable
brand can lead to both customer satisfaction and customer loyalty. Therefore, brand
contributes greatly to operational performance and hotels should pay more attention to
establish and develop effective brand strategy.

7.14 Creative Marketing

Marketing is regarded as an important task in every hotel. However, most hotels adopt
similar marketing strategies which include visiting customers, providing product
packages, and advertising. These strategies are undeniably good. However, if every
hotel uses the same strategies, customers will end up comparing prices and products.
In the contrary, when hotels have distinct marketing strategies, this will create
customer loyalty and customers will be touched and choose the hotel without
considering. Shoemaker et al. (2007) noted that the purpose of marketing is to solve
customers’ problems, giving them what they want or need at the time and place of
their choosing and at the price they are willing to pay. However, customers usually
have different kinds of needs and this makes their problems more complicated. The
goal for marketers is to present the best solution to the problem at the lowest risk. The
way to attain this goal is using new thinking to do with marketing (Shoemaker et al.,
2007). The idea of creative marketing is presented by Bursk’s comments on
innovation: “Doing new things so as to cause new things to happen—the new things
to happen being more business from existing customers as well as the acquisition of
new customers” (Bursk, 1967, p.3). Zive (1981) stated that applying creatively to solve problems or meet challenges allows the hotel not only to achieve its objectives but also to distinguish itself in the minds of present and future customers as an exciting and interesting place to stay. Although a competitive edge built on creative, innovative marketing—which is hard to imitate—may be difficult to attain, once attained, can be maintained (Bursk, 1967). Therefore, creative marketing has become a powerful instrument that hotels can use to enhance its performance.

In this research, some hotels have successfully integrated marketing and technology to create a creative distribution channel (Hotel G1, G3, G8). To effectively communicate with target consumers, accurately deliver information of new events, and influence more customers, these hotels deliver their service contents to customers through the latest and most economic media, such as MSN, Skype, and YouTube. O’connor (2008) stated that the prolific growth in the use of electric commerce has been one of the most significant developments in business communication in the past decay. Electric commerce’s popularity as a marketing communications tool can be attributed to the benefits that it brings. It is convenient; easy to use; and to a large extent highly effective as a method of interacting with, selling to, and converting the customer (Sipior et al., 2004). Moreover, electronic commerce offers great flexibility for hotel suppliers operating in volatile markets. The promotional message can be changed much more quickly than is the case where the need to print documents leads to long lead times between a policy decision being made and the implementation of that decision. Therefore, such channel allows managers to decide what special programs to offer for even tomorrow or tonight according to the latest status of orders. Customers can also benefit from such channels by gaining immediate gratification of their requests, greater choice, multi-sensory, accurate and up-to-date information and easy to use interface. In this research, Hotel G1, G3, G8 serve mainly international business travelers. For these customers, MSN and Skype are tools they most frequently use to make contacts with business partners. Therefore, making use of these tools to provide promotion information and conducting real-time two-way communication with their customers can make a hotel’s promotion more efficient and deliver more business to the hotel.

Using membership to increase customer loyalty is a common marketing approach.
However, most of the membership cards issued by hotels can only be used for discounts. Unless a guest visits frequently, the membership card are not very attractive. Nevertheless, research findings showed that Hotel G3 has added diversified functions to their membership cards. In addition to applying for discounts, card holders can also collect points to exchange for free beverage or accommodation coupons. Most important of all, this hotel adds the value of their membership card by extending the validity of this card across other industries. Through resource integration, card holders are entitled to various discounts at several fashion boutiques. Moreover, an exclusive magazine is published on a regular basis for these members. The magazine covers hotel information and the latest fashion news as well. By means of this magazine, the hotel can have sufficient and effective communication with their members and further maintain the loyalty of their customers. This hotel has successfully revolutionized the functions of conventional membership cards. Through resource integration and cross-industry cooperation, it maximizes benefits of its cardholders. Additionally, it also publishes magazines combining latest information of the hotel and latest fashion news. This creative application of direct marketing to target customers enhances the hotel’s status and increases customer’s acceptance of the hotel.

Another hotel discarded the traditional marketing strategies for low business seasons. Traditionally, the ways most hotels use in low season include offering discounts and soliciting group customers. This hotel found that low season means few customers. If there are few customers, no matter how low the room price is, the hotel business cannot be improved. Instead of spending money on advertising, they use these resources to solicit highly loyal customers by giving them special offers (Hotel G11). These loyal customers well know about the commodities and services of this hotel. Given proper incentives, they will be very willing to revisit the hotel. Thus, this hotel adopts the direct selling approach. They know providing promotional news to loyal customers is a one-way communication and might not be very effective, so they ask salesperson to directly call customers and invite them to take a vacation at the hotel. Customers feel highly respected when they receive the invitation call. Discount plus high respect can deeply influence the loyal customers and induce their re-patronage. The large business gap between seasons is a common problem for hotels. To cope with this problem, all hotel managers know that they should increase room occupancy rate during low season and raise average room rates in high season. However,
The implementation of this concept is a challenge for most managers. This hotel puts aside the traditional marketing strategy for low season and focuses on loyal customers who enjoy the services of the hotel and have certain attachment to the hotel. For the managers of this hotel, the cost of aimless advertisement can be saved and distributed as a return to loyal customers. This strategy attracts them to revisit the hotel. Understanding the mind of loyal customers, this hotel has made a better use of marketing resources to create high performance even in low season.

For contract customers, managers interviewed revealed that hotels conventionally prepare a contract in fixed format and adjust the room rate and services according to the negotiations with customers. However, for these customers, room rate is important, but what they are really concerned is whether their needs can be satisfied. Thus, what they really need is a customized contract that can solve their problems rather than room rate for bargaining. The strategy Hotel G2 utilized is preparing exclusively customized contract. This contract is designed according to customer’s needs and wants and provides customer with an all solution program. Through such customized contract, this hotel can really satisfy customer demands and also avoid being trapped in cut-throat battles with competitors. In this highly competitive hotel market, providing customized commodities that can really satisfy customer needs seems to be more effective than price adjustment in winning the favor of customers.

From the above examples, it can be found that these hotels could develop creative marketing strategies mainly because they have made a significant change of their thinking. The traditional goal of marketing is to induce consumption, and the relationship with customers is built on the basis of maximizing profits of the hotel. Nowadays, these hotels attempt to develop a new relationship with customers on the ground of customer’s interest. Their creative marketing methods are embodiments of this new relationship. The reason they have such idea change is that in recent years, an increasing number of hotels have recognized the benefits of establishing and nurturing ongoing relationships with their customers. McIlroy and Barnett (2000) pointed out that the basis of relationship marketing is customer loyalty because retaining customers over their life will contribute to enhance profitability. This implies that companies have to learn continuously about their customers’ needs and expectations which are ever changing and often unpredictable. Relationship marketing is aimed at
developing long-term, cost-effective links between an organisation and its customers. A variety of strategies can be used to maintain and enhance relationships. These include treating customers fairly, offering service augmentations and ensuring the service is customized for the needs of each individual customer (McIlroy and Barnett, 2000). Therefore, relationship marketing has been increasingly emphasized by many companies. In this research, Hotel G4 has exploited relationship marketing to almost the maximum extent. Each salesperson in Hotel G4 was responsible for a number of contract customers. During each customer’s stay at the hotel, the responsible salesperson would actively inquire about the need of this customer from time to time. In addition to expressing the concern of the hotel, hotel also can solve customers’ problems in the first time. For this hotel, such customer adoption approach is a good way to maintain customer relationship, because services are intangible, it is difficult for customers to evaluate hotel according to its service. The service providers may be the most tangible aspect of the service and, in the eyes of customers, may be equated with the service itself. However, most hotels usually address customer problems only when there is a complaint. In this hotel, employees also help customer resolve their problems but in a passive manner. Customers who do not provide their opinions are not necessarily satisfied with hotel services. Through this kind of customer adoption mechanism, hotels can proactively understand each customer’s needs and satisfy them respectively. As what Claycomb and Martin (2001, p.390) said “because it is often not possible to remove defective services before they reach customers, a strong relationship often helps to recover from inevitable mishaps”. Therefore, the production of many services requires that customers and service providers interact with one another. Professional services, in particular, require a high degree of interaction. If rapport fails to materialize or if the relationship is otherwise strained, the quality of the interaction and the resulting service can suffer.

From the above cases, it may be concluded that hotels using creative marketing strategies have hold of three major factors other than product price and features. These factors are customized product, respecting customers, and effective problem-solving. Additionally, due to the particular features of hotel products, hotel customers pay for an experience rather than a common product. Since it is an experiential product, it should be designed according to customer demands and marketed from the perspective of customers. However, many hotels’ marketing is
focused not on the consumer, but on the profit, with marketing strategies being related to the products offered. In a new age, with new consumers hotels need to shift away from a product-oriented approach, and should base their marketing on the perspectives of customers, so that the effects of their marketing can increase sales growth and also enhance hotel popularity, brand value, and customer perception of the hotel via creative marketing.

7.15 Additional Factors

The following sections outline minor factors proposed by a portion of managers in their interviews. Although these factors are considered to influence hotel operations, not all managers regard them as important. The following sections present these additional factors for consideration and future research.

7.15.1 Land Acquisition

Land acquisition is the first step to enter the hotel sector. Lands can be acquired by purchase or lease. Different acquisition methods have different effects on costs of operating a hotel. In Taiwan, the cost of buying land to build a hotel is so high that it covers more than half of the entire budget (Hotel G1). If hotel owners spend excessive capital on land acquisition, the room rates will definitely be high. This will reduce hotels’ competitiveness. Even if hotels’ business is good, the huge land cost has already reduced their profit margins, so their operational performance will be limited. Consequently, some managers interviewed suggested renting land to build hotel rather than buying land (Hotel G1, G3). However, this business model is challenged by other managers who pointed out that although acquiring land by lease can really help owners save a huge amount of capital, land in a good location can hardly be leased at a low price (Hotel G5, G9, A3). Moreover, if a hotel is very successful, it can indirectly increase the value of the hotel land and surrounding lands. By that time, landlords may even ask for a lease raise (Hotel P1, P7).

As to the idea of “acquiring land by buying or leasing”, the managers interviewed provided a wide spectrum of opinions with regard to this issue. Therefore, it might be a considerable issue for hotel operators and can be continuously followed in future
7.15.2 Regional Market Characteristics and Management Difficulties

Although Taiwan is a small island, the findings of this research indicated that its customer type, consumer habit, market characteristic, and even competitive situations all vary from one region to another. Moreover, in Taiwan, the hotel business is affected by other industries and the entire economic and social environment. Thus, a hotel’s performance may be significantly affected by various regional market characteristics, depending on where it is located.

It was revealed throughout this research that hotels located in adverse environments are under more financial pressure, and make more efforts in management and application of strategies. Sometimes, even if they have made every effort possible, their efforts will still have limited effects. However, if they can thoroughly evaluate the characteristics of their market and make use of their exclusive conditions and resources to develop strategies that meet the needs of their local markets, they can still present good business performance in an unfavorable business environment. In addition, through DEA, we can easily identify the relatively operational efficiency of all hotels in Taiwan but the results may also have errors due to its neglect of location. Therefore, when evaluating hotel operational efficiency we should also consider the factor of location and regional market characteristics, then a more objective operational efficiency can be determined.

7.15.3 Food and Beverage

Conventionally, the major business of a hotel is accommodation. However, it is apparent throughout the interviews that high performance hotels in Taiwan usually enjoy good performance in their restaurants. In some hotels, food and beverage makes a larger contribution than rooms. In terms of cost, rooms are cheaper than restaurants. However, in terms of the area and performance ratio, the profit created by food and beverage can exceed that created by guestrooms (Hotel G1, G3, A3). Additionally, restaurants have a high turnover rate, whilst a room can usually only be sold once per night. Therefore by comparison, food and beverage has larger room for profitability
(Hotel G1, G3, A3). On the other hand, among hotels with poor performance, several admitted that poor performance in food and beverage service would really impact the overall business of the hotel. Such impact is more significant in resorts. This is mainly because Taiwanese consumers are used to viewing resorts as merely a place for rest. They do not spend too much time staying in the resort and enjoying the various facilities, including restaurants (Hotel P2, P10). In this case, reducing the scale of restaurants, outsourcing or recruiting famous chefs may be the feasible solutions for these hotels.

It can be seen from this research that the contribution of food and beverage service to hotel business can not be neglected. Therefore, in the evaluation of how to enhance the overall performance of a hotel, food and beverage service should also be considered.

7.15.4 Chain Operation

Recently, the hotel sector has been experiencing a rapid growth of chain properties (Yeung et al., 2004). Go and Pine (1995, p.67) stated that the benefits which chain operations can offer include nationwide advertising and international reservations and referral network. The trend towards hotel chain affiliation will continue in the future. The ways which chain hotels excel independent hotels is through their abundant management experience and marketing channel. However, in our interviews, the managers showed diverse opinions with respect to such implication.

Although many managers agreed that international chain have a significant effect on luring international travelers they also noted that hotel location and target market should be considered. In Taiwan, international travelers are concentrated mainly in Taipei. They have higher brand loyalty, and are not familiar with local hotel brands. They tend to choose the international hotel chains with which they are familiar. Therefore, if the hotel is located in Taipei and aimed at serving foreign customers, introduction of an international chain will surely benefit the growth of business. However, international chains may not have as much effect on hotels located elsewhere around Taiwan, because the number of foreign guests is small, and local customers usually have no brand awareness. Therefore, the effect of an international
chain will be minimal (Hotel P1, P7). Additionally, when the management experience of international chains is transferred to local hotels, due to cultural difference, conflict in management may usually occur (Hotel G7). Some local hotel owners have mentioned that the management concepts of international chain companies are too idealized and lack cost considerations (Hotel G7, A8). They revealed that in hotel management, providing the best services should be certainly prioritized. However, from the perspective of hotel owners, they run a hotel for profits (Hotel G7, A8). Therefore, cost should be considered before providing high quality services. Moreover, after 20 years of learning from the western management, local hotel manager have become more competent than ever to run a hotel. Therefore, improvement of hotel service quality does not necessarily have to rely on international chains (Hotel G1, G7). More importantly, all hotel owners said that the management fee requested by international chains is not reasonable. These international chains require high management fee but provide no guarantee of profitability. For hotel owners, such expenditure cannot be paid with pleasure.

Chain operation has certain benefits for hotel operational performance. However, as mentioned above, if other supporting conditions are absent, its benefits may also be limited. On the other hand, independent hotels do not have the advantages of chain operation, but Taiwan is small, even independent hotels cannot enjoy the advantages of chain operation, they can still maintain their status in the mind of consumers through advertising and word of mouth. If they can make use of their features, try to meet market demands, and create positive word-of-mouth, their competitiveness can still be maintained.

7.15.5 The Number of Rooms

Lundberg (1994) indicated that a hotel must have at least 50 rooms to be large enough to support employees and also to produce enough profit for the hotel to be of interest to a big investor. If the number of rooms exceeds 50, the profit will increase with the size of the hotel, because the cost of labor per room can be reduced. In other words, there is profit only when a hotel’s size is larger than its minimum economic size. After the number of rooms exceeds the minimum level, the increase of profit will be greater than the increase in the cost of labor. An interesting phenomenon was observed from
the interview results. Some managers of low-performance hotels attributed their poor performance to an excessively large hotel size, but none of managers of high-performance hotels mentioned that their high performance was assisted by a proper hotel size. In fact, the number of rooms depends on market demand and competition in the region. In regions where there are strong market potentials and only a limited number of hotels, an increase in the number of rooms can bring massive profits to a hotel. On the contrary, if the market is very much saturated, and the competition is intense, increase of rooms will only lead to more burdens on hotel management. Hotel size has been determined when a hotel is constructed. It is not a variable that can be constantly adjusted during operation. Many of the high-performance hotels are located either in Taipei or in popular tourist spots. Thorough market surveys and evaluations were conducted in the planning of their hotel sizes. Therefore, given a sufficient market demand, they have not considered the effect of room quantity on performance and only focused on how to maximize the effect of the current rooms. On the other hand, many hotel owners acquire their hotel land at a high cost. In this situation, hotel owners certainly want to build more rooms to share the cost of the land and also increase their revenue. However, an excessive number of rooms also increases the risks in management. If a hotel has an excessive number of rooms, it can hardly position itself to develop its target customers. Labour arrangements and sales promotions will also be more complicated. Sometimes, it will need to reduce prices to fill a large block of vacant rooms. These actions will definitely slash the profit of the hotel and result in poor performance.

In hotel management, one focus is to maximize capacity utilization. The marginal cost increased by selling one more room is limited, but the revenue from such a room is an additional earning. Therefore, making a decision about the appropriate number of rooms is an important issue for hotels, and in the planning of a hotel, evaluation of the local market should be carried out in a prudent manner.

7.22 Chapter Summary

This chapter evaluate the research results and discuss the contribution of the results both to academic theory and managerial practice. Through DEA analysis and qualitative in-depth interview, this research found out 13 critical success factors
contributing to Taiwanese international tourist hotel having good operational performance and some other factors influencing hotels’ operation. This chapter reviews the impact of these findings on the existing body of knowledge and discuss how these results relate to, and build on, previous research. This chapter also provide the suggestions how these results are applied to managerial practice. Through this discuss, this research help managers to understand the factors determining the operational efficiency; develop effective strategies to meet a highly competitive environment; and provide hotel managers with a list of recommendation to enhance hotel performance.
Chapter Eight: Conclusion

8.1 Chapter Introduction

This chapter concludes the investigation of using DEA to evaluate Taiwanese international tourist hotel’s operational performance. Using the results of DEA analysis, this research further develops the critical success factors to identify those factors that make the largest contribution to hotels having good operational performance, and identifies the reasons leading to hotels having poor performance. Through the exploration of critical success factors, this research provides hotel managers with strategies and suggestions to increase hotel operational performance. The limitations of this research and the possibilities for future research are also offered.

8.2 Implications of Data Envelopment Analysis

The purpose of this research was to evaluate the operational efficiency of international tourist hotels in Taiwan and find out which hotels have good performance and have become a benchmark for other hotels; which hotels are inefficient and should improve their operation. Accordingly, this research used DEA to measure the operational efficiency of 57 international tourist hotels in Taiwan. DEA is a linear programming based method that can integrate several relatively disparate input and output variables simultaneously; then produce a single productivity index that compares all units to the most-efficient units in the sample, helping analysts to identify which unit is most efficient. Through DEA analysis, this research indicates that there are 12 hotels with outstanding operational performance, including Grand Formosa Hotel Taipei, Caesar Park Hotel Taipei, Royal Hotel Taitung, Grand Hyatt Hotel, Sherwood Hotel, Ambassador Hotel, Tainan Hotel, Lalu Hotel, Shangri-La’s Hotel, Brother Hotel, Westin Hotel and Caesar Park Hotel Kenting. Through further analyses, it can be concluded that hotels with good operational efficiency have the following common features:

- they are business hotels
- located in Taipei
- focus on foreign customers and individual customers
- chain operated
- provide top level, luxurious facilities
- charge expensive room rates.

Although the results of DEA provide hotel managers with benchmarking information, there are several factors and resources influencing hotel’s operation during the DEA process. Some of these factors are under hotel’s control such as operational expenditures, the number of employees and salaries expenses but some other factors such as location and hotel size are outside the control of hotel management. If using DEA to evaluate hotel’s efficiency without considering these uncontrolled factors, the result would be inaccurate and cannot provide the real information of operational efficiency. This is the limitation of the previous research using DEA to measure hotel operational efficiency. Therefore, based on the DEA result, this research further divided it by average DEA score for hotels according to some other significant influencing factors, including location, hotel size (the number of hotel room), hotel age and room rate. Through these adjustments, the effect of each influencing factor on DEA efficiency has been found. The results show that among the 12 high-performance hotels, Grand Formosa Hotel Taipei, Grand Hyatt Hotel, Sherwood Hotel, and Shangri-La’s Hotel are most benefited by these four factors. Without these positive factors, performance of these hotels is seriously affected and immediately move down the ranking. In comparison, Brother Hotel, Caesar Park Hotel Taipei, Ambassador Hotel Taipei and Tainan Hotel are least benefited by these factors. As it also possesses other conditions and good management abilities, it still remains at the top of the DEA ranking after adjustment.

This implies that some hotels in fact have better operational efficiency but are scored relatively inefficient by DEA because these hotels experience unfavorable influencing factors. On the other hand, those hotels with good DEA score do not necessarily have good operational efficiency just because they have favorable influencing factors. Without the advantage of these favorable factors, their operation will be affected and may not have good operational efficiency. Therefore, although some hotels and other hotels are ranked at No.1 in DEA, through DEA adjustment, the rank of these hotels become the only Top 1. This explains that managers in such hotels in fact have better
management ability and performance, even though hotels lack favorable influencing factors, they still utilize hotels’ characteristics and develop their management ability to increase hotel performance. On the contrary, those managers working with hotels with favorable influencing factors, should be scored poorly because they are given favorable influencing factors, they should be doing even better. Therefore, through DEA adjustment, the effect of some uncontrolled influencing factors on DEA efficiency will be found. By comparing each hotel’s adjusted score, a more objective operational efficiency, as opposed to overall hotel efficiency, will be determined. To improve business performance, managers should benchmark themselves against hotels with superior operating efficiency. This research offers a guide to managers to select suitable benchmark hotels.

On the other hand, DEA provides an approach to measure the operational efficiency of international tourist hotels in Taiwan but one cannot identify a general trend in the efficiency of the hotel industry without measuring the annual change in efficiency. Therefore, this research used the Malmquist productivity index to measure the efficiency change of 57 hotels from 2003 to 2005.

In addition, DEA not only provides efficiency results but also shows how much the outputs could be increased and/or the magnitude of inputs that could be reduced by inefficient hotels to achieve the hotels operating as well as the most efficient hotels. This would be the slack analysis of inefficient hotels. Therefore, through the DEA slack analysis, this research provides the information that how inefficient hotels might reduce the inputs used, or increase the outputs produced. The results indicate that most international tourist hotels in Taiwan have good control of operational expense and good performance in food and beverage, and do not need to put much emphasis on these two areas. On the other hand, inefficient hotels in Taiwan can efficiently increase operational efficiency by reducing the number of their employees.

Through the use of multiple DEA measures, this research does not only provide the efficiency of 57 international tourist hotels in Taiwan; the annual change in efficiency and suggested improvements of the slack input-output variables for the inefficient hotels are also provided as reference for hotel managers.
8.3 Critical Success Factors and Suggestions for the Industry

After evaluating the operational efficiency of international tourist hotels in Taiwan, one of the issues which hotel managers are most concerned about is the differences in performance levels that exist between different hotels and what possible factors may justify those differences. Therefore, based on the results of efficiency evaluation, this research further used a qualitative approach to analyze the reasons why benchmarking hotels are doing well and how inefficient hotels improve their performance to assist hotel managers to develop strategy and enhance operational efficiency. After using qualitative in-depth interviews, 13 factors were identified as the critical success factors leading to Taiwanese international tourist hotels having good performance. They are owner emphasis; professional knowledge and experience in hotel management; innovation and features; outsourcing; quality employees; training; positioning; empowerment; corporate culture; hardware facilities and renovation; working environment; brand; and creative marketing.

8.3.1 Owner’s Attitude and Emphasis Play a Key Role to Hotel Performance

Research results showed that there are 13 critical success factors for enhancement of hotel performance. However, whether every factor can be supported and effectively executed still depends on the owner’s attitude. No matter what management model, the hotel owners always dominate financial resources and ultimate decisions. Implementation of all investment plans or significant decisions should still be approved by the hotel owners. If the owner is reluctant to provide support, even a good program or a highly competent manager cannot effectively improve the hotel’s performance. Thus, the owner’s attitude and emphasis play a key role to hotel performance.

This research indicated that Taiwanese hotel owners were unwilling to accept the advice of professional managers, and insisted on their own personal views. Moreover, some Taiwanese hotel owners tend to be short-term profit oriented. If they cannot gain profits or as much as expected from their hotel business, they will begin to intervene in the management; start cutting on service and will not spend enough for
maintenance and improving customer service. This kind of management model does not only hurt the hotel’s image, but also attacks the hotel’s performance. To hotel owners, great service without profit is nothing. However, running a hotel is a long-term and persistent investment. To make profits, hotels need to persistently improve their services and maintain a comfortable environment. Only by doing so can they attract customers at all times. Without understanding of this characteristic of the hotel sector, they can hardly make their operations run on a right track.

8.3.2 Respect and Support for Professional Knowledge is an Indispensable Element in Hotel Management

In Taiwan, most hotels are not run by hotel owners with professional knowledge. Some entrepreneurs established hotels simply because they have lands and sufficient capital, and these hotel owners are very involved in management and are characterized by stringent supervision and control. This tendency of hotel owners to rely on their past experience as the platform for management, and therefore accepting advice from professional managers is something they are reluctant to do. As a result, most professional managers would rather follow an owner’s opinion than create a new idea. In this era of emphasizing professionalism and efficiency, such an approach will have negative impacts on hotel operations. Moreover, the management team in some hotels is composed of the owner’s family members, close relatives or friends. It was observed through the interviews that these people have high loyalty and can be trusted by the owners. However, these people have no professional background and there is not a sound management system in this kind of hotels. Management is highly dependent on people, not systems. All the decisions are in the hands of family members and many have been made without appropriate attention to the facts. Professional knowledge is not respected in these hotels. As a result, the operational performance is poor.

Hotels are a highly professionalised and delicate business. Hotel owners do not necessarily have to be experts on hotel management, because they can get out of conventional frameworks and introduce new ideas into this industry. However, operating a hotel requires professional knowledge and skills. Owners still have to rely on professional managers. Running a hotel, after all, is professional and complicated.
It cannot be done simply with the owner’s personal ideas or reliance on trustworthy family members. The research results indicated that most owners of high-performance hotels are clear with their limits and willing to delegate their power to professional managers. Therefore, respect for professional knowledge and management experience is still an indispensable element in hotel management.

8.3.3 Positive Corporate Culture is a Motivating Power to Enhance Hotel Performance

This research revealed that a strong positive corporate culture is one of the key factors contributing to hotels having a sustained high performance. A special phenomenon is that in Taiwan, hotel owner’s concepts of and attitudes toward hotel management can significantly influence the development of hotel’s corporate culture. As most Taiwanese hotels belong to independent operators, hotel owners are usually deeply involved in hotel operation including operative strategy, management style and personnel matters. In this situation, even though professional managers may have their own views, they are constrained and can only follow the owner’s ideas. Otherwise, they cannot work in this hotel. After a period of time, this situation makes a strong influence on hotel’s corporate culture. Thus, if a hotel owner has innovative ideas and proactive attitudes, it is easy for this hotel to have positive corporate culture. On the contrary, if hotel owner’s mind is negative, hotel’s corporate culture will turn to negative. The reason for this is that owners with a proactive attitude will naturally form a force propelling employees to work hard. If any employee cannot attain standard, they are not likely to survive in the hotel. This attitude has a positive effect on hotel performance. In contrast, passive and conservative owners seldom show support to their managers, even if they have done certain jobs that contribute to hotel performance. In the long run, employees will also become passive and conservative. The hotel’s performance will certainly be affected. This implies that corporate culture is an important factor affecting hotel performance, but formation of corporate culture is critically affected by hotel owner’s attitude. Therefore, hotel owners should shape a positive corporate culture and internalise it into the mind of employees. This corporate culture, once internalized, becomes a motivating power, which drives employees to be more devoted to their jobs to enhance hotel performance.
8.3.4 Innovation and Renovation are Important Strategies for Hotel to Enhance Competitiveness

When asked about the strategies to increase hotel’s competitive advantage, many interviewees revealed that innovation, physical facilities and renovation are the key factors to attract customers. The main reason is that in the face of a hotel environment where customer preferences are changing rapidly, where competition is intense, and where differentiation is limited, innovation seems to be an important strategy for hotels to stay competitive. Moreover, compared with intangible service, service quality is a subjective perception, which varies from one customer to another. Services widely rated as satisfactory may still induce customer complaints. However, physical facilities are tangible and can be more objectively evaluated. Through improvement of physical facilities, an attractive environment can be easily created. Customers today do not exhibit, as in past decades, a truly brand loyal behavior. Customers instead are choosing to patronize hotels that offer the best value proposition under existing budgetary constraints. The best way to make customers feel their expenditure is justified is to provide the innovative products and the best physical facilities.

According to the research, a number of customers come to a hotel for more than accommodation or dining. They also come to experience the atmosphere presented in the hotel. Therefore, hotels need to constantly be innovative to maintain the desirability of their environment to retain customers. Moreover, with the elapse of time, physical facilities will gradually become old, consumer’s feeling of freshness will naturally fade, and the hotel's revenue and profits will be influenced. Therefore, physical facilities should be renewed on a regular basis. Although it is necessary for hotel to conduct innovation and renovation, this research indicated that only a small portion of hotels in Taiwan are proactively engaged in innovation and renovation, and this is mainly due to the reluctance of hotel owners. No matter what innovation or renovation, hotel requires a considerable amount of investment, but issues such as whether this investment can generate more revenue and when it can be repaid are not foreseeable. Thus, many owners are unwilling to undertake this risk. Senior owners, in particular, always think that broken facilities should be repaired rather than directly renewed. Some even argue that the best facilities should be used in the beginning,
believing that they can be more durable and problem-free in the future. However, modern society does not renew a facility because it is broken but because it is out of style. Consequently, Taiwanese hotel owners do not fully realize the importance of renovation as an effective marketing tool, and its potential to attract new customers. In turn, renovation is used in the Taiwanese hotel on the maintenance level in terms of extending the useful life of the property rather than to reposition the property and increase its competitiveness.

It is revealed from the research that in the current competitive environment of Taiwanese international tourist hotels, it is hard to attract customers just through intangible service. In this hotel market, competitors are numerous but services are similar across competitors. Innovative products and regular renovation seem to have become indispensable factors that determine whether a hotel can outperform its rivals and win customer’s trust.

Successful innovation and regular renovation can raise awareness of the hotel, improve image of hotel, enhance customer loyalty, and attract new customers. Moreover, they do not only offer a competitive advantage but also deliver their benefits and unique features to establish a distinct positioning in the customers’ mind. Therefore, to maintain competitive advantages, hotels need to have prospective visions to accurately predict customer expectations and satisfy them with creativity. Then, they can prosper in the highly competitive market.

8.3.5 Quality Employees are the Important Assets to Increase Hotel Performance

From a strategic perspective, hotels are not just in the business of selling accommodation, food and beverages, but rather in the business of providing people with memorable experiences of service. This experience is enhanced by hotel employees. Although high technology and information system have replaced many traditional and administrative functions, it is not possible to replace service employees in an intensive “hands on” customer service culture in the hotel sector. Therefore,
quality employees will continue to be an important factor to enhance hotel operational performance. However, many hotel owners in Taiwan are product-oriented and regard physical facilities as the way to gain competitive advantage when they reluctantly invest in hotel improvements. They are more likely to make investments in physical facilities because they are more likely to think luxurious amenity is attractive to customers. It seems that they do not realise that physical facilities can be imitated easily and usually results in many similar, often easily substitutable service offerings. Moreover, due to the particular characteristics of the hotel sector, it is important that the employees’ personality can fit the industry. Long working hours, hard working loading, shifts, and relatively low payment make the hotel sector an unattractive working environment. Employees must be happy and enjoy working in the hotel sector, otherwise, they will exit quickly. Under this situation, this research found that the way to attract and retain the good employees is to provide them with opportunities for continuous learning and growth and create a work environment where they are allowed a space to fulfill their ideals and feel taken care of by the hotel.

8.3.6 Well-trained Employees can Increase Hotel’s Productivity

In terms of providing opportunities for continuous learning and growth, training can be viewed as an indication that the hotel is willing to invest in its employees and cares about them; thus training may enhance their commitment to the hotel. In addition, hotels need high-levels of professionalism and care about details. Employees who have not received stringent training are unable to provide professional services. Today, customer’s expectations are more unpredictable. Hotel attendants need to please customers holding more critical standards, and the difficulty of delivering service value is much higher. Employee training is thought to be critical in improving the level of service and operational efficiency, and to increase customer satisfaction and loyalty. Well-trained employees can increase the productivity of a hotel, because they can finish their works fast with fewer mistakes and they can indirectly reduce the burden on managers.

Since training is necessary and significant for hotel operation, we expect to see the hotel sector spending relatively high levels on training in Taiwan. However, several Taiwanese hotels still do not put emphasis on training. The reason for this is that the
costs of training are upfront and obvious, while the benefits appear to be remote and immeasurable. In Taiwan, a number of hotel owners regard training as an operating expense rather than an investment. They rationalize large investment in physical assets such as new technology and product development which can generate money directly, yet it is hard for them to see spending in employee training as an investment. To convince hotel owners to implement employee training, there must be a recognisable benefit to the training activity, and if direct benefit and value cannot be identified then hotel owners will not spend money in training. In fact, the money spent on training can be earned from training effect and even create more profit. Moreover, training can save labour, hire less employees and at the same time provide efficient customer service. In addition, although training is costly, through technology application, training cost can be reduced and increase efficiency. Therefore, hotel cannot stop training employees simply because training is costly and not likely to bring immediate return. The loss of not providing training will be much greater.

8.3.7 Empowerment Allows Employees to Quickly Respond to Consumer Needs and Increase Customer Satisfaction

Empowerment is a substantial way to allow employees to demonstrate their capabilities and fulfill their ideals. Findings from this research suggested that empowerment is a kind of recognition of employee’s competence. Employees know that they are empowered because they are trusted. Likewise, empowerment allows employees to win customer trust, because customers know their problems can be immediately addressed by employees. For hotel employees, it is the highest honor to win the trust of hotel and customers at the same time.

In the hotel sector where speed and efficiency are critical, empowerment is absolutely necessary. In the handling of customer compliant, if the customer’s needs can be immediately satisfied, hotel may potentially overturn the customer’s negative attitude and even receive compliment on service efficiency. In addition, empowerment can increase employee’s sense of responsibility. Because when employees are given the information and authority required to handle customer issues, they cannot avoid assuming responsibility. Such an increase in responsibility will give them a sense of having ownership in the hotel. The result of which may create more positive
employees and enhance operational performance.

Although empowerment can increase hotel’s service quality, customer’s satisfaction and operational efficiency, several of Taiwanese hotels still avoid empowering their employees. The major reason is that hotel owners are afraid that due to employee’s promising more than it is cost-effective for the hotel to deliver, the hotel will suffer a loss. In fact, this problem can be prevented through proper design of the system and employee training. Through system design, the power of each level of employees can be clearly defined, and employees are also trained to properly use their power. Therefore, if there is an urgent need, employees can help customers solve problems in the first time without the decision of the supervisor.

This decentralized decision-making will help employees develop and grow in the job, and is claimed to be a technique which will both encourage the necessary level of commitment to organisational goals and provide the necessary discretion and autonomy to generate the level of customer service required (Lashley, 1995). Hotels should make good use of empowerment and become their advantage to increase their operational performance.

8.3.8 Providing Good Work Environment will Make Employees Present the Best in Return

In the hotel sector, most of the operations and services rely on employees. Since employees are involved in hotel operation, the performance of these operations may be easily affected by human emotions. If a hotel manages to look after employees sincerely then employees will serve customers wholeheartedly, and customers may have a positive experience and feed that back to the hotel. This would be a virtuous circle. Therefore, employees should be regarded as one of the important assets, and a hotel should take good care of its employees.

The managers interviewed indicated that employees are internal customers of the hotels. A hotel should build a work environment where employees are treated like customers, and employees’ personal affairs are viewed as matters of high importance by the hotel. The more concern the hotel shows in taking care of employees’ personal
affairs, the more they can perceive the concern of the hotel. Employees will also have a stronger sense of cohesion, which is contributive to hotel performance. Only happy employees will generate more happy customers. This relationship is the fundamental principle needed in an effective and sustainable customer service culture. Therefore, hotel cannot ignore the importance of providing its employees with good working environment.

This research revealed that those hotels suffering from low performance, usually treat employees as simply people hired to work for the hotel owners. These hotel owners do not deem taking care of employees and providing a good work environment as important. Some of them even regarded employees as substituent labour and do not mind if employees dislike their jobs, because they think a long line of applicants are waiting for their positions. If the hotel treats employees like this, its employees may take a passive attitude toward their jobs and hotel’s performance will be influenced.

Although superior facilities are the foundation of a quality delivery system, it is the front-line employees who deliver the competence, convenience, respect, care, and integrity that convert the facility into true value for the customer. With competent and motivated employees, great service is possible; without it great service is a “pipe-dream” (LeBoeuf, 1987). To sum up, hotels should view employees as an important asset, and give full support and a good work environment with proper care for them. Then, they will be pleased to present their best to the hotels in return.

8.4 Qualitative Approach to Address the Limitation of DEA

The main objective of measuring hotel operational efficiency was to gain an insight into how a hotel is evaluated and how it can improve efficiency with its current resource base or a change of resource allocation. The major problem in measuring lies on the incommensurability of different output measurements as well as input measurements. This problem can be solved by the DEA approach. However, DEA approach can only determine relative operational efficiency but cannot identify the factors that give rise to inefficiency or lead to efficiency. Furthermore, DEA only calls attention to those hotels in which efficiency and inefficiency exist, but cannot provide suggestions on how to improve operational efficiency. In other words, DEA only
answers “how well a hotel is doing”; “which hotel is doing well”; but it ignores the most important question “why this hotel is doing well”. The real aim of applying DEA is to identify what factors cause efficiency and what factors result in inefficiency.

In addition, using DEA to evaluate hotel operational efficiency can only measure quantitative data and often overlook intangible issues such as hotel location, employee’s ability or hotel age. These issues may be external to the control of management but can crucially affect hotel operational efficiency. As Morey and Dittman (1995, p.21) observed, “sometimes one must look past the numbers and take into account qualitative factors”. Lucas and Deery (2004) also indicated that qualitative research inquires have great potential when exploring issues in the field of hospitality. Therefore, qualitative approach may be a good way to address this limitation of DEA. This would involve the collection and analysis of verbal data by in-depth interviews with hotel managers, and to develop critical success factors contributing to hotels having good performance. Through the exploration of critical success factors, this research helps managers understand the factors determining the operational efficiency; develop effective strategies to meet a highly competitive environment; and provide hotel managers with a list of recommendations to enhance hotel performance.

It is noted that previous research demonstrated that in Taiwan, hotels belonging to an international chain have better performance than independent hotels (Hwang and Chang, 2003). However, this research found that joining an international chain is only effective in Taipei, because there are many foreign travelers in Taipei, they have higher brand loyalty, and they will choose familiar international chains. If the hotel is located elsewhere, the number of foreign guests is small, and local customers usually have no brand awareness. Therefore, the effect of an international chain membership will be minimal. This implies that even international chain hotels have sounder management system, better brand image. It cannot be denied that the location factor has a great influence on hotel operation and are outside the control of hotel management. Taiwan is small, but customer type, consumer habit, market characteristic, and even competitive situations all vary from one region to another. It is not possible to apply a fixed management model to all the regions. This is also the reason why several chain hotels have good performance only in their Taipei branch.
Therefore, all hotels should thoroughly evaluate the characteristics of their market and make use of their exclusive conditions and resources to develop strategies that meet the needs of their local markets.

8.5 Limitations of the Study and Recommendations for Future Research

This research was intended to generate data and insights that are relevant to operational performance of Taiwanese international tourist hotels. However, there are some limitations regarding the generalisation of the results presented here. The target of this research was international tourist hotel, which total 57 establishments in Taiwan. However, in Taiwan, a large number of hotels do not apply to Taiwan Tourism Bureau to be recognised as an international tourist hotel. These hotels are not necessarily inferior to international tourist hotels whether in terms of scale, facilities or services. Some of them are even superior. However, they were not included in the sample of this research, because unlike international tourist hotels, their business data, such as occupancy rate, average room rate, business income, business expenditure could not be accessed from the annual operation report published by Taiwan’s Tourism Bureau. Without sufficient data of these hotels, we had no choice but to exclude them in the DEA analysis.

Data used in the DEA analysis were mainly extracted from the Annual Operation Report of the International Tourist Hotels in Taiwan 2005 published by Taiwan Tourism Bureau in 2007. This was also the latest operation data of international tourist hotels in Taiwan to date. However, the data were collected three years ago. Over the last three years, with the constant variation of the market, the 57 international tourist hotels included in this report could have made some changes to their operations. Therefore, a certain gap could exist between the results of analysis made the basis of data of three years ago and practical operations of these hotels.

In our qualitative in-depth interview, all of the respondents were hotel managers. Although the information they provided were representative of professional opinions, if opinions of entry-level employees and customers could also be collected, the research data may be more comprehensive.
As mentioned earlier in this research, the policy that allows Chinese tourists to come to Taiwan has been concerned by local hotel operators but delayed for a long time. This policy finally took effect in July 2008. However, since implementation of this policy, there has been a large gap between the actual number and the expected number of Chinese visitors to Taiwan. Whether this policy can really bring positive effects on local hotels’ performance as many have expected should be continuously followed in future research. In addition, in the last five years, motels and home-stays in Taiwan have become the favorite of many consumers due to their creative features and operating model. Their rapid growth has even threatened the business of international tourist hotels. Thus, the critical success factors of Taiwanese motels and home-stays can also be a focus of future researchers. Through research of their success factors, some useful information might be obtained as tips for international tourist hotels.

8.6 Concluding Remarks

In the face of strong growing competition, the performance of hotel operations and management plays a crucial role to determine a hotel’s profitability and even its survival. Performance measurement can provide hotel managers with benchmarking information and further insight on the improvement of hotel operation. This thesis adopted the DEA to measure the operational efficiency of 57 international tourist hotels in Taiwan. By comparing relative efficiency, the benchmarking hotels and an individual hotel’s competitiveness can be identified. Further analysis of the critical success factors contributing to hotels having good performance help managers understand the factors determining the good operational performance. In this thesis, the linkage between performance measurement and critical success factors were illustrated by Taiwanese international tourist hotels. It was expected that this thesis will provide useful information for future related research as well as identifying hotel management needs.
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Appendices
Appendix 1: Request for External Organisation Participation

17 October 2006

The Study on the Critical Success Factors Causing Efficient International Tourist Hotel in Taiwan

Dear Participant:

I am a Ph.D. student in the Centre for Industry and Innovation Studies at the University of Western Sydney under the supervision of Associate Professor Terrence Sloan and Ms Rajka Presbury. I am conducting a study on managerial efficiency in the international tourist hotels in Taiwan.

The objective of this study is to evaluate the managerial efficiency in the international tourist hotels in Taiwan and in so doing to find out which hotels have good performance and become a benchmark for other hotels; which hotels are inefficient and should improve their operation. Furthermore, this study will also identify the critical success factors causing good performance and analyse the reasons why benchmarking hotels are doing well and how inefficient hotel improve their performance. It is hoped that the results of this research will aid hotel managers in enhancing operating efficiency.

If your organisation agrees to be a voluntary participant, I would like to arrange semi-structured interviews lasting approximately an hour conducted with yourself or your representative to gain insights about the managerial efficiency. This interview will be audio-taped for analysis purpose only and your organisation and interviewee’ anonymity is assured in the raw data or any written reports. I am personally responsible for the security of these tapes and they will be destroyed once they have...
been transcribed.

I would be sincerely grateful if you would agree to take part in this important research. Should you need further information or any clarification, please do not hesitate to contact me on 0406853332 or email rfhu@hotmail.com. Thank you for your co-operation and invaluable assistance.

Yours sincerely

Chieh-Heng Ko
College of Business
Centre for Industry and Innovation Studies
The Study on the Critical Success Factors Causing Efficient International Tourist Hotel in Taiwan

Dear Participant:

I am a Ph.D. student in the Centre for Industry and Innovation Studies at the University of Western Sydney under the supervision of Associate Professor Terrence Sloan and Ms Rajka Presbury. I am conducting a study on operating efficiency in the international tourist hotels in Taiwan.

The objective of this study is to evaluate the managerial efficiency in the international tourist hotels in Taiwan and in so doing to find out which hotels have good performance and become a benchmark for other hotels; which hotels are inefficient and should improve their operation. This study aims to:

1. understand the performance of the international tourist hotels in Taiwan.
2. identify the critical success factors causing good performance.
3. analyse the reasons why benchmarking hotels are doing well and how inefficient hotel improve their performance.

I am very interested in your thoughts on this matter, and I would like on an opportunity to interview you. The interview will be taped for analysis purposes only. Your participation is entirely voluntary and your anonymity is protected as no identifying information will appear on any raw data or in any written report. All data will be kept secure in a locked cabinet at the University of Western Sydney for a period of 5 years after the study is completed, before it will be destroyed.
Exploratory Interview Consent Form

I (participant) have read and understand the information attached, and any questions I have asked have been answered to my satisfaction. I understand that my participation is entirely voluntary and I agree to participate in this research knowing that I can withdraw at any time. I have been given a copy of this form to keep.

Participant’s name

………………………………

Participant’s Signature……………………………… date……………………

Investigator’s name Chieh-Heng Ko

Should you have any questions or require more information on any aspect regarding your involvement in this study, please do not hesitate to contact me by phone on 61 406853332 or email on rfgu@hotmail.com or the supervisor of this research, Associate Professor Terrence Sloan on 61 2 46203239 or email tsloan@uws.edu.au

Yours sincerely,

Chieh-Heng Ko
College of Business
Centre for Industry and Innovation Studies

NOTE: This study has been approved by the University of Western Sydney Human Research Ethics Committee. The Approval Number is HREC 06/198 If you have any complaints or reservation about the ethical conduct of this research, you may contact the Ethics Committee through the Ethics Officers, (tel: 02 4736 0883 or 4736 0884). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Appendix 3: Pilot Interview Protocol

Interview Protocol
For
Critical Success Factors Contributing to Hotels Having Good Performance

Interview Date: ________________________
Interview location (Hotel): ________________________
Manager’s Name & Title: ________________________

Preamble:
I am conducting exploratory research to identify how managers enhance hotel managerial efficiency. I will be talking to hotel managers in Taiwan. I am trying to get some ideas what the critical factors leading to hotels to have good performance. I am also interested in how various strategic decisions might affect a hotel’s performance and what other intangible issues should be considered in improving hotel operational performance.
**Critical success factor:**
a. What are the most important factors attracting new/repeat customers to stay in your hotel?

__________________________________________________________________
__________________________________________________________________
__________________________________________________________________

b. What are the critical success factors leading to your hotel to operate efficiently?

__________________________________________________________________
__________________________________________________________________
__________________________________________________________________

**Input & output factors:**
c. What strategy do you use to increase your profit?

__________________________________________________________________
__________________________________________________________________
__________________________________________________________________


d. What measures does your hotel use to increase guests’ loyalty?

__________________________________________________________________
__________________________________________________________________
__________________________________________________________________
e. How do you control hotel operational expenses and costs?

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

The other factors:

f. What do you see as quality service? How is this provided?

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

g. Is there any technology/product innovation being applied in your hotel?

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

h. What requests do most of your guests have and how do you meet them?

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________

i. How is your competitive environment in this market? What is your hotel’s competitive advantage/disadvantage?

__________________________________________________________________

__________________________________________________________________

__________________________________________________________________
j. What hotels really provide is an experience and a value. How do you increase this experience and value to your guests?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

k. What external factors affect your hotel’s performance? How important?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

l. What internal factors affect your hotel’s performance?
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Appendix 4: Final Interview Protocol

Interview Protocol
For
Critical Success Factors Contributing to Hotels Having Good Performance

Interview Date: ________________________
Interview location (Hotel): ________________________
Manager’s Name & Title: ________________________

Preamble:
I am conducting exploratory research to identify how managers enhance hotel operational performance. I will be talking to hotel managers in Taiwan. I am trying to get some ideas what the critical factors contributing to hotels having good performance. I am also interested in how various strategic decisions might affect a hotel’s performance and what other intangible issues should be considered in improving hotel operational performance.

Background Information of Hotel

Star rating:
Room Configuration:
Number of Restaurant:
Market Segment:
Guest Nationality:
**General Question:**

1. What are the most important factors attracting customers to your hotel?

2a. What are the critical success factors causing your hotel to operate efficiently?  
   (This question is for hotels with good efficiency)

2b. What are the important factors influencing your hotel’s operational efficiency?  
   How much control do you have over these factors? (This question is for hotels without good efficiency)

3. What strategy does your hotel use to increase your profit? Does your hotel aim to control costs? What measures does your hotel use to control your cost?

4. Is customer loyalty important to your hotel? What measure does your hotel use to increase customer’s loyalty?

5. Are there any technology/product innovations being applied in your hotel? Why are you implementing these? What effect are they having?

6. What external/internal factors influence your hotel’s operation? How important are they to the efficiency of your hotel?
Specific Questions

Group One: Hotel with good efficiency

Hotel G3, G8, G9, G10:
1. Your hotel has been identified as having very good operational efficiency. Do you think that joining international chain is an important factor leading to this performance?

2. How does international chain operation influence your operational efficiency?

Hotel G2, G5, G11:
1. Do you think chain operation is an important factors leading to this situation? What does the chain operation add to the hotel’s efficiency?

2. What are the critical success factors in operating a local chain system?

3. Your chain has been identified as operating more efficiently than hotels in competing chain. Could you suggest why this may be the case?

Hotel G1, G4, G6:
1. In the beginning, did your hotel consider joining a chain? What reasons made your hotel decide to operate in independent style?

2. Most hotels in Taiwan are independent hotels but generally, operational efficiency of chain hotel is better than independent hotel. Therefore, could you tell us if an independent hotel is to operate efficiently, what are the critical factors?

Hotel G7:
1. Your hotel used to be a member of the international hotel chain but you have closed this corporation now. What reasons made your hotel decide to do this? What did you learn from being a member of the international hotel chain? What advantage does you have after leaving the group?
2. In Taiwan, most hotels with good operational efficiency are business hotels. As a resort hotel with good operational efficiency, could you tell me what critical success factors are?

3. You have been identified as enjoying the highest average room rate and very good occupancy in Taiwan’s hotel industry. Could you tell me what factors lead to these effects?
Group Two: Hotels with middle range efficiency

Hotel A1:
1. Your hotel has good reputation in Taiwan. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels in terms of operational efficiency, your hotel should use manpower and operating expenses more efficiently, compared with hotels with good efficiency. That means you may have hired too many employees and spend too much on expenses. Your hotel also needs to improve room revenue, when compared with other hotels. Do you agree with this conclusion? Do you know which factors are likely to cause this? How will you plan to change this situation?

Hotel A2, A3, A5:
1. Your hotel is the largest local chain in Taiwan. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels in terms of operational efficiency, you hotel should use manpower more efficiently. That means you may have hired too many employees. Your hotel need to improve room revenue, when compared with other hotels. Do you agree with this conclusion? Do you know which factors are likely to cause this? How will you plan to change this situation?

3. Chain operation should become a positive factor for hotel operational efficiency. However, according my research, operational efficiency of your chain is getting worse over the last three years. Do you agree with this observation? Is there any factor causing this situation?

Hotel A4, A9:
1. Your hotel has good reputation in Taichung. As for your operation, which are the main areas of your business that you could improve?
2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your guest room and your food and beverage area. That means you could increase efficiency by reducing the number of guest room and the total area of food and beverage. Moreover, your hotel should improve room revenue, in other words, your current room revenue is less than that of other hotels. Do you know what factors are likely to cause this situation? Is there any solution to improve this?

3. As for hotel facility and hardware, many people think that your hotel is equal to the best hotels in Taipei. Your hotel also enjoys the best occupancy and the highest room rate in Taichung. However, from my analysis, your operational efficiency is not so good as hotels in Taipei. Could you tell me what factors cause this?

**Hotel A7:**

1. Your hotel has a long history in Taichung. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower and guest room. That means you could increase efficiency by reducing the number of guest room and the total area of food and beverage. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Could you tell me what factors cause this situation? Is there any solution to improve this?

3. Is there any other negative factor causing the fact that your hotel cannot operate efficiently?

**Hotel A6:**

1. Your hotel has good reputation in Kaohsiung. As for your operation, which are the main areas of your business that you could improve?
2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower and your food and beverage area. That means you could increase efficiency by reducing the number of employees and the total area of food and beverage. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Could you tell me what factors cause this situation? Is there any solution to improve this?

3. As for hotel facility and hardware, many people think that your hotel is equal to the best hotels in Taipei. Your hotel also enjoys the best occupancy and the highest room rate in Kaohsiung. However, your operational efficiency is not so good as hotels in Taipei. Do you know what factors are likely to cause this situation?

Hotel A8:
1. Your hotel has good reputation in Tainan. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your guest room and your food and beverage area. That means you could increase efficiency by reducing the number of guest room and the total area of food and beverage. Moreover, your hotel should improve room revenue, in other words, your current room revenue is less than that of other hotels. Do you know what factors are likely to cause this situation? Is there any solution to improve this?

3. As for hotel facility and hardware, many people think that your hotel is equal to the best hotels in Taipei. Your hotel also enjoys the best occupancy and the highest room rate in Tainan. However, from my analysis, your operational efficiency is not so good as hotels in Taipei. Could you tell me what factors cause this?
Group Three: Hotels with poor efficiency

Hotel P10:
1. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your guest room. That means you could increase efficiency by reducing the number of guest room. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Could you tell me what factors cause this situation? Is there any solution to improve this?

3. As a member of the local chain, your performance of operational efficiency is not so good as the other hotel in the chain. Do you know what factors are likely to cause this situation?

Hotel P8:
1. Your hotel has had a long history in Kaohsiung, as for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower and guest room. That means you could increase efficiency by reducing the number of employees and the number of guest room. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Could you tell me what factors cause this situation? Is there any solution to improve this?

3. In your operation, do you think that is there any negative factor causing the fact that you cannot operate very well?
**Hotel P7:**

1. As for your operation, which are the main areas of your business that you could improve?

2. Your hotel is located in the central business district and has a long history in Taichung. However, according to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower, guest room and operating expenses. That means you could increase efficiency by reducing the number of employees, the number of guest room and operating expenses. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Do you agree with these conclusion? Could you tell me what factors cause this situation? Is there any solution to improve this?

3. In your operation, do you think that is there any negative factor causing your operational performance to be lowered?

**Hotel P3:**

1. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower and your food and beverage area. That means you could increase efficiency by reducing the number of employees and the total area of food and beverage. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Could you tell me what factors cause this situation? Is there any solution to improve this?

3. All hotels in Hsingchu target the customers working in Science Park. Among these hotels, Your hotel enjoys the best occupancy and the highest room rate. However, compared with other hotels in Taiwan, specially in Taipei, the operational efficiency of your hotel is not so good. Do you know what factors are likely to cause this
situation?

4. Your hotel is member of the Ambassador Hotel chain. There are total three hotels under this chain but each hotel has different operational efficiency. Among your chain member, Hotel G5 has the best operational efficiency but the other two are not so good as it. Do you know what factors are likely to cause this situation?

**Hotel P4:**

1. As for your operation, which are the main areas of your business that you could improve?

2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower and your food and beverage area. That means you may reduce the number of employees and the total area of food and beverage. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is not good enough and should increase your room revenue. Do you agree? Could you tell me what factors cause this situation? Is there any solution to improve this?

3. All hotels in Hsingchu target the customers working in Science Park. Among these hotels, Your hotel has better occupancy and higher average room rate; and your location is also the nearest to Science Park. However, compared with other hotels in Taiwan, specially in Taipei, the operational efficiency of your hotel is not so good. Do you know what factors are likely to cause this situation?

4. Your hotel is member of the local chain. There are total three hotels under this chain but each hotel has different operational efficiency. Among your chain member, Hotel G10 has the best operational efficiency but the other two are not so good as it. Do you know what factors are likely to cause this situation?

**Hotel P1, P2, P5, P6, P9:**

1. As for your operation, which are the main areas of your business that you could improve?
2. According to my initial research result, when compared with other Taiwanese hotels, your hotel does not maximize operational efficiency in your manpower, guest room and operating expenses. That means you could increase efficiency by reducing the number of employees, the number of guest room and operating expenses. Moreover, your hotel need to improve room revenue, in other words, your current room revenue is less than that of other hotels. Do you agree with these conclusion? Could you tell me what factors cause this situation? Is there any solution to improve this?

3. In your operation, do you think that is there any negative factor causing your operational performance to be lowered?
Appendix 5: Transcript of Interview (Hotel G9)

Q: I know your hotel had very good performance in 2006. Whatever occupancy rate and average rate, you were the best hotel in Taiwan. What are the most important factors attracting customers to your hotel?

A: There are many reasons to explain why customers choose our hotel but I think the most important one should be the reputation of our international hotel chain. In our group, we have the other two hotels but we position this hotel as high level international hotel and focus on international businessmen. That is why we didn’t operate this hotel from our original team but commit it to international hotel chain. Now it approves our decision is correct. Not only many customers are attracted by this brand, it also brings us 65% of the reservation through their global reservation system. Although the expense of joining international hotel chain is expensive. For example we have to pay management fee according to the ratio of the annual revenue and we also need to pay for foreign managers’ salary, their living cost and their children’s educational fee in Taiwan. Raising a foreign general manager cost US$310,000 a year. Moreover, the international chain company requests us to renew the hotel every two or three years. This operational style is totally different from our other hotel. Even so, we still cannot ignore the effect that it brings to us. In addition to the reservation that international hotel chain brings us, its big database of customer is also a strong resource for us. On the other hand, through international chain’s alliance with different industry such as airline, bank, credit card, we can have wider customer loyalty plan to encourage our customers whatever they go, they will stay in this hotel chain. Therefore, I think the age of individual fight has been past. In the face of internationalization, we have to depend on the power of international chain’s brand.

Q: Do you attribute your good performance to joining international chain?

A: There are many factors contributing to our hotel having good performance. Joining international chain is one of them. International chains would attach importance to each detail in their management. Each task is comprehensively deliberated. All the possible problems that may arise and solutions to these problems are considered in advance. In other words, they mean to be well-prepared before any incident occurs or is expected by customers. This notion is absent in local hotels. On the other
hands, with respect to many services, while many local hotels have been self-satisfied, international chain hotels will demand themselves to do a better job. They set a higher standard to follow. This is what we have to learn from them.

Q: What are the critical success factors contributing to your hotel operating efficiently?

A: Management system is an important factor. That includes the operational procedure and the duty and communication of each department. Building a sound hotel management system is contributive to our operation. A problematic hotel does not necessarily have problematic employees. In most cases, it has something wrong with its management system, such as the absence of a clear definition of responsibilities or insufficient communications. Although every hotel has its management system, in their first two years, they need to spend much time to experiment and practice, then they can establish a sounder system. For our hotel, we don’t need to waste time to grope because international chain company has help us establish a sound system. Their system has run for many years in many countries. They just make a little adjustment then can be operated well in Taiwan. That helps us save much time and reduce many mistakes.

On the other hand, compared with the other international chain hotel in Taipei, we are still new. We are only five years old. In many countries, new or old can’t become the reason a hotel can operate more efficiently, and even some old and historical hotels have better performance. In Taiwan, most consumers like to stay in new hotel. Called “new hotel” doesn’t only mean new hardware, but also mean we have young staff and new service. Because staff is young, they are easier to accept new idea and learn new knowledge. Moreover they also have more passion and energy to provide good service.

In fact, employees are our important assets. We emphasize employees with multi-skill. Hotel is a human-based industry, so we need supervisors of each department to be equipped with professional competencies and also the ability to utilize human resources. With such ability, they know how to select proper talents, and cherish talents. We cannot let the human resource department manage all affairs about human resources. Besides, in face of intense competition, the head of each department is required to have the knowledge of marketing. Even if they do not have to cope with sales business, they still have to be familiar with marketing
concepts. As a result, they are able to teach their subordinates how to promote their products. To cultivate more quality employees, training is also an important policy in our hotel. Our hotel will allocate 15% revenue for employee training annually, and such ratio can only be larger and cannot be less. Besides, every year, employees sent to the headquarters for advanced training and instructors assigned by the headquarters to teach us are almost countless. Well-trained employees can increase the productivity of a hotel, because they can finish their works fast with fewer mistakes. They can indirectly reduce the burden on managers.

Q: In addition to what you mentioned above, are there any other factors affecting operational efficiency such as location, scale.

A: Of course, location is very important, not only for this hotel, should be for all hotels. For business hotel, it had better be located in or near business district. Although our location is not so good as Hotel G3 which is located in core business district, we are still in business area. Around our hotel transportation is very convenient. This is very important for business customers. This point is also related to the hotel scale you mentioned. In fact, except for Hotel G3, its location is too good and can afford to have 850 rooms, otherwise, according to current market in Taiwan, no hotel can afford to have more than 300 rooms. That is why our hotel has 288 rooms. Our land cost is high, although we can build more rooms, we don’t have confidence to fill them. This number of room makes us easier and efficiently to target market and operate this hotel. We don’t need to accept group with low price just for filling our rooms or change our operational style to cater to local leisure customers.

You also remind me about the decoration and equipment in our hotel. The principle of our decoration and equipment is elegant and creative but not expensive. Just like what I said above, we need to renew our hotel every 2 to 3 years therefore it is useless to use high quality and expensive decoration and equipment. On the contrary, we provide a fresh, creative and elegant living environment to our customers. Moreover, when we choose the material of equipment we also consider how easy they are cleaned and maintained. If cleaning it or maintaining it is complicated, we will change to the other substitute.

Correct target market also leads to our efficient operation. In Taiwan, there are only four business hotels whose average rate can attain US$160. Fortunately, we
are one of them. The main factor is we focus on European and American business customers. For this type of customers, when they travel overseas, they want and can afford to stay in more luxury hotel. Therefore once we target this market, all our design, service and operation just focus on what they need and what they want. It is not necessary for us to consider how to take care of group or local leisure customers. As mentioned above, 288 rooms is easy for us to operate this market. Certainly, this type of customers also help us increase our average room rate and our profit.

Q: What strategy do you use to increase your profit?
A: I believe that brand is value. We found that high level business customer also have the same thinking. Their budget is more flexible, therefore they don’t really care about the room rate. What they really care is whether they can have a comfortable living environment. Therefore, we invest in equipment to increase added value. For example 2 years ago, we change all our room beds to heavenly bed which is a very comfortable bed and developed by international chain company. Also last year we change all our TV set to 42” LCD TV. By these renew, we increase 20% of room rate but these measures also bring us more reservation. For example, last year China Airlines ordered 7 Boeing 777. Because Boeing’s engineers insisted that they have to sleep on heavenly bed, we won the contract with Boeing. In the next 5 years, their engineers traveling to Taipei will stay in our hotel. Furthermore, we establish strategic alliance with famous brand including SKII, Aveda, Lexus and BMW. We use their products in this hotel. Through these brands, our hotel become a fashionable living balcony. These measures are also good for increasing our profit.

On the other hand, we adjust our F&B strategy. Because competition of F&B in Taipei is very keen and the cost of F&B is high, the real profit from F&B is not good. Therefore, we close some restaurants then change to meeting room and board room. In Taipei, there is still this market. The cost of operating the board room or meeting room is much lower than restaurant, thus we can increase our profit. Moreover, party or convention being held in hotel also bring customer to stay in hotel. That will increase our room profit.

Q: What measures does your hotel use to increase guest’ loyalty?
A: I have to attribute this success to our international chain’s global loyalty plan.
Owing to many hotels under this chain and many different industries’ alliance with this chain, our loyalty plan is more powerful to keep our customer’s loyalty. Once become our member, anything related to business travel such as airlines, credit card, car renter, can be accumulated to the point. That will encourage customers to choose our hotel when they come to Taipei. Moreover, our specific equipment such as heavenly bed and good service are also a motivation to attract customers to come back again.

**Q:** What strategy does your hotel use to increase your profit? Does your hotel aim to control costs? What measures does your hotel use to control your cost?

**A:** As a 6 star hotel, (In fact, there is no 6 star hotel but in Taiwan, many hotel owners think their quality is more than 5 stars and they call their hotel 6 star hotel) the only word I can say is that whatever we can save, we will save, but whatever we should spend we will spend. No bargain. To maintain hotel’s quality and level, we can’t always save money. For example our other hotel in the group, it has run for 30 years. During this time, we only renew it twice because we maintain it very well. However, this measure can’t be used in this hotel. To provide our customers with new and fresh products, we have to always renew our equipment and product. Therefore, you ask me how to control cost, I can only say that we have to make sure each dollar we spend is used in our customer. We have to make our customer feel that.

Recently, we are considering outsourcing our house keeping. Due to intense competitions in Taipei’s restaurant market, we decided to outsource restaurants with lower returns. We then cooperated with Starbucks and let them manage one business unit in the first floor. In the beginning, we were worried that outsourcing the restaurant to Starbucks would affect the business of our coffee shop. Unexpectedly, since opening in 2004, Starbucks has enjoyed huge popularity but never caused any negative impact on our coffee shop. Many Starbucks guests would also dine in our coffee shop. I believe that outsourcing will become a trend in the future because that will save a lot of cost of manpower. I think many hotels are estimating its feasibility.

**Q:** What do you see as quality service? How is this provided?

**A:** I think quality service is one kind of no-seam service. That means quality service can’t find any defect. Only smooth, natural, no-seam service can make customers
100% satisfied. How can we attain the no-seam service? I emphasize that we should reconsider carefully our service procedure. When we set up our service procedure, we should listen to customers’ voice and we should make customers teach us how to do. Most of the hotels set up their procedure according to their convenience and their needs and never consider customers’ feeling. Therefore, it is a right way to set up procedure in terms of customers’ thinking. What I called no-seam service is a convenient, fast, friendly service. This service has to be strictly trained and become a natural reaction. I admit that no-seam service is a very difficult challenge for every hotel but challenge is also an opportunity. A successful hotel is created by good location, excellent hardware, quality staff and accurate procedure. Physical facility is money. Staff and procedure are soul. Soul is more important than money because hotel sector is a kind of procedure industry.

Q: Is there any technology/product innovation being applied in your hotel?

A: Innovation and daring to change are always our operational philosophy. I think that hotel must develop toward multiple service. Therefore, we created the first five star cinema inside the hotel last year. This cinema is located in our basement. In such big space, we only provide 30 seats and they are very comfortable sofas. We also accept meal order. Customers can watch movie and enjoy delicious food together. The purpose of establishing this cinema in hotel is not for profit. Owing to Chinese habit, they don’t like to have meal or meeting in the basement. In the beginning, we had restaurant and meeting room there but the rate of utility is low. I personally like to watch movie. I think that why not we have cinema in the hotel. In fact, this cinema is good for increasing hotel brand’s image and attract young customers to hotel. Just like fashionable boutique, they can’t only do advertisement to rich people. Through this cinema, many people have opportunity to know this hotel.

We also have innovation in our banquet room recently. We found that there is always an awkward situation in the engagement banquet. Chinese like bustle when they have something to celebrate but according to Chinese customs, the number of people joining engagement is not many. The table in most banquet rooms can only contain 12 people. Therefore, the people joining engagement must be separated to 2 to 3 tables. That makes the atmosphere a little cold. Therefore, we create a banquet room with a big table containing 36 people. Now it is very popular. That is
what I always say if we want to earn money, we have to always do something different. On the other hand, we plan to provide international video conference room and guest room with sport equipment. I believe that hotel should not only provide a place for good sleep, it should provide everything customer want.

Q: What external factors affect your hotel’s performance?

A: Government’s uncertain China policy really perplex us. Three years ago, government released the message which allows Chinese tourists to Taiwan. To welcome Chinese tourists, we used to train our staff to speak Shanghaisese and Cantonese. However, three years have passed, many staff who were trained to speak these languages have left, Chinese market is not opened yet.

On the other hand, recently, new regulation which forbids smoking in whole hotel also affect our operation. Before, customers still can smoke in specific area of the hotel and smoking room but now whole building will be nonsmoking. For this, we need to do some adjustment.
Appendix 6: Ethic Approval Letter

27 November 2006

Mr Chieh-Heng Ko
Building 23, Unit 3/3E
Campbelltown Student Residences
University of Western Sydney
Locked Bag 1797
Penrith South DC NSW 1797

Dear Chieh-Heng

HRFC 06/198 A Study of the critical success factors that are synonymous with efficient international tourist hotel in Taiwan.

The Committee has reviewed the application for the above mentioned project and has agreed to approve the project. Please ensure that it is made clear to all the managers participating that involvement is on a voluntary basis. This should be made clear in the Information sheet. When clarification is received by the Executive Officer the approval letter can be issued.

You are advised that the Committee should be notified of any further changes to the research methodology should there be any in the future. You will be required to provide a report on the ethical aspects of your project at the completion of this project. The report form is located on the Research Services Ethics Web Page.

The Protocol Number HRFC 06/198 should be quoted in all future correspondence about this project. Your approval will expire 31 July 2008. Please contact the Human Ethics Officer, Kay Buckley on tel: 02 47 360 885 if you require any further information.

The Committee wishes you well with your research.

Yours sincerely

[Signature]
Associate Professor Christine Halse
Chairperson
UWS Human Research Ethics Committee
Cc Associate Professor Terrence Sloan
## Appendix 7: Participating hotel characteristics

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Star Rating</th>
<th>Room Configuration</th>
<th>Number of Restaurant</th>
<th>Market Segment</th>
<th>Guest Nationality</th>
<th>Management Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel G1</td>
<td>5 Plums</td>
<td>Number of room: 569 Standard, Twin, Executive Floor, Suite</td>
<td>10 Restaurants 12 Ballroom</td>
<td>Business:38% Holiday:16% Conference:12% Tour Groups:33% Other:1%</td>
<td>Local:15% Overseas Chinese:1% North America:11% Japan:52% Asia:14% Europe:6% Australia:1% Other:1%</td>
<td>Local Chain</td>
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<tr>
<td>Hotel G2</td>
<td>5 Plums</td>
<td>Number of room: 388 Standard, Twin, Triple, Executive Floor, Suite</td>
<td>5 Restaurants 5 Ballroom</td>
<td>Business:37% Holiday:19% Conference:9% Tour Groups:34% Other:1%</td>
<td>Local:27% Overseas Chinese:15% North America:3% Japan:44% Asia:5% Europe:3% Australia:1% Other:2</td>
<td>Local Chain</td>
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<tr>
<td>Hotel G3</td>
<td>5 Plums</td>
<td>Number of room: 856 Standard, Twin, Executive Floor, Suite</td>
<td>10 Restaurants 13 Ballroom</td>
<td>Business:46% Holiday:21% Conference:15% Tour Groups:16% Other:2%</td>
<td>Local:13% Overseas Chinese:0% North America:29% Japan:9% Asia:28% Europe:12% Australia:4% Other:5%</td>
<td>International Chain</td>
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<tr>
<td>Hotel G4</td>
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<td>Number of room: 345 Standard, Twin, Suite</td>
<td>5 Restaurants 5 Ballroom</td>
<td>Business:64% Holiday:21% Conference:14% Tour Groups:0% Other:1%</td>
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<td>Independent</td>
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<td>Hotel G5</td>
<td>5 Plums</td>
<td>Number of room: 432</td>
<td>8 Restaurants</td>
<td>Business:20%</td>
<td>Local:6%</td>
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<td>Tour Groups:6%</td>
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<td>7</td>
<td>2% Business</td>
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<td>Standard, Twin,</td>
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<td>2</td>
<td>82% Business</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>Suite</td>
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<td>Plums</td>
<td>Number of room</td>
<td>Room Types</td>
<td>Restaurants</td>
<td>Business</td>
<td>Holiday</td>
</tr>
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</tr>
<tr>
<td>A2</td>
<td>5</td>
<td>283</td>
<td>Standard, Twin, Triple,</td>
<td>6</td>
<td>47%</td>
<td>17%</td>
</tr>
<tr>
<td>A3</td>
<td>5</td>
<td>606</td>
<td>Standard, Twin, Family,</td>
<td>9</td>
<td>69%</td>
<td>17%</td>
</tr>
<tr>
<td>A4</td>
<td>5</td>
<td>354</td>
<td>Standard, Twin, Family,</td>
<td>5</td>
<td>56%</td>
<td>29%</td>
</tr>
<tr>
<td>A5</td>
<td>5</td>
<td>155</td>
<td>Standard, Twin, Executive</td>
<td>5</td>
<td>62%</td>
<td>23%</td>
</tr>
<tr>
<td>Hotel A6</td>
<td>5 Plums</td>
<td>Number of room: 436 (Standard, Twin, Family, Executive Floor, Suite)</td>
<td>12 Restaurants</td>
<td>Business: 46% Holiday: 26% Conference: 6% Tour Groups: 20% Other: 2%</td>
<td>Local: 46% Overseas Chinese: 11% North America: 9% Japan: 15% Asia: 6% Europe: 7% Australia: 1% Other: 2%</td>
<td>Independent</td>
</tr>
<tr>
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<td>-------------------------------------------------</td>
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</tr>
<tr>
<td>Hotel A7</td>
<td>5 Plums</td>
<td>Number of room: 226 (Standard, Twin, Suite)</td>
<td>3 Restaurants</td>
<td>Business: 46% Holiday: 30% Conference: 2% Tour Groups: 21% Other: 1%</td>
<td>Local: 39% Overseas Chinese: 36 North America: 0% Japan: 8% Asia: 16% Europe: 0% Australia: 0% Other: 0%</td>
<td>Independent</td>
</tr>
<tr>
<td>Hotel A8</td>
<td>5 Plums</td>
<td>Number of room: 306 (Standard, Twin, Family, Suite)</td>
<td>8 Restaurants</td>
<td>Business: 60% Holiday: 24% Conference: 4% Tour Groups: 11% Other: 1%</td>
<td>Local: 53% Overseas Chinese: 0% North America: 20% Japan: 13% Asia: 6% Europe: 6% Australia: 1% Other: 1%</td>
<td>Local Franchise</td>
</tr>
<tr>
<td>Hotel A9</td>
<td>5 Plums</td>
<td>Number of room: 222 (Standard, Twin, Family, Suite)</td>
<td>5 Restaurants</td>
<td>Business: 48% Holiday: 26% Conference: 3% Tour Groups: 21% Other: 2%</td>
<td>Local: 54% Overseas Chinese: 0% North America: 4% Japan: 8% Asia: 4% Europe: 3% Australia: 2% Other: 26%</td>
<td>Independent</td>
</tr>
<tr>
<td>Hotel</td>
<td>Type</td>
<td>Number of rooms:</td>
<td>Room types:</td>
<td>Restaurants</td>
<td>Ballroom</td>
<td>Business %</td>
</tr>
<tr>
<td>---------</td>
<td>------</td>
<td>------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-----------</td>
<td>------------</td>
</tr>
<tr>
<td>A10</td>
<td>5 Plums</td>
<td>453</td>
<td>Standard, Twin, Triple, Family, Suite</td>
<td>7</td>
<td>4 Ballroom</td>
<td>41%</td>
</tr>
<tr>
<td>P1</td>
<td>5 Plums</td>
<td>311</td>
<td>Standard, Twin, Triple, Family, Suite</td>
<td>5</td>
<td>3 Ballroom</td>
<td>56%</td>
</tr>
<tr>
<td>P2</td>
<td>5 Plums</td>
<td>381</td>
<td>Standard, Twin, Family, Suite</td>
<td>5</td>
<td>1 Ballroom</td>
<td>2%</td>
</tr>
<tr>
<td>P3</td>
<td>5 Plums</td>
<td>254</td>
<td>Standard, Twin, Suite</td>
<td>6</td>
<td>5 Ballroom</td>
<td>82%</td>
</tr>
<tr>
<td>Hotel P4</td>
<td>5 Plums</td>
<td>Number of room: 198 Standard, Twin, Triple, Family, Suite</td>
<td>5 Restaurants 4 Ballroom</td>
<td>Business:79% Holiday:13% Conference:4% Tour Groups:3% Other:1%</td>
<td>Local:25% Overseas Chinese:1% North America:31% Japan:14% Asia:12% Europe:7% Australia:1% Other:9%</td>
<td>Local Chain</td>
</tr>
<tr>
<td>Hotel P5</td>
<td>5 Plums</td>
<td>Number of room: 592 Standard, Twin, Family, Executive Floor, Suite</td>
<td>8 Restaurants 4 Ballroom</td>
<td>Business:49% Holiday:16% Conference:3% Tour Groups:27% Other:5%</td>
<td>Local:88% Overseas Chinese:0 North America:2% Japan:5% Asia:3% Europe:1% Australia:0 Other:0</td>
<td>Independent</td>
</tr>
<tr>
<td>Hotel P6</td>
<td>5 Plums</td>
<td>Number of room: 343 Standard, Twin, Family, Suite</td>
<td>4 Restaurants 3 Ballroom</td>
<td>Business:7% Holiday:49% Conference:6% Tour Groups:37% Other:1%</td>
<td>Local:82% Overseas Chinese:1% North America:1% Japan:13% Asia:3% Europe:0% Australia:0% Other:0</td>
<td>Independent</td>
</tr>
<tr>
<td>Hotel P7</td>
<td>5 Plums</td>
<td>Number of room: 306 Standard, Twin, Triple, Family, Suite</td>
<td>5 Restaurants 8 Ballroom</td>
<td>Business:45% Holiday:21% Conference:1% Tour Groups:32% Other:1%</td>
<td>Local:32% Overseas Chinese:1% North America:2% Japan:53% Asia:10% Europe:2% Australia:1% Other:0</td>
<td>Independent</td>
</tr>
<tr>
<td>Hotel P8</td>
<td>5 Plums</td>
<td>Number of room: 302 Standard, Twin, Triple, Family, Suite</td>
<td>3 Restaurants 5 Ballroom</td>
<td>Business:36% Holiday:11% Conference:2% Tour Groups:50% Other:1%</td>
<td>Local:47% Overseas Chinese:0% North America:1% Japan:32% Asia:16% Europe:4% Australia:0% Other:1%</td>
<td>Independent</td>
</tr>
<tr>
<td>----------</td>
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<td>-------------------------------------------------</td>
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<td>-------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Hotel P9</td>
<td>5 Plums</td>
<td>Number of room: 197 Standard, Twin, Family, Suite</td>
<td>3 Restaurants 7 Ballroom</td>
<td>Business:58% Holiday:18% Conference:3% Tour Groups:22% Other:1%</td>
<td>Local:49% Overseas Chinese:0% North America:21% Japan:8% Asia:5% Europe:5% Australia:1% Other:11%</td>
<td>Local Chain</td>
</tr>
<tr>
<td>Hotel P10</td>
<td>5 Plums</td>
<td>Number of room: 224 Standard, Twin, Triple, Family, Suite</td>
<td>3 Restaurants 1 Ballroom</td>
<td>Business:2% Holiday:63% Conference:3% Tour Groups:32% Other:0%</td>
<td>Local:95% Overseas Chinese:1% North America:2% Japan:1% Asia:1% Europe:1% Australia:2% Other:1%</td>
<td>Local Chain</td>
</tr>
</tbody>
</table>

Note: Hotel Code: G1, G2,.....means the hotels with good performance. A1, A2,..... means the hotels with average performance. P1, P2,.....means the hotels with poor performance.
# Appendix 8: Profile of participating managers

<table>
<thead>
<tr>
<th>Manager</th>
<th>Hotel</th>
<th>Gender</th>
<th>Approx Age</th>
<th>Approx Years of Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>Hotel G1</td>
<td>M</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>M2</td>
<td>Hotel G1</td>
<td>F</td>
<td>32</td>
<td>8</td>
</tr>
<tr>
<td>M3</td>
<td>Hotel G1</td>
<td>M</td>
<td>36</td>
<td>13</td>
</tr>
<tr>
<td>M4</td>
<td>Hotel G2</td>
<td>M</td>
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</tr>
<tr>
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<td>Hotel G6</td>
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