



Article Title

Managers' leadership, compensation and benefits, and departments' performance: Evidence from upscale hotels in Australia

Citation

By: Beck, Jeffrey A.; Lazer, William; Schmidgall, Raymond. Journal of Hospitality Marketing & Management. 2010, Vol. 19 Issue 2, p157-170. 14p

Abstract

As hotels strive to improve their management practices, managers' leadership style has been recognized for its influence on hotel departments' performance. Focusing on the practice of transformational and transactional leadership, this study investigates the role of compensation and benefits in the relationship between leadership style and hotel performance at the department level. Results of a self-administrated questionnaire survey of hotel department managers (food and beverage, and rooms) of four and five star hotels in Australia suggest that managers' perceived compensation and benefits mediated the effect of both transformational and transactional leadership on department financial, non-financial, and sustainable performance. This study's findings help clarify the mechanisms underlying how leadership works to improve performance and highlight the importance of well-designed compensation and benefits systems in hotels.

Summary

Practically, our results mean that hotels must establish a well-designed CB system because the system functions much like transactional leadership to motivate department managers to achieve their performance goals. In contrast, CB did not fully mediate the effect of transformational leadership, indicating its inability to fully replace the benefits of transformational leadership. Transformational leadership qualities thus remain an important recruitment criterion for hotel managers. This aspect is supported by prior work pointing out that combining the two leadership styles can result in performance that surpasses expectations.

While CB is a critical consideration in performance management, its mediating effect is only partial with regard to the effect of transformational leadership on financial and non-financial performance dimensions, which measure financial gains as well as customer and employee satisfaction. Therefore, hotels must place great importance on transformational leadership as it is

able to achieve what CB cannot achieve. In contrast, transactional leadership becomes redundant once an appropriate level of CB is in place.