

Article Title

Evaluating the Hotel Industry Performance Using Efficiency and Effectiveness Measures

Citation

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Abstract

Most studies on performance evaluation in the hospitality industry solely focus on efficiency measurement; however, effectiveness, an integral part of organizational performance that can influence its competitive stance in the market, is ignored. Therefore, this study aims to measure the performance of Indian hotels considering both efficiency and effectiveness simultaneously using a two-phase evaluation model with panel data. The efficiency and effectiveness scores are measured using data envelopment analysis. McKinsey's nine-cell matrix has also been deployed to show the competitive positioning of the hotels being studied. The results yield no significant correlation between the efficiency and effectiveness scores; nevertheless, there does seem to be a strong positive correlation between effectiveness scores vis a vis the overall performance of a hotel per se.

Conclusion

The research found out that most of the sample hotels in India have been operating highly inefficiently and ineffectively with the average score of hotels that tells 43% efficient and 18% effective. That is why it is suggested to hotel managers to benchmark practices of most efficient and effective hotels that have similar vision and mission. Moreover, the DEA score is highly affected by the selection of the variables, so it is important to consider the various sets of input and output variables before efficiency and effectiveness scores.

For better efficiency, it is suggested to involve in management contract with international hotel chains via a strategic partnership or alliance in order to obtain expert knowledge and strategic resources. Moreover, strong brand awareness of international hotels would bring to the business more revenues from international travelers. Some hotels' inefficiency was analyzed to be due to excess input, so it is recommended for managers to put these resources to advertising and marketing for extra revenues. Lastly, for improving the efficiency of the hotel industry, the government could help the industry by providing subsidy to invest in technologies or giving tax-cutting temporarily.

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