

## A REVIEW ON THE CRITICAL SUCCESS FACTORS IN THE OPERATION OF HOTELS

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**Abstract:** Critical Success Factors (CSFs) have been recognized as an important and powerful approach for the competitiveness and success of the hospitality organizations in particular hotels in the tourism industry. The implementation of some core capabilities, activities, and facilities may provide better opportunities for the hoteliers to be successful in the intensive marketplace. This article studies the CSFs for the hotels' operation in the past studies. To do this, the hotel-related CSFs for operation of different types of hotels were first compiled through the review literature. Then, the main issues, gaps, and conditions of the studies have been considered. Further studies are also suggested based on the identified gaps in the reviewed literature.

**Keywords:** *Critical Success Factors (CSFs), hotel operations, hospitality industry, Key Performance Indicators (KPIs), hotel performance.*

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### 1. INTRODUCTION

Tourism industry is an important source of revenue for all countries. Both developed and developing nations have focused on the tourism industry for different reasons varying from economical to political. Accommodation/lodging is one key sector of the tourism and hospitality industry. It is obvious that accommodation expenses are one of the main issues for travelling in the world. Accommodation is one important issue in the tourist system which is a fundamental part of the tourists' facilities and tourists' image. The adequate of accommodation supply can answer the demands of customer market as the basic consideration of tourism growth, while it can contribute to the economy of the countries through social contacts, economic developments, and commercial actions. Tourism industry and accommodation are tightly interwoven together, since, tourism depends on the quality of accommodation and accommodation is a kind of tourism infrastructure. Based on the World Tourism Organization (WTO), tourist accommodation refers to the facilities which are operating for a short period of time for guests including or excluding services, in relation to an amount of money and fixed prices (Bhatia, 2006). Rogerson (2013) pointed to the essential role of hotels in the tourism industry as the accommodation sector is a distinctive area therein. Keiser (1989) stated that the products of accommodation are intangible and it is not feasible to be stored. Thus, it is evident that hotels can have an important role in the development of tourism industry.

All companies need to identify and implement a series of factors that help them to become successful in the marketplace and to come up with all the environmental changes and get improvements (Fassoula, 2006). Brotherton and Shaw (1996) described that if a company wants to achieve both its objectives and competitive advantage, it needs to focus on some resources, activities, and efforts. Brotherton (2004a) supported CSFs approach in gaining the success in the market for the businesses. Hotel businesses as a part of accommodation and tourism industry can gain success by using the CSFs approach. Thus, the success in the performance should be a matter of importance for the hotel owners and managers.

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The effect of CSFs on the hotel operation have been conducted in the past studies. This article presents a literature review about the impact of the CSFs identification by different types of hotels. To do this, the current study aimed to describe the related studies, compares, contrasts, and criticizes the body of literature. It also aimed to investigate the issues, gaps, and challenges which have not been considered in determining the CSFs on the hotel's performance in the past studies. In fact, the report is broken down into two section: studies that examined the CSFs in the budget hotel or Small and Medium-sized Hotels (SMSHs) operation; studies that determined the CSFs in the operation of the other types of hotels.

## **2. LITERATUR REVIEW**

### **2.1 Definition of Critical Success Factors**

The concept of CSFs has been used for a particular period of time and Daniel (1961) considered this approach as one of the first researchers in his work. This approach was mainly used in management and broadly in the information systems (IS) field. Then, it has been applied to management fields within strategic management and operational planning. It was linked to the business process, value chain, core competency, and perspectives. It was also applied in other fields including learning organizations, manufacturing businesses, and retailing (Brotherton, 2004a). Although CSFs approach was proposed as a generic concept, Brotherton and Shaw (1996) proposed focusing on the "specialization". It means to concentrate on the resources by which the company can gain the most competitive advantage. CSFs were defined as a few of elements in which the performance of companies and organizations will definitely achieve success (Bullen & Rockart, 1986). The CSFs must be gained in order to achieve the goals of the company.

The CSFs can come from human resource, products, main capabilities, and processes (Brotherton, 2004a). The CSFs can come from the internal environment of the company such as human resource, products, main capabilities, and processes or from the external environment (Berry, Seiders, & Greshan, 1997). The external CSFs can be controlled less than internal ones (Brotherton & Shaw, 1996). The CSFs were categorized into different groups: generic and specific (Geller, 1985), short-term (monitoring) and long-term (building) (Rockart, 1979), conjunctive and compensatory or perceived and actual (Grunert & Ellegaard, 1993), and strategic and operational CSFs (Ketelhöhn, 1998).

The Critical Success Factors (CSFs) in the Operation of Hotels. Nevertheless the CSF approach has been regarded in the IS and management in business, it was found that very few studies were carried out on the hospitality-related CSFs based on the available databases (Brotherton, 2004a) particularly hotels. Few studies were produced concentrated upon the CSFs underlying hotels' success. The extant literature was conducted on identifying the CSFs in the budget hotel sector and the operation of the other types of hotel sectors. The following section explains the reports of the past studies on the hotel-related CSFs.

### **2.2 The CSFs for Budget Hotels or Small and Medium-sized Hotels (SMSHs)**

There have been few milestones on considering the CSFs in the operation of budget hotel or SMSHs in the extant literature in different countries on the hotel managers/operators' perspectives. The first step on CSF's identification in the budget hotel operations was done by Brotherton (2004a). In a study which set out to identify the CSFs in UK budget hotel operations, Brotherton (2004a) designed a questionnaire with 36 items to determine the

importance and relevance of a range of factors referred to as critical in the preceding academic and trade literature. He employed qualitative method with 239 sample size from the general hotel manager in the budget sector. He also used t-test and factor analysis to verify the hypothesis. The findings revealed an initial model of CSFs in the budget hotel operations containing seven CSFs (core product, consistency, customer service, hygiene and quality, strategic control, pricing, and location). Finally, a final model was left with two dimensions of CSFs (accessibility and performance). Brotherton (2004a) claimed that the majority of the CSFs in his study can be considered as generic rather than contextually contingent in nature. However, Brotherton (2004a) failed to investigate the issue of operational environments, processes, and performance measures used within the budget hotel offer. On the other hand, his study failed to identify the CSFs in all types of hotel operation. This is only illustrated by the relative emphasis given to the leading budget hotels brands in the UK hotel industry. In fact, Brotherton (2004a) emphasized that some CSFs depends on the relative position of the organization. Different organizations at different periods of market/product will have various perspectives on what factors and imperatives can succeed them.

In another study, Hua, Chan, and Mao (2009) investigated the CSFs in the operations of the budget hotels in China from the different stakeholders' views, including customers, industry professionals, government authorities, and hotel investors. Both interview questions (with the hotel investor, the hotel professional, and government official) and survey (N=210 hotel guests) were used based on the 36 CSFs items from Brotherton's (2004a) study with minor alterations. Although Hua et al. (2009) study were employed the similar questionnaire, their study was extremely different from Brotherton's (2004a) due to the types of budget hotels and methodology of the study. Results indicated that all CSFs' were determined as important by the hotel practitioners in budget hotel operation (physical product, service quality, price, promotion, and location). By contrast, service quality was only found as the CSF from the customers' view in China's budget hotel sector. However, this study is limited by number of respondents for interview, sample size, budget hotels with less diversified locations. The perspective of each respondent for interview was merely represented by one person, which may be biased and have effects on the research validity. This study failed to use qualitative method to gain additional perspectives of more respondents from each stakeholder group, particularly hotel practitioners (e.g. hotel managers).

Avcikurt, Altay, and Oguzhan Ilban (2011) aimed to identify the CSFs for small hotel businesses. They focused on CSFs which was perceived as important by the hotel managers/owners. The study involved 115 small hotels in the Aegean region of Turkey. The results recognized that these factors were CSFs in the small hotel operation: use of Internet, service quality, financial performance, and marketing. Using Internet was as the most important factor from the factor analysis. Their study fails to determine whether CSFs are managed and performed effectively by hotelier in the light of the performance evaluation of the hotels. Second, the researchers recommended that the results of their study should be interpreted and utilized by other hoteliers cautiously because not all CSFs can remain constant over certain circumstances (management style, culture, characteristics, management policy, temporary circumstances encountered, life stage of hotels, etc.). Third, future research on the identification of CSFs should be done across different region and different types of hotels with

a boarder sample of managers/owners (e.g. budget hotels), whereas the sample size of Avcikurt et al's study (2011) was very limited to small hotels.

Jaafar (2011) carried out a study to identify the perceived CSFs of Small and Medium Chalets (SMCs) along the coastal area and on four islands on the East Coast of Peninsular Malaysia (namely Tiomsn, Redang, Perhentian, and Kapas). She used the multi-method approach for data collection through interviews (N=6), questionnaires (56 SMCCs and 33 SMICs), and observation from the hotel operators. The measures for determination of CSFs were adopted from the study by Brotherton and Shaw (1996) and Brotherton (2004a). A non-parametric test was used for data analysis. The results revealed that SMCCs considered guest accommodation, back of house, food and beverage. It appeared that front office, guest accommodation, and food and beverage were important for SMICs' operation as CSFs. It was emphasized that identifying CSFs is important to measure the performance of SMCs (Jaafar, 2011). She emphasized that SMICs and SMCCs are classified as small and medium enterprises, their differences in terms of particular conditions like environment and location can lead to describe their different aspects and CSFs. With the scenario in Malaysia, her study was limited in terms of considering other types of Small and Medium Budget Hotels which can lead to influence the different priority levels given to certain CSFs in the local context. Jaafar (2011) did not investigate valuable insights into new CSFs for budget hotels such as technology and Islamic facilities in a Muslim country like Malaysia.

The studies reviewed in this section provide an explanation on how the process of studies on CSFs in the budget hotel operation have been carried out. Further, the extant studies revealed that what CSFs were perceived as important from the hotel managers/owners' views in the budget hotel sector. Brotherton's (2004a) study in UK over budget hotels was considered as the basic for other studies. The identified CSFs in his study were paid attention as generic for the budget sector, since CSFs are dynamic and can vary (Geller, 1985) from country to country. Thus, it seems that these findings may not be generalized to the budget hotel sectors across the countries because they are merely limited to the CSFs which were used by Brotherton (2004a) in UK. In all, the findings achieved from the prior studies did not clearly show the dynamic essence of changes on CSFs which may have impacts in the hotel performance within the hospitality and hotel industry.

### **2.3 The CSFs for Hotels in Other Sectors**

In this part, those studies have investigated the CSFs for hotels over other sectors are reviewed. These studies considered the CSFs in the operations of other types of hotels rather than budget ones. These studies mainly investigated and tracked the importance of CSFs from the hotel managers' perspective.

Brotherton and Shaw (1996) carried out the starting point on an exploratory survey into the CSFs and associated Critical Performance Indicators (CPIs) within UK Public Limited Hotel Companies (PLCs). A direct interviewing method was used and 15 companies completed the questionnaires (consisted open format questions). Content analysis was employed to establish the CSFs and CPIs. The findings showed the important CSFs which had effect on the CPIs. Their study was the first step in CSF's identification in hotel operations, the sample size may

not be regarded as a fully representative of the target population. The findings of their study should be applied cautiously to generalise due to its validity and it is required to further study via a larger sample. It failed to speculate a clear linkage between CSFs and Critical Performance Indicators or Key Performance Indicators (KPIs) in combining them within one conceptual framework. Their study failed to address some specific CSFs based on the market/product environments and competitive imperatives. It failed to address the effects of control variables (such as size, location, grade) on the hotel performance. They found front office, food and beverage, conference and banqueting, leisure operations, back of house, marketing and sales, human resource management, accounting and control, guest accommodation as the top CSFs.

Brotherton, Heinhuis, Miller, and Medema (2003) investigated the validity of the results from a prior study to find the CSFs in UK hotels Plc. Their study was an extension to Brotherton and Shaw's (1996) work. The CSFs in UK and Dutch hotels were obtained and compared. A quantitative research method used (N=400 hotels from UK, N=35 hotels from Netherlands). Their study would have been more interesting if this type of research is conducted with a small and more homogeneous sample of hotels. In addition, the sample size was so limited. The factors that were found to be significant for the hotel in both the UK and in the Netherlands included accounting and control, food and beverage (production), front office, leisure operations, marketing and sales, food and beverage (service), human resource management, back of the house, conference and banqueting, and guest accommodation. The findings showed that there was a variation of CSFs in the UK results in comparison to those obtained in the Dutch. Thus, the CSF sets may not be practically transportable across different national contexts. Further studies are required on this issue.

In another study in UK context, Brotherton (2004b) identified the CSFs in UK corporate hotels. The methodology of his study was based on an extension to Brotherton and Shaw's (1996) work which generated the CSFs to be tested in his study. He used a survey (ten dimensions of CSFs) with 400 sample size from the general hotel managers. The findings showed that only three CSFs were not significant. His study was limited by the sample size and the confines of the hotel sector. It is not reasonable to argue that hotel CSFs per se should be regarded as generic in nature. Further research is required to explore the generic-context specific dichotomy in more details. His study failed to identify the CSFs through performance measures such as KPIs.

### **3. DISCUSSION**

Based on the review of the hospitality-related CSFs studies, one theme which has emerged from this article is that the CSFs can be seen fall into two key categories: 'human CSFs' and 'technical CSFs'. The latter tends to be defined as the effect of the direct experience of hospitality services which is related to the employees' views, their skills, disciplines, and their training. The latter is mainly associated with the proficiency and economy of the systems, procedures, and processes which has been provided for an accurate base of delivering hospitality products/services, and also to control the success of the commercial aspect of the hotel business (Brotherton & Shaw, 1996). All of the reviewed literature on CSFs identification in hotels' operations revealed that using the dichotomy proposed by Brotherton and Shaw

(1996), majority of CSFs were categorized as ‘technical’ rather than ‘human’ in nature within both budget hotel sector and other sectors.

**Table 1. CSFs Adoption for Hotels within Countries**

| <b>Author/year</b>                  | <b>Type of hotels/country</b>                                                                                  | <b>Findings</b>                                                                                                                                                                                                                           |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Jaafar (2011)</b>                | Small and Medium Coastal Chalets (SMCCs).<br>Small and Medium Island Chalets (SMICs) in 4 Islands of Malaysia. | For SMICs:<br>Front office, Guest accommodation, Food and Beverage, Back of the House<br>For SMCCs: Guest accommodation, Back of the House, Food and Beverage.                                                                            |
| <b>Avcikurt et al., (2011)</b>      | Small and medium hotels in Turkey.                                                                             | Use of Internet, Service quality, Financial performance, Marketing.                                                                                                                                                                       |
| <b>Hua et al., (2009)</b>           | Budget hotels in China.                                                                                        | Physical product, Service quality, Price, Promotion, Location.                                                                                                                                                                            |
| <b>Brotherton (2004a)</b>           | Budget hotels in the UK.                                                                                       | Accessibility, Performance.                                                                                                                                                                                                               |
| <b>Brotherton (2004b)</b>           | Corporate hotels in the UK.                                                                                    | Front office, Conference and banqueting, Human resource management, Food and Beverage (service), Leisure operations, Hold/increase market share, Food & Beverage (production), Back of house operations, Accounting & control.            |
| <b>Brotherton et al., (2003)</b>    | All Types of hotels in the UK and the Netherlands                                                              | Accounting and control, Food and Beverage (production).<br>Front office, Leisure operations, Marketing and sales, Food and Beverage (service), Human resource management, Back of the House, Conference &banqueting, Guest accommodation. |
| <b>Brotherton &amp; Shaw (1996)</b> | Hotel Places in the UK                                                                                         | Front office, Food and beverage, Conference and banqueting, Leisure operations, Back of the house, Marketing and sales, Human resource management, Accounting and control, Guest accommodation.                                           |

#### **4. CONCLUSION**

The CSFs for budget hotels were different from those for other hotel sectors. The most important and common CSFs for budget hotels were service quality and accessibility of the hotels while Front office, Conference and banqueting, Human resource management, Food and Beverage, Leisure operations, Hold/increase market share (marketing and sales), Back of house operations, and Accounting and control were identified as the common CSFs within other types of hotel sectors. Furthermore, the CSFs for hotels operations in developed countries like the UK were evaluated different from the CSFs in the developing countries like Turkey (Table 1). Findings from all studies showed that if the hotels tend to be consistent with changes of the business environment, they should revise their thinking methods about companies and their systems. Based on the general findings, it was concluded that to identify the critical issues for the hotels' successful performance in other settings (countries or nations) or within various hotel sectors, it is needed to pay attention to the time, place, and sector frame. For instance, a destination can be an ideal place for Muslim tourists (from the Middle East) with specific demands like Islamic traditions, consequently, such needs may cause to prioritize particular factors for the hotels in that region in order to attract more customers. Previous researchers also failed to recognize the dynamic changes in the hotel operations and the environment related to CSFs, changes in customer preferences, their demographic variables, technology, and marketing. Furthermore, much of the prior studies showed the dynamic nature of CSFs for the hospitality and hotel industry.

The association between CSFs and KPIs has not concerned in the past studies while Brotherton et al., (2003) proposed that it is essential to consider the CSFs regarding performance, practices, and operational management evaluation. However, Hansen and Eringa (1998) suggested that it is important to evaluate if the CSFs are implemented well by the hotel managers. Thus, evaluating the hotel operation through KPIs can be useful to determine the CSFs to get better results for future research. In addition, a various range of KPIs for CSF identification can be applied to measure the hotel operation including combining the financial and non-financial indicators (Bergin-Seers & Jago, 2007) and operational measures (Venkatraman & Ramanujam, 1986) to get the better results. It remains for future research to take into consideration the CSFs across more countries. In addition, much of the available literature sought the hotel managers/owners' perspectives with respect to CSFs. A comparative study can be conducted on CSFs from supply- and demand-side perceptions contains managers, customers, and hotel staff for further research.

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