

An Analysis of Hotel Industry Through Value Creation with Special Focus to Business Performance Measurement in Indian Context Measurement

Ameya Atul Jani¹, Dr. Kumar Siddhartha²

¹ Research Scholar, Department of Management, Mansarovar Global University, Sehore, M.P., India.

² Research Guide, Department of Management, Mansarovar Global University, Sehore, M.P., India.

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Abstract:

A market with new products, services, or even businesses, the creation of value is crucial. Academics are embracing the fast-growing concept of value creation in an effort to comprehend the methods certain organisations employ to surpass their rivals. The value generation phenomenon is crucial to management literature at both the micro and macro levels. The failure of any business, but notably service organisations, is mostly due to this lack of knowledge. There are many different issues that accompany the subject of value generation. In this article, an analysis of hotel industry through value creation with special focus to business performance measurement in Indian context has been chronicled.

Keywords: Hotel Industry, Value, Creation, Business, Performance, India

Introduction:

Researchers have concentrated on the creation of value for customers, business owners, and even stakeholders. [1] Additionally, there are several methods to approach value creation, such as in organisational behaviour or human resource management, where academics have a propensity to focus on individuals working alone or with others to form groups, teams, or even entire companies.[2] Different scholars have focused on the many and varied sources of value production as a result of academics with backgrounds in sociology and economics focusing on the concept of value creation while seeing it from the perspective of society or even the nation. [3] Academics find it challenging to create and define it due to the diversity of the word value creation at both stages, i.e., the purposes and the sources. [4] The question of what is useful or, alternately, what generates value arises because the concept of creating value encompasses both content and technique. [5] Additionally, it takes into account who will value it, what will be valued, and how value is impeded. Finally, the idea of value creation is becoming clouded by ideas like value capture and value retention. [6] This suggests that different values are being collected at different levels of analysis. The objectives of the research under the following:

- To analyse the value proposition, value offering, perceived value-in-use.

- To investigate the business performance measurement on their validity and reliability using the instruments (adapted and adopted accordingly).
- To elucidate the Indian hotel industry with special focus on value creation.

Research Methodology And Data Analysis:

Hypothesis:

Hypothesis 1 (¹H₀): The Value Proposition, Value Offering, Perceived Value-in-use and business performance are not measured based on their validity and reliability using the instruments.

Hypothesis 1 (¹H_a): The Value Proposition, Value Offering, Perceived Value-in-use and business performance are measured based on their validity and reliability using the instruments.

Hypothesis 2 (²H₀): The sample respondents are not the representative of the population for the study.

Hypothesis 2 (²H_a): The sample respondents are the representative of the population for the study.

Hypothesis 3 (³H₀): The participation of respondents in the study are not purely voluntary.

Hypothesis 3 (³H_a): The participation of respondents in the study are purely voluntary.

Hypothesis 4 (⁴H₀): The Measurement of business performance not based on based on different Value Scale of Hotels and Allied Sectors.

Hypothesis 4 (⁴H_a): The Measurement of business performance based on different Value Scale of Hotels and Allied Sectors.

Research Design:

The nature of the research study was Mixed Method Approach. It was both Quantitative and Qualitative in nature. The present research focus testing the interrelationship among value proposition, value offering, customer perceived value – in – use and business performance of organization with employee customer orientation, personality traits of employees and co-creation among customers for the services offered to them. The proposed research model is tested using cross- sectional data from three types of respondents in the study as – managers, employees, and customers of the five-star hotels who are the associated of FHRAI from top five tourist's destinations in India. Interviews are also conducted for the managers, employees and for customers by the researcher to gain even better insights of their perceptions about the services delivered.

Sample, Population and Data Collection:

The sample structured as follows:

Preliminary Sample Size: Managers (100), Employees (400) & Customers (500): 1000 samples

Out of 100 Managers, the 91 managers were responded properly. So, 9 samples were rejected.

Out of 400 Employees, the 322 employees were responded properly. So, 78 samples were rejected.

Out of 500 Customers, the 212 employees were responded properly. So, 288 samples were rejected.

So, the preliminary sample size was 1000 and final sample size was 625.

The data was collected through random sampling. An onsite survey has been conducted at the selected five-star hotels (associates of FHRAI) for the study of top five tourist's destinations in India viz. Agra, Delhi, Mumbai, Jaipur, and Chennai. The target population includes the Managers (Value proposers), Employees (Value offerors) and customers of those hotels. Ad-hoc Quota - Purposive sampling was used for collecting the information from the managers and employees of five-star hotels in the top 5 tourist cities in India. For the customer's, purposive sampling technique was employed due to the fact that the sample is selected on the basis of researcher's rationality of whom they think would be appropriate for the study.

Sampling Methodology (Sampling Method/ Type of Sample/ Sample Frame):

The structural model was evaluated through Bootstrapping method which was employed to estimate the significance of path beta-coefficient through t-test. Bootstrapping allocates balanced estimates for model parameters as it was a proven method of re-sampling which was favoured in comparison to different procedure. Moreover, when compared to previously used t-tests, bootstrapping procedures was allowing the testing of the significance of parameter estimates from data which was assumed to be multivariate normal. For generating cross-validated indices, the blindfolding procedure was also be used that actually assesses measurement blocks and structural equations quality, and eventually was also assist in establishing the predictive relevance for structural model. The present research also focused on calculating the Stone-Geisser Q² coefficient, in order to cross-validate the redundancy indices to "ascertain how well the observed values of manifest variables can be reconstructed from the model parameters". Q² values requires an observation for individual endogenous variable.

Statistical Methods and Tools:

The study has used different scales for testing the model.

The study was conducted to identify the gaps about – "what value the hotel service provider's offer to their customers, what value they further believe they deliver to the customer and finally what value customers believe they have received". For the same, items have been adapted from the literature and refined wherever indispensable. Since in the present study, measures have been revisited from the actual theme, as the study placed its concentration on

specified players i.e., managers, employees, and customers within the tourism industry, the researcher has asked the academicians to evaluate the items for content validity. The researcher has administered a pilot test so as to confirm the relevance and completeness of the items with a constellation of managers, employees, and customers on 5 five – star hotels in Hyderabad city. The feedback from the pilot test helped in modifying some of the items (wordings revision only) and those who became a part of the pre-test were excluded from the final survey.

Data Analysis:

The data analysis has been employed on the basis of “descriptive and inferential statistical procedures” given in SPSS 21.0 and Smart PLS 3 software to check the influences and interaction effects of one construct on others. For the Likert and semantic differential scales in research, literature has emphasized on using appropriate specific statistical techniques. Data analysis performed is viewed in two stages. In first stage, PLS-SEM was used to test the integrated theoretical model on value creation. In the next stage the validation of value chain operationalized as reflective, type – II higher order construct has been taken care.

Results, Discussion And Conclusion:

The goal of the current study was to identify the stages of value creation that support improving the operational performance of service organisations, particularly tourism service firms. Market share was once thought to be a key factor in determining a company's profitability, but another study disproved this theory. Eminent experts and academics have discovered and concluded that consumer loyalty is more closely related to great earnings and quick expansion. Since then, "satisfaction and value for goods and services being provided to customers" have been proven to be factors of customer loyalty. As stated plainly in the "service profit chain," this resulted in the formation of a blend of relationships that are involved in improving business performance and gaining a competitive advantage. It also made it abundantly clear that there are "direct and strong relationships between profit, growth, customer loyalty, customer satisfaction, the value of goods and services delivered to customers, and employee capability, satisfaction, loyalty, and productivity" with regard to the service profit chain. Although this research combines the service profit chain theory with the popular value creation frameworks, it makes several contributions to the marketing and management disciplines. First of all, only a small number of studies that too have defended the connections that are inherent in the stages of value creation in the service sector, particularly tourism. Since no other study has been able to do so up until now, the current research provides support for the findings (H1–H3) and provides insight into the value creation idea. It is presently thought that academicians can present these findings in an effort to reach some sort of consensus regarding how value is created, given, and delivered in a multi-party setting. Additionally, how the same impacts business performance in an environment providing tourism services According to the current body of research, the concept of "value constellations" has advanced from the traditional view of services, which presupposed "dyadic, one-to-one service encounters, to a more embracing view of services," which supports the multi-party concept in the context of tourism services. In a similar vein it

also defended the idea that service industries cover a variety of stages and their numerous interactions. [7]

This study also supports the idea that different value chain phases can be used to engage various stakeholders that are involved in its development. In the framework for creating value, managers (firms) propose value in the form of a value proposition (VP), which encourages and directs service company employees to provide the same to their clients in the form of a value offering (VO), which is then largely aggregated by the client's perceived value-in-use, which is associated with services. The results of this study also show that customers compare and evaluate the value being provided to them against what they had anticipated and what has been given to them. The study's findings are consistent with those of earlier research. Additionally, the research has focused more on integrating the producer and customer, or the demand and supply sides, which is even backed by earlier studies cited by several authors. The research findings for this study were concentrated which confirms the multi-party setup they presented in the context of Indian tourism. It has been argued that customer research dominates the marketing and management literature. [8]

In order to better understand the effects of association between the phases, the results (H4 and H5) advance the research that results in the establishment of a sequence of phases in which each phase contributes to the development of each subsequent phase. The findings are consistent with studies by scientists. The serial mediation in the study was not substantiated, leaving it negligible in comparison to the individual mediation, or the contribution of each phase to each other separately. The study's contextual nature may be to blame for the employees' lack of professional training and expertise in handling the matter on their own. The service environment in the hotel sector in India prevents its personnel from making decisions for themselves in specific situations. They must speak with their bosses in order to break the connection between the employee and the customer, which results in the development of a strained relationship between them. It is claimed that the value proposition contributes to the financial success of the service firm. The present study regrets that it is the employee's responsibility to comprehend, interpret, and deliver the firm's VP in order for the customer to access that VO in the form of PVI, which actually has the unintended consequence of improving the business performance of the firm. As a result, it would be incorrect to rely just on the VP to outperform rival businesses and advance financially. In addition to this, it also has shown that companies that focus more on customer orientation are better positioned in the market than their rivals. In order to determine the effects of ECO on the various stages of value creation, The suggestion of employee customer orientation has been put out in the study. It is thought that the intricacy of the interconnections may be challenging for the managers of the tourism enterprises to manage across, even though the results (H1–H5) demonstrate that there is a relationship between the several parties involved in the value creation phases. Therefore, it is clear that managers of tourism service settings must foster in their staff a desire and sense of understanding of the needs and expectations of customers, as well as play a leading role in bridging the gap between the company and its clients, which strengthens the clients' bonds with the company. [9]

The findings (H7) suggest that ECO is more important than previously thought in supporting the encounter stage of the value generation phase. Employees' more casual interactions with their managers may be the reason why the results (H6) of this study have not been supported. Even employee training and development in the hotel sector in India is intended to demonstrate professionalism rather than to help individuals form relationships with one another. In the Indian environment, the hierarchical method leaves a vacuum in terms of developing better relationships between managers and employees. However, personnel are more driven to give services to clients at the encounter stage; therefore, the findings were consistent with earlier studies. In a similar vein, the findings (H8) point to the personality features of the personnel as a crucial leverage for improving ECO during the value creation phases. The findings show that the employees' agreeableness and conscientiousness are the two key characteristics that drive them to be more customer-oriented, which improves the value generation phases. The encounter stage of the value creation phases was supported by the results, which are consistent with those provided. The initial relationship, however, was not supported for the same reasons as previously described.

The results imply that hypothesis H9 was supported for the investigation, supporting the another studies. The literature demonstrates that co-creation is now a crucial instrument for ensuring client satisfaction. When clients feel physically and emotionally engaged and involved in the development of the services for them, it maximizes the role of staff and customers. Customer participation in the service process ensures quality since customers are happier and more satisfied. The current study backs up the findings in the Indian context as well and encourages customers to play a part in the service production activities that were previously viewed as incipient in the literature. The market's top performers have shown that service profit chain management provides the means for putting into practise a strategic service vision for the firms to obtain an advantage over rivals. Managers strive to improve their company's performance through growth and profit. However, in order to realize financial advantages that are acknowledged as value for services that are provided to customers and aim at customer happiness and loyalty, it is essentially necessary to concentrate on more important factors. Also supported by the fact that frontline staff are seen as the company's lifeline to its clients, value cannot be created without them. [10]

Any service firm can use the service profit chain as a "balanced scorecard," but it needs to be adjusted to meet the needs of various firms. These days' consumers are very value-focused, and they seek outcomes and want to investigate service process quality that goes above and beyond the cost and price they pay for the services that are provided to them. According to data and evidence from the "U.S. office of consumer affairs," a happy client is more likely to recommend a business to five other people in their group than a dissatisfied one, who is more likely to tell eleven. To improve business performance and market share, managers must ensure that value is offered and delivered in the manner that customers demand, which necessitates a better understanding of what customers of the tourism service firm seek and require. In order to deliver to their clients, parallel staff must work in the direction of understanding the VP and altering it as necessary. To do this, they must be strongly oriented towards their profession.

As a result, businesses these days are putting more emphasis on choosing and recruiting workers based on their attitudes (personality traits they possess) than their skills. Additionally, managers today have replaced their behaviour with the ability to feel, using the daily knowledge gained by staying close to their clients and even giving them opportunities to participate in their business, which enables them to understand their needs and tailor their behaviour to enhance PVI, which will lead to the achievement of business objectives.

In conclusion, it is clear from the literature and the findings of this study that employees play a critical role in providing clients with services that are rich in value. They make sure that services are provided in accordance with the demands of their clients. It is thought that happy personnel would make sure that the customers are happy as well, and vice versa. The "Mirror Effect" refers to the relationship between staff and consumer happiness. Therefore, it is strongly advised that researchers in future studies attempting research in related fields concentrate on other aspects such as perceived job satisfaction among employees, the impact of leadership and leadership styles on employees in delivering value-laden services, employee empowerment, and similar factors, as it is presumed that these dimensions have the capacity to perform as interpretive possibilities to impact the value creation phases and thus summon conscious consideration. To explore the association between variables and constructs, the current study modified and adopted a number of scales. To acquire a competitive edge in the marketplace, the value creation phases contain four crucial characteristics that explain its benefits as "service performance value, service support value, personal interaction value, and relationship value." The study supported another research framework for value creation, which has produced noteworthy results and added to the value literature relevant to the Indian setting. The observations and results of the research can provide greater understanding for the Indian hotel business and other service industries. They might utilize the scale employed in this study to evaluate value in their service businesses or organisations as well. The outcomes and conclusions of the study was assisted and inspire managers to comprehend more fully how crucial value for services is to the achievement and profitability of their businesses. The four components of value—service performance value, service support value, personal interaction value, and relationship value—and the critical role they play in leveraging the value chain are presented in the work, which will help managers better understand what value must include and how to measure it. The vital function that values plays must be fully understood by managers, and even maximizing it will result in improved corporate performance and a competitive edge.

Second, managers must realize that value cannot be evaluated in a vacuum since it is ingrained in the experiences that customers have as a result of the services that are provided to them. The real crossroads where customers and employees converge are here. Managers must realize that if the services promised are not provided in the same way, they may cause customer dissatisfaction, negative word-of-mouth, the loss of potential support, and a decline in customer loyalty. The credibility of the company could be destroyed, which would eventually affect business performance. Thirdly, the outcomes also highlighted the caution managers must use when seeking out and selecting new hires. As it is believed that businesses can earn a lot of money if they have such a culture, they must also be careful to

choose the employees they hire based on their attitudes rather than their skills, give them rigorous training, provide them with the best resources, give them a lot of latitude to make difficult decisions, reward them, and ensure customer feedback and learning.

Similarly, it must be highlighted that despite the fact that all employees received comparable training, not all aspiring employees behave in the same manner when they come into contact with clients. In order to expect greater performance in a particular employment environment, a higher level of customer orientation and the personality qualities they possess play a crucial role in favoring the value creation phases. Fourthly, in addition to providing opportunities for employees to express their experiences with customers and nurture their suggestions for better serving them, it is essential to encourage them to do so in order to develop close relationships with customers and provide them with services that are superior to those of their rivals. Finally, it was advised that managers use caution when recognising and rewarding their staff for exemplary performance in various contexts and during specific periods of their service. Employee appreciation for managerial positions is strongly opposed because it results in weak relationships and a loss of the connection that managers feel with their clients. This is because newly appointed employees have a harder time maintaining this connection. As a result, better options must be discovered to reward them in better ways.

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