



## Organizational effectiveness in hospitality: Managers perspectives

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### ABSTRACT

While the received wisdom is that every organization strives for effectiveness towards its stated goals, there is no consensus in either the meaning or measurement of organizational effectiveness. Further, although the antecedents of organizational effectiveness are often explored in academic models, the value of these models is neither relevant to practice, nor specific to service industries like the hospitality industry, thus leading to a gap in our understanding of what constitutes an effective organization. In this paper, we undertake a qualitative study to assess the meaning and antecedents of organizational effectiveness by conducting semi-structured interviews with general managers of hotels. Through thematic analysis, four major criteria emerged that were considered important components of organizational effectiveness, namely financial outcomes, guest outcomes, employee outcomes and societal outcomes. Our findings offer direction to scholars on what organization outcomes matter most to hotel managers and thus help narrow the gap between research and practice.

### 1. Introduction

In an era of industry disruption via innovative business models, like Airbnb, consolidation through mergers and acquisitions, like the Marriott-Starwood mega merger, and hyper-competition by widespread brand proliferation, the hospitality industry and most notably the hotel sector, is in a state of flux despite growing travel demand. While the ultimate goal of most business organizations is to be effective in garnering a sustained competitive advantage, in reality, competitive advantages can weaken and ineffective firms often struggle to survive or exit the industry.

Organizational effectiveness can be understood as the attainment of goals espoused in the organization's mission or vision statement- i.e. the higher the degree of congruence between the stated goals and objectives of the organization with observable and measured outcomes, the higher the organization's effectiveness. For example, Omni Hotels declare on their website, 'The needs of our guests, associates and owners are in the forefront of everything we do. Through authenticity and innovation, we create unique memorable experiences' (Omnihotels, 2018). Although by design such statements are broad, they are translated into goals and objectives that can be qualitatively and quantitatively evaluated.

Exploring an organization's effectiveness is especially important in the hospitality industry, as its structural characteristics, such as its high capital intensity and consequent high leverage ratios coupled with low

switching costs for consumers, lead to high risk and propensity for bankruptcy (Li and Singal, 2019; Singal, 2015). Despite the increase in research on measurement of hotel performance, which can be considered a subset of organizational effectiveness, there is little clarity on its antecedents (Sainaghi et al., 2018). Moreover, while research on concepts like balanced scorecard or stakeholder management exists, there is no consideration of the performance outcomes vis-à-vis the goals set by the organization and reflected by managerial decision-making priorities. Considering, thus, that organizational effectiveness is a multivariate, multidimensional construct that spans many domains of activity (Cameron, 1986), our purpose in this paper is to explore the salient outcomes that managers (as practitioners), consider as dimensions of organizational effectiveness, and thus provide hospitality scholars some avenues for research including design effectiveness criteria and measures.

In the next section, we include a comprehensive literature review on organizational effectiveness, which is then followed by the sections on methods, findings and discussions, research directions and conclusions.

### 2. Organizational effectiveness

The definitions and operationalizations of organizational effectiveness are varied, and its conceptualization differs depending upon the theory and approach used (Campbell, 1977; Cameron, 1986). Past conceptions have used goal attainment, systems resource procurement,

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and internal process alignment approaches of effectiveness. Each of these models has shortcomings: for example, the goal attainment approach assumes that organizations have consciously set clear goals that are well-communicated and are congruent with each other; the systems approach assumes that organizations with an ability to secure environmental resources will flourish; and the internal process alignment approach assumes that efficient and harmonious internal procedures will lead to effectiveness (Papadimitriou and Taylor, 2000), while in reality it is the strategic constituent groups (shareholders, consumers, or employees) that determine whether a business is effective or not. A further problem conceptualizing organizational effectiveness arises from the array of criteria under which it is studied (Campbell (1977) listed thirty). Organizational and goal differences and the complexity of organizations compound the difficulties in developing a common reference for organizational effectiveness (Martz, 2008). Yet, the common understanding of organizational effectiveness acknowledges the existence of multiple goals that may be mutually exclusive and variably relevant to different participants (see Tajeddini, 2015). In this paper we follow Robbins (2001), who defines effectiveness as the degree to which an organization attains its short-term and long-term goals, the selection of which reflects strategic constituencies and the self-interest of the evaluator.

Organizational effectiveness research in the literature broadly falls into two categories: the first describes factors, components, and criteria for measurement (Quinn and Cameron, 1983); the second describes the relationship between factors that serve as antecedents to, and consequences of, organizational effectiveness, considering, for instance, the relationship between leadership behavior and organizational effectiveness as a dependent variable (Buil et al., 2018), or the role of organizational effectiveness in organizational development (Mehdibeigi et al., 2016).

Although scholars have used organizational performance as a proxy for organizational effectiveness, they are different concepts. Performance studies capture only one facet of effectiveness, such as innovative performance, service performance, brand performance, financial performance, or sales performance, often based on the target values (Nazarian et al., 2017). Organizational effectiveness must encompass multiple criteria such as satisfaction, service quality, and engagement, and go beyond quantitative targets. Measuring organizational effectiveness thus is a major challenge and often relates more to criteria than to theory (Cameron, 1986). The outcomes of measuring organizational effectiveness will differ according to the context or domain in which organizations operate, and there can be no universally agreed upon set of indicators (Yilmaz and Ergun, 2008); hence, studies have used innovative ways of measuring organizational effectiveness. The meta-analysis, conducted by Hartnell et al. (2011), reported several different effectiveness criteria, such as employee attitude (job satisfaction, organizational commitment), operational effectiveness (subjective innovation, quality of product and services) and financial effectiveness (profit, market performance, growth). In addition to the above generic measures, we believe that, specific to the hospitality context, there could be salient organizational effectiveness criteria important to this context's strategic constituencies. Exploring the unique performance outcomes not only adds to our conceptual understanding of the nuances of the construct to build theory, but also enables firms develop consensus or strive for differentiation based on strategy. The purpose of the present study is to explore the salient outcomes that managers (as practitioners) consider as dimensions of organizational effectiveness.

### 3. Methods

To examine the dimensions of organizational effectiveness, a qualitative research design was chosen. The study was conducted in Australian medium-sized hotels with 20–199 employees (Australian Bureau of Statistics (ABS) definition of medium sized hotels), which

were selected as they contribute 37% towards total income, 38% towards total industry value, and 30% of employment (ABS, 2018). The geographical sample was chosen based on convenience and access.

We procured mailing lists from Australian Hotels Association (AHA), and collected names and addresses of members in four states and two territories that were easily accessible. Through authors' contacts and other professional networks two more states were included in the data collection sample. Interviews were conducted with the 27 hotel general managers via either face-to-face meetings or telephonic conversations over several months in 2013. Follow-up conversations were later conducted by telephone only. Consistent with current qualitative hospitality research (see Skokic et al., 2016), interviews were concluded when theoretical saturation was reached. Thus, after analysing the data from 24 interviews, data saturation was reached, and as a confirmatory step, three more interviews were conducted, with the findings of these interviews proving similar to the earlier findings.

We used semi-structured interview techniques, and, on average, first time interviews lasted about an hour, with shorter follow up interviews where necessary. Inductive thematic analysis was used to understand the managers' views on organizational effectiveness. The data were coded, and thematic analysis was conducted (Braun and Clarke, 2006). Nine initial codes emerged, and repetitive phenomena and relationships were identified in coded data in order to combine the codes into overarching themes for dimensions of organizational effectiveness. The themes were then reviewed and refined, and finally, defined and given unambiguous names. Five themes were identified and refined as: financial outcomes, guest outcomes, employee outcomes, societal outcomes or corporate social responsibility, and, finally, others.

### 4. Findings and discussion

All respondents evaluated organizational effectiveness through multiple criteria, confirming previous research findings that depicted the construct as multi-dimensional (Cameron, 1986). The findings show that meeting financial goals and measuring financial outcomes, highlighted as important by all respondents, emerged as a primary theme. Several respondents stated that the financial outcome could be overall financial performance, whereas other respondents specifically mentioned specific criteria such as lower cost, increased profits, higher revenue, lower expenses, increased market share, and occupancy rate, as measurable outcomes. Financial outcome findings, such as food cost and occupancy rate, are exclusive to hospitality setting. These variables have been explored in the hospitality literature but have not been tested as effectiveness measures.

The second theme emerged as guest satisfaction outcomes. 20 out of 27 managers responded that positive guest comments were an important antecedent to organizational effectiveness. Respondents specifically mentioned the means by which the outcome was measured: through survey, comment cards, face-to-face feedback, and guest comments through Trip Advisor. This outcome is unique to the hospitality context, as guest outcomes lead to guest loyalty, which affects financial outcomes like occupancy rate and increased market share.

The third theme is related to employee outcomes, which 14 out of 27 general managers considered important. Training effectiveness, promotion rate, and performance based on appraisal were identified as desired outcomes. These variables in terms of employee outcomes have not been hitherto identified in the hospitality literature and thus constitute a new finding. For example, Marco-Lajara and Úbeda-García (2013) find that Spanish hotels in VAR employ a hard or universalistic approach to human resource management irrespective of hotel category or geographical region. Other outcomes include engagement, satisfaction, and turnover rate, which align with previous research that highlights the importance of the human resource function for organization effectiveness in the hospitality context (Lawler, 2005). The findings of the major themes and sub-themes are presented in Table 1.

The fourth identifiable theme was societal outcomes. A total of nine

**Table 1**  
Major themes and sub-themes of organizational effectiveness.

Financial outcomes	Guest outcomes	Employees outcomes	Social outcomes	Other outcomes
Financial effectiveness or performance	Guest feedback on service	Employee engagement	Impact on environment	Cleanliness
Budget	Guest satisfaction	Employee satisfaction	Support to community	Room presentation
Sales profits		Employee turnover		Owners satisfaction
Food cost		Employee training effectiveness		
Labor cost		Employee outcomes		
Profits		Employee feedback		
Revenue		Number of employees promoted		
Expenses		Employee performance		
Market share				
Occupancy rate				

respondents stated that impact on the environment and the community mattered as outcomes, thus underscoring the corporate social responsibility dimension of organizational effectiveness. In addition, several respondents highlighted other outcomes like overall cleanliness, room presentation, and owner's satisfaction, as effectiveness criteria. Owner's satisfaction as an outcome variable is a new finding that has not been studied in hospitality literature.

In sum, all managers' responses included multiple criteria, which accords with the definition of organizational effectiveness as holistically capturing desired outcomes for multiple organizational goals. While certain financial outcomes like food cost, labor cost, and occupancy rates are easily quantified, guest outcomes like satisfaction are difficult to measure. Studies have predominantly used SERVQUAL to measure the consumer perception of service quality (Parasuraman et al., 1988); however, in practice, hotel managers rely on qualitative guest comments or reviews. Similarly, respondents were interested in both the broader criterion, such as employee performance, as well as specific criteria, such as employee engagement, satisfaction, turnover, and feedback, as ways to capture employee outcomes. Respondents also evaluated employee outcomes through employee training effectiveness and promotion of employees. Further, outcomes related to the impact on environment, cleanliness and room presentation, support to community, and owner's satisfaction, can set up a new measurement agenda for scholars.

## 5. Research directions and conclusions

The present study conveys hotel general managers' views on dimensions of organizational effectiveness. Elements in the financial dimension, such as occupancy rate, and food and labor costs, are unique to the hospitality industry. Similarly, components like guest satisfaction leading to loyalty, importance of employee training and promotion as well as impact on environment, cleanliness, room presentation, support to community, and owner's satisfaction are distinct to the hotel sector. Measurement instruments for effectiveness in these areas are new directions for scholars to explore. Since organizational effectiveness and its measurement are dependent on achieving organizational goals, it is important to develop both objective and subjective measures. While scholars have relied on theoretical approaches, and explored several antecedents to organizational effectiveness, our study, through interviews of general managers, found that practitioners identify four clear dimensions in the hotel sector. Developing methods to gauge these outcomes holistically is the logical next step.

Although this study is exploratory and limited to the Australian medium-sized hotel sector, we believe that the findings, while not entirely generalizable, can spur research on the construct of organizational effectiveness and its measurement not only in other countries and other sectors of hospitality like restaurants, but also in other service industries like hospitals, banks, or non-profit organizations that have different goals and varied institutional contexts.

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