

Field survey on usage of non-financial measurement at hotel in Japan

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ABSTRACT

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This paper focuses on non-financial measurements related to customer and aims to clarify how customer-related measurements are affected in practice. The interviews are conducted to six domestic hotel companies and clarifies the actual situation to find problems for inhibiting the effective usage both of customer-related measurements and financial measurements. The results revealed that customer-related measurements are the helpful indicators for the decision-making involved in creating a future investment plan. On the other hand, it became apparent that there were some issues within the incentive system and personnel evaluation.

Keywords:

NPIs, hotel, interview, customer-related measurements, actual condition

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1. Introduction

The impact of hospitality industry on Japanese economy have increased. Many companies are in the expanding market and face with the severe competitive environment. They need to satisfy their customer who bring benefits and maintain and improve the satisfaction of the customer. Many researches discussed non-financial measurements related to customer, such as customer satisfaction and comments. In balanced scorecard, customer-related measurement is one of the important sight. Several empirical researches have been investigated that customer satisfaction as a customer-related measurement is an indicator to predict future financial performance and the measurements help managers to monitor and evaluate current actions and employees' performance [1-2]. Therefore, it is not enough for managers to pay attention to only financial measurements but customer-related measurements.

However, it is not easy to use effectively both of customer-related measurements and financial measurements in practice. Some researches argued that some hotels in Japan are weighted toward financial measurements in the management. Is that actual situation? Many hotel companies set customer survey questionnaires each room or lobby and correct regularly.

To solve this problem, it is necessary to clarify how customer-related measurements are affected in a practical business affair, but there are few studies that made the reality clear about this problem.

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In addition, some researches, which investigated the actual condition in Japanese hotels, argued that many hotels understand the importance on non-financial measurements in performance evaluation [3-4]. However, these researches are investigated by questionnaire survey, so it might not catch the truth and details in the hotel.

This paper conducted the interview to six domestic hotel companies and clarifies the actual situation of the use of the customer-related measurement by comparing with the features revealed from previous researches.

2. Literature

Customer-related measurements have been discussed in many studies. First of all, there is a causal relationship with financial performance. Several empirical studies have established that customer satisfaction helps to predict buying behaviour (customer retention; sales; sales growth rate) and an increase of customers [1,5]. Furthermore, it was also established that it helps to reduce costs (advertising expenses) and has a positive statistical effect on future profitability [2]. Moreover, since they have been shown to affect future financial performance, it is possible to monitor whether actions that will lead to the improvement of future financial performance are being carried out, and they have been established to be valuable indicators for performance evaluation [2,6]. However, it has also been noted that it is important to coordinate them with an incentive system in order to effectively use customer-related measurements.

Some studies have elucidated factors that increase customer satisfaction, which affects financial performance [7-9]. These studies have shown that customer-related measurements are also useful in the decision-making involved in an effective resource allocation.

In a study by Haktanir and Harris [10], which, as this study, elucidated practical use of customer-related measurements, they conducted interviews with the managers of hotel chains located in the Turkish Republic of Northern Cyprus. The study confirmed that, as it has been mentioned previously, customer-related measurements are useful for interdepartmental performance evaluation, for getting a grasp on the current situation and problems and for making prompt decisions aimed at resolving the issues. Furthermore, it has been noted that communication between employees was improved and customer-employee communication was also stimulated.

Only Shimizu and Otani [3] and Itou *et al.* [4] conducted investigation of actual conditions in Japan. They performed their analyses by conducting questionnaire-surveys. Their findings showed that more than half of the surveyed hotels used customer-related performance indicators. Itou *et al.* [4] reported that, besides facilitating improvements in business operations, customer-related measurements also helped increase employee motivation. Furthermore, it was also revealed that customer-related measurements were used for making decisions related to employee incentive system and personnel changes.

However, only two investigations of actual conditions have been conducted in Japan, and the accumulation of research is an urgent matter. They also indicated that there are still appropriate 30% hotels which don't use customer-related measurements. Furthermore, it has been pointed out that interviews need to provide a more precise grasp on the situation. That is because sometimes it is unclear who answered the questions of a survey and the answers provide unreliable information.

3. Research Design

The purpose of the present study is to clear the practical use of customer-related performance measurement and to discuss existing problems upon conducting an interview survey targeting the hotel industry in Japan. To catch the actual situation, this study confirm whether the advantages of

customer-related measurements, which have been revealed by the existing research, are put to the practical use. Therefore, we created questions based on the advantages revealed in the existing research and conducted interviews.

Q1: Are customer-related measurements used for performance evaluation purposes other than measuring financial performance?

Q3: Do you understand their causal relationship with financial performance?

Q3: Do they serve as measurements for monitoring?

Q4: Are they coordinated with employee incentive system and personnel evaluation?

Q5: Do they help making decisions aimed at improving business operations and resource allocation?

Q6: Do they help improve communication between employees and with customers?

Q7: Do they help increase employee motivation?

We surveyed the staff of five hotel operating companies and one hotel facility in Tokyo. Figure 1 illustrates the outline of the interviews. Some information likely to lead to identification was left blank in order to comply with the duty of confidentiality. In this survey, we used customer-questionnaire forms and internal materials of each hotel facility as a reference.

Table 1

The outline of the interviews

	DATE	TIME	PEOPLE	DEPERTMENT
A	Nov.16, 2016	50min	2	Corporate Planning department manager Marketing manager
B	J un. 10, 2016	120min	1	Former Executive manager of southeast asia
C	Nov. 2, 2016	60min	1	Executive manager
D	Oct. 13, 2016	60min	1	General Affairs and Human Resources
E	Nov. 8, 2016	35min	2	General Affairs and Human Resources
F	Nov. 10, 2016	40min	1	Corporate Planning department manager

4. Results and Discussion

With regard to Q1, our analysis elucidated that customer-related measurements were used in all of the six companies. As for the causal relationship with financial performance (Q2), each company understood the causal relationship between financial performance and customer-related measurements. Particularly, when Company C underwent Civil Rehabilitation, they realized the importance of customer-related measurements for financial performance, because they experienced the significance of customer loyalty during reorganization. Furthermore, Company C analysed the causal relationship of customer-related measurements with the average daily rate (ADR) and used them to analyse the factors. Therefore, all companies understand the importance of customer-related measurements which leads to financial outcome.

All six companies confirmed the utility of customer-related measurements for monitoring (Q3). All companies besides Company B regularly check not only the results of questionnaires in guest rooms, but also the text data such as comments and word-of-mouth, and they used this information for prompt problem resolution. Company B conducts regular meetings and monitoring using the results of questionnaires completed by a random customer selected out of one hundred respondents

and the data obtained from mystery shopping intended to check whether the service quality complies with the standards listed in the quality manual.

As for the Q4, it was revealed that only Company B coordinated customer-oriented measurements with employee incentive system and personnel evaluation. The measurements were used only by the Quality Control Department of Company B. Remuneration of the department was evaluated based on only customer-related performance indicators, and financial indicators were not used. The company decided that it was not possible to use both financial and non-financial (customer-related) performance indicators in the evaluation of the department. Other companies answered that they were planning to implement it during this or the next.

The utility of customer-related measurement in decision-making was confirmed in all six companies (Q5). Of all customer-related performance indicators, text data in particular contained information about customer dissatisfaction and hotel's problems. Therefore, early detection and prompt decision-making aimed at problem resolution was possible. Moreover, in Company C, the indicators proved to be useful for decision-making involved in identifying priorities for the investment plan.

With regard to the customer-related measurements for communication between employees and with customers (Q6), the effect was confirmed in all six companies. Information was exchanged between employees regardless of rank or position in order to resolve issues promptly. The information of customers staying at the hotel was shared at every morning meeting so that smooth communication with customer could be established.

As for employee motivation (Q7), all six companies confirmed the utility of customer-related measurements. By being able to visualize customer satisfaction, employees can see that their services are being valued by customers, which increases their motivation. Furthermore, it was confirmed that announcing the names of the employees who have been mentioned in the text data increases employee motivation.

5. Conclusion

Based on the findings obtained from existing research, we conducted investigations on actual conditions in order to elucidate how customer-related measurements are put to practical use. We were able to confirm almost all characteristics of customer related measurements in the surveyed companies. Therefore, some domestic hotel companies focus on not only financial measurements but also customer-related measurements. Particularly, the results newly revealed the utility of the measurements for the decision-making involved in creating an investment plan. On the other hand, it became apparent that there were some issues regarding coordinating the measurements with the incentive system and personnel evaluation. This was the point that was not showed by the questionnaire-survey conducted by Itou et al. [4]. Since the surveyed companies included operating companies that manage numerous hotels across Japan, this can be deemed a significant problem in Japanese hotel industry.

Finally, we would like to point out issues that we want to tackle in the future. First, as only six companies were surveyed in this study, a follow-up survey is desirable. Furthermore, it is necessary to increase the number of interviews.

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