The economics of quality management in the Irish hotel industry

Emma Reardon ^{1*}

¹ School of Hospitality and Tourism Management, University of Surrey, Guildford, GU2 7XH, UK. E-mail: e.reardon@surrey.ac.uk

* Corresponding author

Supervisors: Professor Stephen Wanhill and Dr John Ryan

Institution awarding the Ph. D. Degree: Technological University Dublin, Ireland

Date of defence: 27 February 2020

Citation: Reardon, E. (2022). The economics of quality management in the Irish hotel industry. Doctoral Dissertation Summary. *European Journal of Tourism Research* 31, 3118.

© 2022 The Author(s)

This work is licensed under the Creative Commons Attribution 4.0 International (CC BY 4.0). To view a copy of this license, visit <https://creativecommons.org/licenses/by/4.0/>

Goal and objectives of the dissertation

Goal

To explore the economics of quality management through a financial analysis of the resources that influence hotel performance.

This treatise was stimulated by an exploration into the economics of quality management through a financial analysis of the resources, both inputs and outputs, that influence hotel performance. In doing so, this dissertation provided a pragmatic examination of quality management and performance measurement through an interdisciplinary of services marketing and management, tourism economics, and financial management. The goal and objectives of this dissertation are underpinned by three significant research gaps. The first gap in knowledge relates to the economics of hotel quality logic (Skalpe & Sandvik, 2002) and by examining the multifaceted relationship between quality management, productivity, and profitability in the hotel industry (Altin et al., 2018; Gummesson, 2014).

The second research gap was motivated by the inconclusive debate around a systems approach to quality management in hospitality and by being able to measure the actual implementation and awareness of formalised quality management systems by the hotel trade (Farrington et al., 2018; Heras-Saizarbitoria et al., 2015). Finally, the third research gap was determined by the impact of quality management, in monetary terms, on hotel performance. This gap was influenced by how the elusiveness of service quality as a theoretical concept can present real challenges to the methods employed for determining the empirical monetary impact of quality management on hotel performance (Lai et al., 2018).

Objectives

1. To identify the key theoretical constructs for exploring the economics of quality management in the hotel industry.
2. To investigate hotel managers' perceptions and implementation of formalised quality management systems and practices.
3. To explore the techniques of service productivity analysis and profit sensitivity analysis (PSA) as a systematic means in measuring the effect of quality management on a hotel's net income.
4. To develop a holistic model which conceptualises the economics of quality management in the hotel industry.

Methodology

This research employed a pragmatic perspective and adopted a sequential two-phase mixed methods research design (Creswell & Plano Clark, 2018). Research Phase 1 involved a survey methodology dominated by a quantitative data collection and analysis. An online self-administered questionnaire was employed in Phase 1 to examine hotel managers' perceptions of formalised quality management systems (QMSs) and practices within the Irish hotel industry.

Research Phase 2 consisted of a case study methodology to explore the techniques of service productivity analysis (Grönroos & Ojasalo, 2004) and profit sensitivity analysis (PSA) (Kotas & Wanhill, 1981) as a systematic means in measuring the effect of quality management on a hotel's net income. An Irish four-star hotel formed the basis of the case study approach adopted in Research Phase 2. The chosen data collection methods in Phase 2 included archival records and a continuous unstructured interview (Saunders & Lewis, 2018). This study's two-phase research design was embedded within the Preliminary Research Phase of the literature review and the concluding discussion of the thesis findings. The mixed methods research approach employed in this study, especially the chosen methods that

formed part of the sequential two-phase research design, generated answers to the four objectives and also aided the development of a holistic understanding of the economics of quality management in the hotel industry.

Results

A key contribution of this study is the development and re-conceptualisation of the economics of quality logic (Skalpe & Sandvik, 2002), in the hotel industry. In so doing, this study's findings depict the complex and often contradictory nature of how quality management is perceived by tourism and hospitality firms. The most significant findings of this study contribute to knowledge in four key areas. First, the findings identified the key theoretical constructs for exploring the economics of quality management in the hotel industry. Second, hotel managers' perceptions and implementation of formalised QMSs and practices were investigated revealing negative connotations of a systems approach to quality management by the hotel trade. Third, the techniques utilised in the single-case analysis of Hotel X illustrated how to measure the impact of a hotel's quality management efforts on net income. However, the findings also highlighted the challenges of quantifying non-financial metrics of performance.

The final key outcome of this study centres on the development of a holistic model conceptualising the economics of quality management in the hotel industry. The key outputs of this model, such as the theoretical framework, the interdisciplinary research approach, and the conceptualisation of the economics of quality logic in hospitality, illuminate how the initial conceptual framework has been modified, and most importantly, what new knowledge has been integrated based on the empirical findings.

Theoretical conclusions

In exploring and conceptualising the economics of quality management, this study adds specifically to the body of knowledge around; a) the complex constructs of quality management and performance measurement, b) the perceptions and implementation of a systems approach to quality management, and c) quantifying the key facets of quality management on hotel operations. In addition to these key contributions to the literature, this doctoral research also builds on and adds new knowledge through the interdisciplinary lens of services marketing and management, tourism economics and financial management in exploring the economics of quality management in the hotel industry.

This study's theoretical framework creates a valuable basis for establishing the key resources of a hotel's quality management efforts before measuring the financial impact of these quality resources on a firm's operation. Hence, this study's theoretical framework, within the overall integrated model of the economics of quality management, fills a gap by providing a means for empirically exploring the interrelationship between quality management, productivity, and profitability, via an analysis of the inputs and outputs of key quality resources utilised by hotels.

Practical application of the dissertation

This study makes several significant contributions to practice and management because of the inference transferability and analytical generalisation of the statistical procedures employed in the single-case analysis of Hotel X. This is pertinent in terms of the measures employed to determine the financial impact of quality-related resources on firm performance. This study illuminated how the hotel industry's high operating leverage which naturally results in sensitivities to variations in demand can challenge a hotel's quality efforts. Singal (2015) attributes this to the industry's unique structural characteristics, such as competition, risk, leverage, and capital intensity, in addition to the labour

intensity of a hotel's workforce and the low switching costs for consumers. The empirical work drew similar conclusions by revealing the market-orientated/revenue-driven approach of the single-case analysis because of its high fixed cost structure. However, this approach reflected positively on the hotel's quality efforts as opposed to assuming a cost only orientated style of management.

The implications drawn from the self-administered questionnaire findings provide several practical implications for management considering the negative perceptions identified of a systems approach to quality management in hospitality. This study concludes that traditional approaches to formalised QMSs and practices in hotel companies do not reflect the relative importance of non-financial gauges, especially those related to quality management. This knowledge has also wider implications on global service operations and tourism policymakers in planning strategic quality initiatives.

Content of the dissertation

Abstract of Chapter 1

This introductory chapter outlines the motivation for this research, especially in terms of the ongoing pursuit to measure the return on investment of a hotel's quality management efforts (Altin, Koseoglu, Yu, & Riasi, 2018). In this light, Chapter 1 outlines the rationale for this research, the theoretical foundation, scope, and context of this study by providing a valuable basis for strengthening the correlation between quality management, productivity, and profitability in the hotel trade. This chapter also presents the research aim, questions and objectives underpinning this study, in addition to a brief overview of the research strategy employed and the structure of this thesis.

Abstract of Chapter 2

Chapter 2 addresses the first research objective of this study. The literature review aims to provide a theoretical analysis of the economics of quality logic in the hotel industry. In this context, an attempt was made to define this study's original academic concepts of quality management, performance measurement and benchmarking through an interdisciplinary study of services marketing and management and tourism economics.

Specifically, the literature review focuses on the ideology that quality management requires resources, that can positively or negatively influence hotel performance. As such, Chapter 2 explores, theoretically, the realm of possibility in conceptualising quality management as a non-financial performance indicator in the hotel industry. This chapter concludes by revealing the research gaps that emerged from a review of the academic literature, as well as developing the study's conceptual framework.

Abstract of Chapter 3

Chapter 3 presents a justification for the methodological underpinning of the investigation process employed in this doctoral study. The research methodology chapter opens with a discussion of how the research gaps identified in the academic literature inform the study's research questions and four objectives. The chapter next provides a defence of the mixed methods research approach employed in this study. This is followed by an overview of the mixed methods research strategy, addressing specifically the reasons for undertaking a survey and a case study.

The chapter continues by outlining how the chosen research methods form part of the sequential two-phase research design. This treatise is further enhanced by a rationale of the data collection and analysis procedures employed during the two phases of this research. The chapter concludes with a reflection on the quality of this exploration and the methodological limitations, followed by the ethical considerations.

Abstract of Chapter 4

Chapter 4 is the first of two chapters presenting the findings from Phase 1 of the sequential two-phase mixed methods research design employed in this study. This chapter presents the results of Research Phase 1, namely, the self-administered questionnaire, and focuses on the findings relating to Research Objective 2. The purpose of the chapter is to critically analyse the questionnaire findings, as well as the procedures for obtaining them. The chapter begins with an overview of the hypotheses for testing which were first introduced in Chapter 3.

The chapter then proceeds with a preliminary analysis of the questionnaire data to select appropriate statistical techniques for the hypothesis testing. The empirical findings of the research are then presented. To conclude this chapter, the data collected from the self-administered questionnaire is analysed within the confines of the research hypotheses, thus, addressing the second research objective of this study, and contextualising the findings in the pertinent literature.

Abstract of Chapter 5

Chapter 5, the second of the findings chapters, presents the results of Research Phase 2 to address Research Objective 3. The chapter begins with an overview of the case study context, specifically detailing key characteristics of the single case of Hotel X. The chapter is then divided into two distinct phases of analysis, namely, the service productivity analysis and the PSA. The service productivity analysis contributes to the overall aim of this doctoral research by measuring the a) internal efficiency, b) external efficiency, and c) capacity efficiency, of Hotel X's service processes. The empirical findings of this analysis then contribute to the PSA of Hotel X which concludes this chapter.

Abstract of Chapter 6

Chapter 6 re-evaluates the existing theoretical foundations of this doctoral research considering the findings presented in Chapters 4 and 5. The chapter concludes by advancing a holistic approach to the economics of quality management in the hotel industry, by revisiting the preliminary conceptual framework presented in Chapter 2 and integrating the empirical findings. A detailed discussion of this conceptual framework is provided to illustrate where and how the theoretical constructs of this study contribute to knowledge and practice. The resulting holistic framework for exploring the economics of quality management in the hotel industry signifies the interdisciplinary contribution of this doctoral research and addresses Research Objective 4.

Abstract of Chapter 7

Chapter 7 revisits the four research objectives underpinning this study, as well as the corresponding research questions and how they have been addressed. The overarching contribution of this study is the application of the economics of quality logic to the exploration of quality management resources, which can positively or negatively influence hotel performance. Hence, the second part of this chapter draws attention to the relative importance of this doctoral research by outlining the key contributions to theory, practice and management and the wider policy implications of this study. The chapter concludes by reflecting on the overall scope and limitations of the study at hand, as well as recommendations for further research and final remarks.

References

Altin, M., Koseoglu, M. A., Yu, X., & Riasi, A. (2018). Performance measurement and management research in the hospitality and tourism industry. *International Journal of Contemporary Hospitality Management*, 30(2), 1172-1189. <https://doi.org/10.1108/IJCHM-05-2017-0251>

- Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.), Los Angeles: SAGE.
- Farrington, T., Antony, J., & O'Gorman, K. D. (2018). Continuous improvement methodologies and practices in hospitality and tourism. *International Journal of Contemporary Hospitality Management*, 30(1), 581-600. <https://doi.org/10.1108/IJCHM-03-2017-0141>
- Grönroos, C., & Ojasalo, K. (2004). Service productivity - Towards a conceptualization of the transformation of inputs into economic results in services. *Journal of Business Research*, 57(4), 414-423. [https://doi.org/10.1016/S0148-2963\(02\)00275-8](https://doi.org/10.1016/S0148-2963(02)00275-8)
- Gummesson, E. (2014). Productivity, quality and relationship marketing in service operations: A revisit in a new service paradigm. *International Journal of Contemporary Hospitality Management*, 26(5), 656-662. <https://doi.org/10.1108/IJCHM-01-2014-0017>
- Heras-Saizarbitoria, I., Arana, G., & Boiral, O. (2015). Do ISO 9001-certified hotels get a higher customer rating than non-certified ones? *International Journal of Hospitality Management*, 51, 138-146. <https://doi.org/10.1016/j.ijhm.2015.08.006>
- Kotas, R., & Wanhill, S. (1981). PSA - Its Nature, Significance, and Application. *International Journal of Tourism Management*, 2(3), 176-188. <https://doi.org/10.1177/0047287582020003109>
- Lai, I. K. W., Hitchcock, M., Yang, T., & Lu, T. W. (2018). Literature review on service quality in hospitality and tourism (1984-2014): Future directions and trends. *International Journal of Contemporary Hospitality Management*, 30(1), 114-159. <https://doi.org/10.1108/IJCHM-08-2016-0408>
- Saunders, M., & Lewis, P. (2018). *Doing Research in Business & Management. An Essential Guide to Planning Your Project* (2nd ed.), Harlow: Pearson Education Limited.
- Singal, M. (2015). How is the hospitality and tourism industry different? An empirical test of some structural characteristics. *International Journal of Hospitality Management*, 47, 116-119. <https://doi.org/10.1016/j.ijhm.2015.03.006>
- Skalpe, O., & Sandvik, K. (2002). The economics of quality in the hotel business. *Tourism Economics*, 8(4), 361-376. <https://doi.org/10.5367/000000002101298188>

Received: 30/07/2021

Accepted: 11/11/2021

Coordinating Editor: Faizan Ali