

**A CONCEPTUAL MODEL OF PERFORMANCE
FOR SMALL MOTELS: DEVELOPMENT AND
EMPIRICAL TESTING**

by

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Declaration

I, Suzanne Seers, declare that the PhD thesis entitled *A Conceptual Model of Performance for Small Motels: Development and Empirical Testing* is no more than 100,000 words in length, exclusive of tables, figures, appendices, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Signature

Date

Suzanne Bergin-Seers

Abstract

The value of small firms to the economy is recognised globally (Storey, 2003). In Australia small firms encompass 97 percent of all private sector businesses. Of particular interest to this research is the tourism industry, which is currently experiencing substantial turbulence. The tourism industry, like many other service sectors, is comprised mainly of small firms. Despite difficult conditions these small tourism enterprises remain key providers of services in Australia and continue to make an important contribution to both export activity and employment. There are many sectors that make up this industry, including accommodation, transport, attractions, cafes, bars and restaurants. Because of their interconnectedness there is a high degree of interdependence for these businesses. For example, the small motel sector is an important accommodation provider for travellers and a needed service by other tourism enterprises in the transport and attractions sectors. However, government agencies feel that these organisations may not be performing as well as they could be. Government concern about standards and the professionalism of tourism and related sectors has been the impetus for a number of support programs and accreditation schemes. Emerging from this concern is a need to better understand the influence that the owner-managers of these firms have on improved business performance outcomes; but study of business performance has been difficult as the performance construct incorporates many diverse and complex dimensions.

Of relevance to this study is the considerable work by researchers of performance management in large manufacturing firms, where, in recent years the focus has turned to more holistic approaches to measuring performance. However, little has been done to utilise this knowledge for small tourism enterprises, and in particular small motels, as key service providers. Given that the management activities of business managers and the impact they have on business performance have been widely studied in large business there is a need for further research in the area in small motels. Therefore, the main question, which this research has attempted to answer in relation to small motels, is:

How effective are the existing strategic management business performance measurement models for improved business performance in the small motel sector?

This research employs a mixed method approach in an effort to draw on the existing performance measurement models to develop and test a performance measurement system (PMS) for firms and small motels specifically. A literature review of performance measurement and small business management research is utilised to develop a conceptual PMS for small motels. This review underpins the research, comprising a series of interviews with industry experts, which are used to refine the model for small motels. The refined model is empirically tested with small motel owner-managers using a case study approach.

The six research issues explored in this research aim to solve the main research problem. In summary, the case research generally confirms the conceptual model as refined by the experts' findings with some modifications. Overall, the research highlights that there are three components that need to be addressed in the PMS for small motels. The two key dimensions are the *drivers* and the *results*. To indicate how the two inter-relate in achieving the desired business results, a third component - a *cycle of performance management for improvement*, which includes processes of measuring and monitoring dimensions, is also included.

Essentially, the cycle of performance management and measurement starts with the *drivers*, which determine the *results*. The *drivers* include the stakeholders' and owner-manager's wants and needs, which guide the strategy formulation and implementation and the firm's capabilities and processes. The drivers are managed by the owner-manager to determine the business *results*. The results are measured by the outputs and the outcomes. The motel's outputs are a result of the motel's activities and are assessed by a balance of both financial and non-financial measures. The outcomes are the final product of the motel's outputs and in the small motels are measured by both stakeholder and owner-manager satisfaction. Measures provide information about both the output and outcome results and are obtained during the measurement and monitoring process. Finally, the review system is concerned with the relationship between the drivers and the results to ensure continuous improvement and the delivery of the stakeholders' desired wants and needs. In the small motels, a

continuous improvement process is undertaken via a simple and informal system of control, review and deployment whereby the employees, customers and networks play a crucial role.

The findings of this research contribute both to small business management and measurement theory, as well as providing a basis to guide small business policy makers and managers. As the methodology adopted in this research utilises a mixed method approach, part of which depends on case study research, recommendations rather than generalisations are presented. In order to generalise these findings to the wider small motel or small business sector there is a need for further research using a positivist survey approach. There is also an opportunity to conduct research to test this model with other industry sectors, where the unit of study would be selected from a different population of small firms.

In conclusion, the final PMS for the small motels answers the research problem and highlights that existing performance measurement systems developed for large firms can be modified for the purpose of aiding improved performance in small motels. The PMS developed in this research is an holistic and integrated model that has not yet been widely studied with regard to small firms. The PMS for small motels, built and tested in this research, contributes to the field of performance management and provides a basis for further theory building.

Dedication

Dedicated to my loving mother, Molly Bergin, and my beloved father, Joseph Bergin, who both made great sacrifices to ensure I benefited from an education that was unavailable to them. In numerous ways you continue to shape my life.

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1 INTRODUCTION

1.1 Research Background

Interest in small firms as a focus of study has increased significantly over recent years. The history of small business research is marked by the continuation of the International Council for Small Business (ICSB), which celebrated its fiftieth anniversary in 2006, as well as the preeminent publication – the Journal of Small Business Management that commenced in 1963 and is ‘the oldest and arguably one of the finest journals in the field of small business and entrepreneurship’ (Kuratko 2006 p. 483). For many years the study of small business has been entwined with that of entrepreneurship and other wide-ranging topics. In recent years, according to the special anniversary issue, *Keystones in Entrepreneurship Knowledge* (van Der Horst, King-Kauanui and Duffy 2005)¹, new research continues to emerge in the field. Examples of this research include – types of entrepreneurs (motivational research, and the psychological aspects); women and minority entrepreneurship; small firm performance; venture finance; corporate entrepreneurship; entrepreneurial strategies; human resource management; international entrepreneurship; family businesses and their impact on the economy and society; and entrepreneurial ethics.

It is evident that the emerging research reflects the needs and concerns of both researchers and industry. For instance, governments have recognised the value of small firms to the economy (Acs, Carlsson and Karlsson 1999; Storey 2003) and for this reason they have focused on providing various support mechanisms (Bennett and Robson 1999; Breen and Bergin-Seers 2002). In particular, a key concern for government is the survival and growth of small firms (Commonwealth of Australia 2004; Victorian Government 2005) with management issues being widely cited as a major cause for the poor performance and failure of both small and large firms (Karpin 1995; D'Netto and Bakas 2005).

¹ A tribute to 50 years of excellence in entrepreneurship and small business

Small firm performance and its management are examined in numerous ways in the literature (and is detailed further in Section 1.3.1). For example, Westhead, Ucbasaran and Wright (2005) studied the performance of the entrepreneur; Shepherd and Zacharakis (2001) explored profitability for investors; Covin and Covin (1990) looked at strategic approaches, environmental influences and performance; and Patton, Marlow and Hannon (2000) were interested in the relationship between training and small firm performance. More recently researchers have turned to more holistic approaches to measuring performance in small firms (Hudson, Smart and Bourne 2001; Garengo, Biazzo and Bititci 2005) in order to better understand the role of management and the behaviours and activities that enhance business performance. Understanding the role of managers and how they affect small firm performance is central to the identification of solutions to business performance problems.

Within the small firm performance literature two key issues are apparent. Firstly, there is a wide variation in the definition of a small firm. For instance, in the USA small firms are defined as those with less than 500 employees, in the UK it is less than 200 employees, while in Australia it is less than 20 employees (Peacock, 1999). Secondly, studies of small firm performance are more common in the manufacturing industry with less attention paid to the service-based firms. The view that performance differs across sectors has been recognised (Thomas 2000) as has the need for more in-depth study at the micro level, as opposed to the macro level (Morrison and Teixeira 2004). These issues mean that research of manufacturing firms in the USA, for example, is not easily transferred to small service-based firms in Australia. This thesis, therefore, attempts to address this gap, as it is focused on small firms in one specific sector of the service industry in Australia.

The Australian service industry landscape. The service industry is comprised of many types of businesses. In Australia, the Australian Bureau of Statistics (ABS) (2005) defines the service industry as including, wholesale trade; retail trade; accommodation, cafes and restaurants; transport storage; property and business services; cultural and recreational services; health and community services; and personal and other services. The average annual rate of growth for manufacturing from 1992-93 to 2002-03 was 2.5 percent, which was much less than the service sectors. For example, communication services and accommodation, cafes and

restaurants, had a growth rate of 7.7 and 4.2 percent respectively. Overall, the service industries are now outperforming manufacturing and therefore are key areas of economic growth.

Of the service-based industries the accommodation sector in Australia is important in terms of its contribution to the economy and the facilities and services it provides to travellers. The desire for government and industry to enhance this sector brings hospitality firms into the spotlight for researchers and policy makers. According to the ABS (2001), accommodation businesses in Australia include, caravan parks/camping grounds, motels, licensed hotels, serviced apartments, visitor hostels and bed and breakfast establishments. In June 2001 there were 5,884 employing businesses (with 6,525 separate accommodation establishments) in the Australian accommodation sector; of which 2,279 (35%) were motels. The businesses in this sector are largely concentrated in the eastern states of Australia with as many as 78% of the firms operating in New South Wales, Victoria and Queensland. The industry has expanded since June 1998, as indicated by an increase in the number of establishments of 4%. The accommodation sector employs 57,732 permanent employees but it is marked by the extent of its casual employment, which makes up 43% the total employment for the sector. Furthermore, the accommodation industry is improving in its profitability with industry income increasing by 26% for the period from 1997-98 to 2000-01 (ABS, 2001).

A key segment of the accommodation industry is the motel sector, which has grown in number from around 80 motels in the 1950s to approximately 2,300 in 2001 (ABS, 2001). Although motels are difficult to define precisely, Richardson (1999) described them as being:

...small or large, simple or elegant, located in the city or the country, and under individual or corporate ownership. The distinguishing feature is that it is built for, and caters to, the convenience and informality of motor travel (p. 217).

Given the size of the Australian continent and the long-haul trips required by travelers, motels have become an important accommodation provider to both the leisure and corporate markets across the country.

In the past twenty years the industry has undergone turbulent times with many people moving into the sector for lifestyle reasons to then find they are under-skilled and unable to operate successfully. The churn rate for ownership, therefore, has been and continues to be very high and is a concern for the industry (L. Duffy [AAATourism] 2006, pers. comm., 21 March). Additionally, over time a number of motel-related associations and chains have emerged to provide a common brand as well as support for their members. These chains include Motels of Australia Limited, Homestead Motor Inns (to be later affiliated with Best Western International), Flag Motels (rebranded to Choice Hotel) and the Budget Motels. Various industry bodies, such as AAATourism and Hotel, Motel and Accommodation Association of Australia (HMAA) also have a particular interest in supporting owner-managers to improve their performance. Despite the need to improve standards the industry has struggled to assess firm performance and to identify good practice. Hence there is a gap in research of the performance of these firms.

Given that small motels in Australia are an important part of the tourism and hospitality industry a study of the dimensions that impact their performance is warranted. The lack of research regarding the performance management of motels, and small motels in particular, highlights a knowledge gap. The study aims to address this gap and in doing so provide a basis for further research, as well as future direction for policy makers and industry leaders. To undertake this research a review of the literature regarding small business management and performance management and measurement in a wider context is required. This review, which is presented in Section 2.4 will underpin the research of small motel performance and provide the foundation for the development of a performance measurement system model for these firms.

1.2 The Research Problem, Issues and Contribution

1.2.1 Research Problem

The study of performance management for improved business performance in small motels is motivated by the understanding that these firms are firstly important to travellers and the wider economy, and secondly government agencies feel that these

organisations may not be performing as well as they could be (Tourism Victoria, 2002). Emerging from this concern is a need to better understand the influence that management has on improved business performance outcomes (Section 2.3). The management of a business operation incorporates many diverse and complex dimensions (Lumpkin and Dess 1996; Hawawini, Subramanian and Verdin 2003) and relies heavily on measurement and monitoring activities (Garengo, Biazzo et al. 2005). The link between these dimensions and the impact they have on business performance has been widely studied in large business (Venkatraman and Vasudevan 1986; Neely 1998; Foley and Samson 2003) and generic small businesses (Keats and Bracker 1988; Rue and Ibrahim 1998; Gibbons and O'Connor 2003) but there has been little study of this area in small motels (Kozak and Rimmington 1998; Thomas 2000; Morrison and Teixeira 2004). Therefore, the main question, which the research will attempt to answer, is:

How effective are the existing strategic management business performance measurement models for improved business performance in the small motel sector?

In addressing this question a study of the literature in Chapter 2 details two parent theories, which include small business management and business performance measurement with specific reference to small motels. Central to this discussion is the performance construct and the related dimensions of drivers and results. Furthermore, changing trends and developments in approaches to performance measurement are presented with a view to encapsulating related implications for small firms. Therefore, the management practices and processes employed by high performing businesses are examined.

Based on a review of the literature in Chapter 3, five eminent performance measurement systems are identified and reviewed with small motel needs in mind. As a result of this review a model of a performance measurement system for small motels is developed. The model addresses the internal activities of the firm as well as the behaviours of its people. The three components of the model are the management dimensions of drivers and results and the inter-relationships between the two. The

conceptual framework for small motel performance and the proposed research issues are presented in Chapter 3 for later empirical testing.

1.2.2 Research issues

There are six key research issues that relate to the investigation of a model of a performance measurement system (PMS) for small motels (Section 3.3). The first and second issues are concerned with strategy. The first issue is focused on identifying the strategy making, implementation and review activities of high performing small motels, whilst the second research issue aims to explore the role of the stakeholders in this process. High performing firms were selected as the focus of the case study phase (Section 4.4.2.2) as the research was aimed at studying operators considered to be exemplary so that the performance measurement system would be based on best practice.

Key Research Issue 1: How is strategy formulated, implemented and reviewed in high performing small motels?

Key Research Issue 2: How are stakeholders involved in strategy formulation, implementation and review in high performing small motels?

Although these issues explore different aspects of strategy they have a degree of interconnectedness, therefore, throughout this thesis they are presented and examined together.

The third issue is concerned with identifying the specific performance measures used in high performing small motels and the fourth issue is focused on exploring how review processes are used for continuous improvement. The balanced approach to performance measurement refers to the trend to include non-financial as well as financial measures to the process of performance review.

Key Research Issue 3: How is a balanced approach to performance measurement used in high performing small motel operations in assessing stakeholder satisfaction and business results?

Key Research Issue 4: What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?

The fifth key research issue is focused on the specific management practices and processes employed in high performing small motels with regard to performance management. Consequently, the fifth key research issue is:

Key Research Issue 5: How are processes developed and employed in high performing small motels?

Within this fifth research issue the interaction between the processes and the capabilities required to deliver these processes is explored. The capabilities include, the management of both people and other tangible and intangible resources.

Finally, the way in which small motel operators utilise measures of operational activities in relation to strategy, capability employment and process implementation is unclear. Furthermore, it is also unknown whether the results (as outcomes of the operational activities) are used in a process of review for continuous improvement. Therefore, the last research issue is as follows.

Key Research Issue 6: How are the various results measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?

Specifically, the sixth research issue is proposed in order to obtain a better understanding of the relationships between various performance measures (both financial and non-financial) and the four management dimensions of stakeholder management; strategy formulation; people and resource management; and systems and processes. This issue explores whether performance measures are used to evaluate changes in business results as well as a means of monitoring the management practices to assess their impact on these results. At present little is known about the self-review activities of small motel operators and the extent of their focus on operational and financial outcome improvements. Furthermore, there is

little evidence of whether they link specific management activities to the overall performance of the business.

Contributions to research. The main aim of this research is to develop and refine a performance measurement system (PMS) suitable for managers of small motels. The PMS has a number of implications for private and public sector managers, which is outlined in Section 6.6. In summary, the contributions are: the identified value of using a balance of both financial and non-financial measures to track performance; the association between the type of strategy and key measures; the variation in the level of sophistication of monitoring systems varies according to the size of the motel; the difference in approaches to continuous improvement activities when compared to large firms; the importance of social networks and alliances for providing information and resources; the complexity of human resource management; the implications of the PMS for training of owner-managers; and, its potential value for regional economic development.

1.3 Justification for the Research

The importance of this research is justified on several theoretical and practical grounds. The grounds relate to the dominance of small business in the Australian society and economy and the specific importance of small motels to the tourism and travel market. Justification of the research on theoretical grounds addresses the neglect of the specific research problem by previous researchers, whilst the practical grounds for the study are based on the importance of small firms (and specifically small motels) to the hospitality and tourism industry.

1.3.1 Justification on theoretical grounds

The growth in interest in small business management and small business performance over the past few decades was introduced earlier in the chapter. Table 1.1 provides further detail regarding a number key small business related journals, which have produced articles in this field.

It is apparent that the focus on business performance in these journals has grown since the mid 1980s. The numerous studies of small business performance cover a broad range of topics, some of which include, strategy (Gibbons and O'Connor 2003), structure (Miles, Covin and Heeley 2000), characteristics of the owner-manager (Sadler-Smith, Hampson, Chaston and Badger 2003), success factors (Chaston and Mangles 1997), organisational learning (Gibb 1997) and Total Quality Management (Yusof and Aspinwall 1999).

Table 1-1 **A summary of key small business related journals**

Title	Years of publication	Small business focus
Entrepreneurship & Regional Development	1998 – present	Emphasis on entrepreneurship with a large focus on new and small business
Entrepreneurship: Theory & Practice (was American Journal of Small Business 1976 – 1988)	1988 – present	Small business focused
International Journal of Entrepreneurial Behaviour & Research	1995 – present	Emphasis on entrepreneurship with a large focus on new and small business
International Small Business Journal	1993 – present	Small business focused
Journal of Developmental Entrepreneurship	1999 – present	Focused on issues concerning micro enterprise and small business development, especially under conditions of adversity.
Journal of Enterprising Culture	2000 – present	Emphasis on entrepreneurship with a large focus on new and small business
Journal of Small Business & Enterprise Development	1998 – present	Small business focused
Journal of Small Business Finance	1991 - 1996	Small business focused
Journal of Small Business Management	1971 – present	Small business focused
Small Enterprise Research: The Journal of SEAANZ	1994 - 2002	Small business focused
Strategic Management Journal	1996 – present	General business focused - a number of studies are related to small business

** The list of small business related journals represent some of the key journals in this field and is not necessarily a full and comprehensive list of all small business and entrepreneurship publications.*

Of note is that most of the research into small business is within the manufacturing sectors (Ahmed and Montagno 1996; Chaston and Mangles 1997; Mc Mahon 1999) with less focus on the service and tourism related industries. Additionally, a large number of the small business studies relate to marketing, innovation, strategy,

information technology, financing, and exporting (Zahra and Covin 1993; Ayas 1996; Beal 2000; Pelham 2000).

With regard to tourism related journals, it is apparent that with the growing recognition of hospitality and tourism a number of journals have emerged in recent times. Several of the key tourism and hospitality related journals are listed in Table 1.2. It can be seen from this listing that most of the tourism and hospitality journals appeared in the 1990s yet since that time the research has tended to be macro in focus, and only recently has this focus moved to the micro with explorations of the firm and the owner-manager (Di Domenico and Morrison 2003). The number of studies that have considered the business performance of small enterprises are few in number (Thomas 1988; Boer, Thomas and Webster 1997; Thomas 2000; Morrison and Teixeira 2004). Therefore, the review of small business and tourism related journals highlights that there has been limited research that explores strategic management and business performance measurement in small tourism and hospitality firms, and more specifically in small motels. This lack of research indicates the need for further study of the management and business performance of these firms.

Table 1-2 **A summary of key tourism and hospitality related journals**

Title		
Annals of Tourism Research	1973 - present	Macro view in its approach. Very little focus on STEs.
Australian Journal of Hospitality Management	1998 - 2001	A combination of a macro and micro view approach.
Cornell Hotel and Restaurant Administration Quarterly	1981 - present	A combination of a macro and micro view approach.
International Journal of Contemporary Hospitality Management	1994 - present	A combination of a macro and micro view approach.
International Journal of Tourism Research	1999 – present*	A combination of a macro and micro view approach.
Journal of Tourism Studies	1990 - 2003	Mainly a macro view approach.
Journal of Travel Research	1992 - present	Mainly a macro view approach.
Tourism Management	1998 - present	Mainly a macro view approach.

*(was Progress in Tourism and Hospitality Research 1995 – 1998)

Small businesses are different to big business. Many studies of small business have viewed them as one homogeneous group (Peacock 1999) despite the differences in the definition of small business around the world (as mentioned in Section 1.1). In the

past, businesses with up to 500 employees were included in the same group as businesses with only a single worker. It is beneficial that recent research now acknowledges that the operational activities that drive performances in a firm with less than 20 employees are different to firms which employ hundreds of workers (Raymond, Bergeron and Rivard 1998; Yusof and Aspinwall 1999). Despite this growing recognition, the majority of business improvement research of small business has not accounted for differences in size nor considered that management in micro businesses might be different to 'larger' small businesses (Peacock, 1999).

As already highlighted, many of the studies of firm performance remain large business focused (Bititci, Carrie and McDevitt 1997; Neely 1998). Strategic management studies have addressed the issue of operating large business with the development of business performance models. Examples of these models include the Balanced Scorecard Approach, European Foundation for Quality Management (EFQM), the Malcolm Baldrige National Quality Award (MBNQA), developed in the USA, and the Australian Business Excellence Framework (ABEF) (Kaplan and Norton 1992; Lumpkin and Dess 1996; Mc Adam and O'Neill 1999). However, only minor attempts have been made to relate these studies to small business (Hewitt 1997; Mc Adam and Kelly 2002). Overall, there is little evidence of these models being applied to small hospitality enterprises, therefore, it is apparent that there is a need to explore how the business performance models, developed for large business, apply to small business and specifically small motels.

1.3.2 Justification on practical grounds

Further justification for this research is the recognised importance of small business and in particular small motels to the service industry in Australia (as mentioned in Section 1.1). The motel sector caters for the leisure and business (or corporate) travelers and, despite a decrease in domestic travel in the past few years, from 2004 to 2005 there was considerable activity continued in this area (Department of Industry Tourism and Resources 2006). For example, in the year ended September 2005, residents aged over 15 years took 70.6 million overnight trips in Australia and spent 282.7 million nights on these trips, whilst spending \$51.0 billion (Department of Industry Tourism and Resources 2006). Furthermore, in the September quarter 2005,

hotels, motels, guesthouses and serviced apartments with 15 or more rooms had an average room occupancy rate of 64.2% (which was a 0.2% increase compared to the September quarter 2004). In the year ended December 2005 the 'purpose of travel', which related to number of visitor nights recorded as travel by Australians (Tourism Research Australia 2005) was attributed to 46% for leisure, 40% for Visiting Friends and Relatives (VFR) and 15% for business.

Given that the hospitality and tourism industries are interconnected and interdependent, they are often seen as one industry. Their dominance in the economy and importance as service providers are reasons why various governments in Australia have continued to focus on their development (Department of Industry Tourism and Resources 2004). This is evident in the Federal Government's 2004 Tourism White Paper (Department of Industry Tourism and Resources 2004) which specifies the key initiative of the Government is to lift capabilities of hospitality and tourism businesses. The following excerpt highlights the importance of this initiative:

The ability of tourism businesses to deliver what they promise, and to satisfy customer expectations, is fundamental to the overall strength of the tourism industry, and is a key element of the White Paper (Department of Industry Tourism and Resources 2004).

Additionally, in Victoria's Tourism Industry Strategic Plan 2002 – 2006 the industry has stated quite clearly the desire to improve the professionalism and standards of business operators:

With very low barriers to entry and a high proportion of small businesses, Victoria's tourism industry is characterised by varying levels of experience, skills, qualifications, business acumen and professionalism. The result is inconsistent product and service delivery, which contributes to business failure rates and marginal profitability, particularly among new entrants. In addition, a dynamic market place, increasing competition and higher visitor expectations of service quality, highlights the need to embrace a whole-of-industry approach to delivering quality experiences (Tourism Victoria 2002 p. 107).

In light of the concern of industry regarding the need for improved performance in small hospitality and tourism firms and the lack of previous studies in relation to them, this study will provide a platform for improvement of performance within the hospitality industry, with a specific focus on small motels. The study should benefit both industry and academics by developing a better understanding of the key determinants of small motel performance. In time, the small motel owner-managers themselves will also benefit by the dispersal of greater knowledge of performance drivers. Therefore this study will also contribute to further international and Australian research in the economically important area of hospitality and tourism.

1.4 Methodology

As this study is concerned with the development and testing of theory of small motel business performance, a mixed method approach has been adopted. The advantage of a mixed method approach is that it draws on the strengths of both the qualitative and quantitative domains (Tashakkori & Teddle, 2003).

The research was undertaken in two phases. The first phase employed the mixed method approach using both convergent interviews (Easterby-Smith, Thorpe and Lowe 2002) and conjoint analysis (Claxton 1987; Green, Krieger and Wind 2001). The second phase of the research was largely qualitative, wherein a deeper exploration and testing of the model was undertaken via multiple case research (Yin 1988; Perry 1998). The first phase of the qualitative research commenced with convergent interviews (Rao and Perry 2003) as it is important to ensure that the constructs of the model were not only based on strategic management theory but that they were also supported in reality. Specifically this phase focused on convergent interviews with a panel of Industry Experts to firstly identify the common characteristics of small motels. Secondly, the quantitative components of the study utilised conjoint analysis (Claxton 1987; Green, Krieger et al. 2001) to confirm the list of characteristics most commonly agreed as being found in a typical small motel, in order to develop a typology for small motels in Australia. Then, further convergent interviews were undertaken with the same Industry Experts to ensure that the constructs of the model developed from the management theory were also supported in reality.

In the second phase, qualitative research employed case research in order to focus on the relative importance of these variables and the inter-relationships between them. A deeper understanding of these issues was obtained by multiple case research of seven small motels located in Victoria. These cases were identified by AAATourism (a key accommodation organisation) as successful operations and were selected to assess replication of the constructs and related variables across the firms (Yin 1988; Perry 1998).

In summary, the model for a PMS for small motels was founded in the literature, refined with the experts in phase one, whilst in phase two it was tested with input from a group of high performing motel owner-managers. (Further detailed description of the methodology is presented in Chapter 4).

1.5 Outline of the Study

For those reading this thesis it is important to highlight that it has been structured according to the format devised by Chad Perry (2002). The thesis is comprised of six chapters with the first chapter providing an introduction to the study. Chapter 2 presents the literature review which focuses on developing an understanding of performance as a multi-dimensional construct with two key dimensions – drivers and results. Further, the difference between manufacturing and service-based firms is considered, as well as the difference between large and small businesses. The need to study small motels from a micro perspective is also presented. The chapter finishes with a review of existing performance measurement systems and their holistic approach to performance management.

In Chapter 3 the synthesis of the performance measurement system (PMS) for small motels is provided through a critique of the five existing business performance models identified in Chapter 2. The theoretical framework and research issues for small motels are then presented.

Chapter 4 outlines the methodology for the data collection. This chapter includes an introduction, justification of the research paradigm, justification of the mixed method approach, and a discussion of the two-staged approach. Stage one involves the

research design for the convergent interviews and conjoint analysis to develop a small motel typology and the refinement of the conceptual model. Stage two is concerned with the research design for the case research approach.

Chapter 5 of the thesis relates to the analysis of the data collected in stages one (convergent interview with experts) and two (the case research of the high performing small motels). The patterns of the results and analyses of the experts' interviews and cases are presented, but the discussion of findings is left to the final chapter in order to avoid confusion in the presentation of extensive amounts of qualitative data and to separate the results from the discussion to preserve objectivity (Perry, 2002).

Lastly, Chapter 6 provides a discussion of the findings from this study and comparisons with previous research. This discussion leads to a number of conclusions, which either confirm or reject the key research issues and propositions related to the components of the small motel performance model, as outlined in Chapter 2. The implications of the study for theory development and for managers and policy makers are discussed along with recommendations for how this study may contribute to improvements in the small motel sector.

1.6 Definitions

As understandings of key performance related concepts are not always uniform, the following definitions of terms and constructs have been adopted for this study. A more detailed discussion of the performance construct and its dimensions is presented in Chapter 2.

Small business. Given that small businesses are understood differently around the world the definition of small business in this study draws on that of the Australian Bureau of Statistics (ABS). Therefore, small businesses are those firms that employ between one and 19 employees and micro businesses are a special sub-set used to describe firms with less than 5 workers. *Small motels* are the unit of study and consequently considerable time was taken in this research to establish an appropriate classification. As no universal definition could be found in the literature the first stage of the data collection phase focused on developing a typology for small motels.

This process is described in more detail in Section 5.3.1. For the purposes of this study, a small motel is defined as a sub-category of motels and includes operations that are approximately 15-30 rooms in size; are generally rated with a 3 to 3 ½ star rating; are most likely affiliated to a marketing group; and have a restaurant on the premises.

Business performance terminology. The study of performance is complex and can be approached in a number of different ways. However, in this study performance is viewed from a strategic management perspective and considers the construct from a systems approach. Important to the research are four key elements – business performance, performance measurement, performance measures and performance measurement systems. These elements are defined as follows.

Business performance is a complex concept and in the recent literature business performance is generally viewed in terms of the operational dimensions that determine the business results (that is, the drivers) (Boone and De Brabander 1996; Anderson and Sohal 1999) and the measurable business outcomes and outputs themselves (that is, the results) (Bititci, Carrie et al. 1997; Neely 1998; Hall 2003). Good performance is when ‘organisations achieve their goals, that is, they perform by satisfying their customers with greater efficiency and effectiveness than their competitors’ (Neely, 1998, p. 5). *Business performance measurement* has been defined as ‘the process of quantifying the efficiency and effectiveness of action’ (with action referring to the activities undertaken in the conduct of a business) (Neely, Gregory and Platts 1995). Performance is measured through the use of the *performance measure* which is ‘a metric used to quantify the efficiency and/or effectiveness of an action’ (Neely, Gregory et al. 1995 p. 80). Finally, a *performance measurement system* (PMS) is ‘a balanced and dynamic system that is able to support the decision-making process by gathering, elaborating and analysing information’ (Garengo, Biazzo et al. 2005 p. 25). In this study the development of a PMS aims to help small motel operators to manage their business in times of uncertainty, to be innovative and to sustain any processes introduced to manage change.

1.7 Delimitations of Scope

The delimitations of the study relate to the explicit boundaries and scope of the research (Perry, 2002). The delimitations are concerned with the unit of study, the extent of data collection, the performance dimension and the outcomes of the study.

Given the complexity of the hospitality industry and the understood heterogeneity of small business, there was a concern that one business performance model would not be applicable to all small firms. The complexity and number of dimensions associated with business performance, as already identified in the literature, further exacerbated this concern. Therefore, in order to develop a performance model that could be developed and tested in a rigorous way, the unit of study needed to be clearly identified and described. A micro study was the preferred approach and hence one type of firm was needed. Based on the significance of small motels to the industry, as well as the lack of research about them (as detailed in Sections 1.1 and 1.3) a decision was made to use small motels and their operators as the unit of study.

According to the RACV Accommodation Guide (AAA Tourism 2004) small motels across Australia have been described using similar categories, which include type of facilities, location, tariff rates, size and star rating. Australian small motels have been exposed in recent years to a number of environmental and economic changes. Although the operation of these small motels is likely to vary according to location (mainly rural versus metropolitan) a decision was made to contain the research to the state of Victoria. This decision was based on the view that Victoria has numerous motels in a range of settings that would generally reflect the settings in many other parts of the country. This decision also took in account the difficulties associated with the researcher traveling to industry experts and small motels across Australia to collect the data.

The third delimitation concerns the performance construct. As mentioned throughout this chapter, performance, performance measurement and performance management are complex areas of study. The focus of the study is on the conduct and performance of the individual firm, with particular concern for the impact of the owner-manager. Therefore, the small motel performance model developed in this study is grounded in

the strategic choice perspective and is a behaviourally-based model, because it is the behaviours that give meaning to the business operation process (Covin and Slevin 1991). The issue of measurability is also considered an important component of the model, as the utility of the model is an essential aspect of theory building. Consequently, central to the development of the small motel performance model is the view that such a model should provide a better understanding of the management factors affecting the performance of small motels and thereby allow for managerial intervention and choice making.

The final delimitation addresses the methodology employed in the study. As the methodology adopted utilises a mixed method approach, part of which relies heavily on case research, implications rather than generalisations will be presented in Chapter 6. The implications section is to guide the usage of the model and to ensure that the results of the study are applied in an appropriate manner.

1.8 Conclusions

This chapter has set the scene for the thesis. The research problem was introduced and related to the applicability of existing business performance measurement models for small motels. The six key research issues regarding the investigation of a conceptual framework for small motel performance has also been outlined. The introduction and background to the research show that small business and small motels are important contributors to the Australian economy and the travel industry. The importance of the continued improved performance of the small motel is highlighted and the need for specific study in relation to these firms is recognised. Improved product is a key growing concern of industry and the development of models to understand how to assist improvement in small motel performance is evident. Along with a justification for this research, this chapter also presented definitions for key terms and concepts to be used in the study and an overview of the following five chapters. The delimitations of the study's scope were then discussed. In Chapter 2, a detailed review of the business performance construct and performance measurement for small firms is presented with a specific focus on small motels.

2 CURRENT UNDERSTANDING OF THE PERFORMANCE CONSTRUCT AND IMPLICATIONS FOR SMALL MOTELS

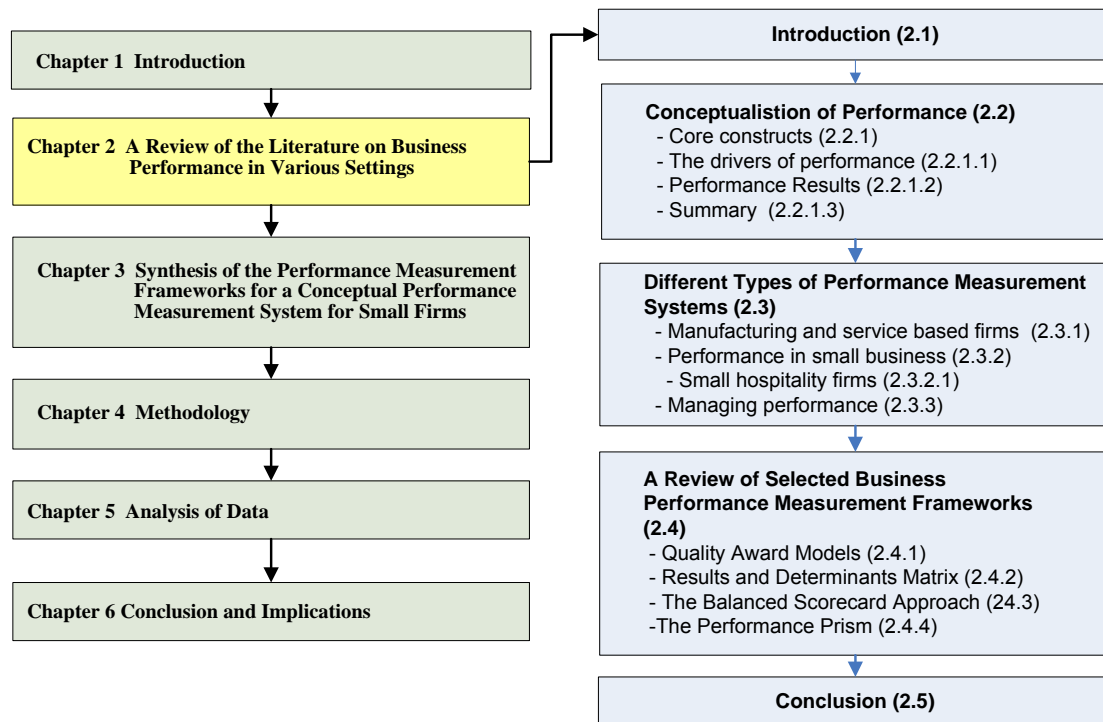
2.1. Introduction

This chapter builds on the fundamental theory as detailed in Chapter 1 with the specific aim to identify and discuss issues within the literature relevant to the research problem. This review provides the foundation for the development of the conceptual performance measurement system for small motels, which will be described in Chapter 3.

Each section of the chapter (outlined in Figure 2.1) seeks to clarify the business performance concept with regard to small firms and small motels in particular. Firstly, Section 2.2 describes how performance is conceptualised based on the constructs of drivers and results and the relationships between them. The analysis of these constructs highlight that performance is complex and multi-dimensional and is affected by many contextual elements. In an attempt to further understand business performance, the differences between manufacturing and service industries are discussed in Section 2.3 to specifically highlight the difficulties in measuring intangible service-based dimensions. A focus on the Hospitality and Tourism Industry, as a major service industry, provides a background to the study of small motels. Next, the differences between performance measurement and performance management are considered. It is important to note that these two terms are used interchangeably in much of the literature. In Section 2.4 a review of selected business performance measurement (and management) studies is undertaken to explore how performance measurement has evolved over the decades. Based on the view that an holistic and integrated approach is important, five business performance models are selected for further examination. The five models are critiqued to identify the dimensions and inter-relationships of existing models, which are mostly large business focused. The purpose of this analysis is to determine the key components, which may be relevant to a performance measurement model for small firms. Finally, in Section 2.5, the conclusion section summarises the issues of studying performance

measurement and their implications in regards to developing a model or system for small firms and small motels in particular. This last section introduces the aims of Chapter 3.

Figure 2-1 Chapter Overview



2.2 The Conceptualisation of Performance

Performance is a complex concept that has been explored in numerous studies. In the early research of business performance there was considerable disagreement about how it should be conceptualised. According to Ford and Schellenberg (1982):

There is disagreement, for example, as to what criteria and indicators of performance should be employed, who should set the criteria and/or do the assessing, and what characteristics of organisations or other variables are relevant to the study of performance' (p. 49).

Although there has been extensive research, many of these studies are largely explorations of single dimensions and their effect on financial performance in large firms (Cragg and King 1988; Keats and Hitt 1988; Kaynak 2003). The earlier studies

considered dimensions such as planning activities (Ackelsberg 1985; Riggs and Bracker 1986; Cragg and King 1988) market oriented activities (Buzzell, Gale and Sultan 1975) and the characteristics of the owner/manager (Carland, Hoy, Boulton and Carland 1984). Studies of strategy and performance (Miller and Friesen 1978; Hambrick 1983; Robinson and Pearce 1984; Ackelsberg 1985) addressed various strategy-based typologies to classify firms. Miller (1987) and Miles and Snow (1978) explored the relationship between strategy and internal organisational features. Although most of these studies were one dimensional in their focus some researchers recognised there were more complex interplays between strategy and other organisational dimensions, which will be discussed further in this research.

Other early studies investigated the characteristics of the firm's owner-manager as an important dimension of performance. Over time the focus shifted to the concept of entrepreneurship. According to Covin and Slevin (1991), various researchers of entrepreneurship have studied at the corporate level of analysis, whilst others explored the business unit and even entrepreneurial activities at the functional level. In the 1980s there was considerable interest in the identification of the character traits of entrepreneurs (Keats and Bracker 1988). Despite numerous studies of typologies (Hornaday and Aboud 1971; Miller 1983; Carland, Hoy et al. 1984) it wasn't until the late 1980s that researchers began to suggest that entrepreneurial orientation (EO) should be treated as a foundation upon which other performance related constructs could be built.

Although these studies have served to point out the various dimensions of business performance and the measurement process, they have not led to a definitive set of key drivers of success (Cragg and King 1988; Lumpkin and Dess 1996). Some are financially focused only and are therefore based on lagging metrics rather than being forward thinking and strategy focused. Others, that suggest ways to improve business performance, are difficult to implement in practice and tend to be inflexible and fragmented. Furthermore, many are focused on large business and ignore how small business operates. Further still, a great number of the studies are related to the manufacturing industry with little attention paid to services. This lack of consensus has obstructed advancement for researchers seeking to build and test a theory of performance.

Multi-dimensional approaches to the study of performance. In response to the limitations of performance studies of single business dimensions, various integrated and multi-dimensional performance measurement systems (PMS) have recently emerged (Gadd 1995), which attempt to help managers better understand how to go about the performance measurement process. The multi-dimensional approach recognises a balanced and holistic approach to performance management and measurement. As highlighted by Neely, Mills, Platts, Richards, Gregory, Bourne and Kennerley (2000) often the problem with performance management is the tendency for managers to accept simplistic notions regarding performance measurement. For example, with many manufacturing firms there has been a tendency to evaluate performance on the basis of cost and efficiency, when there are many other (and possibly better) criteria to judge performance. In the late 1980s and early 1990s frameworks emerged that recognised the multi-dimensional nature of performance. The new frameworks emphasised multiple characteristics of non-financial/financial and internal/external measures (Bourne, Wilcox, Neely and Platts 2000) with an emphasis on the integration of the drivers (or determinants) and the results that determine performance. As Neely et al. (2000) suggest, ‘the results obtained are a function of past business performance with regard to specific determinants’ – that is, results. The relationships between these dimensions and how they affect performance is an issue for many researchers and managers (Bititci, Turner and Begemann 2000) and is a key focus of this research. Moreover, the advantage of the multi-dimensional approach is that it views performance as an holistic process that ensures a better approach to continuous improvement.

2.2.1 Drivers and results as core constructs of performance measurement

As mentioned, performance has been conceptualised in the literature in two fundamental ways, by the *drivers* of performance and by the *results* that are the performance outcomes. These two constructs and their interconnection are the foundations to understanding performance management and the performance measurement system. Given their importance, each of the constructs is now examined.

2.2.1.1 The drivers of performance

Firstly, researchers have classified the *drivers* of performance according to *internal* and *external* factors and the impact they have on managerial decision-making (Pelham 1999). The extent of this impact continues to be debated in the literature. One field of study considers external influences, such as the economy, the industry and the market, to be the key determinants of firm performance (Porter 1980; Hambrick 1983; Porter 1991; Beal 2000) which create unstable and complex situations for managers. On the other-hand the internal aspects of an organisation are also seen to be important to performance, as they are the dimensions that managers can largely control (Miles and Snow 1978; Lumpkin and Dess 1996; Lee, Lee and Pennings 2001). Understanding the internal and external factors and how they affect a firm's operations is central to effective performance management.

Defining the internal environment. An organisation's internal environment has been described in terms of its organisational structure; strategy; culture; resources; and the roles and responsibilities of its individuals, as well as its processes and systems (Brignall and Ballantine 1996; Pelham 1999). In many studies the resource-based view (RBV) is used to explain the internal capabilities of a firm (Sirmon and Hitt, (2003); Barney, Wright and Ketchen (2001); Pelham (1999); Brignall and Ballantine, (1996); Teece, Pisano and Shuen, (1997). According to Barney, Wright and Ketchen (2001) the RBV of a firm is concerned with its resources and capabilities and are the 'bundles of tangible and intangible assets, including a firm's management of skills, its organisational processes and routines, and the information and knowledge it controls' (p. 625). Therefore, the RBV highlights phenomena internal to the firm and focuses on the role of management or choice of strategy as a means of explaining business performance variations. In order to achieve certain outputs these resources need co-ordination and it is the capabilities of a firm that provide the capacity to do this.

Teece, Pisano and Shuen (1997) refer to the resources as the firm's 'dynamic capabilities' and how they affect the strategic approach used to address the changing environment. These dynamic capabilities are the source of its competitive advantage. Differences in business performance can, therefore, be explained by an individual

firm's internal environment, and in particular, its acquisition of a unique set of limited, valuable, and difficult-to-replicate resources (Barney 1986).

The external environment. Conversely, discussion of the external environment in which an organisation operates often refers to its market or industry. Keats and Bracker (1988) defined industry in terms of growth, stability and maturity while Pelham (1999) describes the industry according to its dynamism or stagnancy. Over time it has generally been agreed that industry characteristics include dynamism (market or technical turbulence); munificence (market growth, profitability and competitive intensity) and complexity (product and customer differentiation) (Covin & Slevin, 1991; Lumpkin & Dess 1996; Pelham, 1999). For many firms, large and small, it is the external environment that causes the greatest challenges as it is often unpredictable and uncontrollable and, even for the most successful managers, can impact negatively on business performance results.

The interplay between internal factors and external factors as drivers of performance. The ability to control or manage the external environment has been substantially debated. For example, Porter (1999) states that 'industry structure is partly exogenous and partly subject to influence by firm actions' (p. 100). It is, therefore, management decisions in relation to strategy, firm structure, resources and market orientation that control or direct the way the business utilises changes in the environment for competitive advantage (Porter 1991; Pelham 1999). Given the need for managers to have some control over the external factors, a number of theories have emerged over the past few decades that attempt to address how management interacts with the environment and the role that internal dimensions, such as firm and individual owner-manager characteristics, play in improving business performance (Hambrick 1983; Covin and Slevin 1991; Miles, Covin et al. 2000). In particular, the importance of aligning strategy with the environment has been the focus of many studies (Miller and Friesen 1978; Hambrick 1983; Porter 1991). For instance, Miles and Snow (1978) developed the typologies of defender, analyser and prospector, which have been widely used in the literature to discuss how organisations align their strategy with their environment (Hambrick 1983). Since that time, Porter (1991) has developed three generic competitive strategies, which included a differentiation strategy, a low cost strategy and a focus strategy as a means of classifying firms

within an industry into strategic groups on the basis of their strategies (Dess and Davis 1984).

In addition to strategy formulation, as a means of adapting to the environment, numerous studies have focused on the importance of environmental scanning. Scanning activities help managers to be market oriented or externally focused, yet, some organisations perform this task better than others. In many cases, because of the range of resources and expertise available to them, large firms are often better than smaller firms at environmental scanning activities such as market research. Although large firms can dominate a market or an industry because of economies of scale, small firms tend to be more flexible, which often means they can respond to changes in the external environment more quickly than their larger counterparts. Therefore, good operators of both large and small firms are able to modify their business operations in order to survive or even grow in times of change. In summary, there is general consensus that business performance can be controlled despite the influence of the environmental elements and that effective managers can achieve desired results when others give up or fail.

2.2.1.2 Performance results

To better manage and measure business performance it is important to understand that the results are the outcomes of the drivers and how they are managed. However, the performance outcomes of any organisation cannot be determined without some kind of measurement activity. Therefore, performance measurement is a central part of the management of results and of the performance construct in general. *Performance measurement* was described in Chapter 1 as ‘the process of quantifying the efficiency and effectiveness of action’ (Neely, Gregory et al. 1995) and a *performance measure*, as ‘a metric used to quantify the efficiency and/or effectiveness of an action’ (p. 80). The differentiation between the process of measurement and performance measures, as identified by Neely et al. (1995) is important, as the use of effective measures is essential to good performance measurement and monitoring of the firm’s activities. However, managers do not always understand this difference and consequently, effective management does not take place. In many cases support is needed for this to occur.

To identify how to effectively measure the results of a business a review of previous research was undertaken. In the early studies of performance, results were largely defined and measured by the firm's financial outcomes, however, in the last 25 years there has been a revolution in how performance measurement is approached (Neely and Bourne 2000). Measurement approaches, which relied solely on financial results, are now replaced by more integrated systems that combine financial and non-financial results. The advantages of the integrated approach to measuring performance results are now discussed.

Financial measures were the traditional means of performance measurement.

Business performance measurement systems (PMS) historically developed as a means of monitoring and maintaining organisational control. These systems attempted to define particular processes for ensuring that an organisation pursued strategies that led to the achievement of overall goals and objectives (Brignall and Ballantine 1996 p. 6). The evolution of traditional models of business performance measurement can be traced back to large industrial firms of the 1920s (Johnson and Kaplan 1987). Business performance measurement, at that time, focused on the attainment of a set number of key financial and accounting measures. These measures focused on financial data such as, return on investment, return on sales, price variances, sales per employee, productivity and profit per unit productions (Ghalayini & Noble, 1996). These performance measures considered productivity as the primary indicator of performance. This focus was driven by the need to meet the needs of the shareholders, ignoring other internal and external stakeholders.

Most management accounting techniques, such as discounted cash flow (DCF) and residual income (RI) were developed in the 1920s (Sinclair and Zairi 1995). For several decades these measures remained unchanged and it was not until the 1980s that management accountants started to develop new tools that would be more relevant for the managers (for example, throughput accounting and activity based costing) (Cooper 1988). At this time a number of changes were emerging in the world market where companies began to lose market share to international competitors who were able to provide quality low cost products. This competition meant that organisations had to rethink their measurement processes. As a result this led to a renewed focus on quality, flexibility and the implementation of new

technologies. These changes highlighted the inadequacies of traditional performance measures (Ghalayini and Noble 1996). The limitations in using only financial measures of performance (e.g. EPS and ROI) are that 'they are lagged indicators which are the result of management action and organisational performance and not the cause of it' (Brignall and Ballantine 1996 p. 6). Over time the importance of non-financial measures emerged as it was acknowledged that the traditional performance measures could not provide information for the development of strategy. It became apparent that improvement efforts couldn't be quantified in dollar terms particularly if they relate to customer satisfaction and product or service quality (Ghalayini and Noble, 1996).

It is now understood that organisational success is a multidimensional concept (Emmanuel and Otley 1985) and that the key to success is dependent on design, manufacturing, marketing and delivery of the product or service, often within a complex and dynamic environment. Therefore, it is evident that a sole focus on the accounting function may lead to failure to adapt to the new competitive environment (Turney and Anderson 1989).

A shift to include non-financial measures. Non-financial or operational measures, which include, time (for example, cycle time, lead time and response time), quality, and customer and employee satisfaction are now viewed as being important to providing managers with valuable information to control the operations on a daily, weekly and annual basis. Non-financial measures are important as they provide feedback about the firm's activities that may directly or indirectly affect the business results. This does not mean that non-financial measures should replace financial measures. Instead, the non-traditional approach to performance measurement, which combines both non-financial and financial measurement activities, provides a number of benefits. The differences between traditional and non-traditional measures of performance can be seen in the summary by Ghalayini and Noble (1996) listed in Table 2.1. A comparison of the traditional and non-traditional performance measures indicates that current measures of performance have moved to a greater focus on non-financial aspects and to a balanced use of a combination of financial and non-financial measures. As indicated in the Table the benefits of using both financial and non-financial measures include, the ability to identify simple measures for a specific

situation; the assistance provided to strategy development; and the opportunities for greater involvement of staff for continuous improvement.

Table 2-1. **A comparison between traditional and non-traditional performance measures**

Traditional Performance Measures	Non-traditional Performance Measures
Based on outdated traditional accounting systems	Based on company strategy
Mainly financial measures	Mainly non-financial measures
Intended for middle and high managers	Intended for all employees
Lagging metrics (weekly or monthly)	On-time metrics (hourly, or daily)
Difficult, confusing and misleading	Simple, accurate and easy to use
Lead to employee frustration	Lead to employee satisfaction
Neglected at the shopfloor	Frequently used at the shopfloor
Have a fixed format	Have no fixed format (depends on needs)
Do not vary between locations	Vary between locations
Do not change over time	Change over time as the need change
Intended mainly for monitoring performance	Intended to improve performance
Not applicable for JIT, TQM, CIM, FMS, RPR, OPT, etc.	Applicable
Hinders continuous improvement	Help in achieving continuous improvement

Source: Ghalayini and Noble, 1996.

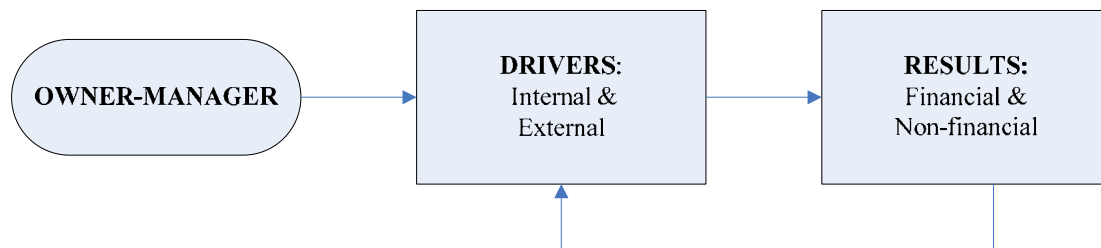
The literature reviewed so far has helped to understand the performance construct with a view to better supporting management in their performance measurement activities. The summary of this review is now presented.

2.2.1.3 Summary of the two performance constructs

Both the academic and business worlds have strived to better understand the performance construct in order to measure and compare changes within and across businesses. The interplay between external and internal drivers and the varied impact they can have on business results as well as the way in which managers measure performance outcomes is complex and multidimensional. In summary, the performance *results* may vary from entity to entity but are directly and indirectly affected by the internal and external factors that drive them. The key role of a business owner or manager is to control the organisation in order to achieve the desired results. In large businesses, management usually includes teams of individuals, whereas in small firms it is most likely a sole operator who takes on the entire management role. Although the management process may vary between small

and large firms all managers can, with the right knowledge, affect a number of drivers that in turn determine both the financial and non-financial results. However, it should be noted that for many small business operators affecting some the external drivers (such as, the economy or the market) is unlikely. These basic constructs and their interconnectedness are illustrated in Figure 2.2.

Figure 2-2 **The basic constructs of a business performance model**



Finally, the shift from single dimension studies of performance measurement to more holistic and integrated approaches has also highlighted the differences that exist in the way firms across different industry sectors perform. There is now increasing acknowledgement of variations in the type industry in which a firm operates and firm size can influence the way performance is measured. In the following sections this discussion of differences is narrowed to comparisons of manufacturing and service based firms in order to identify specific needs in the management of performance and the approach to performance measurement in small motels.

2.3 Different Types of Performance Measurement Systems

Given the importance of the management of performance, and the accepted need for a non-traditional approach to measurement (with a consideration of non-financial as well as financial measures), a number of integrated business performance measurement systems have been developed (Gadd 1995). According to Bourne, Wilcox, Neely and Platts (2000) the first frameworks that encouraged a more balanced and integrated view of performance included the performance measurement matrix by Keegan, Eiler and Jones (1989), the pyramid of measures (Lynch and Cross 1991), the results and determinants framework (Fitzgerald, Johnston, Brignall, Silvestro and Voss 1991) and the Balanced Scorecard by Kaplan and Norton (1996a).

The various frameworks focused on information related to the multiple dimensions of the various internal/external drivers and the non-financial/financial results. The matrix developed by Keegan et al. (1989) was manufacturing focused; the work of Fitzgerald et al. (1991) related to service industries; and Kaplan and Norton's scorecard (1996) was developed for large organisations to assess and improve their performance. These differences draw attention to the impact that contextual factors may have on performance. For example, Peacock (1999), McMahon, (2001) and Rutherford, McMullen and Oswald (2001) studied variations in performance by exploring factors such as, type of industry, size of business, organisational life cycle stage and financial growth life cycle. As a result of these studies it has become more apparent that using the same performance measurement approach for all firms was inappropriate due to complex variations (such as, size, structure, life cycle stage, strategic direction) which impact on the way they operate. For example, McMahon (2001) explored the idea that businesses encounter different stresses at various stages of development. These challenges then influence the orientation, structure and management practices of a firm. Various studies reviewed by McMahon suggested that as firms progress through various life-cycle stages they become more functionally specialised and greater delegation by the owner occurs as employment numbers increase, and structures change and become more complex. McMahon's study of manufacturing firms concluded that strategic planning, investment planning, growth orientation, growth commitment, export commitment and enterprise size all affected business growth and performance outcomes. However, the impact of these dimensions on firms in the service sector is largely unexplored. This gap in the research raises a number of questions. Do the desired non-financial/financial results and internal/external characteristics of manufacturing firms differ to firms in the service industries (such as, hospitality and tourism)? How is performance measured across these different sectors? The following section considers the various performance dimensions of the manufacturing and hospitality and tourism industries and compares and contrasts similarities and differences.

2.3.1 Differences between manufacturing firms and service based firms

The tourism and hospitality industry is diverse and embraces numerous sectors including, restaurants, motels, hotels, bed and breakfast accommodation, attractions and tour operators. According to Fitzgerald and Moon (1996), a common feature of service industries is that they ‘treat people or provide goods and services for them’ (p. 4). In an earlier study by Fitzgerald, Johnston, Brignall, Silverstro and Voss (1991), three typologies for classifying service organisations were identified in order to explore the way performance measures and systems varied between service types. These typologies included professional services, service shops and mass services. Professional services were defined as high-contact services where customers spend a lot of time in the service process. Customisation in these firms is high with a focus on meeting customer needs. The service is delivered by front office staff who spend considerable time with customers. Firms in this classification emphasise process rather than product and are therefore largely people-based as opposed to equipment-based. On the other-hand, mass services are marked by little customisation, limited contact time and many customer transactions. These firms are mainly equipment based and product oriented. The back office is comprised of staff with clearly defined divisions of labour and set procedures. The third typology is service shops. This group operates somewhere in between the mass service types and the professional types. They have a high level of customisation, customer contact, and customer volume, which is delivered by a combination of front and back office staff; product and processes; and people and equipment. Fitzgerald et al. (1991) point out that not all firms could fit neatly into each classification and that there would be hybrid types. Nevertheless, they found that there is a set of key characteristics common to all service firms that set them apart from manufacturing firms. These characteristics of simultaneity, perishability, heterogeneity, and intangibility, as set out in Table 2.2, make it more difficult to measure performance in service based firms compared to manufacturing based firms. Similar service related characteristics have also been identified by Parasuraman, Zeithaml and Berry (1994). The difficulty in measuring performance in service-based firms is largely due to: the presence of the customer during the service experience; the inability to store service (if not used it is lost); and

the human element in delivery service, which can cause variations in how it is delivered.

These differences highlight the importance of staff and the strong relationship between performance and employee-employee relations and employee-customer relations (Brignall and Ballantine 1996; Gadenne 1997). The complexities of these relationships, however, can also vary according to different settings. It has already been indicated that performance, in relation to delivering a product or service, differs across industries (that is, manufacturing compared to service sectors). This review will now focus on the differences in performance with regard to small and large firms, which has been referred to briefly in the previous discussion.

Table 2-2 A comparison of the performance measurement characteristics of service based and manufacturing firms.

Service and product related characteristics	Service based firms	Manufacturing based firms
Simultaneity	Production and consumption of services are simultaneous, that is, the customer has to be present throughout the process.	Production can occur before the sale of the product and/or service, which means that products can be counted, measured and tested in advance of sales.
Perishability	Services cannot be stored, which means a number of issues arise because of the presence of the customer during the delivery process.	Products can be stored and therefore quality and a match of supply to demand can occur.
Heterogeneity	Due to the labour intensive content (or people aspect) of service delivery the standard of service may vary.	Consistency in production can be managed by automated or specific control systems.
Intangibility	Service outputs are often intangible. Concepts such as helpfulness and responsiveness of staff affect customer satisfaction but are difficult to measure.	Product outputs are tangible, which means they are easier to control and assess.

Source: Fitzgerald, Johnston, Brignall, Silverstro and Voss (1991).

2.3.2 Understanding performance in small business

Small firms are not cut down versions of large firms (Beaver and Jennings 2005). For a number of reasons, small businesses are different to big businesses:

Small and large firm are fundamentally different from each other in three central aspects: uncertainty, innovation and evolution; literature underlines that the central distinction between large and small firms is the greater external uncertainty of the environment in which the small firm operates, together with the greater internal consistency of its motivations and actions (Garengo, Biazzo & Bititci, 2005, p. 26).

Differences in regards to structure, resourcing, practices, motivations and key measures are discussed in the following sections to highlight the need for performance measurement systems that help small firms to manage uncertainty and to ensure sustainability.

Major structural and resourcing differences. Many small businesses are micro businesses that are owned and operated by families or sole operators. They differ in how the operation is structured, the strategies they pursue and how they go about strategy making (Miller and Toulouse 1986). These differences also vary with the growth and development of the business. The smallest firms are solely owned and operated, whereas the larger small businesses may have an operational level, as well as a management level. Generally small businesses have a simpler structure and are more centralised than their bigger counterparts (Jennings and Beaver 1997). The centralisation of the small firm means that the decision making largely lies with one individual, the owner-manager. For this reason the organisation structure in small firms tends to be organic and loose, as opposed to mechanistic and formalised, which is the case in large firms (Jennings & Beaver, 1997). Small firms are also distinctive because they do not have specialist managers for the various functional areas (Peacock 1999; Thomas 2000). The lack of specialists means that owner-managers take on many roles and as a result small firms struggle with marketing, strategic planning, financial management and human resource management. Small firms also suffer from resource limitations and lack economies of scale (Kotey 2005). Often to better resource the business, good operators will develop strong relationships with external stakeholders (Gibb 1997). Both internal and external relationships tend to be

informal and, therefore, many small business operators do not have formal structures for communication and decision-making (Jennings & Beaver, 1997; Kotey, 2005).

Management practice differences. As with structure, management practices in very small firms also tend to be informal. Most owner-managers operate with little documentation of strategies, policies and procedures (Kotey, 2005). The owner-manager, who has absolute power and full leadership responsibility, largely determines the culture of a small operation. Furthermore, the management process in small firms is characterised by the highly personal preferences and attitudes of the owner-manager (Jennings and Beaver 1997; Beaver and Jennings 2005). Classic management practices such as recruitment and selection of staff are often unplanned and informal. New employees are usually selected from family and friendship circles. The lack of involvement of outsiders in the internal operations of the firm means there is less accountability required, therefore monitoring and reporting activities are often poorly done (Kotey, 2005). It has also been observed in studies by McMahon (2001), Kotey (2005) and Peacock (1999) that the structure and formalisation of management practices evolves as the firm grows. With growth comes delegation of tasks, greater specialisation and greater sophistication in monitoring and reporting procedures.

Entrepreneurial ventures versus traditional small businesses. In a small firm the owner-manager determines the establishment of the business, how it operates and the business outcomes. Consequently, small businesses differ according to the motivation and personality of the owner-manager. Studies exploring these characteristics have classified firms into two major groupings – entrepreneurial and traditional small businesses (Beaver & Jennings, 2005; Jennings & Beaver, 1997; Liles, 1974; Peacock, 1999). According to Liles (1974), the vast majority of small businesses are marginal or traditional firms:

These traditional small enterprises are the corner stores, hairdressers and florists. These firms may provide a bare income for the own-account worker or an employer and one or two employees, and are often established to replace a job or to provide an independent lifestyle (Peacock, 1999, p. 39).

In this group of firms the owners are more comparable to managers. On the other-hand, entrepreneurial-style firms are defined as fast growing or entrepreneurial ventures and as 'attractive small companies and high potential ventures that are highly competitive because they are innovative, flexible and efficient' (Peacock, 1999, p. 39). These firms are run by entrepreneurs who are distinguished by one or more of the following characteristics and practices – innovative, risk taking, resource co-ordination, business creation and opportunistic (Howorth, 2005). Although not all small business operators are the same a key differentiator of an entrepreneur from a traditional operator is that their main objectives (along with other non financial aspirations) are profitability and growth. Notably, businesses operated by entrepreneurs are characterised by innovative strategic practices and continued growth (Sadler-Smith, Hampson et al. 2003).

Performance measures and outcome differences. Business success may vary from one small business to another depending on the stakeholders and the motivation for starting the enterprise (Paige and Littrell 2002; Morrison and Teixeira 2004; Beaver and Jennings 2005). When considering the two types of small firms, entrepreneurial ventures and traditional small businesses, the conventional definitions of firm performance, such as: asset productivity, shareholder value, and growth and survival indicators may be used in different ways to measure performance (Jogarathnam, Tse and Olsen 1999; Morrison and Teixeira 2004). For example, success for the traditional small enterprise may be measured by survival indicators including, cash reserves and other qualitative measures such as owner satisfaction in managing their own work. However, operator's needs or motivations, such as achieving independence, doing something they enjoy, elevating a recreation or pursuit, sharing their passion with others, educating others and gaining control of one's life, appear to influence how small business owner-managers assess their performance (Paige & Littrell 2002). In a study of the how small business owner-managers define and achieve success, Paige and Littrell (2002) stated that success in small firms has been defined by:

.....tangible extrinsic outcomes such as financial performance, increased personal income and wealth.....however, intrinsic factors such as freedom and independence,

controlling one's own future, and being one's own boss can be equally as important to small business owner-managers (p. 315).

In addition to these wants and needs (or motivations), success for the entrepreneurial venture, which is more profit and growth driven, may focus on the asset productivity indicators of return on investment (ROI) and shareholder value indicators such as market capitalisation and how highly they value their reputation (Jayaraman, Khorana, Nelling and Covin 2000).

Table 2-3 **Factors of Success Criteria for Small Craft Retailers**

Satisfaction of Goals Achieving personal happiness and fulfillment Having independence and control over my life Feeling satisfied with owning my own business Exceeding customer expectations Balancing family/personal life with work Achieving sales growth or increased profit
Craft and Cultural Orientation Reinforcing the region's cultural identity Providing a differentiated product or service Preserving and elevating the craft tradition Gaining a positive reputation in the community with consumers and within the craft industry
Personal Expression Receiving personal gratification of working with crafts Expressing my skills or talents

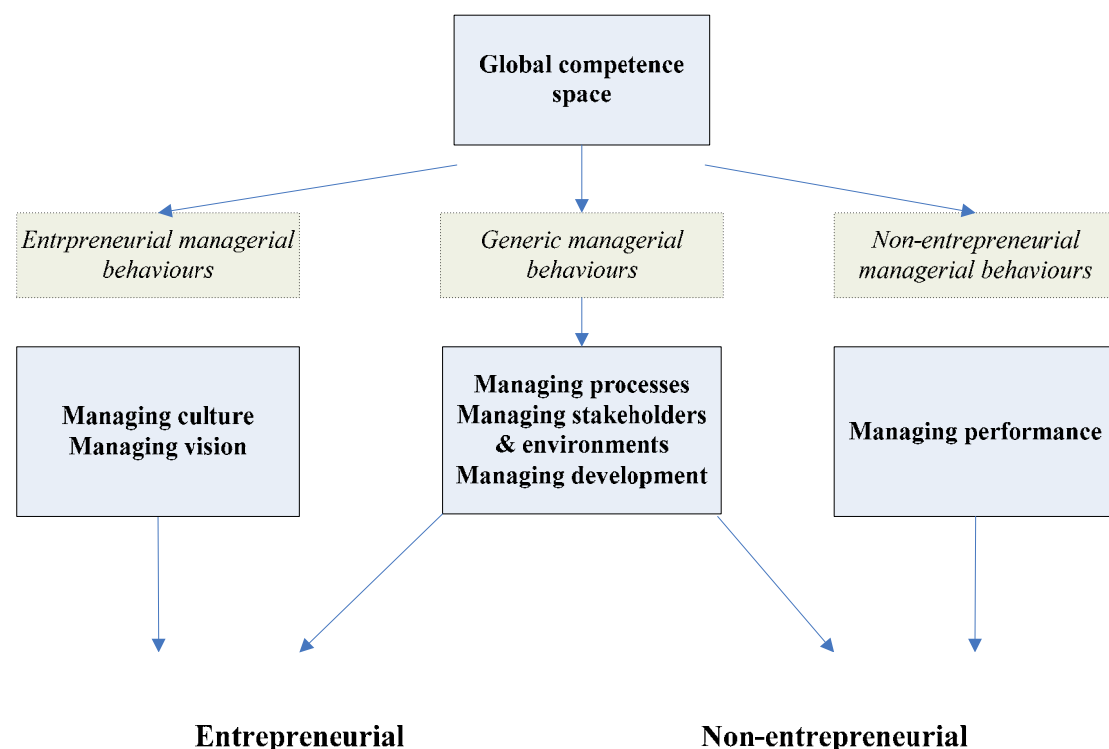
Source: Paige and Littrell, 2002.

In their study of small craft retailers, Paige and Litterell (2002) found three categories which described how the owner-managers defined success. These categories are illustrated in Table 2.3 and can also be described as motivations and personal goals.

The categories of 'satisfaction of goals', 'craft and cultural orientation' and 'personal expression' are all non-financial outcomes. It has been suggested that these measures of success differentiate the average small firm from large firms. In an effort to explain the different management styles, Sadler-Smith et al. (2003) highlight the differences between entrepreneurial and non-entrepreneurial management. The differences between entrepreneurial managerial behaviours and non-entrepreneurial managerial behaviours are illustrated in Figure 2.3.

The non-entrepreneurial style was associated with managing performance through developing measures (both financial and non-financial) to measure whether the firm's objectives were achieved; to diagnose areas of success or concern; and to develop improvement systems. It was suggested that this approach is commensurate with the traditional performance measurement style. The management behaviours associated with organisational processes; stakeholders and the environment; development (improving structures and systems) did not distinguish non-entrepreneurial firms from entrepreneurial firms. Therefore, they were considered to be generic behaviours. Yet, managing the culture by guiding the expression of business values, which included encouraging diversity in working styles; protecting employees and establishing collaborative and consultative work arrangements, together with managing the vision through a customer focused approach were strongly related to an entrepreneurial managerial style.

Figure 2-3 **Generic and Specific Management Behaviours**



Source: Sadler-Smith, Hampson, Chaston and Badger (2003).

In tourism and hospitality, small businesses are often described by their 'lifestyle approach' to business operation (Morrison and Teixeira 2004). These firms are differentiated by being driven by the non-financial and personal satisfaction goals, as described by Paige and Littrell (2002), however, there is increasing recognition that they can also be fast growing firms. These types of firms will be explored in more detail in this chapter in Section 2.3.2.1.

Small firm performance management advantages and disadvantages. The resource poverty of small firms in comparison to large firms means they are limited in how they compete with large firms. Limited resources also means small firms find it difficult to predict or control the operating environment (Jennings & Beaver, 1997). The owner-manager is the key driver and shaper of the firm and as a result the management process is often not separated from the personality and experience of the owner-manager (Beaver and Jennings 2005). Furthermore, the owner-manager usually operates without direction from others (such as a board of management) and is therefore the sole decision-maker. This means that the business performance is often dependent on one or two individuals. This situation can lead to ill informed or poor results (Chaston 1997). Strategic planning can be difficult for small firms, which means that in some cases competitive advantage and performance outcomes arise accidentally and as a result of particular operating circumstances. Yet, despite these disadvantages small firms are more adaptive and able to react quickly to environmental changes, more than their large competitors (Kotey, 2005). Because of their simple and loose structure (or compactness) small firms are usually closer to their customers and as a result can offer customised products and services. Consequently, many successful small firms find they can establish and dominate in niche markets.

Performance measurement variations amongst firms. In section 2.3.1 of this chapter, differences in the behaviour and performance of manufacturing versus service-based firms were discussed. This was followed by a comparison of small and large firms and the various performance advantages and disadvantages of both. These discussions highlight the complexity of studying the performance construct and the need to view performance at the micro rather than macro level. Based on the understanding that performance also depends on factors specific to industry and firm

type, further study of specific sectors is required. Given this need, the following section presents a review of research on small business performance in the hospitality industry.

2.3.2.1 Small hospitality firms

Lifestyle focus of hospitality and tourism operators. The hospitality industry is a service-based industry that has a number of unique characteristics. A recent study by Morrison and Teixeira (2004) suggests that the hospitality industry is characterised by relatively low barriers to entry in relation to the professional, skill and financial requirements of the operators. It has also been suggested that the industry comprises operators who pursue a family/lifestyle business model approach (Litterall & Paige, 2002) as part of their desire to seek a life change. Lynch (2005) and Lashley and Rowson (2005) recognise that small hospitality firms are not only different because of their size but also because of the distinctive dimension of the business that is the family involvement and in some cases the ‘commercialisation’ of the home.

Many of these firms, unlike entrepreneurial style firms do not pursue financial growth and profit but instead are motivated by non-financial factors such as independence, self satisfaction and community recognition (Peacock 1999; Thomas 2000) or intrinsic definitions of achievement (Paige and Littrell, 2002). The intrinsic factors include freedom, independence, controlling one’s own future and being one’s own boss. In their study of small craft business owners Paige and Littrell found that owners had a strong focus on experiencing creativity, reinforcing cultural identity, elevating a craft tradition and gaining control of one’s life. These factors were key to assessing performance and are likely to be relevant, with some translation, to small hospitality firms.

Performance management and measurement may, therefore, differ in and amongst small firms. However, like large business performance, the conceptualisation of small hospitality firm performance is complex and multi-dimensional in extent and nature and varies according to owner motivation and focus. ‘It (performance) embraces a convergence of owner-manager motivations, goals and capabilities; internal

organisation factors; region specific resources and infrastructure; and external relationships.’ (Morrison and Teixeira 2004 p. 167).

Despite performance management differences small hospitality firm performance, like large business performance, can be described according to internal and external contextual factors. However, these factors are generally determined by the sector in which the firm operates, and consequently, vary from those that influence large manufacturing firms. Morrison and Teixeira (2004) provided a summary of the factors specific to small hospitality enterprises. These factors are summarised in Table 2.4. Based on this study, it is apparent that the internal factors relate to the individual, that is, the owner-manager (who is the key decision-maker) and the organisation, while the external factors are concerned with a number of key environmental factors specific to the hospitality sector, such as, seasonality and geographic location.

Table 2-4 Internal and external contextual factors influencing small business performance

Internal	External
Owner-manager: Socio-demographic profile Business entry motivations Personal and business goals Management capabilities	Competitive environment Degree of embeddedness in community Demand and seasonality Geographic location Human and financial resources Infrastructure and business support Micro/macro economy Micro/macro politics Natural disaster
Business: Family involvement Ownership and organisational structure Length of time in operation Involvement in a range of business activities Staff and skills Confines of size	

Source: Morrison and Teixeira (2004).

In addition, as noted by Morrison and Teixeira (2004), is the key performance measures utilised by small business owner-managers. These measures are also specific to the sector in which the firm operates. For example, in motels the measures may include occupancy rate, average room rate, monthly takings, profit margins and guest satisfaction, whereas, in a small restaurant the measures may include number of covers, nightly takings and customer satisfaction. Because of these differences a

small restaurant cannot be directly compared to a small motel (Thomas 2000). Therefore, although performance is a generic concept, it differs in the way it is measured, not only in entrepreneurial versus non-entrepreneurial firms (as discussed in section 2.3.2); but it also differs across different industrial sectors.

Paucity of study of small accommodation firm performance. Although research of performance is widely addressed in the management literature, it is somewhat uncommon in the tourism or hospitality literature (Haktanir and Harris 2005). It has been noted that specific industries play a role in determining business explicit accounting and control systems and ways of viewing performance. Glancey and Pettigrew (1997) (1997) observed that any research of hospitality businesses was focused on large hotel chains with much less attention paid to small unaffiliated hotels or motels, despite the dominance of these firms in the sector. There is literature on how large hospitality and tourism firms manage human resources (Guerrier and Deery 1998; Hornsby and Kuratko 2003; Sels, Winne, Delmotte, Maes, Faems et al. 2006) and obtain capability and resources (Robson and Robson 1996; Kim and Kim 2005) but little is known about small accommodation firms. Although, performance measurement activities in the large national and international hotel chains has emerged in recent times any application or relevance of the activities is generally unknown in relation to small accommodation firms (Haktanir and Harris 2005). Research into small accommodation firms generally relates to personal attributes, motivations and practices of entrepreneurs in small firms with little regard to performance measurement (Thomas 1988; Lee-Ross 1999; Baum and Odgers 2001). More recently, Di Domenico and Morrison (2003) observed that although there has been an increase in small accommodation firm research there is a need to study the micro over the macro. The issue with a macro view is that it ignores the fact that the accommodation sector is comprised of a variety of businesses, which include caravan parks/camping grounds, motels, licensed hotels, serviced apartments, visitor hostels and bed and breakfast establishments. A micro approach to research could focus, not only on firms operating in similar contexts, but also address the need to more deeply analyse the internal factors of these firms that are drivers of performance.

A summary of performance measurement in the manufacturing industry versus the service industry. The content of Chapter 2 to this point has aimed to make

apparent the need to study hospitality firms (and small motels in particular) as unique entities in terms of performance management and outcomes. So far in this chapter performance has been conceptualised according to the dimensions of drivers and results, with the multidimensional nature of these dimensions highlighted. Attention has been drawn to the operational and performance differences of manufacturing compared to service-based firms. Additionally, the difference between small and large firms, in the way performance is managed and measured, has been highlighted as an important consideration. The specific sector related characteristics, which may impact upon the performance of small hospitality firms has also been highlighted. In the remaining two sections of this chapter issues relating to the management of performance are discussed to stress the importance of monitoring and control in the performance measurement process. A review of existing business performance measurement frameworks is then presented to identify a selection of successful approaches. From this review, the key frameworks are selected in order to set the scene for the development of a performance measurement system (PMS) model for small motels in Chapter 3.

2.3.3 Managing performance

Although there is general agreement that the key drivers of performance are internally and externally based, views on the impact they have and how they should be managed vary in the literature. As a result, the role of managers and how they influence performance continues to be a major focus of many studies. Management is seen as a way of controlling business outcomes and is comprised of monitoring, measurement and review activities (Otley 1999).

Performance measurement is undertaken for a number of reasons. It provides the means for evaluating the progress a firm has made in relation to its objectives; assists in the identification of strengths and weaknesses; and provides information for future planning for performance improvement (Amaratunga & Baldry, 2002). As such, performance measurement is an effective management tool but is not an end in itself. Measurement of results alone, does not provide improvement solutions, instead management needs to be able to utilise these results to effect change in the business. Stimulating strategic change in the business, by drawing on measurement activities

and outcomes, is an important management role and is a key aspect of the concept of performance management (Amaratunga & Baldry, 2002). Performance management is defined by Amaratunga and Baldry (2002) as:

...the use of performance measurement information to effect positive change in organisational, culture, systems and processes, by helping to set agreed-upon performance goals, allocating and prioritising resources, informing managers to either confirm or change current policy or program directions to meet those goals, and sharing results of performance in pursuing those goals (p. 218).

Therefore, performance measurement is not a goal in itself; instead it is a central component of effective performance management.

2.3.3.1 Managing performance to comply, check and challenge

Managers measure because they want to know how well they are performing in order to decide what they want to do next. 'You can't manage what you can't measure' (Neely 1998 p. 2), It is not enough for a manager to measure performance so as to understand the health of the business. The real value of measurement is the action that follows. This action should be geared towards implementing change and addressing identified issues. There are distinct dimensions of performance that need to be measured, some are non-negotiable and are focused on compliance and survival whilst others are not so fundamental (Neely 1998).

Good managers don't measure on an arbitrary basis, they design the approach used (Neely and Bourne 2000). Without a good design approach dysfunctional behaviours can result. Neely (1998) illustrates how dysfunctional behaviour can develop using an example of a large retail bank that introduced a measure of the percentage of customer enquiries dealt with by employees in 60 seconds. This measure stopped when it was found that telephone operators were cutting customers off after 59 seconds, even if the problem was not solved. When considering appropriate measures of performance, several dimensions need to be included: 'the frequency of measurement, frequency of review, where the data will come from, the rationale for introducing the measure, who will act on the data and what they will do' (Neely, 1998, p.32). Many measures, such

as the traditional financial measures, are limited in their capability to provide predictive information. A measure, such as sales turnover, is the result (or lagging indicator) of many business actions such as, advertising campaigns, pricing policies and sales service. Customer satisfaction, on the other-hand, is a leading indicator, which can provide some insight into whether people are likely to return in the future and therefore give some indication of future sales performance (Neely, Richards, Mills, Platts and Bourne 1997). Although customer satisfaction does not have a direct linear relationship to performance, customer feedback will give more specific information for managers to act on now and in the future. Therefore, measuring 'through the eyes' of the customer is important to performance. Finally, measurement activities should be aligned and integrated with strategy. For example, if a firm's strategy is to compete on the basis of price then its key performance measures should relate to price (Neely, 1998). The problems with the measurement systems used by firms today relate to:

...an excessive focus on operation and financial measures, the majority of which are tactical and merely report history; a tendency to measure too much, which often results in the wrong things being measured because they are easy to measure; and a lack of integration between measures and strategy (Neely, 1998, p.50).

Expansive literature exists on how to design performance measurement systems (PMS) (Johnson and Kaplan 1987; Eccles 1995; Brignall and Ballantine 1996; Neely 1998). Much of the recent literature relates to the need to move from performance measurement, as a means of control, to more integrated and holistic approaches. These approaches link measures to the individual firm's strategy so as to provide information to managers to help them know how well they are going and what to do next. In a response to the need for a more systematic and firm centred approach to performance measurement, Kaplan and Norton (1992) developed the Balanced Scorecard Approach. Around the same time, other integrated and holistic approaches also emerged and included the Performance Pyramid (Lynch and Cross 1991), the Integrated Performance Measurement (Nanni, Dixon and Vollmann 1992) and the framework for Performance measurement in service businesses (Fitzgerald, Johnston et al. 1991).

Although a number of these systems recognised the need to align measurement with strategy, many of the systems were not *dynamic* and did not help managers to be sensitive to changes in the environment, to review and prioritise objectives according to changes, to implement the changes and to ensure maintenance of the changes (Bititci, Turner et al. 2000). More recent research in this area is focused on the management of performance and not just the measurement. Amaratunga and Baldry (2002) believe that once an effective performance measurement system is designed and implemented managers need to move from measurement to management. For this to take place two components are needed. Firstly, the right organisational structure to make full use of the performance results and secondly the ability to bring about change through the use of performance measurement.

2.3.3.2 Effective performance management

Different studies have explored the dimensions of effective performance management. Kasul and Motwani (1995) identified the management of world class organisations using four distinct areas covering, allocating budgets and resources; controlling visibility; monitoring progress; and planning for change. Amaratunga and Baldry (2002) believe that to establish a performance management program several attributes need to be included. These attributes are, leadership in designing and implementing performance measurement systems; open communication between employees and key stakeholders; clear assignment of accountability of results; reward and recognition linked to performance measures; and targets that are linked to appraisal.

Over the past few decades a variety of performance measurement approaches or frameworks have emerged to help guide managers in achieving better outcomes. Many of these frameworks, referred to as measurement frameworks, also encompass the management of performance. The success of these approaches has been the focus of much debate in the literature. It appears that some of these approaches are merely a business health check or self-assessment while others combine a self-assessment approach with the identification and implementation of improvement strategies and practices. In order to identify effective performance measurement approaches to assist in the development of a PMS for small motels, a thorough review of the literature was undertaken. This literature search was conducted using the following

electronic databases: Business Source Premier, Emerald, Expanded Academic, Science Direct and Blackwell Synergy. The literature review was conducted with the primary goal of seeking research that directly dealt with organisational performance measurement in an holistic and integrated manner. The search engines within each of the electronic databases were utilised to search abstracts using all combinations of the key words ‘performance measurement’ and ‘performance management’ with the terms – ‘approach’/ ‘model’/ ‘framework’/ ‘tools’. As a result of the search, a number of common or reoccurring performance measurement models were identified. These models are summarised in Table 2.5.

Table 2-5 Key performance measurement frameworks

Year	Performance measurement/management system	Reference	Main focus or purpose
1972	QM maturity matrix (developed by Crosby)	(Neely, Gregory et al. 1995)	Health checks
1986	TQM (developed by Deming)	(Kaynak 2003)	Improvement initiative
1987	Malcolm Baldrige National Quality Awards (MBNQA)	(Pun, Chin and Lau 1999)	Quality management award based self assessment models
1988	Through put accounting	(Galloway and Waldron 1988)	Product costing techniques in manufacturing process/activities
1988	Activity Based Costing – Product costing (developed by Cooper)	(Cooper 1988)	Product costing techniques in manufacturing process/activities
1989	Benchmarking	(Camp 1989)	Improvement initiative
1989	Performance Measurement Matrix	(Keegan, Eiler et al. 1989)	Integrating performance measures
1989, 1991	Strategic Measurement Analysis and Reporting Technique (SMART) (also known as Performance Pyramid System, 1991)	(Lynch and Cross 1991)	A management control system for large business.
1990	Lean Production	(Womack, Jones and Roos 1990)	Improvement initiative
1991	World Class Manufacturing	(Maskell 1991)	Improvement initiative
1991	Results and Determinants Matrix	(Fitzgerald, et al, 1991)	A model to explain the key dimensions of performance measurement
1992	Performance Measurement Questionnaire	(Nanni, Dixon et al. 1992)	An assessment tool for identifying improvement needs in large business.

1992	European Quality Awards [developed by European Foundation for Quality Management (EFQM)]	(Shergold and Reed 1996)	Quality management award based self assessment models
1992	Balanced Scorecard	(Kaplan and Norton, 1992)	A measurement framework for monitoring performance and strategic management
1994	Deming Management Model	(Anderson, Rungtusanatham and Schroeder 1994)	Quality management award based self assessment models
1996	Economic Value Analysis (EVA) and Market Value Analysis (MVA)	(Kippenberger 1996)	Value analysis
1996	Cambridge Performance Measurement Process	(Neely, Mills et al. 2000)	A management process.
1996	Integrated Dynamic PMS	(Ghalayini and Noble, 1996)	An integrated dynamic performance measurement system
1997	Integrated Performance Measurement	(Bititci, Carrie et al. 1997)	A performance management process.
2000	Integrated Performance Measurement Framework	(Medori and Steeple 2000)	A 'how to' approach to designing a system
2000	Organisational Performance Measurement (small firms)	(Chennell, Dransfield, Field, Fisher, Saunders et al. 2000)	Organisational performance measurement
2000	Dynamic Performance Measurement Systems	(Bititci, Turner et al. 2000)	A 'how to' approach to designing a system
2001	Performance prism	(Neely, Adams and Crowe, 2001)	A performance management tool.
1996, 2002	Integrated Performance Measurement for Small Firms	(Laitinen 2002)	Integrated performance framework for small business
2002	Comparative Business Scorecard	(Kanji 2002)	An extension of the BSC.

Source: analysis of literature.

In Table 2.5 the performance measurement approaches are presented chronologically and classified according to their main focus. The classifications are drawn from the work of Sinclair and Zairi (2000); Garengo, Biazzo and Bititici (2005); Hudson, Smart and Bourne (2001); Pun and White (2005); and Neely (1998). In analysing this table a number of trends are apparent. Firstly, performance measurement has moved away from the traditional models popular in the pre 1980s, which were embodied by financial approaches related to health checks (Crosby, 1972). The Deming model and the TQM movement (Anderson, Rungtusanatham & Schroeder, 1994) have brought greater focus to the importance of non-financial approaches and a management

approach for implementing improvement activities. The integration of both financial and non-financial approaches has guided the development of the quality award models for managers to assess their business excellence. The best-known models emerged in the late 1980s and early 1990s and were developed for the Malcolm Baldrige National Quality Awards (MBNQA) and the European Quality Awards. A more integrated and balanced approach to measurement also became popular in the early 1990s. The most widely acclaimed model employing this approach is the Balanced Scorecard. It is also evident in the literature that despite the changing trends in the way performance is measured, approaches based on the more traditional models prevailed in the 1990s. However, these approaches, which included Activity Based Costing are now considered to be inadequate in today's competitive climate (Bourne, Wilcox, Neely & Platts, 2000) as they don't provide a balanced approach to performance measurement. A more recent trend has been the move to a 'how to' approach in designing individual PMS rather than a generic 'one-model fits all' approach (Bititci, Turner & Begemann, 2000; Pun and White, 2005). In these studies the focus is on dynamic as well as integrated systems. Finally, it is only in the past few years that the focus has shifted to small firms and their specific needs for performance measurement systems (PMS). A group of researchers, including Garengo, Biazzo and Bititici, (2005); Hudson, Smart and Bourne, (2001); and Laitinen (2002); have attempted to address the performance measurement needs of small firms.

A PMS for small firms. As systems for performance measurement for small firms are only now emerging the need to further develop this area is apparent and it is hoped that previous research will provide a platform for developing a PMS for these firms. Therefore, rather than attempting to 'reinvent the wheel' there is value in assessing existing PMS, developed for large firms, to determine their applicability to small firms and small motels in particular. In developing a PMS model for small motels, by drawing on existing models, a set of criteria for selection of existing models is needed. As discussed in Section 2.2, the focus on performance has shifted to a) the management of performance as opposed to measurement of performance (based on the accepted view the mere measurement is not enough and that the management for continuous improvement is also needed); b) the use of an integrated approach (integration refers to the inter-relationships of the measurement and management

dimensions); and c) the two dimensions of *drivers* (internal and external influences) and *results* (financial and non-financial outputs) as key concepts. Given their importance these three criteria will be the platform on which a new PMS for small motels will be built. Based on these criteria, five models were selected from the complete list (as shown in Table 2.5) for further study. These models: the Balanced Scorecard (Kaplan & Norton, 1996), the EFQM Excellence Model (1999), the MBNQA award model (Voss, Ahlstrom and Blackmon 1997), the Results and Determinants Matrix (Fitzgerald et al. 1991) and the Performance Prism (Neely, Adams & Crowe, 2001) are presented in Table 2.6. As indicated, these models meet all the selection criteria.

Table 2-6 Summary of key performance management systems that meet the selection criteria for this study

	Balance Scorecard (Kaplan and Norton, 1992)	European Quality Awards Model (EFQM, 1992)	MBNQA (US Congress, 1987)	Results and Determinants Matrix (Fitzgerald, et al., 1991)	Performance Prism (Neely, et al., 2001)
RESULTS - Financial	√	√	√	√	√
Non-financial	√	√	√	√	√
DRIVERS - Internal	√	√	√	√	√
External	√	√	√	√	√
Management processes	√	√	√	√	√
Integrated approaches	√	√	√	√	√

Source: analysis of literature.

Summary. As explained in this chapter, performance measurement is central to good performance management. A number of performance measurement models exist that provide guidance to managers. An understanding of the dimensions of effective performance management systems has guided the selection of five frameworks for the study of performance management in small motels. A critique of each of these systems is now necessary to analyse the components that may be important to performance improvement in small firms. Therefore, the following section of this

chapter discusses the five performance measurement systems, as summarised in Table 2.6, in order to identify their strengths and weaknesses and their relevance to small motels. In Chapter 3, these systems will be compared and contrasted against key criteria for assessing effective performance management systems in order to build a model that is relevant to small motels.

2.4 Selected Business Performance Management Frameworks

In the late 1980's, because of the dual effect of dissatisfaction with traditional performance measures and increasing global competition, the need for business managers and practitioners to measure and improve performance increased. As a result, a number of new performance management and measurement systems were generated. The first to emerge was a self-assessment system for the Baldrige Award (USA). Then, in the early 1990's the European Foundation for Quality Management (EFQM) Excellence Model was developed for European businesses. Around the same time, the Results and Determinants Matrix (Fitzgerald, Johnson, Brignall, Silvestro & Voss, 1991) and the Balanced Scorecard Framework (Kaplan & Norton, 1992) were also developed. It wasn't until the early 2000's that the Performance Pyramid (Neely, Adams & Crowe, 2001) was proposed as an improvement on the previous models. In the next section a discussion of these frameworks is undertaken, starting with the quality award models and followed by the Results and Determinants matrix, the Balanced Scorecard and finally the Performance Prism.

2.4.1 Quality Award models

A new era of business performance measurement began with the idea of business excellence as a practice for organisations. In the early 1980's, in a number of western countries, both government and industry began to push for greater productivity in business operations. From this thrust emerged a number of quality awards. The most well known and widely used are the Malcolm Baldrige National Quality Award (MBNQA) and the European Foundation for Quality Management (EFQM) Business Excellence Model.

2.4.1.1 Malcolm Baldrige National Quality Award (MBNQA)

In 1987 in an attempt to stimulate quality awareness in the business sector an act was passed by the US Congress to create the MBNQA (Pun, Chin & Lau, 1999). Since that time a review process has been undertaken to determine the Baldrige Award winners based on a set of seven criteria. These criteria are presented in Table 2.7 and include; leadership, the system, strategic planning, human resource development and management, process management, business results, customer focus and satisfaction. The seven criteria are sub-points of four categories – the driver, the system, the measure of progress and the goal (Tummala and Tang 1996; Loomba and Johannessen 1997). These categories can also be defined by two key performance constructs of *results* and *drivers*, as discussed earlier in this chapter. The drivers obviously being, ‘the system’ and ‘the drivers’ and the results are the measure of progress and goal achievement.

Despite the popularity of the Baldrige Award, a great deal of debate surrounds the fairness and the selection of the award winners (Loomba & Johannessen, 1997; Pun, Chin & Lau, 1999; Tummula & Tang, 1996). However, more important to this study is the award criteria and its value as a model for performance measurement and improvement. The seven basic criteria (as numbered in Table 2.7) of leadership, information and analysis, strategic quality planning, human resource development and management, management of process quality, quality and operational results, and customer focus and satisfaction are believed to provide organisations with a do-it-yourself checklist of key areas that determine quality excellence and business performance. The criteria can also be used as a measuring stick for performance comparison with other organisations (Loomba and Johannessen 1997; Pun, Chin et al. 1999).

Inspired by the success of the MBNQA, the European Foundation for Quality Management (EFQM) launched the European Quality Award in 1992. A comparison of the two awards is detailed in the following section.

Table 2-7 MBNQA criteria

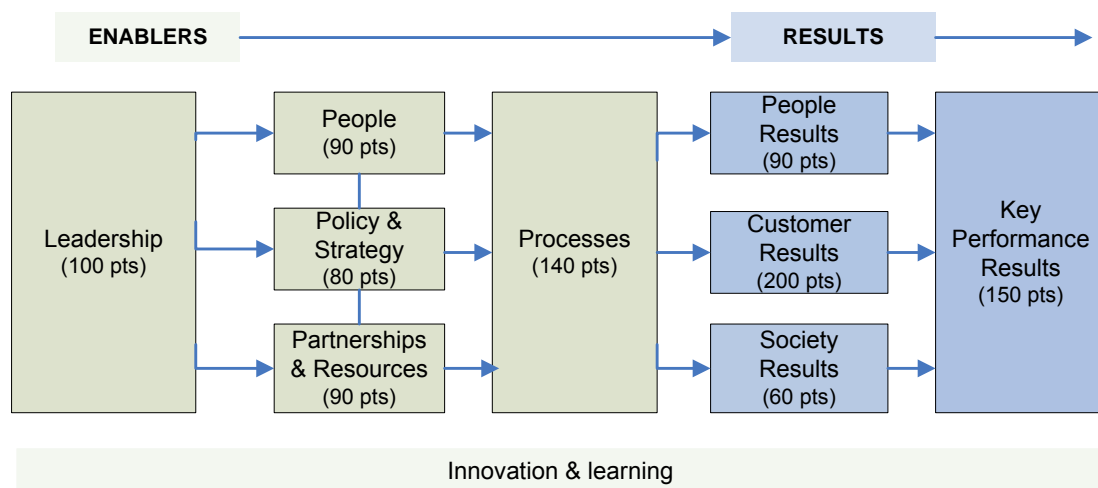
Categories and items	Point values
The Driver	
1.0 Leadership Senior executives' success in creating and sustaining a quality culture	90
1.1 Senior executive leadership	45
1.2 Management for quality	25
1.3 Public responsibility and corporate citizenship	20
The system	75
2.0 Information and analysis Measures the effectiveness of the company's collection and analysis of information for quality improvement and planning	
2.1 Management of information and data	20
2.2 Competition comparisons and benchmarking	15
2.3 Analysis of uses of company level data	40
3.0 Strategic planning Deals with the effectiveness of integration of quality requirements into the company's business plan	55
3.1 Strategic development	35
3.2 Strategic deployment	20
4.0 Human resources development and management Refers to the company's efforts to realise the full potential of the workforce quality	140
4.1 Human resource planning and evaluation	20
4.2 High performance work systems	45
4.3 Employee education, training and development	50
4.4 Employee well being and satisfaction	25
5.0 Process management Acts as a gauge of the effectiveness of the company's systems for assuring quality control of all operations	140
5.1 Design and introduction of products and services	40
5.2 Process management – product and service production and delivery	40
5.3 Process management – support services	30
5.4 Management of supplier performance	30
The measure of progress	
6.0 Business results Refers to the company's results in quality achievement and quality improvements, demonstrated through quantitative methods	250
6.1 Product and service quality results	75
6.2 Company operational and financial results	130
6.3 Supplier performance results	45
The goal	250
7.0 Customer focus and satisfaction Measures the effectiveness of the company's systems to determine customer requirements and demonstrated success in meeting them.	
7.1 Customer and market knowledge	30
7.2 Customer relationship management	30
7.3 Customer satisfaction determination	30
7.4 Customer satisfaction results	100
7.5 Customer satisfaction comparison	60
	1000

Source: Loomba, 1997

2.4.1.2 EFQM Excellence Model – A performance self-assessment tool

The EFQM developed the first business performance model for self-assessment and improvement purposes (Shergold & Reed, 1996). The main intention of the model is to provide a common language for communicating and sharing best practice among firms. Over time the EFQM Excellence Model has evolved and is now used by a wide range of business organisations throughout Europe. Figure 2.4 presents the EFQM model and the components, which, like the Baldrige award criteria have been used for self-assessment purposes, as well as scoring by the awards judges.

Figure 2-4 The EFQM Excellence Model



Source: (Eskildsen, Kristensen and Juhl 2002).

The EFQM Excellence Model is based on nine criteria, which reflect what is considered to be leading edge management practices. These criteria are closely aligned to the performance constructs of *drivers* and *results*. The five criteria that are controllable by managers are called ‘enablers’ (or drivers) and the four criteria named ‘results’ are what an organisation can achieve. The nine criteria, which lead to business performance results, are described in Table 2.8.

The model does not provide instruction on how it should be used, however, it has been utilised in various ways for business improvement purposes by a number of larger businesses outside the award process, but has not been taken up widely by small firms (Hewitt, 1997).

Table 2-8 EFQM Business Excellence Award criteria

Enabler criteria	
<i>Leadership:</i>	How the executive team and all other managers behave as leaders to develop and clarify a statement of vision that proposes total quality and continuous improvement for the organisation and its people.
<i>People management:</i>	How the organisation handles its employees and develops the knowledge and full potential of its people to improve its business processes and/or services continuously.
<i>Policy and strategy:</i>	A review of the organisation's mission, values, vision and strategic direction; how the organisation implements its vision and mission via the concept of total quality and continuous improvement.
<i>Resources:</i>	How the organisation manages and utilises its external partnerships and internal resources effectively in order to carry out effective business performance, as stated in its mission and strategic planning.
<i>Processes:</i>	How the organisation designs, manages and improves its activities and processes in order to satisfy its customers and other stakeholders.
Result criteria	
<i>People satisfaction:</i>	What the organisation is achieving in relation to its employees.
<i>Customer satisfaction:</i>	What the organisation is fulfilling in relation to its targeted customers.
<i>Impact on society:</i>	What the organisation is achieving in satisfying the needs and expectations of local, national and international society as appropriate.
<i>Business results:</i>	What the organisation is achieving in relation to its planned business performance and in satisfying the needs of its shareholders.

Source: Wongrassamee, Gardiner, Simmons (2003).

An important key difference between the Baldrige model and EFQM model is that the latter provides an understanding of performance management via a systems perspective (Wongrassamee, Simmons and Gardiner 2003). Essentially, the EFQM model principle is that leadership drives policy and strategy, people, partnerships and resources and processes. The results of these efforts are measured in the model by people satisfaction (employee and customer) and impact on society. The ultimate outcome is excellence in key performance results (Shergold and Reed 1996). For those firms using the model as part of the award assessment system, the scores for the 'enablers' (as illustrated in Figure 2.4) are given on the basis of two factors – the degree of excellence of the approach as well as the degree of deployment of the approach. Likewise, the 'result' criteria are scored on the basis of – the degree of excellence of the results and the scope of the results (EFQM 1999; Wongrassamee, Simmons et al. 2003).

A critique of the EFQM Business Excellence Model. The value of the model for business improvement purposes has been debated in the literature. Eskildsen, Kristensen and Juhl (2002) comment on the importance and value of the EFQM model. They state that of the 60 percent of companies surveyed in Europe, that were using self-assessment, had employed this model. According to Eskildsen et al., it was found through empirical testing that the application of an holistic management model, such as the EFQM model, had positive impacts on business performance. This view is supported by Gadd (1995) who believes that a positive aspect of the model is its strong business and process management orientation. According to Gadd, the EFQM model provides an excellent opportunity for integrating process management into normal business activities and allows for more than just measurement of performance – it allows for measurement and management of how the organisation operates.

When an organisation self-assesses against the model, it is providing a means of identifying areas of strength, competences, and capabilities, as well as identifying areas for improvement within the organisation. By providing an holistic view of the organisation, the model can provide a framework by which managers can develop a broader perspective of the business and its operating environment. Depending on the measures used and reported in the results section, the possibility exists of exploring the links between specific enablers (activities and processes) and the organisation's business results (Gadd, 1995, p. 73).

On the other hand, one concern is that strict adherence to the principles of the model seem to be more important than modifying the model to accurately reflect the unique strategic priorities of the organisation (Andersen, Lawrie and Shulver 2000). The generic nature of the model, which highlights the efficient execution of generic processes, can mean that the model is often not relevant to individual organisations and their strategic goals. Therefore, the EFQM model is not considered to be effective as a tool for driving changes in behaviours, which are aligned to strategy, within any particular organisation (Andersen, et al., 2000). This view is supported by Mc Adam and Bailie (2002) who indicate that whilst the model is used widely by organisations throughout Europe, it is generally accepted that the EFQM model is a self-assessment tool or static auditing tool and, as such, the performance management

framework is used for operational reporting instead of creating a dynamic interplay with business strategy.

A range of other issues relating to the EFQM model has been researched in recent years. For example, Mc Adam and Welsh (2000) emphasised the need to tailor the terminology so it is appropriate to particular sectors. In this study, tailoring relates to how small motels, as opposed to large corporations, interpret the criterion of 'impact on society'. Additionally, Russell (1999) is concerned that the structure of the model seems to emphasise the enablers rather than desired results. This view suggests that the model does not give enough consideration to the impact of environmental influences and external stakeholders on performance. Desired results or achievements should come from the stakeholder results (that is, their levels of satisfaction) rather than the leadership (or management). Despite these concerns the model 'provides a pragmatic framework for dealing with complexity and for probing the relationship between cause and effect (enabler and results), using self assessment' (Finn and Porter 1994 p, 61).

Finally, Hewitt (1997) supports the value of the model but highlights that it was primarily designed for large business. In discussing the planned changes for the EFQM model for small and medium enterprises, Hewitt raises a number of issues. Although many of the criteria may be relevant to small business, the model has not been interpreted with the needs of the small business in mind. For example, the way in which process changes are communicated in a large business would be much more complex than in a small firm where all the owner-manager may need to do is speak to the person working next to them. Hewitt also points out that most small firms have not heard about the model nor has anyone promoted the advantages of self-assessment in terms that are relevant to them. Mc Adam and Kelly (2002) agree with Hewitt but conclude that provided the processes are modified and simplified, the EFQM model can be used by small business.

A summation of the awards models. A critique of the literature studying the EFQM model and the MBNQA model, suggest both award models are results oriented. Of the two models, the EFQM model is clearer about human resource management and has two criteria devoted to this dimension – People Management and People

Satisfaction (Tummala & Tang, 1996). Importantly, neither the EFQM model nor the MBNQA model assists with formulating and evaluating strategy. There is also strong support for the view that the models are assessment tools and not models for guiding business improvement and implementing strategic changes. A strong point of both models is their common framework and generic design, which enables benchmark comparisons between firms (Andersen, Lawrie & Shulver, 2000). However, the models do not indicate best or preferred practice in an organisational context (Mc Adam and O'Neill 1999) and it is largely left to the organisation to pursue information either via award entry, consultancy support or their own networks

Nevertheless, the EFQM model and the MBNQA model provide opportunities and direction for business improvement through the self-assessment process and measurement of performance and organisational operation in an holistic way (Gadd, 1995; Shergold & Reed, 1996). A particular value of the EFQM model, as a performance measurement tool, is its use as a template for providing health checks on the firm's performance management and for identifying areas for change.

Finally and most importantly, it appears that the models require modification for specific sectors and especially for small business if they are to be meaningful tools for small business owner-managers.

2.4.2 Results and Determinants Matrix

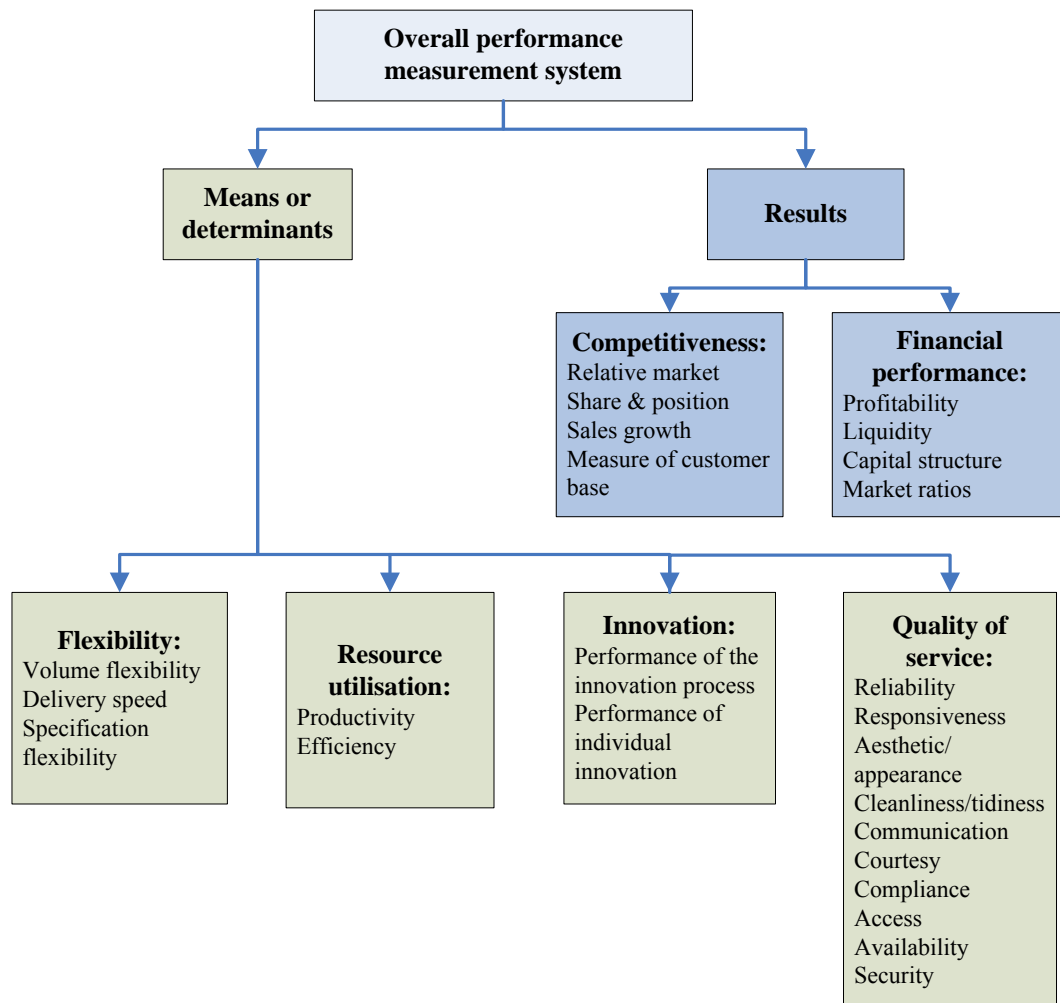
The importance of the service industries as a growing sector and the need to consider performance measurement systems specific to these sectors has been recognised by Fitzgerald, Johnson, Brignall, Silvestro and Voss (1991). In their study, the service sector was described as being diverse and included such industries as tourism, catering, financial services, health care and communications. The differences between the service and manufacturing sectors are highlighted by the characteristics of intangibility, heterogeneity, simultaneity and perishability, as discussed previously in Section 2.3.1 (Table 2.2). Fitzgerald et al. (1991) emphasise that the performance measures selected by any service-based business should be founded on the strategic intentions of the firm, which, in turn, are dependent on the competitive environment and the kind of service provided. Like many other studies presented in this chapter

Fitzgerald et al. also support the view that managers should gather information by using both financial and non-financial measures in order to obtain richer feedback for better control of the business.

A key component of the work of Fitzgerald et al. (1991), which is different to that of manufacturing-based models, is the performance dimensions that recognise the intangible aspects of service-based operations. The emphasis in the Matrix is on the 'soft' measures such as, competitive performance, quality of service, flexibility, resource utilisation and innovation, as well as the 'hard' measures of financial performance. These dimensions are the basis of a generic performance framework for measuring performance in service industries. Similar to the other models (MBNQA and the EFQM models), Fitzgerald et al. (1991) recognise the two key dimensions of performance as the *determinants (or drivers)* and the *results*. The six generic performance dimensions are grouped into two categories of 'results' and 'determinants', as illustrated in Figure 2.5.

The Matrix of Fitzgerald et al. (1991) is presented as a generic performance measurement framework with the understanding that the mix of factors within the broad categories of *results* and *determinants* may vary from firm to firm. That is, the importance of the four determinants (flexibility, resource utilisation, innovation and quality of service) is contextually based. Also, in the management of a business, due to varying strategic approaches any measurement by managers against the range of performance criteria varies and may require some type of trade-off. For example, a manager may need to make a trade off between short-term financial return and long-term competitive position. This example stresses the point that a manager cannot realistically measure all aspects of the business. Instead the focus should be guided by the strategy.

Figure 2-5 Core elements of the results and determinants matrix



Source: Fitzgerald, Johnson, Brignall, Silvestro and Voss (1991).

To further explain how this framework could be used to improve performance management, Fitzgerald et al. (1991) have identified three different generic service types: professional services, service shops and mass services (as already mentioned in section 2.3.1 of this Chapter). Fitzgerald et al. (1991) undertook extensive studies of a number of businesses within the service sector in order to better understand the subtle ways in which different organisations measure and manage performance. Table 2.9 provides information to demonstrate the different ways in which the dimensions of financial performance and quality service are viewed and measured across the three different types of service-based firms. Although all three types seek to measure similar aspects of the business, the measures used vary. For instance, a professional firm, when looking at ‘competitor focus’, may use failure rate of the

tendering process as a measure, whereas a mass service firm may use competitor prices as a measure.

Table 2-9 **Differences in the dimensions of financial performance measurement and service quality measurement across the three types of firms**

Financial performance

	Professional - Consulting firm	Service Shop - Hotel Chain	Mass Service - Newsagents Chain
Measures - Customer-focused	Repeat business	Repeat booking	Number of customers
Competitor-focused	Analysis of success/failure of project tendering	Market share relative to competitors	Competitor's prices and product ranges.

Service Quality

	Professional	Service Shop	Mass Service
Service relationship	Long-term relationship between customers and staff important.	Between these two ←→	Relationship between organisation and customer.
Quality specification	Unique to job and negotiated with individual customer	Between these two ←→	Standardised service requires setting of clear expectations

Source: Fitzgerald, Johnson, Brignall, Silvestro and Voss (1991).

Therefore, as acknowledged by Pun and White (2005), the nature and relevance of the Fitzgerald et al. (1991) performance measurement framework is dependent on contingency factors. Financial factors such as profitability, liquidity, capital structure and market ratios should be a concern of all the three generic service types, however, the way in which they are measured varies with firm type. On the other-hand, with the service quality criteria the type of 'service relationships', for example, would vary with firm type. Therefore, the characteristics of service relationships and their measurement would also vary with firm types. In Table 2.9 the Professional Service firm is focused on providing a customised service and the Mass Service firm on the provision of a standardised service. The Service Shop type of firm will have a service focus somewhere between these two.

With regard to this study, the implications of the Matrix for small motels are manifold, particularly because of its focus on the less tangible aspects of service.

Furthermore, it is most likely that a small motel would be classified as a 'service shop' type business and therefore the way in which these firms measure performance will vary to that of a large hotel chain operation.

2.4.3 The Balanced Scorecard Approach to performance measurement

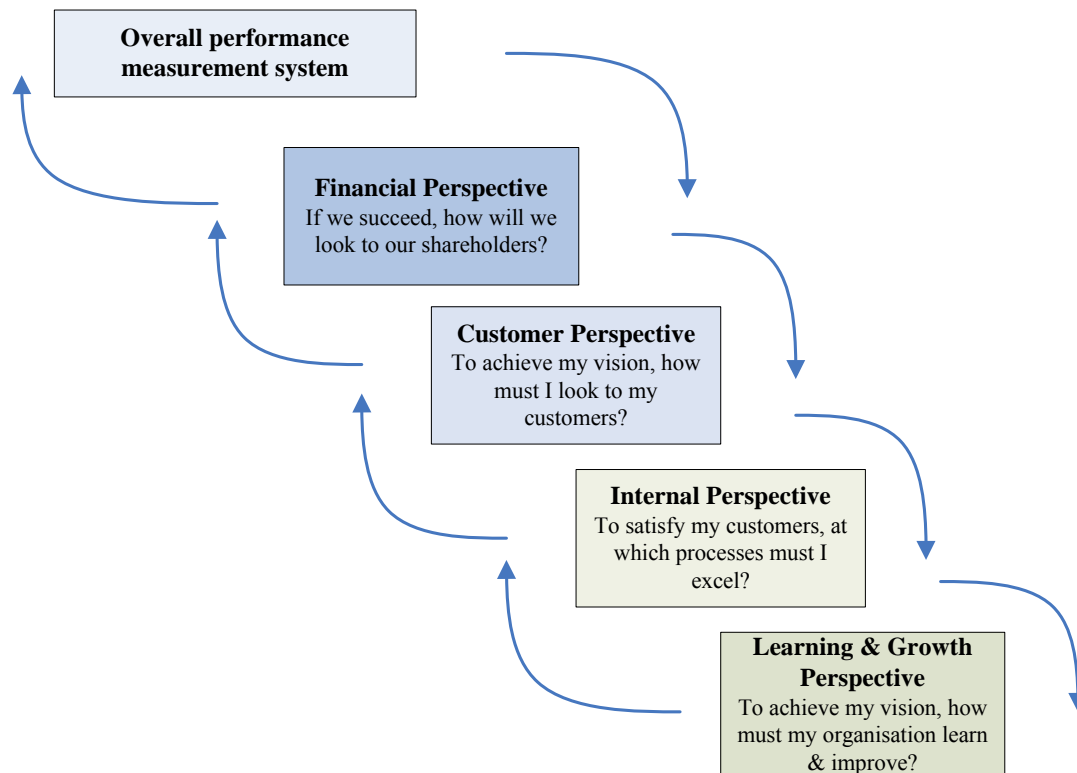
Kaplan and Norton developed the Balanced Scorecard in 1992 as part of a KPMG funded research program entitled 'Measuring Performance in the Organisation of the Future'. The Balanced Scorecard is a comprehensive framework in which the mission and strategic directions of an organisation can be interpreted via an array of performance measures (Kaplan & Norton, 1996). It was intended that the framework would give managers an all-inclusive view of the business yet allow them to focus on critical areas for improvement for strategic development purposes. As a result, it has been used mainly by large businesses as a means of performance measurement and as a performance driver.

The Balanced Scorecard framework contains a collection of financial and non-financial measures to assist a business in implementing its specific success factors as identified in their vision. In understanding the short-term focus of financial performance, Kaplan and Norton introduced three non-financial measurement concepts – customer satisfaction, internal business process, and learning and growth, as shown in Figure 2.6

According to Kaplan and Norton (2001), previous performance measurement systems used ad hoc methods of financial and non-financial measures with a checklist type approach to measurement. In their Balanced Scorecard approach they emphasise the linkage of measurement to strategy and the cause and effect connections. The scorecards developed by each firm are based on the framework and are meant to be specific to a particular organisation. The organisation-specific scorecards contain a set of measures to improve performance according to the firm's stakeholder needs and goals. In developing specific scorecards, managers start with the strategy and use each of the four perspectives to organise objectives. It was intended in the design of this framework that the measures produced should be a

balance, not only of external measures and internal measures but also between the result measures (outcomes) and the driver measures (measures for future improvement).

Figure 2-6 **The Balance Scorecard defines a strategy's cause and effect relationships**



Source: Kaplan and Norton, 2001a.

Evaluating the Balanced Scorecard Approach

Four aspects of the model have been considered in the critique of the Balanced Scorecard. They include strategy, comprehensiveness, complexity and benchmarking opportunities. These four aspects are discussed in the following sections.

The strategy focus is its strength. A commonly accepted strength of the Balanced Scorecard is the linkage of performance measures with organisational strategy (Wongrassamee et al., 2003). Andersen et al. (2000) state that the Balanced Scorecard is very successful as a tool for driving change within an organisation in a way that is aligned with strategy. In essence it is a strategy implementation tool. Similarly, Mc Adam and Bailie (2002) value the Balanced Scorecard for the way it can be applied by a management team to clarify and translate high level strategy into

business objectives. Zinger (2002)) also supports the view that the strategy focus is a strength of the Balanced Scorecard, however, he stresses that its focus is on the implementation of strategy and not in determining strategy. Although many other approaches to strategy implementation exist, the specific appeal of the Balanced Scorecard is its reliance on the mix of operations and financial measures, which are simply linked to the organisation's strategy (Zinger, 2002).

Specific and comprehensive. Andersen et al. (1995) discuss the approach of the Balanced Scorecard as an organising framework, rather than a 'constraining straightjacket', which can be adjusted and built upon according to the needs of the organisation. 'The Balanced Scorecard is based on a dynamic and individual abstraction rooted in explicit cause and effect relationships' (p. 10). In considering lagging (financial) and leading (operational) indicators through its four perspectives, it addresses the concerns of using only obsolete financial accounting measures as a means of assessing and improving business operations. In taking into account all perspectives, a focus on the issues of divergent stakeholders is required. This approach allows for each individual firm to address the goals and needs of their own particular stakeholders (Denton and White 2000).

The Balanced Scorecard approach is a tool for improving the business performance of individual firms. To support the specificity of the tool, Kaplan and Norton (1992) have stated:

The Balanced Scorecard is not a template that can be applied to businesses in general or even industry-wide. Different market situations, product strategies and competitive environments require different scorecards. Business units devise customised scorecards to fit their mission, strategy, technology and culture. In fact, a critical test of a scorecard's success is its transparency: from 15 to 20 scorecard measures, an observer should be able to see through to the business unit's competitive strategy (Wonggrassamee et al., 2003, p. 19).

In using the scorecard approach, the key objectives of a firm are based on a firm's own specific strategy and not on any prescribed quality management approach.

A complex tool. The Balanced Scorecard design is necessarily complex ‘as it has to describe and reflect the organisation’s own strategic goals’ (Andersen et al., 1995, p. 6). Although Kaplan and Norton (1996; 2001a) make it quite clear that their framework is a basis for individual firms to work with to develop their own scorecards, the ease by which this can be achieved or understood by small firm owner-operators is questionable (Chow, Haddad and Williamson 1997; Birch 1998; Zinger 2002). Zinger states:

While the Balanced Scorecard has been hailed as one of the most significant developments in contemporary management accounting, applications of this model have been primarily within large corporations and selected public sector institutions, including hospitals and government departments; the Balanced Scorecard has not made any appreciable inroads into the small business domain (p. 2).

Not a benchmarking tool. Although the individual design nature of the Balanced Scorecard is a strength, this also makes it difficult for the scorecard to be used as a benchmarking tool. ‘Since the strategic priorities of organisations vary even within industries, the resulting Balanced Scorecard measure selected by the design process can only weakly support ‘benchmark’ comparisons’ (Andersen et al., 1995, p. 6).

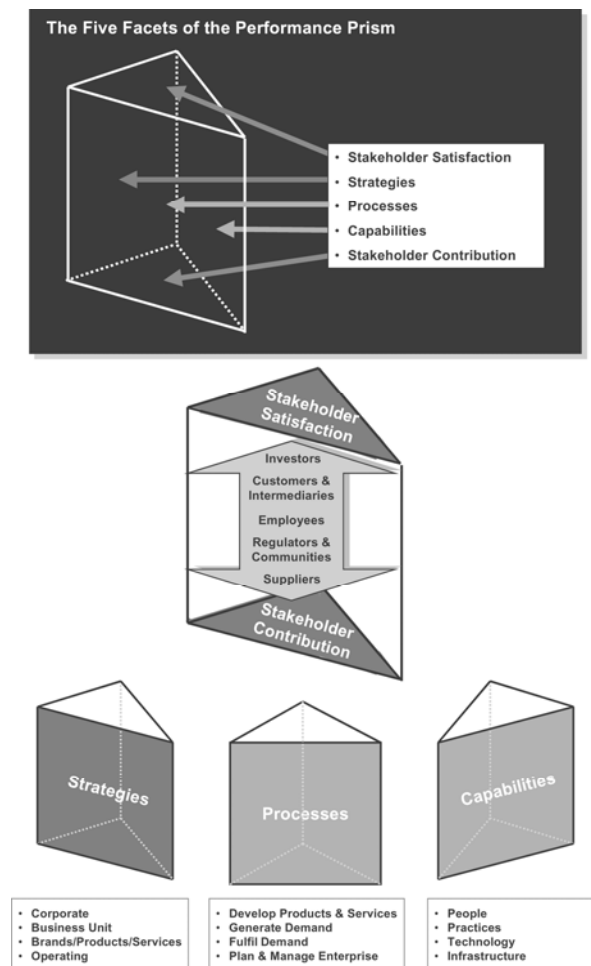
The Balanced Scorecard in summary. Overall, the Balanced Scorecard has both strengths and weaknesses. Its key strength is its focus on the implementation of strategy. Additionally, individual firms can address the goals and needs of their own specific stakeholders when developing their scorecards. However, on the other-hand the approach is complex and is generally large firm focused. For this reason owner-managers of small firms may not be able to effectively use the scorecards without outside expert advice and support.

2.4.4 The Performance Prism

The Performance Prism was developed by Neely, Adams and Kennerley (2002) to address the previously identified shortcomings of the traditional measurement frameworks. The prism was designed to assist managers in the process of selecting the best performance measures for their organisation. The Performance Prism, which

is illustrated in Figure 2.7, is comprised of five interrelated facets. The first facet of ‘stakeholder satisfaction’ is considered to be the most important aspect of performance measurement. This facet is meant to encourage managers to, firstly, identify who are the important stakeholders and then clarify their wants and needs. Stakeholders could include employees, suppliers, investors, intermediaries, alliance partners, regulators and the community. The second facet relates to ‘strategies’, which should be focused on delivering value to the stakeholders. Therefore, this facet addresses the question – what are the strategies required to ensure that the wants and needs of the stakeholders are satisfied?

Figure 2-7 The five facets of the Performance Prism



Source: Neely, Adams and Crowe (2001)

The third facet, 'processes', deals with the generic processes that underpin most organisations and that should be put in place in order to allow the firm's strategies to be delivered. Processes include generating demand, fulfilling demand, developing new products and services and planning and managing the organisation. 'Capabilities', which is the fourth facet of the prism, is the combination of people, practices, infrastructure and technology that enable the execution of the firm's processes. This facet addresses the question – What are the capabilities required to operate the business processes? The final facet of 'stakeholder contribution' recognises the importance of the firm's relationship with their stakeholders. The reciprocal relationship between the firm and the stakeholder is important to organisational performance. For example, employees want safety, security and recognition and the organisation wants employee contribution in the form of expertise, reliability and loyalty.

The Performance Prism is not intended to be a prescriptive measurement framework; instead managers of large organisations have used it as a tool to assist reflection. Neely et al. (2001) believe that it is the inter-relationships between the five components of the prism that best helps managers to understand the factors that drive performance. The Prism is most like the EFQM model, whereby the facets could be seen as components of a system. The Prism can therefore help managers analyse their operations for performance improvement purposes. Neely et al. (2001) also believe that their prism is an improvement on the Balanced Scorecard as it recognises the different types of stakeholders, such as employees, regulators and community, which were not mentioned by Kaplan and Norton (1996a).

Although this model attempts to address a number of the shortcomings of previous models, it is similar to the Results and Determinants Matrix and the Balanced Scorecard in that it does not consider the way that variations in firm size can impact on performance management. Omissions with regard to size and structure could mean that these models are more relevant to big companies rather than small firms. The lack of development of models that assist the measurement of performance in small businesses is an issue summarised in the following Conclusion section.

2.5 Conclusion

In this chapter, the study of business performance as a multi-dimensional construct comprised of drivers and results has highlighted the difficulty in measuring performance in individual firms. Although many studies have explored performance in manufacturing firms there has been less attention paid to the service sectors. However, some studies have recognised the uniqueness of the service sector in relation to the characteristics of simultaneity, perishability, heterogeneity, and intangibility. Small firms are now seen as being different to large firms in how they are structured and managed; and in the specific types of drivers that lead to desired performance outcomes. Additionally, the hospitality sector, which is the focus of this study, is comprised of operators who pursue a family/lifestyle business model approach. Many of these firms do not pursue growth but instead are mainly motivated by non-financial factors such as independence, self-satisfaction and community recognition. It is suggested, then, that these differences will affect how performance is measured and managed.

Recent research into performance measurement highlights the difference between performance measurement and performance management. It is recognised that there is a need to move from performance measurement, as a means of control, to more integrated and holistic approaches that link measures to the individual firm's strategy and that provide relevant information to managers. This information should help managers to know how well the business is going, as well as guide them in knowing what to do next. A rigorous review of the literature has identified numerous integrated and holistic approaches to business performance but only five of these approaches addressed performance in terms of the key dimensions of drivers and results. These five performance measurement/management frameworks were discussed in detail in order to identify their strengths and weaknesses. The critique of these models has provided valuable understandings about performance dimensions and their interrelationships, which will be drawn upon for the development of a performance management framework specifically for small motels. The development of this framework will be presented in Chapter 3.

3. SYNTHESIS OF THE PERFORMANCE MEASUREMENT FRAMEWORKS FOR A CONCEPTUAL PERFORMANCE MEASUREMENT SYSTEM FOR SMALL FIRMS

3.1 Introduction

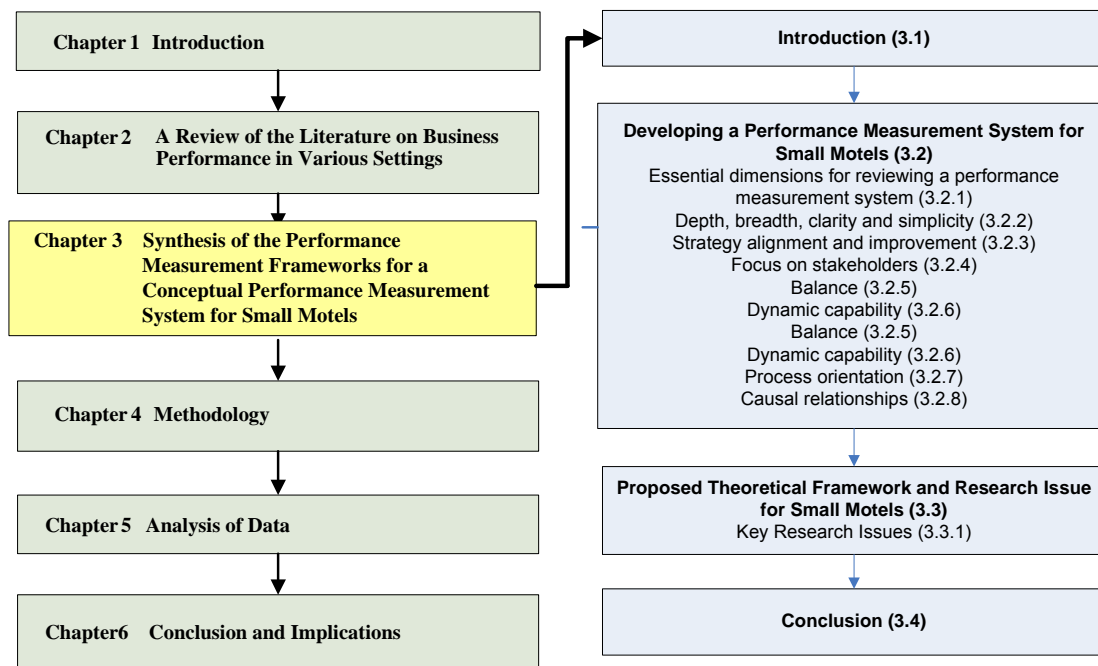
In this Chapter, specific dimensions important to the development of an effective performance measurement system for small businesses are used to build a PMS for small motels. The model proposed is underpinned by the literature in Chapter 2, which initially defined the concepts of business performance and performance measurement and then identified how performance management is different in service industries, and in particular small hospitality firms. Additionally, in Chapter 2 five existing performance measurement models were selected from the literature and explored. These models included two quality award models, the EFQM Excellence Model and MBNQA model, the Balanced Scorecard approach, the Determinants and Results Matrix and the Performance Prism.

In this chapter a PMS model specific to small firms will be developed. To achieve this goal the five models already discussed in Chapter 2 are further examined and will form the basis of the PMS model. Important to this process is the research of Garengo, Biazzo and Bitici (2005), who have undertaken extensive work in the field of business performance. Their review of existing PMS provides a list of several criteria for developing an effective system for small firms. These criteria are central to the model building.

This chapter is comprised of four sections, as illustrated in Figure 3.1. In the first section, a justification for the use of the performance measurement system criteria developed by Garengo et al. (2005) is provided with a full description of their review. The criteria developed by Garengo et al. (2005) are utilised throughout this Chapter as a means of comparing the performance measurement frameworks presented in Chapter 2. Through this critique a model of small firm performance is progressively

built. Next, the full model is presented together with the relevant research issues and propositions. Finally, the chapter concludes with an explanation of how the research issues will be explored and how the model will be refined for small motels with the input from industry experts and small motel operators.

Figure 3-1 Outline of Chapter 3



3.2 Developing a Performance Measurement System for Small Motels

With the improved knowledge of the performance paradigm, it is now understood that small businesses are not simply a smaller version of large firms. Small firms are different from large firms in a number of ways, covering dimensions such as management characteristics, resource utilisation and strategy choices (Keats and Bracker 1988; Chen and Hambrick 1995). The purpose of this research, and specifically this chapter, is to build on this knowledge by developing a model of small motel performance measurement. This performance measurement system (PMS) will not be a single prescriptive template that can necessarily be applied to all small firms. Instead the PMS will be an holistic guide to assist small motel managers to better understand their own operation and how their activities and decisions may impact on

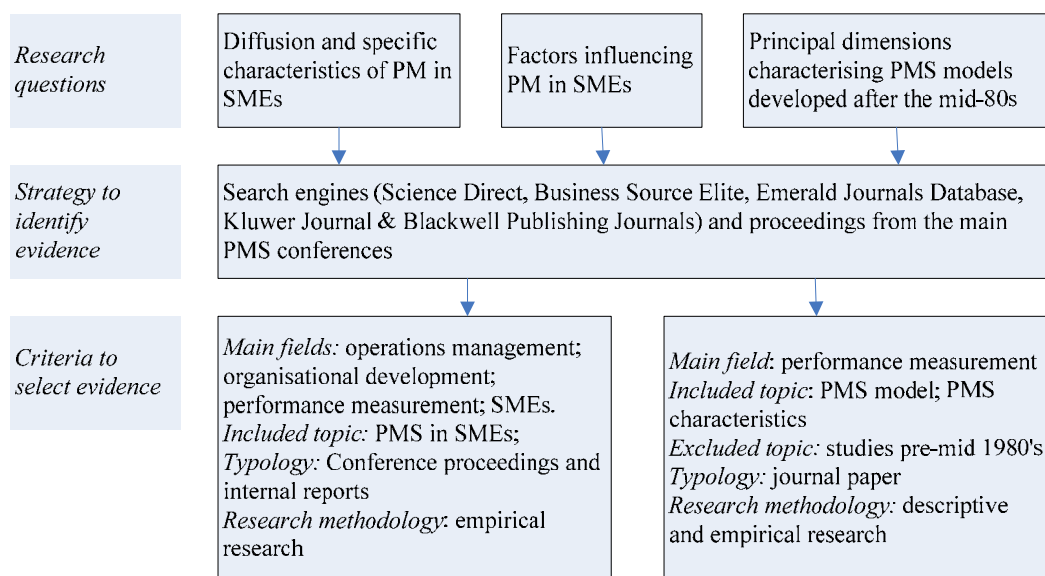
performance outcomes. A key benefit for managers is that this framework will be an important starting point for the interpretation and assessment of their own business.

Performance measurement systems today. Over time, approaches to improve the management of the performance of business enterprises have shifted in their focus. Increasing attention has been paid to systems or paradigms that are multidimensional, balanced and dynamic (Garengo et al., 2005). With the changing uncertainty and complexity of the environment in which firms now operate, managers of small firms have been required to change their management culture. Amid these changes has come the need for managers to focus more on quality and continuous improvement. In an attempt to better support the performance management needs of small business managers, researchers have undertaken rigorous reviews of performance measurement and management approaches with a specific focus on identifying the dimensions of small firm based performance management systems. Of particular interest to this study are recent works by Hudson, Smart and Bourne (2001), Garengo, Biazzo and Bititci (2005) and Pun and White (2005). In these studies the researchers found a number of shortcomings in past approaches for measuring and managing small business performance due to the unique characteristics of small firms, as discussed in Section 2.3.2. The significant difference in the structure and philosophy of small firms affect how they develop and implement performance measurement activities (Hudson, et al., 2001). Resource limitations and the more informal yet dynamic strategy styles of small firms are barriers to PMS implementation. Small firms are exposed to greater external uncertainty and experience greater internal consistency in their actions. As a result, management of uncertainty and innovation of products and services should be central to a PMS for small firms (Garnengo et al., 2005). Because of these restrictions, a PMS needs to be designed so that it does not tax the firm's resources, time and limited expertise. Additionally, the PMS should consider the dynamic and flexible approach required in relation to strategy development and operation (Garengo et al., 2005; Hudson et al., 2001). The many systems designed for large firms are too complex and are not relevant for small firms.

Of these studies, the work by Garengo et al. (2005) entitled – *Performance Measurement Systems in SMEs: A Review for a Research Agenda* provides a valuable insight into the specific needs of PMS for small firms. In this research an extensive

review of the PMS for small firms was undertaken. In this systematic and comprehensive review, several bibliographic databases (Science Direct, Business Source Elite, Emerald Journals, Kluwer Journal & Blackwell Publishing Journals) as well as proceedings from the main *Performance Measurement Systems* conferences were used to gather current data about small firms. Figure 3.2 presents the process employed by Garengo et al. (2005) to identify data on the diffusion and specific characteristics of performance measurement in small and medium sized enterprises (SMEs).

Figure 3-2 **Literature review process employed by Garengo et al. (2005)**



Source: Garengo, Biazzo & Bititci (2005)

As a result of this extensive review, several factors that influence performance measurement in SMEs were described by Garengo et al. (2005) and the main dimensions of the performance measurement models, which were developed after the mid 1980s, were summarised and compared. Overall, Garengo et al. found there is limited research on PMSs in SMEs. However, they were able to identify several key dimensions that characterise contemporary PMSs for SMEs.

Given the experience that these authors bring to this field²; the rigour and comprehensiveness Garengo et al. employed in developing these dimensions; and the

² For example, Bititci has extensive experience in the field and since 1988 has published approximately 100 studies in the field of business management and performance.

currency of this work, a decision was made to utilise a similar approach in the critique of the five models from Chapter 2 in order to build a PMS model for small motels. Therefore, in this chapter the dimensions developed by Garengo et al. (2005) for comparing performance measurement models will be presented as criteria for discussing and comparing the models. The analysis used to build a specific PMS for small motels, is undertaken progressively throughout the chapter.

3.2.1 Essential dimensions for reviewing performance measurement systems

The review of the literature by Garengo et al. resulted in the identification of nine criteria considered important to an effective PMS. The nine dimensions are described in Table 3.1 and include Depth and Breadth; Clarity and Simplicity; Strategy Alignment; Strategy Development; Focus on Stakeholders; Balance: Dynamic Adaptability; Process Orientation; and Causal Relationships. According to Garengo et al., these dimensions are applicable to all firms but need specific modification for small firms, as indicated in the ‘Appropriateness to SMEs’ column in the table.

Table 3-1 **The Main Dimensions of PMS Models for SMEs**

PMS Criteria	Description	Appropriateness to SMEs
1. Depth and Breadth	The breadth of PMS relates to the inclusion of all the organisation’s activities (managerial, operational and support) to provide a holistic assessment of the company’s performance. The depth of a PMS is the level of detail to which performance measures and indicators are applied.	In-depth systems may be difficult for SMEs to implement; therefore SMEs should use PMS that focus on breadth not depth. SMEs need simple models and an integrated approach to management.
2. Clarity and simplicity	Clarity and simplicity are crucial to a PMS for its implementation and use. The PMS should include, clear definition and communication of the objectives; careful selection of the measures to be used; clear definition of measures; clear definition of how to gather and elaborate data; use of relative instead of absolute measures; and definition of how the processed information has to be presented.	SMEs need a simple PMS that can give managers focused, clear and useful information. SMEs lack the resources needed to implement complex models and do not actually need complex models. The number of measures used should be limited yet still maintain the holistic vision.

PMS Criteria	Description	Appropriateness to SMEs
3. Strategy alignment	A PMS must be designed and implemented in accordance with an organisation's business strategy to link the strategy to the objectives of functions, groups of people, individuals, and operational aspects	SMEs generally lack formalised strategy and so an effective PMS should help them to define the business strategy in the first step.
4. Strategy improvement	A PMS should also support the definition, development and evolution of business strategy in order to support continuous improvement.	SMEs often experience difficulty in gathering of data that quantifies the effectiveness and efficiency of its activities. However, such data and analysis is important to assessing whether its strategy is appropriate.
5. Focus on stakeholders	A PMS should assist the organisation to know and monitor the needs, wants and levels of satisfaction of its different stakeholders.	There is a growing focus on the importance of the stakeholder approach to performance measurement in SMEs. However, the approach to assessing stakeholder satisfaction in SMEs must be simple due to their lack of resources.
6. Balance	A PMS should have a balanced approach to measurement. This could include balance between internal and external measures; attention to the results-drivers relationship; and address the nature of the measures (financial and non-financial).	SMEs are characterised by a focus on operational and financial aspects and often only measure the performance of single aspects. SMEs need to increase their strategic managerial approach to align decision-making processes to strategic objectives using a balanced measurement approach.
7. Dynamic adaptability	A PMS should include systems for reviewing measures and objectives that make it possible to adapt the organisation to changes in the internal and external context and to assess an organisation's strategy to support continuous improvement.	External monitoring is rarely carried out in SMEs even though they have to be flexible and react quickly to changes in the competitive environment. SMEs also have trouble distinguishing measures that are useful for the control of the operation and knowing how to use data to implement changes.
8. Process oriented	The PMS should be focused on process related measures as opposed to functional performance measures. Process management is based on the organisation of a firm as a whole set of interconnected activities, which aim to map, improve and align organisational processes.	Since SMEs are small, they have more visible end-to-end business processes, which make process orientation a simpler and less political issue.
9. Causal relationships	A PMS should measure not only the results, but also their determinants and quantify the causal relationship between results and determinants in order to help monitor past actions and the improvement process.	Although understanding these relationships is complex and difficult to quantify, having some knowledge of the factors that affect performance and the relationships between them is important. This understanding provides feedback on the measures used and is useful for improving the processes in SMEs, where incremental changes are preferred over radical changes.

Source: Garengo et al. (2005)

In the following sections (3.2.2 to 3.2.8), in a step-by-step process, each of the five PMS models identified in Chapter 2 are analysed and critiqued according to the nine Garengo et al. (2005) criteria.

Table 3.2 provides a summary of this critique and indicates how each of the five performance models compared against the criteria. In reviewing Table 3.2 it can be seen that the models meet the criteria in varying ways. Of all the models the Performance Prism is the only one that addresses all nine dimensions. This model and the contribution of the other models to small firm performance measurement are assessed. The discussion of each of these criteria commences with the first and second dimensions - *depth and breadth* and *clarity and simplicity*.

Table 3-2 A summary of the five performance models against the nine dimensions of PMS models (Garengo et al. 2005)

PMS Criteria	Results and Determinants Matrix	Performance Prism	Balanced Scorecard	EFQM Excellence Model	MBNQA
Depth & Breadth	Yes	Yes	Yes	No	No
	Yes	Yes	Yes	Yes	Yes
Clarity and Simplicity	No	Yes	No	Yes	Yes
Strategy alignment	Yes	Yes	Yes	No	No
Strategy improvement	Yes	Yes	Yes	No	No
Focus on stakeholders	No	Yes	No	Partial	No
Balance: Internal & external Financial & non-financial	Yes	Yes	Yes	Yes	Partial
	Yes	Yes	Yes	Yes	Yes
Dynamic adaptability	Yes	Yes	No	No	No
Process oriented	No	Yes	Partial	Partial	Partial
Causal relationships	Yes	Yes	Yes	Partial	Partial

3.2.2 Depth, breadth, clarity and simplicity

Depth and breadth. As already indicated in Table 3.1, breadth is important to ensuring that all of the firm's activities (managerial, operational and support) are included in an holistic assessment of the business's performance. With analysis it is apparent that all the five PMS have breadth. However, only the Results and Determinants Matrix, the Performance Prism and the Balanced Scorecard have depth. Although, depth (which is the level of detail to which performance measures and indicators are applied) is important, it is not as paramount as breadth. 'A big company needs in-depth systems that 'go down' to the level of the single operational department' (Garengo et al., 2005, p. 34). Models such as the Balanced Scorecard, the Results and Determinants Matrix and the Performance Pyramid support in-depth measurement processes, yet these models are difficult to implement in small firms. Furthermore, given that small firms have simpler structures and processes compared to large firms it is argued that the need for depth is mitigated and, therefore, small firms should use a PMS that focuses on breadth, not depth. Based on this view, the EFQM Excellence Model and MBNQA models are better for small firms.

Clarity and simplicity. Additionally, the clarity and simplicity of a PMS are of crucial importance for its successful implementation and use. According to Garengo et al. (2005), managers of small firms need a simple PMS that can give clear, focused and useful direction for they lack the resources needed to implement sophisticated and complex PMSs. Therefore, the number of measures used in a small firm should be limited. Nonetheless, the need to make a PMS simple and easy to use should not threaten the completeness of a system. Merely reducing the number of measures used in a large firm for a small firm would not maintain the holistic vision of the performance architecture. Close study of the five PMS models indicate that both the Results and Determinants Matrix and the Balanced Scorecard lack simplicity and clarity and may be too complex for small firms to utilise. Whereas, the remaining three models – the Performance Prism, the EFQM model and the MBNQA model are more suitable because they are not so complex.

Although at this stage some models appear to be more suitable for small firms than others, a critique using the remaining seven criteria is important to ensure that all

dimensions, which may be useful to a small firm PMS, are examined for completeness. Therefore, the following section will consider the two strategy criteria of *strategy alignment* and *strategy improvement*.

3.2.3 Strategy alignment and improvement

As outlined in Table 3.1, the strategy dimensions are concerned with the *alignment of strategy* (Criterion 3) with the operational aspects of the firm and *strategy improvement* (Criterion 4). In this discussion strategy is defined as the means by which a firm competes and attempts to achieve its goal within an industry (Miles, Covin & Heeley, 2000). It is a set of considered objectives as well as a plan for how to achieve the objectives (Woods and Joyce 2003). It includes an explicit set of goals and functional policies. The goals and policies align the firm's strengths and weaknesses with the external opportunities and threats. As both the environment and the firm's own capabilities change over time, strategy is a means of maintaining a dynamic balance (Porter, 1991). Within the *alignment of strategy* criterion the strategy dimensions include links with both the objectives of the function and the people, who include owners, employees and customers and other stakeholders. The *strategy improvement* criterion highlights the importance of the evolution of business strategy to support continuous improvement activities in the firm. Analysis shows that the models vary in the way they address each of the strategy dimensions, as illustrated in Table 3.3.

Strong strategy focused models. In the Results and Determinants Matrix, Fitzgerald et al. (1991) employ a 'contingency theory' approach to the development of strategy and how it is aligned to operational aspects. In this approach strategy varies according to service business type (professional, mass and service shop). There is a close link to the performance measures used and the determination of management information systems, which vary according to the chosen strategy. For example, strategic intentions of a firm are dependent on the competitive environment in which it operates and the kind of service it provides. Businesses that differentiate themselves on the basis of a service quality driven strategy employ measures to align with this strategy and monitor and control service quality accordingly. Alternatively,

a firm competing on price focuses on measuring their resource usage and cost controls. These strategies are similar to the typologies developed by Porter (1991).

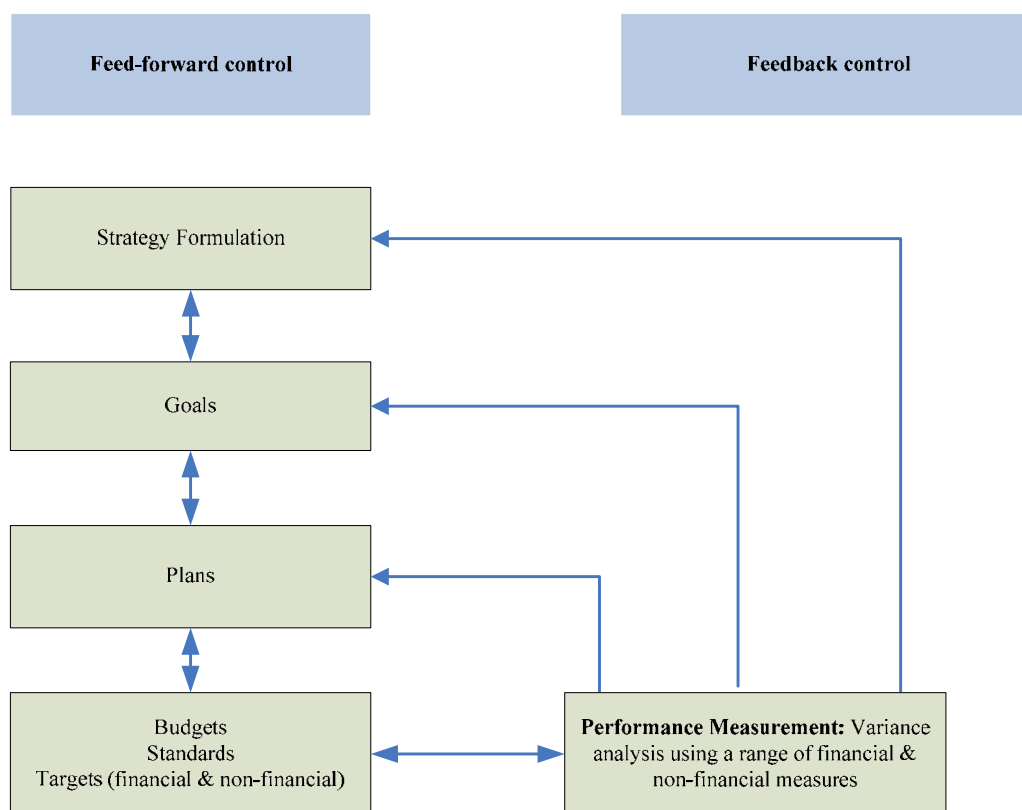
Table 3-3 A comparison of strategy dimensions in each model

Model	Strategy Alignment	Strategy Improvement
Results and Determinants Matrix	Yes. A contingency theory approach is employed to ensure that performance measures selected by any service-based business are based on and aligned with the strategic intentions of the firm, which should be dependent on the competitive environment in which it operates and the kind of service it provides.	Yes. Continuous improvement is based on a feed-forward and feedback process. In this process the analysis of information should inform the strategy development and in turn plans, budgets, standards and targets should be aligned with strategy.
Performance Prism	Yes. Strategy alignment is present. In this model it is believed that performance measures should not be derived from strategy but from stakeholder wants and needs, which then determine strategy.	Yes. Strategy improvement is present. Strategy is one of the facets and ongoing improvement is evident.
EFQM Excellence Model (SME criteria)	No. The model is a self-assessment or audit tool, which reviews and measures what is already happening and is not a 'how to' model for aligning strategy to operational and functional aspects for the firm. Instead the strategy and planning criteria merely provide a checklist regarding the sources of information used to formulate plans and to communicate and implement the plans.	No. Does not provide a system for strategy improvement. Mention is made in the checklist of the importance of the update and improvement of the plans.
MBNQA	No. Similar to the EFQM model, the MBNQA model is a self-assessment tool and does not indicate how a firm should align strategy to firm activities.	No. Does not indicate how to review strategy for ongoing improvement.
Balanced Scorecard	Yes. This approach is well designed for strategy implementation. In fact, the framework can be used to specifically interpret a firm's strategic direction, using strategy mapping, into a range of performance measures across the four perspectives of financial, customer, internal and learning and growth. The process for making this linkage is called 'strategy mapping'.	Yes. A strategy map indicates the essential elements of the operation and their linkages for a firm's strategy and how to monitor for improvement.

It is the way in which the matrix aligns strategy to operational aspects that differentiates it from the other four models. In the matrix, strategy is aligned, not to functions and people, but to the determinant dimensions of quality of service,

flexibility, resource utilisation and innovation, which are difficult to define. Despite its complex approach to strategy alignment, the Results and Determinants matrix supports continuous improvement activities and Figure 3.3 illustrates how in the Matrix strategy is aligned to its operations via a feedback and feed-forward loop. In this diagram both financial and non-financial information is used to measure variations in performance. These measures are used to provide information to assess the alignment of strategy to its activities, using feed-forward control to develop plans, budgets, standards and targets. However, the interaction between each of the components is questioned. For example, it is not a convincing argument that goals effect strategy formulation and that strategy formulation affects goals, as strategy formulation involves goal, development, planning, budgeting and target setting.

Figure 3-3 **Feed-forward and feedback control model**

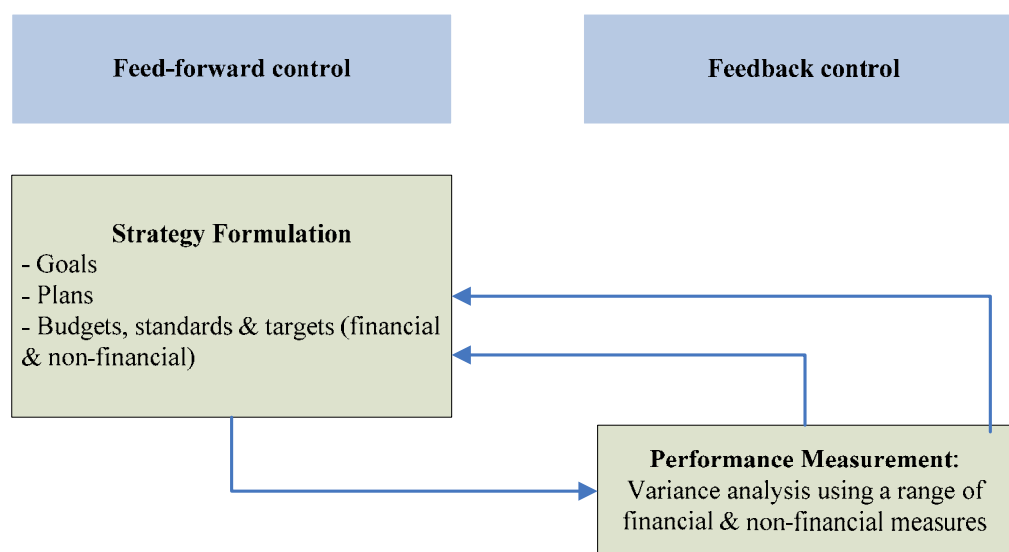


Source: Brignall & Ballantine's modification of the Fitzgerald et al model (1991).

Based on the definition of strategy (Miles, Covin & Heeley, 2000; Woods & Joyce, 2003; Porter, 1991), it is logical for goals, plans and budgets, standards and targets to be dimensions of strategy formulation and therefore the feedback and feed-forward

control would look more like the illustration in Figure 3.4. In this modified figure the feedback control (as shown in Figure 3.3) is also employed via analysis of variations over time and the use of a range of financial and non-financial measures. The need for information varies according to the level of management and the stage of the decision-making process. For example, information from outcomes can be used for diagnosis of the firm's progress towards the business goals; assessment of the value of the strategy or for improved management control.

Figure 3-4 **Modification of the feed-forward and feedback control model**



In considering the next model - the Balanced Scorecard approach, it is noted that it is well designed for strategy alignment and implementation. In fact, the framework has been used to specifically interpret a firm's strategic direction by employing a range of performance measures across the critical elements of the four perspectives of financial, customer, internal and learning and growth. The process for making this linkage is called 'strategy mapping' and consists of - Clarifying and translating vision and strategy; Communicating and linking strategic objectives and measures; Planning, setting targets, and aligning strategic initiatives; and Enhancing strategic feedback and learning (Kaplan & Norton, 2001a).

The essential component of the strategy maps is the type of strategy adopted by the firm. For example, from the financial perspective, a revenue growth strategy will have two key components, namely, to build the business with revenue from new

markets, new customers, new products; and increased sales to existing customers through improved relationships. Once the type of strategy is defined the organisation implements or aligns activities across each of the perspectives to achieve their goals.

The continuous improvement aspect is achieved by identifying measures within the strategy mapping process and across the four perspectives. These measures are linked to the strategy so that the balanced scorecards for any organisation reflect the strategy. Although the strategy mapping process³ is a key means of ensuring strategy alignment and improvement, this process is complex and may be too onerous for small business operators who, without support, may not fully understand the relationships between the various perspectives and the most appropriate measures to apply. Despite its strength as a strategy implementation tool for large businesses, it is not focused on determining strategy and is most likely too complex for small firms (Zinger, 2002).

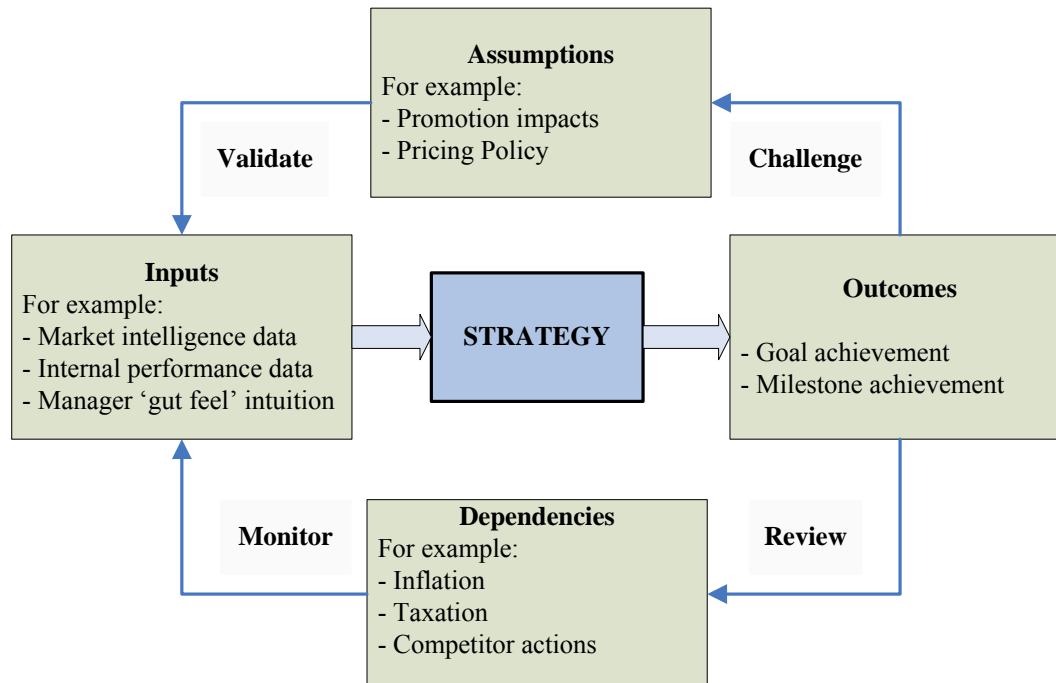
The Performance Prism, as developed by Neely et al. (2002), has a strategy facet that addresses the dimensions of strategy alignment and improvement. In this system the strategy exists to deliver value to the stakeholders. Therefore, the strategy facet of the prism asks – ‘What are the strategies we require to ensure the wants and needs of our stakeholders are satisfied?’ In the prism, strategic success occurs if the organisation’s processes are aligned with its strategy and the capabilities that are needed to operate the processes are obtained.

As shown in Figure 3.5 continuous improvement is demonstrated not only by identifying the right measures to track whether the strategy has been implemented but also by using the measures to challenge assumptions about the strategies. Managers may not always develop and implement the right strategies; therefore by using outcome measures in an ongoing manner, strategies relating to such aspects as pricing policies and product introductions can be challenged. At the same time, dependencies such as taxation and competitor actions can be reviewed in order to validate and monitor the inputs (for instance, market intelligence data and ‘gut feel’ intuition) that

³ The strategy mapping process is presented in Section 3.2.8 with a discussion of the causal relationships between drivers and results.

determine the strategies. In this cyclic process, strategy is continually monitored and refined to ensure desired outcomes are achieved.

Figure 3-5 **The role of measurement in strategy creation and alignment**



Source: Neely et al. (2002)

Models with a poor strategy focus. The EFQM model is process and operationally centred and therefore provides little information about strategy making. This model is more of an assessment tool and is focused on past and current activities and processes. With the strategy and planning criteria presented as a static auditing tool it is more appropriate for operational reporting than for creating a dynamic interplay with business strategy (Mc Adam and Bailie 2002). Essentially, the EFQM model principle is that leadership drives policy and strategy, people, partnerships and resources and processes. In this model the components of the strategy and planning criteria are described and include; the identification of relevant information, communication of the plan to all the people in the organisation and review of performance against the plan for strategy improvement. The lack of focus on strategy making is seen as a weakness (Leonard and Mc Adam 2002). Evidence has been provided to indicate that the model is largely used by businesses at the operational and tactical levels rather than the strategic level. Therefore, the model is not viewed as a strategic driver (Leonard & Mc Adam, 2002). Even the EFQM supporters recognise

that further development of the EFQM model is required, particularly if the goal is to identify the appropriate strategic priorities for the firm (Andersen, Lawrie et al. 2000). Therefore, alternative or supplementary methods need to be pursued by managers if strategy is to be developed. Anderson (2001) specifically recommends a combination of the EFQM and the Balanced Scorecard approach to ensure that strategy and forward planning is addressed.

Like the EFQM model, the MBNQA model shows that leadership provides the driving forces for creating values, goals and systems in order to provide customer satisfaction. Again, the MBNQA model is more of an internal assessment tool, which highlights that strategy is one of the dimensions that should be controlled by management. The MBNQA model does not provide any direction with regard to 'how to' align strategy with the organisational activities and performance measures nor how strategy should be developed and reviewed for continuous improvement purposes.

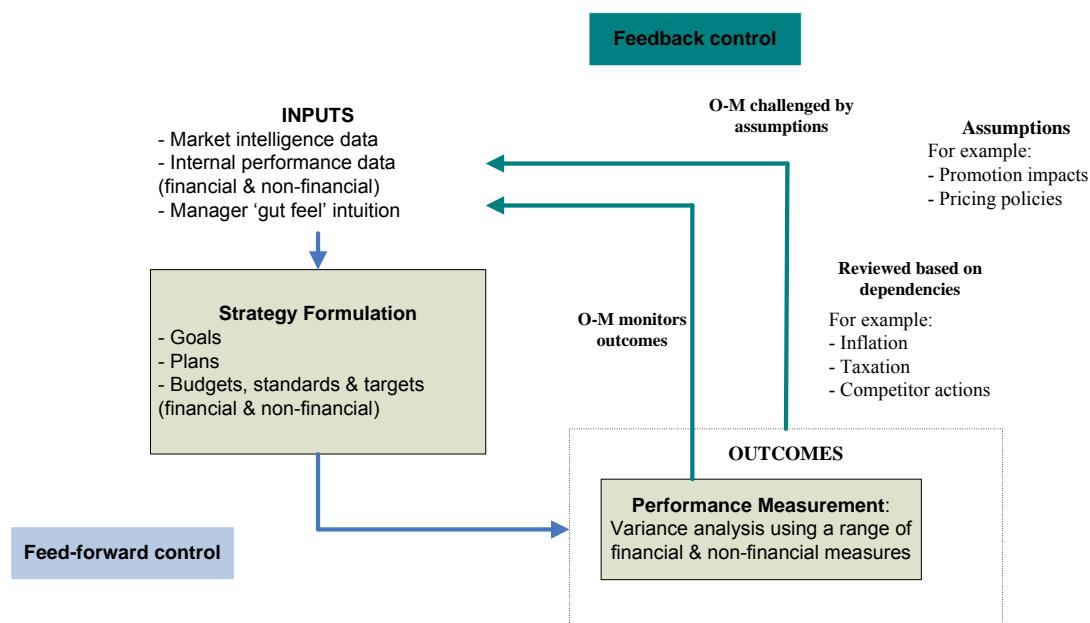
Applying strategy alignment and improvement to the development of a PMS for small motels. In summary, the strategy dimensions of the model vary. Both the MBNQA and the EFQM models merely identify the dimensions of strategy by highlighting the generic activities that should be addressed rather than providing guidance to managers on how to align operational, functional and people activities with strategy or how to employ a continuous improvement process to review strategy and tactical activities.

The Determinants and Results Matrix and the Balanced Scorecard have a contingency theory approach to strategy development and performance measurement where the type of strategy, which is dependent on a number of environmental and contextual factors, determines the operational activities, the data collection and type of measures employed. In these two models strategy alignment and continuous improvement are fully addressed. However, the Balanced Scorecard has been developed for large firms, and as such is complex and difficult to understand. Implementing strategy mapping in a small firm would require expertise that may not be available.

Finally, the Performance Prism is geared to assisting managers to undertake strategy improvement and to address strategy alignment. The main difference between this model and others is the emphasis it places on the stakeholders as the drivers of the measures employed in a firm and not the strategy making by managers.

When considering the strategy component of a PMS model for small motels the Performance Prism, and Results and Determinants matrix are considered to be the most appropriate. As small firms have limited financial and human resources to align strategy and implement an improvement approach to strategy formulation a PMS for them should address the strategy component in such a way that it is simple to understand and use. The Performance Prism and the Results and Determinants matrix generally meet these requirements. Considering these needs, Figure 3.6 is designed to demonstrate the strategy based dimensions of alignment and continuous improvement as illustrated in the Results and Determinants matrix and the Performance Prism and how they can be employed in a PMS for small motels.

Figure 3-6 **The interplay between strategy formulation, feedback, feed-forward via performance measurement for continuous improvement in small motels**



The importance of helping small firms to formulate and refine strategy in the first instance is stressed. The key roles of the owner-manager in determining strategy through assumptions and decision-making are highlighted, given that they are the key

decision-makers. In this part of the framework (as illustrated in Figure 3.6) the owner-manager drives the process of strategy formulation using feedback provided by the measure *outcomes*, using a range of financial and non-financial measures. Monitoring and review of outcomes should be utilised together with other information *inputs* (for example, market intelligence and gut feel) to refine and improve existing strategies and develop new ones if necessary. Of course strategy formulation is *dependent* on external factors, such as inflation and taxation. Figure 3.6 represents a cycle of on-going alignment, implementation, monitoring and review of internal and external factors and how they impact on strategy formulation.

As little information is available about how strategy formulation and improvement is carried out in small motels and who is involved, a study of high performing small motels may provide valuable information, as these firms are most likely to exhibit good practices in performance management. To explore these firms a number of research issues should be addressed in relation to strategy formulation. These issues relate to identifying how personal goals of the owner-manager affect strategy formulation. They also consider the lack of understanding about how these operators manage the strategy formulation process and what key measures they use to inform continuous improvement. The research issue and associated propositions are listed as follows.

Key Research Issue 1: How is strategy formulated, aligned, implemented and reviewed in high performing small motels?

Proposition 1.1 The type of business strategies employed by high performing small motels is formulated by a combination of both the owner-manager's personal and business aspirations and stakeholder feedback.

Proposition 1.2 The owner-managers of high performing small motels take complete responsibility for implementing the business strategies.

Proposition 1.3 The owner-managers of high performing small motels employ only a few simple measures to monitor the appropriateness of strategy and to assess goal attainment.

3.2.4 Focus on stakeholders

The fifth dimension in developing a PMS model is the focus on stakeholders. The role of stakeholders is debated in the literature; however, there is overall agreement that stakeholder management is linked to performance (Donaldson and Preston 1995). In practice in large firms the management of stakeholders is undertaken by the CEO or management team and its shareholders, whilst in small firms it is the owner-manager or entrepreneur. However, who the stakeholders are is not clear. Garengo et al. (2005) describe the stakeholders in broader terms. Their broad view of stakeholders is the groups of people who influence or who are affected by the accomplishment of an organisation's goals. In this case a small firm's stakeholders could include customers, employees, suppliers, investors, alliance partners and the community. Given the influence that stakeholders can have on firm performance, Garengo et al. believe that a PMS should help the small firm know and monitor the needs, wants and levels of satisfaction of its different stakeholders. One of the complexities of stakeholder management is the task of monitoring needs and satisfactions as they vary from stakeholder to stakeholder. Different views exist on how to manage stakeholders (Freeman 1984; Donaldson and Preston 1995; Sharma, Chrisman and Chua 1997) and the role they play in business planning and operations. For example, Rowley (1997) argues that a stakeholder has some form of capital invested in the firm and therefore is at risk if the firm does not perform well. Some of the more recent models, such as the Performance Prism, focus on stakeholders' needs rather than business strategy as the starting point in PMS design. The first facet of the prism asks: 'Who are the important stakeholders and what do they want and need?' Yet, of the five models reviewed in this study, the Performance Prism is the only model that has a true stakeholder focus. A comparison of the models and their stakeholders is presented in Table 3.4.

As indicated, the Balanced Scorecard does not specifically address the various stakeholders' contributions, such as employees and suppliers (Pun & White, 2005). It also fails to mention suppliers, intermediaries, alliances, regulators or the local community. As it is mostly geared to large firms it provides the top management level with an overall view of performance. Although it looks to the shareholders' needs in the financial perspective and customer satisfaction in the customer

perspective, it fails to specify a user-centred development process. Similarly, the Results and Determinants Framework only considers customer goals and satisfaction. Rather than stakeholders, its focus is on the drivers (quality, flexibility, resource utilisation and innovation) and how they determine the competitiveness and financial results.

Table 3-4 **A comparison of the stakeholder focus in each model**

Model	Stakeholder focus
Results and Determinants Framework	No. Only considers customer goals and satisfaction.
Performance Prism	Yes. Has a strong focus on stakeholders. The first facet of the prism asks: ‘Who are the important stakeholders and what do they want and need? In this model the stakeholders are the starting point to performance measurement activities rather than the business strategy.
EFQM	Partial. The Results criteria indicate that the needs and satisfaction of management, employees and society are viewed as important. Results include - employee satisfaction, customer satisfaction and community impact. The enabler criteria merely recognise Leadership - vision development and People Management - knowledge and competencies.
MBNQA	No. Similar to EFQM this model gives maximum focus to customer satisfaction results. But unlike the EFQM model it does not consider the impact on society nor employee satisfaction nor indicates how to monitor stakeholders.
Balanced Scorecard	Partial. Only top management direct and monitor performance and only the needs and satisfaction of the shareholders and customers are considered.

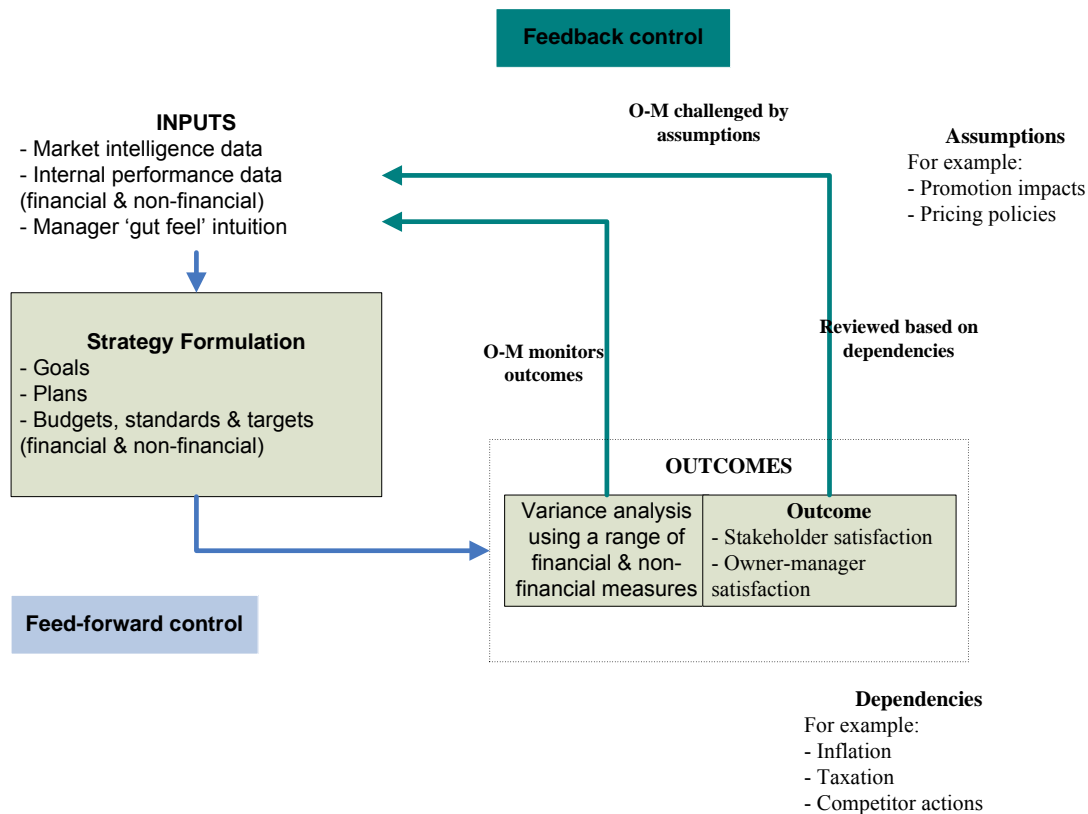
The quality award models (EFQM and MBNQA) are similar in that they provide some self-assessment of different satisfaction levels. The EFQM model addresses the stakeholders more broadly and includes customer satisfaction, people (employee) satisfaction, and an ‘impact on society’ result, which considers the satisfaction of the broader community. However, neither model indicates ‘how to’ gather views on the needs, wants or satisfaction of their stakeholders and others (such as partners, suppliers and investors). The leadership enabler in these models, as opposed to the firm’s stakeholder’s wants and needs, is positioned as the key driver of business performance.

Consideration of the role that stakeholders play in strategy formulation, alignment and review in small motels. It is apparent from this analysis that the

Performance Prism model best demonstrates the importance of the stakeholders to performance management. Unlike the other models, the Performance Prism highlights not only the key role of the owner-manager as the principle decision-maker but also the importance of the internal and external stakeholders in determining strategy. In recent years, there has been an increase in focus on stakeholders as a more critical orientation for strategy formulation. ‘This means that strategy and organisation need to be aligned to maximise stakeholder satisfaction’ (Garengo et al., 2005, p. 40). As a number of small firms are family owned and operated, the role of stakeholders in small firms has an added complexity. Competing pressure of the family, the business and the owner’s interests need to be considered (Ibrahim, McGuire and Soufani 2004). Furthermore, small firm related research of stakeholder theory suggest that the owner-manager, as the key investor and decision maker is the principle stakeholder who is in the centre of the stakeholder network (Robson and Robson 1996; Rowley 1997). To better understand how the stakeholders should play a part in the management of the performance of small motels, Figure 3.6, which was presented earlier, has been modified as illustrated in Figure 3.7. The addition of stakeholder satisfaction to this figure along with the owner-manager satisfaction (personal and business goal achievement), as key outcomes, provide feedback of the owner-manager who drives the process of strategy formulation.

Generally, the stakeholders provide crucial feedback about the firm’s activities, which have been identified via the financial and operational measures put in place by the owner-manager. Figure 3.7 represents a cycle of on-going implementation and review of strategy formulation, as driven by the owner-manager with the stakeholders’ feedback (both internal and external). It has also been noted that when gathering information on stakeholders, limited resources restrict a small firm, therefore, this should be considered in a PMS for small motels. Also, the importance of various stakeholders may change over time and from firm to firm. Based on what we know about small firm management, it is most likely that much of the feedback gathering processes would be informal.

Figure 3-7 The alignment between strategy formulation, internal organisation and stakeholder satisfaction



As this research is focused on small motels, information about their key stakeholders is needed. Presently, it is not widely understood how they play a role in strategy formulation and feed-forward and feedback processes in high performing small motels. Therefore, the following research issues build on those proposed in section 3.2.3 and need to be explored in relation to strategy formulation and performance measurement.

Key Research Issue 2: *How are stakeholders involved in strategy formulation, implementation and review in high performing small motels?*

Proposition 2.1: *The type of key stakeholders will vary among small motels according to size, location and ownership.*

Proposition 2.2: *The stakeholder's needs, wants and satisfaction will be identified in high performing small motels in an informal manner.*

3.2.5 Balance

In their explorations of the main dimensions of PMSs for SMEs, Garengo et al. conclude that all models developed after the mid 1980s are more balanced. *Balance* has been interpreted in different ways to include balance between internal and external measures, attending to the results – drivers relationship; or balancing different perspectives of the firm based on the nature of the measures (non-financial and financial). In criterion six (Garengo et al., 2005), a balanced PMS is defined as one that ‘adopts different perspectives of analysis and manages them in a co-ordinated way’ (p. 32).

A critique of the five models against the balance criterion was undertaken and considered the balance of internal and external measures together with a balance of financial and non-financial measures. A summary of the findings is presented in Table 3.5 and highlights that overall the models have a balanced approach to measurement.

Table 3-5 **A summary of a balanced approach to measurement across the five performance models**

PMS Criteria	Results and Determinants Matrix	Performance Prism	Balanced Scorecard	EFQM Excellence Model	MBNQA
Balance Internal/external	Yes	Yes	Yes	Yes	Partial
Financial/non-financial	Yes	Yes	Yes	Yes	Yes

The quality awards models. An analysis of the EFQM and MBNQA models highlights that the ‘results’ criteria recognises a balance of measures. Non-financial results, such as satisfaction and impact in relation to employees, customers and society, are important to and impact on the ‘bottom-line’ financial results and core organisational objectives. These operational or non-financial performance results are seen as directly affecting the business or financial results of sales revenue, profit and cash flow. The EFQM model has recognised the importance of financial outcomes since its inception but the MBNQA model only included financial performance in recent years. The EFQM model also has a stronger focus on internal and external objects of measure than the MBNQA model. For example, the internal operational

measures of number of customer complaints, staff absenteeism and turnover as well as the external measures of community perception are seen to be important. However, as these models are self-assessment models, they merely provide criteria relating to a balanced approach to performance measurement and do not indicate the importance of measures nor how relevant measures (external-internal and financial-non-financial) should be identified and implemented in individual firms. Nor is there direction on how to include the measure in a feedback and review process.

Kaplan and Norton's Balanced Scorecard is well known for addressing the need for a balance between financial and non-financial measures (Neely, Adams and Crowe, 2001). In this framework, Kaplan and Norton have attempted to provide broad measures or outputs for each of the four perspectives. The three perspectives of customer, internal and learning and growth strongly emphasise the importance of non-financial measures of performance, while the financial perspective addresses the financial measures. Kaplan and Norton (1996) point out that these dimensions are a mix of lagging and leading indicators that should be integrated to achieve the firm's strategy and the final economic goals of the organisation. The various measures or descriptors are not generic to all firms but vary from case study to case study. Similar to the EFQM model, the Balanced Scorecard approach defines performance using both business performance and operational performance variables. The financial perspective is explained by profitability and productivity. The operational or non-financial performance is explained via terms such as quality, innovation and competency within the customer perspective, the internal perspective and the learning and growth perspective, which can be focused on both external and internal measures. Table 3.6 presents an example of the balanced approach to performance measurement in a manufacturing firm across all four perspectives.

It can be seen in this table that in each of the perspectives a firm makes decisions about the goals it wishes to attain and the various financial and non-financial measures which best assess whether the goals are achieved. The information for these measures is drawn from both internal (employees and customers) and external (market intelligence) sources.

Table 3-6 **A manufacturing firm's Balanced Scorecard**

Perspective	Goal	Measures
Financial Perspective	Survive	Cash flow
	Succeed	Quarterly sales growth & operating income
Customer Perspective	Prosper	Increased market share & ROE
	New product	Percent of sales from new products
Internal Business Perspective	Responsive supply	On-time delivery
	Preferred supplier	Share of key accounts purchases
Innovation and Learning Perspective	Customer partnership	Number of cooperative efforts
	Technology capability	Manufacturing ability vs. competition
	Manufacturing excellence	Cycle time; unit cost & yield
	Design productivity	Efficiency
	New product introduction	Actual introduction schedule vs. plan
	Technology leadership	Time to develop next generation
	Manufacturing learning	Process time to maturity
	Product focus	Percent of product that equal 80% sales
	Time to market	New product introduction vs. competition

Source: Kaplan and Norton, 1992

Despite the emphasis on a balanced approach, Pun and White (2005) believe that the Balanced Scorecard has some deficiencies. The first deficiency is that it does not consider satisfaction of all stakeholders (the main emphasis is on customers). Secondly the Balanced Scorecard does not provide a mechanism for maintaining the relevance of defined measures and thirdly, there is a lack of integration of top level strategic and operational level measures. This last point is not relevant to performance measurement in small firms but having both the knowledge of all stakeholders and the means for identifying relevant measures are important.

In relation to the Results and Determinants framework, Fitzgerald et al. (1991) emphasise that when choosing a range of performance measures it is necessary 'to balance them to ensure that one dimension of performance is not stressed to the excessive detriment of another' (1991, p. 5). By this they mean that some managers may over emphasise short-term profitability to the detriment of longer-term quality upgrade. The intangibility of services can make it difficult to measure but 'soft' measures like customer satisfaction can be as important to competitive advantage as 'hard' measures of profitability. To achieve this balance, Fitzgerald et al. provide several types of measures (both internal and external); these measures are presented in Table 3.7.

Table 3-7 **Performance measures across the six dimensions of the Results and Determinants Matrix**

	Dimensions of Performance	Types of Measures
RESULTS	Competitiveness	Relative market share and position Sales growth Measures of the customer based
	Financial performance	Profitability Liquidity Capital structure Market ratios
DETERMINANTS	Quality of service	Reliability Responsiveness Aesthetics/appearance Cleanliness/tidiness Comfort Friendliness Communication Courtesy Competence Access Availability Security
	Flexibility	Volume flexibility Delivery speed flexibility Specification flexibility
	Resource utilisation	Productivity Efficiency
	Innovation	Performance of the innovation process Performance of individual innovations

Source: Fitzgerald et al. (1991)

The mode of measurement in the matrix is different to the Balanced Scorecard and quality models in that the matrix has explicit measures for the competitiveness and financial results and for the determinants, which are related only to the activities or processes of the firm. It does not include the firm's capabilities (people and resources). Furthermore, this matrix is also different because the determinants largely attempt to address the intangible aspects of the firm's activities. Yet, this matrix does not help to identify the activities of the firm that affect performance. For example, the approach promoted in the matrix cannot help to identify the connection that staff training or the introduction of more advanced computer systems may have on customer satisfaction. Because this PMS does not include the people (customers and human resources) in the determinants dimensions, it cannot give a truly balanced view of performance (Pun & White, 2005). Furthermore, like the Balanced Scorecard, this model also neglects a broader view (or measure) of stakeholder satisfaction.

Similar to the measures employed in the Balanced Scorecard, EFQM, MBNQA and Results and Determinants models, the Performance Prism (Neely et al., 2002) includes measures that are financially and non-financially based as well as derived from internal and external sources. Despite this similarity, this approach has one key difference, which has already been discussed in section 3.2.4. Neely et al. (2002) view performance measurement according to both the stakeholder's and owner-manager's wants and needs. The key focus of the prism is that firms are successful because they deliver desired outcomes to the stakeholders and not merely because they have met goals that satisfy the owners. Therefore, it is emphasised in this PMS that the satisfaction of the stakeholders should be measured in order to track progress. Examples of these measures are presented in Table 3.8 according to each stakeholder and what they desire as well as according to what the organisation wants from each stakeholder relationship.

Table 3-8 **Examples of measures as per the various stakeholders**

Stakeholder	Measures of stakeholder wants and needs	Measures of organisation wants and needs
<i>Investor</i>	Return (share price performance) Reward (level of dividend payments) Figures (organic vs. acquired growth) Faith (level of director share holdings and options)	Capital (share capital owned by target investors) Credit (average cost of capital) Risk (level of provision for liabilities) Support (level of investor churn)
<i>Customer</i>	Fast (on-time execution to request) Right (level of billing errors) Cheap (pricing benchmarks) Easy (call centre responsiveness)	Profit (customer profitability) Growth (average revenue/customer) Opinion (customer perception survey) Trust (% of new business by source)
<i>Employee</i>	Purpose (job satisfaction) Care (level of grievances) Skills (quality of training feedback) Pay (level of performance related pay)	Hands (level of productivity vs. competitors) Hearts (level of absenteeism) Minds (skill inventory vs. plan) Voices (ave. suggestions/employee)
<i>Supplier</i>	Profit (on-time payment) Growth (spend trend) Opinion (perceptions and suggestions) Trust (demand visibility)	Fast (delivery lead times) Right (product/service quality) Cheap (price fluctuations) Easy (forecast/schedule stability)
<i>Community</i>	Jobs (level of new jobs created) Fidelity (level of local capital investment) Integrity (level of charity donations) Wealth (level of local supplier spend)	Image (local media positive coverage) Skills (availability of required skills) Supplies (availability of local suppliers) Support (level of grants or subsidies)

Source: Neely et al. 2002

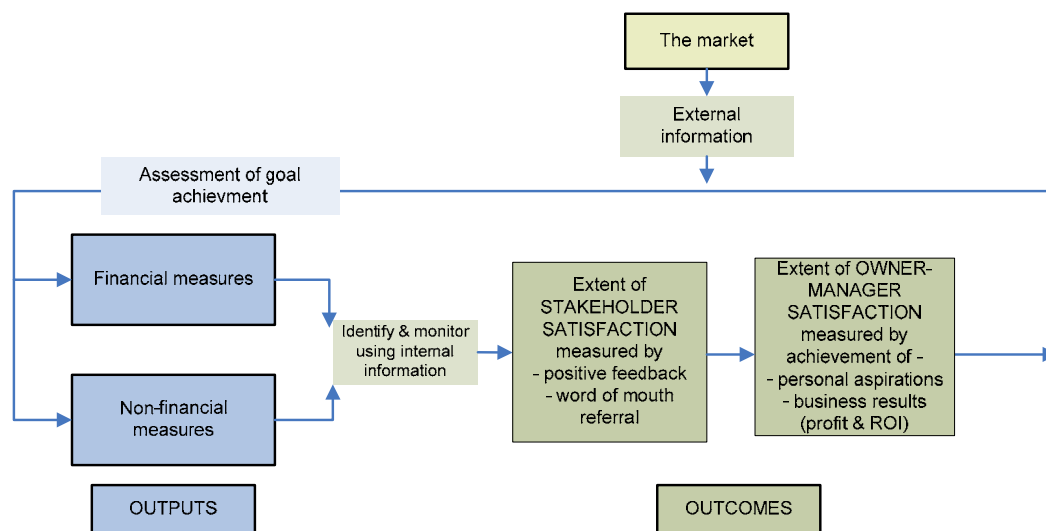
As shown in Table 3.8, it is apparent that most of the investor and supplier (stakeholder and organisation) measures are financial whilst the customer related measures are generally non-financial for the stakeholders and a mix of both financial and non-financial for the firm. The community measures are a mix of measures for both the stakeholder and the organisation.

A summary of the balance of measures. In conclusion, it can be seen that all the five PMS models analysed are generally balanced and show an integrated approach to measuring the whole organisation. All five PMS models highlight, to varying degrees, that the business performance construct needs to address both financial and non-financial outcomes and utilise internal and external sources of performance information. These models provide detailed information on the types of measures available and the sources of information. The focus of most PMS models is to identify measures relating to the firm's capabilities (people and resources) as well as its processes. This focus is important in understanding what drives performance. The lack of consideration for the firm's capabilities was a weakness in the Results and Determinants Matrix. The stakeholder approach to strategy development and performance measurement is a strength of the Performance Prism. A stakeholder approach gives focus to what the firm is attempting to achieve and considers more than just the owner's wants and needs. This approach is particularly relevant to small firms because of their reliance on stakeholders.

Implications of a balanced approach for performance measurement in small motels. When considering small motels it is understood that many of the operators may be in business for lifestyle choices as well as for profit (Boer, Thomas et al. 1997). Therefore, the inclusion of non-financial measures in a PMS is important for identifying satisfaction results. Additionally, the need to meet the needs of all stakeholders, which may include investors and regulators, means that the financial measures for monitoring financial outcomes are paramount as well. With this in mind Figure 3.8 has been developed to illustrate how balanced measures should be a part of a comprehensive PMS. The figure demonstrates that the output measures, that are both financially and non-financially based, are able to identify and monitor stakeholder satisfaction (outcomes), which determines the owner-manager satisfaction. Given that owner-managers are often motivated to operate a motel for

reasons unlike managers in large firms, a focus on understanding the needs (and satisfaction) of the owner-manager, as well as other stakeholders, is central. Information for measurement purposes needs to come from internal sources and the external market. These measures identify and monitor outputs and outcomes, which should then guide the strategy formulation (as highlighted in Section 3.2.4). Of interest to this study are the types of non-financial and the financial measures that are important to monitoring and improving small motel performance and how and where information is sourced for measurement activities.

Figure 3-8 A balanced approach to business performance measurement in small motels



With the development of the above sub-component of the PMS for small motels two research issues emerge which relate to a balanced approach to measurement.

Key Research Issue 3: How is a balanced approach to performance measurement used by high performing small motel operations in assessing stakeholder satisfaction and business results?

Proposition 3.1 *High performing small motels will use specific financial and non-financial measures (with information sourced from stakeholder feedback) on a regular basis to monitor outputs and identify and monitor stakeholder satisfaction.*

Proposition 3.2: High performing small motels will have internal monitoring processes in place to identify and monitor the business results.

3.2.6 Dynamic adaptability

The seventh criterion for building a performance measurement system is *dynamic adaptability*. Garengo et al. (2005) view *dynamic adaptability* as important to ongoing improvement: ‘a performance measurement system should include systems for reviewing measures and objectives that make it possible both to adapt the PMS quickly to the changes in the internal and external contexts, and systematically to assess a company’s strategy in order to support continuous improvement’ (p. 32). Therefore, a dynamic PMS should have an external and internal monitoring and measuring system. In section 3.2.3 the need for monitoring and review was mentioned, but how this should occur was not discussed. The external monitoring system should continuously monitor changes and developments in the external environment, while the internal measuring system continuously monitors changes and developments in the internal environment to put in place warning and action signals (Bititci, Turner et al. 2000). Secondly, a dynamic PMS requires a review system that utilises information provided by the internal and external monitors to decide on internal goals and priorities. An internal deployment method is then needed to deploy the revised objectives and foci to internal processes and activities. In order to develop a performance measurement model for small motels, the comparisons of the five models summarised in Table 3.9 assess whether this criterion has been addressed and if so in what way.

Table 3-9 A comparison of the dynamic adaptability dimension of the five models

Model	Internal control system	External control system	Review mechanism	Deployment system
Results and Determinants Matrix	Yes	Yes	Yes	Yes
Performance Prism	Yes	Yes	Yes	Yes
EFQM Model (SME criteria)	No	No	No	No
MBNQA Model	No	No	No	No
Balanced Scorecard	No	No	No	Limited

The two applied frameworks, the EFQM and the MBNQA models, do not specify control, review nor deployment systems. Because these models were developed as a set of criteria for quality award entrants they have been largely designed as static auditing tools. Any mention of external monitoring is related to the leadership and strategy development components in the EFQM model and the system criteria in the MBNQA model. In each case, these criteria mostly refer to the value of considering external stakeholders and competitors in the assessment of results and strategy design and to employ effective collection of information. In 1999, EFQM recognised the need for a more dynamic review process in their model. As a result, the RADAR framework was introduced to the awards process as an improvement cycle to be linked with the model criteria. RADAR is an acronym for Results, Approach, Deploy, Assess and Review and consists of five components. Despite this change, RADAR generally remains an assessment tool. McAdam and Welsh (2000) mention the lack of systems in the EFQM model for assessing external influences in their study of education institutes. In this study they state that ‘the model gives insufficient recognition of the political environment within which public sector organisations operate and also largely ignored the question of public accountability’ (2000, p. 124). The model also fails to recognise many other dimensions of the external environment such as technological advances, legislative changes and economic trends, which are important to business strategy and performance.

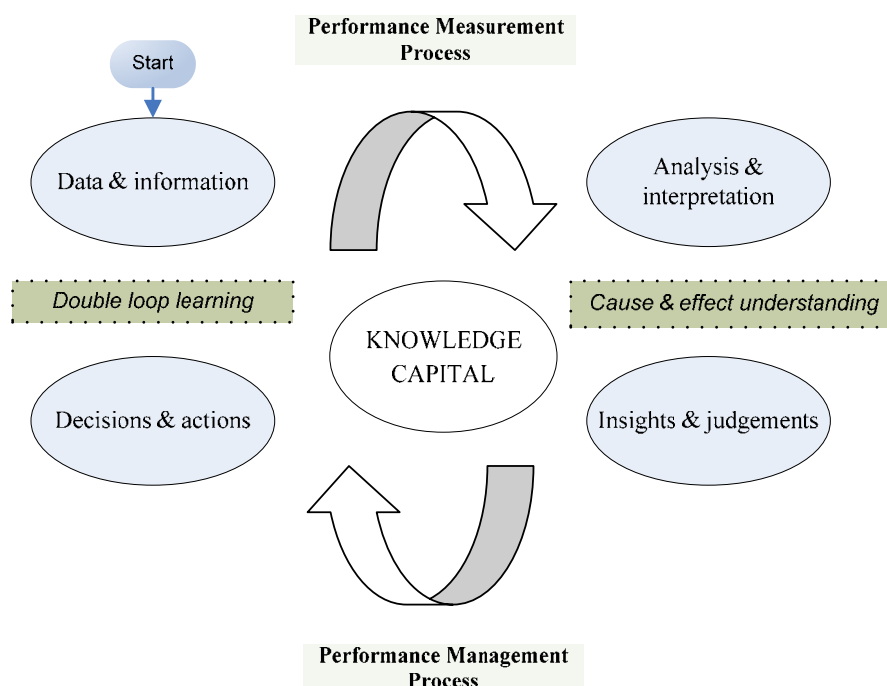
The Balanced Scorecard approach, although more dynamic than the quality award models, does not identify nor indicate how to develop internal and external control systems. Instead, it is implied that in the process of developing strategy, a firm should be aware of external changes. How the Balanced Scorecard (Kaplan and Norton 1996b; 2001) addresses market share, regulatory change, competition and interest rates as environmental considerations is unclear.

The Results and Determinants Matrix has attempted to illustrate the dynamic adaptability of the model (as shown in Figure 3.3 presented earlier in this Chapter). The figure demonstrates the focus on the feed-forward control system delivered via the strategy and the feedback control system delivered by the analysis of variations using a range of financial and non-financial measures. The model also emphasises the need for a range of performance measures that are both competitor-based and

customer-based. Furthermore, Table 3.7 (Section 3.2.5) is a summary of the types of measures across the six dimensions. These measures can be employed to monitor changes in the internal and external environments of service-based firms. An input-process-output model that was also created by Fitzgerald et al. (1991) will be discussed in the next section of this Chapter. The input-process-output model, together with the measures (Table 3.7) and the feed-forward control system (Figure 3.6) represents the internal-external controls and the review and deployment systems required for a PMS to ensure that a firm is engaged in a continuous improvement process.

In explaining the Performance Prism, Neely et al. (2002) stress that merely measuring performance is not enough and that acting on the data generated by the measurement system is needed. The design of the Performance Prism guides managers to make decisions about selecting the most relevant measures to gather data, then to have this analysed and interpreted. A data-decision cycle, as illustrated in Figure 3.9, was developed by Neely et al. (2002) to illustrate the process of creating and applying knowledge capital.

Figure 3-9 The Data to Decisions Cycle



Source: Neely et al., 2002.

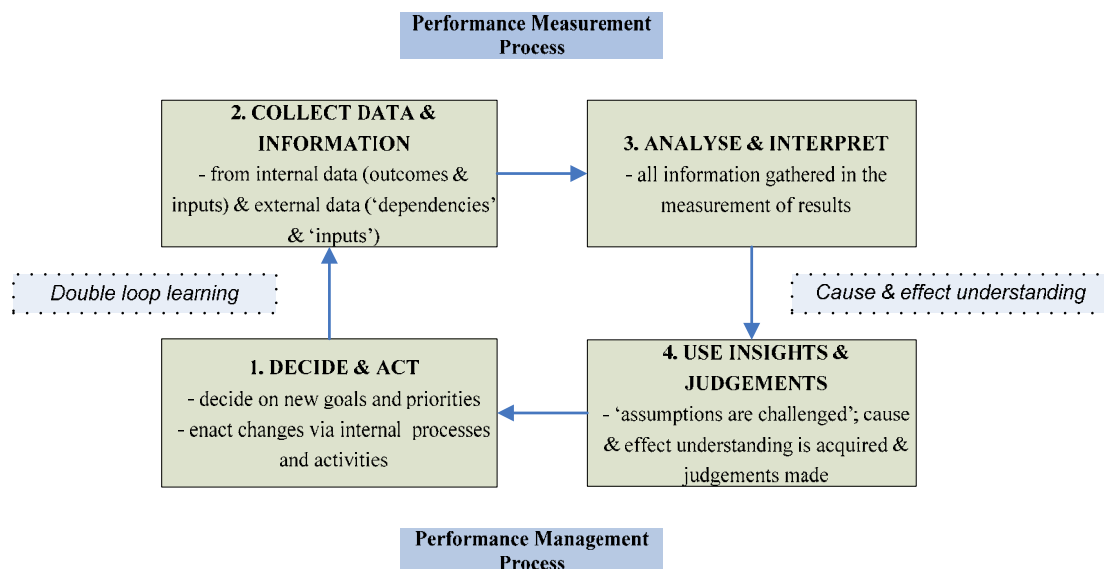
This process begins with data and information collection which should be analysed and interpreted in order to acquire 'cause and effect' understanding. Following the performance measurement process the performance management process commences. In this phase 'insights and judgements' derived from the data analysis are transformed into decision and actions. This cycle is repeated in a 'double loop' learning approach and underpins continuous improvement processes.

Dynamic adaptability in PMSs for small motels. In summary only the Determinants and Results Matrix and the Performance Prism have dynamic adaptability as the quality models are static and the Balanced Scorecard is not explicit about a review process. Therefore, the Determinants and Results matrix and the Performance Prism assist in better understanding what an effective PMS for small motels should include. As highlighted by Garengo et al. (2005), most SMEs have problems identifying measures that are important to the control of the performance. Additionally, many SMEs do not carry out external monitoring, yet networks are important as external sources of information as small firms lack management information systems and expertise within the business (Curran, Jarvis, Blackburn and Black 1993). Social or personal networks are used effectively in successful small and new ventures (Barnir and Smith 2002; McGee and Sawyerr 2003). Therefore, the lack of data gathering for monitoring purposes needs to be addressed in the development of a model for small motels. Figure 3.10 has been developed by drawing on the dynamic adaptability process of the Results and Determinants Matrix and the Performance Prism and the feedback and feed-forward controls for strategy alignment (as shown in Figure 3.7). This figure demonstrates how dynamic adaptability can be interpreted as a system for small motels. This part of the PMS highlights the measurement process of first *deciding and acting* on how to operate the business, followed by the *collection of data and information* from the measurement of internal performance outcomes and inputs, to then *analyse and interpret* this data and to finally *use insights and judgements* (including the challenging of assumptions about policies and activities) for future decisions and plan development. This cyclic process should ensure that small motels adapt quickly to the changes in the internal and external contexts, and that strategies are assessed in order to support continuous

improvement. The process involves double-loop learning, in contrast to single loop learning⁴. Double-loop learning involves questioning the role of the learning systems that underlie actual goals and strategies. *Double-loop* learning occurs when error is detected and corrected in ways that involve the modification of an organisation's underlying norms, policies and objectives (Argyris and Schön, 1974).

Despite the attempts to illustrate dynamic adaptability in a PMS the author is aware that Figure 3.10 is a very simplistic representation of the actions undertaken by managers in the processes of performance measurement and management and that this illustration cannot fully indicate the behaviours and knowledge required.

Figure 3-10 **The dynamic adaptability system**



In the day-to-day operations of a business, managers are confronted regularly with a large amount of information, which can be conflicting and reflective of multiple interests. The evaluation and choice between alternative courses of action is not a straightforward task and depends on the good judgement of the manager. A PMS can only demonstrate and guide the process but cannot give a manager what is usually gained from experience and a willingness to learn.

⁴ Single-loop learning is present when goals, values, processes and strategies are taken for granted. The emphasis is on practices and any reflection is directed toward making the strategy more effective.

A key concern in considering the dynamic adaptability system for small motels is the lack of understanding about the specifics of such a system. Therefore, the research issue emerging from the discussion about the importance of dynamic adaptability in a PMS for small motels is addressed as follows.

Key Research Issue 4: What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?

Proposition 4.1: That high performing small motels will use informal and simple systems to control, review and deploy changes for improvement.

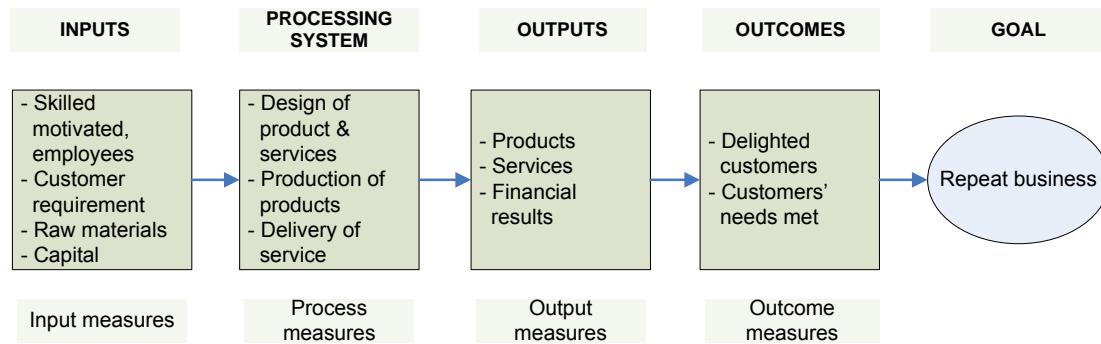
Proposition 4.2: That high performing small motel operators will use their networks and industry knowledge for data gathering to help make informed decisions in regards to managing their enterprise for business improvement.

How small motel operators introduce and maintain continuous improvement activities is not fully understood. Furthermore, whether review systems are employed by high performing motel operators is also unknown yet is important to understanding how good performance management is enacted.

3.2.7 Process orientation

The process orientation dimension is the eighth criterion considered by Garengo et al. (2005) to be important in an effective PMS. Process orientation is defined as an approach to organising a firm so that its organisational processes are aligned and improved using a set of interconnected activities. According to Garvin (1998), processes are defined as a collection of tasks and activities that together transform inputs into outputs. In this study, business processes have been defined as the horizontal flows of materials and information within and across the organisation, as demonstrated in Figure 3.11 (Brown 1996). This figure shows the differentiation between inputs, processes, outcomes and outputs.

Figure 3-11 **Inputs, processes, outputs and outcomes**



Source: Brown, 1996.

In this simple input-output model it is the employees, materials, equipment and capital together with customer requirements that provide input into the processing system to provide the outputs and outcomes as desired by the goals set. This model is recognised for its simple way of demonstrating where processes fit within the internal operations of a firm. However, a drawback of this model is its one-way linearity. In reality the interaction or interconnectedness between the various components may be more complex, with movement backwards and forwards, particularly if working via a trial and error approach to management.

Key elements of a process orientation are process management and process measurement. *Process management* is useful in meeting stakeholder expectations and is concerned with monitoring and controlling the many stages of a process by deciding on the most important measures needed and how the data will be captured and analysed. Ongoing review is needed for monitoring and control of process (Sinclair and Zairi 2000). *Process measures* are measures of the performance of an activity (Sinclair & Zairi, 2000.) and have been studied in various ways, which will be discussed in the following section in a comparison of the five PMS models. Generally, large firms find it difficult to define and manage business processes and, as a result, functional performance measures are employed as opposed to process-related measures. However, in recent years there has been a move by some large firms to use an integrated, process focused approach (Gadd 1995). In the case of SMEs (because of their smaller size) it is generally easier to identify their processes and therefore they are more able to have a process orientation.

Analysis of the process orientation of the selected PMS. A comparison of the five PMS models and their approaches to employing a process orientation is summarised in Table 3.10. In this comparison the aim is to identify which of the models comply with the Garengo et al. (1995) view that a PMS should be focused on process related measures as opposed to functional performance measures. Process management, therefore, should be based on the organisation of a firm as a set of interconnected activities, which map, improve and align organisational processes. Of all the five models, only the Performance Prism has a fully dynamic approach to interlinking processes.

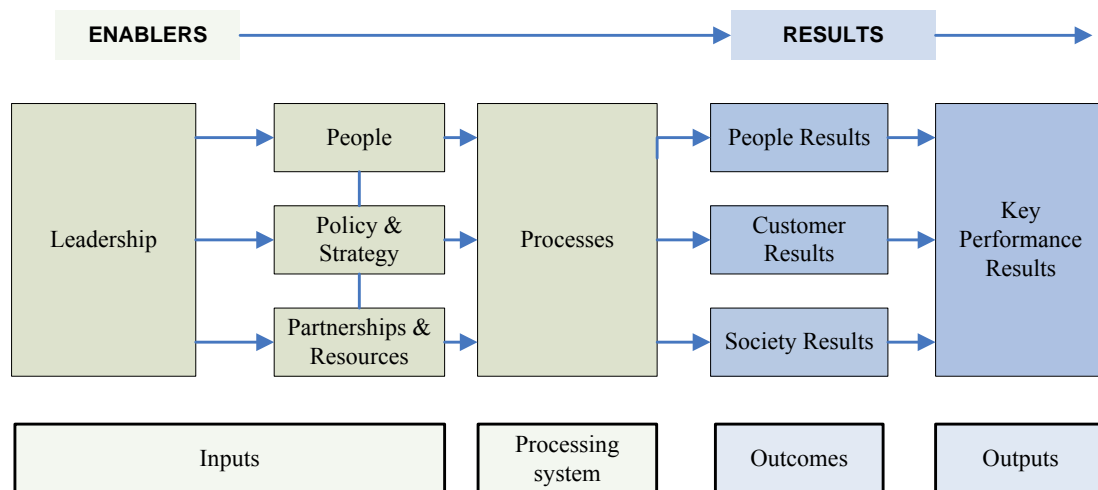
Table 3-10 A comparison of the process orientation dimension of the five models

Model	Process Oriented	How the process orientation is represented
Results and Determinants Matrix	No	Does not consider the whole set of activities. The process orientation is illustrated in several input-process-output models, which indicate how value is created for customers via human and other resources according to each of the determinants.
Performance Prism	Yes	A dynamic approach to interlinking processes with stakeholder needs. Performance measurement is an interlinked system viewed according to a process approach (as one of the five key facets) in order to meet stakeholder needs and wants.
EFQM model (SME criteria)	Partial	Processes are criteria rather than an orientation. A static and generalised approach to performance self-assessment.
MBNQA model	Partial	Similar to the EFQM model this award model presents the process component as a static self-assessment tool, which is more for quality assessment than performance per se.
Balanced Scorecard	Partial	Organisational processes are identified and implemented via the <i>Learning and Growth Perspective</i> and the <i>Internal Perspective</i> and planned in the strategy mapping process.

The EFQM model is process and operationally centred, however, as already discussed, this model is more of an assessment tool and a means to support the identification and review of a firm's processes with a focus on past and current activities and processes, as opposed to planning for the future. *Processes* in this model are described as one of the five 'enabler criteria' and include sub-criteria, which managers should address. For example, it is stated that processes should be systematically designed; customer focused; designed with product and service

performance levels and targets in mind. Although not fully process oriented, an understanding of how processes work within the organisation is well presented in this model. For example, if Brown's process framework (1996) is applied to the EFQM, as illustrated in Figure 3.12, it can be seen that the processes are the link between the lead enablers (inputs) and the results (outcomes and outputs).

Figure 3-12 **The EFQM Excellence Model**



Source: Wongrassamee, Gardiner and Simmons, 2003.

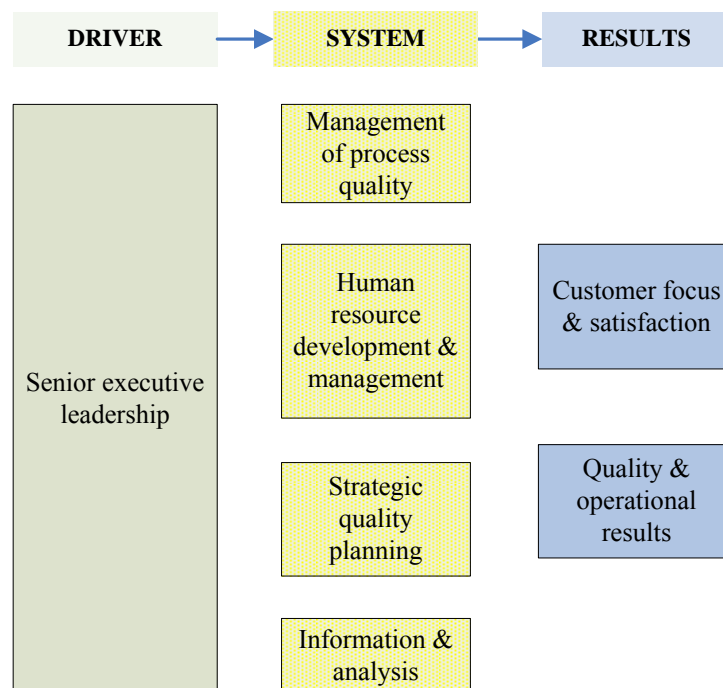
In this figure it is shown that the enablers of leadership, people, policy and strategy and partnerships and resources are the inputs to the firms processing system. Through the processes, both outcomes (impact and satisfaction) and outputs (financial results) are delivered. This model differs from Brown's framework (Figure 3.8) in that the outcomes (satisfactions) drive the outputs (business results) and not vice versa. *Processes*, in this model, are concerned with identifying the components related to design, management and improvement activities so as to satisfy customers and other stakeholders (Wongrassamee, Simmons et al. 2003).

An issue with the process orientation component of this model is that it is difficult to operationalise. In the EFQM Excellence Model, there are nine criteria and under these criteria there are a total of 32 sub-criteria with a total of 200 areas, which a manager is meant to address (Wongrassamee et al., 2003). Within the process enabler, a manager must consider 29 attributes, which are extremely broad in nature. For example, the first criterion for 'processes' is - *Processes are systematically*

designed and managed. The first sub-criterion is – *Designing the organisation's processes*, including those key processes needed to deliver policy and strategy. This criteria based approach is static and general and indicates the manner in which processes should be designed. It does not indicate how or why business processes need to be integrated in an individual organisation in order to satisfy specific stakeholder needs.

The MBNQA model is similar to the EFQM model in that it recognises process management under the process management criterion. Process in this case is also broad and difficult to operationalise. Process management is one of the four 'system' criterion, which provide a means for developing processes for meeting results (customer satisfaction and business performance). The process management criterion is intended for managers to assess their operations against the following sub-criteria in order to gauge the effectiveness of the organisation's systems for assuring quality control. This criterion includes, design and introduction of products and services; process management – product and service production and delivery; process management – support services; management of supplier performance. However, in this model the inter-relationships between the 'system' and the 'driver' and 'results' components are unclear, which is a flaw. Like the EFQM model, the MBNQA is a self-assessment tool that is static in nature. As such, it cannot fully demonstrate how management should orient the business around its processes nor does it indicate how to develop or monitor the internal processes to ensure the satisfaction of all its stakeholders. Therefore, this model is not a truly process oriented PMS. An example of the MBNQA model, as shown in Figure 3.13, indicates that the system is comprised of management of process quality; human resource management; strategic quality planning; and information analysis. The system is driven by leadership to give the outcomes of customer satisfaction and quality and operational results. The relationship between customer satisfaction and operational results is not stated. This model is linear and lacks description of whether the dimensions are inter-related. Additionally, it does not indicate how the system can be improved over time. Again these gaps are due to the fact that the MBNQA is a business award assessment model and not a model to support continuous improvement.

Figure 3-13 **Dynamic relationships among the seven categories of the MBNQA model**



Source: Tummala & Tang, 1996.

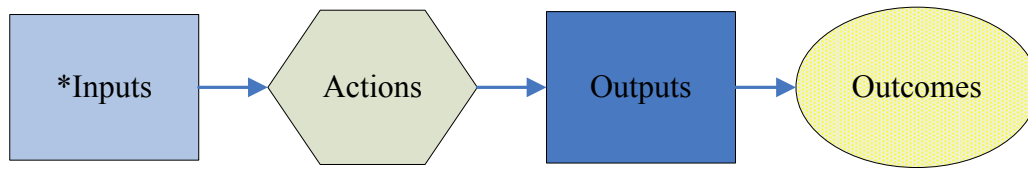
Within the Balanced Scorecard approach, organisational processes are identified and implemented via the *Learning and Growth Perspective* and the *Internal Perspective*. The Learning and Growth Perspective considers the infrastructure needed for long-term growth and improvement. This infrastructure comes from three principal sources, namely, people (skills and capability building); systems (enhancing IT and systems); and organisational procedures (aligning procedures and routines). The *Internal Perspective* is focused on the processes, technologies and capabilities needed for identifying factors critical to success utilising both a short-term operation cycle and long-term innovation cycle, which include, identifying the market (innovation cycle); creating the service (innovation cycle); building the service (operations cycle); delivering the service (operations cycle).

The Balanced Scorecard is particularly strong in its emphasis on cause and effect relationships between the four perspectives of learning and growth, internal, customer and financial. The Strategy Map approach, (Kaplan & Norton, 1996a), is a way for management to specify the critical elements of a particular organisation (as defined by the various perspectives) and their linkages to its strategy. With strategy mapping, the focus of the Balanced Scorecard approach is on integrating the four perspectives with

a process orientation included, it is driven by strategy and not stakeholder needs and wants. For example, return on investment may be the financial outcome desired. The focus of this outcome could be ‘repeat’ and ‘expanded sales’ from existing customers (or a higher degree of loyalty). Customer loyalty may then be an important *Customer Perspective* element. To achieve loyalty, customer feedback may show that friendly staff is important so the *Internal Perspective* (or process) may focus on training and improving communication skills in employees or other activities that enhance staff friendliness. Although this approach has some value in being able to show how the perspectives are integrated, a drawback is that the details for managing processes (based on the match of strategy to processes) are vague. Furthermore, the Strategy Map approach is a complex mechanism and would most likely be difficult for smaller firms to grasp without assistance.

As discussed in Chapter 2, one of the five interlinked facets of the Performance Prism (Neely, Adams & Kennerley, 2002) is process. In this framework processes are considered to be important, as they are what make the organisation work. The process facet relates to the key question – what critical processes does the firm require if it is to execute its strategies? The Neely et al. framework (2002) is strongly process oriented with performance measurement viewed according to a process approach (as one of the five key facets) in order to meet stakeholder needs and wants. In this framework business processes are classified by four distinct categories – *development of products and services*; *generation of demand* (sales and marketing); *fulfillment of demand* (product and service delivery); and *planning and managing the enterprise*. These categories resemble the Balanced Scorecard’s short-term operation cycle and long-term innovation cycle. Figure 3.14 illustrates the four common characteristics of the Performance Prism *processes* facet expressed as an input-output model, which is also similar to the Brown (1996) process framework. Process effectiveness is measured according to whether the process delivers what it is supposed to do (outputs) and how well the process output performs for the recipient (outcomes).

Figure 3-14 **The four common characteristics of processes**



Source: Neely et al. 2002.

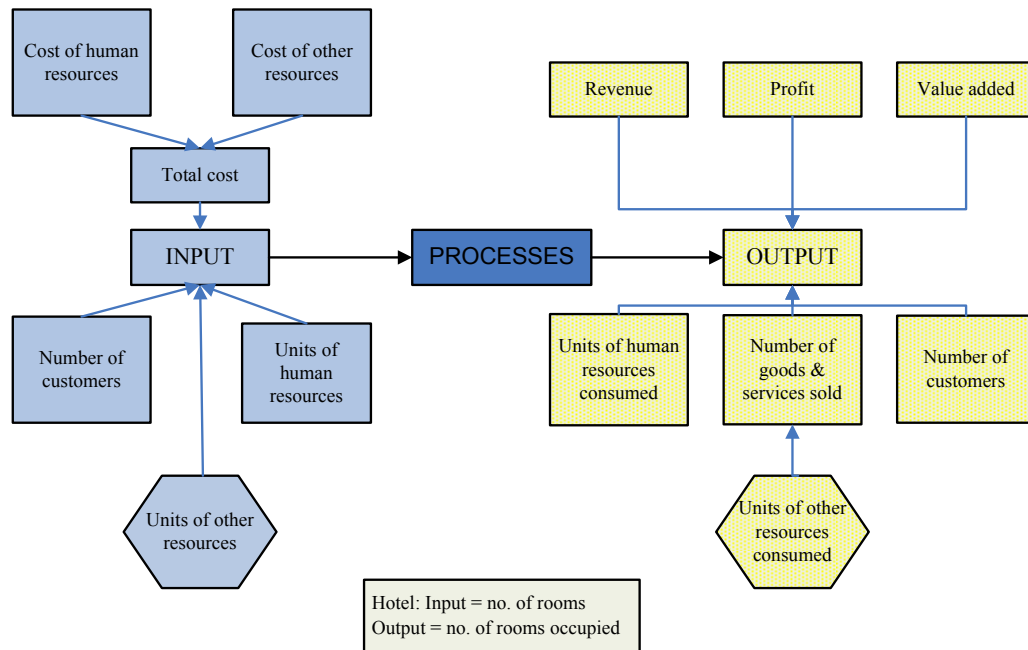
According to Neely et al. (2002), the measurement of processes helps managers to identify the activities that are either enhancing or impeding the desired outputs and outcomes. In the Performance Prism, the following measures are critical to understanding how well the processes are working:

- Quality (consistency, reliability, conformance, durability, accuracy, dependability)
- Quantity (volume, throughput, completeness)
- Time (speed, delivery, availability, promptness, timeliness, schedule)
- Ease of use (flexibility, convenience, accessibility, clarity, support)
- Money (cost, price, value)

It is also important to recognise that in this framework (similar to the Balanced Scorecard) the process facet is closely linked to the capability facet (people, technologies, practices and infrastructure). Each single process has many components and requires the presence of several capabilities. Further discussion of Figure 3.19 in Section 3.2.8 of this Chapter illustrates how process is interlinked with other facets.

Performance measurement, as described in The Results and Determinants Framework, is also based on a simple input-process-output model. In this model value is created for customers via human and other resources, which flow through the process of designing, producing and delivering a service (Fitzgerald et al., 1991). However, this approach does not orient process development and monitoring towards the achievement of stakeholder outcomes. Instead, the framework measures how the six result and determinant dimensions are measured at each stage of the input-process-output model. An example of this is provided in Figure 3.15, which shows how the determinant of *resource allocation* is measured by comparing inputs to outputs.

Figure 3-15 **Input – process – output model for ‘utilisation of other resources’**



Source: Fitzgerald et al., 1991.

This figure provides an example of how the input-output model works for the utilisation of resources. In this example the managers must measure the inputs. The inputs in this example refer to the total costs of human and other resources, and number of human and other resources needed as determined by the number of customers. The inputs are compared against the outputs, which are the actual consumption of the resources (human and other), the goods and services sold, the number of customers catered for and the resultant revenue, profit and value added achieved. To perform well the outputs need to be greater than the inputs. For instance, for a hotel the key measures of the ‘number of rooms occupied’ as a proportion hotel rooms available (and associated revenue and profit) would need to be greater than the costs associated with room supply. In this example the processes are the means by which inputs are converted to outputs.

In the Results and Determinants Framework several input-process-output models are presented that indicate how value is created for customers via human and other resources according to each of the determinants. However, there is not an holistic

organisation approach to process but a focus on the individual results and determinants, which in turn only focus on the customer.

A process oriented PMS for small motels. From the comparison of the five PMS models it can be seen that there are a number of similarities with regard to the process orientation criteria, as shown in Table 3.11.

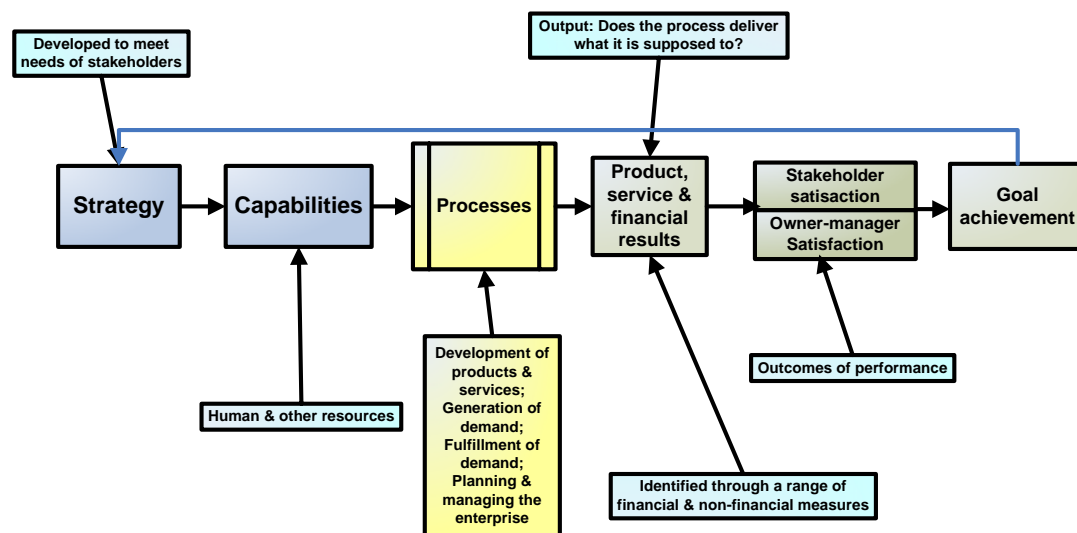
Table 3-11 A summary of the process orientation criteria across each of the models

Model	Stakeholder oriented	Process definition	Process dimensions
EFQM	No, mainly customer focused.	Processes are described as one of the five-enabler criteria, Through the processes both outcomes (impact and satisfaction) and outputs (financial results) are delivered.	Process enablers consider 29 dimensions related to the enablers (leadership, people, policy and strategy and partnerships and resources). .
MBNQA	No, mainly customer focused.	Processes enact enablers to give results. Four ‘system’ criteria provide a means for developing processes for meeting results (customer satisfaction and business performance).	The process management criteria relate to design and introduction of products and services; process management – product and service production and delivery; process management – support services; management of supplier performance.
Balanced Scorecard approach	No, mainly customer focused.	Processes are defined within strategy mapping and the integrating of the four perspectives with a process orientation driven by strategy.	Processes are identified and implemented via the Learning & Growth and the Internal Perspectives. Processes relate to identifying the market; creating the service; building the service; delivering the service.
Performance Prism	Yes	Processes execute the strategy as derived by stakeholder needs.	Processes relate to developing products and services; generation of demand; fulfilment of demand; planning and managing the enterprise
Results and Determinants Framework	No, customer focused only.	Value for customers is created (according to each determinant) via human and other resources that flow through the processes.	Processes are based on the determinants and relate to designing, producing and delivering the service.

In particular, processes are generally defined as the means for harnessing the drivers (enablers) for delivering the results. The results relate to outputs and outcomes. The outcome is the satisfaction or value of the product or service to the stakeholder and the outputs are the actual product, service and financial results. Additionally, the process dimensions are similar and relate to market (or demand) identification; product and service development; product and service delivery, and management. However, only the Performance Prism is fully process oriented with a focus on stakeholder outcomes as the key focus.

When applying the understandings about process orientation (as obtained from the five models) to the small motel context, a number of issues emerge. Figure 3.16 represents the process orientation as it applies to small motels.

Figure 3-16 **Process orientation in small motels**



The development of this figure is largely drawn from the Performance Prism model, as well as the strengths of the other models. In viewing this figure it can be seen where *processes* fit within a performance measurement system, as well as how the various activities (that is drivers) are connected. The figure highlights that the strategies, that are developed in order to meet the needs and wants of the various stakeholders (as discussed in Section 3.2.4), are the initial drivers of the internal operations (capabilities and processes) of the motel that deliver the desired results of outputs and outcomes.

Figure 3.16 also highlights that the stakeholder strategy guides the type of staff and partnerships that the motel employs, as well as the other resources sought (that is the capabilities). A small motel's stakeholders may include customers, suppliers, investors, and the community (for example, marketing affiliates, the local residents, other businesses and industry agencies). The capabilities of the small motel (staff, partnerships with external organisations and the material and non-material resources) are central to the processes of the operation. These processes include the four categories present in the Performance Prism of - development of products and services, generation of demand (sales and marketing), fulfillment of demand (product and service delivery) and planning and managing the motel. Given the interconnectedness of businesses within the tourism and hospitality industry, it is suggested that there is a need for small motels to link with and develop partnerships with external organisations for resourcing and learning and growth. The non-financial outputs of product and service delivery are guided and controlled by established processes, which are measured by quality, quantity, time, ease of use and money (cost, price and value). The processes also determine the motel's output of financial results (profit, sales growth, ROI). Finally, each of the outputs (non-financial and financial results) then determines the level of satisfaction experienced by the stakeholders (customers, employees, investors and community) and value of the operation to the owner-manager. The stakeholder satisfaction and the owner-manager satisfaction are the business outcomes. The interconnectedness of the model refers to the ongoing review of activities against results and vice versa. In order to improve the internal activities of the firm for ongoing improvement the results should be used to identify problems in planning and managing the firm, in developing and delivering the service and product, and in generating demand. Therefore, information from results (outputs and outcomes) should be used to track problems back through the system with the aim of modifying activities to then improve results in the short and long-term future.

Because of the lack of research into the internal organisational processes important to small motel performance, and in particular capability and resource access (BarNir & Smith, 2002; Curran, et al., 1993), a number of issues need to be explored. These issues are as follows.

Key Research Issue 5: How are processes developed and employed in high performing small motels?

Proposition 5.1: Managers of high performing small motels will develop and implement simple processes that ensure the delivery of a product/service that meets the needs and wants of the stakeholders.

Proposition 5.2: The capabilities of high performing small motels are largely focused on staff, as they are key drivers of the processes that fulfil demand (product and service delivery) for stakeholders.

Proposition 5.3: External relationships with competitors, partners, suppliers, government, industry associations and support agencies provide capabilities to high performing small motels to assist with the processes of generation of demand (sales and marketing) and development of products and services (learning and development).

3.2.8 Causal relationships

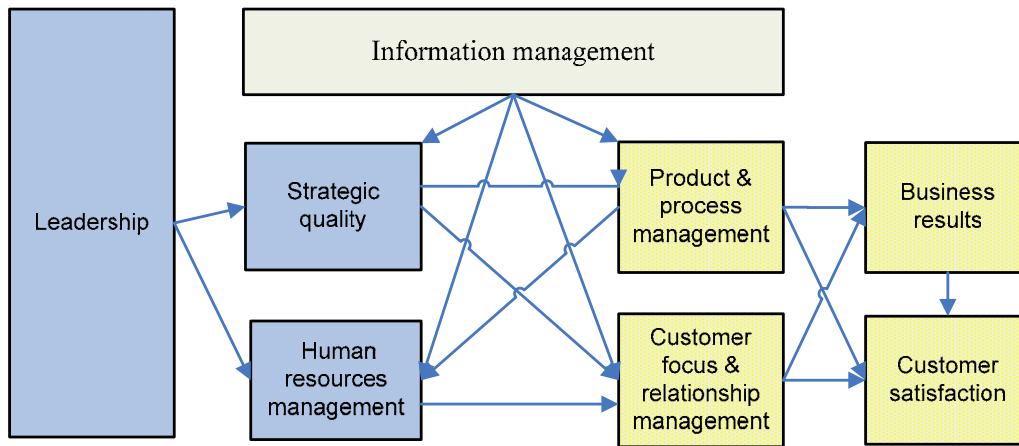
The ninth and final component, which is important to the development of a business PMS is causal relationships. According to Garengo et al. (2005) a PMS should measure not only the results, but also their determinants. Furthermore, it should quantify the causal relationship between results and their determinants in order to help monitor past actions and the improvement process. Garengo et al. highlight that small firms need a simple PMS that can give managers focused, clear and useful information. Operators of small firms often lack the resources needed to implement complex models and do not actually need complex models. Therefore, in order to obtain useful information about the performance of the firm, the number of measures should be limited and yet be sufficient to provide an holistic vision.

The strength of the EFQM model is the clarity in the way the enablers are presented as drivers of the business results. It is quite clear in this model that leadership drives policy and strategy, which in turn drives customer focus and people management and

partnerships that then determine the processes employed. Shergold and Reed (1996) highlight that the results (or outcome) criteria of people satisfaction, customer satisfaction and impact on society recognise the direct feedback data from stakeholders and the affect that the enablers have on the results. The model also implies that there are inter-relationships between the results, that is, that customer and people results lead to excellent financial results (which is the reverse of the Performance Prism where financial and non-financial results lead to satisfaction). Various studies have indicated that the enablers do influence the results. A study by Eskildsen, Kristensen and Juhl (2002) suggested there are linkages between the five enablers and the people results. In particular, they found that people management and processes influence people results. Bou-Llusal, Escrig-Tena, Roca-Puig and Beltran-Martin (2005) also found that the enabler and result domains are strongly associated, but all elements of the model need to be considered simultaneously and managers should adopt a global orientation. This means that emphasis in an isolated area of the model is not sufficient to reach excellence. Despite these studies, the model gives various weightings to each component, which are not fully explained. The model as a static auditing tool does not specify the varying importance of each enabler across different industries or firms of different size. The exploration of causal relationships between specific enablers (activities and processes) and the organisation's business results and the identification of measures to identify areas for improvement is left to the individual firm to explore (Gadd, 1995). Therefore, although the EFQM model indicates broad relationships between the enablers and results, it is generally weak in providing a clear understanding and practical guidance for managers to measure and manage organisational activities and the impacts they have on outcomes (Bou-Llusal et al., 2005).

The MBNQA model is very similar to the EFQM model in the way it demonstrates causal relationships. Pannirselvam and Ferguson (2001) explored various studies of the MBNQA criteria where it was found that there are direct and indirect effects of the leadership, strategic planning and market focus criteria on human resource development and management and process management, which then all affected internal and external results. An illustration of the connection and integration of the MBNQA constructs is presented in Figure 3.17.

Figure 3-17 **Relationships between dimensions of the MBNQA model**



Source: Pannirselvam and Ferguson (2001).

In their study of the relationships between the MBNQA categories, Pannirselvam and Ferguson (2001) found that leadership significantly affects all of the systems constructs (except information management). Also it was found that human resource management determines the effectiveness of the firms' product and process management as well as customer focus and relationship management efforts. Via these two constructs, human resource management has significant indirect impact on the firm's performance. However, the greatest determinate of performance (internally and in the market) is customer focus and relationship management (Pannirselvam and Ferguson, 2001). Regardless of these findings the MBNQA, like the EFQM model, is a self-assessment tool that fails to fully demonstrate in a simple and practical way how managers should measure and manage organisational activities to ensure they achieve the desired stakeholder outcomes.

Other models such as the Performance Prism, the Balanced Scorecard and the Results and Determinants framework are more explicit about the causal relationships between results and determinants so as to help monitor past actions and the improvement process. How this is achieved in each of these models is discussed in the following section.

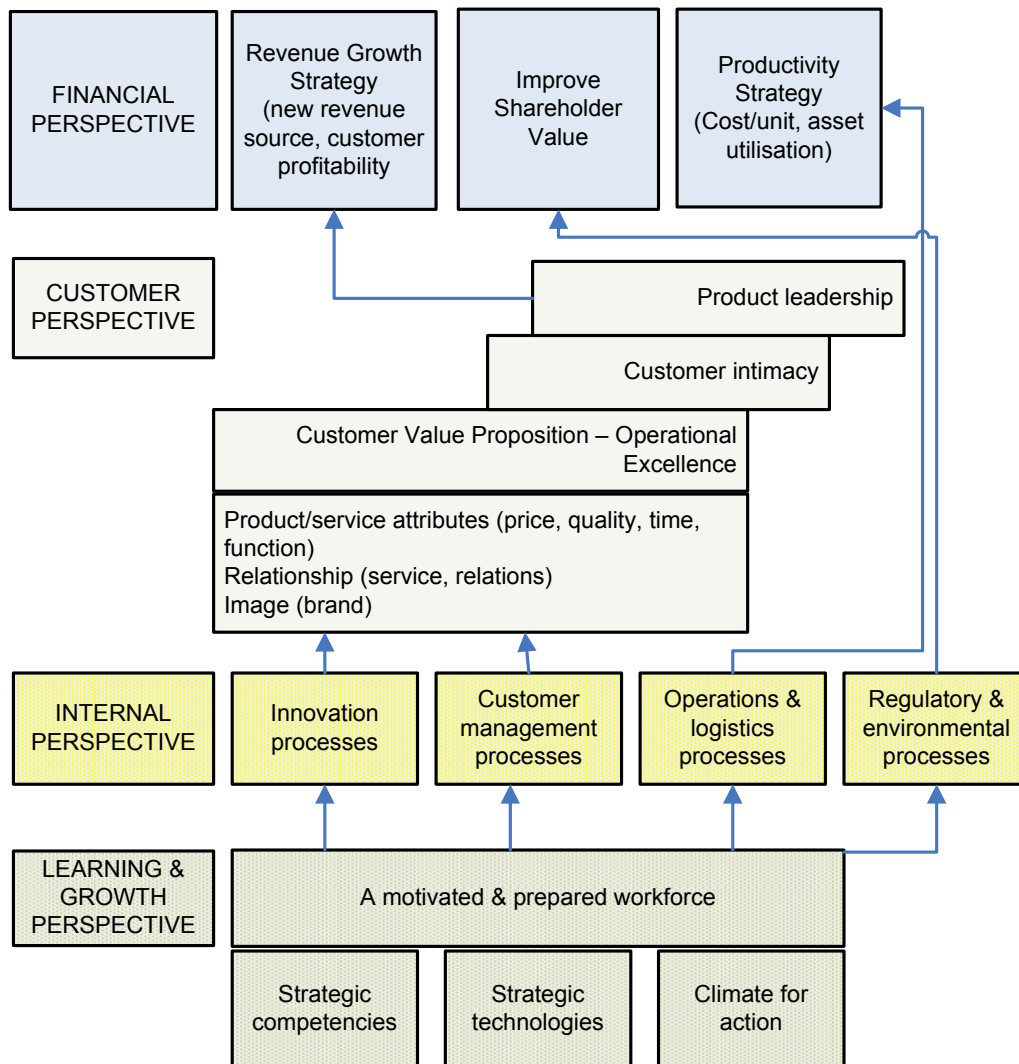
The Balanced Scorecard approach, according to Wongrassamee et al. (2003), has addressed the important relationships between strategy, actions and measures, as deemed necessary to an effective performance measurement system (Dixon, Nanni

and Vollmann 1990). Kaplan and Norton (1996b) state that the best Balanced Scorecards are much more than collections of critical indicators or key success factors organised into several different perspectives.

The multiple measures on a properly constructed Balanced Scorecard should consist of a linked series of objectives and measures that are both consistent and mutually reinforcing..... the scorecard should incorporate the complex set of cause-and-effect relationships among the critical variables, including leads, lags, and feedback loops that describe the trajectory, the flight plan, of the strategy (p.64).

Therefore, if the Balanced Scorecard approach is used properly all four aspects will be interconnected and the chain of cause and effect on business results should be clearly evident. This approach does not suggest that the process of implementing change to improve business performance is one-dimensional or that it will be the same across all firms. When using the Balanced Scorecard, managers need to devise customised scorecards to fit their mission and culture. The strategy map process is intended to guide the manager to understand the cause and effect relationships of their activities and how they affect the desired outcomes. Wongrassamee, Simmons and Gardiner (2003) highlight that the internal perspective together with the customer perspective and the learning and growth perspective combine to deliver the financial outcomes. Using this approach managers are able to review their business operation and decide on the vision and strategy for the organisation. With the strategy in place managers are then able to agree on the outcomes wanted for the various stakeholders and then consider what must be delivered to the customer; the capabilities and processes needed; and the new products, services or technologies required. An ongoing process of measurement and review is then needed to ensure the firm is on track to achieving the desired goals. For measurement to occur the firm needs to determine the key measure for each perspective. An example of how a firm may develop a strategy map by linking the four perspectives of the Balanced Scorecard is presented in Figure 3.18. In the strategy mapping process the *Learning and Growth Perspective* drives the other three perspectives. The workforces (employees) need to be motivated by particular strategies, technologies and working culture to deliver the customer needs.

Figure 3-18 **The Balanced Scorecard Strategy Map**



Source: Kaplan and Norton, 2001.

These needs are delivered via the *Internal Perspective* processes (innovation, customer management, operations and logistic and regulatory and environmental). The customer needs of excellence, intimacy or product are indicated the figure under the *Customer Perspective* and Customer Value Proposition cards of Operational Excellence, Customer Intimacy and Product Leadership. Essentially, the different perspectives deliver different financial outcomes within the *Financial Perspective*. For example, the *Customer Perspective* of Product Leadership delivers the revenue growth strategy outcomes; the *Internal Perspective* processes of Operations and Logistics and Regulatory and Environmental deliver the Improve Shareholder Value

and Productivity Strategy outcomes. Therefore, this example of a Strategy Map highlights the causal relationships, with a particular focus on how drivers determine results.

The Results and Determinants Framework of Fitzgerald et al. (1991) is so called because of its particular attention to the relationship between the performance dimensions of results and determinants. As discussed throughout the chapter, this framework's competitiveness and financial results are determined by quality of service, flexibility, resource utilisation and innovation. There are various types of measures suggested within this framework, which measure the value or extent of both the determinants and the results. For example, Table 3.12 presents measures and mechanisms for the result dimension of *competitiveness* according to the three different types of service businesses – a professional service, a service shop and a mass service.

Table 3-12 **Competitiveness measures and mechanisms**

	PROFESSIONAL (e.g. Accounting firm)	SERVICE SHOP (e.g. Hotel)	MASS SERVICE (e.g. Newsagent chain)
MEASURES			
Customer-focused	Repeat business	Repeat booking	Number of customers
Competitor-focused	Analysis of success/failure of project tendering	Market share relative to competitors	Competitor's prices and product ranges
MECHANISMS			
Customer-focused	Partner's records	Customer survey	Customer survey
Competitor-focused	Partner's records	Comparison of occupancy ratios and room rates	Competitor surveys

Source: Fitzgerald et al., 1991.

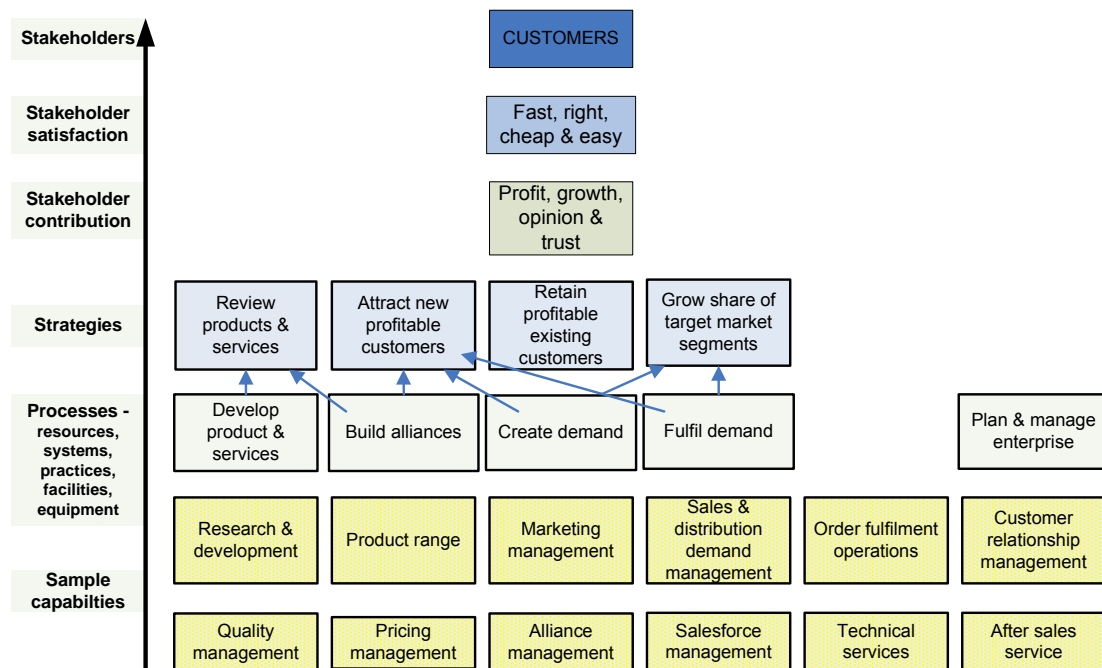
The measures include both competitor-based and customer-focused measures as it is argued that firms build and maintain a competitive advantage in two ways – by focusing on the needs of customers, or by making comparisons with major competitors (Fitzgerald et al., 1991). This table indicates that in order for a particular type of service such as a service shop (e.g. hotel) to be competitive, it needs to

measure repeat bookings and the market share of its competitors via the use of customer surveys and comparison of occupancy ratios to competitors. If these measures were less than the desired target then the firm would need to review its processes, capabilities and strategies to identify the cause of this failure.

Similar to the Results and Determinants framework, the Performance Prism (Neely et al., 2002) also indicates relationships between its performance dimensions. The three facets of strategies, processes and capabilities in the Performance Prism are linked to each other in order to satisfy stakeholders' and organisation's wants and needs. As already described, stakeholder wants and needs determine specific stakeholder related strategy, which gives direction to solutions to delivering stakeholder satisfaction via the firm's processes and capabilities. Like the strategy maps in the Balanced Scorecard approach, Neely et al. (2002) apply the techniques of success and failure mapping to help managers align the five facets of the prism and to better understand how they work within their own organisation. In the mapping process managers are required to identify particular scenarios that describe success or failure so they can check on the strategies, processes and capabilities that relate to specific performance outcomes. Figure 3.19 illustrates how a firm might map its activities and outcomes using the five facets of the prism. In this example the customer relationship is the focus.

The figure helps to identify whether the customer relationship is healthy by measuring the satisfaction of the customer. This can be done in several ways. In Figure 3.19 the five facets of stakeholder satisfaction, strategies, processes, capabilities and stakeholder contribution are listed on the left-hand side. An example of how mapping the five facets can assist with improving customer relationships is shown within the figure. The key result of *Customer Satisfaction* is indicated by measures relating to the needs and wants of – 'fast', 'right', 'cheap' and 'easy'. Of course a reason for ensuring the customer is satisfied is that they contribute to the business in terms of sales and profitability and therefore address the *Stakeholder Contribution* facet. As an example to identify whether a hotel service addresses the 'right' need of customers, managers should look to the facets of the organisation that relate to how *Strategies*, *Processes* and *Capabilities* ensure that the customer gets the 'right service'.

Figure 3-19 Mapping customer relationships through the Performance Prism Facets



Source: Neely et al. 2001.

In this example the strategy might be to retain ‘profitable existing customers’ and therefore processes related to ‘fulfilling demand’ and capabilities for ‘customer relationship management’ are most likely to be important. Thus, basic capabilities and processes related to staff competence and manner, responsiveness to calls, level of complaint resolution and after sales communication would most likely be essential. Using this mapping exercise, then, helps to identify and understand the complex relationships between results and drivers.

A summary of the causal relationship dimension. Based on the critique of the five performance models, it is evident that there are specific drivers or determinants that relate to specific results. As shown in Table 3.13, all the models explain general causal relationships.

Table 3-13 Summary of how causal relationships are demonstrated in each model

Model	Causal Relationships Demonstrated	How the causal relationships are represented
EFQM	Partial. Generic with little guidance for managers to understand relationships between criteria.	Leadership drives policy and strategy, which in turn drives customer focus and people management and partnerships that then determine the processes employed. The results criteria of people satisfaction, customer satisfaction and impact on society recognise the direct feedback data from stakeholders and the affect that the enablers have on the results.
MBNQA	Partial. Generic with little guidance of managers to understand relationships between criteria.	There are direct and indirect effects of the leadership, strategic planning and market focus criteria on human resource development and management and process management, which then all affect internal and external results.
Performance Prism	Yes. The prism provides a template for managers to understand the relationships between plans and activities and outcomes.	The three facets of strategies, processes and capabilities in the Performance Prism are linked in order to satisfy stakeholders' and organisational wants and needs. Stakeholder wants and needs determine specific stakeholder related strategy, which gives direction to solutions to delivering stakeholder satisfaction via the firm's processes and capabilities.
Balanced Scorecard	Yes. This approach provides a template for managers to understand relationships between plans and activities and outcomes.	The internal perspective with the customer perspective and the learning and growth perspective combine to deliver the financial outcomes. The strategy map helps managers to review business operation and formulate vision and strategy. With the strategy in place managers then decide on the outcomes wanted for the various stakeholders and what must be delivered to the customer; the capabilities and processes needed; and the new products, services or technologies required.
Results and Determinants framework	Yes. The framework provides a template for managers to understand relationships between plans and activities and outcomes.	Competitiveness and financial results are determined by the quality of service, flexibility, resource utilisation and innovation. There are various types of measures suggested, which measure the value or extent of both the determinants and the results. Measures and mechanisms for the result dimension vary according to the three different types of service businesses (professional, service shop and mass)

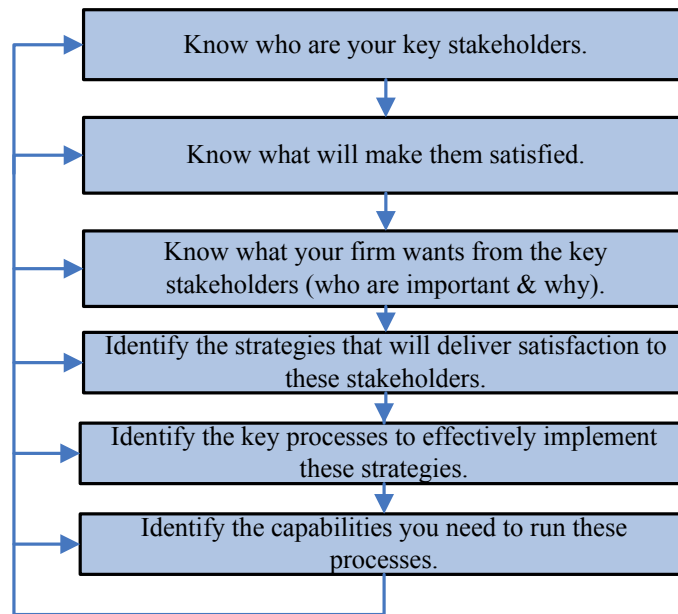
Although all models explain causal relationships, the Performance Prism, the Balanced Scorecard and the Results and Determinants Framework provide templates

for managers to better understand the complexity of relationships between drivers and results. These three PMS models provide ways for managers to better understand how their strategies, capabilities and activities affect the outputs and outcomes of the firm. However, the simplest and more easily understood PMS is that of the Performance Prism. The simplicity in the way relationships are backtracked from stakeholder wants and needs through strategy, process and capabilities makes this PMS more suitable to small firms.

Relationships in a small motel performance model. In order to understand the relationships between the components of a small motel business performance model, a critique of the five models was undertaken. In this critique it was found that most of the models share similar dimensions relating to the drivers and results dimensions. Overall, there is value in a number of the models in demonstrating the relationships between the drivers and results, however, as detailed in the previous section the Performance Prism approach is more appropriate for small firms, because of its simplicity and adaptability. The simplicity of this approach is indicated in Figure 3.20.

Firstly, a firm needs to know who are its key stakeholders and then understand what will make them satisfied. To do this their needs and wants should be explored. This knowledge will then determine the firm's strategy, which in turn determines the processes it will employ to run the business and deliver the products, services and business results. Then, the most appropriate people and resources (capabilities) will need to be found. The people and resources are responsible for developing and implementing the processes, which in turn determine the product and service outputs and the financial and competitiveness results.

Figure 3-20 **Flowchart of the causal relationships between drivers and results**



Although Figure 3.20 appears to represent a simple linear relationship between the various internal aspects, this in reality is not the case. The cause and effect relationships between the drivers and results are more complex and would most likely be due to the interaction of a number of aspects as detailed in Figure 3.19. Therefore, the need for a feed-forward and feedback monitoring process is imperative. Finally, it should be noted that due to the complexity of the cause and effect relationships all aspects of a firm's operations could not be made explicit in the diagram. Instead, only a template can be provided to guide managers at the individual firm level in the planning and control of these relationships. In particular, it is suggested that the specifics of a PMS will vary across sectors, for the reasons already outlined in Chapter 2. As a result of this study of the causal relationship component of performance measurement, the issue that emerges in the study of small motel performance follows:

Key Research Issue 6: How are the various results measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?

Proposition 6.1: That high performing small motels are able to identify and use a limited number of performance measures (financial or non-financial) to assess the value of the key drivers (management activities) relating to stakeholder needs, strategy, capabilities (people management, resources and external relationships) and processes.

3.3 Proposed Theoretical Framework and Research Issues for Small Motels

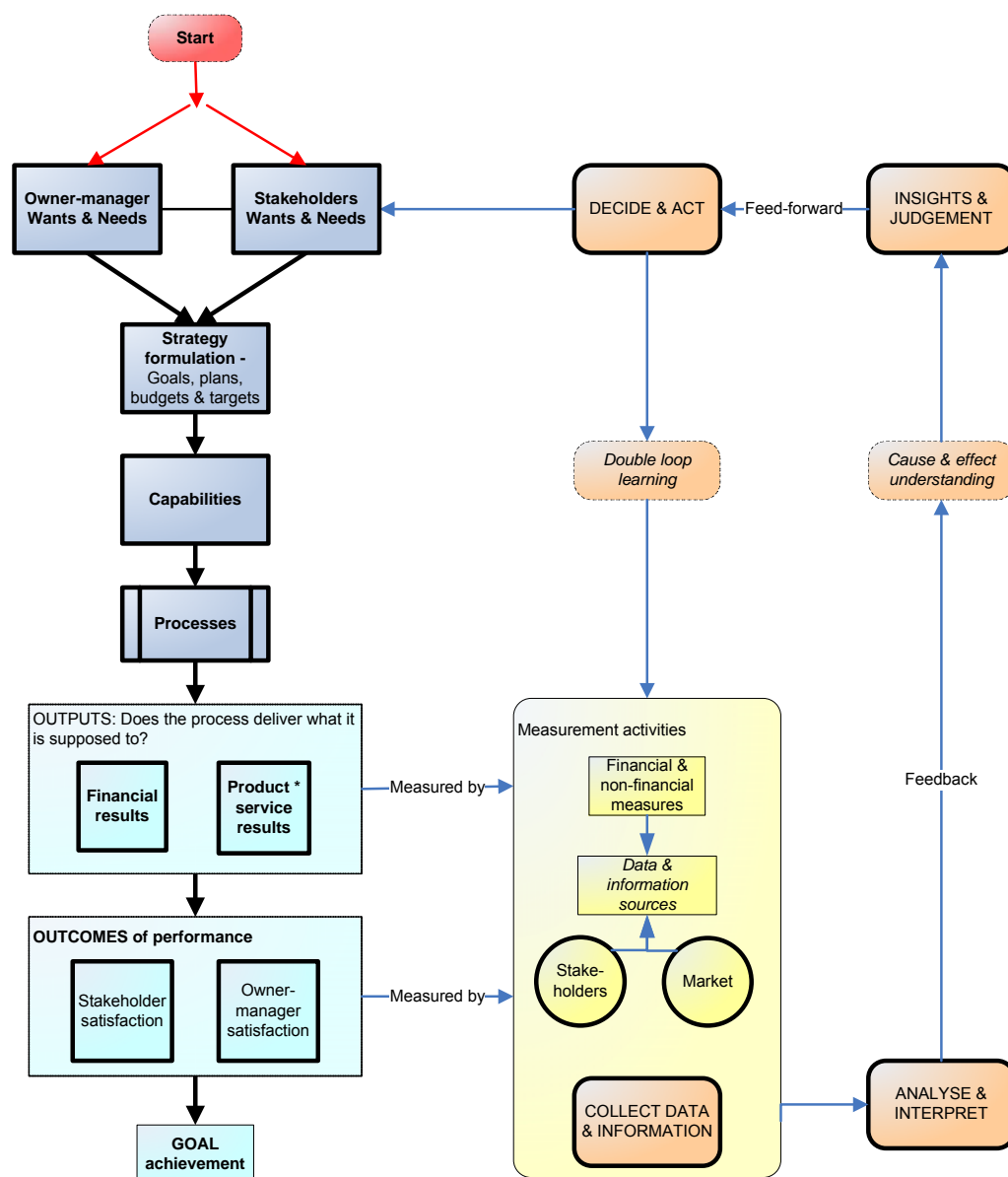
The criteria conceived by Garengo et al. (2005) for the development of an effective PMS for small firms has provided the means for the analysis and comparison of the five PMS models identified in the literature. Throughout this Chapter, a step-by-step analysis of the criteria has facilitated the building of a PMS for small firms, which will be tested and refined for small motels in the following chapters. Each component of the PMS built within Section 3.2 of this Chapter has been assembled and is presented as a full representation of the PMS for small firms as shown in Figure 3.21.

Demonstrated in Figure 3.21 are the two key dimensions – drivers and results. The drivers are owner-manager wants and needs; stakeholder wants and needs, strategy formulation; capabilities and processes. The results are the outputs and outcomes. As discussed throughout the chapter, the relationships between these dimensions are complex and vary over time according to the type of motel, its stakeholders and strategies.

The performance management process starts with the strategy elements, which include stakeholder and owner-manager wants and needs; strategy formulation (goals/plans/budgets). These elements should be aligned to the capabilities and processes and capabilities, which in turn determine the results. The components of the diagram that represent the process of dynamic capability and continuous

improvement cycle are the four activities - *decide and act*; *collect data and information*, *analyse and interpret*; and *insights and judgement*. Through this cyclic process feed-forward is used to guide continuous improvement decision and actions and feedback, via analysis of the result measures, informs insights and judgements. Essentially feed-forward and double-loop learning⁵ that helps to assess and re-assess both the stakeholder and owner-manager wants and needs which then inform strategy formulation and implementation, as well as capabilities and processes.

Figure 3-21 A performance measurement system for small motels



⁵ *Double-loop* learning occurs when error is detected and corrected in ways that involve the modification of an organisation's underlying norms, policies and objectives (Argyris and Schön, 1974).

The measurement activities are focused on collecting information from key sources. These data are essential to monitoring performance. For comprehensive measurement it is important that the data are sourced from the firm's stakeholders and the market. The measurement activities are focused on the outputs (the financial and product/service results) and should use a balance of financial and non-financial measures. Then, it is the output results that determine the outcomes of performance (stakeholder and owner-manager satisfaction).

Finally, it should be noted that only determining the outcomes is not enough to ensure ongoing improvement. Therefore, the model demonstrates that with an assessment of goal achievement the owner-manager needs to analyse and interpret the overall outcomes and to use insights and judgement to combine the processes of performance measurement and performance management in order to continually review and analyse the relationship between the drivers and results. In this way the model attempts to illustrate the cause and effect relationships of the firm's behaviours and activities and that by employing a double loop learning process, owner-managers of small firms should be able to improve management for business success.

In conclusion, in order to develop the PMS model so that it is relevant to small motels further refinement and testing is required. To undertake this phase of the model development a number of key research issues and propositions were identified throughout this chapter and are presented again here.

3.3.1 Key research issues

The full list of key research issues and propositions that have already been identified throughout the Chapter are as follows:

Key Research Issue 1: How is strategy formulated, implemented and reviewed in high performing small motels?

Proposition 1.1: The type of business strategies employed by high performing small motels is formulated by a combination of both the owner-manager's personal and business aspirations and stakeholder feedback.

Proposition 1.2: The owner-managers of high performing small motels take complete responsibility for implementing the business strategies.

Proposition 1.3: The owner-managers of high performing small motels employ only a few simple measures to monitor the appropriateness of strategy and to review assess goal attainment.

Key Research Issue 2: How are stakeholders involved in strategy formulation, implementation and review in high performing small motels?

Proposition 2.1: The type of key stakeholders will vary among small motels according to size, location and ownership.

Proposition 2.2: The stakeholder's needs, wants and satisfaction will be identified in high performing small motels in an informal manner.

Key Research Issue 3: How is a balanced approach to performance measurement used in high performing small motel operations in assessing stakeholder satisfaction and business results?

Proposition 3.1 High performing small motels will use specific financial and non-financial measures (with information sourced from stakeholder feedback) on a regular basis to monitor outputs and identify and monitor stakeholder satisfaction.

Proposition 3.2: High performing small motels will have internal monitoring processes in place to measure the business results.

Key Research Issue 4: What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?

Proposition 4.1: High performing small motels will use informal and simple systems to control, review and deploy changes for improvement.

Proposition 4.2: High performing small motel operators will use their networks and industry knowledge for gathering data to help make informed decisions in regards to managing their enterprise for business improvement.

Key Research Issue 5: How are processes developed and employed in high performing small motels?

Proposition 5.1: Managers of high performing small motels will develop and implement simple processes that ensure the delivery of a product/service that meets the needs and wants of the stakeholders.

Proposition 5.2: The capabilities of high performing small motels are largely focused on staff, as they are key drivers of the processes that fulfil demand (product and service delivery) for stakeholders.

Proposition 5.3: External relationships with competitors, partners, suppliers, government, industry associations and support agencies provide capabilities to high performing small motels to assist with the processes of generation of demand (sales and marketing) and development of products and services (learning and development).

Key Research Issue 6: How are the various results measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?

Proposition 6.1: High performing small motels are able to identify and use a limited number of performance measures (financial or non-financial) to assess the value of the key drivers (management activities) relating to stakeholder needs, strategy, capabilities (people management, resources and external relationships) and processes.

3.4 Conclusions

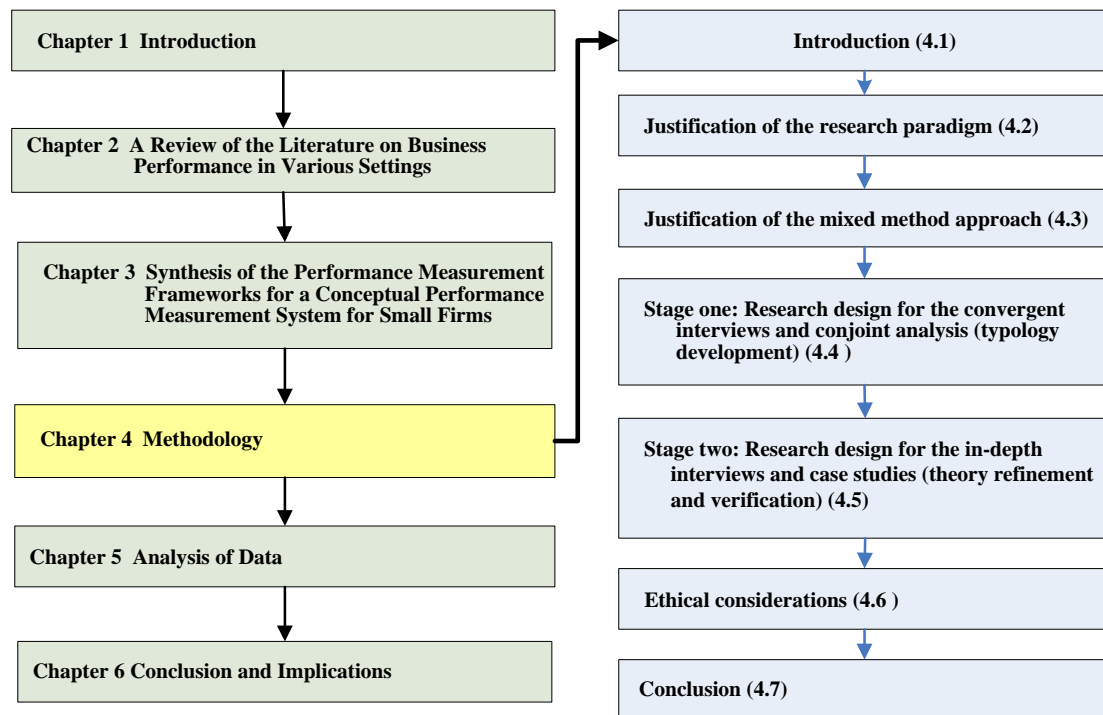
With the explanation of the constructs of performance and performance measurement in Chapter 2 and the lack of understanding of performance measurement in small firms, the need for a PMS for these enterprises was recognised. Furthermore, the selection and exploration of existing PMS models also identified the gaps in these models for small firms. The recent work of Garengo et al. (2005) has provided a better understanding of the dimensions needed for an effective PMS and in particular the criteria important to small enterprises. These criteria are useful for analysing and building new PMS models and have been employed in this Chapter to develop a PMS for small motels. The development of this PMS has been undertaken in a step-by-step process to ensure all criteria have been considered. This approach has resulted in a complete system for small motels as illustrated. At this stage, the PMS is a theoretical model that is untested with small motels. Given the complexity of the study of performance, Chapter 4 presents the method that was employed to firstly identify the unit of study (small motels) and explain how industry experts and small motel operators were used to further develop a better understanding of performance in small motels and to refine the generic theoretical model for these firms. Additionally, the method also enabled the confirmation, rejection and modification of the components of the model and to gather specific details about the management practices employed by operators for monitoring and improving performance. The data analysis and discussion will follow in Chapters 5 and 6 respectively.

4. METHODOLOGY

4.1 Introduction

In the previous chapter, five business performance models were reviewed in order to develop a performance measurement system (PMS) for small motels. With the development of the model several research questions were highlighted for further study. This chapter aims to explain the research approach and the methods of data collection and analysis used to investigate the research issues. The structure of this chapter is comprised of seven parts, as illustrated in Figure 4.1.

Figure 4-1 Outline of Chapter 4



The study of the PMS for small motels employed a mixed method approach that was carried out in two stages. Given the complexity in studying the multi-dimensional aspects of performance, stage one focused on defining a typology for small motels in order to assist with hypothesis testing. The typology development was undertaken in order to clearly define the unit of study. Convergent interviews and conjoint analysis, with the input of an expert reference panel, were employed to develop the typology. The second phase of stage one focused on the theoretical model. In this phase data

were gathered to refine the theory generation that was carried out in the previous chapter. This refinement occurred with input from the same expert reference panel utilised in the typology development. In stage two, data were gathered from several small operators for the case studies. These operators were identified as good operators who could assist with the verification of the theory. The method selected for this research was based on the need to test the model.

4.2 Justification of the Research Paradigm

Historically, a positivism paradigm has underpinned the techniques used by organisational and management researchers (Cheng 2001; Tashakkori and Teddlie 2003). However, numerous studies of the business performance construct have been undertaken over the last few decades where both positivism and interpretivism paradigms have been employed (Bourne, Wilcox et al. 2000; Sinclair and Zairi 2000; Kaynak 2003). Therefore, business performance does not lie in the domain of one particular paradigm. Instead it is the philosophical view of the researcher and the specific aim of the study that usually inspires the selection of the research approach used.

Research philosophy is based on the concepts of ontology (reality), epistemology (relationship between the reality and the researcher) and methodology (techniques used by the research to discover the reality) (Healy and Perry 2000; Carson, Gilmore, Perry and Gronhaug 2001). For example, a positivism paradigm is based on the ontology of the world that is external and objective, whereas the epistemology is based on the belief that the observers are independent. In this instance a strategic management researcher who is a positivist is more likely to study causal relationships between management activities and outcomes by using methods driven by a quantitative approach (Yin 1988; Cheng 2001). On the other-hand, interpretivism allows a focus on understanding what is happening in a given context. In business studies, interpretivism is useful as it recognises that ‘social field phenomena are relative to each other in some way as opposed to seeking to isolate variables as in positivist studies adhering to scientific rules’ (Carson et al, 2001c, p. 14). An interpretivist researching management activities and the behaviours of firms, therefore, is more likely to use a qualitative approach (Amaratunga and Baldry 2001;

Kennerley and Neely 2003; Patton and Appelbaum 2003). Although positivism and interpretivism have generally been seen as distinct there is growing recognition that various interpretivism philosophies can draw on the positivism domain in their origin and structure. For example, the philosophies of phenomenology, natural inquiry, humanism, hermeneutics, constructivism, realism and critical theory are less interpretivist in their approach than grounded theory and ethnographic studies (Carson, Gilmore et al. 2001). Therefore, qualitative approaches can be aligned to the positivist paradigm.

Over the years debate on the best paradigm for social research has persisted, but in recent times an appreciation of an approach that combines the advantages of both has emerged (Tashakkori and Teddlie 2003; Punch 2005). The value of drawing on the strengths of both qualitative and quantitative approaches is encompassed in an array of mixed methods. A mixed method has benefits for a study of the performance construct and has been employed in this study. Justification of this approach is outlined in the next section. Specifically, a combination of qualitative and quantitative techniques was employed in stage one of the research whilst the second stage was designed from a realist's position.

4.3 Justification of the Mixed Method Approach

Both quantitative and qualitative methods have their strengths and weaknesses. For example, quantitative methods have been criticised for being 'sanitised and lacking in contextual realism' (Tashakkori and Teddlie 2003, p. 516). Similarly, organisational and management researchers have also used a restricted set of qualitative techniques, that rely heavily on the researchers' involvement (Carson, Gilmore, Perry and Gronhaug 2001). Qualitative methods are suitable for addressing questions of how and why things occur, whereas quantitative methods are more appropriate for answering what and how questions (Yin, 1994). In studying performance measurement in small motels there was a need to identify what characteristics are common to small motels; as well as to explore how and why operators pursue particular activities and how they relate to business outcomes. In this case the use of only one approach was limiting. For this reason a mixed method approach that

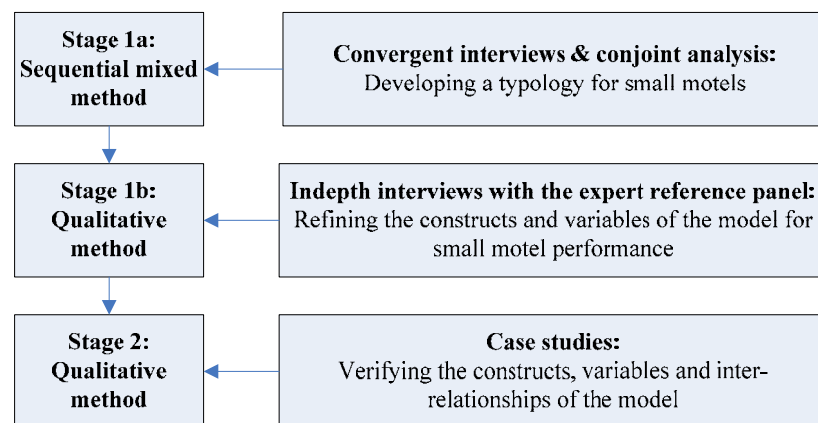
integrated qualitative and quantitative methods was required (Carson, Gilmore et al. 2001; Tashakkori and Teddlie 2003).

Advantages of a mixed method design. The advantage of a mixed method approach is that the techniques of the qualitative and quantitative domains are interwoven to ‘maximise the knowledge yield of research endeavour’ (Tashakkori & Teddlie, 2003, p. 518). The advantage of using both qualitative and quantitative methods is that it allows the researcher to discover and justify the model components within one study. For instance, qualitative research involves people in order to provide the realism and detail needed for the generation of hypotheses and building of theory (Tashakkori & Teddlie, 2003). Additionally, qualitative techniques permit the gathering of data that is rich in detail. By using techniques such as interviewing for data gathering and case analysis the language and context of the people being studied can be captured, however, it is important to recognise that with this approach there is potential of bias by the researcher in the interpretation of the context and its interactions. Therefore, issues of validity and reliability needed to be addressed. These issues are discussed in section 4.5.2.1 of this chapter. The inclusion of the quantitative technique of conjoint analysis and the use of scales throughout the interviews also limited threats to internal validity (Healy and Perry 2000). Consequently, the employment of a sequential mixed method approach was selected for the first stage typology development and model refinement, whilst the second stage model verification component was qualitative. It should be noted that although qualitative data were gathered in both the first and second stage, the analysis approach was more aligned with the positivist paradigm as it sought to identify patterns and repetition within each key research issue and also explored the level of importance and agreement through the use of scales.

The two-staged approach. The two-staged approach employed is illustrated in Figure 4.2. Two stages were considered to be necessary to separate the specific research components and to ensure the expert reference panel members were not overtaxed in the pursuit of specific and complex data. The first stage phase one was used to identify a common type for small motels in Australia and to identify the dimensions, which affect their performance. This typology helped clearly define the unit of study. Furthermore, the design for this first component of the study included a combination of convergent interviews (a qualitative technique) and conjoint analysis

(a quantitative technique). The convergent interviews allowed for the exploration and identification of the key characteristics that make up a small motel and the conjoint analysis narrowed the characteristics to those considered to be most important to the study of performance drivers and results. This stage is discussed in detail in section 4.4.

Figure 4-2 **Outline of the research design for the development of a business performance model for small motels**



The second phase of stage one of the study was qualitative in its approach. This phase used in-depth interviews to refine the constructs of drivers and results and their related variables with the expert reference panel. Finally, the second stage of the study employed case studies to verify the PMS with small motel operators identified by an independent authority as being good performers. This second stage is outlined in section 4.5.

For the case studies, interviews were selected as the main data collection technique. The interviews were structured so as to solicit both open and closed responses. The open-ended questions aimed to explore in-depth responses using careful probing to explore complex issues in detail. Additionally, these questions sought data regarding operator's perceptions. In addition, rating scales and time scales were used in order to capture data on the importance and value of specific management activities; how these impacted on performance; and how often particular measurement activities were undertaken. These closed questions helped to clarify why and when particular activities were undertaken and also provided opportunities for greater comparison across cases.

4.4 Stage One: Research Design for the Typology Development and Model Refinement

The unit of study for the theoretical model developed in Chapter 3 was small motels. The development of a typology for small motels was considered for the hypothesis testing. Size, location, business structure and age of small firms are known to impact on management activities and business performance (Peacock 1999). Although there are several studies of performance in hospitality operations (Glancey and Pettigrew 1997; Southern 1999; Di Domenico and Morrison 2003) no classification or typology for small motels could be found. In fact in many parts of the world the terms motel and hotel are used interchangeably (Lee-Ross 1998), therefore, the exploratory study of stage one was utilised to define small motels.

4.4.1 Stage one (phase one): Typology development

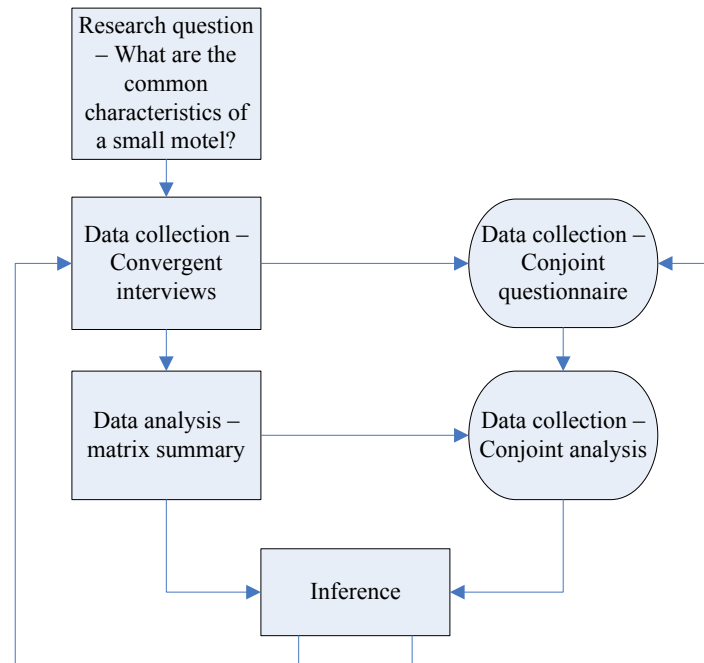
The role of typologies in theory building is recognised in the literature:

Typologies are intended to predict the variance in a specified dependent variable because the organisational types identified in typologies are developed with respect to a specified organisational outcome (Doty and Glick 1994).

A review of the literature to find a typology for the study indicated a lack of classification for small motels. Within Australia motels appear in many locations and vary in appearance, size and service offerings. Therefore, the development of a typology for small motels was essential to ensure that there was no confusion amongst the experts and firms being researched. As performance is a complex dimension it was important to eliminate motels with dimensions that may confound analysis. The typology development for small motels in this research aimed to identify the organisational attributes that were important to determining performance outcome variations and which ensured that 'like' firms were being compared.

A sequential mixed method design (Tashakkori & Teddle, 2003) was selected so that the questions for the second strand of the typology development emerged from the inferences of the first strand, as outlined in Figure 4.3.

Figure 4-3 **Sequential mixed method design for the exploratory phase of identifying a small motel typology**

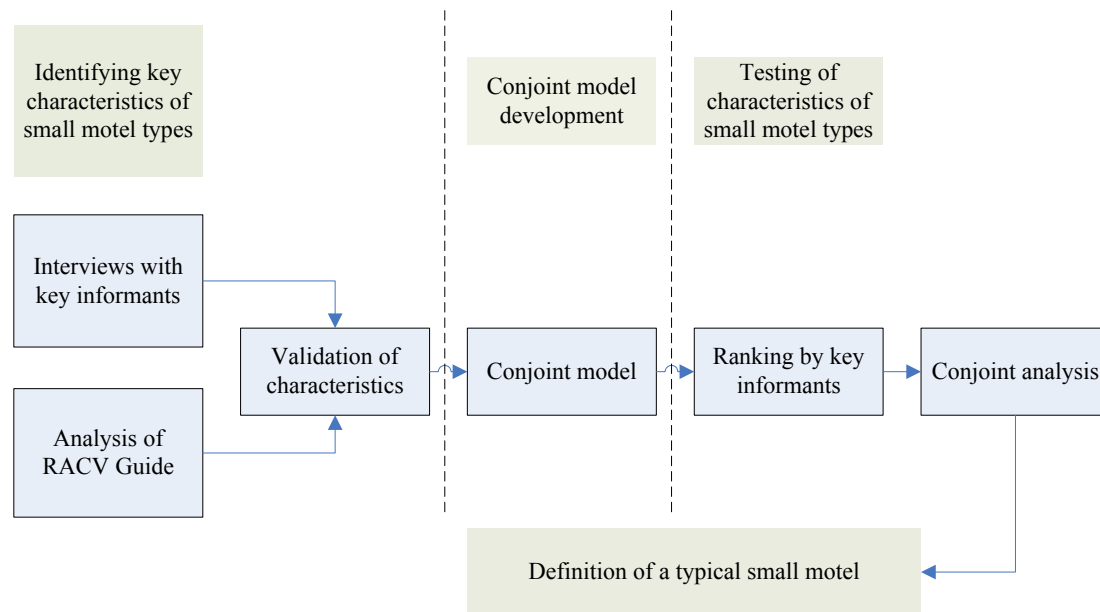


In this figure it is shown that the researcher started with convergent interviews to explore broad constructs in relation to the question – What are the common characteristics of a small motel? Convergent interviewing was selected in this phase to collect and analyse data about people’s knowledge, opinions, experiences and attitudes by using a number of interviews that converged on important issues regarding the characteristics of a motel and their impacts on performance. It was understood that through this process new questions could emerge and would be explored until agreement amongst interviews was reached (Rao and Perry 2003). After a range of characteristics common to small motels was identified the data was summarised uses matrices. The interviews informed the development of the conjoint questionnaire. Conjoint analysis was employed to confirm the list of characteristics most commonly agreed as being found in a typical small motel. The data collection and analysis process for developing the small motel typology using the mixed method approach is explained in detail in the next section and the outcomes are discussed in Chapter 5.

4.4.2 Procedures for data collection and analysis

The procedures for data collection and analysis in defining a typical small motel are illustrated in Figure 4.4.

Figure 4-4 The process for defining a typical small motel



Convergent interview technique. Convergent interviewing is a technique that uses a structured approach to clarify what needs to be done in the early stages of a study. In this technique qualitative information is collected, analysed and interpreted in relation to people's attitudes, beliefs, knowledge and opinions via the use of a limited number of interviews with experts. The intention is for the information to be collected until it converges on the most important issues within the topic (Carson, Gilmore, Perry and Gronhaug 2001; Rao and Perry 2003). In this case it was the characteristics common to motels considered to be small and which are relevant to performance considerations. Convergent interviewing is generally selected to either assist with the planning stages of a survey in a well-established area or in an area where there is little or no established theoretical base or methodology (Carson et al., 2001c). In this research it was selected because, although the literature about business performance is extensive, little is known about the characteristics of a motel that affect performance management. Although it is understood that large motels operate differently to small motels the characteristics that determine a motel as being small were yet to be identified.

Essentially, it is a cyclic series of in-depth interviews with experts that allow the researcher to refine the question after each interview to converge on the issues in a topic area: it is a series of successive approximations arising from a continuous refinement of method and content' (Carson, Gilmore, Perry and Gronhaug, 2001c, p. 72).

However, a limitation of the technique is the time cost in analysing what can be large quantities of data from each interview. Nevertheless, the technique is well matched to this research and although costly was deemed to be an appropriate approach, particularly in a field where the key constructs regarding the characterisation of small motel had not yet been identified.

Choice of domain experts. To conduct the convergent interviews for developing the typology (and the later refinement of the model) a panel of industry experts was required. To get the 'right panel', the selection of the members was important. The expert reference panel consisted of eight domain experts who provided a rich body of data. The number of panel members was determined by the point at which the data converged (as outlined in the previous section). The data converged after seven interviews with an additional panel member sought to confirm that this was the case. To ensure that relevant information was collected, the domain experts were drawn from the motel and small business sectors. The domain experts were chosen on the basis of their specific expertise within the small motel and small business sectors. The expert reference panel was also selected to ensure a mix of practical and theoretical expertise in a range of areas considered important to successful small motel management. As location within Australia was not an important element of the study, the members were largely drawn from Victoria for reasons of ease of access. However, one expert was located in Western Australia and one in New South Wales. Details of the expert panel members, including number of interviews and type of expertise are shown in Table 4.1.

Table 4-1 **Number of interviews, type of expertise and years of experience for each expert panel member**

Expert	Number of interviews	Type of expertise	Years of experience in their field
1	2	Small motel operator	25
2	2	Academia - small business	12
3	2	Hospitality broker and previous small business owner	20
4	2	Small motel operator	9
5	2	Financial services to the hospitality sector	10
6	2	Motel and hotel industry association CEO	15?
7	1	Academia - hospitality and previous small motel operator	18
8	2	GM of hotel chain	30

The members of the expert reference panel needed to be available for two face-to-face interviews (the first for Stage 1A and the second for Stage 1B) and to complete one questionnaire distributed via mail, as part of the Stage One conjoint analysis. The total time commitment was approximately four to five hours over a period of five to six months.

Dealing with issues of validity, bias and error. To ensure that issues of validity, bias and error were overcome, the interview process was carefully managed. Adherence to rigorous processes in the data collection and analysis stages were key to quality outcomes. Set times and locations for the interviews were organised with the experts via phone and email. Instructions and interview guidelines were sent to each panel member before the interviews. Each panel member was informed in advance that approximately one to one and half hours would be needed for each interview. The interviews were located at venues most convenient to the panel members. As a result these interviews were undertaken at the workplaces and homes of the panel members. An interview guide was developed and modified after each interview to ensure questions relating to new data were included in the following interview.

Each interview was audio taped and transcribed immediately following the interview in order to manage the data and ensure accuracy of reporting. Once the interviews were transcribed the data were coded by the researcher and then summarised in a matrix. These details will be presented in Chapter 5.

Undertaking the convergent interviews. As suggested for this approach (Carson, Gilmore et al. 2001; Rao and Perry 2003) the interview commenced with a general question and then proceeded to further open-ended questions specifically related to the research issues as stated in Chapter 3. The questions for each interview were carefully developed to enable the gathering of rich data on small motels and their performance. Careful note taking and recording enabled the researcher to know where the issues converged or diverged on specific issues.

In developing the questions for the phase one convergent interviews the RACV Guide was referred to in order to provide panel members with some classifications for grouping small motels. The initial classifications drawn from the guide included number of rooms, location and star rating. Based on an understanding of small business performance drivers, which was gained from several years in working with small businesses, the researcher also added the classifications of age of business and ownership. This full list was included in the first interview guide.

Prior to the questions and probes about the classifications of motels, an initial question about key success factors important to operating a small motel was asked to probe for views on whether there were common success factors for all motels or whether the experts viewed success as dependent on particular types of motels. The responses were summarised in a matrix. Using the summary matrix as an analysis tool the researcher was able to determine the groupings and sub-groupings where there was convergence and common agreement. As a result of the analysis the groupings and sub-groupings were included in the conjoint questionnaire for further validation.

Conjoint analysis. Reliance on the convergent interviews was not sufficient to provide a typology for small motels in Australia. Although the views' of the expert panel members converged on several characteristics the importance of each characteristic was not determined. Therefore, conjoint analysis was selected to confirm and validate the characteristics. Conjoint analysis is a multivariate technique used to understand how respondents develop preferences for products or services or ideas. 'It is based on the premise that consumers evaluate the value of a product/service or idea by combining the separate amounts of utility provided by each

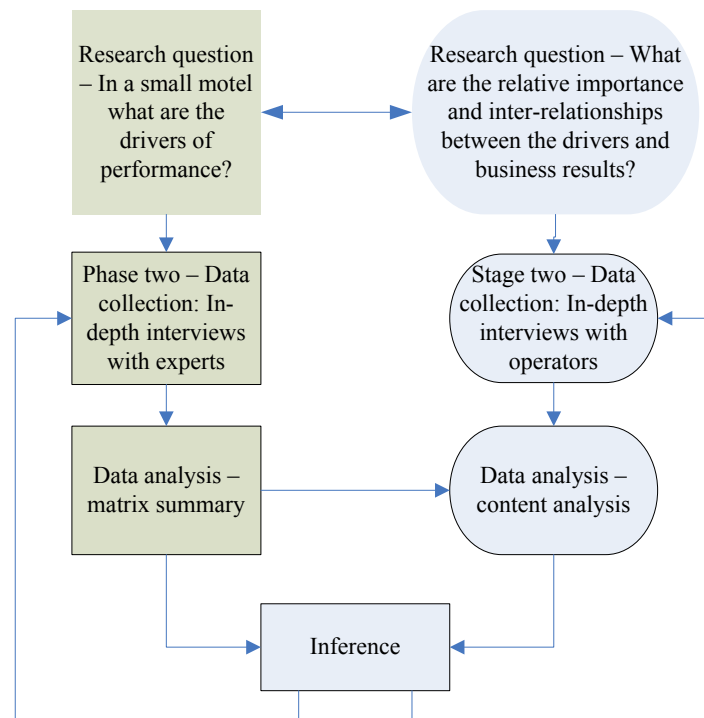
attribute' (Hair, Anderson, Tatham and Black, 1992, p. 382). The conjoint analysis method has the advantage of determining the predictor variables and their respective values according to respondent preferences (Hair et. al., 1992). In this study conjoint analysis was selected to define the concept of a small motel with the optimum combination of characteristics and to show the relative contributions of each attribute and each level to the overall definition of this concept. The data collected from the convergent interviews resulted in several factors. These factors and their levels were entered into SPSS to generate a set of full profile descriptions and to allow for the estimation of the orthogonal main effects of each factor. As is customary in interpreting conjoint analysis a disaggregate approach was employed (Hair et. al. 1992) where each respondent was modeled separately, and the fit of the model was examined for each respondent and then compared to the aggregated results of the overall sample.

The full description of the conjoint analysis and the resultant typology is summarised in Chapter 5 and detailed in Appendix B. In the process of typology development four characteristics were identified by the industry experts as being important to discussions and comparisons about business performance. The typology was valuable to the study as it removed the 'it depends' element, which had emerged in previous discussions of performance, and ensured that all the informants involved in stage two could focus their views and experiences.

4.4.3 Stage one (phase two): Model refinement

The central research issues of the study focused on identifying the key internal management and measurement components of a small motel and to explore their inter-relationships in determining the desired performance outcome. These issues are addressed initially in this phase of the research and later feed into Stage Two, as illustrated in Figure 4.5. Specifically phase two of the first stage of the study was designed to help refine the constructs and variables of the PMS model for small motels with industry experts as outlined in the following section.

Figure 4-5 **Qualitative method design for verifying a PMS model for small motels**



The focus of phase two was to refine the model by conducting in-depth interviews with the industry expert panel. This phase dealt with the question – In a small motel what are the drivers of performance? Analysis of the data was then used to refine the PMS for verification with the small motel operators in stage two. Essentially, these stages addressed the broad question – What are the relative importance and inter-relationships between the drivers and business results? These stages also provided answers to the six research issues that evolved from Chapter 3. Drawing on the data from each of these phases, inferences were made about the theoretical PMS and how this should be modified so that it represented the performance management and measurement behaviours and activities of small motel operators who were selected on the basis of their good performance.

In this phase, the same expert reference panel and processes were used as discussed in section 4.4.1.1 of this chapter. In this second round of interviews a semi-structured guide was developed, which focused on defining and gaining a better understanding of the performance measurement and management dimensions of small motels as defined in phase one. The guide was used to assist the interviewer work through the

components of the PMS that needed further refining. Given that the interviewees had already worked with the researcher there was less need to provide any extensive background to the study. However, the specific aim of the interviews was explained clearly. As was the case in Phase One, the interviews in this phase commenced with an unstructured, general question. The initial question in this case was - *What would you look for in order to distinguish a high performing small motel from an average or poor performing motel?* This question was then followed with further open-ended questions and probes, which explored the specific constructs of the model. Any new dimensions were added to the interview guide after each interview so that they could be explored in following interviews. Therefore, the guide reflected the evolving understanding about small motel management and knowledge about the components of the PMS. The key constructs of the PMS explored initially included customer focus, people management, resource management, partnerships, networks (including stakeholders) and systems and processes. The interview focussed on ascertaining their relevance to small motels and the specific variables that would best describe these constructs. Correct terminology and definitions of each dimension and variable were also sought. After each interview the data gathered were entered in several tables and matrices in order to summarise the data. The analysis of this phase is presented as a summary in Chapter 5 and detailed in Appendices C and D.

4.5 Stage Two: Research Design for the Case Research

The interviews with the expert reference panel were important to refining the PMS model but they could not assist with verifying the model. Further research utilising a case study approach followed the in-depth interviews with the expert reference panel members in order to confirm or reject the PMS model for small motels.

4.5.2 Case Research Methodology

A case study approach was selected because according to Yin (1994) such an approach can investigate a contemporary phenomenon within a real-life context using multiple sources of evidence. Therefore, the case study approach enabled an in-depth study of several small motels and motel operators who were deemed to be successful.

The basis for generalisation in the case study approach was analytical generalisation as the goal was to expand and generalise theory relating to performance measurement and not to establish the frequency with which this phenomenon was likely to occur in a particular motel population (Yin 1994; Hyde 2000). Using the case study approach the propositions stated in Chapter 3 were tested using a case-by-case comparison of the selected small motels against the theory by applying replication and pattern matching. In this way both inductive and deductive reasoning were employed (Perry 1998).

4.5.2.1 Validity and reliability in case study research

Important to the quality of qualitative research is that the demands of validity and reliability are met (Yin 1994; de Ruyter and Scholl 1998; Riege 2003). Healy and Perry (2000) discuss the realist's need to address these demands in slightly different ways to the positivist. Issues relating to validity and reliability in the case research were addressed in the research design, data collection and analysis phases. How this was achieved is discussed in the following section.

Construct validity (or confirmability) establishes appropriate operational measures for the theoretical concepts made, and relates to assuring that constructs are closely aligned to their real-life context (Yin, 1994; Riege, 2003; de Ruyter & Scholl, 1998). Multiple sources of evidence using - prior theory drawn from the literature, the in-depth interviews with the experts, and followed by the case studies; helped develop and confirm the performance constructs. Having key informants review and verify case study reports also helped ensure construct validity (Healy & Perry, 2000).

Internal validity relates to establishing the phenomena in a credible way and the confidence with which inferences about real life experiences can be made (Healy & Perry, 2000; Riege, 2003). Using multiple sources for collecting data enhanced internal validity regarding the PMS constructs. This was achieved through the first phase convergent interviews with the expert reference panel, followed by the second phase in-depth interviews with expert reference panel and finally the multiple case studies of small motels. Collecting data from experts and existing motel operators ensured that the data were based in reality. Furthermore, internal validity was

addressed in analysing the data by employing replication and pattern making analysis within and across each case. The analysis process was structured according to the six research issues and their related propositions.

External validity is concerned with the extrapolation of certain findings beyond the immediate study (Yin, 1994; Riege, 2003). In case research (and in this study of performance in small motels) external validity was achieved in a number of ways. Firstly, it was achieved by employing analytical generalisation where the findings are generalised to the broader theory on performance measurement as identified in the literature and not to a broader population. The study of multiple case studies, in this research, was used to understand the key constructs and variables of the PMS model for small motels. Secondly, the development of the typology of small motels helped to define the scope and boundaries of reasonable analytical generalisation for the research (Riege, 2003).

Reliability or dependability was considered in this research in the approach used in the data collection and analysis phases (Yin, 1994; Healy & Perry, 2000). A clear trail of evidence was provided in the systematic way that the interview guide was developed and the way in which the interviews were recorded, transcribed and coded. The use of NVivo also provided a systematic means for storing data and indexing themes (Gibbs 2002; Maclaran and Catterall 2002).

4.5.2.2 Case selection

The typology for small motels, as discussed in section 4.4 and detailed in Chapter 5, clearly identified the unit of analysis. The typology provided a clear indication of the sort of the motels to be studied. As this research was interested in the activities and behaviours of small motel owner-operators, the selection of case firms managed by operators considered to be exemplary was important so that the PMS would be verified with those seen as employing best practice. To assist in this process AAATourism provided advice and details of operators they believed to be commendable. Advice regarding this phase of the research was sought from AAATourism as they are the national tourism body, which manages the star-rating scheme for accommodation. Therefore, they are a major industry accommodation

body with intimate knowledge of the operators and their products. In seeking referrals from AAATourism it was also requested that the operators needed for this research currently manage small enterprises that generally meet the characteristics as set out in the typology. Additionally, to be identified as ‘high performing’ operators AAATourism was asked to make their selection based on the criteria relating to good management including, recognised ability to improve the occupancy rate and turnover of the business; ability to improve the product and service offerings (as would be known by AAATourism auditors); and general views about the operator’s reputation as an industry leader.

As a result the contact details of a total of 10 small motels were provided to the researcher (with seven of these involved in the case study phase). The operators of these firms were contacted to ascertain their willingness to be involved in the study. This approach was employed, as the number of cases required was not known at the outset.

Number of cases. It was understood in the research design phase that a large number of cases was not required for a case study approach. Gathering data from small number of cases was based on the need to gather rich (quality) and detailed data regarding the theoretical propositions rather than a large quantity of data (Lincoln and Guba 1985; Eisenhardt 1989; Shaw 1999). As indicated, the number of cases was not determined in advance of the data gathering phase, instead, as the researcher progressed through the interviews the number of participating cases was determined by the extent to which additional data added further value. Glasser and Strauss (1967), Lincoln and Guba (1985) and Eisenhardt (1989) recommend that when the themes and issues central to the study become ‘saturated’ no further cases need to be approached. In this research this stage was reached after a study of seven cases.

Face to face in-depth interviewing with small motel operators was the main data collection approach employed to test the model (and the key research issues and associated propositions) in the case study phase. Although it is usual in a case study approach that interviews be conducted with more than one person in each firm, in order to have multiple sources of data, this was not possible in this study as the firms

were micro businesses or very small businesses. Where possible the business partners were involved, however, the small size meant that the motels did not either have employees who could offer views on the firm's performance or did not have employees with an understanding of the business. In most cases only a few staff were employed. Most of these employees usually worked on a casual or part-time basis. For this reason only one interview could be conducted to gather data for each case but given they were the major decision-makers in each firm, valuable information was obtained and was confirmed with follow-up whereby a summary was sent to each operator for confirmation. A combination of the data gathered in the 16 interviews with experts in stage one and the stage two case studies allowed for the development and testing of the PMS model for small motels.

4.5.2.3 Profiles of the small motel operators as sources of replication

The cases (small motels) selected for this component of the study had characteristics that matched most of the characteristics identified in the typology. Therefore, propositions regarding this typology could be explored and the PMS confirmed or rejected using replication logic and pattern matching.

The motels possessed at least three of the four attributes in this typology in various combinations. A profile of the motels is presented in Table 4.2.

Of the seven operators interviewed two were located in metropolitan Melbourne and five in regional Victoria. However, it is interesting to note that five of the motels have a 4 or 4 ½ star rating despite the expert reference panel member's views that most motels of this size would be in the 3 to 3 ½ star range. (This difference could be due to the fact that these motel operators are good performers and therefore they strive for a higher product rating more so than other operators.). As expected the number of employees in the firms increased with the size of the motel. The increase in number is mainly with casual staff as opposed to full-time staff. (The operators indicated that this arrangement gave them more flexibility in rostering during low and peak periods.) There was also a range of business structures. Three of the motels were owned by the families who operated them, four of the motels were leased and one was

managed for the owners. Finally, affiliations with marketing groups or chains varied across the motels

Table 4-2 Profile of the operators based on typology characteristics and other dimensions important to performance measurement

Motel	Size (no. of units)	#No. of staff		Star- rating	Location	Marketing Affiliation	Ownership	Restaurant
		FT	Casual					
M1	14	1	-	5 units – 3 ½ star 9 units - 4 star	Centre of regional town	Budget	Owned & managed by husband & wife	No
M2	20	5	-	4	Outskirts of regional city	Best Western	Leased & managed by husband & wife	No (but have a kitchen)
M3	24	2	3	3	Eastern suburbs	None	Owned & managed by family	Yes (leased out)
M4	28	6*	12 **	4 ½	Outskirts of regional city	Best Western	Owned & managed by family	Yes
M5	30	5	10	4 ½	Western suburbs	Golden Chain	Leased & managed by husband & wife	Yes
M6	34	4	11	4	Outskirts of regional city	Comfort Inn	Leased & managed by husband & wife	Yes
M7	36	4	17 + 1 PT	4 ½	Outskirts of regional town	Comfort Inn	Managed for owners	Yes

* all employed for the restaurant ** 6 employed for the restaurant and 6 for the motel

Number of staff does not include owners who work in the business.

4.5.2.4 Data collection and analysis procedures

Together with a planned and purposeful approach to case selection, care was taken in the design of the interview guide.

Design of the interview guide. The guide was important to the investigation to ensure that a systematic and comprehensive approach was undertaken. This approach helped to provide consistency in the way data were gathered from the motel operators. The guide also helped the researcher to decide how to best use the limited time available in each interview situation (Patton 1990; Carson, Gilmore et al. 2001). As illustrated in Table 4.3, the research issues and associated propositions (as developed in Chapter 3) guided the development of the questions.

Table 4-3 **Research issues and related Interview questions**

Research Issues	Interview questions
Key Research Issue 1: How is strategy formulated, implemented and reviewed in high performing small motels?	Questions C1 – C4
Key Research Issue 2: How are stakeholders involved in is strategy formulation, implementation and review in high performing small motels?	Questions C1 – C4
Key Research Issue 3: How is a balanced approach to performance measurement used in high performing small motel operators in assessing stakeholder satisfaction and business results?	Questions B1 – B4
Key Research Issue 4. What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?	Questions B1 – B4 Questions C9 – C10
Key Research Issue 5: How are processes developed and employed in high performing small motels?	Questions C5 – C13
Key Research Issue 6: How are the various result measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?	Questions B1 – B 4 Questions D1

In order to test the propositions the questions for the case studies were both general and particular as well as descriptive and explanatory (Miles and Huberman 1994). A combination of open and closed questions was used. The open-ended questions provided a systematic approach to data collection by asking interviewees the same questions whilst also providing the opportunity to explore dimensions more broadly and to allow interviewees flexibility in the way they responded so that they could provide data on their own individual experiences without the researcher predetermining their responses (Patton, 1990). These questions provided rich data for analysis within each case as well as across cases. The closed questions were designed to compel respondents to make decisions and to clearly define how they undertook

particular activities so that the data could be easily aggregated and compared across the cases (Patton, 1990; Punch, 2005). The closed questions also included a number of scales that required the interviewee to make a decision about the importance of particular activities and the frequency in which they were undertaken. The full interview guide used in this phase is located in Appendix A.

Given the difficulty in engaging small motel operators in interviews it was decided to use the first interview as a pilot study. The data gathered in this first interview were valuable to the study and was therefore included in the research. From this first interview it was also found that some of the terminology needed to be simplified as it either threatened the interviewee or was difficult to understand. Based on feedback from the first interview some of the wording was altered and the style of questioning was made less formal.

Interview procedures. The motel operators recommended by AAATourism were contacted one by one to ascertain their willingness to be involved in the study. Given the time limitations of the operators the researcher offered to travel to a place convenient to them for the interviews. The operators were given a letter to explain the study and to ensure confidentiality. The operators were informed that the interviews would take between one and half and two hours to conduct. At the commencement of the interviews the interviewees were asked for permission to tape the interviews. This permission was given in all cases. Notes were also taken throughout the interview to highlight important points and to document observations.

Data analysis. As with the data collection, the PMS model and research issues guided the analytical process. The focus of the case data was to confirm, reject and modify the theory built in Chapter 3 by describing and explaining the performance measurement activities and perceptions of small motel operators using the PMS model (Yin, 1994). In this study the interview guide provided a descriptive analytical framework for analysis (Patton, 1990). During and after data collection part and full analysis occurred. The full analysis phase followed the Miles and Huberman (1994) model for data analysis – data reduction, data display and conclusion drawing/verification. Data reduction dealt with the process of working with the transcriptions and field notes via various procedures including, selecting, focusing,

simplifying, abstracting and transforming. Content analysis incorporating coding and categorisation of the primary data occurred in this phase (Patton, 1990). This phase was also assisted by the use of the NVivo software package. Data display concerned the organising and compressing of information using matrices, graphs, charts and networks so that conclusions could be drawn. The conclusion drawing/verification occurred throughout the data collection and data reduction and display processes through the noting of regularities, patterns, explanations, causal flows and propositions. As the analysis proceeded conclusions were verified. Data reduction, data display and conclusion drawing/verification were interwoven throughout the data collection, analysis and write up phases (Miles & Huberman, 1994).

The data reduction process began with individual case studies of each motel as recommended by Patton (1990). This stage was then followed by a cross case analysis to explore patterns and literal and theoretical replications (Yin, 1994). As this research explored the behaviours and management activities of small motel operators in order to better understand the performance drivers and their related results the analysis focused on each dimension of the PMS model. These dimensions included stakeholders, strategy formulation, capabilities and processes. The outcomes of the analysis are therefore presented on dimensions related to events, people, processes within and across the various motel settings. Variations according to size of motel (based on number of rooms and number of employees) location and strategy are discussed in the analysis chapter (Chapter 5).

4.6 Limitations of the research approach

The choice of a case research approach in this study was based on the need to describe and explain the real life management activities of small motel operators and their links to performance outcomes. Such an approach has its limitations because the cases are not a sample of the broad small motel or hospitality population. However, the aim of this study was to expand and generalise theory (analytic generalisation) and not to enumerate frequencies (statistical generalisation) (Yin, 1994). Therefore, the findings cannot be generalised to a wider population. Secondly, in order to address limitations regarding rigour and quality (Healy & Perry, 2000) in the way the case data were gathered and analysed strict procedures were followed through the

development of the guide (based on the research issues) and the use of the guide to provide consistency of approach during the interview process. Issues of validity and reliability were addressed, as discussed in section 4.4.2. The use of the Miles and Huberman framework (1994) in the analysis of the data, as described in section 4.5.2.4, assisted in addressing quality concerns.

4.7 Ethical Considerations

Throughout the study the researcher was aware of the ethical considerations of conducting research with business operators. All ethical requirements placed on the researcher were adhered to throughout all phases of the research. At the outset interviewees were fully informed of the details of the study. Interviewee consent was sought and obtained. Issues of anonymity and confidentiality were a primary focus of the research design. To address anonymity and confidentiality the identity of the firms have not been revealed and only the researchers and supervisors had access to the raw data. The interviewees also had the option of withdrawing at any time from the study.

4.8 Conclusion

Historically, a positivist approach has been applied to studies of strategic management and business performance. Conversely, in recent decades the value of applying an interpretivist perspective to this field has been recognised. Therefore, an approach that combines the philosophies of both paradigms was considered to be appropriate, particularly in the multi-stage approach employed in this research. Although a mixed method approach utilising interviews, conjoint analysis and case studies has been employed, it is acknowledged that much of the work regarding the model refinement and model confirmation needed to draw on reality. For this reason the realism paradigm has largely underpinned stage two of the study.

Given the complexity and multi-dimensional aspects of studying business performance it was important in the first stage of the research to develop a small motel typology to clearly define the unit of study. In this stage, a sequential mixed method design using convergent interviews and conjoint analysis allowed for the

exploration and identification of the key characteristics that make up a small motel and then to narrow these characteristics, through conjoint analysis, to those considered to be most important to the study of performance drivers and results.

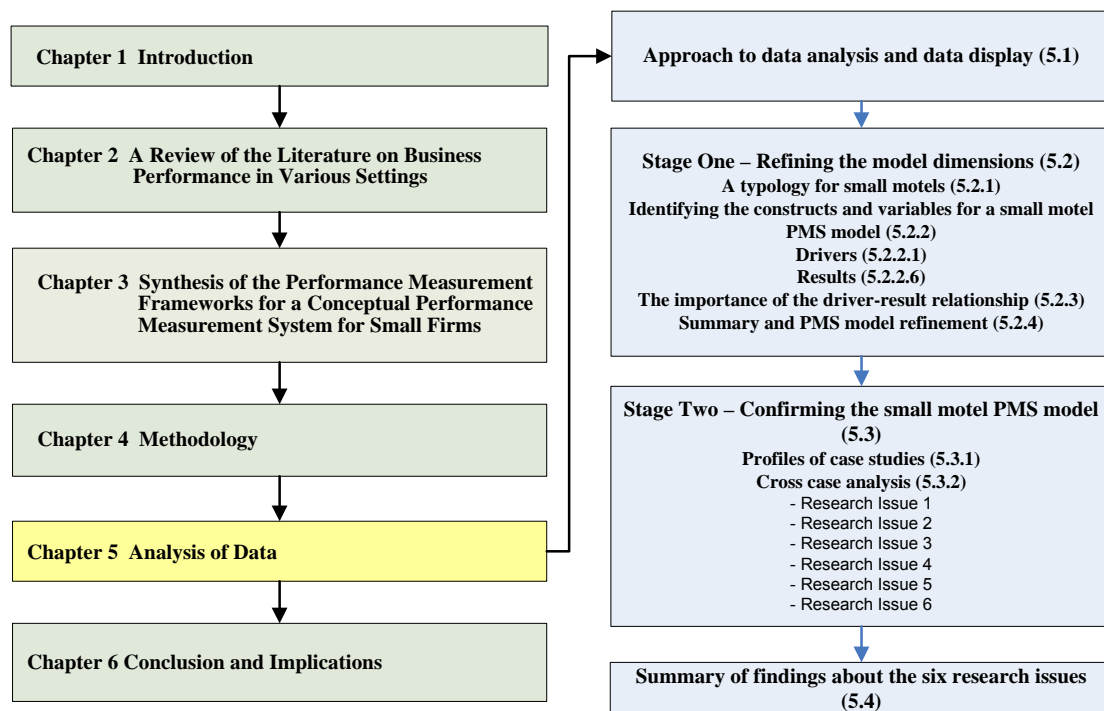
Important to the first stage was the expert reference panel, which provided rich data to develop the typology and refine the PMS model. The second stage of the research method utilised case studies to test and confirm the PMS model. In this approach several high performing motels were selected with the assistance of AAATourism (a leading accommodation industry body) to provide views, values and experiences to confirm, reject or modify the PMS model and its components.

In order to build and confirm the PMS model a structured approach was used to analyse the data using data reduction, data display and conclusion drawing/verification based on the Miles and Huberman framework (1994). Various techniques were employed to ensure that validity, reliability and ethical standards were considered in the research. In Chapter 5 the full analysis of the data gathered in this research, will be presented and discussed. The research issues identified in Chapter 3 are used as a framework to guide this discussion.

5 ANALYSIS OF DATA

While the method employed in the research to develop a PMS model for small motels was discussed in Chapter 4, this chapter focuses on the results of the primary research. In particular, the emphasis of this chapter is the presentation of the findings and their relevance to the research issues as proposed in Chapter 3. It should be noted that the discussion of the findings and drawing of conclusions and comparison of results to previous literature are not part of this chapter, but instead will be covered in Chapter 6. The presentation of the results is undertaken in four stages, as shown in Figure 5.1. In the first instance, an overview of the approach to the data analysis, including data reduction and data display is provided to explain how the analysis of the six research issues is undertaken.

Figure 5-1 Outline of chapter five



In Section 5.2 the results of stage one of the study, as outlined in Chapter 4, Section 4.4, are addressed under three sub-headings. Firstly, the analysis of the data to develop a typology for the unit of study (that is, small motels) is presented in Section

5.2.1. The findings of the interviews with experts that relate to the PMS model dimensions for small motels with regard to the drivers and the results and their inter-relationships are then presented in Section 5.2.2 in order to refine the model. A summary of the refined model is then detailed in Section 5.2.3.

Confirmation of the PMS model with small motel owner-managers is undertaken in Section 5.3. The results of the stage-two component are based on the data from the case studies. Profiles of each of the case studies are presented and then patterns and themes are drawn from the cross case analysis. This analysis is carried out for each of the six research issues identified in Chapter 3. Then, section 5.4 provides a summary of the findings for the six research issues. Finally, the conclusion for the chapter is presented in section 5.5.

5.1 Approach to Data Analysis and Data Display

Approaches to the reduction phase of the data collected from the in-depth interviews with the expert reference panel, has been detailed in Chapter 4. This phase was made easier by the manner in which the questions were framed during the interviews. A convergent interview process, which started with the broad concepts relating to drivers (management activities) and performance results enabled information specific to small motels to be captured and structured according to topics and sub-topics. The analysis was supported by a number of displays, including matrices, diagrams and networks, which were used to organise and display the coded data. This approach was aimed at identifying the concepts of the PMS model (developed in Chapter 3) and their relevance and importance to small motels. This stage provided specific detail that could be explored further and confirmed, rejected or modified in the stage two case studies.

For the case study analysis, a coding structure based on the six research issues and their associated propositions also helped to organise the data into topics and sub-topics. Firstly, a system of codes was created using the NVivo software and subsequent content analysis of the qualitative data enabled the identification of concepts as well as emerging patterns and the extent of repetition. This analysis also

helped to establish connections between the performance concepts (that is drivers and results) and performance indicators, such as non-financial and financial measures.

In working with the case study data, both within-case and across case analyses were used to explore and explain the findings. In order to maintain anonymity, the expert reference panel members and the small motels have been referred to throughout this chapter according to the alphanumeric code assigned to each. The eight expert reference panel members are referred to according to an E1 – E8 code and the small motel cases by an M1- M7 code.

5.2 Stage One: Refining the Model Dimensions

As detailed in Chapter 4, the central research issues of the study were focused on identifying the key internal management and measurement components of a small motel and to explore their inter-relationships in determining the desired performance outcome. These issues are addressed initially in this phase of the research and later feed into Stage Two. This section is comprised of two parts, which include the findings of the data regarding the development of a typology for small motels followed by the identification of the PMS model constructs and variables as relevant to small motels. Essentially the data gathered in stage one helped to refine the conceptual PMS for small motels, which was tested later in the case research (as presented in Section 5.3). The development of the typology is presented first.

5.2.1 A typology for small motels

In the early stages of this study, interviews with industry experts indicated that there was confusion regarding the type of motel being discussed. Given the variations across the range of motels and the different understandings of the dimensions that determine a small motel the first phase of the research aimed to define and classify a specific type of small motel to ensure that all respondents fully understood the unit of study. During the interviews the experts were asked about the characteristics of small motels, which should be considered when discussing the performance of such motels. The focus of this question was to ensure that in considering these motels that the study was comparing ‘like with like’. Therefore, in this phase the identification of the

key dimensions that could be used to group similar small motels was important. Due to the large amount of data and detailed analysis required, the results of the convergent interviews with members of the expert reference panel and subsequent conjoint analysis are presented in detail in Appendix B. To make it easier for the reader, only the summary findings are outlined in this section.

The convergent interview data indicated eight characteristics or groupings, which were used to determine a common type of small motel in Australia. The eight groupings included: number of rooms, number of employees, location, star rating, age of business, ownership type, facilities and marketing affiliation. Of these eight, convergence was only reached on four of the groupings, namely, number of rooms, star rating, marketing affiliation and facilities (that is presence of a restaurant). These groupings and their sub-groupings, as summarised in Table 5.1, formed the basis of the typology development.

Table 5-1 The small motel classification types with their sub-groupings that emerged from the convergent interviews

Classification or grouping	Sub-grouping or range
Number of rooms	1 to 15, 16 to 30, 31 to 50, 50 plus
Star rating	Up to 2 ½, 3 to 3 ½, 4 to 5
Marketing affiliation	Affiliated or not
Facility	Presence of a restaurant or not

Interpreting the results. As is customary in interpreting conjoint analysis, a disaggregated approach was employed (Hair, Anderson, Tatham and Black 1992) where each respondent was modeled separately, and the fit of the model was examined for each respondent and then compared to the aggregated results of the overall sample. The behaviour of each respondent was then evaluated relative to the assumption of the model. As pointed out by Hair et al. (1992. p 397), this approach also ‘allows for the exclusion of respondents who show such poor preference structure as to suggest they did not perform the task expected of them.’ Table 5.2 shows the results for the individual respondents and the overall sample. It should be noted that the Pearson’s R scores, which were calculated using the ‘hold out’ treatment, were above 0.8 in each case. As with regression analysis, the Pearson’s R fulfills the same role in the conjoint analysis. In this case it is a measure of the consistency of the

respondent's answers and scores above 0.8 are therefore considered an acceptable level of consistency (Hair et al., 1992).

The part-worth estimates, as shown according to each respondent and for the overall sample, were measures of the perceived value for each particular level (for example, ranges for number of rooms). The option with the highest utility score was the one selected as a key characteristic for defining small motels.

Table 5-2 Conjoint analysis results for the overall sample and individual respondents

Respondents	Number of rooms			Star rating			Marketing affiliation		Presence of a restaurant		Relative importance of factors			
	1 to 5 rooms	16 to 30 rooms	31 to 50 rooms	Up to 2.5 star	3 to 3.5 star	4 to 4.5 star	Not affiliated	Affiliated	Yes	No	1	2	3	4
1	-1.22	1.78	-0.56	-1.22	1.11	0.11	-0.08	0.08	0.67	-0.67	43.90	34.15	2.44	19.51
2	-1.44	1.56	-0.111	-1.11	2.22	-1.11	-0.42	0.42	0.33	-0.33	38.30	42.55	10.64	8.51
3	0.33	0.00	-0.33	-0.33	0.67	-0.33	-0.25	0.25	0.00	0.00	30.77	46.15	23.08	0.00
4	-0.67	1.00	-0.33	-1.33	0.67	0.67	0.00	0.00	0.25	-0.25	40.00	48.00	0.00	12.00
5	0.00	0.33	-0.33	0.00	-0.33	0.33	-0.50	0.50	1.50	-1.50	12.50	12.50	18.75	56.25
6	0.22	1.56	-1.788	-0.78	1.22	-0.44	-0.42	0.42	0.08	-0.08	52.63	31.58	13.16	2.63
7	-1.33	1.00	0.33	0.333	0.67	-1.00	-1.00	1.00	-0.25	0.25	35.90	25.64	30.77	7.69
Overall sample	-0.59	1.03	-0.44	-0.64	0.89	-0.25	-0.38	0.38	0.37	-0.37	36.29	34.37	14.12	15.23

Examining Table 5.2 shows some diversity of part-worth estimates for some factors across the individual respondents. For example, with regard to the factor 'number of rooms', respondent 1 has a part-worth estimate of 1.78 for the level 16 to 30 rooms while respondent 3 had a part-worth estimate of 0.00. These differences mean that respondent 1 valued the inclusion of room size (and specifically those with 16 to 30 rooms) in the typology of small motels, whereas respondent 3 was indifferent to this size category. Despite these variations, the overall sample results show strong agreement in the roles that the number of room category of 16 to 30 rooms (1.03) and the star rating of 3 to 3 ½ stars (0.89) have in defining a small motel. Furthermore, the inclusion of these broad categories was also supported by the 'relative importance of factors', where the value of Factor 1 – number of rooms (36.29) and Factor 2 – star

rating (34.37) indicated that 70.66% of what constitutes a small motel is driven by room size and star rating.

Greater differences were seen for the characteristics of marketing affiliation and the presence of a restaurant. Overall, sample values of 0.37 for 'yes' regarding the presence of a restaurant and 0.38 for affiliation with a marketing affiliate suggest that these factors were less important for defining a small motel. This is also supported by the relative importance of these factors. These values indicate that marketing affiliation (14.12) and presence of a restaurant (15.23) account for only 29.35% of what constituted a small motel. Based on this analysis it could be summarised that a typical small motel would have between 16 to 30 rooms and a star rating of 3 to 3 ½ stars. It was also considered more likely that they would be affiliated with a marketing group and would have a restaurant. Therefore, in order to ensure that in the next stage of research that all respondents were clear about the unit of study it was decided that a small motel could be described by the following attributes:

- Has between 16-30 rooms in size;
- Is rated 3 to 3 ½ star;
- Is affiliated with a marketing group;
- Has a restaurant.

It should be noted that this typology is intended to provide broad indicators of the attributes of these motels with the key indicator being number of rooms. It is important to understand that motels that have room numbers that fall into this range, but do not have all of the other attributes, should not be excluded from this classification. In reality, many small motels may have two or three of the attributes rather than all four. Additionally, a motel that has room numbers slightly above or below this range could also be classified as small.

5.2.2 Identifying the constructs and variables for the PMS model

With a better understanding of the features that determine a small motel the second component of phase one of the study considered the refinement of the theoretical PMS model for small motels developed in Chapter 3 from the literature. As indicated in Chapter 4, the aim of this phase was to further develop the untested theoretical

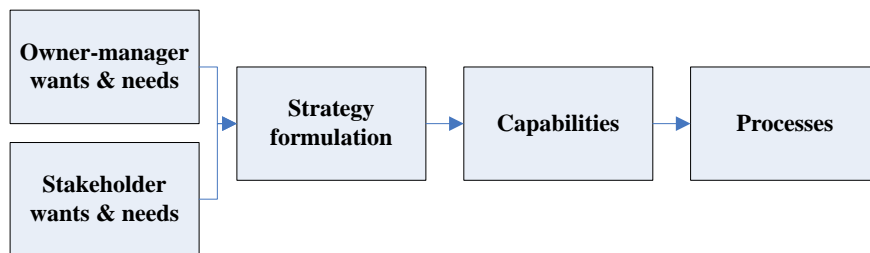
model so that it is relevant to small motels. Specifically this phase was focused on identifying the relative importance of the *drivers* and *results* and their inter-relationships. It was intended that refinement of the PMS model for small motels would then underpin the verification research, which was to be undertaken in the case research in stage two.

Specifically, the two key performance dimensions of *drivers* (stakeholders; strategy; capabilities and processes) and the *results* (outputs and outcomes) were explored with the experts to determine ‘meaning’, ‘terminology’, and ‘associated attributes’ as understood by experts in the small business and hospitality fields. Again given the large amount of data the summary findings of these interviews are presented in the following sections, whilst a more detailed description of the interview findings are provided in Appendix C.

5.2.2.1 Drivers

All of the drivers were verified by the experts, as per the PMS model developed in Chapter 3, and include the dimensions of owner-manager and stakeholder and owner-manager wants and needs, strategy formulation, capabilities and processes, as shown in Figure 5.2. Each of these dimensions was explained in terms of their relevance and importance to small motels. In this part of the model it is suggested that in a PMS for small motels the strategy is formulated with both the owner-manager and stakeholders wants and need in mind. Strategy then gives direction to the capabilities needed and the capabilities (people, partnerships and resources) provide input into the processing system. The following sections present the data gathered from the experts and describes how it helped to refine the ‘driver’ component of the PMS model. This section starts with the first component of *stakeholder wants and needs*.

Figure 5-2 PMS model for small motels: The drivers



5.2.2.2 Summary of wants and needs

Based on the experts' views, knowing the wants and needs of the stakeholders is central to the successful operation of the business and should be the first consideration in operating a small motel. It was found that the owner-manager lies at the heart of the firm. The owner-manager is the key decision-maker and the firm exists because of their personal and business goals. The pursuit of the goals is what drives the business, however, the owner-manager is aware of the importance of the stakeholders to their operations.

There are seven different stakeholders that need to be considered in the operation of a small motel. The stakeholders include, the customer, the local community, the employees, the marketing affiliate, the financial institution, the accountant and the landlord. It was also found that not all stakeholders are viewed equally. The three most commonly cited stakeholders (in order of importance) were, customers, the local community and the employee. The findings also provided detail about the stakeholders' different wants and needs. Firstly, the customers want friendly service; to be made to feel special; care in the provision of product/service; opportunities to air views (give feedback); value added service; and quality amenities matched to the price. Secondly, the local community want a good product and service for visiting friends and relatives (VFR) and work colleagues; shared community values and involvement in community activities; a good venue for holding events; and discounts. Furthermore, the employees want responsibility (empowerment); rewards for effort (salary, celebration); respect; inclusion; good communication; suitable rostering; training and support; opportunities for feedback and input into business; and time and attention. Whether all employees (that is, cleaning, restaurant and office staff) seek these needs was not made clear.

Based on these findings a refinement of the PMS model, as developed in Chapter 3, can be made in regards to the stakeholder component. As a result the stakeholders important to small motels can be specified, noting that their wants and needs differ according to the *type* of stakeholder. Therefore, the range of stakeholders for small motels can be restricted to customers, employees, the local community, the marketing affiliate, the bank, the accountant, the supplier and the landlord. Of all the stakeholders the customer is by far the most important stakeholder as they are the key reason why the business exists. This finding indicates that it is likely that, due to the number of stakeholders, and the extent and variation in their wants and needs, small motel owner-managers may not consider all stakeholders. It is therefore likely that motel owner-managers may focus on a few key stakeholders instead.

5.2.2.3 Summary of strategy formulation findings

Strategy formulation, together with stakeholder wants and needs, are the initial drivers and are essential components of good performance management. Table 5.3 provides a summary of the expert reference panel member responses to questions about strategy formulation. This summary includes all responses about strategy formulation and relate to why, how, when, where and what strategy was formulated, as well as the problems and good practices of each.

Based on the data it is apparent that the owner-manager is the driver of strategy formulation. However, in a number of cases the owner-manager may not have the expertise to complete this task effectively. If this is the case the better owner-managers seek support and look to involve the accountant, key staff and/or the bank manager in this process. Importantly, this involvement is contingent on two factors - the type of motel and the goals and aspirations of the owners.

Interestingly, strategy formulation is not always carried out in small motels; instead, it is the better performing owner-managers who undertake this process. Despite the recognition that strategy formulation is important there is a view that strategy formulation does not have to be a difficult process, nevertheless, it should be documented, but not in a complex way. Hence, it is reasonable for a small motel to have planning documents that are simple, concise and accessible. It is also accepted

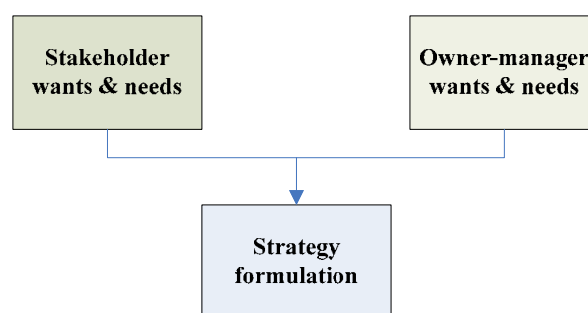
that strategy formulation need only occur on start up or take over of the motel and that after that point it should become a living document and involve an ongoing process of monitoring and review.

Table 5-3 A summary of the expert panel views on strategy formulation in small motels

	Good practice	Problem
<i>Why is strategy formulation carried out?</i>	<p>To determine the business and market direction and goals for the operation.</p> <p>To help understand the industry.</p> <p>For personal and business success.</p> <p>To determine roles of employees.</p> <p>To plan steps and stages towards goals.</p> <p>To ensure pro-active rather than reactive management.</p>	<p>Only formalised because the financial institute demands it.</p>
<i>How is strategy formulation carried out?</i>	<p>With alignment to the motel's financials (budgets) and processes.</p> <p>With objectives clearly defined.</p> <p>With directions set out in a short and simple manner.</p> <p>Guided by and linked to customer needs.</p> <p>In a way that is accessible to all.</p>	<p>Not often documented.</p> <p>Often carried out without any research.</p>
<i>When is strategy formulation carried out?</i>	<p>When the business commences or is taken over.</p> <p>Done once completely and then it evolves (a plan is a working document).</p> <p>On start-up or at take-over, then reviewed regularly.</p>	<p>Not always reviewed and modified as part of an ongoing process.</p> <p>Done only for financial institute's request.</p>
<i>Where is strategy formulation carried out?</i>	<p>In successful motels and at the owner-managers instigation.</p> <p>In external support agencies when internal expertise is lacking.</p>	<p>Planning is not a common practice in many small motels.</p> <p>Expert advice is not sought when needed.</p>
<i>What is done when strategy is formulated?</i>	<p>A vision and a mission are developed along with how to achieve them.</p> <p>Simple research of the market is carried out and decisions are considered carefully.</p> <p>Advice is sought from experts.</p> <p>Standards and measures are identified to monitor objective achievement.</p>	<p>Done without a great deal of research.</p>

With the data gathered from the experts the strategy formulation component of the model was modified. These modifications are represented in Figure 5.3 and confirm the initial model, where it was proposed that strategy formulation is driven by both the stakeholder wants and needs and the owner-manager wants and needs. The process is controlled by the owner-manager with assistance from other key stakeholders. It should be noted that the role of the stakeholders in the process is dependent on the type of motel as well as the aspirations of the owner-manager.

Figure 5-3 **Refinement of the strategy formulation component of the model**



5.2.2.4 Summary of the findings with regard to capabilities

As identified in Chapter 3 the capabilities construct of the model is best discussed in relation to the physical resources, or in this case the product (for example, buildings, gardens, equipment and materials); and the human resources (that is, the skills and knowledge of the people). In considering these constructs the experts were able to provide further detail about the product and people related capabilities. Firstly, *the product* refers to the buildings (including reception, rooms and restaurants/ kitchen and laundry); the gardens; the facilities/amenities; the location; and the equipment and materials owned or leased by the small motel. The *people* feature includes the owner-manager, the staff, the contribution of external people (includes marketing affiliates, the community and business support providers) and the contribution of the landlord (for leased properties).

In particular, the appearance of the property and the presence of key facilities (including, television, air-conditioning, computer and internet access, tea and coffee making) were mentioned by all the experts as very important to business results. The

age of the building and its décor were seen to have an impact on performance and needed to be considered either in the purchase of the property or in on-going upgrade and maintenance. The location of the product (the motel) was seen as an important capability but was viewed in a variety of ways by the experts. As detailed in Appendix C, location was interpreted as the geographic location (defined as, coastal, metropolitan or regional), as well as the site location (that is, positioning in the town, or to transport hubs or tourist attractions). However, it was the site location that was seen as an important capability consideration.

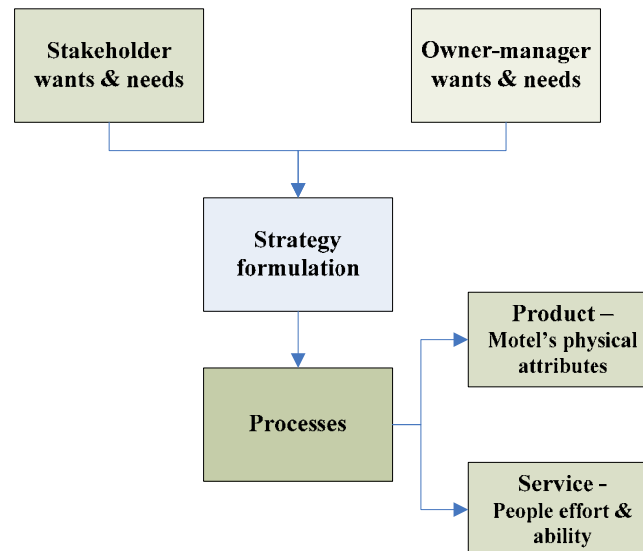
The people aspect of the model includes the owner-manager, the motel staff and external support providers. All the experts shared the view that small motels need an owner-manager and staff with *customer relationship* and particular *technical* skills and knowledge. In addition, the owner-manager also needs *business management* skills, knowledge and attitude. One of the most important aspects relating to skill, knowledge and attitude is the need to be people focused. Although all the experts shared the same view about the importance of having the ‘right’ staff some of the experts believed that the reception staff are more important than other staff as they directly affect first impressions, customer satisfaction and business profits. Essentially it is the people that deliver the service.

With regard to the owner-manager’s business management skills one of the common areas mentioned related to staff management; as the human resources are central to the business. Although some experts believed that having happy staff might not translate into good business there was a shared view that staff satisfaction, determined by effective staff management, produced good business outcomes. Finally, external relationships with people or organisations provide additional capabilities that the small motel does not have. According to the experts, the accountant or the marketing affiliate provide financial expertise and access to market knowledge. Yet, it is only the good operators who know how to develop external relationships effectively

Overall, the capabilities are key components of a motel’s operation and are paramount to success. A small motel’s capabilities ensure that the organisational processes are carried out efficiently and effectively in order to provide the product (the motel’s physical attributes) and service (people effort and ability) desired by customers and to

achieve the financial goals set by the firm. As shown in Figure 5.4, the capabilities are determined by the strategy formulation (as detailed in the previous section).

Figure 5-4 **Refinement of the capabilities component of the model**



5.2.2.5 Summary of findings about processes

The process facet is closely linked to the capability facet (the people and physical aspects). In Chapter 3 the processes of a small firm were described according to the four categories identified in the Performance Prism (Neely et al. 2002) and include, planning and managing the motel; fulfillment of demand (product and service delivery); development of products and services; and generation of demand (sales and marketing). The data gathered from the experts about processes are summarised according to these four process categories, as presented in Table 5.4.

Planning and management is not formal in most small motels, as mentioned previously. For those small motels that have policies the experts believed that they would most likely address pricing, bookings, cancellations and complaints. The process for developing policies is driven by the owner-manger and may include key staff and is generally based either on knowledge drawn from past experience of the owner-manager or from a trial and error process. The communication of strategy and policy to staff is most likely via a simple document or verbal communication. The development of policies relate specifically to day-to-day operations, as shown in Table 5.4.

Table 5-4 **Processes important to the operation of a small motel**

Process Categories	Process practices and activities
Planning and managing the motel	<ul style="list-style-type: none"> • Business strategy and marketing planning and policy development (pricing, bookings and cancellations, complaints, suppliers, enquiries) • Staff management <ul style="list-style-type: none"> - Recruitment and employment agreement - Salaries and rewards - Employee relations (communication, motivation) - Training - Monitoring • Information management <ul style="list-style-type: none"> - Development and management of information systems - Exchange of information • Financial management (accounting, budgeting, monitoring) • Operations management <ul style="list-style-type: none"> - Quality management - Monitoring business performance • OHS and environmental management • Stakeholder relationship management (bank, community and local government) in order to meet legal and financial compliance requirements
Fulfillment of demand (product and service delivery)	<ul style="list-style-type: none"> • Customer service delivery (communication, attitude) <ul style="list-style-type: none"> ▪ Practices and routines for office, rooms, restaurant/kitchen and garden- <ul style="list-style-type: none"> - Rostering and schedules - Bookings and enquiries - Payment collection, book keeping and banking procedures - Food and beverage provision, including kitchen for breakfasts and restaurant activities as well as food handling - Start of day and shut down - Cleaning and laundry • Information systems <ul style="list-style-type: none"> - Computerised reservation system - Office management system (tracking occupancy rate, average tariff, customer feedback) - Accounting system - manual versus computerised (e.g. MYOB) - Customer management system - Assets register system • Supply management (planning, ordering, supplier relationship, accounts payable)
Development of products and services	<ul style="list-style-type: none"> • Market research • Market and product development • Building, renovation, maintenance and upgrade planning and implementation
Generation of demand (sales and marketing)	<ul style="list-style-type: none"> • Marketing and sales planning and implementation • Analysing market information • Define target market • External relationship development • Customer relationship activities • Monitoring customer needs and satisfaction

Based on the experts' views it appears that the '*fulfillment of demand (product and service delivery)*' is the area where owner-managers devote most time. Product and service delivery is guided by systems and procedures, which are generally present in the front office or reception. The procedures focus on service delivery, supply management (planning, ordering, supplier relationship, accounts payable) and information systems. Procedures (or routines) are also important for service delivery including, supplying, cleaning and maintaining the rooms, kitchen/restaurant and the garden. According to the experts, the main reasons for developing and implementing processes within the motel are to conduct business in an efficient and consistent manner to ensure the desired outcomes for the stakeholders and the business.

The computerised systems used in small motels to support the fulfilment of demand include, office management systems or customer management systems for tracking customer related details (that is, occupancy rate, average tariff, bookings and payments). The use and complexity of these systems is related to firm size. For example, it was indicated that computerised reservation systems are a low priority and may not even be needed in smaller motels.

Supply management relates to planning, ordering and payment of supplies. This is done in an informal manner; however, simple systems generally guide these activities. The better operators also focus on developing good relationships with suppliers.

The third process category of '*development of products and services*' in small motels, includes, market research and market and product development, as well as renovation, maintenance and upgrade planning and implementation. Firstly, market research and market and product development were not considered to be very sophisticated in small motels. External relationships developed by the owner-manager with the local businesses and affiliates help the owner-manager to gather information about the market and gather ideas for improving operations. Processes regarding the development of the small motel's products and services are about sharing information to know when to undertake upgrades and refurbishment and to understand what value added services and facilities are wanted by the customers. Processes related to renovation, maintenance and upgrade planning and implementation were considered

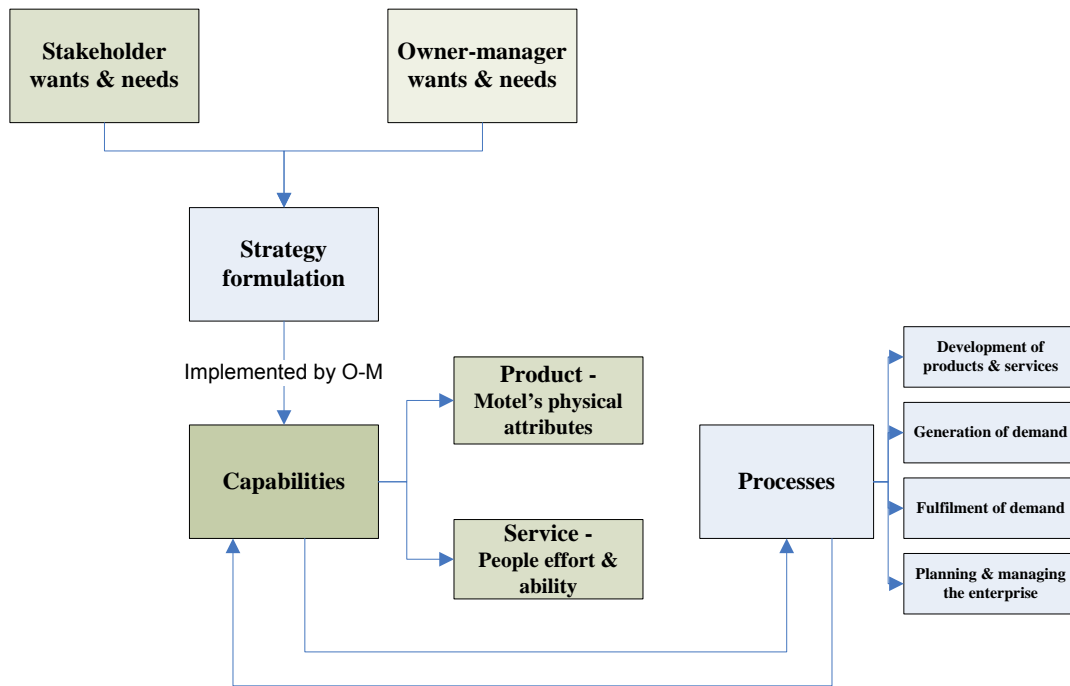
to be essential to the development of the product. The product and the service are the key capabilities of a motel, therefore ongoing maintenance and upgrade is paramount.

Generation of demand (sales and marketing) is related to sales and marketing planning; analysis of market information; defining of target markets, external relationship development; customer relationship activities; and monitoring customer needs and satisfaction. Networking and linking with the local community are undertaken to promote the motel and encourage local use and word of mouth referral (as mentioned previously). However, formal marketing seems to be non-existent or very informal in most small motels. Reliance on word of mouth referral was also highlighted as the most common means of marketing, along with the building of customer relationships to encourage repeat business. Sales and marketing processes related to customer relationship building in small motels include, tracking of customers, gathering data from customers and communicating with customers. Additionally, most of the experts referred to marketing affiliations as a means of marketing a small motel. It seems that some motels align themselves with various marketing affiliates in order to link with their resources and processes as a means of attracting new business. Overall, it seems that the success of affiliations with a marketing group is dependent on the owner-manager and their selection and use of the 'right' affiliation for their needs.

Generally, the processes are a collection of tasks and activities that together transform inputs into outputs. Processes can be both *operational*, which create, produce and deliver products and services that customers want, and *administrative*, which do not produce outputs for customers but are still needed for the running of an organisation. The refinement of the process component based on these finding is shown in Figure 5.5. Development and implementation of the processes are largely driven by the owner-manager and are based on his/her experience and ability to learn. The processes address four areas, as discussed in this section.

It is indicated that the processes and capabilities of a small motel are interlinked. Yet it is unclear whether it is more important to develop or attain capabilities before developing the processes or whether they should be developed and implemented together.

Figure 5-5 **Refinement of the processes component of the model**

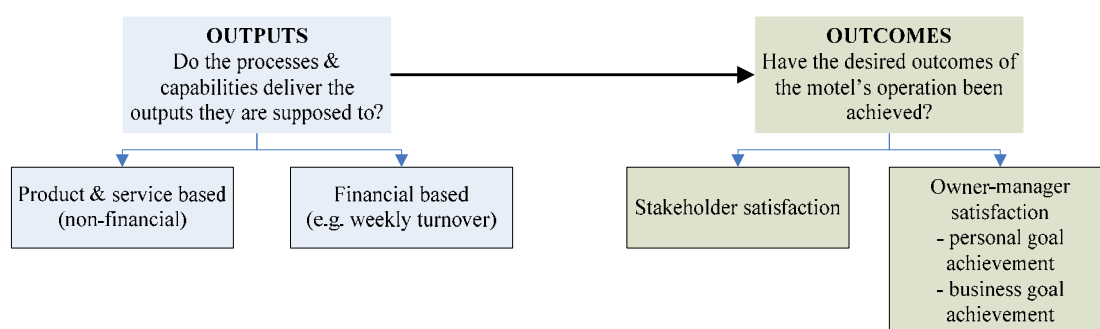


This section completes the presentation of the findings regarding the driver component of the model. Next, the experts' understandings of the *results* dimension of the PMS model for small motels are presented.

5.2.2.6 Results

The key concepts explored in this component of the study relate to the PMS model developed in Chapter 3 and specifically the *performance outputs* and *performance outcomes*, which are the key reasons for operating the business (as shown in Figure 5.6). The purpose of the questions relating to this component of the model was to gather data about how small motel operators measure and track performance outputs in order to understand what are good or poor practices and the reasons for this. Furthermore, knowledge of how the outputs affect the outcomes was also sought. The summary findings from the interviews are presented in this section and again the detailed description of the data is provided in Appendix D.

Figure 5-6 **The results component of the PMS model for small motels**



From the literature in Chapter 3 (and as illustrated in Figure 5.6), it is already known that the *performance outputs*, may be financial (for example, weekly turnover) or non-financial (product and service related, such as occupancy rate). Yet the specific output measures in relation to small motels are unknown. Additionally, further information is also needed about the *performance outcomes*, which we know relates to owner-manager satisfaction (for example, business and personal goal achievement) and stakeholder satisfaction. Specifically, information is needed in relation to what the different individuals seek in terms of satisfaction and how this impacts on the current and ongoing performance of small motels. Following are the summaries of the expert's views on both outputs and outcomes and what they mean in a small motel context.

5.2.2.7 Summary of the output findings

The findings of the interviews with the experts regarding outputs and specifically the non-financial and financial measures important to small motel owner-managers indicate that there are only a few measures used. It seems that basic financial measurement and analysis focuses on the regular recording and comparison of turnover and expenses (weekly or monthly) as well as profit and loss analysis and yield analysis. In small motels the financial measures are limited to calculations of sales turnover and expenses (or profit and loss analysis); and average room rate. The room tariff is dependent on the size of the motel, the market in which it operates as well as the services and amenities it provides. Selecting the best tariff for a particular motel is not an easy task, yet it is a key driver of profitability.

The non-financial *outputs* largely include customer related aspects (nights stay, frequency of stay and customer satisfaction) and employee and community views of the motel. The non-financial ‘measures’ used to track these outputs include number of repeat customers, number of new customers, occupancy rate, average length of stay, number of referrals, star-rating assessments and type of customer feedback. Of these, occupancy rate, number of new/repeat customers and number of referrals were the most frequently mentioned measures.

Analysis of the results is done according to key areas and activities and in some motels against established benchmarks. According to the experts it is how the financial and non-financial measures are used in combination and separately that is important. For example, occupancy rate is a measure of the health of the business but is not meaningful if interpreted in isolation, however, if viewed in conjunction with average room rate a better understanding of yield is obtained. Therefore, in summary, the experts generally agree that both the financial and non-financial results are good indicators of the effectiveness and efficiency of the operational activities of a small motel.

These findings provide a better understanding of the particular measures used to monitor output results, as shown in Table 5.5. Both the key financial and non-financial measures and the inter-relationship between them are essential to ensuring high yield.

Table 5-5 **Key output measures**

Financial Results – Key Measures	Non-financial Results – Key Measures
Comparison of monthly turnover	Occupancy rate
Average tariff	Number of new or repeat customers
Revenue per average room rate (RevPAR)	Number of referrals
Overall percentage expenditure & revenue	

In the following section the findings regarding the performance outcomes component of the model are presented.

5.2.2.8 Summary of the outcome findings

As discussed in Chapter 3, the *outcomes* of the motel operation are *stakeholder satisfaction* and *the owner-manager satisfaction*. These outcomes are related to the outputs (as presented in the previous section) and are determined by the drivers (strategy, capability and processes). The summary results of the interviews with the experts in relation to the key performance outcomes are now described and as mentioned earlier, the details are provided in Appendix D.

Stakeholder satisfaction does not relate to all the stakeholders but includes the satisfaction of the primary stakeholders, which include employees, customers, investors/financiers and community. Satisfaction levels are monitored via the use of a few simple measures. The ‘extent of positive feedback’ measure is used to measure the satisfaction of all stakeholders and the ‘extent of word of mouth referral’ is used to measure the satisfaction of three of the four stakeholders. Not unexpectedly the satisfaction of the customer was considered to be the most important of all the stakeholders. It is interesting to note that there was some disagreement about the need to ensure employees were satisfied.

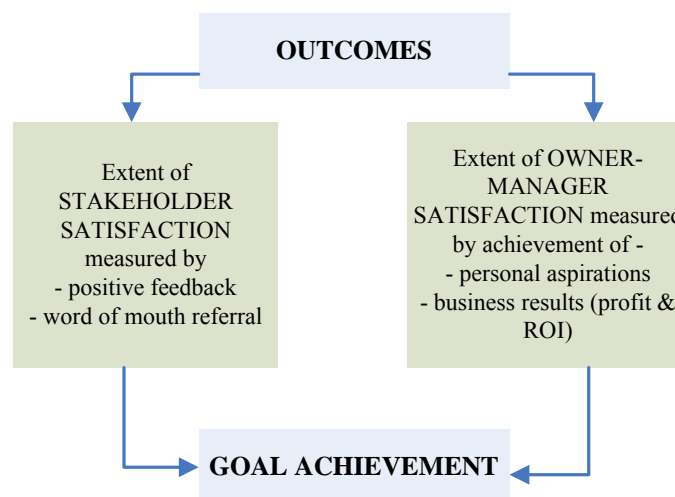
Another important finding is the importance of the *owner-manager satisfaction* to the viability of the small motel operation. Owner-manager satisfaction is really about the achievement of business results, which included the value of the contributions from the key stakeholders to the business outcomes and how this affects profitability, as well as owner-manager personal goal achievement.

Different measures were identified that were used to track the motel’s business results (that is, profit and how each stakeholder contributed to the business). For example, particular output measures involving yield analysis were important to understanding customer contribution. Additionally, there was complete agreement that for small motels the key *business results* desired by the owner-managers relate to net profit and Return On Investment (ROI). The basic principle of profit, as driven by the output measures expenses and revenues, was noted as the single most important financial outcome of the operation.

Measurement of the achievement of personal goals of the owner-managers seems to be somewhat vague, maybe because personal goals vary from one individual to another. Motivations for going into the business are closely aligned to personal goals and were not fully captured in the expert interviews.

As shown in Figure 5.7, refinement of the model regarding the outcome component, based on expert views, considered how important both the satisfaction of the stakeholder and the owner-manager are central to the key business results and to understanding whether the key goals are achieved. In the small motels, only a few key measures are used to track the stakeholder and owner-manager satisfaction. These measures are illustrated in Figure 5.7.

Figure 5-7 **Refinement of the outcomes component of the model**



Up to this point the findings regarding the *drivers* and the *results* components of the model, specifically for those operating a small motel, have been presented. However, the identification of the behaviours and activities in relation to these two dimensions does not provide information about how measurement data are used to identify strengths and weaknesses in the driver component of the model. Without further exploration it is not clear as to how financial and non-financial outputs are used by small motel owner-managers to monitor the activities of their businesses. The relationship between the drivers (strategy, capabilities and processes) and the results (outputs and outcomes) was therefore explored with the experts and the findings are presented in the next section.

5.2.3 The importance of the driver-results relationship

An important aspect of the PMS model presented in Chapter 3 is the relationship between the drivers and the results. In this theoretical model it is suggested that the drivers (or management activities) determine the results. It is also proposed that the owner-manager has considerable control over the results and that the monitoring of results through measurement, good judgement and considered decision-making can assist in continuous improvement activities. The interviews with the experts, therefore, sought knowledge about these relationships in the context of a small motel. The results of the interviews indicate that there are a number of understandings about the impact that particular management activities and behaviours have on results.

Summary of the driver-result relationship. Overall, there is a sense that the insights about the driver-result relationship are obtained through experience and a trial and error process rather than by any formal training or education. Three examples were provided which demonstrate knowledge about the driver-results relationship. These examples included, an understanding of a) the customer service – customer satisfaction – repeat business relationship; b) good financial management and cost control being directly related to profit; and c) that value of community engagement to increased WOM referral regarding the business⁶.

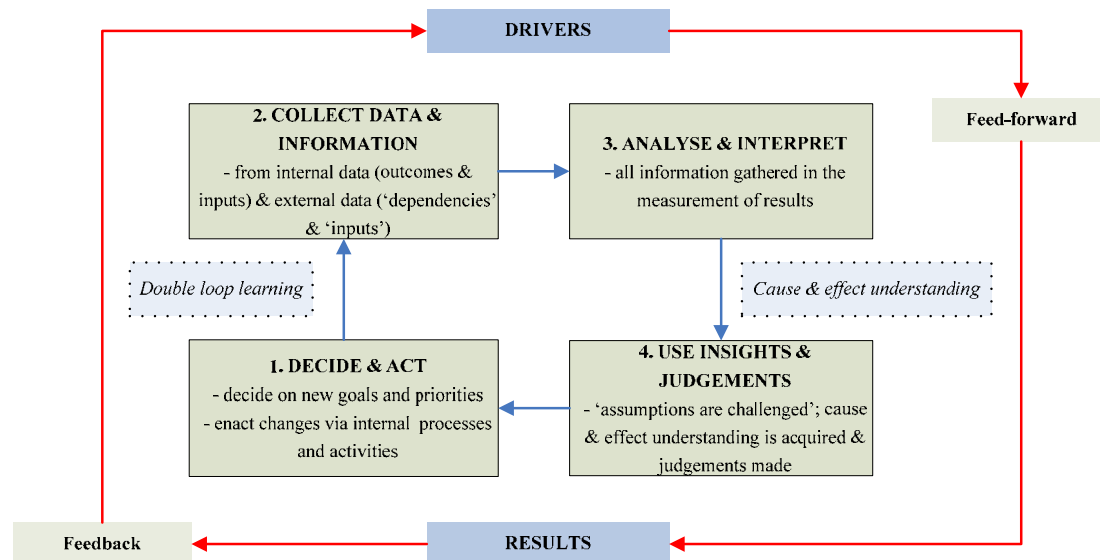
Furthermore, it was also clear that there is an understanding that the non-financial/financial results provide very clear information about firm activities and provide direction for future efforts. A good operator will employ measures, which track changes such as falling revenue. The views of the experts indicate that with good monitoring these results can be traced back to the cause.

Shown in Figure 5.8 is the continuous improvement relationship, as developed in Chapter 3. Here the relationship between monitoring to obtain feedback about the drivers (management activities) of the small motel to then consider this feedback to identify the problem lies at the heart of change for improvement. These findings

⁶ These examples are described in detail in Appendix D.

indicate that in the more successful motels cause and effect understanding and double loop learning is evident. Judgements are made by the owner-manger as part of a simple continuous improvement process that is in place in the more successful motels.

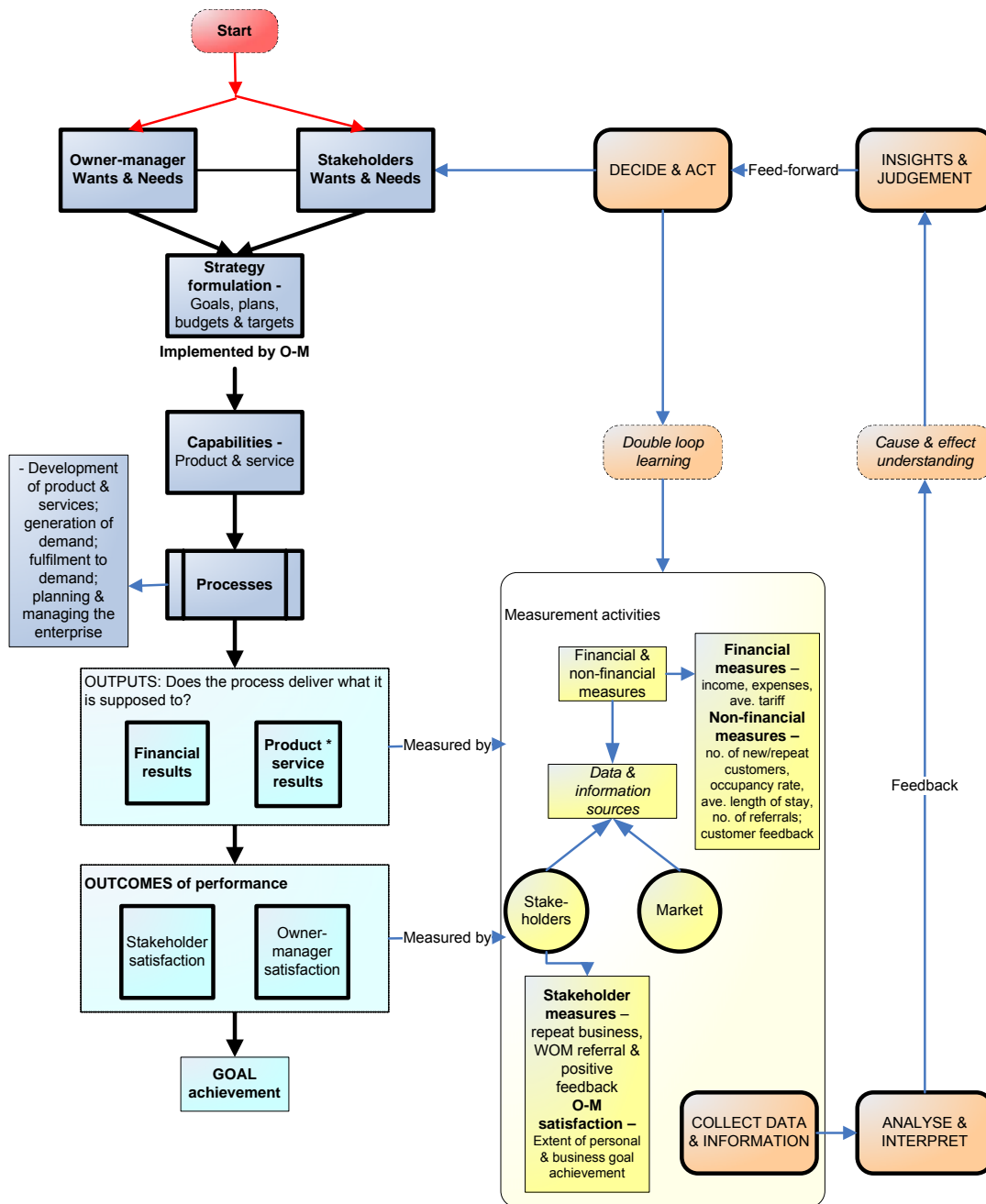
Figure 5-8 Refinement of the model to include a continuous improvement process



5.2.4 Summary and PMS model refinement

The aim of the stage-one interviews with the expert reference panel was to better understand the constructs of drivers and results and their inter-relationship in order to refine the PMS model for small motels. An analysis of the findings, presented so far, was undertaken to review the conceptual model presented in Chapter 3. The intention of this review was to refine the various components so that it reflects the performance measurement activities and behaviours of small motels. The refinement of the model has occurred step-by-step throughout the previous sections and is described in full in the following paragraphs. The changes to the PMS model, on the whole, are illustrated in Figure 5.9.

Figure 5-9 The refined Performance Measurement System model for Small Motels
(based on expert feedback)



Firstly, in reviewing the model it was agreed by the experts that owner-manager and stakeholder wants and needs should be the first consideration in the PMS model. It is important for the owner-manager to know key stakeholders before planning is commenced or capabilities obtained and processes developed, as they are dependent on the type of stakeholder. Also the wants and needs of the owner-manager are what drive the entire business. Overall, there are seven types of stakeholders for a small motel but the most important is the customer.

Next, there was agreement that strategy formulation is the next component of the PMS model, although often it is an informal, simple process driven largely by the owner-manager. While not all owner-managers include the stakeholders' wants and needs in the planning component, strategy formulation should start with the customer.

The strategy (driven by the owner-manager) determines the processes and capabilities components of the PMS model, which interlinked and together determines the results (outputs and outcomes). However, whether it is more important to develop or attain capabilities before developing the processes or whether they should be developed and implemented together is unclear and therefore in the modified diagram of the PMS model (Figure 5.9) they are placed side by side.

The inclusion of both financial results and product and service results as outputs was verified. A few key financial measures (related to income, expenses, average tariff and RevPAR) were seen to be of most value in monitoring outputs, however, a number of key non-financial measures were also identified (number of repeat customers, number of new customers, occupancy rate, number of referrals, and type of customer feedback). It was emphasised that it is important to use a combination of these financial and non-financial measures to monitor and review the activities within the 'drivers' component. Sources for information about the motels' performance are the network of stakeholders and the market (usually via industry associations).

In relation to the *outcomes* of performance there was overall agreement that the outcomes include stakeholder satisfaction and owner-manager satisfaction. However, the importance of balancing owner-manager satisfaction (in terms of needing a contribution to the business from the stakeholder to meet their goals) with the provision of stakeholder satisfaction was significant to the business's viability and success. There are several measures for determining stakeholder satisfaction of which the most common are word of mouth referral and positive feedback. The two business results, most likely to be desired by the owner-managers, and which are inter-related with stakeholder satisfaction, are net profit and ROI.

Finally, the understanding of the relationships between the drivers and the results is important and is a key aspect of the monitoring, review and improvement activities.

According to the experts, for many of the owner-managers of high performing motels this is tacit knowledge learnt from experience but for other owner-managers these relationships need to be made explicit. Two examples are the relationship between drivers, stakeholder satisfaction and repeat business and the link between financial monitoring activities to financial outcomes. These relationship understandings support the monitoring and review cycle illustrated in Figure 5.9. The arrows in the model, from stakeholder wants and needs through the other driver components to the results, show the delivery of services and product process to obtain the desired results. The arrows in the reverse direction, from the results (and ‘collecting data and information’) up through to ‘decide and act’, show the monitoring and review process for improvement. Information in relation to goal achievement needs to be analysed and interpreted so that feedback can be used to improve strategy, capabilities and processes, if need be.

5.3 Stage Two: Confirming the PMS Model

In the following section the findings from the interviews with the selected small motel owner-managers are analysed to confirm, reject or modify the PMS model for small motels.

5.3.1 Profiles of the case studies

The profile of each of the case studies was detailed in Chapter 4 in section 4.5.2.3 and are presented in Appendix E. In summary, of the seven case studies, two were located in metropolitan Melbourne and five in regional Victoria. Their star ratings ranged from 3 to 4½ stars and the number of employees in the firms increased with the size (that is, number of units) in the motel. In the larger motels the staff were mainly casual as opposed to full-time staff. There was also a range of business structures, for example, three motels were owned by the families who operated them, four motels were leased and one was managed for the owners. Finally, affiliations with marketing groups or chains varied across the motels.

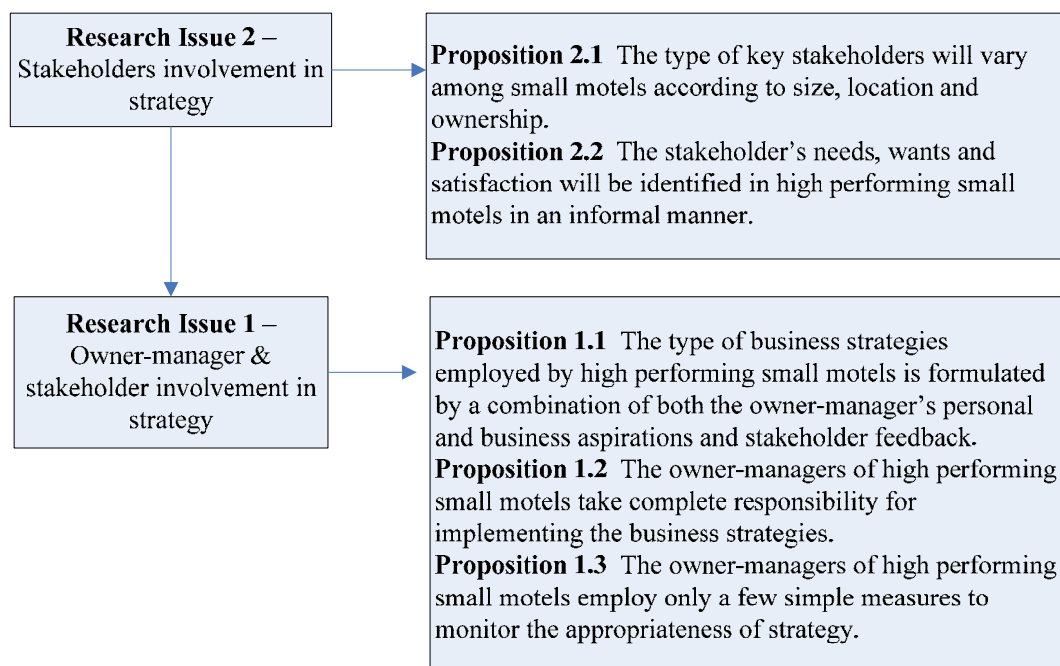
5.3.2 Cross case analysis

In this section the detailed cross case analysis of the data (aided by NVivo⁷) is presented according to each of the six research issues, commencing with Research Issues 1 and 2.

5.3.2.1 Key Research Issues 1 and 2 - Strategy

The first two key research issues considered the type of strategy employed and how they were formulated, implemented and reviewed. The first research issue was - **How is strategy formulated, implemented and reviewed in high performing small motels?** The second research issue was - **How are stakeholders involved in strategy formulation, implementation and review to the operation of high performing small motels?** As both issues relate to strategy, the findings will be addressed together in this section. In the PMS model for small motels the stakeholders are the initial drivers of strategy, therefore, the second proposition relating to stakeholders is presented first. To assist the reader, Figure 5.10 is presented to provide an overview of the order of presentation for research issues one and two.

Figure 5-10 Order of presentation of the findings for research issues one and two.



⁷ NVivo was used to help organise the data. Using NVivo, visual 'codes' were assigned to track excerpts and to search and collate information within each transcript. NVivo was also used to edit and annotate the transcriptions and to explore relationships via the query option.

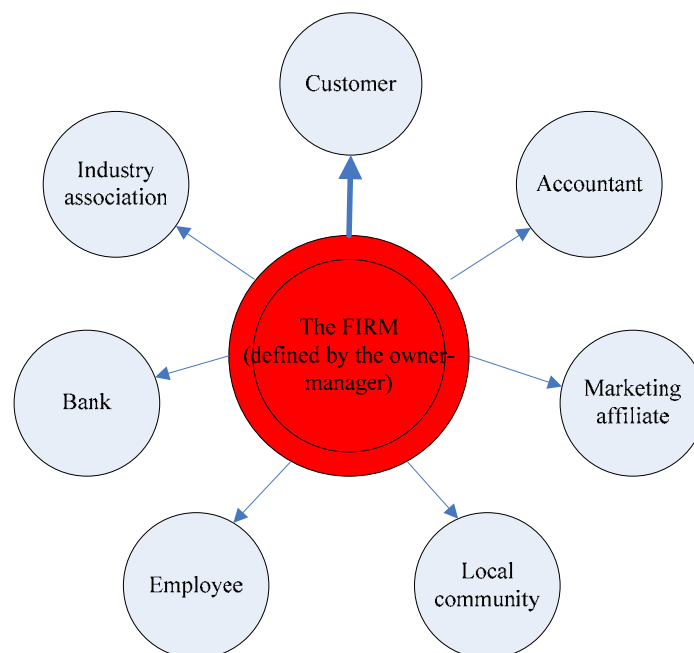
5.3.2.1.1 Key research issue: Stakeholders

Related to this issue were two propositions - the first proposition considered the ‘type of stakeholders’ and any variations amongst the motels, whilst the second proposition was focused on the importance of the stakeholder’s wants and needs to the motels operation and how they were identified.

Proposition 2.1 The type of key stakeholders will vary among small motels according to size, location and ownership.

As discussed in Chapter 3, stakeholders are the groups of people who influence or who are affected by the accomplishment of an organisation’s goals. Therefore, analysis of this first proposition initially considered the types of stakeholders that were connected in significant ways to a small motel operation. In the earlier phase of this study the experts mentioned several stakeholders as being important to small motels. These stakeholders were listed in section 5.2.3 of this chapter. In order to confirm the value and involvement of these stakeholders in operating small motels, questions explored the involvement and importance of the individuals and groups identified by the experts. The summary of the type of stakeholders, as identified by the owner-managers, is presented in Figure 5.11.

Figure 5-11 Number and type of stakeholders important to small motels



Overall, there were seven stakeholders commonly identified by all the cases, with the customer consistently stated as being the most important. Table 5.6 provides a summary of the key stakeholder types for each of the cases. The comparisons across the cases are presented in the following sections according to the specific stakeholder type and their importance to the motels.

Table 5-6 An overview of the type of stakeholders for each of the cases

	M1	M2	M3	M4	M5	M6	M7
Customer:	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Business - Corporates	√	√	√	√	√	√	√
Leisure - VFR	√	-	√	√	-	√	-
Leisure - Tourists	-	√	-	√	√	√	√
Local community:	Yes	Yes	Yes-	Yes	-	Yes	Yes
Local businesses	√	√	√	√	-	√	√
Residents	√	-	√	√	-	√	-
Local government	-	-	-	-	-	√	-
Social groups	-	-	-	-	-	√	-
Bank	Yes	Yes	-	Yes	Yes	-	-
Accountant	Yes	Yes	Yes	Yes	Yes	Yes	-
Marketing affiliation	Yes	Yes	-	Yes	Yes	Yes	Yes
Employees	-	Yes	Yes	Yes	Yes	Yes	Yes
Suppliers	-	Yes	-	-	-	-	-
Family	-	-	Yes	-	Yes	-	-
Marketing consultant	-	-	Yes	-	-	-	-
Industry Associations:	-	-	-	Yes	Yes	Yes	Yes
Local tourism / accommodation association	-	-	-	√	-	√	√
HMAA/VECCI	-	-	-	√	√	-	√
AHA	-	-	-	√	-	-	-



Stakeholder cited as important to the small motel.

The Customers. The customer was the most important stakeholder for all the cases. Based on the findings, the small motel customer was viewed according to two market types – the *business market* and the *leisure market*. In all cases the business market was a key target market. The *business market* comprised sales representatives and employees from larger corporations (referred to as ‘corporates’) as well as trades people. The sales representatives and the ‘corporates’ were an important source of business for all the cases, as they undertake considerable work-related travel around the state.

For most cases the *leisure market* was an important secondary market. In all cases the leisure market was described according to two groups – the Visiting Friends and Relatives (VFR) market and the tourist market. Four cases (M1, M3, M4 and M6) cited the VFR market whilst five (M2, M4, M5, M6, M7) mentioned tourists as important stakeholders. Both of these markets sought accommodation for holiday and leisure pursuits mainly over the weekend as well as during key holiday periods. In comparing the type of motel with the type of customers, the motels with a tourism focus were located in areas close to tourist attractions. These attractions were both natural and man-made.

Accountant. For six of the seven cases (M1 to M6) the accountant was an important stakeholder, used largely for taxation advice. For M7 the Directors were accountants and therefore support from an external financial advisor was not needed. Only one of the cases (M4) utilised their accountant for mentoring or business advice.

Marketing affiliate. Although six of the seven cases were affiliated with a marketing group, in only four cases (M1, M4, M6 and M7) was the affiliate considered to be a valuable stakeholder. ‘[The marketing affiliate] is not that great, based on what you pay in memberships and what you get back’ (M2). In most of the cases, where the affiliation was considered to be beneficial, the motel was owned by the operator. In these cases it was the ability of the owner-manager in making effective use of the affiliation relationship that was paramount and it was the owners who were more motivated to make motel-affiliate relationships work. A key benefit for those with a marketing affiliation was the branding support they received.

We chose Budget [marketing affiliate] to relay to people that even though we are very new and modern and have the latest amenities that people expectthe name indicates that they can afford to stay here (M1).

Employees. Six of the cases (M2 – M7) highly valued their staff and the role they played in operating the business. The smallest motel (M1) did not employ people external to the business and case M3 employed only one external person, as they were family owned and operated ventures. However, for the cases with larger numbers of

employees the level of staff importance varied for a number of reasons, which will be presented in Section 5.3.2.1.3.

Local community. Based on the case study findings, the local community was important to all but one of the cases (M5). The local community referred to a number of groups and included local businesses, the local government as well as social groups and residents. The residents and the local businesses were key sources of business for nearly all of the cases. The residents were particularly important to the VFR market and for ongoing business. ‘The locals have all got sons and daughters, so hopefully they will come here for weddings, twenty first and other family celebrations’ (M6).

Bank. In cases M1, M2, M4 and M5 the bank was cited as an important stakeholder. In three of these cases the manager either owned the motel or was planning to purchase the motel. In case M4 the owner-manager had built their motel and for case M1 major renovations were being carried out. The bank, in these cases, was the major source of finances.

Industry associations. Various industry associations were mentioned in four cases (M4, M5, M6 & M7) as being beneficial to the business. The associations included Victorian Employment Chamber of Commerce and Industry (VECCI) and Hotel Motel Accommodation Association (HMAA) local accommodation association; Australian Hotel Association (AHA); AAATourism; and the local tourism association. These associations provided, market information and support for addressing concerns through lobbying, as a group, to government and industry.

The local accommodation association is where all the managers and owners meet once a month. We discuss issues that we want to change in the industry or that are changing. We work together with the visitor information centre and try and get them to advertise in the right areas and send us some more business (M6).

Although links with associations provided support to the motels it was the owner-managers of the larger sized motels (M4, M6 and M7) who actively pursued these networks for the benefit of their operation.

Proposition 2.2 The stakeholder's needs, wants and satisfaction will be considered to be important to strategy and will be identified in high performing small motels in an informal manner.

A summary of the views regarding the wants and needs of the stakeholders is presented in Table 5.12. This summary details the wants and needs of the stakeholders as well as those of the owner-manager. The stakeholders have been grouped according to whether they are external or internal to the business. Based on the literature in Chapter 3 and the findings from the experts, the owner-manager is the primary stakeholder and driver of the business and is set apart from the classifications of internal and external stakeholders who have different reasons for being associated to the business. The internal stakeholders are therefore the employees and the external stakeholders include the customer, local community, marketing affiliate, the bank, the accountant and the industry associations. The analysis of these stakeholders and their wants and needs are presented and compared to the owner-manager expectations⁸ for each of the stakeholders shown in Table 5.7.

Table 5-7 Owner-manager views on the stakeholders' wants and needs

Type of stakeholder	What stakeholders want and need	What the owner-manager expects from the stakeholder
EXTERNAL		
The customer	Efficiency in service Cleanliness and comfort Friendly service Made to feel special (treated like guests and not just customers) Care and consistency in the provision of product/service Opportunities to air views (give feedback). Value added service Quality amenities Price matched to product	Repeat customers (6) New customers (2) WOM Referrals (2) Feedback to improve business (4) Information about the market (1) Sales and turnover increase (2)
Local community (for example, councils, large businesses, social groups, other motels)	A good product or service for visiting friends and relatives (VFR) and work colleagues Shared community values and involvement in community activities A good venue for holding events Discounts	WOM referrals (5) Information about the local market and the industry (2) Pricing information (1)

⁸ The view that the owner-manager (or the business) has expectations of the stakeholder is based in the Performance Prism model as discussed in Section 3.2.5.

Marketing Affiliate	Membership Financial success (if motel is a franchise)	Referrals to their motel (2) Online bookings (3) Branding (3) Quality assurance (3) Reward card scheme (1)
Bank	Good future prospects Payments on time	Access to borrowings (4) Good service and understanding.
Accountant	Regular business from the owner-manager across a range of their services	Interpretation and advice regards financial data – financial advice (3); planning (2); efficiencies advice (1); mentoring (1) Help with taxation. (4)
Associations		Local Tourism – booking support (1); local information (1) Local accommodation – local information (1); marketing support (1) VECCI /HMAA – updates on industry trends (3); advice on staffing issues and awards (3); pricing advice (1); business advice (2); lobbying (1) AHA (1)– information on restaurant industry; networking; marketing; knowledge development
INTERNAL		
Employees	Responsibility (empowerment) Rewards for effort (salary, celebration) Respect Inclusion Good communication Suitable rostering Training and support Opportunities for feedback and input into business. Time and attention	Trustworthy staff (work unsupervised) (1) Staff with the right attitude, dress, professionalism, efficiency (1) Delivery of quality product and service (3) Ideas for improvement 91) Referrals and loyalty (1) Feedback on customers (2) Decision making support (4) Assistance in managing day to day operations (3)

Note: Numbers in brackets indicate the number of cases who mentioned this expectation.

The Internal Stakeholders

The internal stakeholders are the employees. The wants and needs of employees varied and ranged from simple requirements, such as a suitable roster to fit in with home life to higher order needs such as to be recognised and rewarded. According to cases M2, M4, M5, M6 and M7 although the employees wanted to be rewarded the ability and desire of the owner-manager to do this varied. Providing for all the employees' wants and needs was not vital in every case, instead more important was for employees to do a reasonable job and keep up appearances, even if they were unhappy. These two views are highlighted by the following quotes.

I take them out to lunch regularly....I also reward them very well financially' (M2).

'The rewarding of staff, we don't do a great deal ... not formally anyway. We give them a Christmas party and we give them a night for two to the restaurant (M6).

I don't rate [employee] satisfaction highly. That's not why we're in business. But I do want a good reputation as an employer. (M4).

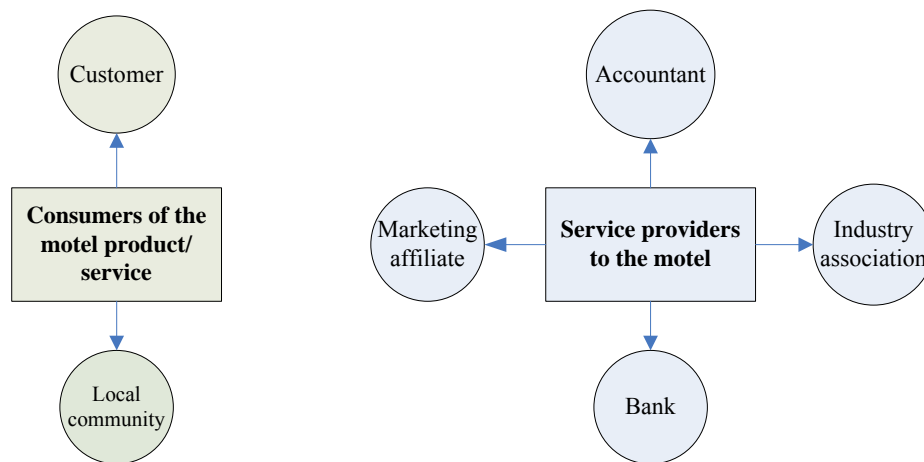
In turn the owner-managers want and need a number of things from the employees. Specifically, the owner-manager's expected; trustworthy staff, a professional attitude; and input into improving the business via market knowledge and feedback on customers.

External Stakeholder Sub-Groupings

Apparent in the comparison of the wants and needs of the external stakeholders was the existence of a number of similarities and differences, which defined the two sub-groupings of 'consumers' and 'service providers', as shown in Figure 5.13. These two groupings were based on the similarities that were observed across the external stakeholders.

The consumer sub-grouping. Firstly, the customers and local community both wanted a good product with an appropriate price to match; and service that added value to the experience whilst also making the customer or guest feel special. These two stakeholders were primary consumers of the motel product and made up the 'consumer' sub-grouping. In return for the provision of the product and service, the owner-manager wanted a contribution from the 'consumers' in the form of sales, seen as repeat business as opposed to once-off 'stays'. Along with a greater number of repeat customers was the need to grow the business with new customers. For this reason word of mouth referral was paramount for all the cases.

Figure 5-12 **External stakeholder types based on their wants and needs**



In considering the consumer sub-grouping it was apparent that understanding the customers' wants and needs was more important to the motel owner-managers than any of their other stakeholders, as the customer satisfaction was essential to the business. 'Customer satisfaction and repeat business are really important. Our repeat customers are our bread and butter' (M7). However, the customers were not seen as one homogenous group. The wants and needs of the customers depended on the type of market. Firstly, all customers want their basic needs met. 'Customers want a clean room, a good bed, clean sheets, often a bath and a good meal. That's about it – it is not hard' (M5). Secondly, there were differences in customer needs depending on their purpose for travel. For example, the 'corporates' did not need large rooms, as these customers usually travelled alone. Additionally, kitchen amenities in the rooms were not important, as the 'corporates' did not like to cook for themselves. Instead, access to a restaurant was important. 'Corporates' also needed additional tangible amenities, such as Internet access. But equally important were the intangible elements related to service and friendliness. On the other hand, the leisure market was generally comprised of families travelling on holiday. For these customers the rooms needed to be larger and have more amenities for cooking or serving food and for entertaining children. These customers also sought more advice on entertainment and sight seeing at local attractions. In case M5 it was highlighted that the extra needs of the tourist market placed greater demand, in terms of time and effort, on the owner-manager.

This [catering for the corporate market] is easy [compared to the tourist market].... you don't have to get up early in the morning and tell the customers where to go and what to do and how much it is going to cost and all that stuff (M5).

The service provider sub-grouping. The marketing affiliate, the bank, the accountant and the association share a number of similarities in their wants and needs. These stakeholders were seen as 'service providers' to the motel, as opposed to 'consumers' of the product or service. For the 'service provider' stakeholder sub-grouping the wants and needs related more to the success of the business. In these instances a symbiotic business relationship was observed, where the 'service provider' existed to support the owner-manager through the provision of market access, market knowledge; business advice and expertise that the motel would not have otherwise. 'I think they (HMAA) are terrific. If you are not 100 per cent sure of the rates of pay or what you do with staffing.... They're great you just send them an email. I can't fault them in any shape or form' (M7). In exchange for this support all the cases afforded payment to the 'support providers', which was income for the service providers' and important to their survival and growth. For associations and affiliations the payment was generally in the form of a membership fee.

Identifying stakeholder wants and needs. In all of the cases simple and informal processes were used to gather both internal and external stakeholder feedback. Direct contact with customers and networking with community and industry bodies was the most common means of gathering information. However, the most frequently mentioned and most valued feedback for all the cases was received from the customer. In all cases the owner-managers largely gathered feedback from customers via verbal inquiry. Small motel customers were very accessible and engaging conversation was uncomplicated due to the high level of face-to-face contact that staff and owner-managers experience. On departure most of the owner-managers employed a standard approach to gathering feedback, which they had refined over the years.

I always ask guests when they check out – *how did you sleep?* By asking this I always get good feedback about the bed and whether it was comfortable, whether

there was any noise or dripping taps. If I asked if everything was OK I would probably just get a - *yes thanks* (M2).

In only two cases was feedback gathered via feedback cards in the room. One of the owner-managers (M2) believed that it provided valuable feedback whilst the second (M6) thought that it was a waste of time and only encouraged customers to complain. In this case the feedback card system was implemented as a requirement of the marketing affiliation.

In all of the cases the owner managers used computers for some aspect of their business operations. However, the usage of computers for gathering and tracking of customers' wants and needs varied. In five cases (M2, M3, M4, M6 and M7), data were gathered from customers and entered and stored in a computerised customer management system for easy access and retrieval. In case M1 (the smallest motel), the owner-manager kept manual records of customers and in case M5 the owner-manager did not trust the computer entirely and used a manual system for back up.

Finally, there was no evidence that the owner-managers had any formal customer 'follow up' processes. These processes were more likely to be employed with the larger motels/hotels in the industry in order to build customer relationships. Instead, in the small motels phone calls were occasionally used to make enquires of regular corporate customers if there was fear that they may have shifted their loyalty.

I always check up if I haven't seen a customer for a while. The other day I saw the car of one of our customers in another motel car park. So I looked him up in the database and gave him a call to see if we had done something wrong (M2).

5.3.2.1.2 Summary of key research issue 2 findings

The findings for proposition 2.1 indicated that although there were a number of stakeholders who were important to the small motel operation there were also differences in their level of importance and the contribution they made to the business. The stakeholders cited included the customers, the accountant, the marketing affiliate, the employee, the community, the bank and the industry

association. Across the cases the bank and the industry associations were the least common stakeholders.

Two types of stakeholders were defined and were based on whether they were internal or external to the business. The external stakeholders were classified into two sub-groupings – consumers (customers and local community) and service providers (marketing affiliate, the bank, the accountant and the association). Of all the stakeholders, the customers were seen as the most important, as their trade was central to the firm's existence.

The type and importance of the stakeholders also differed across the cases according to the motel's size, location, ownership and strategy. Firstly, the number of different types of stakeholders increased for motels of a greater size, as well as for the motels that had a strong growth or development focus (the different strategies will be discussed in the following section on proposition 2.1). Secondly, there was a connection between the relative importance of the local community and the geographic location of the motel. All of the motels considered the business market as their primary target market, however, the location of the motel also determined type of customers. Those motels located near tourist attractions also pursued the leisure market as a secondary market. Although not indicated explicitly it was implied that tourism-focused motels would need to have greater contact with the tourism industry and therefore a wider network of external stakeholders.

Based on these findings it is apparent that the importance of the stakeholders as well as their wants and needs vary, yet the small motel owner-managers generally understand these differences. How this knowledge is used for strategy is presented in the next section.

5.3.2.1.3 *Key research issue 1: Strategy formulation*

This key research issue considered the type of strategy employed in each of the small motels as well as how they were formulated, implemented and reviewed. The research issue was - **How is strategy formulated, implemented and reviewed in high performing small motels?** To explore the issue, two propositions were posited and are now addressed.

Proposition 1.1 The type of business strategies employed by high performing small motels is formulated by a combination of both the owner-manager's personal and business aspirations and stakeholder feedback.

Type of strategy. Firstly, based on the case analysis it was found that there were three types of strategy used by the owner-managers, as listed in Table 5.8. The most aggressive strategy identified was employed by M2. In this case the manager aimed to grow rapidly by increasing the number of units (rooms) available for rent. This strategy for 'growth' was to be achieved either by purchases of other motels or by a major expansion of the property. The second strategy type was one of 'development' where cases M1, M3 and M4 were focused on building the business. This strategy related to firms where the business had not yet reached its potential and the customer base was still growing. With this type of strategy the owner-managers aimed to alter the product via building new motels or upgrading and renovating existing premises. The third strategy was the least aggressive and related to 'maintaining' the business. In the cases M5, M6 and M7 the owner-managers' goals were to either maintain or slightly increase the business outcomes via new or different marketing strategies. However, maintenance also meant that new markets and/or ongoing improvements of a minor nature may be needed to ensure that at least the same performance was achieved.

In the only case that pursued a 'growth' strategy (M2), the husband and wife team had leased two motels, which were operating at high occupancy levels. In order to grow the business further they planned to take over another motel and to eventually purchase at least one of the three within the forthcoming year. Cases M1, 3 and 4 used a 'development' strategy, with different approaches to grow their customer base, as outlined in Table 5.8. The other three cases (M5, M6 and M7) employed a

‘maintenance’ strategy. Again, the specific activities within this strategy group varied from motel to motel.

Table 5-8 A summary of the types of strategies employed in each of the small motels

		M1	M2	M3	M4	M5	M6	M7
STRATEGY	Growth		To increase number of units by buying more motels					
	Development	Major renovation to redevelop existing units; using local social and work networks to build customer base		Motel was a recent purchase; minor upgrades to attract new customers to grow existing database; marketing plan d/pment a focus	Newly built motel; expanding customer base via an active marketing campaign			
	Maintenance					Amenity and product improvement to maintain their repeat customer base	To increase the leisure and corporate market share.	Maintain market share by improving the low season occupancy rates
MOTEL ATTRIBUTES	Ownership	Owned	Leased (plans to buy)	Owned	Owned	Leased	Leased	Managed for directors
	Location	Regional town	Regional city	Metro-politan	Regional city	Metro-politan	Regional city	Regional town
	Size (in units)	14	20	24	28	30	34	36
	Age and style	Major renovations in last two yrs	Older than 10 yrs. Regular minor upgrades	Older than 10 yrs. Recent plans to upgrade	Two years old	Older than 10 yrs. Regular minor upgrades.	Older than 10 yrs	Older than 10 yrs

Strategy formulation and the owner-manager’s personal and business aspirations. Firstly, strategy was important to the owner-managers. ‘Strategy and

business planning is very important. We have a business plan and we follow it' (M3). It was important for determining the direction of the business and knowing what wants to be achieved out of the business. 'You can't just open a motel, put a sign up and think that you are going to make money. You've got to place yourself in the market, where you think you should be, and go for it' (M6).

In some cases (M5, 6 and 7), the strategy was formulated entirely by the owner-manager, in other cases (M1, 2, 3 and 4) it was formulated with the assistance of the bank manager or the accountant. The formalisation of the strategy was linked to the overall goals of the owner-manager in terms of the direction they wanted to take the business.

We put the plan together for the bank..... but it is also a requirement of yourself. You've got to know if you can make it work. You have to look at how you will be received in the community if you bought two motels (M2).

However, strategy formulation was not an on-going process in all cases. Instead, strategy formulation occurred when the business started; was taken over; or only when a major refocusing of the business (or new strategic direction) was required, as exemplified in the following quote.

The development of this motel has already happened – it has been built and it's here. Unless we were running at 100% [occupancy] and we planned to develop more units or to increase the total sales..... we would have to sit down and work [rethink] it all out (M6).

For some cases strategy formulation was neither a formal nor overt act. In the cases of M5, 6 and 7, evidence of strategic planning was not apparent and the lack of a written document did not mean that strategy formulation was not occurring. Instead, it was an internalised act that was interwoven with the beliefs and values of the

owner-manager. As such it was an innate way of running the business and embedded within the owner-manager.

Do other people have strategies [written documents]? For us it just isn't necessary.....for us customer focus is very important.....the most important. Know the market and give the customers what they want (M5).

Hence, strategy was also linked to the personalities and needs of the owner. In all the cases the strategy formulation process (and outcomes) was closely linked to their personal needs, which included the desire to work with people, to achieve personal satisfaction and financial security.

The more you do the better. I like it when I go and slip the no vacancy sign on. However, it is also more than that. The customers here are more like friends..... Also one of the main reasons we are in business is to build a self retiree fund (M2).

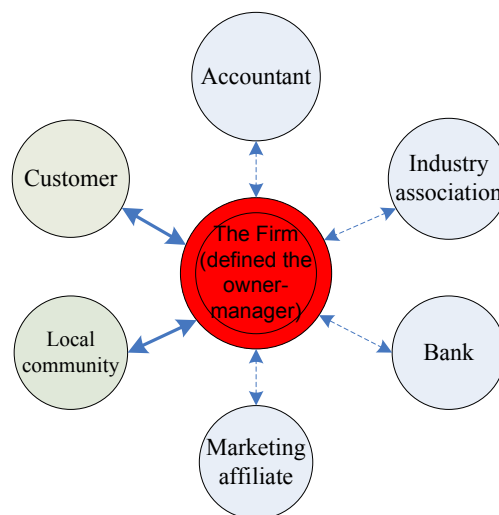
The relationship between the product and the strategy formulation process. As well as being determined by the owner-manager, the strategy was also dependent on the product. Product related attributes such as the size; age and style of the property; and the ownership structure, all affected the process.

For instance, the cases with common *ownership structures* employed the same type of strategies. For example, all the three cases with a 'development' strategy (M1, M3 and M4) were owned by the managers. While in the cases where the property was leased (M2, M5, M6, M7), either a 'growth' or 'maintenance' strategic approach was used. When considering *size* it was noted that all of the motels with 30 or more units (M5, M6 and M7) employed a 'maintenance' strategy. All of the motels were also older than 10 years. On the other hand the motels with less than 30 units followed either 'growth' or 'development' strategies. A relationship between the *age and style of property* and the strategic position of the owner-manager was also evident. Those

cases where the property was newly built or had undergone or planned to undergo a major renovation or upgrade had a ‘development’ strategy.

The impact of the stakeholder’s feedback on strategy formulation. In all the cases strategy formulation started with the owner-manager and was then built and modified with input from the various stakeholders. The level and extent of stakeholder input, however, varied across the cases but generally it was the customer, employee, local community, accountant, bank and marketing affiliate who were considered in this process. The stakeholders whose feedback was important to the strategy formulation are illustrated in Figure 5.14. It is interesting to note that the stakeholders whose feedback is most valued (customers and community) are both ‘consumer’ type stakeholders. Variations in the involvement of the stakeholders in strategy formulation were dependent on a number of factors, including the degree of reliance on financial support from the bank; the experience of the owner-manager; and the type of strategy employed.

Figure 5-13 **The importance of stakeholders’ feedback to strategy formulation**



* Solid lines indicate a greater level of importance.

Certainly for those owner-managers with a ‘development’ or ‘growth’ strategy, formulation commenced in the very early stages of the operation. In these cases (M1 - M4) *the bank* and/or *the accountant* expected to be involved in the process because

of their investment in the business. The bank helped to determine the business's goals and targets and input from the *accountant* was actively sought in the strategy formulation process, and particularly for feasibility analysis.

For all the cases, the *customer* had the most influence on strategy formulation. Gathering data from customers helped the owner-manager assess the viability of particular markets and to identify whether the motel product matched their needs. For the cases where the owner-managers had extensive industry experience (M3, M6, M5), there was less need to seek customer feedback for strategy formulation.

In all cases, but to varying degrees, the owner-managers either sought or were voluntarily given feedback from the *employees* about the business and its direction, however, in most instances the owner-managers preferred to maintain overall control. Sometimes employee feedback was used and other times it was ignored. The degree to which the staff influenced the direction of the business varied and related to the type of business strategy and the management style of the owner-manager. For example, in the case M2, where growth was the key strategy, the owner-manager was less hands-on in the day-to-day operation and therefore empowered his staff to manage the business in his absence. However, in another case (M6), where a maintenance strategy was pursued, the owner manager took full control - 'it's my way or the highway' (M6).

Affiliates providing marketing support included, Budget, Choice Hotels (Comfort Inn and Quality Inn) and Best Western. For some marketing affiliates the provision of formal feedback was not voluntarily sought but was a key part of their role and was as much related to the affiliate's strategic plan as the small motel's plans. In some cases their requirements were burdensome and unhelpful.

As a [chain] property you have to encourage the filling out of [customer feedback] forms, whether it's positive or negative, in order to get your guest satisfaction percentage.....I ask everyone when they check out - *how was you stay?* In a chain situation they won't account for that, they don't take your word for it (M6).

Another case (M7) also felt the burden of meeting the requirements of their chain. The manager in this instance believed that the amount of paperwork required by the chain, as a means of assessing their performance, was overwhelming.

Additionally, the star rating given by AAATourism was a way for motel owner-managers to obtain feedback, for strategy formulation, particularly in regards to plans for product and amenity development. In the case of M7, the manager initially viewed the higher star rating levels as a goal they had to reach or maintain. However, after it was found that this goal put undue pressure on the management a change in plans was made and the management decided it was better to be a good lower star motel than be an average higher star motel.

A strategic decision was made to remain a four star given ~~that~~ trying to maintain a four and a half star rating for a 30 year old property may be difficult. Offering a four-star motel and over delivering is better than under delivering (M7).

Proposition 1.2 The owner-managers of high performing small motels take complete responsibility for implementing the business strategies.

Proposition 1.2 focused on the implementation of the business strategy and the role of the owner-manager. Analysis of the findings indicated the owner-manager largely drove the strategy implementation but that assistance was needed from stakeholders. There were three elements important to understanding how business strategies were implemented and how the various stakeholders were involved. These elements include, the business plan as the operational guide for the owner-manager; communication of the strategy to stakeholders; and aligning the strategy to the business operations (processes and capabilities).

The details of these elements and how the strategy was implemented in the small motels are presented in the next section and are based on the findings as summarised in Table 5.9.

Table 5-9 Summary of how the strategy is implemented in the small motels

	The business plan is the operational guide	Communicating strategy to stakeholders.		Aligning the strategy to the business operations (processes and capabilities)
		Staff	Customers & local community	
M1	Written plan. Accountant helped develop plan. Plan developed for bank.	Family helped develop and implement plan.	Strategic approach* is conveyed by WOM, familiarisations & advertising (own and affiliate branding).	Customer focus guided strategy, which guided product development, and then staff, procedures and partnerships.
M2	Written plan. Plan developed for bank.	Plan evolved with a trial and error approach. Staff are involved in this process.	Strategic approach* is tested with the community. WOM also conveys approach.	Strategy and customer focus determine the product and then staff and procedures.
M3	Written plan. Accountant helped develop plan. Plan developed for bank.	Family helped develop and implement plan.	WOM and own marketing conveys approach.	Strategy is determined by the customer focus and product. Staff, procedures and partnerships follow
M4	Written plan. Developed with bank and accountant.	Written documents help communicate plan to staff. Implementation is overseen by O-M.	Strategic approach* is conveyed by WOM, familiarisations, advertising (own and affiliate branding) & networking with community	Strategy outlined customer focus and product development and then staff and procedures & partnerships.
M5	No written plan. A financial model guides the operation	Communicated to staff verbally and implementation overseen by O-M.	WOM conveys approach.	Strategy is determined by the customer focus and product. Staff, procedures and partnerships follow and depend on the market focus.
M6	No written plan. A financial model guides the operation.	Communicated to staff verbally and implementation overseen by O-M.	Strategic approach* is conveyed by WOM, familiarisations, advertising (own and affiliate branding) & networking with community.	Strategy is determined by the customer focus and product. Staff, procedures and partnerships follow
M7	Written plan. Plan developed by Directors (who are accountants).	Directors communicate plan to manager who implements.	Strategic approach* is conveyed by WOM, familiarisations, advertising (own and affiliate branding).	Strategy is determined by the customer focus and product. Staff, procedures and partnerships follow and depend on the market focus.

* The strategic approach in this context referred to the type of product and service the owner-managers were selling, their target market and their price structure.

The business plan is the operational guide. In all cases the responsibility for driving the implementation of the business strategy rested with the owner-manager, however, the manner in which it was implemented and the role of other stakeholders varied. When it came to the implementation of the strategy most of the owner-

managers referred to the business plan. In five cases, as illustrated in Table 5.14, aspects of the strategy implementation were detailed in a written business plan, which became a working document and guide for running the business. 'We have to change things because planning changes as you action things' (M3). The plan was used as a tool to assess performance. For this reason the plan included 'sales growth, projected sales, projected income, financial commitments, profitability and what you hope it is going to be worth in five years times' (M4). In four cases (also mentioned in the previous section) an external person, such as, bank personnel or the accountant, supported the development and implementation of the initial plan but then the owner-manager assumed this process. 'Someone helped us develop the plan the first time but then we used it [planning knowledge] and followed the steps' (M3). In two cases no written plan was used (M 5 and M6). Instead, these owner-managers used financial models to help implement and track the success of their strategy.

Communicating strategy to stakeholders. To implement the strategy it was important to communicate its key elements. In most cases the stakeholders, to whom the owner-managers communicated their strategy, were the staff, the customers and the local community. The manner in which the strategy was communicated to these stakeholders varied across the cases (as detailed in the middle columns of Table 5.9). The level of strategy communication to staff depended on the ownership structure of the business. For example, the family run enterprises (M1 and M3) largely employed family members who played a key role in strategy formulation and therefore communicating strategy was unnecessary. In other cases (M5 and M6) the overall strategy was communicated, but not formally. Instead, ongoing contact and informal management by the owner-managers ensured the strategy was implemented in daily activities. For case M2, the staff had a greater involvement in the management of the motel and, therefore, were more actively involved in strategy implementation. In this case the communication process was informal and largely based on an 'as needs' approach. Case M7 was different again as the Directors developed the strategy, therefore strategy was formally communicated to the manager to implement.

All cases considered it important for both customers and the local community to understand the motel's strategic approach. The strategic approach in this context referred to the type of product and service the owner-managers were selling, their target market and their price structure. Communication with the local community was important to the small motels, as they were an important source of business. All of the cases relied on word of mouth referral to send out the strategic approach message. Familiarisations were used in four cases (M1, M4, M6 and M7) and networking was important in one case (M4). Marketing activities and branding were also important to convey the strategic approach of the motels. Branding was usually provided by the marketing affiliate and this importance is highlighted in the following quote.

We chose Budget chain because we thought with the renovations that we would frighten people off because it would be too expensive. We chose Budget to relay to people that even though we are very new and modern and have the latest stuff [amenities] that people expect.... that they can afford to stay here (M1).

Aligning the strategy to the business operations (processes and capabilities). All of the owner-managers also knew that in implementing the strategy they needed to consider their overall approach to running the business and how it was important to align their strategy with the other business drivers. The drivers included understanding the stakeholder wants and needs, ascertaining key capabilities and devising procedures and processes. The following quote is an indication of this understanding.

So we need to find out who we are catering for and then position ourselves to cater for those people. If we are catering for 'corporates' we do the rooms for 'corporates' so there is not use doing 34 family rooms if you are going to put one person in each one. We also need to get the staff levels right so that we can manage for corporate clients (M6).

The way in which the strategy was aligned and implemented, with the support of the key drivers, varied slightly across the cases. The variations were in relation to the

order in which the strategy was implemented and the relative importance of the drivers to this process. As shown in Table 5.10, four cases (M3, M5, M6 and M7) believed that once the strategy was determined (by the customer focus and product type) then implementation would occur by firstly staffing the business and then developing procedures and identifying key external partnerships. On the other hand, in three cases (M1, M2 and M4) product development, which is part of process, was determined before sourcing staff (capabilities).

Table 5-10 **The strategy implementation process**

Cases	Order in which strategy was developed and then implemented across the key drivers					
M1	1. Customer focus	2. Strategy	3. Product development	4. Staffing	5. Procedures	6. External partnerships
M2	1. Strategy & Customer focus		2. Product development	3. Staffing	4. Procedures	5. External partnerships
M4	1. Strategy	2. Customer focus & product development		3. Staffing	4. Procedures	5. External partnerships
M3, M5, M6 & M7	1. Customer focus & Product	2. Strategy		3. Staffing	4. Procedures	5. External partnerships

Important to understanding the differences in the way strategy was implemented were the opinions of the owner-managers who believed that there were a number of factors influencing the implementation process. These factors included the firm's market focus, the quality of the product and the size and ownership structure of the motel.

Proposition 1.3 The owner-managers of high performing small motels employ only a few simple measures to monitor the appropriateness of strategy.

The appropriateness of the strategy was related to whether it was the 'right' strategy given the product and service offered, the target market, as well as the desires and characteristics of the owner-manager and the stakeholders. Theoretically incongruity would occur if there were a mismatch of product/service, target market and owner-manager desires and characteristics with the type of strategy adopted. To explore

these issues the measures employed to assess strategy appropriateness were identified. Table 5.11 shows the type of measures employed and the strategy-related purpose in each case.

Exploration of the measures used to assess the appropriateness of the strategy indicated that the measures were used to assess four aspects of strategy – the *appropriateness of the strategy for reaching the defined target market; the matching of the product/service to the target market; the appropriateness of the set goals and targets; and the appropriateness of the pricing structure*. Each of the four aspects is discussed in the next section.

Measures to assess the appropriateness of the strategy for reaching the defined target market. Measures were employed by only three of the cases (M3, M6 and M7) to help to inform whether the motels were attracting their key market, as defined (whether explicitly or implicitly) in the strategy. For each of these cases the tracking of the origin and type of customer data was used for assessing whether the target markets had been reached. In one case (M6) the marketing affiliate helped with monitoring the origins of the customers booked through their system. ‘Choice motels tell us where our business is coming from.....using their booking system’ (M6.) However, the smallest of the motels (M1) had a limited customer base and did not need to rely on computerised system to help monitor repeat business. In this case reliance on their memory was sufficient.

Track the number of repeat customers? You get to know your repeat customers. Some come weekly or monthly.... some come quarterly. Most of our business is [repeat] corporates (M1).

Table 5-11 **Measures for assessing the appropriateness of the strategy**

	M1	M2	M3	M4	M5	M6	M7
Appropriateness of the strategy for reaching the defined target market (marketing approach...): Tracking origin and type of customer (by motel or affiliate)	NM	NM	√	NM	NM	√	√
Number and type of new customers	NM	NM	√	NM	NM	NM	NM
Matching of product/service to the target market: Tracking length of stay	√	NM	NM	√	√	√	NM
Tracking repeat visits (when and how often)	√	NM	NM	√	√	√	√
Collecting customer feedback (verbal and written)	√	√	√	√	√	√	√
Comparison of average room rate to previous year, month	√	NM	NM	√	√	√	√
Star rating audit	√	NM	NM	NM	NM	NM	√
Quality control audit by marketing affiliate	NM	NM	NM	√	NM	√	
Appropriateness of the set goals and targets: Comparisons of sales to the previous year, month and week	√	√	√	√	√	√	√
Comparisons of occupancy rate to the previous year and month	√	NM	√	√	NM	√	√
Appropriateness of pricing structure: Customer feedback	√	√	√	NM	NM	√	√
Achievement of sales targets (monthly, weekly)	NM	√	NM	√	NM	√	NM
Comparison to industry prices	√	NM	√	√	NM	√	√
Local referrals	√	NM	NM	√	NM	NM	NM

√ = the measure is used for strategy assessment

NM = measure not mentioned in relation to strategy assessment

Measures to assess the success of matching the product/service to the target market. All of the cases used customer feedback and most used tracking of repeat visits and comparisons of average room rate to assess the matching of the product/service to the target market. Star rating audits and quality control audits by the marketing affiliates were not common measures for target market match

assessment. There was a good level of understanding about the need to match the product to the target market, as exemplified by the following quote.

As the property gets a lot older things would probably change. Old motels are a lot more work than new motels. As more new motels are built around Ballarat we might lose more of the corporate trade so we may have to look to families and leisure groups, which are hard work. You need to spend more money to get these into your business (M4).

Measures to assess the appropriateness of the set goals and targets. Measurement activities relating to analysis of trends in relation to sales and occupancy rate not only gave the owner-managers information about the performance of the motel but, over time, also provided them with a better understanding about the achievability of their goal setting. For example, an inability to maintain or reach set sales or occupancy rate targets were indicators of the need to re-assess whether the strategic approach and implementation processes were appropriate; whether the targets were unrealistic or whether there were external (and uncontrollable factors) impacting on the business.

Measures to assess the appropriateness of pricing structure. In most cases customer feedback and comparisons of industry prices were measures employed to assess the appropriateness of the pricing structure. Appropriateness in this instance referred to whether pricing was too high and therefore deterring potential customers or whether it was too low and consequently losing potential profits. As indicated in the following quotes most of the owner-managers were aware of the need for flexibility in their pricing structure because of the volatility of the industry. Remaining competitive was a key focus of structure determination.

Your occupancy probably dictates whether you are getting as much as you can out of your customers. When you are having your quiet times you need to drop the rates. At the moment it's very busy so you keep your rates up. As the business gets older and new motels pop up you need to change your rates accordingly (M4).

We set our price based on the customers. We don't offer cheap prices to under-cut others. We look at competitor's prices and we sometimes look at the internet. If I notice that other motels in the area are selling their rooms at \$90 we will offer them at \$85. It is very important to look at other prices (M3).

The overall approach to monitoring the appropriateness of the strategy.

Although there was strong evidence of there being measures in place to assess the appropriateness of the strategy there was little indication to suggest that this process was a conscious or totally planned act. In fact, in some cases (M1, M5) the strategy evolved naturally without any formal or overt measurement activities taking place. For M1 this occurred as the owner-manager's understanding of the community's needs grew. In this case the strategy for developing an up-market motel for the local area evolved.

What we have now and what we initially planned has changed dramatically. We had plans for luxury apartments and family rooms because we know how hard it is for a family of six to find accommodation. Then we realised that people in town wouldn't pay. So we had a third plan. We eventually designed the motel for couples on the weekends and for 'corporates' and sub-contractors during the week. The rooms cater for both types (M1).

5.3.2.1.4 Summary of key research issue 1 findings

The Key Research Issue was - **How is strategy formulated, implemented and reviewed in high performing small motels?** The findings in regards to the three propositions related to this research issue indicated that the small motel owner-managers take a lead role in all activities related to the strategy, however, there are slight differences across the firms.

Types of strategy. It was found that there were three types of strategy employed across the motels and were described as *development*, *growth* and *maintenance*. Not only was strategy formulation affected by the owner-managers' personal and business aspirations but aspects of the product (for example, age, size and location) also had a

considerable impact on the type of strategy adopted. Furthermore, it was apparent that strategy formulation was not always formal and overt but was usually interwoven with the owner-managers' values and beliefs. Finally, five stakeholders impacted on strategy formulation and their influence varied according to the particular situation of each firm.

Implementation of the strategy. The findings determined that there were three elements for strategy implementation. The three elements included the business plan as the operational guide for the owner-manager; communication of the strategy to stakeholders; and aligning the strategy to the business operations (processes and capabilities). There were different approaches to strategy development and implementation, in some cases it started with determination of the strategy by considering the customer focus and product type followed by sourcing the appropriate staff and developing processes. In other cases sourcing capabilities came after process development. There was some suggestion that process was developed before capabilities in the newer or growth firms, which may be due to the fact that established firms have established processes and so capabilities become the first priority.

Monitoring the appropriateness of the strategy. Overall, it was found that the small motels employ a number of measurement activities. Four areas for assessing the appropriateness of the strategy were identified and included, matching of product/service to the target market; appropriateness of the set goals and targets; and appropriateness of pricing structure. The motels indicated that they have a number of activities in place for assessing three of the four areas. The only area where there was a lack of evidence was the appropriateness of the strategy for reaching the defined target market. This lack of evidence may indicate a lack of activity and/or understanding in regards to marketing.

5.3.2.2 Key research issue 3: Performance measurement

The third Key Research Issue was - **How is a balanced approach to performance measurement used in high performing small motel operations in monitoring stakeholder satisfaction and business results?** To explore the issue two propositions were posited regarding the way in which the financial and non-financial measures were employed and how performance was monitored by measuring outputs, as well as to identify the two key performance outcomes of *stakeholder satisfaction* and *business results* for owner-manager satisfaction. The findings of the two propositions are presented in this section.

Proposition 3.1 High performing small motels will use specific financial and non-financial measures (with information sourced from stakeholder feedback) on a regular basis to monitor outputs and identify and monitor stakeholder satisfaction.

In order to ascertain whether both financial and non-financial measures (known as a balanced approach) were used to measure results, questions were asked of the owner-managers about the most important measures used to track performance outputs and outcomes. It should be pointed out that the owner-managers were not asked to differentiate the financial measures from the non-financial measures as they were presented as two separate types by the interviewer. However, the owner-managers understood the differences and were able to comment on the value and purpose of each. The responses from all the cases indicated that good operators used a balanced approach and employed both financial and non-financial measures. The most commonly cited *financial measures* for monitoring outputs included tracking of sales or sales growth (cases M1, M2, M3, M4, M6 and M7), monitoring of takings (cases M1, M2, M4, M5) and comparisons of average room rate (cases M2, M5, M6 and M7). However, only M6 calculated and compared RevPAR and only M3 conducted an analysis of net profit. It is interesting to note that in both cases the operators had formal training in hotel/motel management either through work in larger hotels or via past experience as a hotel franchisee.

In regards to *non-financial measures* all the cases measured outputs via occupancy rates. Furthermore, five cases measured outcomes by customer satisfaction (M1, M2, M3, M5, and M7) and used systems to track and collect data on customers. In this

study the customer satisfaction measures and measurement systems related to the gathering and analysis of customers' verbal or written feedback, including both positive and negative responses, about their stay at the motel. The systems were used to identify customer origins, to record guests' needs, guest comments and to track new and repeat customers. Surprisingly, given the later discussion in this chapter of the importance of employees, only one of the seven owner-managers (M2) rated employee satisfaction as an important measure.

When asked to rate the most important measure (from both the financial and non-financial lists) for the operation of their business (that is, outputs and outcomes) the responses varied across the cases. Of the seven cases, three rated a non-financial measure as most important (M1, M2 and M6) and four rated a financial measure (M3, M4, M5 and M7). When considering only the financial measures, two rated sales growth and two rated sales takings as the most important measure. With regard to non-financial measures, two cases (M1 and M6) rated occupancy rate as the most important measure and one case (M2) rated customer satisfaction as the key measure of performance. Given the value of stakeholders (as discussed section 5.3.2.1.1), it is interesting to note that satisfaction of other stakeholders was generally not of high importance.

A link between measurement activities and type of strategy. To further understand why various measures were used, comparisons were made of measures with the business strategy type. A summary of each case, their strategy and the key measures used is summarised in Table 5-12. Firstly, in all cases the owner-managers agreed on the importance of using a balance of both financial and non-financial measures to measure results.

Secondly, commonalities were found across some of the cases in relation to the measures considered to be most important to monitoring performance. These commonalities related to the strategies employed. For example, all three firms with a 'development' strategy (M1, M3 and M4) rated *tracking of sales growth* and *tracking of new and repeat customers* amongst their most important measures. On the other-hand the three motels with a 'maintenance' strategy (M5, M6 and M7) all listed

customer satisfaction (gathering feedback and profiling) and *average room rate* as their most important measures. Interestingly, the one case with a ‘growth’ strategy was the only motel that *rated employee satisfaction* as important.

Table 5-12 A summary of the financial and non-financial measures rated as the most important by the interviewees

Motel	Strategy	Financial measures	Non-financial measures
M1	<i>Development (via renovations and upgrade)</i>	Tracking of sales (3) Monitoring of takings (2)	Occupancy rate (1) Customer satisfaction Tracking new and repeat customers
M2	<i>Growth (via purchase of other motels)</i>	Tracking sales growth (3) (by room and yield from F & B) Comparisons of average tariff to the industry Monitoring of takings (2)	Occupancy rate Customer satisfaction (1) Employee satisfaction
M3	<i>Development (via minor upgrades)</i>	Tracking sales growth (1)	Occupancy rate Tracking customer origins Tracking of new customers (2) Customer satisfaction (3)
M4	<i>Development (a newly built motel)</i>	Tracking sales growth (2) Monitoring of takings (1)	Tracking repeat customers (3) Occupancy rate
M5	<i>Maintenance (with a focus on continual amenity and product improvement)</i>	Monitoring of takings (1) Analysis of net profit (2) Average room rate (3)	Customer satisfaction (3)
M6	<i>Maintenance (with a focus on increasing leisure and corporate market share)</i>	Average room rate (2) Revenue per available room (RevPAR) Tracking sales growth (3) Wages percentages Food costs Average cover in restaurant	Occupancy rate (1) Customer profiling & tracking Customer satisfaction
M7	<i>Maintenance (with a focus on improving low season occupancy)</i>	Tracking sales growth (1) Comparison of average room rate (2)	Occupancy rate Tracking of repeat customers (3) Customer satisfaction (3)

NOTE: Bracketed numbers indicate importance ranking by the operators.

Frequency of use of measures. In each case the owner-managers were asked to indicate how often they undertook each of the measures. In terms of frequency, several measures were carried out on a daily or weekly basis by most of the cases, as summarised in Table 5.13. Again these measures were both financial and non-financial and included, analysis of net profit; customer satisfaction; monitoring of takings; tracking the number of repeat customers; tracking occupancy rate; gathering information on where business is coming from; and seeking feedback from staff.

Table 5-13 Frequency of use of financial and non-financial measures

	M1	M2	M3	M4	M5	M6	M7
FINANCIAL MEASURES							
Tracking of sales growth	Daily	Monthly	Quarterly	Monthly	Daily	Daily	Weekly
Monitoring of takings	Daily	Daily	Monthly	Weekly	Daily	Daily	Daily
Analysis of net profit	Monthly	Quarterly	Monthly	Quarterly	Daily	Monthly	Monthly
Customer profitability analysis	Daily	Monthly	Weekly	Annually	Na	Monthly	Weekly
Comparisons of average tariff to same time last year	Monthly	Quarterly	Weekly	Annually	Daily	Weekly	Monthly
Comparisons of average tariff to the industry average	Never	Never	Monthly	Annually	Now & then	Quarterly	Never
Analysis of sales by restaurant and rooms	NA	NA	NA	Monthly	Weekly	Quarterly	Annually
OPERATIONAL MEASURES							
<i>For Customers</i>							
Track average length of stay	Daily	Now & then	Quarterly	Quarterly	Quarterly	Quarterly	Monthly
Customer satisfaction via survey or other means	Daily	Daily	Daily	Annually	Daily	Daily	Daily
Track the number of repeat customers.	Weekly	Weekly	Weekly	Annually	Never	Annually	Daily
Track the number of new customers	Daily	Daily	Quarterly	Annually	Quarterly	Annually	Daily
Monitor the number of hits on web-site or number of enquiries	NA	Quarterly	Daily	Quarterly	Never	Monthly	Daily
Gather information on where business is coming from	Daily	Weekly	Weekly	Monthly	NA	Monthly	Daily
Track occupancy rate	Daily	Monthly	Daily	Weekly	Daily	Daily	Weekly
<i>For Staff</i>							
Staff turnover rate	NA	Never	Never	Annually	Never	Annually	Never
Track staff absentee rate	NA	Never	Never	Quarterly	Never	Never	Now & then
Staff feedback	NA	Daily	Daily	Monthly	Daily	Weekly	Daily
<i>For external individuals or groups</i>							
Feedback from suppliers, partners and community	Daily	Monthly	Daily	Quarterly	Never	Weekly	Monthly
Track the number of referrals from other businesses	Never	Now & then	Weekly	Quarterly	Never	Monthly	Never
Track donations or in-kind support given to the community or charity	Annually	Now & then	Quarterly	Annually	Never	Never	Monthly
Track the level of waste and/or use of utilities	Never	Daily	Monthly	Monthly	Never	Quarterly	Monthly

□ Daily and weekly = high use □ monthly and quarterly = medium use

■ Annually, every now and then and never = Low or no use

Furthermore, *analysis of net profit* (N=4) was undertaken by most of the motels on a monthly basis and most firms on a quarterly basis measured *the average length of stay*. An important finding was that comparisons of average tariffs with an industry average were rarely, if ever, done. The main reason for this was the lack of availability of industry data in general.

Proposition 3.2 High performing small motels will have monitoring processes in place to identify and monitor the business results.

The findings for this proposition considered the *monitoring processes* in each of the cases and included the design of an information gathering system to collect essential feedback for the evaluation and improvement of the firm's performance; and instruments and methods developed to allow for monitoring from both "internal" and "external" sources.

Internal monitoring in this study meant collecting data internally about the stakeholders' satisfaction (employees and customers) and the business results of profit and ROI, which were achieved as a result of internal processes. With each of the cases the aim was to explore how monitoring was carried out internally. *External monitoring* meant collecting data from external sources to measure both the value of offerings and the position of the firm itself in relation to its competitors.

Monitoring processes. Customer satisfaction was monitored using simple processes such as, verbal inquiry on guest departure - How did you sleep last night? (M2). For some of the affiliated motels feedback cards were provided in the rooms for customers to complete (cases M2, M4, M6 and M7). Customers were also invited to ask for assistance anytime during their stay (cases M2, M5 and M7). In the case of M5, twenty-four hour service was provided which the customers were encouraged to use. The history for each customer was stored and retrieved from specialised motel specific computer systems. As already mentioned, follow up phone calls to customers were only used for repeat corporate customers if there was concern that they had shifted their loyalty.

The office computer systems were used in five cases as the main means of monitoring the business results of profit and ROI. Profit analysis required the collection and input of data on income and expenditure. Income for the motels came from the sale of rooms, and the amenities, as well as the food and beverage, whilst expenditure related to salaries, room cleaning, laundry, maintenance and food and beverage costs. Although both income and expenditure were central to the monitoring process and were tracked regularly in all cases, the level of sophistication in the way the data were used varied with different motel types. For all of the small motels it was a basic input and output calculation. For example, M2 stated that the introduction of the new Business Activity Statement (BAS) requirements, as part of the introduction of the new tax system in 2000, had helped to keep track of income and expenditure. In the cases of M6 and M4 more specialised analysis, such as Revenue per Average Room (RevPAR), was used to monitor their performance.

5.3.2.2.1 Summary of key research issue 3 findings

The owner-managers used a balanced approach and employed both financial and non-financial measures to monitor results. The most commonly cited *financial measures* included tracking of sales or sales growth, monitoring of takings and comparisons of average room rate. In regards to *non-financial measures*, most motels used occupancy rates and customer satisfaction. Furthermore, systems to track and collect data on customers were commonly used to measure customer satisfaction. Of all the stakeholders, the satisfaction of the customer was most important.

For a number of the owner-managers, output measures, such as, occupancy rates, sales trends and repeat customer numbers were seen as an early warning of customer dissatisfaction and a signal that aspects of the operation needed closer assessment. Furthermore, there was evidence to suggest that the use and importance of particular measures was related to the motel's strategy. Firms with a 'development' strategy rated *tracking of sales growth* and *tracking of new and repeat customers* amongst their most important measures. The cases with a 'maintenance' strategy listed *customer satisfaction* (gathering feedback and profiling) and *average room rate* as their most important measures, whilst the one case with a 'growth' strategy was the only motel that *rated employee satisfaction* as important.

Monitoring was a regular and ongoing activity. A number of financial and non-financial measures were used on a daily or weekly basis by most of the cases and included analysis of net profit; customer satisfaction; monitoring of takings; tracking the number of repeat customers; tracking occupancy rate; gathering information on where business was coming from; and seeking feedback from staff. Comparison of average tariffs with an industry average was rarely if ever done. The main reason for this was the lack of availability of industry data in general.

The monitoring of results was generally informal but nevertheless systematic. A common way of monitoring customer satisfaction was for staff to communicate verbally with customers on departure. The level of sophistication in the way the data were gathered and used for monitoring purpose varied with different motel types. Computer systems were used in most cases whilst manual accounting and tracking systems were used in the smaller motels.

5.3.2.3 Key research issue 4: Continuous improvement

The fourth Key Research Issue considered the systems or processes used by small motels to support continuous improvement. **What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?** The two related propositions proposed that firstly, the high performing motels, do indeed, have systems and processes in place but they would be informal and simple and secondly that the use of networks and their own industry knowledge would assist with business improvement activities.

Proposition 4.1 That high performing small motels will use informal and simple systems or processes to control, review and deploy changes for improvement.

In the analysis of the findings regarding proposition 4.1 it was found that the terms *systems* and *processes* were used interchangeably and were not necessarily understood as described in the literature. Terms such as *procedures* and *activities* were commonly used when talking about continuous improvement. In order to assess the findings regarding this proposition the improvement related activities and procedures were

categorised according to the three dimensions of review, control and deployment. The most commonly implemented procedures and activities are highlighted in Table 5.14 according to the type of procedures and activities.

Based on the findings, the procedures and activities for continuous improvements were frequently occurring events and were closely linked to the day-to-day operations of the motels. In general, common procedures were used across the three dimensions of *review*, *control* and *deployment*. For example, the ‘computer management system’; ‘daily and weekly measurement activities’; and ‘meetings and communication procedures’ were important to the small motels and were used across all three dimensions.

Table 5-14 **Summary findings of improvement procedures and activities**

	M1	M2	M3	M4	M5	M6	M7
For REVIEW							
Computer management system	√-	√	√	√	√-	√	√
Daily and weekly measurement activities							
Financial analysis (e.g. expenses and sales)	√	√	√	√	√	√	√
Comparison of non-financial measures (e.g. occupancy rates)	√	√	√	√	√	√	√
Comparison to industry averages	NM	X*	X*	√	X	X*	X*
Meetings and communication procedures							
Informal owner-manager (family) meetings	√	√	√	√	√	√	X
Meetings with Directors	X	X	X	X	X	X	√
Staff meetings	X	√	X	√	NM	√	√
Informal staff conversation	X	√	X	√	√	√	√
Information gathering activities							
Industry or Local association (for Environmental scanning)	X	√	NM	√	√	√	X
Marketing affiliation audit process	√	NM	X	√	NM	√	√
Other moteliers (own network)	√	√	√	√	√	√	√
Exploration of competitor activities	√	X	√	√	X	√	√
Customer feedback (written and verbal) on product renewal ideas & staff performance	√	√	√	√	√	√	√
Audit and review activities							
Rating system audit process	NM	√	NM	NM	√	NM	√
Regular pricing structure review (based on customer need and product offering)	√	√	√	√	√	√	√
For CONTROL							
Computer management system	√-	√	√	√	√-	√	√

Meetings and communication procedures							
Informal staff conversation	X	√	X	√	√	√	√
Staff meetings	NM	NM	NM	√	NM	NM	√
Accountant (financial support for improvement)	√	NM	√	√	NM	√	X
Physical presence of owner-manager	√	√-	NM	√	√	√	NM
Daily and weekly operational procedures							
Financial analysis (expenses, sales)	√	√	√	√	√	√	√
Cleaning and maintenance routines	√	√	√	√	√	√	√
Customer service procedures (day sheet, registrations..)	√	√	√	√	√	√	√
Internal inspection routine	√	√	√	√	√	√	√
Yield analysis routines	NM	√	NM	√	√	√	NM
Audit and reviews							
Marketing affiliation audit process	√	NM	NM	√	NM	√	NM
For DEPLOYMENT							
Computer management system	NM	NM	√	√	NM	√	√
The Internet (web-site) (What ifs and hits on website)	NM	√	√	√	NM	NM	√
Meetings/ communication							
Informal staff conversation	X	√	X	√	√	√	√
Owner-manager (family) meetings	√	√	√	√	√	√	NM
Accountant (financial support process)	√	NM	NM	NM	NM	√	NM
Staffing procedures							
Role allocation -Empowering staff to make decisions	X	√	X	NM	√	√	√
Staff training	√	√	√	NM	NM	NM	√
Staff reward schemes and motivational activities	NM	√	NM	NM	√	√	√
Recruitment of a marketing expert	NM	NM	√	NM	NM	NM	NM
Daily, weekly and yearly operational procedures							
Maintenance and cleaning	√	√	√	√	√	√	√
Customer service procedures	X	√	X	NM	√	NM	√
Yield analysis routines	NM	NM	NM	√	√	√	NM
Cost analysis (supplies, staff hours, laundry)	√	√	NM	NM	√	√	√
Business planning process	√	√	√	√	X	NM	NM
Budgeting process for ongoing upgrades	√	√	NM	NM	√	NM	NM
Room upgrade	NM	√	NM	NM	√	√	NM
Major renovation activities	√	NM	NM	NM	NM	NM	NM
Marketing activities							
Allocation of rooms to discount accommodation Internet sites	NM	NM	NM	NM	X	NM	√
Package deals offers	NM	NM	NM	NM	NM	√	√
Price freezing for regulars	NM	√	NM	NM	NM	NM	NM
Mystery calls to competitors	NM	NM	NM	NM	NM	NM	√

√ = improvement system/activity is employed

NM = system/activity not mentioned

X = improvement system/activity not employed nor seen as relevant nor useful

X* = system/activity is important but difficult to obtain data

√- = system/activity is less important than for other motels

It was also apparent from the findings that some activities for managing improvement changes, such as financial analysis and customer service related activities, followed more formalised procedures, whilst other activities such as information gathering and meetings and communication procedures were less formal and in most cases were carried out randomly and at the instigation and discretion of the owner-manager. It is important to note that data were collected from both internal and external sources.

Procedures and activities for reviewing changes. The most common procedures or organised activities for *reviewing* the motel's operations included, daily and weekly measurement activities involving financial and non-financial analysis and customer feedback gathering. The less formal review activities often occurred in reaction to changes rather than in an organised manner. These activities included informal owner-manager (family/partner) meetings; informal conversations with staff; and investigation of competitor activities (for example, random calls to competitor motels to ask for room prices).

Procedures and activities for controlling changes. When considering activities to *control* the operation and outcomes of the motels, most cases indicated that the following were used – daily and weekly measurement activities; cleaning and maintenance routines; customer service procedures (for example, use of a day sheet and registration forms); and informal communication activities; which involved conversations with staff and the overseeing of activities by the owner-manager.

Procedures and activities for deploying changes. The *deployment* of improvement changes, in most cases, was carried out through informal communication between the owner-manager and the staff and the external partners, approaches to marketing, as well as via daily, weekly and annual procedures focused on maintenance, cleaning and cost saving activities regarding supply expenses. Staffing procedures including training, rewarding staff and role allocation was used by most firms as deployment related activities. It is interesting to note that organised marketing activities were rarely used in the *deployment* of improvement changes. Additionally, facility upgrades and major renovations were not common, which could be due to the life-cycle stage or strategic focus of the businesses.

Differences in management for continuous improvement. In the case of the smallest motel (case M1), all improvement ideas and implementation activities were driven solely by the owner-managers and were closely connected to their personal characteristics and needs. For this reason there was a lack of need for written procedures to implement improvements. The only written document was the business plan, which was required by the bank to fund the major renovations. Improvements in this case largely related to the learning and development of the wife who had the responsibility for daily operations and continuous improvement activities were focused on attracting more customers as a result of the major renovations. Important to increasing customer numbers was the meeting of customers' needs in terms of facilities and cost savings and efficiencies in running the operation. Checking competition was done very simply via conversations with locals and suppliers; via feedback from her husband, who ran his own building business; and by checking other local motels regularly to see how many cars were in their car parks. 'I am always checking what my opposition is doing. I can see where they are at I can see how many cars are in front of their apartments' (M1). The focus for continuous improvement in this case was to increase customer numbers by gaining a competitive edge by employing competitor analysis activities.

In the case of M4 it was believed that motel improvements were closely related to the type of market the operation pursued. Therefore, it was believed that over time, and as the product aged, the improvement activities would shift from minor maintenance and upgrade to either major renovations or the pursuit of a different market. In this case, the need to seek improvements in the provision of value services to their regular customers was the main focus and having a good knowledge of individual customers was a key focus of their improvement activities. For this reason the computer system (which was used to store and retrieve customer profiles) was seen as 'the engine room of the business.' The focus for continuous improvement in this case was to add value to the customer experience by improving knowledge of customers' wants and needs through the use of the computer management system.

For cases M4, M5 and M6, improving the business was about increased occupancy as well as sales. However, there was tension between pursuing greater occupancy and achieving higher yield. This issue was evident in case M5. In this case when

occupancy was high, low yield customers would be turned away. In this instance the low yield customers came from the Asian market. When occupancy was low the owner-managers would accommodate any type of customer. For all three cases the overall improvement approach was to find and keep high yield corporate customers. Improvement systems for achieving this goal were closely linked to continuous monitoring and analysis of measures such as sales, occupancy and customer feedback.

The focus for continuous improvement in these cases was to not only improve sales and occupancy levels but to give greater attention to improved yield via close monitoring of sales and occupancy levels as well as customer satisfaction.

In all cases a key improvement focus was the product and its appearance. Therefore, the activities related to maintenance and improvement of the product were embedded in the daily routines. 'We are always looking to improve the sales and the cosmetics. I have learned that cosmetics are very important' (M7).

Proposition 4.2 That high performing small motel operators will use their networks and industry knowledge for gathering data to help make informed decisions in regards to managing their enterprise for business improvement.

As shown in Table 5.15, all the cases use a range of external networks to assist in the operation of the motels. The networks included accountants, financial institutes, community groups, marketing affiliations, industry associations, local government as well as 'other businesses' (including motels, local small and large businesses). Of these, 'other businesses' were the most highly used external network, the local government was the least used and the community had medium usage. Cases M4, M3 and M2 used networks more often than the other cases while case M7 used very few networks. It is interesting to note that case M7 was the only motel where the owner or lessee was not involved in the day-to-day management of the business. This difference could suggest that the desire to 'network' is affected by ownership structure.

Table 5-15 **Frequency of use of network groups**

	M1	M2	M3	M4	M5	M6	M7
Accountant	Annually	Monthly	Quarterly	Weekly	Every now and then	Quarterly	Never
Bank	Quarterly	Monthly	Quarterly	Weekly	Quarterly	Annually	Every now and then
Community Groups Or Committees	Every now and then	Monthly	Monthly	Monthly	Quarterly	Monthly	Every now and then
Marketing Affiliations	Every now and then	Quarterly	Never	Monthly	Daily	Monthly	Monthly
Industry Associations	Never	Monthly	Never	Monthly	Every now and then	Annually	Monthly
Other Businesses	Weekly	Daily	Daily	Monthly	Weekly	Monthly	Every now and then
Local Government	Never	Now and then	Monthly	Annually	Now and then	Quarterly	Every now and then

- Daily, weekly, monthly = high use
 Quarterly and annually = medium use
 Every now and then and never = Low or no use

Importance and purpose of networks. In all but two cases (M5 and M7), partnerships with external organisations were rated highly. Furthermore, the information obtained from the networks was gathered for different improvement purposes. In all cases, feedback was gathered from the community and other businesses in order to understand customer satisfaction. ‘Other businesses’, and in particular, other motels helped to provide industry related information with regard to trends, pay rates and to know what operational aspects could be improved and if there was any pressure on rates (cases M3, M4, M5 and M6). The accountant was also used in all cases to gather information to improve knowledge about taxes, however, in only two cases the accountant was used for general business advice or mentoring. The local tourism or accommodation association provided a forum for obtaining knowledge about industry trends, as well as the power to affect these changes (cases M6 and M4). As would be expected, the marketing affiliations were important to nearly all motels for marketing knowledge development and improved marketing efforts. Additionally, the affiliations also provided information about the buildings

and amenities in the quality feedback audit (case M1) and advice about sourcing supplies (case M2). In most cases, the bank was important for financial support and business advice. On more than one occasion HMAA was cited as being a good source for information on industry trends and for advice about award rates and staffing issues (cases M7, M5 and M4).

HMAA keeps you informed of what is happening in the industry. They are able to tell me some things about the industry I didn't know. They have given me some contact for people in Melbourne that I should know about for websites (M4).

In one case (M7) the marketing link with discount accommodation websites provided valuable feedback about the motel's performance compared to their competitors.

We are number one with the 'Wotif' web-site for sales in Victoria for four-star properties. Last year we were number three. The 'Wotif' sales are a good indicator of how we've done in the last twelve months. I'm very good and diligent at checking how the other properties are going (M7).

Although most motels had contact with their marketing affiliate it was not considered to be valuable by all. In the case of M2, contact with the marketing affiliate took place because it was expected and not because it was valuable. The owner-manager believed that the affiliation's forums and conferences were not relevant to their local needs nor held in convenient places.

They [Best Western] meet regionally each quarter. But it's all American stuff....I don't find it all that useful. They have a conference each year.... But who can give up a week and spend all that money to go to Alice Springs for a week. (M2).

Finally, although the findings presented in Table 5-19 suggest that M1 was a poor networker, the owners, in this case, tended to use personal, work and social contacts in the community (friends, other businesses husband's work colleagues) as opposed to formal networks. Their own networks helped them to know how the competition was going and what customers thought of their accommodation.

5.3.2.3.1 *Summary of key research issue 4 findings*

Research issue four considered the review systems and processes used by owner-managers of high performing motels for continuous improvement purposes. The findings in regards to proposition 4.1 indicated that there were a number of similarities and differences in the activities and procedures used for the *review* and *control* of change. The main differences were that *review* activities and procedures included, ‘measurement’ and ‘information gathering’ activities and *control* activities involved ‘operational procedures’. The main difference in relation to *deploying* change was the focus on ‘staffing’ and ‘marketing’ for implementing new procedures.

The focus for continuous improvement varied across the cases. One case aimed to increase customer numbers by gaining a competitive edge through the use of competitor analysis activities. Another case worked to add value to the customer experience by utilising a computer management system to improve knowledge of customer wants and needs. Other cases were focused on improving yield via close monitoring of sales and occupancy levels as well as customer satisfaction. However, for all cases the improvement of the product and its appearance was a major improvement goal.

For proposition 4.2, external networks were important in most cases and a range of contacts were used to support the business operation. ‘Other businesses’ were the most used external networks. There was evidence to suggest that ownership affected the degree of networking. Additionally, personal networks were important for the smaller motel. There were a number of purposes for the owner-managers engaging in networks, which included - to understand customer wants and needs; to gather information about industry trends and market knowledge; to obtain ideas for improving the business; to gather knowledge about taxation and employment legislation; and to improve marketing efforts. Finally, the value of the marketing affiliates had some benefits but was also questioned in some cases.

5.3.2.4 **Key research issue 5 – Processes and capabilities**

The fifth research issue was - **How are processes developed and employed in high performing small motels?** The three propositions related to this issue addressed

three aspects of process - the processes employed in the small motels and how they ensure the delivery of the product and service to the stakeholders; the staff as the key capability responsible for driving the processes; and the external relationships which provide additional capability to assist with the processes of sales and marketing and product and service development.

Proposition 5.1 Managers of high performing small motels will develop and implement simple processes that ensure the delivery of a product/service that meets the needs and wants of the stakeholders.

Proposition 5.1 focused on the internal processes (or procedures and activities as discussed in section 5.3.2.3 for proposition 4.1) of small motels. In analysing the findings for this proposition the procedures and activities (from Table 5.19) were matched to the stakeholder wants and needs as identified in proposition 2.2 and are summarised in Table 5.21. Overall, the processes used to deliver the product and service varied in complexity from complete computerised customer management systems (CMS) to regular in-house or affiliate-developed routines. However, for a number of stakeholder wants and needs the service and product was delivered via occasional and random activities, rather than formalised processes.

Many of the activities outlined in Table 5.16 were generic and did not change greatly from motel to motel. However, the larger motels had more formalised processes, as opposed to activities and more complicated staffing rosters and shift change routines. The more formalised procedures and routines were evident in the delivery of the product and service to the customers. Three cases (M2, M4 and M6) had a formal feedback card process in place. For M6 the marketing affiliate required that its members employ a system to gather written feedback from their customers. In other cases (M1, M3, M5, M7) the customer feedback activities were based on verbal exchanges between office staff and the customer.

Table 5-16 A summary of the match between process and stakeholder needs

Type of stakeholder	Product and service delivery - What stakeholders want and need	Procedure or activity employed
EXTERNAL		
The customer	<ol style="list-style-type: none"> 1. Efficiency in service 2. Cleanliness; comfortable bed; quality amenities 3. Friendly service; individualised treatment; value added service 4. Care and consistency in the provision of product/service 5. Opportunities to give feedback 6. Price matched to product 	<ol style="list-style-type: none"> 1. Customer management system (reservations and profiling); breakfast and kitchen routines 2. Cleaning and maintenance routines; upgrade activities 3. Informal staff recruitment activity and informal staff training 4. Office routines; cleaning and maintenance routines; upgrade activities 5. Feedback card procedure, informal interaction, 24 hour office routine 6. No system but informal surveillance of competitor and websites and networking to understanding price.
Local community (for example, councils, large businesses, social groups, other motels)	<ol style="list-style-type: none"> 1. A good product or service for visiting friends and relatives (VFR) and work colleagues 2. Shared community values and involvement in community activities 3. A good venue for holding events 4. Discounts 	<ol style="list-style-type: none"> 1– 3 No procedure for delivering needs but informal networking to gather information on needs 4. Informal marketing or promotional activities. Eg. Discount package with other businesses.
Marketing Affiliate	<ol style="list-style-type: none"> 1. Membership 2. Financial success (if motel is a franchise) 	<ol style="list-style-type: none"> 1. Search activities to ascertain the most appropriate affiliate. Sometimes a trial and error process. 2. Follow guidelines and procedures as required by affiliate, eg. Customer feedback card collection.
Bank	<ol style="list-style-type: none"> 1. Good future prospects 2. Payments on time 	<ol style="list-style-type: none"> 1. Business planning activities 2. Weekly book keeping and accounting procedures (manual and computerised)
Accountant	<ol style="list-style-type: none"> 1. Regular business from the owner-manager across a range of their services 	<ol style="list-style-type: none"> 1. Accounting procedures (manual and computerised mainly for taxation requirements. eg. BAS preparation)
INTERNAL		
Employees	<ol style="list-style-type: none"> 1. Responsibility (empowerment) 2. Rewards for effort (salary, celebration) 3. Respect 4. Inclusion 5. Good communication 6. Suitable rostering 7. Training and support 8. Opportunities for feedback and input into business. 9. Time and attention 	<ol style="list-style-type: none"> 1. Informal recruitment and informal training activities 2. Informal activities, celebrations and bonuses 3 – 5 Reliant on the personality of owner-manager 6. Various rostering routines 7. Informal activities, often in-house and provided on as needs basis 8. Informal, as opportunity arises and driven by owner-manager 9. Dependent on owner-manager

Other formalised procedures and routines were put in place as a requirement of the bank, the accountant (and Australian Taxation Office) and the marketing affiliate.

The more random and informal activities were related to the employees. For these stakeholders, activities to meet their needs were often reliant on the personality and desires of the owner-manager. The only routine evident in the management of employees was the rostering procedures.

Variations in the formality and development of procedures and activities largely depended on the size of the motel. For example, size influenced the use of computerised systems. All of the motels had computerised reservation systems and all but one case (M5) had computerised accounting systems and computerised customer-tracking systems. Two cases (M2 and M4) were completely computerised and did not use manual booking, customer tracking or accounting systems. The smallest motel (M1) indicated that they do not rely on the computer system and could operate manually. However, other owner-managers highly valued the information and support the computer systems provided in understanding customer needs:

The computer is the engine room of the business. Without the computer the lack of knowledge about the business would be incredible. The computer provides great knowledge about the business; otherwise everything would be a stab in the dark. If somebody asked you how many times you see a particular sales representative you would know (M4).

Providing for the needs of the bank, the accountant and the affiliate was assisted by the use of simple procedures. These procedures were largely related to the day-to-day operations and were in place to guide staff in their work. These routines helped to ensure that activities in the rooms, kitchen/restaurant, laundry and front office were carried out systematically regardless of the staff working. The outcomes of these routines were a consistent, quality product and service and efficiency and accuracy in tracking of sales and payments. For example, the use of procedure cards or a single sheet of instructions/checklists guided the employee in some cases (M5, M6 and M7). The motels with restaurants (M4 – 7) also indicated that this amenity added greater complexity to the running of the motel as it required tighter management, more staff with separate routines to rostering greater numbers of staff and the ordering of food and beverage supplies and equipment.

Proposition 5.2 The capabilities of high performing small motels are largely focused on staff as they are key drivers of the processes that fulfil demand (product and service delivery) for stakeholders.

The second proposition for key research issue five deals with the employees, as the key capability of the small motels. Questions to explore this proposition focused on the importance of employees, as well as the human resource related concerns for owner-managers in regards to employing, developing and retaining staff.

Importance of employees. The employees in each case were considered to be the most important capability for delivering the product and service to customers. As shown in Table 5.17 there was general consensus regarding the level of importance of three employee-related aspects. Most important to the owner-managers was to employ people with ‘people skills’. Next with a high rating was ‘the development of multi-skilled staff’ followed by the need ‘to closely manage and monitor staff’. Selecting staff with hospitality experience and specific abilities for set roles were not important.

Table 5-17 **The importance of specific employee related activities**

	M1	M2	M3	M4	M5	M6	M7
To employ staff with people skills	1	1	2	1	1	1	3
To employ trained staff with experience in hospitality industry							
To develop multi-skilled staff	2	2	3		2	2	1
To closely manage and monitor staff	3	3	1	2	3	3	2
To select staff with specific abilities for specific roles				3			

■ 1 – most important ■ 2 = second most important ■ 3 = third most important

These aspects together with other findings about small motel employment characteristics are discussed in the following sections according to the topics -

management styles; recruiting and keeping staff; the casualisation of the workforce; and the skill requirements and staff flexibility.

Small motel employment characteristics. In all but one case (M7) the enterprises were family operated where the owners or lessees worked full-time in the business as the management team. The management generally comprised a husband and wife team. As shown in the earlier Table 5-11, some of the motels (M1 and M2) were micro businesses with no casual employees, whilst others (M4 – M7) operated with a large number of casual employees. In all but one case (M7), the motels were managed by the lessee/owner. In two cases (M1 and M3) additional family members were employed. Finally, as well as the management role, and because of cost limitations and lack of internal expertise, the owner-managers often took on a variety of responsibilities, which included office work, cleaning and maintenance.

Management styles. Although there was an overall common management style employed across the cases there were also differences based on personality types and work background. In all cases the owner-managers were very much ‘hands on’ in their approach, as summarised in Table 5.18. A strong sense of individualism and desire to have control of the motel operations was also evident. However, the way in which this individualism was enacted varied across the cases. For example, M2 exhibited a paternalistic management style, whereas M4 and M6 were authoritarian and M5 and M7 were more collaborative. As M1 and M3 were managed and staffed largely by family members, the management styles were based on the personalities and attitudes of the parents.

In four cases a collaborative approach was employed where the owner-managers tried to involve permanent staff in the business and to give them a say in the day-to-day operation and some input into the overall strategy development. The two authoritarian types did not involve staff in strategy development or broader decision-making activities. Although views from staff on day-to-day operations were heard they were often dismissed. These types also felt a strong need to know every aspect of the business ‘inside-out’. There was also some level of mistrust of staff and the desire to closely monitor and control staff was compelling. ‘You can’t go over to the cleaner and tick the cleaner off if you don’t know how it should be cleaned’ (M4).

Table 5-18 **Management styles applied in each case**

	Self described	Interpreted management style
M1	A family business with son employed in reception. A friendly and informal but professional approach is employed.	‘Hands on’ and collaborative style of managing with strong family involvement.
M2	Easy going. ‘If there is a problem I ask the staff their view’.	‘Hands on’ and paternalistic style of managing.
M3	A family business with only one external staff employed. Management is focused on personal values of being on time, honest and polite to customers.	‘Hands on’ and collaborative style of managing with strong family involvement.
M4	The approach is ‘hands on and one of control’. The staff have no involvement in strategy development or broader decision making but views on day to day operations are sought.	‘Hands on’ and authoritarian style of managing.
M5	The style is ‘loose and friendly’ and collaborative. Senior staff (functions manager) is involved in decision-making and strategy development.	‘Hands on’ and collaborative style of managing.
M6	The style was self-described as ‘my way or the highway’. Is open to ideas and suggestions, but has ‘enough experience to know what will work’.	‘Hands on’ and authoritarian style of managing.
M7	Works under the leadership of the Directors but has a great deal of control of the how the motel is run on a day-to-day basis.	‘Hands on’ and collaborative style of managing.

In the case where a paternalistic approach was employed in working with staff (M2) the owner-manager gave the office staff considerable responsibility in managing the motel but was also very much a father figure who was kind and caring to staff but also controlling.

Recruiting and keeping staff. The skill most sought by the owner-managers was the ability to work with people and have a ‘hospitality manner. This was referred to as ‘people skills’ and was an important attribute required in the recruiting process. Also important was the ability to work across a number of roles, which is discussed further in the following section.

Sometimes when recruiting you can pick these types but sometimes you can’t. A background is handy but that is not always the case. Over an interview you can usually work out if they are suitable for the job. We supervise for quite a while on the job (M6).

Although not common to all the motels, an *employment contract* was seen as important to defining roles and responsibilities and for ensuring that quality people were employed. With regard to employment of new staff, in two cases (M5 and M7) they were required to sign an employment agreement, which outlined the rules and regulations of employment such as punctuality and behaviour with customers. Advice on the contracts was provided by VECCI.

The owner-managers were also aware that they needed to motivate and reward staff if they wanted to retain them. In each of the cases, staff turnover rate was very low. The stable workforce was attributed to a number of factors, including activities for recognition and reward as well as the recruitment of the right people. As discussed above, specific skills were sought but also important to staff stability was the selection of people who needed the type of job and flexibility that the motel offered. The casualisation of work in the motel sector generally suited the staff and will be discussed in the following section.

Most of the owner-managers were aware of the needs of the staff and even though they could not afford to reward staff financially they did so in other ways. For example, M5 gave all staff an annual bonus as part of their reward system. They were also involved in decision-making. For M2, personal interaction with his staff was important to staff morale. In this case staff were taken out to lunch regularly. They also had meals provided during night shifts. In the case of M6, the annual Christmas party was a key way of rewarding and recognising staff. A night for two was provided at the restaurant for staff birthdays.

Casualisation of the workforce. In most of the cases a key issue was the seasonal volatility, which meant there was a casualisation of the workforce. Casual employee numbers fluctuated because of changing occupancy rates and was also exacerbated by the presence of a restaurant in five cases. The full-time employees usually worked in the front office and in the kitchen or restaurant, whereas casual employees were usually employed as cleaners, bar staff and waiters. In most cases the casual employees were women seeking additional income for their families.

Another reason for a casualised work force was the need to control costs. With the changing demands for work in the motels, as determined by seasonal changes and changing needs of customers, was the requirement for a great deal of flexibility in the way employees were utilised. Therefore, a flexible rostering system was important to the motels with casual employees. Developing a roster system, which will be discussed in the next section, allowed for flexibility and was a key focus of all the owner-managers. These rosters were central to the efficient running of the motels and the financial outcomes.

Flexibility and skill requirements. The owner-managers defined flexibility and skill requirements as multi-skilling, training and rostering. Although it was suggested that working in a motel does not require high-level skills, a number of *personal and social skills* were actively sought in the recruiting process. People skills were considered to be the most important skill for employees. Although a hospitality background was valued it was not paramount, as the owner-managers believed that people could always be trained in this area. *People skills* included the ability to communicate and relate to other people (customers, other staff and people in the industry and local community). Other valued skills included thinking skills and the ability to work out problems independently (M5).

People skills are more important than job skills. Because you always teach someone. It's a lot easier to teach someone how to pull a beer than how to deal with people. Would rather have a people person over a hospitality trained person (M6).

People skills are everything, if you have grumpy people they will scare off all the customers (M1).

Unprompted responses in four cases (M2, M3, M5 and M6) highlighted the value of having *multi-skilled* staff. For example, in one case the chef did the afternoon shift in the office (case M5). In another case (M6) cleaning staff worked in reception during busy times. The importance of multi-skilling as well as the multi-skilling mix of the staff was due to small size of the motels. The ability for staff to take on different roles according to the motel's changing needs was more important than having people with specialised skills.

Multi-skilling is very important... because we are a small property. You become the plumber as you can't afford to get one in every week. Also housemaids work in reception and food and beverage work as housemaids, although generally we work in reception, as it costs money to employ someone else (M6).

Additionally, having flexibility in the number of staff rostered each day was important, as labour was the greatest cost and as such could impact on the business results. The number of rooms occupied each day determined the number of employees rostered.

The number of staff is determined by how busy we are. I know that the housekeepers take 20 to 25 minutes on every room. So if we have more than 10 rooms full we need two staff. I call the extra person when we need her and that is fine with her because she is employed casually (M2).

In most cases, *training* was not important because of the low level of skill required in most roles and because of the experience of the workers. Where training was provided 'on the job training' was the main mode for instructing and developing employees. Both the owner-managers and other experienced staff provided training to new employees. This training usually related to cleaning, maintenance and table serving routines. Whereas, more technical training, such as computer skill development, was delivered by external agencies and was, in most cases, provided to the employees working in the higher skilled roles, such as reception or front office.

Training is mainly done internally. If we have new staff I will spend a whole day with them taking them around the motel and showing them all the rooms in detail and I will brief them on what they need to do. I also have other staff... who are good with showing staff what they need to do. We also do training with current staff on handling of new chemicals or new procedures we want to introduce (M2).

The different requirements for training are demonstrated in the following quotes.

We have an apprentice in the kitchen who goes to trade school and is also trained on the job. Training of staff is not important [for most staff]. Once a cleaner knows how to clean a room they know how to clean a room (M4).

Things like cleaning can be taught. If we need special training like computer skills we send staff to Melbourne (M2).

Productivity and Quality Issues

As already mentioned, the changing demand for rooms in the motel sector meant a changing need for staff. As labour was one of the greatest costs in these firms tight management of staff numbers was central to profit levels. In each of the case studies this need led to daily considerations of staff costs and productivity. In most cases a number of simple measures and activities were used to manage productivity without impacting on quality. The average clean per room was mentioned in two cases (M4 and M6) as a means of tracking productivity of the housemaids. Additionally, in all cases effective rostering systems, multi-skilling of staff and flexibility in working times were also central to productivity management.

Getting the right staff levels is important to financials and customer satisfaction. I check wages every week because this is a big motel. If housekeeping wages are up I check why. It may be because the housekeepers have been too slow. As we don't have too many staff it is easy to work out what's wrong. I try and keep wages around 21 – 22 percent (M6).

The owner-managers were aware that they and their staff determined the *quality of the service and the product*. For example, the staff responsible for cleaning and maintenance determined the presentation of the product, whilst the office staff affected customer service delivery. Three elements were identified as important to quality outcomes – trust in staff ability; a hands on approach for close monitoring; and the establishment of procedures and systems.

Staff are important to quality. You've got to have staff you can trust as you can't be everywhere at once, even though this is a small motel (M4).

Quality is about cleanliness and reception. I am doing everything. I am controlling everything, I am keeping an eye on things. I am concerned that when I go away on holidays I will have to leave my baby [the motel] with someone else..... it's out of my control then (M1).

Procedures and policies helped to guide staff in how they dressed and behaved and to ensure there was consistency in approach across the different staff members. Procedures also helped staff understand what was required in the day-to-day activities and were evident in the cleaning and maintenance routines for the rooms and gardens, office routines for financial management and customer service and breakfast/restaurant routines for food and beverage services.

In the case of M5, a number of checks and balances were put in place to ensure quality was maintained. As part of the office routines, manual systems were used for recording finances and checking customers in and out. For M3 and M6, following management's instructions was considered to be important to good customer service. Additionally, checklists were developed to help staff do their job properly. Careful *monitoring of staff* by the owner-managers was undertaken via routine observations and room inspections. M6 indicated staff performance was reviewed daily with immediate feedback to staff. The close monitoring by the owner-managers is indicated by the following quotes.

I like to be around to say hello.... Be seen.... Be around. I expect the manager to do the same thing, to be hands on and develop relationships and not just do business (M5).

I know the jobs are done properly because I check..... although I don't need to do this often as I trust the housekeeper, she has been with us for eight years (M3).

In some cases *customer feedback* was mentioned as a way of helping to manage staff (M2, M5, M6). In these instances the staff knew how they were performing because customer feedback was shared with staff. Customer feedback was considered to be important to the quality and improvement process - 'I don't think of complaints as a negative... they highlight something that should be done better. Complaints are an opportunity to improve' (M2).

Proposition 5.3 External relationships with competitors, partners, suppliers, government, industry associations and support agencies provide capabilities to high

performing small motels to assist with the processes of sales and marketing (generation of demand) and development of products and services (learning and development).

The third and final proposition regarding the fifth key research issue considered the role of external relationships in providing additional capabilities to the small motels. The findings indicated that in all cases a variety of external groups and individuals were used to support and enhance the motels sales and marketing capabilities and in six of the seven cases they were used to enhance the development of the product and service. Table 5.19 provides a summary of the findings in relation to proposition 5.3.

Relationships that enhanced sales and marketing capabilities. Of the external groups, the marketing affiliation and the local community were mostly used for sales and marketing support. Firstly, the local community was defined as - ‘the business people in town, the schools and basically everyone who is in town (M1). Four of the five regionally based cases (M1, M2, M3, M4 and M6) sought the support of the local community for sales and marketing and the importance of word of mouth referral by the community was highly valued.

I think word of mouth in your local environment is the most important thing. We have had as many locals as we can see the place. The reps [sale representatives] get told by the local businesses where to stay (M4).

It’s good to get into the local community as quickly as possible just so that people know who you are. We try to get them into our property (M6).

Table 5-19 **External relationships that provide capabilities for assisting with processes for sales and marketing and the development of product and services**

	Sales and Marketing	Development of product and services
Industry associations (VECCI, HMAA, local tourism associations, RACV, AAAT)	The local tourism association helps to sell the product (M4). Industry associations provide destination /group marketing opportunities (M7). Local accommodation association works together to market the destination (M6).	Industry and market updates and trends that could inform changes in product/service (M4) Industry publications help to source good suppliers for the motel (M1) Local associations are not good for developing ideas for the product – if meeting with same people all the time (M2, M7).
	Opportunities to advertise in directories and via key accommodation websites (M1).	
	Associations have websites for members and also help O-M to develop their own websites (M4)	
Marketing affiliation	Branding of a quality product. (M4) Branding for budget image (M1). Group reservation system helps to sell rooms (M7). Provide reward card system for members (M6). Unique properties are better to have their own brand and not an affiliation's (M6). Affiliate web-site can help to sell rooms (M6). Affiliate web-site does not help to sell rooms (M2,).	Provision of quality assurance assessment helps to maintain and improve the product (M1). Criteria for joining the affiliation help to understand the type of products in the market and how to develop own product (M7). The affiliates requirement for written customer feedback can provide information to help develop the product (M6).
Local community (businesses, schools, other motels, local government...	WOM referral by community is very important (M2, M3, M4, M6, M1). Local businesses form marketing alliances to help promote the area and to provide voucher systems and cross referrals (M1). Local companies need accommodation for visiting staff (M6)	Feedback (in conversation) helps to understand whether product is suitable (M1). Feedback from community also helps to understand the price/product match structure (what people are prepared to pay for the product) (M1). Assessing other motel offerings to try and provide something more or different (M1).
Personal networks (family background and friends)	Friends operating motels refer business (M5).	Knowledge about the product and market match comes from family who have worked in motels and other businesses (M1). Help to source good suppliers (M1). Friends operating motels provide information to improve the product/service (M5).
Internet discount accommodation sites	Help with selling rooms at discount prices in low season (M7).	
Suppliers	WOM helps promote the motel (M2).	
Consultant	To assist with developing database and finding new business (M3).	

All of the regionally based motels (cases M1, M2, M4, M6 and M7) also used their marketing affiliations for sales and marketing. The marketing affiliations helped with the branding of the motel and with the sale of rooms through their central reservation systems.

For case M7, which is also regionally based, discount accommodation Internet sites (such as wotif.com) were used instead of the community for marketing. This motel sought the leisure and corporate markets and relied on visits by bus groups. Only one case (M5) relied heavily on its own internal capabilities and personal networks for sales and marketing.

Although the marketing affiliate, in most cases, was considered to be worthwhile for the sales and marketing support there was some disagreement in this regard. Cases M2, M3 and M5 were not convinced of the real sales and marketing contribution that affiliations made to the business. 'I think chains are a waste of money' (M5). Furthermore, in at least one case the value of the motel's own marketing efforts was considered to be more important than efforts by the affiliate. 'Your own marketing is more important than the Best Western marketing and brand. If you relied solely on Best Western you would go broke' (M4).

External relationships commonly used to enhance capabilities for product and service development. More than any other external groups both the industry association (M1, M2, M4 and M7) and the marketing affiliate, to a lesser extent, (M1, M6 and M7) were used to support the motels' product and service development. The associations were used to gather information about industry trends and to obtain new ideas. The marketing affiliate provided quality assurance assessments to help the owner-manager better understand the gaps or flaws in their product whilst their demand for written customer feedback compelled the members to gather data about the product and service. In the case of M1, the feedback from the local community was also important to both understanding the value of improvements to their product and how to obtain an advantage over their competitors.

We get feedback from the community [about the renovations], the WOW factor and how wonderful it is (M1).

External relationships, type of target market and owner-manager experience.

Even though, in most cases, external relationships were considered to be valuable to providing additional capabilities for the business's operations there were other factors to consider. For example, the value of external relationships depended on the type of market in which the motel operated.

I think this business [which is corporate focused] is a bit different [to tourism focused products]. In a past business our relationship with tourism and tourism organisations was important.... but here no. So it depends on your market. I have never had a business like this where you can have 15 walk-ins a day (M5).

Additionally, in three cases (M3, M5, M7) there was a shared belief that the personal experience and knowledge of the owner-manager over time either takes over from the need to network or is more important than the networks in knowing how to improve the product/service. Finally, there was a view that the significance of relationships with external organisations and groups to the motel was largely determined by the owner-manager's ability to harness the support they could provide.

Partnerships and relationships are only as good as you make them yourself. Important is your customer focus... that is where the battle is won and lost (M4).

5.3.2.4.1 Summary of key research issue 5 findings

For proposition 5.1, the processes used to deliver the product and service varied in complexity from complete computerised customer management systems (CMS) to no process and occasional and random activities instead. The larger motels tended to have more formalised processes and more complicated staffing rosters and shift change routines. The more formalised procedures and routines were evident in the delivery of the product and service to the customers.

With regard to proposition 5.2, the employees in each case were considered to be the most important capability for delivering the product and service to customers. In all

cases the owner-managers were very much ‘hands on’ in their approach and a strong sense of individualism and desire to have control of the motel operations was evident. However, the way in which this individualism was enacted varied across the cases. The different styles included paternalistic, authoritarian and collaborative approaches, which were largely based on the personalities and attitudes of the owner-managers.

Careful monitoring of staff and staff numbers was central to profit levels and daily activities focused on staff costs and productivity. Three elements were identified as important to managing both productivity and quality outcomes – trust in staff ability; a hands on approach for close monitoring; and the establishment of procedures and systems.

When recruiting staff the skills most sought by the owner-managers were people skills, a hospitality manner and the ability to multi-skill. The importance of multi-skilling as well as the multi-skilling mix of the staff was due to the small size of the motels. A casualised workforce was evident and was due to the changing occupancy rates and the need to control costs and as a result a flexible rostering system was important. In most cases *training* was not needed because of the low level of skill required in most roles. Where training was provided ‘on the job training’ was the main mode for instructing and developing employees.

Lastly, for proposition 5.3 a variety of external groups and individuals were used to support and enhance the motels *sales and marketing capabilities* as well as the *development of the product and service*. Of the external groups, the marketing affiliation and the local community were mostly used for sales and marketing support.

More than any other external groups, both the industry association and the marketing affiliate were used to support the *motels’ product and service development*. The marketing affiliate provided quality assurance assessments to help the owner-manager better understand the gaps or flaws in their product whilst their demand for written customer feedback compelled the members to gather data about the product and service.

Even though, in most cases, external relationships were considered to be valuable to providing additional capabilities for the business's operations there were other factors to consider, such as, the type of market in which the motel operated. It was also believed that the personal experience and knowledge of the owner-manager over time becomes more important than the networks in knowing how to improve the product/service. Finally, there was a view that the significance of relationships with external organisations and groups to the motel was largely determined by the owner-manager's ability to harness the support they could provide.

5.3.2.5 Key research issue 6: Performance measurement

How are the various results measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?

Proposition 6.1 That high performing small motels are able to identify and use a limited number of performance measures (financial or non-financial) to assess the value of the key drivers (management activities) relating to stakeholder needs, strategy, capabilities (people management, resources and external relationships) and processes.

The sixth and final proposition related to the understanding of relationships between the performance measures and key drivers. According to the literature these relationships could function in two ways. Utilisation of the measures to understand the management activities within the organisation was referred to in Chapter 3 as the *feedback loop* whilst reviewing and adjusting of management activities to affect change in the outcome measures is known as *feed-forward*. Therefore, in assessing the findings evidence of feedback and feed-forward activities and knowledge were explored. Despite the perceived complexity about these relationships, the questions asked of the motel owner-managers about why and how they used the measures for improvement purposes revealed, in all cases, a sound understanding of feedback and feed-forward. The findings with regard to this proposition are presented in the following sections.

As already mentioned in this chapter the owner-managers recognised that managing a small motel was not ‘rocket science’, however, there was a view that not all operators in the industry were able to understand the ‘big picture’ aspects of business management. For example, in the case of M2 it was highlighted that an understanding of the financial structure of the business was important but not always well grasped in small motels. Yet, the basic principle of profit, as driven by expenses and revenue, was mentioned in most cases. However, it is interesting to note that expenses were assumed to be a constant, in most cases, and sales as the variance. Therefore, sales monitoring received a greater focus in most cases. Only cases M3 and M6 indicated that they carried out profit analysis.

Additionally, an understanding of various measures and their relationship to organisational aspects of the business was central to good business results. For instance, although occupancy rate was a measure of the health of the business it was not viewed in isolation. Nearly all of the cases (M2, M5, M6 and M7) mentioned that the average tariff charged per room together with the non-financial measure of occupancy rate was important to yield management. The combined or balanced analysis of both financial and non-financial results (as presented in section 5.3.2.4) provided a more holistic understanding of what was affecting the business results. This view is exemplified in the following comment from case M5 whose strategy was to target higher yield customers. In this case her customer relationship with repeat customers was important.

I look at room rate and occupancy. People think that occupancy is the be all and end all, but it's not. You can have 100% occupancy with half rates and make no money, where as you can have half occupancy with full rate and then you'll make more money because you keep your costs down. I have always been after room rate rather than occupancy (M5).

It was also mentioned that there was a need to regularly review particular aspects of a motel's operation via cost and sales analysis to ensure business survival and success.

You should analyse your takings weekly. It's too late if you do it next week. It has to be done this week. Although it always comes down to the dollars and cents you are missing the point if they only do that. If customers are happy they will come back and that fixes up the dollars and cents. If you haven't got satisfied customers you have not got a business (M2).

It is also interesting to note that the more advanced financial analysis of room profitability or yield management, which in one instance was achieved by calculating the average cleaning cost per room compared to revenue per average room rate (RevPAR), was only carried out by those with extensive industry experience (M2 and M4, M5, M6). However, there was no indication that these operators were any more successful than those without this experience. Additionally, in half of the cases there was a strong indication that measurement of results and the overall understanding of the business operations and drivers of performance were instinctive, as denoted in the following quotes.

I know what profit I make every week. Analysis of net profit is instinctive (M5).

Most of the measurement I do re the business I think I do subconsciously (M2).

Finally, the benchmarking of performance against competitors and industry averages was seen as an important process (M1, M2, M4, M6 and M7) to assessing performance drivers. However, it was suggested that the lack of relevant data made this difficult in reality.

The reservations management systems allow you to do comparison of average tariff to the industry average. You can do this comparison but it isn't local..... there's not much local information around. If you go to Bendigo it's more expensive there. Therefore you are not comparing apples to apples (M2).

5.3.2.6 Summary of key research issue 6 findings

In all cases, a sound understanding of feedback and feed-forward was evident and the need for a 'big picture' view of the business (also known as business acumen) was

seen as important to success. An understanding of various measures and their relationship to organisational aspects of the business was central to good business results. For instance, although occupancy rate was a measure of the health of the business it was not viewed in isolation. The average tariff charged per room together with the non-financial measure of occupancy rate was important to yield management.

Using results to determine and refine the drivers is not necessarily confined to those with extensive industry experience. There was an indication that measurement of results and the overall understanding of the business operations and drivers of performance were instinctive.

Finally, the benchmarking of performance against competitors and industry averages was seen as an important process to assessing performance drivers. However, it was suggested that the lack of relevant data made this difficult in reality.

5.4 Summary of Findings about the Six Research Issues

The second section of this chapter has presented the analysis of the findings from the case research for each of the key research issues and their associated propositions. In concluding this chapter Table 5.20 has been developed to provide an overview of the key findings, which will be discussed and compared with the literature in Chapter 6 along with the contributions and implications of this study.

Table 5-20 **Summary of the Chapter 5 findings according to each key research issue**

Key Research Issue	Major findings	Relevant section in this chapter
Research issue 1 & 2	<p>The type and importance of the stakeholders differed according to the motel's size, location, ownership and strategy.</p> <p>Two types of stakeholders were defined and were based on whether they were internal or external to the business. The external stakeholders were classified into two sub-groupings – consumers and service providers. Of all the stakeholders the customers were seen as they most important.</p>	Section 5.3.2.1 - Strategy

	<p>The stakeholders vary in their wants and needs and the small motel owner-managers understand their differences. This knowledge was used for strategy formulation and implementation in a number of ways.</p> <p>Three types of strategy were employed across the small motels and were development, growth and maintenance.</p> <p>Both the owner-managers personal and business aspirations and the product affected the type of strategy adopted.</p> <p>Strategy formulation was not always formal and overt but was interwoven with the owner-managers values and beliefs.</p> <p>The stakeholders with the greatest influence on strategy varied but the importance of customer input was consistent.</p> <p>Feedback and input from the other stakeholders was used in different ways for strategy formulation.</p> <p>The three elements important to strategy implementation were the business plan as the operational guide for the owner-manager; communication of the strategy to stakeholders; and aligning the strategy to the business operations (processes and capabilities).</p> <p>There was a common approach to both strategy development and implementation.</p> <p>Four areas for assessing the appropriateness of the strategy were identified. These areas included, the appropriateness of the strategy for reaching the defined target market; matching of product/service to the target market; appropriateness of the set goals and targets; and appropriateness of pricing structure.</p> <p>Measurement of the appropriateness of the strategy for reaching the defined target market was lacking. This suggests a lack of activity or understanding in regards to marketing.</p>	
Research issue 3	<p>A balanced approach to monitoring employing both financial and non-financial measures is used.</p> <p>The use and importance of particular measures is related to the motel's strategy.</p> <p>Monitoring is a regular and ongoing activity.</p> <p>Monitoring activities are generally informal but nevertheless systematic.</p>	Section 5.3.2.2 – Performance measurement

Research issue 4	<p>In the small motels change is described by three processes. The <i>review</i> activities and procedures include, ‘measurement’ and ‘information gathering’ activities; the <i>control</i> activities involve ‘operational procedures’; whilst <i>deployment</i> focuses on ‘staffing’ and ‘marketing’ for implementing new procedures.</p> <p>The focus for continuous improvement varies and is related to strategy type but the focus on the product and its improvement is common to all the motels.</p> <p>External networks are important for market research and a range of people are used to support the business operation.</p>	<p>Section 5.3.2.3 – Continuous improvement</p>
Research issue 5	<p>The processes used to deliver the product and service varied amongst the motels in terms of complexity. In the larger motels more formalised processes and computerised customer management systems (CMS) are used whilst in the very small motels processes are occasional and random activities.</p> <p>Whether capability drives process or vice versa is dependent on aspects of the motel and its strategy.</p> <p>The owner-manager largely determines the processes and capabilities.</p> <p>The small motel owner-managers are ‘hands on’ in their approach and a strong sense of individualism and desire to have control of the motel operations is evident.</p> <p>There are three different management styles employed in managing the processes and capabilities and they vary according to owner-manager personalities. The styles include paternalistic, authoritarian and collaborative approaches.</p> <p>The people are the motel’s key capability. Three key human resource related issues emerged and are recruitment of people; the casualisation of the workforce; and training.</p> <p>The motels utilise a variety of external networks to access additional capabilities. The two main purposes for the networks are - to support and enhance the sales and marketing capability and to enhance the development of the product and service.</p> <p>The motivation and ability of the motel to utilise the external networks depends on the type of market in which the motel operates and the owner-manager.</p>	<p>Section 5.3.2.4 – Processes and capabilities</p>
Research issue 6	<p>Within the small motels a sound understanding of the processes of feedback and feed-forward is evident.</p> <p>An understanding of various measures and their relationship to organisational aspects of the motel are central to good business results.</p>	<p>Section 5.3.2.5 – Measurement and performance</p>

5.5 Conclusion

In this chapter the expert reference panel data were presented together with a description of how the data refined the model proposed in Chapter 3. A refinement of this model was presented in Section 5.2.4 of this chapter. The data from the case research were then analysed to identify themes and patterns within each of the six research issues.

The discussion of the conclusions and a comparison with the literature is presented in the next chapter together with the implications of these findings and confirmation (and further modification) of the PMS model. The final modifications to this model will be based on the findings of the case research.

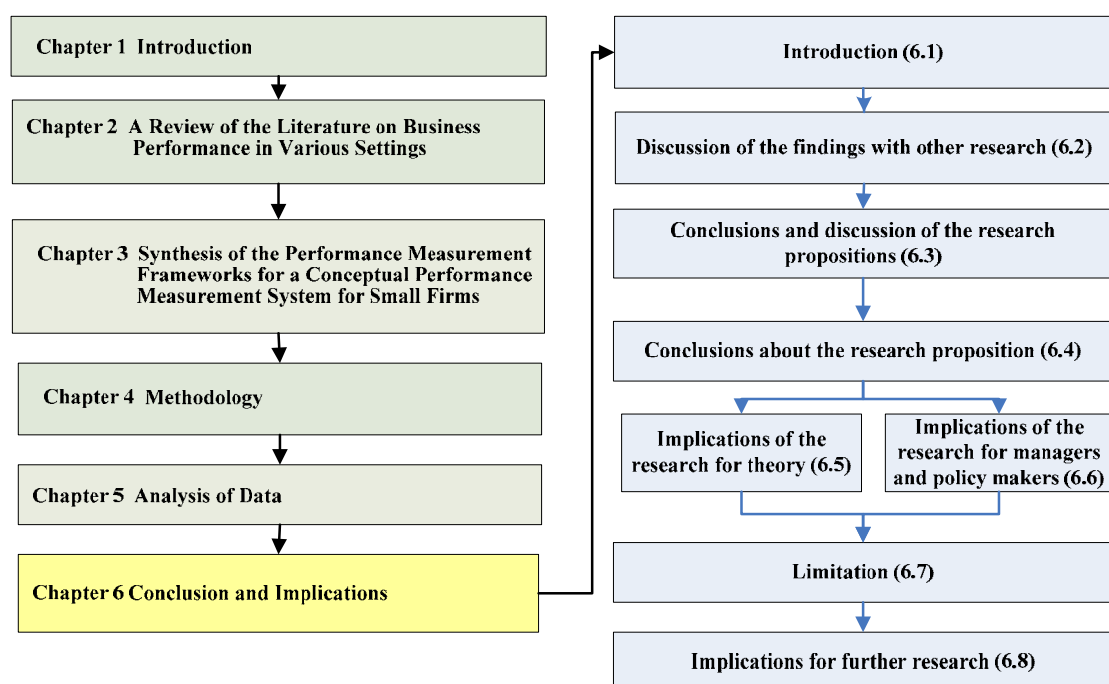
6 CONCLUSIONS AND IMPLICATIONS

6.1 Introduction

This sixth and final chapter provides conclusions about the research in order to answer the research problem: *How effective are existing strategic management business performance models for improved business performance in the small motel sector?*

All the previous work undertaken in this research is brought together in this final chapter. In summing up the work to date it is noted that Chapter 1 provided an introduction to the research and Chapters 2 and 3 reviewed the literature to build a conceptual PMS model, with a focus on the parent theories of small business management and performance measurement. Chapter 4 detailed the research approach for the study using interviews with experts and case study research, whilst the previous chapter provided an analysis of the data with the aim of refining and confirming the PMS model for small motels. The approach used in this chapter to discuss the findings and draw conclusions is illustrated in Figure 6.1

Figure 6-1 Outline of Chapter 6



In Section 6.2 a discussion of the findings with other research is undertaken in order to draw conclusions about each of the six research issues. In Section 6.3 all the conclusions are brought together along with discussions of the research propositions (as presented in Chapter 3). Next, in Section 6.4 key conclusions are drawn about the research problem and a modified version of the PMS for small motels is presented. Then in Sections 6.5 and 6.6 the implications of this research for theory and policy and practitioners are offered. Section 6.7 provides a final discussion of the limitations, while in Section 6.8 the opportunities for future research are suggested

6.2 Conclusions and Discussion about the Research Issues

An examination of the findings of the research, as presented in the previous Chapter, is now presented and comparisons are made with the literature reviewed in Chapters 2 and 3. These comparisons are undertaken to identify the key conclusions and the contributions they make to the literature. As both the interviews with the expert panel and the case research have contributed to the development of the PMS for small motels, findings from both are discussed. In Table 6.1, the conclusions for each of the six research issues are summarised together with their contributions to the literature. Each contribution is rated as *low*, *medium* or *high* according to the impact it is believed to have on the relevant body of knowledge. The contribution is rated low if it supports existing literature; medium if it further develops existing literature; and high if it is a new or significant contribution. The discussions of the research issues are included in the following sections.

Table 6-1 **An overview of the conclusions relating to each of the research issues and their associated contributions**

Key: SB = Small Business PM = Performance Measurement

Key Research Issue	Research issue conclusions to be discussed in this chapter	Contributions to the literature
Research issue 1 and 2 – Stakeholders and strategy	Type and significance of stakeholders The type of stakeholder and their significance differ according to the motel's size, location, ownership and strategy.	Medium for stakeholder & SB management theory
	Two types of stakeholders exist and are based on whether they are internal or external to the	Medium for

	<p>small motel. The external stakeholders are classified into two sub-groupings – consumers and service providers. Of all the stakeholders the customers are the most important.</p> <p>The wants and needs of stakeholders vary according to type. Stakeholder knowledge is used for strategy formulation and implementation in a variety of ways, however, the wants and needs of the owner-manager are paramount.</p> <p>Types of strategy Three types of strategy are employed across the small motels and are described as development, growth and maintenance.</p> <p>The owner-managers personal and business aspirations as well as the product affect the type of strategy adopted.</p> <p>Strategy formulation Strategy formulation is not always formal and overt and is often interwoven with the owner-managers values and beliefs.</p> <p>The stakeholders with the greatest influence on strategy vary but the importance of customer input is consistent.</p> <p>Feedback and input from the stakeholders is used in different ways to assist strategy formulation.</p> <p>Strategy implementation The three elements important to strategy implementation were the business plan as the operational guide for the owner-manager; communication of the strategy to stakeholders; and aligning the strategy to the business operations (processes and capabilities).</p> <p>Strategy review Four areas for assessing the appropriateness of the strategy are applied. These areas include the appropriateness of the strategy for reaching the defined target market; matching of product/service to the target market; appropriateness of the set goals and targets; and appropriateness of pricing structure.</p>	<p>stakeholder theory</p> <p>High for strategic management theory</p> <p>High for SB management theory</p> <p>Medium for SB and strategic management theory</p> <p>Medium for SB and strategic management theory</p> <p>Medium for strategic management theory</p> <p>Medium for stakeholder & strategic management theory</p> <p>Medium for strategic management theory</p> <p>Medium for strategic management theory</p>
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	Measurement of the appropriateness of the strategy for reaching the defined target market is lacking. This suggests a lack of activity or understanding in regards to marketing aspects.	Medium for strategic management theory
Research issue 3 – <i>Balanced approach to measurement</i>	A balanced approach to monitoring employing both financial and non-financial measures is used.	Medium for PM theory
	The use and importance of particular measures is related to the motel's strategy.	High for PM theory
	Monitoring is a regular and ongoing activity.	Medium for PM theory
	Monitoring activities are generally informal but nevertheless systematic.	Medium for PM & SB management theory
Research issue 4 – <i>Continuous improvement</i>	In the small motels improvement cycle is implemented via three processes. The <i>review</i> activities and procedures include, 'measurement' and 'information gathering' activities; the <i>control</i> activities involve 'operational procedures'; whilst <i>deployment</i> focuses on 'staffing' and 'marketing' for implementing new procedures.	Medium for PM & SB management theory
	The focus for continuous improvement varies and is related to strategy type but the focus on the product and its improvement is common to all the motels.	High for PM & SB management theory
	External networks are important for market research and a range of people and groups are used to support the business operation.	Medium for network theory
Research issue 5 – <i>Processes and capabilities</i>	The processes used to deliver the product and service varied amongst the motels in terms of complexity. In the larger motels more formalised processes and computerised customer management systems (CMS) are used whilst in the very small motels processes are occasional and random activities.	Medium for strategic management theory
	Whether capability drives process or vice versa is dependent on aspects of the motel and its strategy	Medium SB management theory
	The owner-manager largely determines the processes and capabilities.	Low for SB management theory
	The small motel owner-managers are 'hands on' in their approach and a strong sense of	Low for SB management

	<p>individualism and desire to have control of the motel operations is evident.</p> <p>There are three different management styles employed in managing the processes and capabilities and they vary according to owner-manager personalities. The styles include paternalistic, authoritarian and collaborative approaches.</p> <p>The people are the motel's key capability. Three key human resource related issues emerged and are recruitment of people; the casualisation of the workforce; and training.</p> <p>The motels utilise a variety of external networks to access additional capabilities. The two main purposes for the networks are - to support and enhance the sales and marketing capability and to enhance the development of the product and service.</p> <p>The motivation and ability of the motel to utilise the external networks depends on the type of market in which the motel operates and the owner-manager.</p>	<p>theory</p> <p>Medium for SB management theory</p> <p>Medium for SB management theory</p> <p>Medium for SB management theory</p> <p>High for network theory</p>
Research issue 6 - Relationship between measures and the review process	<p>Within the small motels a sound understanding of the processes of feedback and feed-forward is evident.</p> <p>An understanding of various measures and their relationship to organisational aspects of the motel are central to good business results.</p>	<p>High for PM & SB management theory</p> <p>High for PM theory</p>

6.2.1 Conclusions about key research issues 1 and 2: Stakeholders and strategy

A number of strategy related problems were explored in research issues 1 and 2 and were addressed according to five themes – the type and importance of the stakeholders; the types of strategy; the owner-manager and stakeholders roles in strategy formulation; strategy implementation; and strategy review;

Conclusion 1.1: The type and significance of stakeholders

The conclusion about the second research issue are considered first as they impact on research issue 1. The second research issue focuses on the stakeholders and their

influence on the firm's strategy. In this research both the experts and the owner-managers confirm the view that good managers understand the importance of stakeholders to performance and the value that the knowledge of their wants and needs has to the strategy formulation process (Gibb 1997; Neely, Adams et al. 2002). Noted in the literature is the complexity of managing stakeholder relationships due to differences with respect to the importance of their stake in the firm (Ibrahim et al., 2004; Neely et al., 2002; Donaldson and Preston, 1995). Conclusions of the findings from both the experts and the owner-managers, regarding the small motels and the complexity of relationship management and how it varies with the type of stakeholders confirms the literature in part. The experts, in particular, hinted that small motels might find it a challenge to meet the needs of all the stakeholders. Further to this, however, it is concluded that management complexity depends on a number of contextual factors including, the motel's size, location, ownership and strategic desires of the owner-manager. Of particular interest is the ownership factor, which indicates that in these small firms, because of the ownership structure, the owner-managers and their families have significant control over the firm's direction. The conclusion that stakeholders and their role in strategy might vary according to this factor, as well as a number of others (for example, size and location) contributes to knowledge in this area.

This research also concludes that for the small motels there are two types of stakeholders based on whether they are internal or external to the business. The external stakeholders are classified into two sub-groupings – 'consumers' and 'service providers'. Well documented in the literature are classifications of stakeholders by external and internal dimensions (Donaldson and Preston 1995; Frooman 1999), as well as in primary and secondary definitions (Clarkson 1995). A *primary* stakeholder group is one without whose continuing participation the firm cannot survive as a going concern (Clarkson, 1995). In this research, the internal stakeholders (employees), as well as the 'consumer type' of external stakeholders can be viewed as the primary group and the 'service provider type' of external stakeholders as the secondary group. As small motel stakeholder types and strategy formulation have not been studied previously, this research, regarding the key role that both the internal

and ‘consumer type’ stakeholders play in the firm builds on the knowledge in the field of stakeholder theory.

Within the literature, the importance of knowing the stakeholders’ wants and needs for strategy formulation is indicated (Neely et al., 2002). This research builds on the literature by specifying that the small motel stakeholders vary in their wants and needs and that this knowledge is used by the owner-managers for strategy formulation in a number of ways, which is discussed in Conclusion 2.2. The conclusion that small motels differ to large firms in that the relationships with the stakeholders are generally not formalised in any contractual way also contributes to knowledge. For small motels the norm is for the contracts to be verbal or implied and in some instances the relationships are best described as vague. In the literature, Neely et al (2002, p.96) highlighted that ‘the customer is king’, yet, this research concludes that the owner-managers operate largely for their own needs and although the customer is an important stakeholder (and the owners get satisfaction from pleasing the customers), the goals of the owner-manager are paramount. These findings support and build on the literature (Donaldson & Preston, 1995) by showing that the small motel exists to co-ordinate stakeholder interests to meet its own ends (that is, profit and ROI).

Conclusion 2.1: Types of strategy

Information on strategy typologies is abundant in the strategic management literature (Miles & Snow, 1978; Porter, 1991). Porter developed three generic competitive strategies, which included a differentiation strategy, a low cost strategy and a focus strategy as a means of classifying firms within an industry into strategic groups (Dess and Davis 1984). Miles and Snow (1978) developed the typologies of defender, analyser and prospector, which have been widely used in the literature to discuss how organisations align their strategy with their environment (Hambrick 1983). Yet, within the performance management model literature few types are presented. For example, the Balanced Scorecard approach (Kaplan & Norton, 1996a) considers types such as a *revenue growth and mix strategy*, *cost reduction/productivity improvement*,

and *asset utilisation/investment strategy*. However, little research exists about strategy types in the hospitality sector.

In this research both the experts and the owner-managers confirmed that strategy in the small motels is an essential driver of performance, yet a simple process. The case research provided detail about the types of strategy and as a result, it is concluded, that the formulation process varies, across the firms according to a combination of the owner-manager's personal and business aspirations and the product itself. Therefore the formulation of strategy in small motels is based on a 'contingency theory' approach. This confirms and builds on the literature regarding service businesses and strategy (Fitzgerald et al., 1991). In this research three new types of strategy have been identified across the small motels and include *development*, *growth* and *maintenance*. These types are somewhat different to the literature and are specific to the small motels and build on the work of performance management models such as that of Kaplan and Norton (1996a). In summary, this research provides a greater understanding of the small motel environment and highlights that these firms are strategically focused (even if it is informal) and that their strategies can be simply defined.

Conclusion 2.2: Strategy formulation the role of the owner-manager and the stakeholder

The first conclusion about research issue 1 is that, not only is the strategic direction of the firm driven by the intentions of the owner-manager, but is also dependent on two other factors - the competitive environment and the stakeholders, which supports the literature (Neely et al., 2002; Kaplan & Norton, 1996a; Ibrahim et al., 2004). However, the importance of the type of product to strategy formulation in small motels is not well documented.

Neely et al (2002) indicated that in smaller firms, because of the ownership structure, the owners and their families have greater control over the firm's direction compared to firm's with non-family investors. This is also true for the small motels in this research. In addition, this research concludes that strategy formulation by the owner-manager is not always formal and overt but is interwoven with the owner-manager's

values and beliefs and therefore is difficult to observe, which is also supported in the literature (Beaver and Jennings 2005). The development of strategy is not as complex nor as formalised as the approaches used by large firms (Kaplan & Norton, 1996), and in the small motels is more likely to be intuitive and reactive. This conclusion contributes to the knowledge about strategy formulation in small firms and provides new understandings of how small motels operate.

Both the experts and the owner-managers indicated the role played by the stakeholders in strategy formulation. The main conclusion about their role is that their involvement varies and is contingent on a number of factors. Of all the stakeholders, the customer has the greatest influence along with the employees and community, who interestingly have been defined as the primary stakeholders. Agreement about the importance of the customer feedback to strategy can be found in the stakeholder theory literature (Freeman, 1984; Donaldson, 1995; Sharma, Chrisman & Chua, 1997), as well as the performance management literature (Neely et al., 2002; Kaplan & Norton, 1996a). Specifically, this research on the owner-managers found that the primary stakeholders provide information that is important to the small motel owner-manager's understanding of the viability of target markets and in determining the product-market match. Additionally, it is concluded that feedback and input from the primary and other stakeholders is dependent on the ownership and financial structure of the motel as well as its size in terms of number of employees and its marketing affiliation. The latter conclusions have not been explored in the literature and therefore contribute to the understanding of small firms and stakeholder engagement.

Conclusion 2.3: Strategy implementation, the owner-manager and the stakeholders

The conclusion about strategy implementation in small motels is that a common approach to strategy implementation is apparent. There are three elements controlled by the owner-manager, which are important to strategy implementation. The elements include the business plan as the operational guide for the owner-manager; communication of the strategy to stakeholders; and aligning the strategy to the business operations (processes and capabilities). Although not all of the owner-managers had a business plan, those that did used it as an operational guide. This

knowledge helps to understand how planning is undertaken in the small motels and adds to knowledge in this field (Miller and Toulouse, 1986). The third element of alignment to processes and capabilities in small motels is unlike the Results and Determinants matrix (Fitzgerald et al., 1991), which aligns strategy to the dimensions of quality of service, flexibility, resource utilisation and innovation. However, the alignment to processes and capabilities is similar to the strategy facet of Performance Prism (Neely et al., 2002). The three elements are also different to, and less formal than, the strategy mapping approach used in the Balanced Scorecard Approach (Kaplan & Norton, 1996). Details on how strategy is communicated to stakeholders, although a key focus of the Performance Prism (2002) and the Balanced Scorecard approach (1996), is not well documented for small firms (and small motels in particular). In this research the staff, the customers and the local community are the main stakeholders to whom the firms communicate their strategic approach. Messages to these stakeholders about the strategic approach generally include; the type of product or service, the target market and the pricing structure. The conclusions in this research about stakeholder involvement and alignment add to knowledge in this field.

Conclusion 2.4: Strategy review

Research issue 1 also explored the appropriateness of the strategy with regard to whether it was the 'right' strategy given the product and service offered, the target market, as well as the desires and characteristics of the owner-manager and the stakeholders. As indicated in the literature small firms are different in how they approach performance measurement and strategy formulation because of limited resources, a lack of managerial culture and a reactive approach (Chaston and Mangles 1997; Carson 2001; Chaston, Badger, Mangles and Sadler-Smith 2001; Hudson, Smart et al. 2001; Garengo, Biazzo et al. 2005; Pun and White 2005). Yet, little is mentioned about how they go about reviewing strategy. The key conclusion in this research in relation to strategy review is that the small motels are engaged in a process of continuous improvement, which is evident in the assessment of four strategic areas. The small motels use specific measurement activities for assessing the strategy appropriateness. The four strategy areas identified in this research are - the appropriateness of the strategy for reaching the defined target market; matching of

product/service to the target market; appropriateness of the set goals and targets; and appropriateness of the pricing structure. The motels have a number of activities in place for assessing three of the four areas and indicated that the firms are generally customer oriented. The only area where there was a lack of evidence was the appropriateness of the strategy for reaching the defined target market. Moreover, the measures used for assessing appropriateness of strategy are limited and are largely related to customer and sales tracking. A further conclusion is that the small motels use a reactive approach to marketing, which is evident in the lack of understanding in regards to marketing strategies and in particular assessments about reaching the defined target market. Both the paucity of good marketing and the reactive style of marketing is evident in the literature (Peacock 1999; Carson 2001; Kara, Spillan and De Shields 2005), yet it is also in contradiction to the belief that high performing small firms use an entrepreneurial and relationship oriented approach to understanding and reaching their market (Chaston, Badger et al. 2001)

The conclusions about small motels use of a limited number of measures is supported in the literature, which indicates that because of limited resources and a reactive approach, small firms are different to large firms in how they approach strategy measurement (Garengo et al., 2005; Hudson et al., 2001; Pun & White, 2005). This research builds on knowledge by specifying the types of measures used in small motels and the key strategy areas in which they are applied, as well as identifying a need for further support in regard to market related strategies.

Summary of conclusions about research issues 1 and 2. Contributions to the literature in this section relate to the different way in which small motels formulate strategy, when compared to large firms. The stakeholders, and in particular customers, are important to strategy, however, relationships with stakeholders differ to large firms as they are informal. Although the wants and needs of some stakeholders are important, the owner-manager's personal and business aspirations are paramount. A contingency approach is employed in strategy formulation and the strategies employed in the small motels are simple. Furthermore, the product type together with the personality and aspirations of the owner-manager determines the

strategy used. Strategies are aligned to processes and capabilities, as is the case in the Performance Prism facet. When implementing strategy, the key aspects of the strategy generally communicated to employees include the type of product/service, the target market and the pricing structure. Although strategy review is informally undertaken in motels, via the use of a few simple measures, the approach to marketing is reactive and is a weakness in the strategy formulation and review process in the motels. Overall, the findings support the small business literature regarding strategy formulation and implementation, however, the findings provide greater detail about these activities in small motels, which has not been examined to date.

6.2.2 Conclusions about research issue 3: A balanced approach to measurement

Conclusion 3.1: A balanced approach to measurement

The conclusion regarding the third research issue focuses on the balanced approach used by the small motels in measuring performance. The first conclusion is that the small motels employ an effective approach to measurement as they use a balance of both financial and non-financial measures to track performance. The use of a balanced approach is in accordance with the literature (Garengo et al., 2005) that purports that performance measures that are both financially and non-financially based are effective in identifying and monitoring outputs (financial and product/service results) and stakeholder satisfaction (outcomes). Both of these types of results determine the achievement of the goals.

The specific measures employed in firms are believed to be sector specific (Haber and Reichel 2005) yet little is known about measures used in small motels. In this research there were some differences between the experts' views and the owner-managers' views of effective measures. The most common *financial measures* used by the owner-managers were tracking of sales or sales growth, monitoring of takings and comparisons of average room rate, whilst most of the experts also included average tariff and financial models of percentage expenditure and revenues. With regard to the *non-financial measures*, the owner-managers and the experts agreed that

occupancy rate and customer satisfaction were important. In addition, the experts included the extent of word of mouth referral as important. These differences could be attributed to the experts having better education in financial management and therefore, their more comprehensive views are a valuable contribution. Despite these differences, overall, and as indicated by Garengo et al. (2005), the measures used in these small firms, although balanced, are simple and limited.

With regard to satisfaction measures it was originally believed that a focus on the satisfaction of several key stakeholders would be important (Ibrahim, McGuire, & Soufani, 2004), however, this is not the case. Of all the stakeholders, both the experts and owner-managers agree that the satisfaction of the customer is most important to business results. In addition, the personal needs of family and owners are set apart from the satisfaction of the other stakeholders. Consequently, this research more closely supports the literature that small firms (or lifestyle family owned businesses) may be more ‘goal focused’ than stakeholder focused in their performance approach (Haber & Reichel, 2005).

In addition to finding that the small motels use a balanced approach to measurement, it is concluded that the small motels are able to analyse these measures to assess their operations. For a number of the measures used by owner-managers, occupancy rates, sales trends and repeat customer numbers were seen as an early warning of customer dissatisfaction and a signal that particular aspects of the operation needed closer review. The value of specific measures to small motel management has not been specified in the literature.

Conclusion 3.2: Link between strategy type and measures

Although the experts provided a good overview of strategy and measurement it was the case research that provided greater detail about the link between strategy and the use of measures. A major conclusion in regards to performance measurement is that in the small motels there is an association between the type of strategy employed and the key measures used. The *tracking of sales growth* and *tracking of new and repeat customers* are associated with a ‘development’ strategy; *customer satisfaction* (gathering feedback and profiling) and *average room rate* are associated with a

‘maintenance’ strategy; whilst *employee satisfaction* is linked with a ‘growth’ strategy. This link between strategy and measures is supported in the literature (Kaplan & Norton, 1996; Fitzgerald et al., 1991) and is due to the different outcomes of each strategy. As stated by Neely et al. (2002), continuous improvement is demonstrated not only by identifying the right measures to track whether the strategy has been implemented but also by using the measures to challenge assumptions about the strategies. This research builds on the performance measurement literature and makes a significant contribution by providing an understanding of how research of large firms can be interpreted for small firms and of how specific strategies and associated measures are applied in the small motels.

Conclusion 3.3: Monitoring activities

The conclusion in regards to monitoring results in small motels is that it is a regular and ongoing activity. A number of financial and non-financial measures are carried out on a daily or weekly basis and are a part of the day-to-day operations of the business.

Monitoring activities are informal but nevertheless systematic, yet the level of sophistication in the way the data are gathered and used for monitoring purposes varies according to the size of the motel. Agreement about the size of the firm and the type and sophistication of measuring activities can be found in the literature (Haber & Reichel, 2005).

Furthermore, it is concluded that the motels want to compare performance, particularly in regards to finances, with other motels as well as the industry as a whole, yet this is hindered by the lack of data. Therefore, the use of subjective rather than objective data, as indicated in the literature (Haber and Reichel, 2005), has become acceptable. This means that the motels have come to rely on personal views of the state of the region or sector.

This research builds on the literature indicating that small firms are different to large firms in how they approach performance measurement and monitoring (Garengo et

al., 2005; Hudson et al., 2001; Chaston, 1997; Chaston et al., 2001; Carson, 2001; Pun & White, 2005). The conclusions in this research support the view that this difference is due to limited capital resources, a lack of human resources, a reactive approach and a lack of formalisation of processes. However, the findings do not support the view that some small firms (described as lifestyle or traditional businesses) have a narrow focus in regards to performance measurement and are more concerned with non-financial factors such as independence or self-satisfaction (Peacock, 1999; Thomas 2000). In fact the small motels carefully attend to financial monitoring as well.

Finally, this research of small motels supports previous research (Garengo et al., 2005), that stresses that performance measurement design for small firms must have a strong focus on operational aspects, as it is both the feasibility and practicality of monitoring the day-to-day operations that are important in small firms.

Summary of conclusions about research issue 3. An important but not unexpected conclusion is that the small motels are different to large firms in how they approach performance measurement and monitoring. The differences in the way the small motels undertake monitoring is due to limited resources and a reactive and informal culture.

An interesting conclusion is that the feasibility and practicality of monitoring for the day-to-day operations are important to the small motels and is a key consideration in the way performance is measured. The small motels are able to identify the right measures to track whether the strategy has been implemented. Of particular significance is the finding of an association between the type of strategy employed and the key measures used. In general, monitoring activities in the small motels are informal but nevertheless systematic; yet, the level of sophistication in the way the data are gathered and used for monitoring purposes varies and is contingent on the size of the motel. Unlike large firms the commonly used financial and non-financial measures are simple and limited, but nevertheless effective. These measures are used as an early warning of customer dissatisfaction and a signal that aspects of the operation need closer assessment. Finally, a conclusion, which supports the small business literature is that the small motels appear to be more ‘goal focused’ than stakeholder focused in their performance measurement approach. These conclusions

provide a detailed understanding of the measurement activities within the small motels that is currently not well known.

6.2.3 Conclusions about research issue 4: Continuous improvement

Conclusion 4.1: Continuous improvement processes

A conclusion of the findings obtained from both the experts and the case research, in regard to continuous improvement practices in small motels, is that their activities fit within the cycle of review, control and deployment, as described in the continuous improvement literature (Hine 1994; Elmuti and Kathawala 1997; Ahmed and Rafiq 1998) and the integrated performance measurement literature (Neely, Gregory et al. 1995; Bititci, Turner et al. 2000; Bourne, Wilcox et al. 2000). Unlike the literature, the case research, in particular, specifies how each of the three processes is implemented in the small motels. The *review* process includes, ‘measurement’ and ‘information gathering’ activities; the *control* process involves ‘operational procedures’; whilst *deployment* focuses mainly on ‘staffing’ for implementing new procedures and drew on both internal and external data. It is interesting to note that marketing strategies are not a part of the deployment activities of the small motels, which is also an evident weakness highlighted in the small firm literature (Carson, 2001).

Conclusion 4.2: The importance of the product

Based on the findings it is clear that there is a relationship between the type of strategy and the focus of continuous improvement activities. For example, where one firm focused on competitor analysis activities another persisted with improving yield via close monitoring of sales and occupancy levels. Agreement about the need to focus on change to accurately reflect the unique strategic priorities of the organisation can be found in the strategic management literature (Porter 1996; Miles, Covin et al. 2000). Despite this difference, a noted common goal in all the small motels was the need to continually improve the product and its appearance, which is not well

documented in the literature. As the hospitality literature has generally ignored the continuous improvement activities of these firms the importance of the product and its role as the focal point of strategy development informs strategy formulation in small motels.

Conclusion 4.3: The role of external networks

Another conclusion relating to the fourth research issue is that external networks are important for market research and that a range of contacts is used to support the business operation. The importance of networks to small firms for gathering information and for managing the marketing process is highlighted in the literature (Chaston, 1997; McGee & Sawyerr, 2003; Gibb, 1997). The use of personal or social networks by the small motels is particularly evident in this research as well as the wider small business literature (Curran, Jarvis et al. 1993; Barnir and Smith 2002). The findings indicate that networks (and in particular the local community) are used because of limited resources and internal expertise. In particular, the external networks are important for market research. Although the experience of the owner-manager is known to affect the usage of networks (McGee & Sawyerr, 2003) the conclusion in this research that the ownership structure of the small motels also affects the degree and value of networking (and in particular the value of the marketing affiliate) is not widely understood, and therefore contributes to the small firm and network theory literature.

Furthermore, it was found that the small motels have both external and internal monitoring systems. The external monitoring system utilising social networks and alliances helps to monitor changes and developments in the external environment, as well as gathers information (Bititci, Turner & Begemann, 2000). The conclusion regarding the internal monitoring activities of the small motels is similar to that found in the small business literature which states that these activities are informal and reliant on a few key people (McGee & Sawyerr, 2003), and in particular the intuition and experience of the owner-manager (Beaver & Jennings, 2005).

Summary of conclusions about research issue 4. Continuous improvement in the small motels fits within the well-known cycle of review, control and deployment.

However, the specific focus for continuous improvement varies amongst the small motels and is related to strategy type, yet the need to continually improve the product and its appearance, is important to all the motels.

The importance of networks to small firms for gathering information and for managing the marketing process is evident and the use of personal or social networks is particularly important for the smaller motels. The networks are used because of limited resources and internal expertise. Although the experience of the owner-manager is known to affect the level of external scanning via networks, the ownership structure of the small motels also affects the degree and value of networking.

The small motels have both external and internal monitoring systems. Both alliances and social networks play a major role in external monitoring activities and provide information and expertise, which are important to monitoring changes and developments in the external environment to assist with continuous improvement. On the other hand, the internal monitoring activities of the small motels are informal and rely largely on the characteristics and experience of the owner-manager. Overall, the findings about this issue make a valuable contribution to the literature, as little is known about the continuous improvement behaviours of small motels.

6.2.4 Conclusions about research issue 5: Processes and capabilities

The investigation of processes was based on four categories confirmed by the experts, as being relevant to the small motels. The four process categories included, planning and management, delivering the product and service, fulfilling demand, and generating demand. However, it is concluded that most of the owner-manager's activities are focused on two key processes – planning and management and delivering the product and service. Processes regarding the generation and fulfillment of demand are not well structured.

Conclusion 5.1: Processes to meet stakeholder needs in delivering the product and service

The case research confirmed that the functional areas in the small motels are the reception, the rooms and the restaurant/kitchen and like a number of larger firms today a cross-functional and integrated management approach is used (Gadd, 1995; Neely, Adams & Kennerley, 2002). Given the cross-functional mode of operation a process approach to management is applied (Garvin, 1998). Similar to the Balanced Scorecard approach (Kaplan & Norton, 1996), the infrastructure for processes comes from three principal sources, people (skills and capability building); systems (enhancing IT and systems); and organisational procedures (aligning procedures and routines). The conclusion that overall, processes in the small motels are visible and simple is based on both the findings of the experts and the case research and is supported in the literature (Garengo, et al, 2005).

In the small motels a great deal of effort went into delivering the product and service. An investigation of the processes used for this delivery attempted to understand how this compared to other firms, both small and large. It is concluded that the processes used to deliver the product and service to the stakeholders varies amongst the small motels in terms of complexity. In the larger of the small motels more formalised processes and computerised customer management systems (CMS) are used whilst in the very small motels processes are best explained as occasional and random activities. In particular, in meeting the needs of customers the larger motels require more complicated staffing rosters and shift change routines because of the greater number of staff. In the smaller motels, with few or no employees, staffing processes are random and informal. The formalisation of processes as a firm increases in employment size is well documented in the literature (Peacock, 1999; Mc Mahon, 2001).

Conclusion 5.2: Management styles

An issue important to operational processes is the management style employed by the owner-managers. The case research confirmed that the small motel owner-managers are 'hands on' in their approach and a strong sense of individualism and desire to have control of the motel operations is evident. However, the way in which this

individualism was enacted varied across the motels. It is concluded that there are three different management styles employed in operating the small motels. These styles vary according to the personalities of the owner-managers and include paternalistic, authoritarian and collaborative approaches. The conclusion that the management styles in the small motels are largely based on the personalities and attitudes of the owner-managers is supported in the literature (Sadler-Smith, Hampson, Chaston & Badger, 2003; Chaston 1997; Jennings & Beaver, 1997). Additionally, drawing on the work of Sadler-Smith et al (2003) and Paige and Littrell (2002) it is concluded that those employing an authoritarian and paternalistic style are using a traditional management approach, whereas those employing a collaborative style are more entrepreneurial and are managing the culture by encouraging diversity in working styles; protecting employees and establishing collaborative and consultative work arrangements, together with managing the vision through a customer focused approach. This suggests that the owner-managers in this study, even though successful in their business ventures, could not all be considered entrepreneurial. Nevertheless, the identification of specific styles within the small motel context has not been undertaken before and provides a deeper understanding of these operators.

It is further concluded that a 'hands on' approach is the common style of management in small motels because of the small staff sizes and also because of the need to carefully monitor staff and staff numbers. The tight management control and daily considerations of staff costs and productivity are central to profit levels. To support the management of the motel a number of simple processes and activities are used to manage productivity whilst maintaining quality.

Conclusion 5.3: The importance of the employees

In the business performance literature, employees provide a key capability for delivering the product and service to customers (Neely et al., 2001; Fitzgerald, et al., 1991; Kaplan & Norton, 1996; EFQM, 1992). The importance of the employee to the operation of a small firm is confirmed in this research.

Three key human resource related issues emerged in the case research and are recruitment of people; the casualisation of the workforce; and training. When recruiting staff, the skills most sought by the owner-managers are people skills, a hospitality manner and the ability to multi-skill. The importance of multi-skilling, as well as the multi-skilling mix of the staff, is due to the small size of the motels. The ability for staff to take on different roles according to the motel's changing needs is more important than having people with specialised skills. The low-skilled nature of the hospitality workforce and the need for people focused employees is supported in the literature (Guerrier and Deery 1998; Lee-Ross 1999). Yet, recruitment issues in this research vary to that reported in the literature indicating that recruiting is a major challenge for small firms (Hornsby & Kuratko, 2003; Sels et al., 2006). In the small motels recruiting cleaning staff is not difficult because of the low-skill level required, however, finding semi-professional people who are trained receptionists and chefs is more problematic. Additionally, recruitment success also depended on the personalities and abilities of the owner-managers. Therefore, recruitment issues are related to the type of skill sought as well as the abilities of the owner-managers.

A casualised workforce is evident in the small motels and is due to the changing occupancy rates and the need for owner-managers to control costs. With the changing demands for work in the motels, as determined by seasonal changes and changing needs of customers, is the requirement for a great deal of flexibility in the way employees are utilised. Therefore, a flexible rostering system is important to the motels with casual employees. The culture of casualisation in the hospitality industry, due to the impacts of seasonality is well documented in the literature (Lee-Ross, 1999; Hornsby & Kuratko, 2003). Unexplored in the literature is the way in which small motels manage staffing and seasonality issues. This research contributes to knowledge in the business management field by providing an understanding of the simple but effective approaches the owner-managers use.

The literature on the value of training to the hospitality industry and small business is divided (Hornsby & Kuratko, 2003; Sels et al., 2006). In this research *training* was not highly important to the small motels because of the low level of skill required in most roles and because of the low turnover rate of workers. When training is provided it is usually 'on the job training' and is adequate for the operation of the

motels. The literature regarding human resource management in large hospitality firms often mentions the problem of high turnover rate (Sels et al., 2006; Lee-Ross, 1999), yet for the small motels staff turnover is not an issue. The low turnover rate is largely due to the family culture developed in the motels, which means that employees are treated in a less formal and more intimate manner than would be the case in large firms. This approach builds employee loyalty and therefore ensures staff stability. The findings about training activities and low staff turnover rates provide new knowledge for the small business and hospitality fields.

Conclusion 5.4: Use of networks to enhance marketing capabilities and the development of the product and service.

The final aspect of research issue 5 is the use of networks by the small motels. The value of networks and inter-firm alliances has emerged in the literature (Curran et al., 1993; Rowley, 1997; Barnir and Smith, 2002). In particular, the literature highlights the value of networks to small firms for providing information and resources that are lacking, however, it does not provide detail regarding small firms, the networks they use nor the purposes of these links. Based on both the views of the experts and the owner-managers it is concluded that a variety of external groups and individuals are utilised. The two main purposes for the networks are - to support and enhance the sales and marketing capability and to enhance the development of the product and service. Of the external groups, the local community and the marketing affiliation are used regularly for sales and marketing support. The local community is important for branding support and word of mouth referral, whilst the marketing affiliation also helps to brand the motel, as well as sell rooms through central reservation systems. Although not used by all the owner-managers personal networks can provide essential support and market information.

Not evident in the literature is the value of particular stakeholders to small motels. Of all the external groups, both the industry association and the marketing affiliate are important to the development of the small motel's product and service. The marketing affiliate provides quality assurance assessments and feedback to help the owner-manager better understand the gaps or flaws in their product, whilst the

industry association is used to gather information about industry trends and to obtain new ideas.

In the literature, Curran et al. (1993) indicate that small firms use networks at points of critical incidence, that is, when a crisis or problem emerges. There is evidence of such behaviour in this research; however, there is also evidence of the use of networks in an ongoing way. In addition, even though external relationships are considered to be valuable to providing additional capabilities for the business's operations, there are two factors to consider – the type of market in which the motel operates and the owner-manager. For the owner-managers it was found that over time their own personal experience and knowledge become more important. Additionally, the significance of the relationships with external groups is largely determined by the owner-manager's ability to make the most of the opportunities provided.

Summary of conclusions about research issue 5. Although the models developed by Neely et al. (2002) and Fitzgerald et al. (1991) are useful for helping large firms to manage performance they do not give support to small motels. In particular, the process component of these models has not helped understand the *capabilities* needed to develop and implement the processes. In this research it has been found that the *people* are a core capability for the small motels. It is concluded that the human resource practices, which are important to managing employees, are different in small motels. This research also concludes that networks are an important means for small motels to access additional capabilities. As there is little research of the human resource practices and networking behaviour in small motels, this study makes a contribution to the human resource management field, as well as helping to better understand the process component of the PMS model for small motels.

6.2.5 Conclusions about research issue 6: Relationship between measures and the review process

Conclusion 6.1: Feedback and feed-forward processes

The conclusion regarding the sixth and final research issue focuses on the use of measures by the owner-managers to help manage and improve the business results. Based on the findings from both the experts and the case research it is concluded that within the small motels a sound understanding of the key measures and how they form part of the processes of feedback and feed-forward is evident. This finding is inline with the literature indicating that effective managers utilise measures to understand the management activities within the organisation in a feedback loop and also engage in feed-forward activities where they review and adjust management activities to affect change in the outcome measures (Eskildsen, Kristensen & Juhl, 2002; Kaplan & Norton, 1996b; Shergold & Reed, 1996;).

The case research, in particular, highlighted that the good owner-managers have a ‘big picture’ view of the business. Although this knowledge is emerging (Peacock, 1999), it has not been extended to the small motel sector. This ‘big picture’ view has been referred to as business acumen and means that an understanding of the financial structure of the business is present (Beaver and Jennings 2005). As is the case in current yield management research (Okumus 2004), the expenses in the high performing small motels are generally assumed to be a constant (as it is under control) and sales are the variance. Therefore, sales measures and monitoring (for revenue maximisation), as opposed to expense monitoring, is a greater focus in most instances. However, the evidence suggests that the achievement of the desired business results using a revenue focus approach is dependent on several dimensions of the firm, including the knowledge of the owner-manager and staff, the strategic focus and the customer focus, which is also supported in the hospitality literature (Donaghy, McMahon-Beattie and McDowell 1997; Peng and Litteljohn 2001). The focus on sales could explain why marketing, and activities to monitor this, is so important to most of the high performing firms, even though these activities may not be enacted well in the case research.

Conclusion 6.2: Relationship between measures and management activities

A second conclusion regarding research issue six is that an understanding of key financial and non-financial measures and their relationship to organisational aspects of the business is central to good business results. For instance, both the experts and the owner managers agree that although occupancy rate is a measure of the health of the business it should not be viewed in isolation. The average tariff charged per room together with the non-financial measure of occupancy rate is important to yield management. Additionally, a conclusion from the expert findings, which is also supported in the literature is that good operators understand the relationship between customer service, customer satisfaction (including local community satisfaction) and business results (Kandampully and Duddy 1999). In summary, an understanding of the important relationships between strategy, actions and measures, is deemed necessary to an effective performance measurement system (Dixon, et al., 1990; Kaplan & Norton, 1996b; Wongrassamee et al., 2003) and is central to continuous improvement, as discussed in Section 4.1.

The literature also indicates that a good understanding of the concepts of what drives the maximisation of revenue is not apparent and in many cases is made too complex for managers (Donaghy, McMahon-Beattie, McDowell, 1997; Okumus, 2004). The conclusion in this research that the processes of feedback and feed-forward in the small motels is a simple and regular activity supports the literature indicating that the management process in the small firm is unique and bears little resemblance to those found in larger firms (Beaver & Jennings, 2005). Furthermore, a difference noted is that only those with extensive industry experience carry out the more advanced financial analyses of room profitability and yield management. However, there was no indication in the case research that these operators were any more successful than those without this experience. There is also a strong indication that measurement of results and the overall understanding of the business operations and drivers of performance are instinctive. This instinctiveness and how it is achieved is debated in the entrepreneurial behaviour literature (Politis 2005; Enres and Woods 2006), however, it is now accepted that the relationship between firm performance and management action is extremely tenuous and difficult to isolate because of the highly personalised management of small firms (Beaver and Prince 2002; Beaver and Jennings 2005). However, this issue is not fully explored in the small motel sector.

Finally, the benchmarking of performance against competitors and industry averages is seen as an important process to assessing performance drivers (Cassell, Nadin and Older Gray 2001; Bergin-Seers and Carlson 2003). The lack of relevant data was evident in this research, suggesting that although owner-managers want to benchmark it is difficult in reality.

Summary of conclusions about research issue 6. It is evident that the owner-managers of the high performing motels possess business acumen, which allows them to understand the financial structure of the business and to utilise measures to understand the management activities within the organisation. Both feedback loop and feed-forward activities are undertaken in a simple but on-going fashion, to review and adjust the management activities to affect change in the outcome measures. There is a strong indication that performance management and the overall understanding of the business operations and drivers of performance are instinctive traits of the owner-operators. This knowledge contributes to the understanding of operator behaviours within the hospitality sector.

6.3 Conclusions about Research Propositions

In this section the propositions that were developed in Chapter 3 are discussed in relation to the research findings and the extent to which each proposition is supported by the research is highlighted.

Research Issue 1: *How is strategy formulated, implemented and reviewed in high performing small motels?*

Proposition 1.1: *The type of business strategies employed by high performing small motels is formulated by a combination of both the owner-manager's personal and business aspirations and stakeholder feedback.*

The first proposition considered the formulation of strategies in the high performing small motels. A contingency approach is employed in strategy formulation and the strategies employed in the small motels are simple. The importance of the various stakeholders diverges across the small motels. Although the stakeholders, and in particular customers, are important to strategy, the owner-manager's personal and

business aspirations are paramount. Along with the owner-manager's aspirations, the product type is central to determining the strategy used. The role of the stakeholders' feedback in strategy formulation is less formal than in large firms. The conclusions therefore only partly support proposition 1.1, as the strategy is more likely to be formulated according to the aspirations of the owner-manager in combination with the customers' wants and needs. The other stakeholders have less consideration or involvement.

Proposition 1.2: *The owner-managers of high performing small motels take complete responsibility for implementing the business strategies.*

The second proposition relates to the responsibility for implementing the strategies. In this research it was identified that the owner-manager drives the implementation process by communicating the strategy to the stakeholders, who assist with implementation and by aligning the strategy to the operational processes and capabilities. Those motels with a business plan use it as an operational guide. Of all the stakeholders, the owner-managers usually communicate their strategic approach to the staff, the customers and the local community for implementation. Messages to these stakeholders about the strategic approach generally include; the type of product or service, the target market and the pricing structure. The conclusions in this research about the owner-managers role in strategy implementation add to the knowledge in this field and support proposition 1.2. However, it should be noted that, under the control of the owner-manager the stakeholders provide important capabilities for implementing the strategy.

Proposition 1.3: *The owner-managers of high performing small motels employ only a few simple measures to monitor the appropriateness of strategy.*

The third proposition relating to research issue 1 considers the measures used to monitor and review strategy. This proposition explored the appropriateness of the strategy with regard to whether it was the 'right' strategy given the product and service offered to the target market, as well as the desires and characteristics of the owner-manager and the stakeholders. The measures used for assessing appropriateness of strategy are limited and are largely related to customer and sales tracking. Although only a few simple measures were applied, they were used across four different areas. The four strategy areas are - the appropriateness of the strategy

for reaching the defined target market; matching of product/service to the target market; appropriateness of the set goals and targets; and appropriateness of the pricing structure. Of the four areas, there is evidence of a weakness in measuring achievements for reaching the defined target market, as the approach to marketing was more reactive than planned. The conclusions about small motels using a limited number of measures supports proposition 1.3.

Key Research Issue 2: *How are stakeholders involved in strategy formulation, implementation and review in high performing small motels?*

Proposition 2.1: *The type of key stakeholders will vary among small motels according to size, location and ownership.*

The first proposition for research issue 2 focuses on the type of stakeholders. In the small motels there are two types of stakeholders based on whether they are internal or external to the business. In this research the internal stakeholders (owners and employees), as well as the ‘consumer type’ of external stakeholders are viewed as the primary group and the ‘service provider type’ of external stakeholders as the secondary group.

The complexity of managing stakeholder relationships is due to differences with respect to the importance of their stake in the firm. In the small motels the complexity of relationship management varies with the type of stakeholders and the complexity depends on a number of contextual factors including, the motel’s size, location, ownership and strategic desires of the owner-manager. Of particular interest is the ownership factor, which indicates that in these small firms, because of the ownership structure, the owners and their families have greater control over the firm’s direction. However, the owner-managers operate largely for their own needs and although the customer is an important stakeholder (and the owners get satisfaction from pleasing the customers), the goals of the owner-manager are paramount. The conclusion that stakeholders and their role in strategy might vary according to size, location and ownership supports proposition 2.1. The conclusion regarding the importance of the strategic desires of the owner-manager above other stakeholders was not considered.

Proposition 2.2: *The stakeholder's needs, wants and satisfaction will be identified in high performing small motels in an informal manner.*

As mentioned in proposition 2.1, the type of stakeholders differs across the small motels according to the motel's size, location, ownership and strategic desires. Although the stakeholder wants and needs are generally known, the importance of these wants and needs vary. The importance of the stakeholders determines the requirement to identify and meet their wants and needs. In the small motels simple and informal processes are used to gather both internal and external stakeholder feedback. Direct contact with customers and networking with community and industry bodies are the most common means of gathering information and direct contact with customers and networking with community and industry bodies is the most common means of gathering information. Computerised customer management systems are also important to storing and retrieving customer data. Therefore, support for this proposition is evident.

Key Research Issue 3: *How is a balanced approach to performance measurement used in high performing small motel operations in assessing stakeholder satisfaction and business results?*

Proposition 3.1 *High performing small motels will use specific financial and non-financial measures (with information sourced from stakeholder feedback) on a regular basis to monitor outputs and identify and monitor stakeholder satisfaction.*

Two propositions were developed in relation to research issue 3. The first proposition considered the use of financial and non-financial measures to monitor outputs and outcomes (that is, satisfaction levels of stakeholders). The small motels employ an effective approach to measurement as they use a balance of both financial and non-financial measures to track performance. The most commonly used *financial measures* are tracking of sales or sales growth, monitoring of takings and comparisons of average room rate, whilst the *non-financial measures* are occupancy rate and customer satisfaction. Of all the stakeholders, the satisfaction of the customer is most important to business results and the personal needs of family and owners are set apart from the satisfactions of the other stakeholders.

The conclusion that small motels (or lifestyle family owned businesses) may be more 'goal focused' than stakeholder focused in their performance approach highlights the central role of the owner-manager and the family. Trends in changes in occupancy rates, sales trends and repeat customer numbers are used as early warning of customer dissatisfaction and a signal that aspects of the operation needed closer assessment.

An association is apparent between the type of strategy employed and the key measures used. This link between strategy and measures in small motels is due to the different outcomes of each strategy. Continuous improvement is demonstrated not only by identifying the right measures to track whether the strategy has been implemented but also by using the measures to challenge assumptions about the strategies. This research builds on the performance measurement literature and provides support for this proposition. This support has implications for the development of management knowledge in small motel operations.

Proposition 3.2: *High performing small motels will have internal monitoring processes in place to measure the business results*

The second proposition for research issue 3 concerns internal monitoring processes. It is apparent that monitoring of performance in the small motels is a regular and ongoing activity. A number of financial and non-financial measures are carried out on a daily or weekly basis and are a part of the day-to-day operations of the business.

Monitoring activities are informal but nevertheless systematic, yet the level of sophistication in the way the data are gathered and used for monitoring purpose varies according to the size of the motel. The motels want to compare performance, particularly in regards to finances, with other motels as well as the industry standards but are hindered by the lack of data. Therefore, the use of subjective rather than objective data has become acceptable approach in the motels.

The difference between the way the small motels differ to large firms in how they approach performance measurement and monitoring is due to limited capital resources, a lack of human resources, a reactive approach and a lack of formalisation of processes. Evidence of internal monitoring in the small motels supports

proposition 3.2, however, the need for feasible and practical monitoring within the daily operations is an additional finding, which contributes to current management literature.

Key Research Issue 4: *What review systems or processes do owner-managers of high performing motels employ to ensure continuous improvement?*

Proposition 4.1: *That high performing small motels will use informal and simple systems to control, review and deploy changes for improvement.*

The first proposition relating to research issue 4 considered improvement cycles. Unlike the literature, which is essentially focused on large firms, this research specifies how each of the three processes in the continuous improvement cycle is implemented in the small motels. In the case research it was found that the *review* process includes simple ‘measurement’ and ‘information gathering’ activities that are undertaken in both random and organised ways. The *control* process is uncomplicated and involves ‘operational procedures’, which are part of the day-to-day activities. The final *deployment* process focuses almost wholly on ‘staffing’ for implementing new procedures and draws on both internal and external data. It is noteworthy that organised marketing activities are rarely used in the *deployment* of improvement changes. Although these activities are different to the more formal and complex manner in which large firms introduce improvements, the conclusions support the proposition that small motels use informal and simple systems to control, review and deploy improvement changes.

Proposition 4.2: *That high performing small motel operators will use their networks and industry knowledge for gathering data to help make informed decisions in regards to managing their enterprise for business improvement.*

The second proposition concerned the external networks used to support the business operation. The networks are important to the small motels for market research and knowledge about how to improve the business. The use of personal or social networks is particularly important for the smaller motels because of limited resources and internal expertise. The experience of the owner-manager and the ownership

structure of the small motels affect the degree and value of networking and in particular the value of the marketing affiliate.

It is evident that the small motels have both external and internal monitoring systems. The social networks and alliances are used as external monitors to ascertain changes and developments in the external environment, as well as gathering operation related information. The internal monitoring activities of the small motels are informal and reliant on the people, and in particular the intuition and experience of the owner-manager. As the management of the small motels rely on both the use of networks and the owner-manager, the proposition is supported.

Key Research Issue 5: *How are processes developed and employed in high performing small motels?*

Proposition 5.1: *Managers of high performing small motels will develop and implement simple processes that ensure the delivery of a product/service that meets the needs and wants of the stakeholders.*

The small motels have three functional areas, the reception, the rooms and the restaurant/kitchen and like other small firms as well as a number of larger firms today a cross-functional and integrated management approach is used. As such a process approach to management is applied and, similar to current performance measurement systems, the infrastructure for processes comes from three principal sources, people (skills and capability building); systems (enhancing IT and systems); and organisational procedures (aligning procedures and routines). Overall, the understanding that processes in the small motels are visible and simple is supported in the literature.

The processes used to deliver the product and service to the stakeholders varies amongst the small motels in terms of complexity. In the smaller motels the processes are simple. The proposition is therefore supported, however, an addition is that the formalisation of processes in the small motels increases along with the increase in employee numbers, as the larger of the small motels have more complicated processes and tighter controls.

Proposition 5.2: *The capabilities of high performing small motels are largely focused on staff, as they are key drivers of the processes that fulfil demand (product and service delivery) for stakeholders.*

The most complicated activity required of the owner-managers is human resource or staff management. Staff are needed to work in the functional areas of the motel to provide the service and product to customers and to meet the needs of other stakeholders. The key staff related issues important to the small motels are recruitment of people; the casualisation of the workforce; and training. When recruiting staff, the skills most sought by the owner-managers are people skills, a hospitality manner and the ability to multi-skill. In the small motels, recruiting issues depend on the type of staff needed. Finding cleaning staff is not difficult because of the low-skill level required, however, finding semi-professional people who are trained receptionists and chefs is more problematic as they require specialised skills to work in the motels.

A casualised workforce exists in the small motels because of the changing occupancy rates and the need for owner-managers to control costs. With the changing demands for work, as determined by seasonal changes and changing needs of customers, is the requirement for a great deal of flexibility in the way employees are utilised. Therefore, a flexible rostering system is important to the motels with casual employees.

Staff *training* is a low priority because of the low level of skill required in most roles as well as the low turnover rate of workers. When training is provided it is usually ‘on the job’, which is adequate for the operational needs of the motels.

Given the service-based nature of the motels, staff play a key role in delivering the product and service to the customer. The evidence of the importance of the employee, as a key capability to the small motel’s operation, supports the proposition.

Proposition 5.3: *External relationships with competitors, partners, suppliers, government, industry associations and support agencies provide capabilities to high performing small motels to assist with the processes of generation of demand (sales*

and marketing) and development of products and services (learning and development).

The final proposition relating to research issue 5 is the use of networks by the small motels for sales and marketing and learning and development. The small motels use a variety of external groups and individuals for the capabilities they can provide. Of the external groups the local community and the marketing affiliation are used for sales and marketing support. The local community, which includes other businesses, local government and community groups, is important for branding support and word of mouth referral. The marketing affiliation also helps to brand the motel, as well as sell rooms through central reservation systems. Of all the external groups both the industry association and the marketing affiliate are most important to the development of the small motel's product and service. The marketing affiliate provides quality assurance assessments and feedback to help the owner-manager better understand the gaps or flaws in their product, whilst the industry association is used to gather information about industry trends and to obtain new ideas.

There is evidence that the small motels use networks when a crisis or problem emerges as well as in an ongoing way. Finally, two factors are relevant to understanding how networks provide additional capabilities for the motel's operation – the type of market in which the motel operates and the characteristics and experience of the owner-manager. These conclusions support the proposition about the variety of groups and individuals used for their sales and marketing capabilities as well as the development of the product and service. In addition to these groups is the value of personal networks to some motels. These networks include family, friends and social contacts.

Key Research Issue 6: *How are the various results measures used in high performing small motels to determine the key performance drivers needed to deliver the desired outcomes?*

Proposition 6.1: *That high performing small motels are able to identify and use a limited number of performance measures (financial or non-financial) to assess the value of the key drivers (management activities) relating to stakeholder needs,*

strategy, capabilities (people management, resources and external relationships) and processes.

The proposition for the sixth and final research issue proposed that the small motels use limited measures to assess the value of particular operational management activities.

It is apparent that the owner-managers of the small motels are effective managers as they have sound understandings of the key measures and how they form part of the processes of feedback and feed-forward. The owner-managers are also able act on the feedback and adjust the management activities to improve business performance. Both financial and non-financial measures provide essential feedback. Stakeholder feedback is particularly important to strategy development and staff feedback is important to improving processes and resources. The interplay between financial results and operational activities is evident in the focus on the management of yield. Worthy of note is the focus on sales as opposed to expenses, which highlights the importance of marketing activities in the motels. Support for the proposition is apparent, however, the instinctive manner in which the owner-managers monitor activities and the overall understanding of the business operations and drivers of performance are instinctive is an aspect not considered in the proposition.

6.4 Conclusions about the Research Problem

The six research issues explored in this research aimed to answer the main research problem, as presented in Chapter 1 - *How effective are existing strategic management business performance models for improved business performance in the small motel sector?* The research was underpinned by two parent theories of small business management and performance measurement, which were reviewed in Chapters 2 and 3. This section presents a modified version of the PMS model for small motels developed at the end of Chapter 3 and presented in Figure 3.21.

In this research the interviews with the experts helped to refine the initial theoretical model so that it was more relevant to small motels. The modifications of the PMS were detailed and presented in Figure 5.9. Now with the discussion and conclusion of both the findings of the expert interviews and the case research, the modified model

can be confirmed and further refined. The final PMS for the small motels is discussed below.

In summary, the case research generally confirmed the model as refined by the experts' findings. However, there are some modifications. Generally, there are three components that need to be addressed in the PMS for the small motels. The two key dimensions are the *drivers* and the *results*; however, to indicate how the two inter-relate in achieving the desired business results a *cycle of performance management*, which includes processes of measuring and monitoring dimensions, also needs to be included.

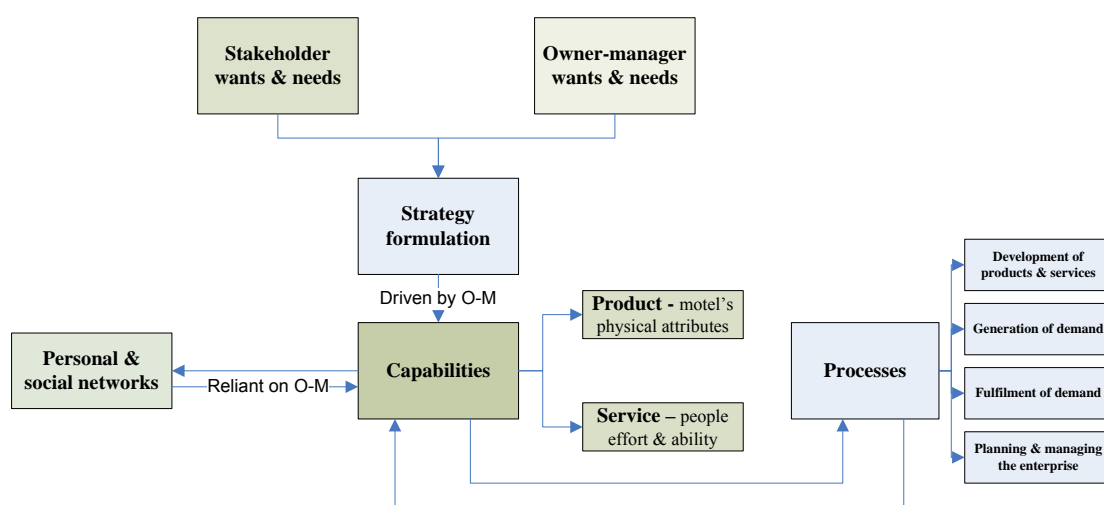
Firstly, the cycle of performance management and measurement starts with the *drivers*, which determine the results. The *drivers* include the stakeholders' and owner-manager's wants and needs, the strategy formulation and implementation, the capabilities and the processes. The management and measurement cycle starts with understanding the stakeholder (both internal and external) and owner-manager's wants and needs. Basically, strategy formulation and implementation (research issues 1 and 2) are carried out according to the aspirations and goals of the owner-manager; as well as the wants and needs of the customers. An understanding that the aspirations of the owner-manager can dominate strategy formulation and implementation is a signal of the need for greater awareness and consideration of other stakeholders. However, stakeholder involvement is contingent on a number of contextual factors and varies from motel to motel. The needs of stakeholders are identified in simple and informal ways.

Next, the implementation of the motel's strategy is driven by the owner-manager and is delivered via the operation's capabilities and processes (research issue 5). The processes are simple, but by necessity become more complicated as the size of the motel increases, since increased size means greater numbers of staff and the need for tighter controls. The processes deal mainly with planning and managing the motel, but also consider the delivery of the product and service (fulfilment of demand); the development of the product/service; and how to generate demand. Although planning is carried out, the processes are neither structured nor formalised. The processes related to the planning and management of the motel and the delivery of the product

and service are central to the motel's daily operations and are the main activities of the owner-manager and the staff.

Delivery of the product and service relies heavily on the capabilities, which are comprised of the product (physical attributes of the motel) and the service (people effort and ability). The most important people-type capability being the owner-manager and the staff, however, dependent on the size of the motel and the experience of the internal people, other external stakeholders provide valuable expertise. The motel product varies according to size, age, location and facilities. The development of the product and service is concerned with maintenance, upgrade and staff management. Generation of demand is undertaken by market research and marketing processes and is dependent on the experience of the owner-manager and the harnessing of stakeholder expertise. Personal and social networks are an essential means of accessing stakeholder expertise to enhance the motel's capabilities. The relationship between the capabilities and the processes is interconnected, which means that in some instances the capabilities drive the processes and at other times the processes drive the capabilities. Whether capability drives process, or vice versa is contingent on a variety of motel characteristics (for example, age, strategy and location). The overall interaction between the drivers is illustrated in Figure 6.2.

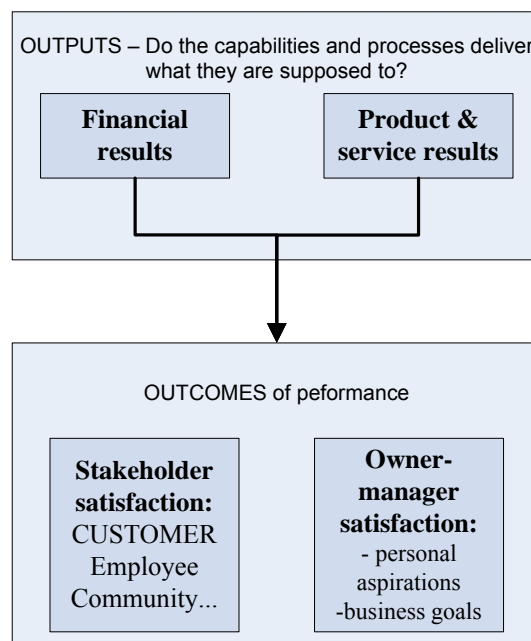
Figure 6-2 **The drivers are the first component of the model**



Secondly, the *results* dimension has two key elements – the outputs and the outcomes., as illustrated in Figure 6.3. The motel’s *outputs* are a result of the strategies, capabilities and processes and are assessed by a balance of both financial and non-financial measures (research issue 3). The assessment of outputs is not necessarily a difficult process as only a few key measures are needed, as long as the monitoring and measurement activities are undertaken on a regular basis. The stakeholder feedback (particularly from the employees and customers) plays a significant role in the internal monitoring and measurement activities.

The *outcomes* are the final product of the motel’s outputs and in the small motels are focused on both the stakeholder and owner-manager satisfaction. Essentially, the outcomes (satisfaction of the stakeholders and the owner-manager) are determined by the outputs. Satisfaction outcomes vary for the stakeholders and the owner-manager. Of all the stakeholders, customer satisfaction is paramount. Along with achievement of personal goals, the owner-manager seeks the key financial outcomes of profit and return on investment (ROI). As indicated in Figure 6.3 the results are determined by the interactions of the drivers.

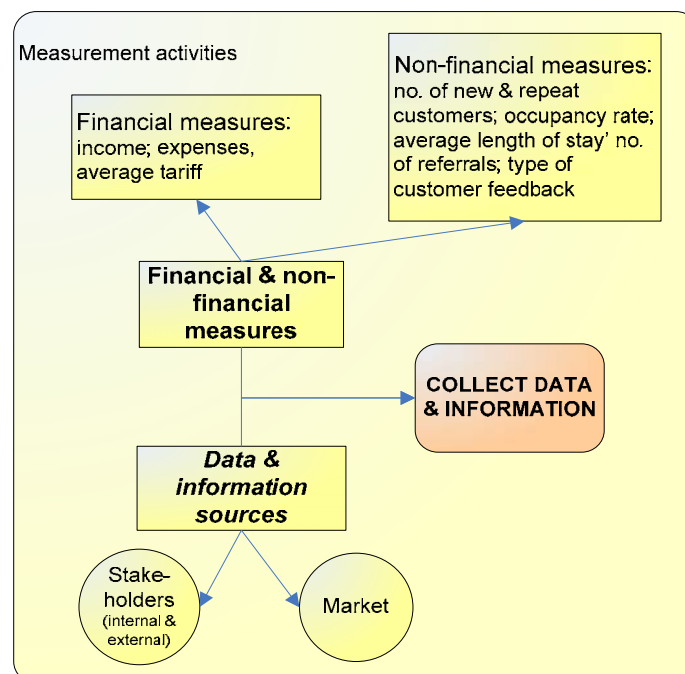
Figure 6-3 **The results components are the outputs and outcomes of the interactions of the drivers**



Measures provide information about the both the output and outcome results and are obtained during the measurement and monitoring process. However, measurement activities cannot be carried out without essential data concerning the motel and its performance within its competitive environment. In the small motel financial and non-financial data are gathered from both internal and external sources, as illustrated in Figure 6.4.

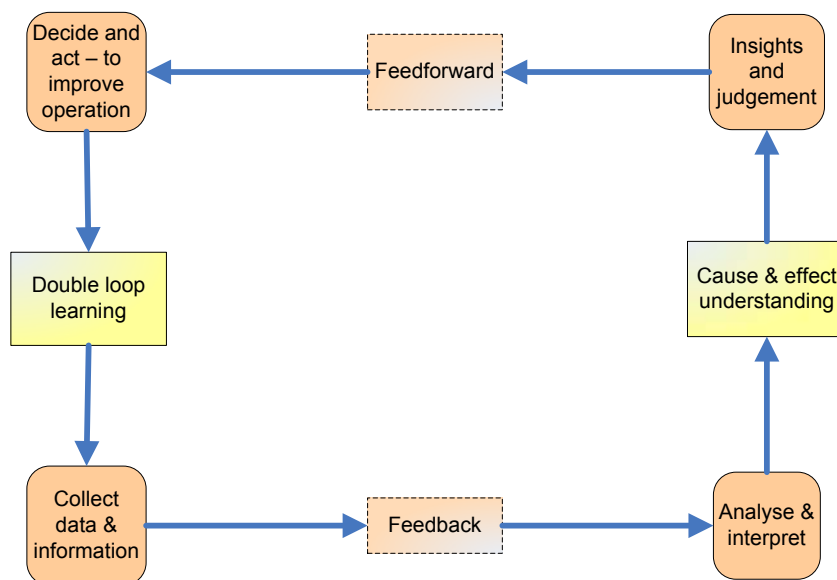
Central to obtaining *external* data are the general market (for example, the motel sector and broader economy) and the motel's external stakeholders such as, the local community, marketing affiliates and industry associations, as well as more personal networks. On the other hand, *internal* sources include the customers and employees. Both internal and external sources provide vital financial and non- financial information (as listed in Figure 6.4).

Figure 6-4 Sources of data for measurement activities



Finally, the review system (research issue 4) and an understanding of the relationship between the drivers and the results (research issue 6) ensure continuous improvement and the delivery of the desired business outcomes. In the small motels, a continuous improvement process is undertaken using a simple and informal system of control, review and deployment whereby the employees, customers and networks play a crucial role. The continuous improvement cycle relies on the owner-managers having an understanding of the relationship between the drivers and the results, which is best described as ‘business acumen’. Figure 6.5 provides an illustration of this process. Reviewing and interpreting the feedback from the measurement and monitoring activities is needed to assess whether there is a cause and effect relationship. An example of this relationship being a poor customer encounter affecting customer satisfaction, which then may impact on repeat business. Essential to the improvement process is the use of feedback in a feed-forward process to decide on and deploy change in the drivers. This process is identified as double loop learning and can be used to modify and improve any of the drivers (strategy, capabilities and processes).

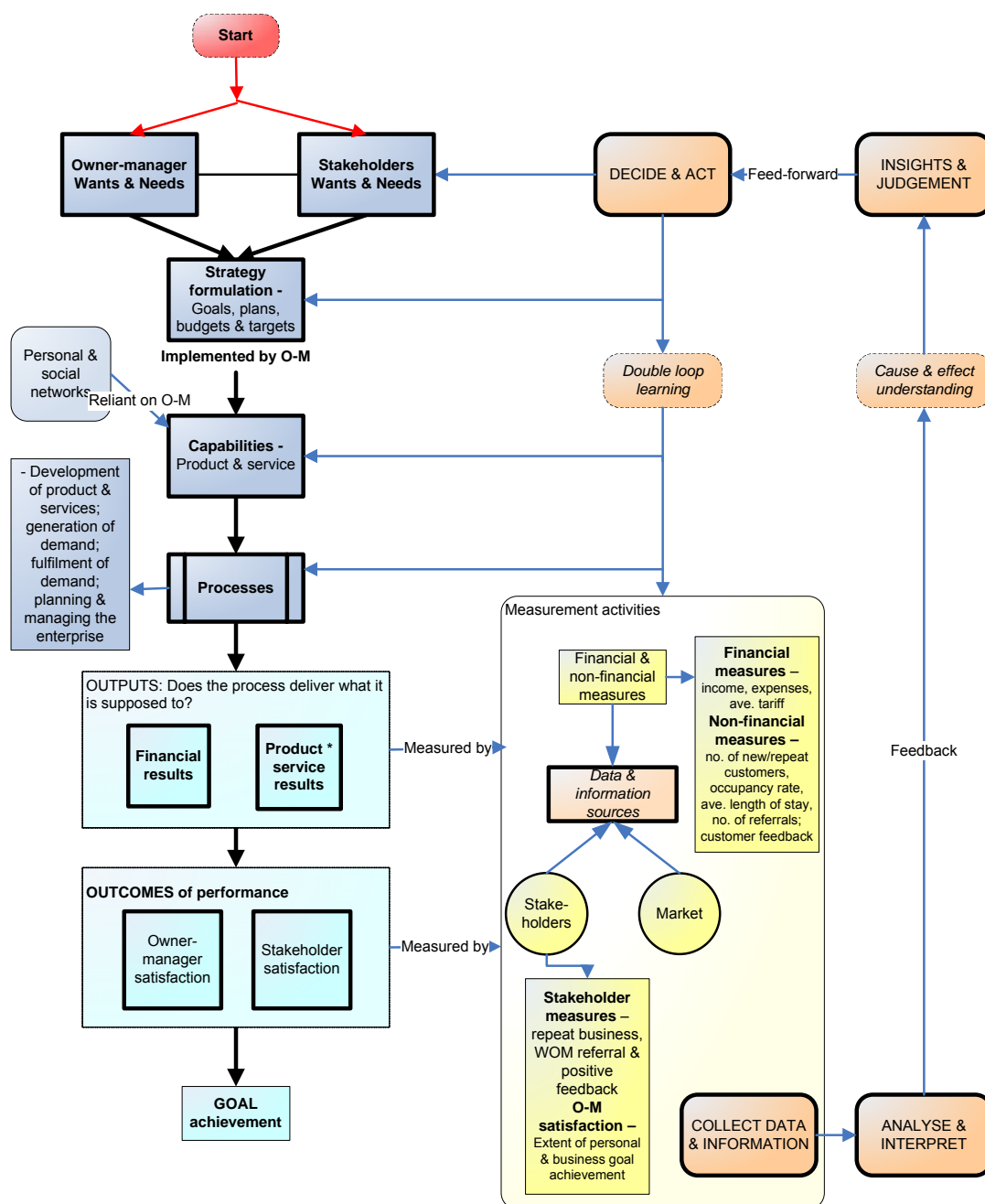
Figure 6-5 **The review system for continuous improvement**



In summary, the final PMS for the small motels answers the research problem and highlights that existing performance measurement systems developed for large firms (as presented in Chapter 2 and 3) can be modified for the purpose of aiding improved performance in the small motels. Throughout the conclusions it has been noted that

small businesses are different to large firms (conclusions 1.1, 2.2, 2.4, 3.3 and 5.3), and although the performance construct is complex and multi-dimensional, unlike large businesses, a PMS for the small motels need not be complicated. In fact it is evident that measurement and management processes in the small motels are simple and informal (conclusions 2.1, 3.1, 3.3, 4.2, 5.1 and 6.1). However, the challenge is for the owner-managers, whose characteristics and aspirations drive the operational plans and activities (conclusions 2.1 and 2.4), to possess the necessary 'business acumen' (conclusion 6.1). Acumen refers to having an holistic understanding of the business together with a realisation that it is a series of interconnected elements, whereby the drivers (which are largely controllable) directly impact on the results. The results then provide information for modifying or confirming the drivers. Central to this system is the judgement and decision-making ability of the owner-manager. While the research highlights that some of the specific elements of the small motel performance measurement and management are contingent on a number of contextual factors, there exists a number of broad dimensions and interactions, which are common across these firms. These commonalities provide valuable insights into the way in which high performing motels manage performance. Consequently, the performance constructs of drivers and results and their interrelationships, as presented in Figure 6.6 as the integrated performance measurement system for small motels, help to solve the research problem for the small motels and provide a basis for further testing of the system with the broader small motel sector.

Figure 6-6 The Confirmed Performance Measurement System for Small Motels



6.5 Implications for Theory

This section presents a discussion of the significant contribution to knowledge that this research makes with regard to the research problem. In particular, the implications of this research, for the wider body of knowledge, are discussed in relation to the parent theories of small business management and performance measurement, as set out in Chapters 2 and 3.

Small business management theory. In the literature it is apparent that small business management is different to large business in regards to structure, resourcing, practices and motivations (Miller & Toulouse, 1986; Jennings & Beaver, 1997). This research demonstrates that the management of the small motels is similar to other small businesses, yet there are practices and motivations that may be unique to individual motels. Frequently in the literature it is noted that small firms operate in a way that is centralised, organic and loose, however, although similarities exist, it is also evident in this research that the structure and practices of the motels vary and are dependent on the personalities of the owner-managers. Therefore, it is not feasible to classify all the small motels as an homogenous group, as management approaches differ according to the paternalistic, authoritarian or collaborative styles employed (Conclusion 5.2). The specific impact of different management styles of motel owner-managers has not been explored in previous literature.

With further regard to the heterogeneity issue, other variations amongst small firms based on size of business, organisational life cycle stage and financial growth life cycle have been explored (Peacock, 1999; McMahon, 2001; Rutherford, McMullen & Oswald, 2001). Although these differences are known, tourism and hospitality firms are often classified as one group and only recently has it been acknowledged that that a small restaurant cannot be directly compared to a small motel (Thomas, 2000). Clear identification of sub-groupings within the industry and its sectors is needed and attempts in this research to develop a typology for small motels forms a basis for further exploration.

A further implication of this research for the small business management theory is that the owner-manager, who has absolute power and full leadership responsibility, largely determines the culture of the small operation, which is characterised by the highly personal preferences, attitudes of the owner-manager. Again, this finding has not been explored fully in the hospitality literature. The instinctive approach used by some of the owner-managers to monitor and control the business results (Conclusion 6.2) has been recognised (Jennings and Beaver 1997; Beaver and Jennings 2005) and is also evident in the findings and has implications for future research of small hospitality firms.

Small firms are also distinctive because they do not have specialist managers (Peacock 1999; Thomas 2000) and suffer from resource limitations and lack economies of scale (Kotey, 2005). Often, to better resource the business, good operators will develop strong relationships with external stakeholders (Gibb 1997). Both internal and external relationships tend to be informal, which means that many small business operators do not have formal structures for communication and decision-making (Jennings and Beaver, 1997; Kotey, 2005). The findings of this research support the importance of personal and social networks to small firms; and in this case small motels. The simple and informal approach used is evident in the high performing small motels and highlights that casual means of communication can provide the additional resources and knowledge that the small motels need. The absence of formalised relationships means that in certain instances contractual agreements may have negative impacts. Therefore, this research contributes to knowledge about the potential effects of attempts to formalise external relationships in the small firms.

In relation to the internal operations, classic management practices, such as recruitment and selection of staff, are also often unplanned and informal. However, the structure and formalisation of management practices evolves as the firm grows (McMahon, 2001; Kotey, 2005; Peacock, 1999). With growth comes delegation of tasks, greater specialisation and greater sophistication in monitoring and reporting procedures. In this research it was found that the management activities and processes in small motels also become more complicated with greater size and suggests that at some point, despite the positive aspects to informality in the smaller firms, it needs to change. At which stage in the growth of a motel that formality is instituted is still unclear, highlighting the need to consider this issue in future hospitality research.

Performance measurement theory for small businesses. Highlighted in the theory regarding performance conceptualisation is the multi-dimensional and complex nature of drivers and results (Otley 1999; Amaratunga and Baldry 2002). It has also been emphasised that there are distinct dimensions of performance that need to be measured. Some dimensions are non-negotiable and are focused on compliance and survival whilst others are not so fundamental (Neely 1998). Furthermore, good

managers don't measure on an arbitrary basis, they design the approach used and without a good design approach dysfunctional behaviours can result (Johnson and Kaplan 1987; Eccles 1995; Brignall and Ballantine 1996; Neely 1998). Much of the recent performance measurement literature relates to the need to move from performance measurement as a means of control to more integrated and holistic approaches that link measures to the individual firm's strategy and that provides information to managers that helps them to know how well they are going and what to do next. However, no integrated and holistic frameworks exist for small motels. The most significant implication for theory in this research is the development of a PMS using large business models as a platform. This system isolates the non-negotiable dimensions of performance measurement and provides an organised, integrated and holistic approach to performance measurement and management.

Furthermore, although research of performance is widely addressed in the management literature it is somewhat uncommon in the tourism or hospitality literature (Haktanir and Harris 2005). As noted by Morrison and Teixeira (2004), key performance measures utilised by small business owner-managers are usually specific to the sector in which the firm operates. For example, measures used in a small restaurant may not be relevant to a small motel (Thomas, 2000), yet the key measures important to monitoring of performance in a small motel have not been clearly identified in the performance theory. This research contributes to this field as it identifies measures specific to the small motels and demonstrates how and when they should be obtained and used.

There are two types of small firms, which can be distinguished by the strategies they employ. The two types are - entrepreneurial ventures and traditional (similar to life-stylers) small businesses (Jogarathnam, Tse et al. 1999; Morrison and Teixeira 2004). Although these types were not specifically explored in this research, the different strategic approaches of the small motels were identified. Additionally, although it is generally believed that traditional (or life-style) firms are not growth focused there is evidence to suggest that this may not be the case with the small motels. It is possible that there may be another type of firm that does not fit into the entrepreneurial or traditional categories.

The findings also indicate that there are three types of strategy - *development*, *growth* and *maintenance* and more importantly have identified that different measures are related to the strategy type (Conclusion 2.1). Such a connection has not been made in previous work and therefore this outcome contributes to both the hospitality knowledge, as well as to the broader small business performance knowledge.

Stakeholder theory demonstrates the importance of the stakeholder and their role in strategy formulation. The value of stakeholders to small firms has also been highlighted (Gibb, 1997), yet the role they play in small motels is largely unexplored. A further implication for the performance management and stakeholder theory is the findings in this research regarding the role of the stakeholders in strategy development and implementation and how they vary according to the motel's size, location, ownership and strategic desires of the owner-manager. The variation in the role that the stakeholder plays for different firms provides opportunities for further exploration.

Finally, it is apparent that the small motels undertake continuous improvement activities independent of any established quality programs. Quality management in the small motels seems to be based on the business management knowledge of the owner-manager, which is either possessed instinctively or learnt by trial and error. This finding is an issue that deserves further exploration and has particular implications for the field of quality management.

6.6 Implications for Policy and Practice

Not only does this research have implications for current theory it also provides suggestions for managers within both the public and private sectors.

6.6.1 Implications for private sector managers

Performance measurement and management has for a long time been a concern of private sector managers. It has been identified that performance is complex, and in small firms performance measurement has been dependent on one or two individuals, which has led to ill informed or poor results (Section 2.2.3.2). Conclusions in this research helped to develop and refine an holistic approach suitable for managers of

small motels. The PMS for small motels has a number of implications for private sector managers and highlights key operational elements and their inter-relationships to improve management control. As a result of this research, a number of issues for management consideration arise.

Firstly, in developing strategy, the aspirations of the owner-manager are important, but nevertheless should be considered in combination with the customers' wants and needs (Section 6.2.1). Furthermore, understanding and knowing the stakeholders is central to the operation of the small motel, particularly as they provide key capabilities for implementing the strategy. Key to understanding stakeholders is the gathering of both internal and external stakeholder feedback, which only requires simple and informal processes. For instance, managers should be aware that direct contact with customers and networking with community and industry bodies are effective ways of gathering information and support. The use of computerised customer management systems should also be considered, as they are important to storing and retrieving customer data.

In formulating the 'right' strategy, managers should focus on matching the product and service offered to the target market, as well as their own desires and those of the stakeholders. The measures used for assessing appropriateness of strategy do not have to be extensive nor complicated, but should largely relate to customer feedback and sales tracking. All the same, a caution for managers is the need to be aware of the value of marketing strategies and activities for reaching the defined target market, as approaches to marketing are often reactive.

Secondly, to ensure an effective approach to measurement, managers should use a balance of both financial and non-financial measures to track performance (Section 6.2.2). Gathering data by using both financial and non-financial measures needs to occur on a daily or weekly basis and should be a part of the regular operations of the business. However, it should be noted that an association exists between the type of strategy employed and the key measures used. This link between strategy and measures in small motels is due to the different outcomes of each strategy. With regard to measurement activities, managers need to be aware that internal monitoring

should be feasible and practical. The monitoring activities do not need to be formal but should be systematic, noting that the level of sophistication will vary according to the size of the motel.

This research also suggests that small motel managers can successfully implement the three processes of the continuous improvement cycle of *review*, *control* and *deployment* (Section 6.2.3). However, the processes do not need to mimic the approaches used in large firms (Section 2.2.3.2). Rather, managers need to employ a process that includes simple and informal systems undertaken as part of the day-to-day activities. Yet, the review activities should utilise both external and internal monitoring systems. The value of social networks and alliances should be considered as external monitors to ascertain changes and developments in the external environment, while the internal monitoring activities of the small motels need staff involvement and in particular the intuition and experience of the owner-manager. Therefore, links with key industry associations are worth exploring.

Next, the most complicated activity required of the small motel managers is human resource or staff management (Section 6.2.4). Employees are essential to the service and product delivery. Managers need to be aware that in a small motel the core human resource issues relate to recruitment of employees; the casualisation of the workforce; and training. When recruiting staff, the managers should seek people skills, a hospitality manner and the ability to multi-skill. A casualised workforce exists in the small motels because of the changing occupancy rates and the need for owner-managers to control costs; therefore, a flexible rostering system is essential. With regard to training, 'on the job training' is generally adequate for the operation of a motel; however, higher order skill development may require external assistance and should be considered.

Finally, this research (Section 6.2.5) also provides guidance to managers about the development of the elusive and indefinable concept of business acumen. It is apparent that effective managers should have a sound understanding of the key measures and how they form part of the processes of feedback and feed-forward. The PMS developed in this research illustrates the interplay between financial and non-

financial results and operational activities and could be used as a basis for a guide for managers in developing a big picture view of the business and prevent a myopic focus, which analyses only on the day-to-day activities.

6.6.2 Implications for public sector policy makers and managers

Several aspects, regarding the development of the integrated PMS for small motels, are relevant to public sector analysts and managers. **The most significant contribution of this research is the development of a performance measurement model as a business support tool.** It is believed that the model has potential to be used as a tool by public sector managers and advisors. Specifically, the model could be used as a training or support tool for both intenders wishing to move into the small motel sector and for existing operators to assist in performance improvement activities. To fully utilise this model, managers and advisors would need to assess its practical applicability to the sector, given that the findings of this research are based on case research (the cases are not a sample of the broad small motel or hospitality population) and are therefore not generalisable to the broader industry. Rather than taking on the model as it stands, it could be used as a platform for further development. Additionally, it is feasible that the model could be adopted as a basis for developing performance measurement systems for other sectors.

Independent of the model the separate findings about strategy development and related measures could help public sector analysts to monitor and assess the health of the sector. In fact, the isolation, in this research, of key measures important to performance could be drawn on by the industry as a means of tracking regional or state activity. Furthermore, there is the potential that these measures could be developed as benchmarks for the industry and could be harnessed by key players to help promote the business performance of operators. This implication is particularly important as benchmarking data are currently lacking in the industry.

Finally, the benefit of personal and social networks to the individual small motels is one of the key conclusions of this research. The value of networks and inter-firm alliances has emerged in the literature (Curran, et al., 1997; Barnir & Smith, 2000). In this research the networks were utilised to support and enhance the sales and

marketing capability and the development of the product and service. Given the high cost of government support programs that attempt to develop clusters and networks for economic development, additional knowledge about how motel owner-managers work in collaboration within their region or destination provides a pathway for public sector managers. This knowledge could be used to harness regional or local interest so as to encourage the development of tourism strategies that support regional economic development.

6.7 Limitations

In Section 1.7 the major delimitations (that is, the scope and its boundaries) were outlined, indicating how the performance construct would be approached and that a key part of the research would be limited to small motels located in Victoria. Furthermore, the limitations of the research approach were examined in Section 4.6.

An additional limitation of the research was the challenge in capturing complex performance dimensions with owner-managers. Constructs such as, continuous improvement cycles, processes and strategy were simplified and the language used in the literature was modified and adapted to suit the small motel setting. This simplification may have meant that some more complex aspects were missed. Yet, despite this limitation the strengths of the study remain. For instance, the richness of data gathered from both the experts and the case studies have provided a deep insight into the operations of high performing small motels and have enabled the refinement of a system, which would be difficult to achieve by other means.

In summary, the limitations of this study have been considered and it is acknowledged that they provide a platform for future research, as outlined in the final section.

6.8 Implications for Further Research

A number of opportunities exist for future research as a result of the conduct and findings of this study. The first opportunity, which has already been mentioned, concerns the theoretical PMS for small motels. As the methodology adopted in this research utilised a mixed method approach, part of which depended on case study

research, recommendations rather than generalisations have been presented. In order to generalise the research to the wider small motel or small business sectors there is a need for further research using a positivist survey approach. There is also an opportunity to conduct research to test this model with other industry sectors, where the unit of study would be selected from a different population of small firm. Furthermore, the model could be tested for additional or different dimensions that may be more relevant to other firms.

In this research, even though it was of high performing firms, the marketing strategies and practices were found to be lacking. An opportunity exists to conduct a focused study to identify good marketing practices in small hospitality and tourism operations. Issues of resource poverty and lack of specialised expertise, as well as the value of social and personal networks could be considered.

A further research opportunity relates to the role of the owner-manager, and their absolute power. The personal preferences and attitudes of the owner-manager; the role they play in determining the culture of the small operation, and the impact this has on performance has not been explored fully in the hospitality literature. Moreover, the instinctive approach used by some of the owner-managers to monitor and control the business results has been recognised, but not in an in-depth way, and has implications for future research of small hospitality firms. Additionally, given that it was found there is a possibility for another type of firm that does not fit into the entrepreneurial or traditional firm categories suggests that further research should be undertaken to explore the third category type.

Finally, the conclusion in relation to the structure and formalisation of management practices evolving as the firm grows could not determine at what stage or size this occurs. Research has indicated that with growth comes delegation of tasks, greater specialisation and greater sophistication in monitoring and reporting procedures. At which stage in the growth of a motel that formality is instituted is still unclear, highlighting the need to consider this issue in future hospitality research.

In conclusion, previous research has highlighted the need for performance measurement to move to an holistic and integrated model approach. The literature to

date has generally been focused on large firms with less attention given to the smaller firms. The theory developed in this research has shown that it is possible to refine and simplify the large firm models so that they are relevant and specific to the small motels. The PMS for small motels provides a basis for further research for theory building with regard to holistic and integrated PMS for small business.

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8 Appendix A: INTERVIEW GUIDE

Interviewee's name: _____ Date: _____

Name of motel: _____

Interviewee's role or position: _____

Location of interview: _____ Start and finish time: _____

PART A Demographics

The owner-manager

How many years have you operated in this motel?

How many years have you worked in motels in general?

The small motel

What is the size of motel (no. of rooms)? _____

Please describe the location of the motel? _____

How many employees do you have (FT, PT and casual)?

FT _____ PT _____ Casual _____

Are you affiliated with any organisation for marketing purposes?

Are you a member of any association?

What is the star rating of the motel? _____

Does the motel have a restaurant? _____

How would you compare your motel to competitors?

Probe:

Are you viewed by the local community and/or other businesses?

Are other motels in the area performing better or worse than your business?

How would others describe your motel (i.e. the reputation of the business)?

Please explain the changes in sales turnover for business over the past 3 years?

Please explain the changes in profit for the business over the past 3 years?

PART B How Business Performance is Measured

B 1 I would like to focus on the ways the performance of your motel is measured. Could you please tell me whether you assess the performance of your motel and in what ways?

Probe: Why the performance is measured in this way?

B 2 I'd like to show you some different measures that could be used by small motel operators (*SHOW CARD A*). Could you please indicate on the scale from 1 to 7 how often you *actually* use these measures or checks to assess your business performance?

CARD A

	<i>Never</i>	<i>Now & then</i>	<i>Yearly</i>	<i>Each quarter</i>	<i>Monthly</i>	<i>Weekly</i>	<i>Daily</i>	<i>NA</i>
FINANCIAL MEASURES	1	2	3	4	5	6	7	
Tracking of sales growth	1	2	3	4	5	6	7	
Monitoring of takings	1	2	3	4	5	6	7	
Analysis of net profit	1	2	3	4	5	6	7	
Customer profitability analysis	1	2	3	4	5	6	7	
Comparisons of average tariff to same time last year	1	2	3	4	5	6	7	
Comparisons of average tariff to the industry average	1	2	3	4	5	6	7	
Analysis of sales by restaurant and by accommodation with expenses matched to each	1	2	3	4	5	6	7	
OPERATIONAL MEASURES	1	2	3	4	5	6	7	
For Customers	1	2	3	4	5	6	7	
Track average length of stay	1	2	3	4	5	6	7	
Customer satisfaction via survey or other means	1	2	3	4	5	6	7	
Track the number of repeat customers.	1	2	3	4	5	6	7	
Track the number of new customers	1	2	3	4	5	6	7	
Monitor the number of hits on web-site or number of enquiries	1	2	3	4	5	6	7	
Gather information on where business is coming from (e.g. Word of Mouth, referrals.....)	1	2	3	4	5	6	7	
Track occupancy rate	1	2	3	4	5	6	7	
For Staff	1	2	3	4	5	6	7	
Measure staff turnover rate	1	2	3	4	5	6	7	
Track the absentee rate of staff	1	2	3	4	5	6	7	
Seek feedback from staff.	1	2	3	4	5	6	7	
For external individuals or groups	1	2	3	4	5	6	7	
Seek feedback from suppliers, partners and community.	1	2	3	4	5	6	7	
Track the number of referrals to and from other businesses	1	2	3	4	5	6	7	
Track donations or in-kind support given to the community or charity	1	2	3	4	5	6	7	
Track the level of waste and/or use of utilities	1	2	3	4	5	6	7	

B 3 Now I would like you to review the list and indicate which measures you would rate as the top three for you and your business.

I am very interested to hear any comments about each one of the above measures and why you rated them the way you did. I would be also interested to hear if we have missed any other important measures or checks.

Comments

B4 Considering the measures we have talked about above **how** and **why** do you use these measures?

Probes:

-If not already explained earlier explore for information on when and why these measures are used?

_____ For assessing progress or health of business

_____ For improving the business

-How important are the non-financial measures (such as customer satisfaction etc) compared to financial measures (such as sales growth etc)?

-Is there a view as to whether non-financial measures are related to financial outcomes?

PART C Management Practices

C 1 Now we are going to look at the management practices you use in your small motel. What management practices do you utilise to achieve the performance you desire?

C 2 (SHOW CARD B). Here are some possible management practices relating to motel operations. Please rate their importance on a 5 point scale from 1 – not very important at all, to 5 – very important.

CARD B

	Not at all important				Very important
	1	2	3	4	5
Strategy development and business planning					
A stakeholder focus approach to running the business					
Collaborative staff management					
Partnerships or relationships with external organisations					
Defined systems and processes					

I would also like to hear any comments about each one of the above practices and why you rated them the way you did. I would be also interested to hear if we have missed any other important management areas.

Comments

The next few questions will focus on six specific management practices and any other management practices you use, as I am keen to hear your comments about how important they are to your motel operations.

Strategy and business planning

C3 Do you use strategy development or business planning in running your motel?

Probes:

If planning is undertaken explore:

How it is carried out?

- Formal or informal (in writing or not)
- How far into the future the planning covers?

Why it is carried out?

- to set goal and targets and to track them (Is there a vision or mission statement)
- for financial reasons
- for marketing reasons
- to set up policies for operational efficiency (eg. for bookings, complaints, OHS or customer service?)

When it is carried out?

- Every few years, annually, more than once a year

Who carries it out?

- Do the owners lead it? Are the staff involved? Are external groups or individuals involved?
-

C4 Do you gather information about the industry, its trends and/or your competition?

Probes:

If so how is this done?

Explore for details in relation to the following: gathering opinions from customers: trade magazines/publications/the media; from suppliers; special market research; tracking of competitor tactics.

How is this information used? For example, for planning, for product development, for marketing.....

Customer Focus and Stakeholder Importance

C5 If I use the term 'customer focus', what does this mean to you?

Probe: *What are some examples?*

C6 Do you consider that there are other people important to your motel and its operations, if so who are they?

Probe: *Why are they important and what do they contribute?*

-How much emphasis is there on the customer and other people/groups in how the business is run?

-Who are the most important and why?

(*SHOW CARD C*). Which of the following 'stakeholder focused' type activities are important to the successful operations of your business. Remember there is no right or wrong way to rate these items, instead it is about your views.

Probe: *Is there anything missing?*

CARD C

	Not at all important to our business						Very important to our business
Presentation of the motel	1	2	3	4	5	6	7
To update the décor and facilities in our rooms every 2 or 3 years	1	2	3	4	5	6	7
To maintain the entry and reception areas	1	2	3	4	5	6	7
To have staff in uniform or to follow an established dress code	1	2	3	4	5	6	7
Accreditation and rating schemes	1	2	3	4	5	6	7
For our business to be accredited	1	2	3	4	5	6	7
To improve our star rating	1	2	3	4	5	6	7
Price	1	2	3	4	5	6	7
To offer rooms at the lowest price possible	1	2	3	4	5	6	7
To offer rooms at the highest price possible	1	2	3	4	5	6	7
To base the price of our rooms on competitors prices	1	2	3	4	5	6	7
To offer prices based on our customer profile	1	2	3	4	5	6	7
Product	1	2	3	4	5	6	7
To renew our product based on customer needs	1	2	3	4	5	6	7
To maintain the same product over time	1	2	3	4	5	6	7
Customer feedback and communication	1	2	3	4	5	6	7
The provision of feedback cards or surveys to all customers	1	2	3	4	5	6	7
Communication with customers (phone or mail) before and / or after their visit	1	2	3	4	5	6	7
A specified turn around response time to all enquiries	1	2	3	4	5	6	7
An enquiry to all customers on their leaving of their satisfaction with the motel.	1	2	3	4	5	6	7
A database of customers	1	2	3	4	5	6	7
Marketing and sales	1	2	3	4	5	6	7
A brochure of our motel	1	2	3	4	5	6	7
A web-site and/or email bookings and payment service	1	2	3	4	5	6	7
Branding	1	2	3	4	5	6	7
To be associated with a recognisable brand.	1	2	3	4	5	6	7
To create our own brand	1	2	3	4	5	6	7

I would also like to hear any comments about each one of the above activities and why you rated them the way you did. I would be also interested to hear if we have missed any other important activity relating to a customer focus in the way the business is operated.

Comments

Staff management

C 7 Now we are going to discuss staff management. Tell me about the staff management practices you use in your motel that have helped with the successful operation of the motel?

Probe:

-How would you describe your management style?

-Can you give me some examples?

(*SHOW CARD D*) Here are some statements related to staff management. Could you please tell me how you would a) rate the first group by importance and b) how often you carry out the activities.

CARD D

<i>How important are the following activities to your business....</i>	Not at all important						Very important
To employ staff with people skills	1	2	3	4	5	6	7
To employ trained staff with experience in the hospitality industry	1	2	3	4	5	6	7
To develop multi-skilled staff	1	2	3	4	5	6	7
To closely manage and monitor staff	1	2	3	4	5	6	7
To select staff with specific abilities for specific roles.	1	2	3	4	5	6	7
<i>How often are the following activities carried out in your business....</i>	Never	Every now and then	Annual-ly	Each quarter	Month-ly	Week-ly	Daily
Training of staff							
Involving staff in decision-making							
Gathering feedback from staff on customers and motel operations							
Informing staff of activities and outcomes of the business							
Rewarding of staff							
Reviewing the performance of staff							

C8 Now I would like you to review the list and indicate which staff management practices you would rank as the top three for you and your business.

I am very interested to hear any comments about each one of the above staff management practices and why you rated and ranked them the way you did.

External Partnerships and Relationships

When talking about ‘partnerships’ I am referring to all relationships that the business has with suppliers, accountants, partners, financial institutions, industry and market associations, government agencies, other businesses and the community.

C9 What partnerships do you have with external groups and individuals that have been effective for the performance of the motel?

Probes:

-How did these partnerships come about?

-How important are these partnerships

-Why they exist? (marketing; resourcing; learning and development)

-How local or national are these partnerships?

(*SHOW CARD E*) Could you please indicate how often you do the following activities?

CARD E

<i>How often do you do the following.....</i>	Never	Every now and then	Annually	Each quarter	Monthly	Weekly	Daily
<i>A. Who you partner with</i>							
Utilise an accountant assist with business decisions	1	2	3	4	5	6	7
Contact with a specific person or persons in a financial institution	1	2	3	4	5	6	7
Involve suppliers in contracts	1	2	3	4	5	6	7
Involvement with community groups or committees	1	2	3	4	5	6	7
Membership with marketing associations (or affiliations)	1	2	3	4	5	6	7
Membership with industry associations	1	2	3	4	5	6	7
Communicate and liaise with other businesses	1	2	3	4	5	6	7
Communicate and liaise with the local government	1	2	3	4	5	6	7
<i>B. Purposes for partnerships</i>	1	2	3	4	5	6	7
Use partnerships to increase referrals and Word of Mouth recommendations	1	2	3	4	5	6	7
Use partnerships to help resource my business	1	2	3	4	5	6	7
Use partnerships to help with the marketing of my business	1	2	3	4	5	6	7
Use partnerships to lobby government agencies re changes or issues that could affect my business	1	2	3	4	5	6	7
Use partnerships to improve my knowledge and skills in relation to managing the motel	1	2	3	4	5	6	7

C10 Now I would like you to review the list and indicate which partnerships in Part A you would rank as the top three for you and your business.

Again I am very interested to hear any comments about each one of the above partnerships and why you rated them the way you did. Also I would be keen to hear whether there are any partnerships I may have left out.

Comments

Systems and Processes

C11 What key systems or processes are currently used in your motel?

Probe:

- Can you give me some examples?
- Why do you have these systems or processes?
- How were these systems or processes developed?
- Who uses these systems?
- How are they communicated to others?
- How are they checked to make sure they are followed correctly?

(*SHOW CARD F*) Considering CARD F, are there any particular systems or processes that you employ in your business? Could you please indicate how often you use the following systems and procedures?

CARD F

	Never used or don't have	Used now and then	Used annually	Used quarterly	Used monthly	Used weekly	Used daily
Manual systems for							
Accounting	1	2	3	4	5	6	7
Reservations	1	2	3	4	5	6	7
Customer tracking	1	2	3	4	5	6	7
Computerised systems for							
Accounting	1	2	3	4	5	6	7
Tracking prices	1	2	3	4	5	6	7
Reservations	1	2	3	4	5	6	7
Customer tracking	1	2	3	4	5	6	7
Procedures for							
Daily routines in office	1	2	3	4	5	6	7
Daily routines in restaurant or kitchen	1	2	3	4	5	6	7
Laundry and housemaids (cleaning)	1	2	3	4	5	6	7
Maintenance	1	2	3	4	5	6	7
Change of shifts	1	2	3	4	5	6	7
Complaints	1	2	3	4	5	6	7
Ordering supplies	1	2	3	4	5	6	7

C13 Now I would like you to review the list and indicate which systems you would rank as the top three for you and your business.

Again I am very interested to hear any comments about each one of the above systems and processes and why you rated them the way you did. Also I would be keen to hear whether there are any systems or processes I may have left out.

Comments

PART D Management Practices and Related Measures

D1 Finally, we are going to consider how the various management practices relate to the measures used to assess business performance in a small motel? (*SHOW CARD G*)
Considering **CARD G**, are there any particular financial or non-financial checks or measures that you would say are good ways to assess activities in each area.

CARD G

MANAGEMENT AREA	Checks and measures used to monitor and assess how well the activities are carried out in these areas
Strategy development and business planning	
A stakeholder approach to running the business	
Effective staff management	
Partnerships or relationships with external organisations	
Defining systems and processes	

Probe: How do you go about this review process? How often do you do these things?

Part E General Questions

E1 Are there any issues you wish to raise or any other comments you would like to make?

Thank you for your time and valuable input.

Appendix B: HOW THE CONJOINT MODEL WAS DEVELOPED

This component of the study details the approach used in collecting data from the experts and the conjoint analysis employed to develop a typology for small motels.

Firstly, the data was collected from the eight expert reference panel members about the common characteristics that would best describe a small motel for the purposes of performance comparisons. To start with examples of possible groupings and sub-groupings were drawn from the literature for the experts to reject, confirm or modify. The final list of the groupings and associated sub-groupings gathered from the interviews are listed in the first column of Table B-1. The interviews identified eight groupings which included: number of rooms, number of employees, location, star rating, age of business, ownership type, facilities and marketing affiliation. Of these eight, convergence was only reached on four of the groupings, namely, number of rooms, star rating, marketing affiliation and facilities (that is presence of a restaurant). The 'number of employees' grouping was mentioned by six of the experts but in four instances the expert could not say whether it was the actual number of employees or the way in which they were employed was a determining factor for defining a common type of small motel. There was also disagreement on the importance of the 'location' grouping. This grouping was defined in two ways – as site location and geographic location. Site location referred to where the motel was positioned within the town/city and geographic location refers to where it was located within the metropolitan or regional areas. Again there was little agreement about how important this grouping was in determining a small motel type. The age of the business was raised by half of the experts; however, there was little agreement neither as to whether the age of the property could affect performance nor on how motels could be grouped by this characteristic.

Table B-1 **Matrix of convergent interview data relating to a small motel typology**

Groupings and possible sub-groupings for small motel types	1	2	3	4	5	6	7	8
Room number ranges								
1 to 19, 20 to 49, 50 to 99, 100 rooms and over	x	x	NM	NM	NM	NM	NM	NM
Less than 10, 10 to 15, 1 to 30, 30 to 50	√	√	x	NM	NM	√	NM	NM
Up to 15, 16 to 30, 31 to 50, 51 and more	x	NM	√	√	√	NM	√	√
Number of employees								
No employees (O-M only), 1 to 5 employees (micro), 6 to 20 employees (small)	NM	x	NM	NM	NM	NM	NM	NM
O-M plus 2 to 3 casuals owners plus permanent PT & more casuals; owners less hands on & moving to management	NM	NM	NM	√	NM	NM	NM	√
Less than 3, 4 to 10, more than 10	NM	√	NM	NM	NM	NM	NM	NM
No employees O-M operated, O-M plus casuals, O-M plus FT staff and casuals, owner employs full-time manager	NM	NM	NM	√	NM	√	√	NM
Manner in which the O-M is employed	NM	√	√	√	NM	√	NM	NM
Geographic location categories								
Site location	NM	NM	NM	NM	NM	NM	√	√
Metro, regional, suburban & connection to tourist attraction	NM	NM	NM	NM	√	NM	NM	NM
Metro CBD, suburban, regional centre, rural & remote	NM	x	NM	NM	NM	NM	√	NM
Metro, regional, resort	NM	√	x	NM	NM	x	NM	NM
Metro, regional	√	NM	NM	NM	NM	√	NM	NM
Metro, regional, coastal	NM	NM	√	x	NM	x	NM	√
Star rating groupings								
1 to 5 rating	NM	NM	NM	NM	√	NM	NM	NM
Less than 2 1/2, 3 to 3 1/2, 4 and 5,	NM	√	NM	√	NM	√	√	√
Age of property categories								
Less than 10, 10 to 30 yrs, older than 30 yrs	NM	NM	NM	x	√	NM	NM	NM
Less than 10, 11 to 20 yrs, 21 plus	NM	NM	NM	√	NM	NM	NM	NM
Less than 2 yrs (start up), 2 to 5 yrs (young), 6 to 10 yrs (developing), older than 10 (mature)	NM	√	NM	x	NM	NM	NM	NM
Less than 5 yrs, 5 to 10 yrs, 11 plus	NM	√	NM	x	NM	NM	NM	NM
Ownership types								
Group versus individual	NM	NM	NM	NM	√	NM	NM	NM
Part of a group or chain, stand alone, franchise	NM	x	NM	NM	NM	NM	NM	NM
Sole manager or partners versus silent O-M	√	NM	NM	NM	NM	NM	NM	NM
Leasehold versus freehold	NM	√	√	√	NM	√	x	x
Facilities								
With or without restaurant	NM	√	x	x	NM	√	√	√
With restaurant or with kitchen for breakfasts or with room service only	NM	NM	√	x	NM	NM	NM	NM
Marketing affiliation								
Affiliated to a marketing group or not	NM	√	√	x	NM	√	√	√

Key: √ = confirmed as relevant x = disagreed with relevance NM = not mentioned

Finally, although nearly all the experts mentioned ownership type there was disagreement as to whether having leasehold or freehold arrangement would affect

performance or be an important means of grouping motel types. There was a shared view that a good operator could manage a motel well whether it was leased or not. However, there were comments made that operators may start out in the industry as a lessee and then with success would more likely progress to owning a motel freehold.

On the other hand, nearly all of the experts agreed that number of rooms, star rating, facilities and marketing affiliation were all important groupings to consider in classifying small motels as they were related to how a motel could perform and were therefore important in performance comparisons. Furthermore, there was also convergence across various sub-grouping classifications. As a result of the convergence these dimensions were considered to be key to developing a small motel typology. The groupings and sub-groupings, as summarised in Table B-2, were included in the conjoint questionnaire for further validation.

Table B-2 **The small motel classification types with their sub-groupings that emerged from the convergent interviews**

Classification or grouping	Sub-grouping or range
Number of rooms	1 to 15, 16 to 30, 31 to 50, 50 plus
Star rating	Up to 2 ½, 3 to 3 ½, 4 to 5
Marketing affiliation	Affiliated or not
Facility	Presence of a restaurant or not

Conjoint analysis. Reliance on the convergent interviews was not sufficient to provide a typology for small motels in Australia. Although the views' of the expert panel members converged on four characteristics, the importance and relevance of each sub-grouping in defining a type of small motel was not determined. Therefore, conjoint analysis was selected to confirm and validate the characteristics. The factors and levels identified in the convergent interviews as presented in Table B-2, were entered into SPSS to generate a set of full profile descriptions and to allow for the estimation of the orthogonal main effects of each factor. The conjoint model generated is shown in Table B-3.

Table B-3 **The conjoint model showing each factor and their various levels used for defining a typology for small motels.**

Factor 1 – Number of rooms	Factor 2 – Star rating	Factor 3 – Marketing affiliation	Factor 3 – Presence of a restaurant		
3) 31 to 50 rooms	1) Up to 2.5 star	2) Affiliated	1) Have Restaurant	Design	1
3) 31 to 50 rooms	3) 4 to 4.5 star	1) Not affiliated	2) No Restaurant	Design	2
2) 16 to 30 rooms	1) Up to 2.5 star	1) Not affiliated	2) No Restaurant	Design	3
3) 31 to 50 rooms	2) 3 to 3.5 star	1) Not affiliated	1) Have Restaurant	Design	4
2) 16 to 30 rooms	3) 4 to 4.5 star	2) Affiliated	1) Have Restaurant	Design	5
2) 16 to 30 rooms	2) 3 to 3.5 star	1) Not affiliated	1) Have Restaurant	Design	6
1) 1 to 15 rooms	2) 3 to 3.5 star	2) Affiliated	2) No Restaurant	Design	7
1) 1 to 15 rooms	1) Up to 2.5 star	1) Not affiliated	1) Have Restaurant	Design	8
1) 1 to 15 rooms	3) 4 to 4.5 star	1) Not affiliated	1) Have Restaurant	Design	9
1) 1 to 15 rooms	1) Up to 2.5 star	2) Affiliated	1) Have Restaurant	Holdout	10
1) 1 to 15 rooms	2) 3 to 3.5 star	2) Affiliated	1) Have Restaurant	Holdout	11

Overall, there was a total of 11 treatments or scenarios. These scenarios formed the basis of a questionnaire, which was distributed to the expert reference panel members for their rating. Clear instructions were provided which asked the respondent to rate each treatment on a scale from one to nine, where one represented ‘very uncommon’ and nine ‘very common’. The rating related to - *How common is this type of small motel in Australia? (Or how likely it would be to exist?)*. On return of the questionnaires, the results of the rankings were entered into SPSS for analysis. The summary of the analysis is presented in Chapter 5 - Section 5.2.1.

Appendix C: ANALYSIS OF THE DRIVER COMPONENTS

In this appendix the analysis of the data gathered from the experts about each of the driver components of the PMS model is detailed. The components include, stakeholder and owner-manager wants and needs; strategy formulation; capabilities; and processes.

Stakeholder and owner-manager wants and needs

The experts provided detail about the stakeholders important to small motel operations. A number of stakeholders were identified who impact upon and are influenced by the small motels operation. The stakeholders included, the customer, the local community, the employees, the marketing affiliate, the financial institution, the accountant and the landlord. Based on the interviews the most important stakeholder was the customer, followed by the community and the employee (referred to as staff). Not only were views on stakeholder importance obtained but also what the experts understood to be their ‘wants and needs’ and well as the specific ‘wants and needs’ of the owner-manager. Importance was measured by the number of times a particular stakeholder was mentioned, as well as by the context in which they were mentioned. The most important stakeholders together with the experts’ views on their wants and needs are summarised in Table 1. The wants and needs were explored throughout the interviews from two perspectives, as highlighted in Table 3.8, Chapter 3. These perspectives included the wants and needs of the stakeholders themselves and the motel owner-manager’s expectations in relation to each stakeholder. The data gathered in relation to these two perspectives are shown in columns three and four of the table.

Firstly, analysis of the data suggests that all of the experts view the *customer* as the most important stakeholder. The term ‘customer focus’ was used frequently by all experts during the interviews and in most cases was considered to be a key influence in strategy formulation and product and service design. As shown in Table C-1, the

customers have a number of wants and needs, including friendly and efficient service, value added service, care and attention and to be made special (that is, to be treated as a guest). On the other hand, all of the experts acknowledged that in meeting the customers' wants and needs the business should also benefit. Most of the experts stated that the key need of small motel operators, in relation to the customer is repeat business, referrals, information about the market and feedback to improve the business.

Table C-1 **Experts' views on the stakeholders' wants and needs**

<i>Type of stakeholder</i>	<i>Mentioned by experts</i>	<i>Stakeholder want and need</i>	<i>What the owner-manager expects of the stakeholder</i>
The customer	All	Efficiency in service Friendly service Made to feel special (treated like guests and not just customers) Care in the provision of product/service Opportunities to air views (give feedback). Value added service Quality amenities	Repeat customers New customers Referrals (an ambassador for the motel) Feedback to improve processes Information about the market
Local community (e.g., councils, large businesses, social groups, other motels)	All	A good product or service for visiting friends and relatives (VFR) and work colleagues Shared community values and involvement in community activities A good venue for holding events Discounts	Referrals to friends and work contacts Use of restaurant and facilities Information about the market and the industry
Employees	All	Responsibility (empowerment) Rewards for effort (salary, celebration) Respect Inclusion Good communication Suitable rostering Training and support Opportunities for feedback and input into business. Time and attention	Skilled and knowledgeable staff who can meet the wants and needs of customers (attitude, dress, professionalism, efficiency) Ideas for improvement Referrals and loyalty Low turnover rate Information on customers

Marketing Affiliate	6	Membership Financial success (if motel is a franchise)	Referrals to their motel. Management advice. Market knowledge Lobbying support
Financial entity	2	Good future prospects Payments on time	Access to borrowings. Good service and understanding.
Accountant	2	Regular business from the owner-manager across a range of their services	Interpretation and advice regards financial data. Help with taxation.
Landlord	2	On-time payment Fulfilment of contract	Upkeep of buildings and assets Support and understanding of changing needs

Also mentioned by all the stakeholders was the *local community* in which the motel operates. In developing a relationship with the community all the experts believed that a good motel operator engaged with the community. In most instances, particularly in country towns, the experts believed that the community wanted to know that the operator shares their values. One of the experts stated that giving discounts or providing the motel's amenities to the community helped the business. 'Good operators provide their property as a community venue, when able to. Such as hosting a community event.... and thus become and be seen as part of the community' (E8). It was also stated as important that the motel provide a product and service in line with the needs of the local community. Referrals to family, friends and work associates were a good way of knowing that the community valued the motel. In return the owner-manager wanted not only referrals but also use of the motels amenities, as well as access to important market information from businesses and residents in the community.

The *employee* was also seen as an important stakeholder. All of the experts stated that employees are important stakeholders because they have direct contact with customers and can affect customer service. All of the experts had views about the employees' wants and needs. These wants and needs included the need for rewards, recognition, good communication with the operator, respect and suitable rostering. Although to be involved in the business was mentioned by three of the experts, three other experts believed that in small operations this was not important. A view shared

by a number of the experts was that the wants and needs of cleaning staff are different to the wants and needs of the reception staff, who have different skills and more direct contact with customers. One of the experts believed that motel owner-managers didn't always consider the wants and needs of staff and in particular those of the cleaning staff. He also expressed the view that the value of staff varied with the size of the motel. 'The staff element is sometimes overlooked. Owner-managers don't care much about cleaning staff. Staff become more important in bigger motels' (E3). This expert also went on to say 'it is OK to be all lovey dovey about your employees but if you don't make any money its not much use.' Despite some differences there was general agreement amongst the experts that meeting the wants and needs of staff was important. In recruiting staff the experts believed that the owner-manager pursued skilled and knowledgeable staff and once staff were employed the owner-manager wanted loyalty, which is demonstrated by referral to family and friends; honest feedback on customers (as the staff are close to customers) and information about improving the business. Getting valued staff to remain with the business (that is, a low staff turnover) was a key reason why three of the experts believed that good owner-managers are concerned with employee satisfaction. Given that three experts only shared this view it may not be an important issue.

The next stakeholder identified by six of the experts was the *marketing affiliate*. However, the marketing affiliate was only significant if the motel saw value in relation to referrals received and management advice given to the owner-manager. The influence of the affiliate on a motel's strategy was dependent on the relationship. For instance, firms that were part of a franchise had to achieve specific financial outcomes, which affected the goal setting and processes of the firm. Examples of key marketing affiliates included, Best Western, Budget, Golden Chain and Choice.

The *bank* (or other financial institutes), the *industry association*, the *supplier*, the *landlord* and the *accountant* were less important as they were mentioned by only two experts. It seemed that the financial institution (or bank) was only relevant for those operators who relied on financing. Banks were less of a concern to those motels that had little or no borrowings. Additionally, the accountant was not generally seen as

important to the business operation if used only for taxation purposes. Finally, the landlord was seen as a key stakeholder for owner-managers of leased motels. The management of this relationship was viewed by two experts as important to daily operations and it could potentially be problematic, particularly in relation to getting them to assist with maintenance or upgrade of the motel. Therefore, leasing of a property can affect the motel's strategy and goal formulation.

Strategy formulation

The general view of the experts was that strategy formulation is the initial driver of performance outcomes and is therefore an important component of good performance management. Table C-2 provides a summary of the expert reference panel member responses to questions about strategy formulation. This summary includes all responses about strategy formulation and relate to why, how, when, where and what strategy was formulated, as well as the problems and good practices of each.

Firstly, from this summary it can be seen that there are a number of reasons *why* strategy should be formulated. These responses isolate the importance of the achievement of desired business and personal outcomes, as well as good management practices, such as determination of employee roles and proactive management. According to the experts, one of the key problems with the small motel sector is that planning is not often undertaken. If it is carried out it is usually by the 'better' operators. In these cases strategy formulation, or business planning, which is the term commonly used by the experts, is largely determined by the owner-manager's aspirations as well as the financial institution requirements.

Table C-2 A summary of the expert panel views on strategy formulation in small motels

	Good practice	Problem
<i>Why is strategy formulation carried out?</i>	<p>To determine the business and market direction and goals for the operation.</p> <p>To help understand the industry.</p> <p>For personal and business success.</p> <p>To determine roles of employees.</p> <p>To plan steps and stages towards goals.</p> <p>To ensure pro-active rather than reactive management.</p>	<p>Only formalised because the financial institute demands it.</p>
<i>How is strategy formulation carried out?</i>	<p>With alignment to the motel's financials (budgets) and processes.</p> <p>With objectives clearly defined.</p> <p>With directions set out in a short and simple manner.</p> <p>Guided by and linked to customer needs.</p> <p>In a way that is accessible to all.</p>	<p>Not often documented.</p> <p>Often carried out without any research.</p>
<i>When is strategy formulation carried out?</i>	<p>When the business commences or is taken over.</p> <p>Done once completely and then it evolves (a plan is a working document).</p> <p>Yearly</p>	<p>Not always reviewed and modified as part of an ongoing process.</p> <p>Done only for financial institute's request.</p>
<i>Where is strategy formulation carried out?</i>	<p>In successful motels and at the owner-managers instigation.</p> <p>In external support agencies when internal expertise is lacking.</p>	<p>Planning is not a common practice in many small motels.</p> <p>Expert advice is not sought when needed.</p>
<i>What is done when strategy is formulated?</i>	<p>A vision and a mission are developed along with how to achieve them.</p> <p>Simple research of the market is carried out and decisions are considered carefully.</p> <p>Advice is sought from experts.</p> <p>Standards and measures are identified to monitor objective achievement.</p>	<p>Done without a great deal of research.</p>

According to the experts *how* the plan is developed was also essential to successful motel operation. Rather than developing the strategies as a list of owner wants and needs the plan should have clear objectives, be aligned to the financials and should also guide the development and implementation of the business processes.

A business or a marketing plan is very important, as you cannot understand roles without having some plan in place. You need to outline what you want to do and achieve, how you are going to get there, have the steps along the way all set out (E5).

Overall, there was a shared view amongst the experts that strategy formulation should be documented but need not be complex and that in fact simple, concise and accessible plans are more appropriate for small motel operations.

The data gathered from the interviews also indicated *where* and *when* strategy was formulated was of considerable importance. The better small motel operators formulate strategy either on commencement of a new business or the take over of an existing business. Strategy formulation is often used to clarify the needs of the key stakeholders and their role in the business. Although the stakeholders influence the strategy formulation process, according to most of the experts interviewed in this study, it is the customer (as the key stakeholder) and their wants and needs who have the most influence in strategy development. *When* strategy formulation and review occurs is also an issue in small motels. In most instances the experts believed that review is not regularly undertaken and if so it is often informal. Additionally, undertaking planning because of external pressure was not seen as a positive reason for engaging in planning. It was the view of some of the experts that planning in small motels should be an ongoing process and that the plans are a living document. 'A strategy is something you do once, you can't keep developing a marketing strategy but you can keep it evolving. That is, a business plan evolves; it is a working document, not a financial plan' (E8).

Finally, the *what* aspect of strategy formulation is related to good practice. According to the experts a good plan includes a vision and a mission together with key objectives and actions or strategies for their implementation, which are determined by simple market research. Furthermore, most of the experts agreed that good operators include a limited list of carefully selected standards and measures in order to monitor the achievement of the stated objectives. The plan may have personal goals as well as business goals. 'The business plan is for your own personal success but you must think of

profit when in a business.’ (E8). However, an issue is that some owner-managers develop a plan without research or expert advice.

Capabilities

The experts identified a number of capabilities specific to small motels. As identified in Chapter 3 the capabilities construct of the model is best discussed in relation to the physical resources, or in this case the *product* (for example, buildings, gardens, equipment and materials); and *service* (that is, the efforts and abilities of the people). The summary of key capabilities relating to small motels, as identified by the experts, is provided in Table C-3.

Table C-3 Small motel capability features

	E1	E2	E3	E4	E5	E6	E7	E8
PRODUCT								
Type and age of product (building, amenities and garden)	√	√	√	√	√	√	√	√
Extent and type of facilities	√	√	√	√	i	√	√	i
Location	√	√	√	√	√	√	√	√
Equipment and materials	√	NM	NM	√	√	√	NM	√
SERVICE (People – skills, knowledge and attitude)								
Staff and O-M customer relationship skills, knowledge and attitude	√	√	√	√	√	i	√	√
O-M business management related skills, knowledge and attitude	√	√	√	√	√	√	√	√
Staff and O-M Technical skills, knowledge and attitude	√	√	NM	√	√	NM	i	NM
Multi-skilled	√	NM	NM	NM	NM	i	i	NM
Landlord contribution	√	NM	√	√	X	√	i	NM
External people contribution	√	√	√	√	√	√	√	√

Key: √ = confirmed as important

i = implied as important

X = disagreed with importance or relevance

NM = not mentioned

The product

Firstly, *the product* refers to the buildings (including reception, rooms and restaurants/kitchen and laundry); the gardens; the facilities/amenities; the location; and the equipment and materials owned or leased by the small motel. The *product* has four features - ‘type and age of product’; ‘type of facilities’; ‘location’; and ‘equipment and materials’.

The facilities. In particular, the appearance of the property and the presence of key facilities (including, television, air-conditioning, computer and internet access, tea and coffee making) were mentioned by all the experts as very important to business results. This view is exemplified by the quote - ‘Pivotal to performance is the presentation of the property and provision of facilities and amenities that the market or consumers seek. That is, getting the product presented well or appropriately’ (E 6). In addition, two basic but frequently mentioned facilities were ‘a comfortable and clean bed’ and ‘good car access close to the rooms’.

Age of product. The age of the building and its décor were seen to have an impact on performance and needed to be considered either in the purchase of the property or in on-going upgrade and maintenance. ‘A high performing motel would have an ongoing minor refurbishment plans. For example, it would replace beds, bed spreads and carpets every five to 10 years. Major refurbishment relates to pulling out bed-heads, and so on, and would not be done as often’ (E1).

Location. The location of the product (the motel) was seen as an important capability but was viewed in a variety of ways by the experts. As mentioned earlier, location was interpreted as the geographic location (defined as, coastal, metropolitan or regional), as well as the site location (that is, positioning in the town, or to transport hubs or tourist attractions). However, it was the site location that was seen as an important capability consideration.

‘Location is a very important aspect. Location is more about the site of the motel and not its geographic location. Location here is about out of town location compared to

in town (in regional areas). A location that is too central can be a problem for signage. The fringe areas are better.' (E1).

A second expert also stated that - 'Geographic location is less important. I think of location in terms of site location (on main road or CBD area). This is more important as it determines market and supply. The dynamics of small business shouldn't change with location' (E8). It is also interesting to note that the PMS model for small motels was seen by one of the experts to be relevant for all small motels, regardless of location. 'This model can be used for all motels in all areas because in the CBD location costs are greater, which is reflected in room costs but the percentage costs or components as per the model should be the same' (E 8).

Equipment and materials. Finally, in regards to equipment and materials the experts frequently mentioned the need for a good computer management system in the office. This system is needed to support the administration activities, particularly in the larger small motels. In fact it was believed that most small motels today could not operate effectively without these systems.

The service

The *service* aspect includes the people who deliver the service – the owner-manager, the staff, the contribution of external people (includes marketing affiliates, the community and business support providers) and the contribution of the landlord (for leased properties). All the experts shared the view that small motels need an owner-manager and staff with *customer relationship* and particular *technical* skills and knowledge. In addition the owner-manager also needs *business management* skills, knowledge and attitude. One of the most important aspects relating to skill, knowledge and attitude is the need to be people focused. 'The characteristics of the owner manager are key success factors for good business performance. Good operators are people that like and are good with people. People-people are crucial' (E7). It was mentioned that customers who travel regularly want to feel comfortable and to know the people who are looking after them; therefore, the capacity of the owner-manager to build customer relationships is central to the business. This means

that 'areas such as upkeep, quality of employees and financial structure need to fit the market and the customers experience. It is the quality of the employee the operator looks for' (E8).

Although all the experts shared the same view about the importance of having the 'right' staff some of the experts believed that the reception staff are more important than other staff as they directly affect first impressions, customer satisfaction and business profits.

Cleaning staff are neglected as they are easy to get A professional reception is needed. In particular, how it looks, attitude of staff and presence of procedures. Performance could be measured by the way people are received and treated on departure from the motel. You would also look for how the staff dress, their business approach and their professionalism (E3).

Staff management. In regards to the owner-manager's business management skills one of the common areas mentioned related to staff management; as the human resources are central to the business. Although some experts believed that having happy staff might not translate into good business there was a shared view that staff satisfaction, determined by effective staff management, produced good business outcomes.

The happier the staff then the more likely that everything will tick along well. It is important to show respect and take time to speak to staff. Make them feel important. Pay them properly. This doesn't mean you are 'soft'. These are all good management skills (E3).

The value of external relationships. External relationships with people or organisations provide additional capabilities that the small motel does not have. According to the experts, the accountant or the marketing affiliate provide financial expertise and access to market knowledge. Yet, it is only the good operators who

know how to develop external relationships effectively. 'Small motel owner-manager involvement with affiliate groups is poor. The good operators are involved. You can build success by mixing with other Best Western operators, for example' (E1).

Lastly, although not a concern shared by all the experts, there was comment that the landlord has a strong influence on the business. For this reason developing a good relationship with landlord is an issue for those owner-managers who lease the motel. This relationship is important for ongoing support in running the motel. According to one of the experts - 'The landlord is important to the leasing arrangement. Relationship management is important here..... which is not easy. A book is needed on managing the landlord. The key problem is that often landlords won't spend money (on property maintenance)' (E3). It was highlighted that the lack of support from the landlord can confuse levels of responsibilities. For example, what are the landlord's responsibilities for maintenance of the building and gardens? According to one of the experts the issue of landlord management is a common concern amongst operators, as many start in the industry by leasing a property and it is only after years of experience that they are able to purchase their own property.

Summary

In summary, there was consensus amongst the experts on most features of the product; however, there was variance with the service dimension. The service focused aspect (for delivery of the service), confirmed as important were customer relationship ability and management skills of the owner-manager. However, there was inconsistent agreement about the importance of staff technical abilities, multi-skilling and landlord contribution

Processes

Processes are a collection of tasks and activities that together transform inputs into outputs. Processes can be both *operational*, which creates, produces and deliver products and services that customers want, and *administrative*, which do not produce outputs for customers but are still needed for the running of an organisation. The process facet, as described in Chapter 3, is closely linked to the capability facet (the

people and physical resources). Each single process has many components and requires the presence of several capabilities. The *non-financial results* or outcomes of service and product delivery are guided and controlled by established processes, which are measured by quality, quantity, time, ease of use and money (cost, price and value). The processes also determine the output of *financial results* (profit, sales growth, and ROI) of the motel.

In Chapter 3 the ‘processes of a small firm’ were described according to the four categories identified in the Performance Prism (Neely et al. 2002). These categories include development of products and services; generation of demand (sales and marketing); fulfillment of demand (product and service delivery); and planning and managing the motel. The data gathered from the experts regarding a small motel’s processes were collated and summarised according to these four categories. The summary is presented in Table C-4. As can be seen each of the four process categories include a number of practices and activities, which are discussed below.

Process 1 - planning and managing the motel

Firstly, processes related to **business strategy and policy development** include pricing, bookings and cancellations, handling complaints, supplier usage and enquiries, however, they are not usually explicit in motels. It was noted that in developing these plans the activities were not formalised, however, their importance was recognised and seven of the experts agreed that policy development should be undertaken to guide the development of systems and processes. Yet, most of the experts indicated that this approach was not employed in all small motels. Policies in small motels are most likely address pricing, bookings, cancellations and complaints. The process for developing these documents is driven by the owner-manger and may, at times, include key staff. The communication of strategy and policy to staff is most likely via verbal communication or a simple one-page document.

Table C-4 **Processes important to the operation of a small motel**

Process Categories	Process practices and activities
Planning and managing the motel	<ol style="list-style-type: none"> 1. Business strategy and marketing planning and policy development (pricing, bookings and cancellations, complaints, suppliers, enquiries) 2. Staff management <ul style="list-style-type: none"> - Recruitment and employment agreement - Salaries and rewards - Employee relations (communication, motivation) - Training - Monitoring 3. Financial management (accounting, budgeting, monitoring) 4. Operations management <ul style="list-style-type: none"> - Quality management - Monitoring business performance 5. Information management <ul style="list-style-type: none"> - Development and management of information systems - Exchange of information 6. OHS and environmental management 7. Stakeholder relationship management (bank, community and local government) in order to meet legal and financial compliance requirements
Fulfillment of demand (product and service delivery)	<ul style="list-style-type: none"> • Practices and routines for office, rooms, restaurant/kitchen and garden- <ul style="list-style-type: none"> - Rostering and schedules - Bookings and enquiries - Payment collection, book keeping and banking procedures - Food and beverage provision, including kitchen for breakfasts and restaurant activities as well as food handling - Start of day and shut down - Cleaning and laundry • Customer service delivery (communication, attitude) • Information systems <ul style="list-style-type: none"> - Computerised reservation system - Office management system (tracking occupancy rate, average tariff, customer feedback) - Accounting system - manual versus computerised (e.g. MYOB) - Customer management system - Assets register system • Supply management (planning, ordering, supplier relationship, accounts payable)
Development of products and services	<ul style="list-style-type: none"> • Market research • Market and product development • Building, renovation, maintenance and upgrade planning and implementation
Generation of demand (sales and marketing)	<ul style="list-style-type: none"> • Marketing and sales planning and implementation • Analysing market information • Define target market • External relationship development • Customer relationship activities • Monitoring customer needs and satisfaction

Examples were given of how policies might be developed. Pricing policy development was mentioned in reference to matching tariffs to what the customer is prepared to pay for the small motel product. The development of price structure is

based either on knowledge drawn from past experience of the owner-manager or from a trial and error process.

Once you define your customer you can determine what price they will pay. You can then build your tariffs around this. Tariffs can shift – but you need to be able to hold your rate. This is why it is important to build a customer base. You want to have customer who know that they are buying an experience and they know its value. It is the repeat customers who know the value of the accommodation that is the core to the business and stable tariff rates and hence profitability. If a particular motel meets their needs, they will want to come back (E8).

(2). Staff management processes and practices are very important to the small motel's operation, but for many owner-managers it is the most daunting aspect of running the operation. In small motels staff management practices include practical issues such as recruitment, salaries and rewards, employee relations, training and monitoring. It also includes the less tangible concepts of culture, motivation, communication and empowerment. Although these concepts can be quite complex more than one of the experts emphasised that staff management in small motels is informal and lies within the owner-manager's domain. For example, communication is usually demonstrated by basic practices such as informal staff meetings and personal conversations. Empowerment relates to giving responsibilities to individuals; the provision of training; and respecting and trusting staff ability to carry out tasks. Above all, the mostly frequently mentioned practices by the experts relating to staff management were recruitment, training and monitoring.

Recruitment was generally discussed in terms of finding the right 'people focused people'. This process is driven by verbal recommendations or family contacts. Monitoring is often undertaken informally, usually by observation and conversation, as indicated in the following quote.

I would talk to staff to find out how much time is spent cleaning each room and I would check rooms to see how well they have been cleaned. I would also watch them to see if they are nice to people when they walk in (E1).

The experts also indicated that education and training of staff is valued, however, it is usually provided in an informal manner. Most of the training in the motels is done in-house, however, some owner-managers may send staff on various training courses. Although external training does not seem to be a common practice amongst small motels the good operators who are adopting new technologies understand the value of 'reinvesting in people'. It appears that computer training is more common than other type of training. The capacity for in-house training in small motels is limited and often relates to the owner-manager or existing cleaning or restaurant staff training new staff in daily routines. One of the experts drew attention to the possibility that formal or external training is not often done because of the small motel's lack of resources as well as a lack of training providers in regional areas.

Training resources, especially in country areas is an issue. It can be hard to find people with relevant experience thus you are having to employ people and take the time to train them which could be an issue for a lot of small motels (E5).

Thirdly, all of the experts mentioned the significance of a small motel having **financial management** capacities and processes and its importance to success. In these firms the owner-manager usually takes responsibility for financial management. The experts emphasised the need for the owner-manager to engage in simple, regular practices that help monitor the operation's financial viability.

... on a weekly basis you need to know who stayed (market and sales analysis), length of stay and where they spent money. Then this is used in the business plan on a monthly basis to see how the business has performed and thus creating a cost analysis (E8).

The better motels use computerised accounting or management systems for managing finances, which is discussed later in this section.

According to the experts the **operations management** of a small motel refers to quality management and the monitoring of business performance. The results suggest that quality refers to both the product and the service and starts with the condition of the property and then is addressed in the maintenance and upgrade practices, whilst quality service management is driven by staff management practices, as discussed earlier. Quality staff management is largely driven by staff management practices; the abilities of the owner-manager; and the design and implementation of policies and processes. Specific quality related processes (such as ISO 9000) do not exist to guide quality management; instead the implementation and careful review of day-to-day operational processes seem to be sufficient to ensure the delivery of a quality product and service.

All the experts agreed that monitoring should involve both financial and non-financial measures. The monitoring of performance in small motels is largely based on internal activities undertaken by the owner-manager and the staff. And include, tracking of weekly and monthly sales, expenses and profit, and involve historical comparisons to last month or last year. The monitoring of performance is not a difficult process but is more complicated if the motel has a restaurant. However, three experts also mentioned the need to have processes in place that allowed comparisons beyond the business to review tariffs and assess occupancy rates with competitors. One expert referred to the need to benchmark specific key performance indicators.

A motel may want to measure their business against others in the same market, offering the same or similar product. To do this you would use measures such as occupancy rates (not always the best measure), repeat customers, referrals, referred business and people inviting you to advertise with them. All of these suggest that you are doing the correct things (E5).

Five of the experts also mentioned the importance of a computerised management system in assisting the monitoring process. Two aspects of **information management** are the development of management information systems and exchange of information amongst stakeholders. Unprompted responses from six of the eight experts focused on the value of computerised management systems as good practice in the management of information and to support the monitoring of the business, as

discussed above. In fact, one expert believed that the use of computerised systems for bookkeeping as opposed to the use of a simple ledger system distinguishes a good business from the lesser successful ones. Based on the detailed comments of one of the experts (E1) these systems provide data on customers (segmentation, occupancy rate, average room rate); and finances (takings and expenses by breakdown according to food, beverage and rooms). Usage of such systems depended on the business experience of the owner-manager and the size of the motel.

In small motels exchange of information is usually done by personal contact, face-to-face and in writing. Such exchanges vary according to the role of the staff member. Based on the experts comments most owner-managers share information verbally as 'not a lot is written down in small motels' (E1). However, four of the eight experts indicated that the lack of written information can be a problem as written information can provide instructions for procedures, define work expectations and inform of changes and progress.

Next, **occupational health and safety (OHS) and environmental management** are aspects of the processes related to planning and managing a business, however, in this research there was no mention of these areas nor of related processes.

Finally, **stakeholder relationship management** refers to meeting the legal and financial compliance requirements in delivering the product and service, however, the experts made little mention of explicit processes related to the management of stakeholder relationship, other than the customer. The management of stakeholder relationships seems to depend on the skills and tacit knowledge of the owner-manager. The management of customer relationships was mentioned by seven of the eight experts, whilst six experts mentioned management of the community and affiliate relationships. Systems for the management of the customer relationship referred to four areas - the use of a regular customer survey or feedback process for data collection; the use of computerised systems to store and manage customer information; and regular review of the information to assess key indicators of change (such as extent of negative feedback or loss of repeat customer). The marketing affiliate can play a key role in the establishment and use of customer relationship management processes. The value of the affiliate and ability to engage with the

community was also determined by the motivation and interpersonal skill of the owner-manager. Therefore, formal and structured processes for these interactions did not seem to exist.

Process 2 - Fulfillment of demand (product and service delivery)

Given the responses of the experts it appears that the ‘fulfillment of demand (product and service delivery) category’ is the area where owner-managers devote most time. As summarised in Table 4, product and service delivery is guided by systems and procedures, which are generally present in the front office or reception. However, **procedures (or routines)** are also important for supplying, cleaning and maintaining the rooms, kitchen/restaurant and the garden. According to the experts, the main reasons for developing and implementing processes within the motel were to conduct business in an efficient and consistent manner to ensure the desired outcomes for the stakeholders and the business. Many of the experts indicated that the owner-manager, using a ‘trial and error’ approach, undertook the development of the processes. Although the processes employed in small motels are usually informal and simple there was general agreement amongst the experts that they are important and should be documented for staff use either by using cards or simple instructions.

It is important to write down systems and procedures in some way. One-pagers are good and even photos help. One-pagers are good for laundry staff and housemaids and are particularly important for new staff. Systems also help the night staff and breakfast staff to do their jobs and assists with smooth shift changes (E1).

Processes such as computerised systems are very important, especially in the office. These processes are important to establish routines. Written manuals are important for staff to know what they are doing. They help if you have to cover for absent staff, they ensure the same processes are followed (E5).

One expert stressed the importance of accounting systems and processes to monitoring and guiding the performance of the motel.

If motels don't have good (accounting) systems and processes they will never really know how they are performing. If they don't have these systems it may be some time before they actually pick up any problems. The accountant can provide them with good advice, but this is only based on what's happening in the business. If the data provided to the accountant is lacking then there is a problem. This can be common with people who are new to the industry or have little knowledge of motels (E5).

There was also some suggestion that processes become more complex and formal in the larger motels. For example, it was stated that computerised reservation systems are a low priority and may not even be needed in smaller motels (E4).

Customer service delivery related to communication, attitude, professionalism and responsiveness all relate to customer service. Processes regarding the delivery of the service to the customer, according to one of the experts, exist to ensure efficiency and to avoid inconsistencies due to people differences. 'Processes and procedures are designed so that staff changes don't affect operation' (E1). Access to affiliates and other motels provide information to help improve these processes.

Expert views on the **information systems** as processes to support the fulfillment of demand have been discussed in other sections in this Chapter. These information systems include, office management systems or customer management systems for tracking customer related details (that is, occupancy rate, average tariff, bookings and payments).

Supply management (planning, ordering, supplier relationship, accounts payable) refers to supplies as including food and beverage; linen, laundry and bathroom supplies; maintenance and cleaning supplies; gardening equipment and kitchen and dining utensils and equipment. The practices relating to supply management are focused on stock control and purchasing and are generally informal. Initially the owner-manager locates a supplier by 'shopping around for better prices'. Price along with quality equipment and materials are the driving forces to this activity. It seems that very few operators of small motels are involved with a

purchasing group. Sometimes marketing affiliates can provide advice on supply purchasing. 'Operators use bulk buying at warehouses to reduce prices for cleansers etc. Manchester is usually bought from on-road reps. Buying groups or partners are feasible' (E1).

Process 3 - Development of products and services

The third process category of 'development of products and services' in small motels, includes, market research and market and product development, as well as renovation, maintenance and upgrade planning and implementation. Firstly, **market research** and **market and product development** were not considered to be very sophisticated in small motels. External relationships developed by the owner-manager with the local businesses and affiliates help the owner-manager to gather information about the market and gather ideas for improve operation. This is usually done by attendance at organised meetings.

Processes in this category are concerned with communicating with staff and external organisations and gathering feedback about the industry and their target market. Communication processes, such as daily contact and informal meetings with staff, are important to gathering information to assist with the ongoing improvement of the motel's product and service. According to the experts, the processes regarding the development of the small motel's products and services are about sharing information to know when to undertake upgrade and refurbishment and to understand what value added services and facilities are wanted by the customers.

Processes related to **renovation, maintenance and upgrade planning and implementation** were considered by all the experts to be essential to the development of the product. The product and the service are the key elements of a motel, therefore ongoing maintenance and upgrade is paramount.

For general maintenance housemaids are asked to note and record problems. Each day housemaids are given forms on the rooms they were to clean and to give

directions. These are also used to record problems. A maintenance book should be used to record these problems (E1).

Process 4 - Generation of demand (sales and marketing)

This category is related to **sales and marketing planning; analysis of market information; defining of target markets, external relationship development; customer relationship activities; and monitoring customer needs and satisfaction.** Without prompting the experts referred to activities relating to networking and linking with the local community in order to promote the motel and encourage local use and word of mouth referral (as mentioned previously). However, formal marketing of small motels seems to be non-existent or very informal in most small motels. Reliance on word of mouth referral was also highlighted as the most common means of marketing, along with the building of customer relationships to encourage repeat business. Sales and marketing processes related to customer relationship building in small motels include, tracking of customer, gathering data from customers and communicating with customers.

Processes need to be in place whereby, on a weekly basis, you can document who stayed (market and sales analysis), length of stay and where they spent money. Then this is used in the business plan on a monthly basis to see how the business has performed and thus creating a cost analysis (E8).

Additionally, most of the experts referred to marketing affiliations as a means of marketing a small motel. It seems that some motels align themselves with various marketing affiliates in order to link with their resources and processes as a means of attracting new business.

A marketing affiliation provides brand recognition, referral business including, recommendations from other property and direct from reservation systems, as well as training through help lines, workshops and meetings and networking with other operators (E7).

However, there are a number of issues regarding affiliations for small motels. These issues include their affordability and the value of these affiliations.

Marketing affiliations (for example, Flag or Best Western – Golden Chain) are not good at the moment. As a result, small motel owner-manager involvement with these groups is poor. However, the good operators are involved. These operators build success by mixing with other Best Western operators, for example (E1).

We couldn't afford marketing experts and we were not affiliated with any group so we entered an award which we thought might help us. In 1999 we won the Micro Business Awards (E4).

Some affiliations are more successful. Country Haven only have a directory and are not effective - no high public recognition. Budget and Golden Chain – depends on public perception of them. Small motels are usually aligned with these two. Small motels can't afford Best Western or Flag as they charge according to the number of rooms (E3).

Overall, it seems that the success of affiliations with a marketing group is dependent on the owner-manager and their selection and use of the 'right' affiliation for their needs.

Appendix D: ANALYSIS OF THE RESULTS COMPONENT

During the interviews with the experts questions were asked to identify the key measures commonly used to measure the performance results in terms of outputs and outcomes. Throughout the interviews both unsolicited and prompted responses were obtained. The key measures of results identified were both financial and non-financial in nature. The findings for the outputs and outcomes components and how they are monitored (based on expert views) are presented in this appendix.

Financial performance outputs and associated measures

Based on the data collected from the experts the owner-managers use both financial and non-financial measures to track outputs, however, the financial measures are limited to calculations of sales turnover and expenses (or profit and loss analysis) and average room rate. The room tariff is dependent on the size of the motel, the market in which it operates as well as the services and amenities it provides. Selecting the best tariff for a particular motel is not seen to be an easy task, yet it is a key driver of profitability.

When prompted further to respond to a summary list of *financial* measures used in larger businesses six of the experts indicated that the recording and comparing of monthly turnover is the most important *output* measure and net profit is the most important *business outcome* for a small motel operation. However, in achieving profitability, as the key outcome, good financial management for tracking the outputs of activity is considered to be paramount. According to the experts the management of a small motel is not ‘rocket science’ but more about using common sense. The basic principle of profit, as driven by the output measures expenses and revenues, was noted as the single most important outcome of the operation. In addition, an owner-manager’s understanding of the relationship between other aspects of the business is what underpins successful management. For example, although occupancy rate is a

non-financial measure of the health of the business it cannot be viewed in isolation. Five of the experts mentioned that the average tariff charged per room together with the non-financial measure of occupancy rate is important to yield. Therefore, the use of a combination of both financial and non-financial measurement and analysis was seen as paramount. This view is exemplified in the following quote.

Occupancy rate doesn't need to be high. You can run at 75% with a good tariff. However, 95% is not necessarily good as it affects wear and tear on the property. Occupancy rate and average tariff work together to determine profitability. Profitability comes with high rates. Average room tariff is important and monitoring of this is important. Higher tariff (for example, corporate rate) combined with occupancy can provide greater profitability (E1).

There was also a high level of agreement that the owner-manager needs an holistic understanding of the financial structure of the business. For example, a number of experts mentioned the need to regularly review particular aspects of a motel operation via cost and sales analysis to ensure business survival and success. This type of financial analysis includes analysis of room profitability or yield by calculating the average cleaning cost per room compared to revenue per average room rate (RevPAR). The need to separate restaurant income and expenses from room income and expenses was also mentioned.

Important to financial analysis is the collecting and storing of data. Whether owner-managers use accountants or manage their finances independently good analysis of results relies on the relevance and validity of the data collected. The issue of data collection relates to the existence of bookkeeping and office management processes. The presence of a computerised system to guide staff in data collection and storage is valued by five of the experts. The frequency and regularity of the financial data collection was also believed to be vital to good financial management.

Benchmarking financial outputs to help performance review. Three experts also mentioned the value of benchmarking financial outputs and the use of financial models in successfully operating a small motel. These models are based on the

percentage cost of expenses according to income and size of motel. For some motels, these models of expenditure breakdown are important guides to the monitoring of performance and identification of problem areas, as detailed in the following quotes.

Earning \$20,000 (or plus) per annum per room is a good benchmark. For a 16-room motel this is about \$320,000 gross per annum. Based on a net profit of 30 percent this is an income for a couple of about \$64,000. A motel of around 24 rooms is considered to be a more profitable size (E3).

According to the experts, although all motels want to use benchmarking data, an awareness of the variations of the value to different motels was also mentioned. For example, in a CBD location costs are greater, which is reflected in room costs, however, the percentage as per financial ratio benchmarks should be the same. On the other hand, a motel with a restaurant usually has more costs (due to increased staff and stock) and cannot be directly compared to a motel without costs unless the restaurant component is operated separately from the rest of the motel. This finding supports the need to be comparing 'apples with apples'. Therefore, even within the typology of small motels (developed in this study) those with a restaurant may be a separate sub-group to those without a restaurant.

Finally, benchmarking of non-financial results against competitors and others in the industry was also mentioned by other experts and will be discussed further in the following section.

Non-financial performance outputs and associated measures

When asked an open-ended question about performance measurement in small motel the experts included *non-financial* outputs and their associated measures. In all cases the non-financial aspects were viewed as being as important as *financial* measures and outputs. The non-financial outputs mentioned by the experts largely included customer related aspects (nights stay, spending patterns, frequency of stay), as well as employee and community views of the motel. The non-financial measures used to track these outputs included number of repeat customers, number of new customers, occupancy rate, average length of stay, number of referrals, star-rating assessments

and type of customer feedback. Of these, occupancy rate, number of new/repeat customers and number of referrals were the most frequently mentioned measures. As already mentioned occupancy rate is a measure of the health of the business but cannot be meaningful if interpreted in isolation. On the other hand, the number of new and repeat customers is a clear indicator of how the business is performing. The real value of these two measures is the feedback that can be obtained from the customers about their satisfaction. Monitoring the number of referrals allows the owner-manager to assess the possibility of new markets and also to measure the satisfaction of the customers, the employees and the community. The small size of the small motels is an advantage for measuring the non-financial aspects of the business, as the owner-manager and staff have more face-to-face contact with customers than occurs in larger businesses. This closeness makes it easier to gather feedback.

There is also agreement amongst the experts that a number of the non-financial measurement activities should be undertaken frequently and regularly. ‘On a weekly basis, you should know who stayed (market and sales analysis), their length of stay and where they spent money’ (E8).

Key performance outcomes and their related measures

As discussed in Chapter 3 the *outcomes* of the motel operation are *stakeholder satisfaction* and *owner-manager satisfaction*. These outcomes are related to the outputs (as presented in the previous section) and are determined by the drivers (strategy, capability and processes). The detailed results of the interviews with the experts in regards to the key performance outcomes are now described.

Stakeholder satisfaction

The findings in this section are closely connected to those already presented in the stakeholder wants and needs. According to the experts stakeholder satisfaction includes the satisfaction of the employees, customers, investors/financiers and community and owner-manager satisfaction relates to the achievement of personal and business goals (profit and ROI). In Chapter 3 of this study it was proposed that

satisfaction of stakeholders, per se, might not provide the desired business outcomes (that is, ROI and profitability). For example, it may not be viable for a business to focus only on keeping employees satisfied if the employees do not provide the skills, knowledge or service required by the motel. This idea was explored with the experts in order to refine the PMS model for small motels.

To understand specific stakeholder satisfaction measures the experts were asked questions about the stakeholders, the importance of their satisfaction to the small motel operation and how it should be measured. A summary of all the measures mentioned by the experts is listed in Table D-1.

Table D-1 **Small motel stakeholder satisfaction measures**

Customer satisfaction measures:	Number of repeat customers
	Number of new customers
	Extent of Word of Mouth (WOM) referral
	Extent of positive feedback
	RevPAR trend
Employee satisfaction measures:	Extent of positive feedback
	Turnover rate
	Flexibility in terms of work hours and roles required
	Extent of Word of Mouth (WOM) referral
Investor or financier satisfaction measures:	Extent of positive feedback
	Preparedness to make further investment/loans
Community satisfaction measures:	Extent of positive feedback
	Extent of Word of Mouth (WOM) referral
	Willingness to form alliances

A view was shared by two of the experts that satisfaction is not easy for owner-managers to measure. One expert expressed a concern that he did not know how to measure staff satisfaction other than by retention rates. In reality he believed that it is easier to observe dissatisfaction in employees. Nevertheless, all experts were able to identify simple measures that were easy for an owner-manager to utilise. Based on responses it appears that a number of these measures are carried out informally in small motels. The simplicity of the assessments carried out in small motels means

that similar measures can be used to ascertain satisfaction levels for a range of stakeholders, as shown in Table 1.5. For example, the ‘extent of positive feedback’ is used to measure the satisfaction of all the stakeholders. Similarly the ‘extent of Word of Mouth (WOM) referral’ is used to measure customer, employee and community satisfaction. However, the specific measure of ‘turnover rate’ is said to be a good gauge of employee satisfaction and ‘preparedness to make further investment’ is a specific measure of investor satisfaction.

Although there was general agreement about the measures used to track stakeholder satisfaction views differed on the importance and value of the satisfaction of the stakeholders to business results. For example, customer satisfaction was mentioned often by all the experts and was rated highly as an important business outcome. ‘Customer satisfaction rates highly, as motel operators want repeat business. Corporate trade wants repeat business. Therefore, this measure is critical’ (E3). However, despite most of the experts recognising the link between customer satisfaction and business results one expert was not convinced. ‘Maybe there is a connection between customer satisfaction and good performance. But I can’t see a correlation between great (positive) feedback and financial returns’ (E2). Furthermore, although it was generally agreed that employee satisfaction is important to good performance a few of the experts did not totally agree. These variations are illustrated in the following quotes.

Happiness of employees is important. To keep them happy try to give them what they want. For example, salary, uniforms, Xmas function, rewards (bottles of wine) and listening to them (E1).

Operational measures are connected to profit but no guarantee that they are related. For example, happy employees may be important but if there are too many there will be a negative impact on profit (E2).

Employee satisfaction is minor. Although cleaning staff get treated unfairly the casualness and hours often suit mothers with children. Employee satisfaction is not high in the mind of the owner-manager (E3).

The third most important stakeholder, according to the experts, is the community. The relevance of community satisfaction, as a key performance outcome for small motels, was generally shared by most of the experts. However, one expert believed that the importance of the community to performance is not always recognised by motel owner-managers. There was also a view that the local community may be more important to motels located in country towns/cities, where being part of the community has obvious benefits for both parties. This importance is highlighted in the following quote.

Community impact rates highly. Provincial towns have lots of tourist information. The owner-manager needs to make an impact on the community. Communication between the motel and community is important so that they promote and support the motel for referrals. For example, the council and big business relationships are important for referrals (E3).

Owner-manager satisfaction

To explore the importance of the satisfaction of the owner-manager compared to that of the stakeholders further questions were asked of the experts. The experts indicated that satisfaction of the stakeholders alone is not enough to ensure the viability of the small motel operation. In fact, the owner-manager expects a contribution from the stakeholder to support business success. Table D-2 presents a summary of the expectation measures, which the experts believed to be related to the satisfaction of the owner-manager in relation to their own goals and the satisfaction of the stakeholders.

Table D-2 **Owner-manager expectation of stakeholders**

BUSINESS satisfaction with key stakeholders:	
Customers (measured by):	Yield
	Length of stay
	Frequency of stay
Employees (measured by):	Skill and knowledge provided
	Efficiency levels
	Accuracy levels
	Customer service (observed and by feedback)
Investor or financier (measured by):	Financing suitability (e.g. interest rate and repayment schedule)
	Financing institute requirements
Community (measured by):	Support provided
	Value of alliance (e.g. number of referrals)

From these findings the owner-manager is satisfied with the stakeholders if they provide a good yield, stay regularly or frequently and stay for longer periods. According to the experts these measures can only be interpreted according to each stakeholder type and also by comparison to historical data.

Similarly, the owner-manager has requirements of the employees. In return for providing the employee with a good working environment and an income the owner-manager needs the employee to be efficient, customer focused and to bring particular skills and knowledge to the workplace. However, it was also stated by more than one of the experts that the skill and knowledge needs of staff in some aspects of the motel's operations is not high. For example, casual staff with low skill levels usually undertakes roles such as housekeeping and gardening.

With regard to the community the results suggest that the owner-manager wants interaction and use of the motel's facilities and referrals to others. Finally, the owner-manager also has expectations of the investor/financier. Although only mentioned by three of the experts the business in this case wants, not only financial support from the investor/financier, but also understanding in difficult times.

Business Results

The business results component of the PMS model relates to the key goals the owner-manager has for the business and the ultimate reason for it operating. The results component is related to the desired financial outcomes of the business. A specific question about the key outcomes for small motels was asked of the experts in order to identify the most commonly expected business results for motel owner-managers. As indicated earlier, all of the experts agreed that for small motels the key business results relate to net profit and Return On Investment.

The importance of the driver-results relationship

The relationship between the drivers and the results are an important aspect of the PMS model. In the theoretical model, presented in Chapter 3, it is suggested that the drivers (or management activities) determine the results. It is also proposed that the owner-manager has considerable control over the results and that the monitoring of results through measurement, good judgement and considered decision-making can assist in continuous improvement activities. The interviews with the experts, therefore, aimed to explore any knowledge about these relationships in the context of a small motel. Three examples are provided in the next section, which demonstrate knowledge about the driver-results relationship.

The customer service – customer satisfaction – repeat business relationship. An understanding was shared by most of the experts about the inter-connection between the delivery of customer service, the measurement of satisfaction levels and repeat customers. The close link between customer satisfaction and repeat business is highlighted in the following quotes.

Customer satisfaction is to try to offer the best possible service to get repeat business. Therefore, it is important to focus on providing a good customer experience and to deal effectively with problems should they arise. It is important to measure satisfaction in some way, for example – customer surveys (E2).

If a motel is performing well they are using good work practices, such as efficiency in their front office; they have good people and offer friendly service. If they are providing these they will be getting the customers and the repeat customers returning and will then have a business to build on (E5).

The operational cost analysis and profit driver relationship. According to the experts, profit is the main reason why operators are in business. There is also an indication that the drive to achieve certain profit levels varies amongst owner-operators. For instance, husband and wife operators may not have the same motivation or intention for high profit margins, as would the more entrepreneurial investors. Nevertheless, the experts share the view that good financial management and cost control is directly related to profit. The development of budgets and the monitoring of expenditure is a key focus of the successful owner-manager, as this can have a direct impact on profitability. One expert felt that ‘some people put too much into the business in terms of maintenance and replacement expenditure. These costs make a difference to profitability. Operators need to budget for greater profits’ (E3). Another expert stated ‘something has to drive profit and I think it is expenses and revenue. The operational aspects linked to these expenses and revenue are what is important’ (E2). Furthermore, the link between activities in the front office is seen to be important to financial outcomes. In most cases it was believed that a good computerised management system (CMS) is necessary to support financial management and profitability. ‘Such systems can provide data on segmentation, occupancy rate, average room rate and a breakdown of expenditure and income by restaurant, bar and rooms (for calculation of percentage of turnover). These systems are used by the more successful operators’ (E1). Another operational activity linked to good financial outcomes is the regular measurement of takings in order to know gross revenue / sales. There was overall agreement that this activity should be done weekly and monthly. Comparison of these sales should also be made to the same month last year as well as to previous months. This is not a difficult process in a small motel, as it operates on a simple structure, however, there is a need to analyse sales by restaurant and by accommodation with expenses matched to each.

The community engagement and WOM referral relationship. All the experts highlighted the importance of the link between the community and the motel. It was stated by six experts that one of the owner-manager's roles should be interacting with the local community. In fact, according to one expert a portion of their weekly tasks should be focused on engaging the community. The direct benefit of building such relationships is word of mouth referrals by local businesses and agencies. In interacting with the community the owner manager can 'host community events and encourage the use of the property as a venue. In this way the business will become and be seen as part of the community' (E8). In this example the liaison with the community is the enabler and the word of mouth referral brings improved occupancy for the motel and increased sales as a result.

Appendix E: CASE STUDY DETAILS

Case – M1

The motel and the owner-manager

The motel is a family owned and operated business. The wife manages the day-to-day operations and has a background in hairdressing. She has little hospitality experience but has run her own hairdressing business for a number of years. Her parents also had their own businesses. Her father was a builder and her mother owned a number of units.

The motel is 42 years old but has undergone a huge transformation since it was purchased 21 months previously. The husband is a builder and is carrying out the motel renovations himself. At the time of the interview the family had spent half a million dollars on renovations. The son is employed on a full-time basis to help run the business and is studying book-keeping part-time.

The motel is located near the centre of a small country town, which is 230 kilometres north of Melbourne (and approximately 2 ½ - 3 hours drive). The town is positioned between two larger regional cities. Although the town is not considered to be a key tourism destination it is located within easy travelling distance to other regional attractions.

Of the motel's 13 ground units eight have been newly refurbished and have a four star rating. The remaining five units have a three and half star rating and will be renovated in the near future.

Business motivation

The wife enjoys the challenging of running her own business and the opportunity to provide further income for the family. In particular she likes work that involves other people. Beyond the enjoyment it provides a key objective for the family is to build an asset that will provide a good financial return when sold in the future. An additional

long-term goal for the family is to gain motel management experience that will allow them to buy into a larger motel.

Networks and affiliations

The owners do not have membership with any particular organisations or industry associations and instead rely on their own personal networks. They communicate regularly with other businesses and use these informal partnerships to help resource the business and to gather information. The main reason for their affiliation with Budget is for referrals.

Room rate and sales turnover

In 21 months the family have increased occupancy rate from 15% to between 70 and 85%. Although small in size the business is seen to be a threat to other motels in the area.

The business focus is to provide quality rooms at a budget price. Single room rates start at \$69 and the most expensive room is the Spa Unit at \$109. There is a \$15 charge for an extra person and \$10 extra per room during Easter, Christmas, New Years and Long Weekends.

Marketing approach

Current marketing is via Budget, RACV, AAATourism, and a local directory. Beyond these activities the family rely on word of mouth to sell their business. They are building a regular customer base and have started to plan for further marketing by linking with the Herald-Sun Tourism directory.

The owners have also established a voucher system, which is a deal with the local café to provide free tea and coffee to their guests. In return the motel includes the café in their advertising.

Case – M2

The motel and the owner-managers

The owner-manager has worked in the motel sector for over 20 years and has operated this particular motel for two and a half years. The motel is located on a main road leading into the centre of a major regional town and is by passed by traffic that is either entering the township or heading across the border into New South Wales. The motel is located in a busy town, which attracts a variety of tourists, particularly in over the summer period. It is within walking distance from the shopping centre, historic port, paddle steamers, restaurants and wineries.

The husband and wife are partners in the business and are involved in a second motel in the same town. The motel is managed by the husband who employs five full-time workers. The wife manages a second motel in the same town.

The motel is affiliated with Best Western and has a four star rating. The motel has 20 ground floor units, all with queen size beds; an executive suite with two-person spa, large sitting area, plus tea and coffee making facilities; three family suites provide two bedrooms containing a queen size bed and two single beds. The motel does not have a restaurant but provides home cooked or continental style breakfast to each of the rooms. They also offer a service where take away food can be delivered to the premise. Without a restaurant the motel is unable to achieve a higher star rating.

Business motivation

The husband is motivated by the desire to do well, to grow the business and to buy another property in the next few years. His five-year plan is to build the business to provide for their self retiree fund. He enjoys working with different people and likes the independence that operating a small business provides. He is focused on building relationships with customers and states that the customers 'are more like friends'.

Networking and affiliations

The husband is a strong networker and is a member of a number of local associations. He has strong relationships with his suppliers and also has membership with

AAATourism, the Victorian Employee Chamber of Commerce and Industry (VECCI) and the Hotel Motel and Accommodation Australia (HMAA).

Room rate and sales turnover

The average room rates vary from AUD\$105 for a room with one queen bed to AUD\$150 for a two room suite with three beds which is on par with the average room rate of similar rated motels in the town. Staff turnover is negligible. Most employees have worked in the business for about fifteen years.

The business is growing and the sales turnover has increased by between two and 10 percent over the past two years. The owner-manager believes that the operation is on par with other motels that are similar in size and star rating.

Marketing approach

They have yet to develop their own web-site outside the Best Western brand but seem happy with the marketing this brand offers. Their key marketing approach is the Best Western brand and word of mouth referral from regular customers. The motel operates with a computerised reservation management system, which provides comparisons of average tariff to the industry average but not to the local area. A key aspect of the system is the ability to track customers and their needs.

Case – M3

The motel and owner-manager

The owner is a qualified doctor but is not practicing. He has managed a Quest Apartment and a Seven Eleven store before this motel. He has worked in motels for three years and has owned the current motel for one year.

The motel is a family business managed by the owner who employs two full-time staff and two to three casual employees. The son works at reception and additional casuals are sometimes brought in for housekeeping.

The motel is centrally located in Melbourne, six kilometres from the CBD. It is adjacent to various tram routes that connect to the City and close to the shopping,

sporting and entertainment facilities. The property offers 24 units ranging from self-contained to budget accommodation. The motel has a three star rating and provides a conference room and restaurant, which is leased out.

Business Motivation

The owner is motivated by the desire to provide an income and future business for his family. His main goal is to improve the occupancy rate, to build the business as an asset, which can be sold in the future to fund the purchase of another property.

Networks and affiliations

The owner is not affiliated with any particular chain because he does not believe he gets value for money and would prefer to remain independent. Nor is he a member of any association, instead, he works closely with other operators for referrals. An accountant provides his key business support.

Room rate and sales turnover

The motel's sales have increased since it was taken over one year ago but this varies depending on events or special occasions (the motel caters for weddings, anniversaries etc.). At this stage the business is on par with its key competitors.

Standard room rates are \$95 and family rooms are \$128 per night.

Marketing approach

The Visiting Friends and Relatives (VFR) market provides core business; therefore, word of mouth is seen as the best marketing approach. The established customer base is also central to the business as repeat customers are mostly families visiting in Melbourne. The development of a customer database is the key focus of their marketing activities. Referrals from other motel are important and building relationships with surrounding motels is seen to be an essential marketing practice.

Case – M4

The motel and owner-manager

The owner and his wife built the motel adjacent to an old historic hotel. It has been open for six months. Prior to this the owner has worked in the hospitality industry for 18 years – mainly operating motel and hotels. He has owned and operated seven different hotels and three with accommodation. He started working in the hospitality industry when he was 21 when his father bought a hotel.

The newly built property is located in a regional city, approximately one kilometre from the city centre. It is close to a lake that is well known for its walking trails, boating and fishing. The city is a popular tourist destination and has a number of major historical and natural attractions.

The property is considered to be unique due to its style, location and its large restaurant and bar. The motel has 28 units and operates under the management of the owner and his wife. It has a four and half star rating and as many as 12 casual staff and six full-time staff are employed in the business. Most of the full-time staff work in the restaurant.

Business motivation

The owner enjoys being with the public even though it has its drawbacks. The desire to be successful and to do well financially is also a key driver. The owner is proud of his experience and believes the knowledge he has obtained about the industry is extremely valuable and is which sets him apart from the others.

Networks and affiliations

The motel is affiliated with Best Western. The owner is a member of VECCI, HMAA, RCA and the local tourism association. He is actively involved in the local community and utilises his contacts to gather information about the industry, local changes and to promote his business to local residents and businesses. Both VECCI and HMAA are valued for the industry updates they provide and changes in employment legislation.

Room rate and sales turnover

Based on projections the sales turnover is more than 20% of what was expected at this stage of the business. The business is on par with its direct competition and busier most other motels in the city. The owner believes their competitive edge is that they 'offer a lot more services than other motels which are just strictly motels'.

Tariffs range from \$130 to \$200 per double depending on the type of accommodation and date required. Packages are available which include a continental breakfast for each person. Extra persons are charged \$20 per person. Surcharges and minimum period bookings apply over long weekend and holiday periods.

Marketing approach

The Internet is a growing part of our business and is important to advertising and marketing. Best Western is valued for the branding it provides and the on-line booking facilities. 'People know that it is a good quality product.' The business is pitched at the corporate market and does not really solely on Best Western for marketing. Best Western attracts about 25% of business and the other 75% is achieved by their own efforts. Word of mouth in the local environment is the most important means of advertising. Publicity and promotion is achieved via 'advertorials' in the local paper.

Case – M5

The motel and owner-managers

The owner-manager has worked in motels and hotels all her life. Her parents owned motels and so she grew up in the hospitality environment. The owner-manager and her husband have operated motels since 1978 - one hotel was located in a coastal town and two in Melbourne. They have operated their present motel for five years.

The motel is located in inner Melbourne and is a four-star Golden Chain affiliated motel with service apartments. The 30 units available are either studio or one-bedroom apartments with kitchens. They provide a 24-hour reception, a billiard room and a fully licensed restaurant, which is open for dinner & breakfast.

The owner-managers employ five full-time and 10 casual staff. Most of their staff have worked in the business for a number of years.

Business motivation

The owner-managers are motivated by the desire to continually improve the business. They see themselves as hospitality people – ‘we want to be hospitable and from that comes the success. If you give people what they want then business profitability and our self-satisfaction comes with that’.

Network and affiliations

When the owner-managers operated tourism focused motels they actively networked with key tourism agencies. In the current business, which relies largely on the corporate trade, they have fewer affiliations other than HMAAV and Golden Chain. Instead, they rely on their own personal industry contacts to remain in touch with industry trends.

Room rates and sales turnover

Room rates start at \$130 for a standard room and increase to \$172 for Spa Suites and one-bedroom apartments.

The owner-managers see themselves as ahead of their competitors. In fact ‘people look to us to see what to do’. Their sales turnover after the disaster of September 11 and the Ansett collapse was poor, but during 2004 and 2005 turnover increased to over 10 percent.

Marketing approach

The slump experienced after 2001 motivated the owner-managers to join Golden Chain in order to improve marketing and to access a wider market. An employee was also ‘put out on the road’ to sell the business to major companies.

Because the business is small the owner-managers and their staff know their customers. Most of their business comes from repeat customer and word of mouth referral.

Case – M6

The motel and the owner-managers

The owner-manager has worked in the hospitality industry for 18 years. He started working in the reception of larger hotels and has worked in various locations around Australia. He has managed this particular motel for three years.

The motel is affiliated with the Comfort Inns chain, is four star rated and has 34 units (including six suites). It is located on the outskirts of a major regional city town on a major highway to Melbourne. The major regional centre in which it is located attracts visitors to its many cultural heritage sites and buildings. Other attractions include museums, restaurants and a range of surrounding wineries.

It has all ground floor units, a licensed restaurant and cocktail bar, with separate wedding and function facilities (three rooms in total). The business caters to both the tourism and corporate markets and specifically pursues the sporting, small conference and functions sectors.

The motel is operated by a husband and wife team and employs four full-time employees and 11 casual staff. Staff turnover rate is low. Most staff have worked in the business for more than three years.

Business motivation

The owner enjoys working in the hospitality industry and particularly likes the contact with people. His motivation for operating the small motel is to make an income whilst being his own boss. The involvement of his wife in the business allows him to spend more time with his family than other work would permit.

Networks and affiliations

The motel is affiliated with AAATourism; Trade Travel (Tour business company), VECCI and HMAA. The owner-manager is also an active member of the local accommodation association.

Room rate and sales turnover

The motel has 'rack rates' with range from \$112 for a standard single room to \$165 for a presidential suite. It also offers 'corporate rates' from \$101 for a standard single room to \$145 for the presidential suite.

The owner-manager believes that they are ahead of their competitors and that they are 'in the top bracket with other motels of the same star-rating, size'. Over the past two years their sales percentage has increased about three or four percent in actual sales. However, despite healthy sector trends there is concern that this growth has not increased enough to cover increasing costs.

Marketing approach

Part of their marketing and reservation work is through the affiliation with Choice. The Reward Card Scheme attracts regular customers. The owner-manager also relies on the return business of his corporate customers during the week and his local networks and association contacts for business from the tourism and sporting sectors on the week-ends. The website is developed through Choice motels.

Much of their business is not pre-booked – 'a lot of the corporates just walk in. You can start off with ten bookings and have 34 at the end of the day.' *Their* reservation system provides guest profiles for them to build customer relations and improve the level of repeat business.

Case – M7

The motel and owner-manager

The motel is leased by the manager who has worked in the business for 14 months. She operates the business with direction from the owners. The manager has a background in recruitment with one-year experience in gaming and hospitality. She has not worked in motels before and believes that running a motel is common sense.

The four and half star rated motel is located in a regional town on the Victoria/New South Wales border. It is set on 3 acres backing onto bushland. The facilities include,

a fully licensed restaurant, two salt-water swimming pools, a tennis court, and two function rooms which cater for up to 150 delegates. It has 36 ground floor units and employs 22 employees – four full-time, one part-time and 17 casual. The manager believes that managing this number of staff is her greatest challenge.

Business motivation

The manager sought a career and life-style change when she started in the motel. The desire to take on a new challenge was strong, however, the view that the work would provide more time with the family has been realised. She now works long hours and seven days a week. Working under the direction of the owners has also been a disappointment and has not provided the freedom she seeks.

Networks and affiliations

The business is affiliated with the Comfort Inn chain and has membership with VECCI, HMAAV and the local accommodation association. The manager values the support provided by VECCI and HMAAV but does not recognise the benefits of the local association. The manager utilises partnerships with AAATourism, RACV and Wotif to increase exposure. She also values partnerships to help resource the business and to improve management knowledge and skills.

Room rate and sales turnover

Rates range from \$114 for standard rooms to \$195 for family rooms (with two queens size beds, spa and separate lounge). Rates for these rooms increase to \$138 and \$215 respectively for public holidays.

Competition in the area is strong. Although it is largely a tourism destination the motel also does well by attracting the corporate market. The manager believes they are on par with other motels in the area that are of a similar size and with the same type of facilities. The manager was not willing to provide further details on sales turnover.

Marketing approach

The manager and directors discussed the advantages and disadvantages of aligning with the various chains (Comfort Inns, Quality and Clarion) and the differences in star

rating across each brand. They decided to stay with the lower rated brand - Comfort. This decision was made because of other competition in the area and also because they felt it was more relevant to their market.

They advertise with AAA Tourism and the RACV. The motel has its own web-site and the value of the Internet and having their own brand is recognized. They also advertise on the 'Wotif' and 'Rates to Go' websites. They were number one with the 'what if' site for sales in Victoria for four star properties.

Beyond this marketing repeat customers are believed to be the businesses 'bread and butter'. For example, the 'corporates' stay once or twice a week.