Productivity and Profitability of Hotels in Pune

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Abstract:- Productivity and profitability are vital concepts functional in understanding the performance achievement by a hotel. The hotel productivity may be measured by using numerous parameters. However, the HR has major role in influencing hotel productivity. It is also true that the productivity of hotel employees 'workers does not often lead to profitability of the hotel venture. The stake holders especially banker advancing loans insists improvement in Productivity since the banker assumes it is one of the ways to augment the hotel business profitability leading to punctual loan repayment. The hotel productivity for profit boost may be attained by maneuvering the factors of production and HR factor of production plays a vital role in influencing the productivity.

The research methodology of the study consists of both exploratory and descriptive studies. Under exploratory methods, the survey of selected books on hotel industry was done. This has facilitated to select 88 star hotels, 113 A/B Grade Hotels and 127 C/D grade hotels by using judgment sampling technique from the Hotel population in Pune under respective Category .While using the judgment sampling technique, the weightage are given to size of employees and continuous functioning of hotels for the last 10 or more years. The measuring scale is five point Likert and 100 Point liker extended techniques for arriving at the value for sample group (Thomson and J. Strickland , 2003).

I. PRODUCTIVITY

The surveyed hotels of different types of hotel having workers form 5 to 150 + .The productivity of hotels may be perceived by an array of factors, some of them can be evaluated quantitatively as well as qualitatively. When assessing productivity of hotel, it is imperative to know that how many factors that are affecting the productivity of the given hotel ad which of them is crucial in influencing the hotel productivity? Amongst many drivers of productivity, for example, *Finance factor* is crucial factor to motivate or harness other drivers of production, especially HR. In fact, all these productivity divers are intermingled and their effect on productivity emerges in totality and it is difficult to articulate the impact of any one of the factors in isolation in absence of data. Hence, based on the data/information provided by the hotels, the HR related productivity is professed ahead in two ways for our study (Thomson and J. Strickland , 2003).

A. Productivity Perception in terms of Volume of HR and Output

"Hr Productivity Index = Output turn out per employee /Imputed worth against per employee X 1 00………............. (1)
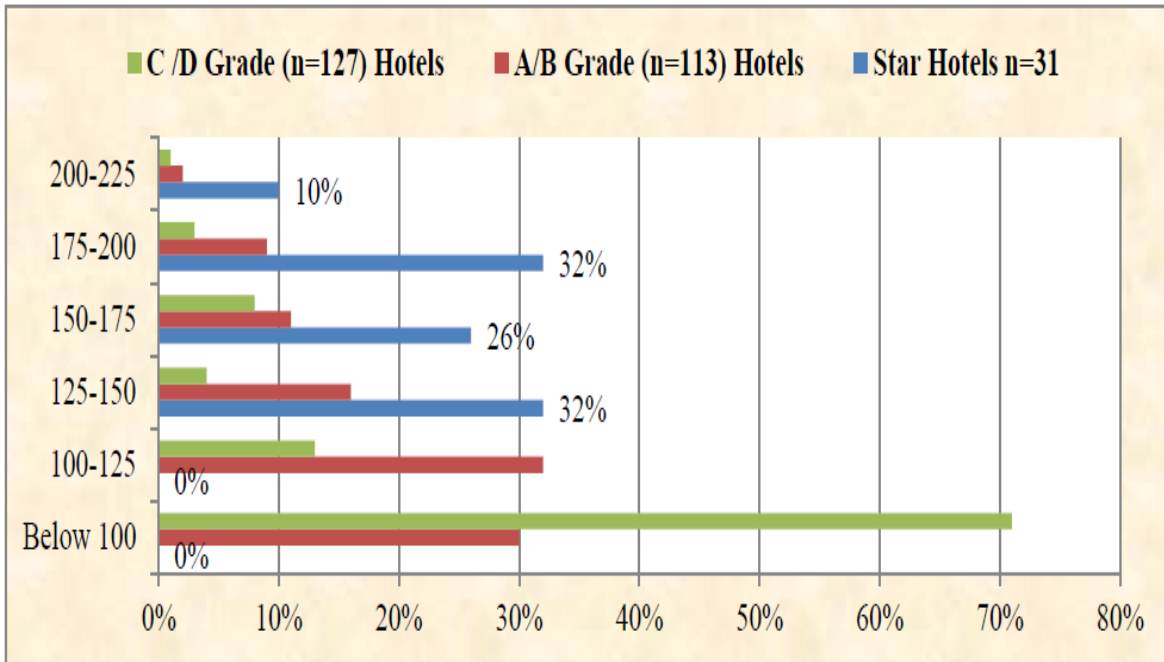
The above formula is useful in arriving at productivity Index in absence of data available on cost, performance, profit etc in association of various factors of production used. However this method is useful in absence any other alternative requiring data base and the same is almost either absent with the Sample hotels or they are reluctant to provide.

Hence, the CEOs/Managers of each sampled hotel types were asked to quote the market value of their output per employee (products and services together) and they were also requested to quote input value incurred per employee for turning out output; in more simple wards , an each Sample hotel - management was asked to quote a worth of output produced per employee during the financial year by it and the worth of input exhausted by itself for producing the same (output). The information so received is interpolated in the above formula (1) *to* work out the productivity index for each type Sample hotel . The following table summarizes this exercise (Cynthia D.Fisher,et, et al,,1990),

Table No. 1. Classification of different types of hotels as per HR Productivity indices in the range

r.	HR Productivity Indices Range in range of	Star (n=88)	A/B Grade (n=113)	C /D Grade (n=127)
	Below 100	0%	11%	8%
	100-125	0%	16%	03%
	125-150	32%	11%	11%
	150-175	26%	14%	14%
	175-200	32 %	10%	13%
	200-225	10%	38%	41%
	Total	**100**	**100 %**	**100 %**

The above table brings out the following facts as respects to star hotels

Out of the total 88 Star Hotels unlike non-star hotels , 32% Star hotels' HR productivity indices are between 125% & 150%, for 26% star hotels between 150%&175%, 32% star hotels in between 175 %&200% and rest of the 10% star hotels HR productivity indices are in between 200% &225% %.Thus there are zero number of Star Hotels below 125% levels of HR productivity indices !. As against this , since the non star hotels are having low in-putted cost as compared to the worth of output , the maximum percentages of hotels are categorized in higher level of HR` productivity indices; thus for 38% A/B and41% C/D grade hotels are respectively experiencing the HR productivity indices in between 200-225% and 175-200% .

Does it mean the Productivity of HR is in non –star hotel is more than the productivity of HR in star hotel? And if so then why does it? The answers are very simple ,the the non –star hotel unlike star hotel deploys a small number of employees and investment (Imputed worth) and turnout the proportionately huge volume of output and the same leads to gain higher level of HR productivity in terms of output (but in terms of higher volume of profit!) (Cheris Hendry, ,1995)
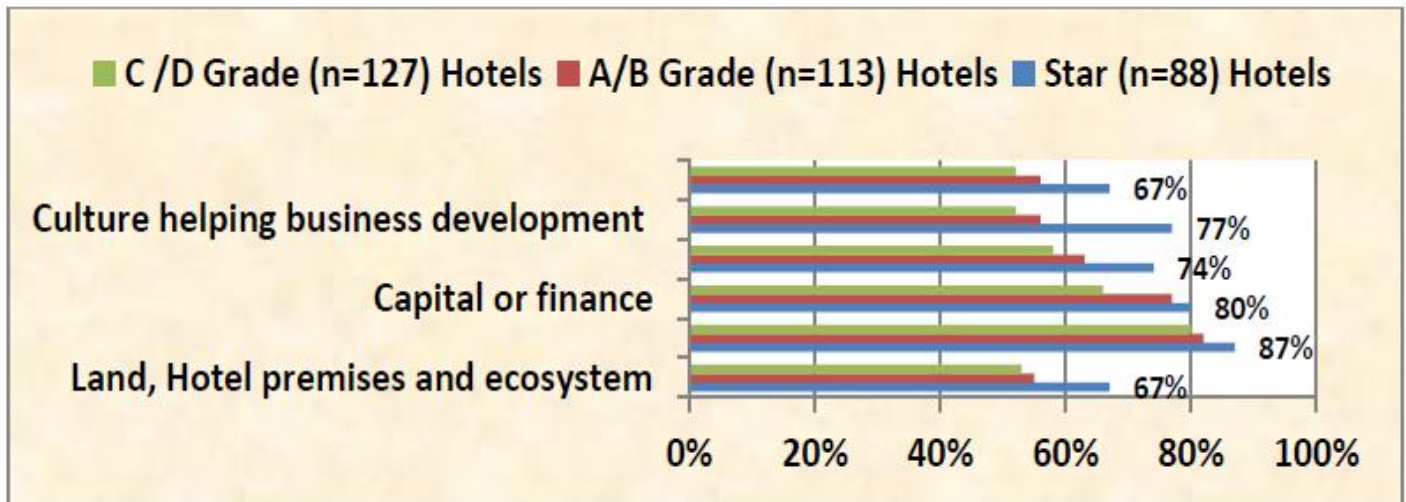
A. Productivity perception in terms of varied Factors of Production and output

Table No2:-APIs in % of various factors of production envisaged by sample hotel
management influencing productivity of their hotels

r.	Variables under factors of production	Star (n=88) Hotels	A/B Grade (n=113)	C /D Grade (n=127)
	Land, Hotel premises and ecosystem	67	55	53
	Human Resource	87	82	80
	Capital or finance	80	77	66
	Entrepreneurship skill	74	63	58
	Culture helping business development	77	56	52
	Govt law and order	67	56	52
	Mean	75.	64.	60.
	Median	75.	59.	55.
	Mode	67	56	52
	Standard Deviation	7.7	11.	11.
	Kurtosis	-	-	1.4
	Skewness	0.3	0.8	1.4
	Range	20	27	28

Source: Field Survey

APIs in % of various factors of production envisaged by sample hotel management influencing productivity of their hotels

Land, , Labour(HR), Capital, Entrepreneurship skill, Culture, and Govt. are the six factors of production which are used by all the hotel types depending upon their needs and capabilities. APIs in utilization of all these six factors of production are 75 % with Sd 7.76316 for star hotels, 65% with 11.8223 SD for A/B Grade Hotels, and 56% with SD 11.10705 for C/D grade hotels. It means all these six factors of production are more important to all the hotels types although their intensities of use are high for all the Star unlike non-star hotels. Besides the above impression unveiling importance of all the factor of production, amongst all these factors of production, however, the HR factor has 87 % use intensities for star hotels ,77% for A/B Grade Hotels and 80% for C/D grade hotels ; unveiling its supremacy against other factors of production unveiling lesser APIs The above exercise given in the table, Graph and text divulges that the management of different hotel types although accords importance to all the factors of production in the varying proportions, but the highest importance is given by them to HR (labor) factors of production, since an absence of HR the rest factors of production become are as useless as human being without blood! (Randall S.Schuler, 1999).

B. Numerous Productivity Drivers

HR productivity of any Hotel, is especially Star Hotels is determined by a broad range of drivers besides factors of production. Such drivers are narrated below in questioning mode with a view to perceive their connotations in nut-shell:

- *Objectives:* What specifically Hotel Venture trying to accomplish, both short and long term for use of HR in increasing turnover?

- *Strategy:* How does Hotel maneuver HR with other resources (people, programs, systems, etc.) to achieve objectives?

- *Process:* How does catering and room service task of Hotel is got done by using HR? What are the most proficient ways of using HR?

- *Structure:* Do the workers and resources available compatible with strategy and objectives as set by Hotel?

- *Staffing:* Do the employees possess optimum KSAO's i. e. Knowledge, Skills, Abilities and other Characteristics.

- *Controls & Reporting:* Do the Hotel has the proper HR mechanism and metrics in place to track, manage and measure service performance of HR against work trusted?

- *Planning & Programs:* Are internal and external collaborative HR planning processes aligned with hotel capacity and facilitate marketing of services and ROI?

- *Motivation & Incentives*: Do financial and non-financial incentives properly reinforce for employees and their supervisors?

- *Training & Development:* Do the T&D programs tune to service objectives, development of competencies and increase HR worth?

- *Systems & Tools:* Does the Hotel have the right devices to facilitate HR to increase its professional efficiency and effectiveness?

- *Communications:* Does the Hotel Management has efficient and effective to and fro communicating

methods for customer's related matters handled by HR ?

➢ *Culture:* What are the basic HR values, beliefs and philosophies that shape, build or influence ways of working?

➢ *Quality of supervision* over *HR and production*: Does it economize the HR cost in relation to turnover in optimum ways?

➢ *Maneuvering factors of production:* Does the hotel have fitting alignment with HR to gain cost economy and large turnover of quality products/services?

➢ *Infrastructure*: How do the infrastructural investment suits to satisfy the customers by HR?

➢ *Learning Environment:* To what extent the employees are placed in the process of learning environment suitable to the increase in turnover?

➢ *Use of labor savings devices:* How far these are useful in economizing the labor cost?

➢ *Expert consultation:* To what extent that has been deployed to seek HR economy?

➢ *Workers satisfaction:* whether the same is attained with the help of HR and leads to increase revenue?

➢ *Management behavior:* where the same is HR based, disciplined as well as cohesive to boost the turnover?

➢ *Job promotion and career development:* How far the same has been motivating to increase turnover in minimum cost?

Kitchen Management: How far the kitchen HR has been instrumental to boost the quality for retaining and attracting more customers and more food consumption? And The many others…. (Chung & Megginson,1981)

The above factors are abridged in caption form in the table below so as to articulate their impact on productivity measured in terms of awv as endorsed by the senior level management of different hotel types
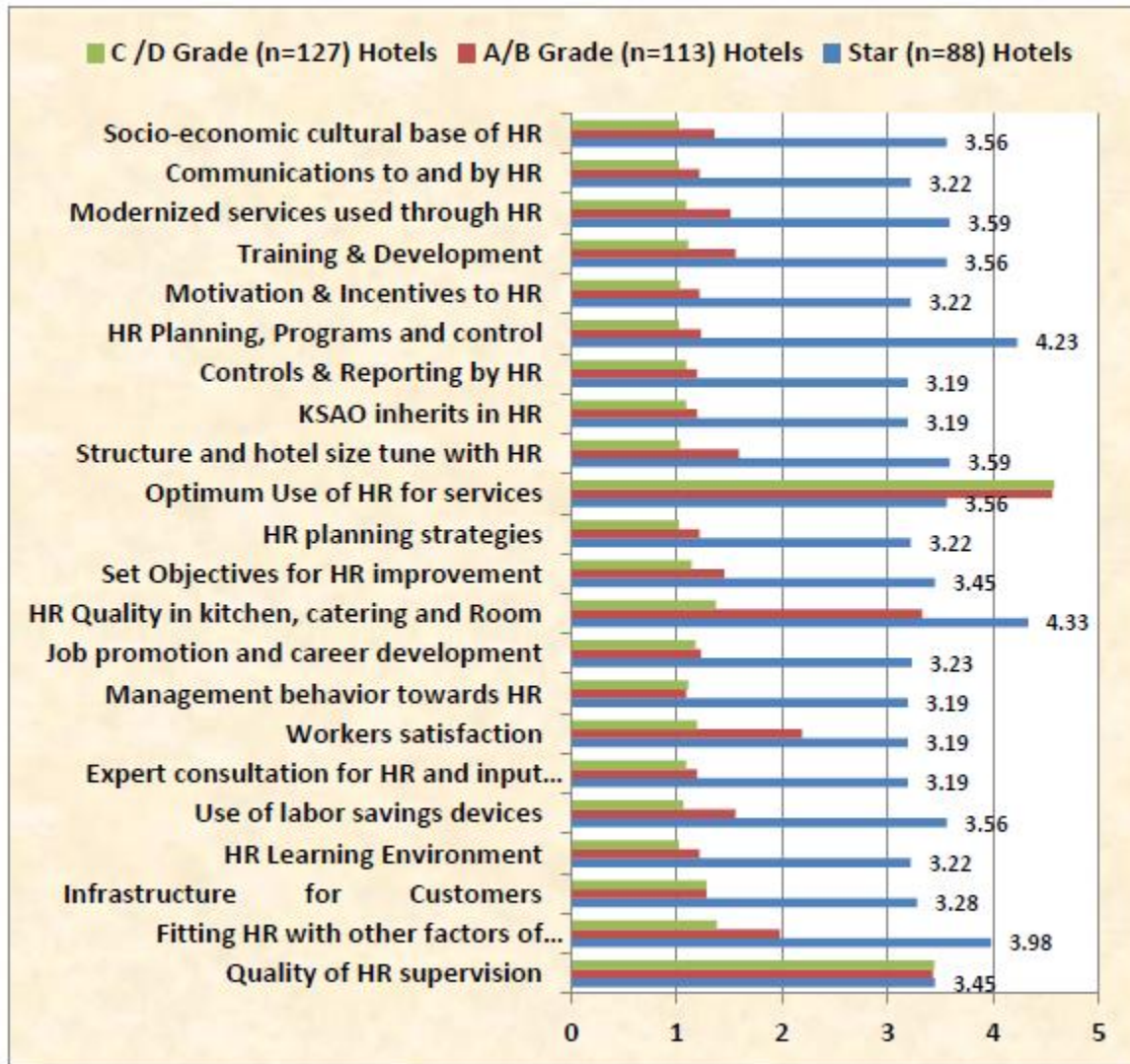
Table No. 3 :Awv to factors influencing HR productivity as perceived by the management of different hotel types

Factors Influencing HR productivity	Star (n=88) Hotels	A/B Grade (n=113) Hotels	C /D Grade (n=127) Hotels
Quality of HR supervision	3.45	3.43	3.44
Fitting HR with other factors of production	3.98	1.98	1.38
Infrastructure for Customers	3.28	1.28	1.28
HR Learning Environment	3.22	1.22	1.02
Use of labor savings devices	3.56	1.56	1.06
Expert consultation for HR and input /output	3.19	1.19	1.09
Workers satisfaction	3.19	2.19	1.19
Management behavior towards HR	3.19	1.09	1.11
Job promotion and career development	3.23	1.23	1.18
HR Quality in kitchen, catering and Room	4.33	3.33	1.37
Set Objectives for HR improvement	3.45	1.45	1.14
HR planning strategies	3.22	1.22	1.02
Optimum Use of HR for services	3.56	4.56	4.58
Structure and hotel size tune with HR	3.59	1.59	1.03
KSAO inherits in HR	3.19	1.19	1.09
Controls & Reporting by HR	3.19	1.19	1.09
HR Planning, Programs and control	4.23	1.23	1.02
Motivation & Incentives to HR	3.22	1.22	1.03
Training & Development	3.56	1.56	1.11
Modernized services used through HR	3.59	1.51	1.09
Communications to and by HR	3.22	1.22	1.02
Socio-economic cultural base of HR	3.56	1.36	1.02
▪ Mean	3.46	1.72	1.38
▪ Sd	1.718182	0.902334	0.875731
▪ Kurtosis	1.611104	4.306343	9.783049
▪ Skewness	1.469542	2.188202	3.197085
▪ Range	1.14	3.47	3.56

Note:-During the field survey an senior employee next to owners or manager or CEOs(in the case of star hotels) is interviewed to get free and frank opinions against

Management KSAO's i. e. Knowledge, Skills, Abilities and other characteristics of HR.

Awv to factors influencing HR productivity as perceived by the management of different hotel types

HR productivity is influenced not only by the use of factors of production but also due to a number of diverts aligned with them ; amongst all such diverts, 22 diverts are identified from the literature and pilot survey to articulate their influence over the different hotel types. It is seen from the table and graph above that the influence of 22 drivers on the hotel productivity for star hotels in terms of awv (under five point scale as perceived by the management) is as large as 3.463636 with 0.336233 sd, as against lower influence for A/B Grade hotels (mean 1.718182 and 1.718182sd) and C/D Grade hotels (mean 1.38 with 0.875731); the Kurtosis and Skewness values tune with the same.

C. Productivity index based on profit and working capital deployed
Infact the profit when it is related to investment, it gives productivity index. However, an enquiry about the investment revealed the same runs for each sample star hotels in several crores of rupees and if the same is related to profit, the resultant productivity index will be misleading. Hence, the amount of working capital employed to earn profit is taken into consideration to work out the productivity index related to profit Knowing the hotel profit and knowing the working capital deployed to earn such profit are very difficult since no written data or books of accounts of the hotels are openly available.
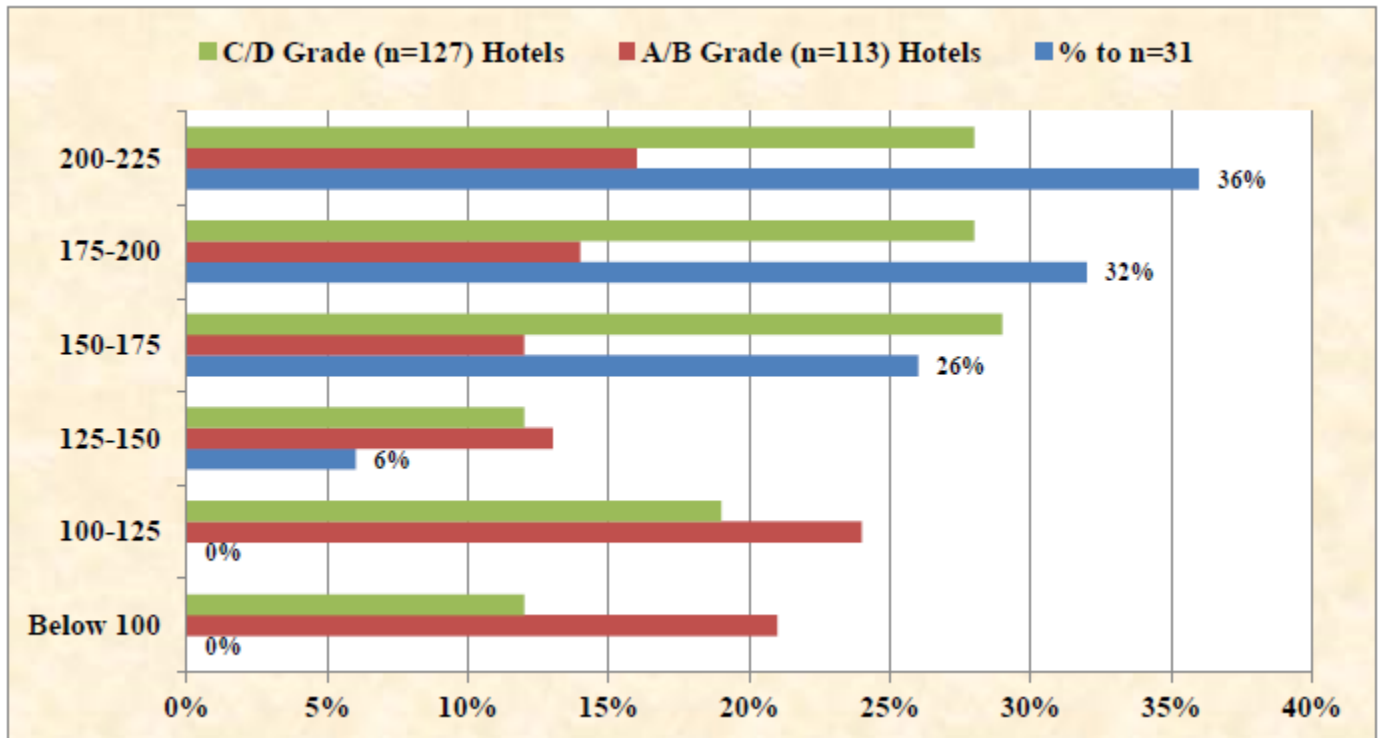
In order to overcome such problem, an each hotel representative of the management is requested to figure out the working capital used for earning given profits during the 12 months preceding to the date of interviewing. And they were requested to interpolate these figures in the following formula

to work out profitability index against working capital (Randal S.Schuler ,2013),

Formula = Index of working capital Productivity =Profit/working capital X 100

Table No3 :- % Distribution of star hotels in different ranges of Profitability Indices

r.	profitability indices in Ranges	% to n=31	A/B Grade (n=113)	C/D Grade (n=127)
	Below 100	0%	21%	12%
	100-125	0%	24%	19%
	125-150	06%	13%	12%
	150-175	26%	12%	29%
	175-200	32%	14%	28%
	200-225	36%	16%	28%
	Total	100		

Based on the formula i.e Profit/working capital employed X 100 the profitability indices for different hotel types are worked out from the data collected and tabulated .The data shows that the employed capital profitability indices for Star Hotels lean towards the higher scale of capital employed productivity. Thus , the 36% -Star hotels experienced - employed capital productivity indices are in the range of 200-225, 32% in the range of 175-200 and the rest 26% in the range of 150-175.As against this the employed capital profitability indices for non-star hotels are spread more of less dispersal in all the ranges of employed capital profitability indices.

Thus, there is an expectation by stake holders; especially by the lenders that hotel should pursue both i) working capital profitability (ii) Production Factors" related productivity and ii) HR productivity. However, there are reasons to believe these three goals are not always compatible. The following two examples will clear the above

i. A hotel in given investment, make the use of un-trained staff, or fewer or no sales promotional techniques its profit may decrease and so also its profitability!
ii. A hotel by downsizing investment, make the use of trained staff, or sales promotional techniques, its profit may increase and so also its profitability! (Dale S. Beach, 2005).

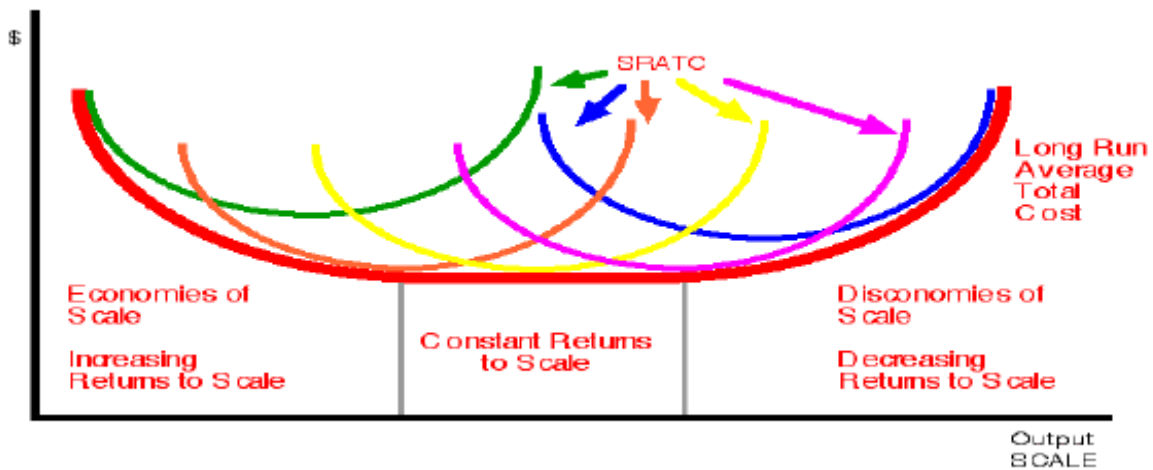### D. Panacea to Boost HR Productivity, Profit, Profitability

The Hotel enterprise Goals, besides profits may be related to production, cost minimization, social and labor welfare, survival and such others! These goals may be conflicting or may be supplementary to each other, depending upon their input, output and environmental permutation- combinations. For example, when Hotel down size the wages to increase its profit this is regarded as anti-social; and when it increases wages for prop up the workers for more work, minimizes

absenteeism or attrition rates etc and get more production, sales and lucent profit, this management approach is regarded as social! From the delineation made earlier, the following two conclusions are emerged:

(i) It is not the case that the HR productivity leads always towards the profitability. Thus, even a hotel having low HR productivity and also low investment may have hefty turnover due to typical location having large potentialities of profit; consequently profitability (Profit/Investment x 100) ratio stands on higher side.
(ii) The reserve example will be a hotel having high HR productivity and high investment may have low turnover due to odd location having small potentialities of profit; consequently profitability (Profit/Investment x 100) ratio stands on lower side.

Because of the above two examples and so many examples likely to occur in the above two extremes (i) and (ii), the financiers while releasing the loans may or may not accord the significance to HR productivity but gives more weightage to profit potentialities.
(Silberberg & Suen, 2001)

Most Advantageous Hotel Size

E. Minimizing the production cost for profit augmentation

The above diagram shows the scale of output(X axis) and the scale of Cost (Y axis). The diagram unveils that there are there two (brown and purple) Short Run Average Total Cost (SRATC) Curves having minimum unit cost of production due to economies of large sale and such scale economies continue till purple cost curve starts rising due to diseconomies of large scale production. The lower side distance between these two

unveils constant returns to scale desirable to any hotel unit, depending upon its resources (Frisch, R. , *T*, 1965)

Once the unit cost is minimized under the production range of constant returns to scale, the normal profit can automatically be earned under perfect competition where price=AC, which is inclusive of Profit. However under imperfect competition after gaining production at minimum cost there is much chances of increasing profit either by (i) increasing the price, (ii)using various sales promotion tactics or combination of both (i&ii)

and that requires HR having Knowledge, Skills, Abilities and other related characteristics

F. Other profit and Productivity related influential elements

- Culture of Location
- Management Rudiments
- Business heritage
- Career management
- Communication
- organizational components
- Conflict and Negotiation
- Demand inelasticity
- Discipline
- Expanding Market
- Division and specialization
- Health and safety
- HR auditing
- HR control process
- HR MIS
- HRM Planning
- Input availability with HR
- Global HRM affecting local
- Job analysis
- Job Analysis
- Job Classification
- Job Designing
- Job Enlargement
- Job Enrichment
- Job evaluation
- Job Evaluation Methods
- Job Factor Comparison
- Job Ranking
- Job Rotation
- Job Simplification
- Leadership
- Legal and ethical issues
- Maximizing learning
- Modernization
- Performance Positivity
- Power politics
- Recruitment
- Selection
- Selection process
- Selection Tests
- Socialization
- Source of recruitment
- Stress management
- Team spirit
- Trade union Cooperation
- Training & development
- Up Keep of Standard
- Use of HR specialist
- Wage system

- Employees Welfare measures for
- Work environment
- Workforce skill diversity

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