

# Human Resources and Their Influence on Hotel Performance in the Czech Republic

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**Abstract:** Work performance management is a continuous process comprising goal setting, feedback and evaluation with consequent rewarding based on performance. Therefore, it can be perceived as a system of mutually interconnected activities and processes that are approached as a single whole. A questionnaire survey was carried out in 2012 to find out whether and to what extent the process of work performance management is used in the hotel industry in the Czech Republic, how the employees view the process and what possible modifications they would appreciate. The results have revealed that most hotels in the Czech Republic do not use work performance management as a continuous process. They usually evaluate their employees, nevertheless, they very often do not set goals for the next period and goal achievement does not have impact on remuneration of employees. Most employees would appreciate revenue participation, sales-motivation competitions and up-selling opportunities as a part of reward. These instruments are quite easy to implement and they are most efficient. Furthermore, together with a sophisticated system of benefits, they could ensure satisfied employees.

**Key words:** work performance management; reward; motivation; up-selling; revenue participation

**JEL codes:** E24, J31

## 1. Introduction

The basic goal of each company is to realise profit and, in the long terms, to increase the market value of the company. The same is true of the hotel industry. Many hoteliers declare that their main goal is maximum guest satisfaction. However, this is not the case. The goal is always the same and that is to achieve the highest possible profit. However, a satisfied guest is the main means of achieving this goal. The hotel sector falls within the service segment whose main attributes are indivisibility, non-storability, transience and, in particular, the fact that service consumption is associated with a given service provider. Thus with a man. Therefore, human resources are a primary and vital factor in the hotel and gastronomy industry. This is especially important nowadays since there has been a terrible labour shortage within the entire national economy recently. It is necessary to take care of the staff, take care of their development and, thanks to quality and effective methods, manage the growth of work performance. An ideal approach to human resources has been defined by Koubek: "A modern manager is not a coachman who by means of reins, whips and commands directs the team of his subordinates. A modern manager is a leader who like a medieval king leads his knights into a fight and impresses them by his own example. He is

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the first among the equals.” This definition can be transformed into a clear thesis that the primary task is to harmonise the needs, interests, plans and ideas of individuals and teams with those of a company so that the set strategic goals can be achieved.

## 2. Human Resources Management in the Hotel Industry in the Czech Republic

From a cybernetic perspective, the hotel industry can be perceived as one of the elements in the tourism system. Its main business intention is to provide services, especially catering, accommodation, congress, additional, etc. The primary task of hotel industry management is to ensure the quantity and quality of services provided. This represents the performance of the hotel industry. Due to the fact that services are connected with a man, work performance management is the best tool for ensuring the above-mentioned factors in hotel services.

In 2018, the domestic market comprised 9,426 accommodation facilities competing with each other, out of them there were 2,653 hotels. These offer 102,256 rooms that can accommodate 229,136 guests<sup>1</sup>. This number also represents the number of beds for which fees are paid to municipalities. Naturally, the largest share of accommodation capacity takes Prague with approximately 72,614 beds (it was only 32,000 in 2003). Such a competitive environment that exists here cannot be found in any other European city. It is enough to mention the number of luxury hotels of the highest, i.e., five-star category — there are 42 of them in Prague.

In terms of employment, according to CZSO statistics, employees in hotels and restaurants accounted for 3.3% of the total number of all people employed in the national economy (172,600 persons out of 5,221,600) in 2018.

The quality of management in a hotel leads to a higher and better performance and therefore to the satisfaction of guests. This is ensured, in particular, by the value system activated by a stimulus that afterwards converts into a motive and that, thanks to qualifications (skills, abilities), subsequently leads to activity and desired goals, which means satisfied clients. Furthermore, due to quality management, the employees themselves are more satisfied as well. The quality of management plays a very important role in this process. It is a connecting element and ensures coherence between client and employee satisfaction. Finally yet importantly, it ensures the satisfaction of other interested groups (management, owners, suppliers). This is analogous to the theory of Jack Welsh, who led the company General Electric for many years. In this case, however, financial flows were the connecting factor between a client and employee satisfaction.

### 2.1 Work Performance Management

“If the construction of the bridge does not enrich the consciousness of those working on it, then the bridge should not be built.”

— Franz Fanon

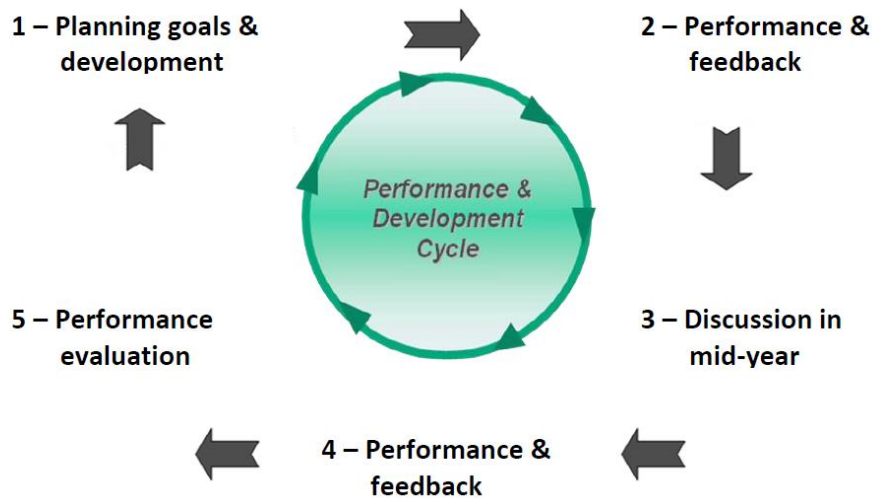
In order to achieve the above-mentioned objectives, human resources need to be managed effectively. That means to ensure a steady growth of their performance through motivation and stimulation. During the last century, the approach to employees was evaluated, i.e., how to talk to them, what to expect from them, where to direct their activities, etc. In the beginning, it was mainly within the framework of performance evaluation of individual soldiers. Afterwards, experiments were carried out with methods of evaluation in the 1960s and 1970s, such as behaviourally anchored rating scales, so-called BARS. Prior that, in 1955, goal-based management had been first

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<sup>1</sup> <http://www.vdb.czso.cz>.

used by Peter Drucker. He argued that what businesses needed was a concept of management that would provide scope for employment of strengths and responsibility of individuals and at the same time would give an idea of the overall direction of the vision and of the efforts to fulfil it, and would enforce teamwork and harmonise individual goals with the common benefit. However, it was only the performance management that brought the expected human resources management system.

Work performance management is a process designed to achieve agreement and common understanding regarding issues related to setting the core objectives, i.e., what is to be achieved and how it should be achieved. It is also an approach leading to the development of people and to the increase of their performance. Performance management can be characterised as a continuous and self-renewing cycle.



**Figure 1 Performance & Development Cycle**

Performance management is a very complicated, constantly changing and complex process. It is necessary to evaluate it always with respect to the current situation in a given company and to respect the sector to which a company belongs.

The hotel industry is a very specific area the development of which could started in a more significant way after 1989 only. Until then, most businesses in the then Czechoslovakia were operated by people with insufficient skills and competences. The gap between the quality of accommodation in our and other countries, especially in Western Europe, was enormous. That is why it was not possible to apply modern management methods that would enable tourism company operators to better manage their human resources, achieve competitive advantages, increase their profitability and ensure market growth.

According to world statistics, tourism occupies one of the top places in terms of the rate of growth and development. According to the OECD data regarding 2011, tourism accounted for approximately 6.5% of the world gross domestic product (GDP). Some countries, such as Austria, even depend on tourism, and 80% of the income of all its residents is somehow connected with this sector. That is why tourism and gastronomy are so important and strict demands are placed on them.

Although work performance management is implemented in many areas, tourism or more precisely hotel industry sector unfortunately lags behind. Based on these facts, a qualitative as well as quantitative research was carried out that was focused on the implementation of the elements of the process of work performance

management in the hotel industry in the Czech Republic.

## 2.2 Research File

The aim of the questionnaire survey was to find out whether and to what extent the process of employee performance management is used in the hotel industry in the Czech Republic as well as how the employees view this process and what possible changes of it they would appreciate.

The basic file consisted of 4,612 hotels, i.e., the total number of all hotels in the Czech Republic in 2012 (according to CZSO data). The sample file included 776 hotels that were selected randomly so that their number corresponded to their position within the classification composition in the basic file (for example the number of three-star hotels within the sample file fully corresponded to their percentage in the basic file, etc.). Finally 253 questionnaires were filled in. The research itself was carried out between the 1 May and 30 November 2012.

## 3. Results and Theoretical Background

Several semi-standardised interviews were carried out with executives within the research, especially with the executives in the area of human resources management, hypotheses, or more precisely premises were determined that should have been confirmed or refuted. Based on the results, it was possible to come to the following conclusions.

**The performance management system is not implemented as a complex, continuous and repeated process.** The conducted qualitative and quantitative research revealed that although the performance management system is usually a repeated process (almost 70% of employees undergo an annual performance evaluation), it lacks complexity (does not include all significant performance management elements) and the continuity of the process logically converges to zero.

Employees do not receive the feedback regarding the fulfilment of assigned tasks and personal development plan during a given period. Only half of the respondents receive feedback on their tasks performance within performance evaluation. A possible failure to meet the plan or objectives is usually not rectified or does not result in sanctions of a given employee.

**The evaluation of an employee is not directly related to his/her cash reward.** Only 35% of employees receive financial or non-financial remuneration based on their performance evaluation results. The results achieved based on a periodic evaluation of work performance does not influence the remuneration of the rest.

The questionnaire survey within the framework of quantitative research revealed that most employees undergo evaluation of their performance at least once a year. One-fourth of employees undergoes the evaluation on a quarterly basis, one-tenth of employees every month.

A vast majority of employees is classified by means of an assessment interview. Frequent evaluation tools in the hotel industry include also mystery shopping, goal management and 360° feedback.

A plan on further personal development and goals to be achieved in a given evaluation period is set with one half of employees who undergo work performance evaluation. Only one half of employees provides their supervisors with feedback on the fulfilment of assigned tasks and personal development during the mentioned period.

Although most employees undergo assessment interviews, at least half of them lack further continuity of this process and consider it a mere statement of situation and evaluation of the past period without further possibility of progression.

Almost half of employees perceive the remuneration system and salary policy in their hotel as fair and motivating, nevertheless, only 35% are remunerated based on their performance. That is the reason why nearly two-thirds of hotel employees would appreciate the possibility of remuneration in the form of revenue share. Almost 75% of employees would appreciate the introduction of other forms of remuneration — most often annual remuneration (thirteenth salary), loyalty pay, bonus or holiday allowance.

Based on the above-mentioned findings, it can be concluded that the situation in the Czech hotel industry cannot be considered as completely dismal or neglected in terms of the application of work performance management. On the other hand, significant shortcomings and process errors cannot be ignored.

#### **4. Implementation of Motivation Instruments**

Based on the obtained results, suggestions have originated to implement new solutions and restructure the processes of work performance management in the hotel industry in the Czech Republic. These solutions can be logically divided into two preference groups, i.e., material and financial incentives and benefits.

**Table 1 Overview of Remuneration Tools in the Hotel Industry**

<b>Material and Financial Incentives</b>
<b>Participation on Revenue</b>
This is a very strong financial stimulus. The entire remuneration, or its part, is derived (usually as a percentage) from the achieved performance of a company or department, in the case of the hotel industry from the amount of sales. It is a highly effective tool, especially in the sales-related departments. Its implementation is more demanding and, as far as employees are considered, it creates a certain distrust in the beginning.
<b>Upselling</b>
This is a financial or material stimulus. An employee receives it when the determined average guest spending is exceeded, or when selling selected or preferred items from the hotel or restaurant offer. It is possible to reward in a financial way or in the form of benefits and material rewards. It is an efficient tool for employers as well as employees.
<b>Sales-Incentive Remuneration</b>
This is a material stimulus. Based on his/her sales of a certain quantity of preferred products or goods, an employee receives remuneration in the form of these products or goods. These are sometimes assigned point values and the points can then be used to purchase directly from the supplier. This system is based on a bilateral agreement between employees and suppliers and involves no financial participation of employers. However, the reward effect may not be immediate.
<b>Quarterly Rewards</b>
This is a financial stimulus. The reward depends on the fulfilment of financial and quality objectives. These are the two basic pillars of hotel efficiency and they are mutually dependent. However, it is essential to introduce individual goals as well. They should be different for each company, department or division. They are determined by the manager of a given section and can be influenced directly by its employees. The stimulating effect comes after a longer period but the use of individual elements increases the efficiency of this tool. It is more favourable for employers in terms of cash flow. There is no larger pay out in one moment.
<b>Annual Bonus</b>
This is a financial stimulus. It is known as the thirteenth salary in our country. The remuneration usually depends on the fulfilment of the budget or financial objectives in a given calendar year as well as on the duration of the employment contract throughout the budget period. It is financially demanding for employers from the point of view of cash flow. Twelve months is a long period due to the high turnover of hotel employees, hence the incentive effect is not very strong. On the other hand, it increases the loyalty of employees.
<b>Loyalty Pay</b>
This is a financial stimulus. It is usually paid after a certain period of time, either in the form of a one-time bonus or in the form of an extra pay together with the regular month salary. This bonus/extra pay has a high impact on the loyalty of employees and their stay in a company. Labour costs may be higher with a larger number of long-term employees.
<b>Holiday Allowance</b>
This is a financial stimulus. This is a one-time reward paid mostly after the holiday. It is also sometimes provided automatically before the beginning of the summer period as a one-time bonus. The stimulus effect is not very significant. In the case of its automatic pay out once a year, it is sooner or later taken for granted.

<b>Benefits</b>	
<b>Employee Benefits</b>	
<p>These are intangible stimuli. Within the hotel industry, they may include incentives such as individual or group language courses, sport and cultural activities, transport at night, provision of company uniforms as well as their cleaning, free catering, company car or telephone, etc. These benefits increase employee satisfaction, loyalty and performance. They also represent a tax advantage for employers. They have become increasingly popular among employees recently and often represent the decisive factor in terms of starting employment.</p>	

The ideal solution in terms of benefits is the today popular so-called Cafeteria system. This system includes a group of benefits that are for example point-valued differently so that an employee can “spend” the points assigned to him for a given month according to his preferences. This packet may include a fitness centre, massages, wellness centre, theatre, cultural or sport events. An increasing number of companies uses so-called Multisport card that is very popular nowadays. It is currently an ideal solution of the cafeteria system for companies. An employee receives a card that includes one free entry to a preferred contracting establishment each day of the month for a relatively small amount of 750 CZK per month. It offers 1,690 facilities in the Czech Republic currently and it is possible to use it in Slovakia and Poland as well. Further extension is planned not only in the Czech Republic. The range of services is infinite — wellness centres, massages, fitness centres, sports facilities (tennis, volleyball, football, basketball, etc.), cinemas, bike rental, etc. An employer can pay the whole card or there is a possibility of different ratios of a sum paid by an employer to a sum paid by an employee. The recommended solution is that an employee participates in this benefit (100, 200 CZK) since this can lead to the card being used more efficiently.

**Table 2 Overview of Economic Indicators Terrace at the Golden Well**

<b>Year</b>	<b>Revenue</b>	<b>Cost</b>	<b>Salaries</b>	<b>Profitability</b>	<b>GOP</b>
<b>2013</b>	17,904,498	16,107,352	7,520,088	10.04	1,797,146
<b>2014</b>	20,827,437	15,943,535	8,110,088	23.45	4,883,902
<b>2015</b>	21,637,065	16,113,808	8,110,081	25.53	5,523,257
<b>2016</b>	29,266,415	19,240,683	8,699,635	34.26	10,025,732
<b>2017</b>	32,409,446	21,342,825	8,750,827	34.15	11,066,621

2013 without changes; 2014-2015 implementation of benefits; 2016-2017 implementation of participation on sales.

There is a wide range of remuneration tools and employee benefits applicable within the hotel industry. We have presented and discussed those that can be implemented easily and rather quickly and that are characterised by a high probability of efficiency. The priority objective of companies is to build such a remuneration system that is well-balanced and creates a quality statute of the total pay. Consequently, this will lead to a synergic effect for an employee that will enable to achieve the set company goals in a more efficient way.

Due to the right and primarily individual approach to each employee as well as to each client, all the given categories experienced an increase in the period from 2013 until 2017. Employee satisfaction with the possibility to influence their remuneration led to the increase of sales by up to 81%. This was mainly due to the share in sales. The amount of sales in the upshot exceeded the percentage increase in salary costs. Despite the fact that labour costs increased by 7.6% between 2015 and 2017, sales growth brought turnover higher by 49%. This also had an overall impact on the profitability of the company that increased from the original 10.04% up to 34.15%. These results should certainly lead to the satisfaction of employers. In order to close the satisfaction triangle, it is necessary to mention also the increase of 14.3% in absolute satisfaction of guests with the services provided. This

is finally confirmed by the transformer of work performance management process that ensures the satisfaction of guests by way of influencing on employees and the subsequent satisfaction of employers.

## 5. Conclusion

Work performance management is an important tool for efficient harmonisation of the interests of all the parties involved and this way to achieve the set goals. Nevertheless, most hotels, except those that are a part of transnational chains, apply it to a very limited extent. When it is implemented, then it is static, unsystematic, inconsistent, non-complex, ossified and very little effective. Most operators and owners manage their businesses in an intuitive way, without more extensive plans and strategies for the medium and long terms. Their main goal is to “keep the business alive” and to achieve a certain amount of profit. Development and growth are secondary to them. Therefore, they do not deal with planning the development of their employees, their evaluation and creation of an effective remuneration system.

The possibilities of further development of companies are significantly reduced without an efficient employee performance management system. Its absence can even put the future existence of a company in danger. Thanks to the uniqueness of each company, there is no universal performance management system applicable to all businesses since each has a different strategy, goals, organisation of work, structure and so on. Therefore, it is necessary to approach the creation of a comprehensive performance management system on an individual basis and in a selective and unique way. Within evaluation, this means moving away from static thinking, noticing what happened and simple evaluation of the past. It is necessary to focus on the future through motivation and problem solving. It is necessary to gather feedback (micro-evaluation) continuously, i.e., not only at the end of the year but during the evaluated periods. Based on the results, it is necessary to correct the goals or the real way to accomplish a set goal. Finally yet importantly, it is necessary to create an efficient remuneration system that can be applied individually according to the needs of each employee in order to achieve company goals.

Thanks to these approaches, it is possible to ensure the satisfaction of employees, which is the most important issue in services. The performance of a satisfied employee is much higher and, especially according to the theory of isosceles triangle of satisfaction, it creates a satisfied guest who then likes to come back and based on his/her own personal recommendation introduces other guests. This increases turnover, or more precisely profit, and last but not least a satisfied employer.

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