Drivers of Hotel Departments' Performance: Evidence from Australia

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This paper examined how department managers' perceptions of their general manager's transformational leadership style, their insight into market competition and use of management accounting systems (MAS) information has influenced hotels' departmental performances. The data were collected through a postal survey in which 112 usable responses were received from department managers of luxury hotels in Australia. The results indicated a combined significant and positive effect of transformational leadership, market competition and MAS information use on the hotels departments' non-financial performance, but not financial performance.

KEYWORDS transformational leadership, MAS information use, market competition, performance, hotels, Australia

INTRODUCTION

The increasing use of advanced technology and the internationalization of businesses are lifting customers' awareness of quality and intensifying market competition (Pagell, Yang, Krumwiede & Sheu, 2004; Phillips & Louvieris, 2005; Shi & Su, 2007). As such, hotels are able to succeed if they effectively manage resources and build flexibility within the operation (Wang, Chen & Chen, 2012; Wang, Tsai & Tsai, 2014). In particular, luxury hotels are labor intensive and positive face-to-face interactions between employees and customers are a key to success (Castellanos-Verdugo, Oviedo-García, Roldán, & Veerapermal, 2009; King, 2010). Several researchers have claimed

that motivated employees are in a better position to exceed customer satisfaction and contribute to performance improvements (Claver-Cortes, Molina-Azorin, & Pereira-Moliner, 2006; Patiar, Davidson & Wang, 2012).

Therefore, senior managers' transformational leadership style can play a genuine role in motivating employees and inspiring them to go out of their way to delight customers and help build a robust brand (Erkutlu, 2008; Gumusluoglu & Ilsev, 2009; Patiar & Mia, 2009). Another key feature which transformational leadership exhibits is passing decision-making responsibility down an organisation's hierarchy, resulting in an increased number of short and long-term decisions being made by middle and junior managers. According to Agbejule and Burrowes, (2007), Downie, (1997), Patiar and Mia, (2008a), when managers need to make an increased number of decisions, a large variety of information from different sources is required so as to reduce uncertainty and ensure the outcomes of their decisions are positive.

The literature search has indicated that so far, hospitality researchers have only examined either the main effect or the two way interactive effects of various independent variables on performance (Clark, Hartline & Jones, 2009; Erkutlu, 2008; Mia & Patiar, 2002; Patiar & Mia, 2008a/2009; Santos, Gomes & Arroiteia, 2010). To date it is believed that no researcher in the tourism and hospitality field has examined the combined effect of the three independent variables (i.e., transformational leadership, competition and MAS information use) on dependent variable (i.e., hotel department performance). However, a few studies have investigated in the manufacturing industry the combined effect of three quite different variables (e.g., decentralized organizational structure, environmental uncertainty and MAS on managerial performance) (Gul & Chia, 1994) and locus of control, task uncertainty and MAS on managerial performance (Chong & Eggleton, 2003). It is argued that the results of the manufacturing industry cannot be directly applied to the hotel industry due to the unique characteristics of hotel

products and services, as well as the absence of one of the key variables of transformational leadership (i.e., in the people oriented industry where employees are considered to be the key to success) and MAS information use. Intuitively support for transformational leadership and the use of MAS information in this study is expected. Moreover, researchers have claimed that tourism is now recognized as one of the biggest and fastest growing industries and that it makes significant economic contributions to the nation's economy (Weaver & Lawton, 2006). Similarly, Chenhall, (2003) also supports the need for specific service industry research. Accordingly, this study attempts to fill the gap in the literature.

The main purpose of this study was to examine the combined effect (x) of hotel department (rooms and food and beverage) managers' perceptions of their (i) general manager's transformational leadership style and (ii) the intensity of market competition; and (iii) their extent of MAS information use on (y) departmental performance. The following are four key objectives that were identified for this study:

1. Examine if a positive and significant relationship exists between (y) a hotel department's financial performance and (x) the combined effect of (i) GM's transformational leadership style; and (ii) intensity of competition; and (iii) MAS information use;
2. Evaluate if a positive and significant relationship exists between (y) a hotel departments' non-financial performance and (x) the combined effect of (i) GM's transformational leadership style; and (ii) intensity of competition; and (iii) MAS information use;
3. Assess if demographics such as department managers age, gender, qualification and experience influence the relationships outlined in objectives 1 and 2 above; and

4. Test if characteristics such as hotels star rating and size influence the relationships outlined in objectives 1 and 2 above.

LITERATURE REVIEW

Transformational Leadership

Transformational leaders are competent in sharing an organisation's vision and inspiring, motivating and encouraging subordinates to perform beyond their limits (Bass, 1990; Bass & Avolio, 1997; Wang et. al, 2014). There are five dimensions to transformational leadership that can instil positive change in subordinates: idealized attributes (encouraging pride in being associated with the superior), idealized behaviour (talking about the most important values and beliefs), inspirational motivation (talking positively about the future), intellectual stimulation (seeking differing viewpoints in problem solving) and individualized consideration (spending time teaching and coaching) (Bass & Avolio, 1997).

In a people oriented industry like hotels, achieving high levels of customer satisfaction is the key to success. There is a body of literature suggesting that highly motivated employees are more likely to deliver superior quality products and service (Claver-Cortes, et. al, 2006; Patiar, et. al, 2012), and thus, achieve a high degree of customer loyalty (Groth, Hennig-Thurau, & Walsh, 2009; Tsai & Huang, 2002). Indeed, it is evident that there is a strong relationship between transformational leadership, employee job satisfaction, customer satisfaction (Clark, et. al, 2009; Spinelli & Canavos, 2000) and business performance (Chen, 2004; Erkutlu, 2008; Masi, & Cooke, 2000; Wang, et. al, 2012).

Researchers contend that managers who practice transformational leadership have greater faith and trust in their subordinates, and are inclined to hand over greater decision-making responsibilities (Bass, 1990; Ristow, Amos & Staude, 1999). However, the combination of an increased number of decisions, intense market

competition and the unique characteristics of hotels (i.e., products and services are intangible and perishable, and involve simultaneous production and consumption) make managers' jobs complex and can lead to uncertainty. Moreover, transformational leaders are more likely to succeed in developing creative and innovative skills in their subordinates, and achieve improved performance outcomes (Arnold, Barling & Kelloway, 2001; Masi & Cooke, 2000; Parzinger, Nath & Lemons, 2001). In general, managers practicing transformational leadership are effective in uncertain environments, especially when organizations are under-going significant changes or experiencing intense market competition. Transformational leaders tend to be more effective because they are usually risk takers and extract opportunities in all kind of situations (Beugre, Acar & Braun, 2006) and also instil higher motivation among subordinates to experience improved performance (Clark et. al, 2009; Spinelli & Canavos, 2000).

In the hotel industry, the general manager's (GM's) practice of transformational leadership style is also important, since the success of a hotel is dependent upon the delivery of reliable quality products and services (Patlar & Mia, 2009). According to Hirtz, Murray and Riordan (2007), transformational leaders play a key role in implementing successful quality management initiatives as they effectively share their visions and convince their team members to achieve key business goals.

Competition

Rival businesses feel the intensity of market competition when opponents begin to sell the same or better quality products and services at competitive prices, and use more aggressive marketing techniques (Khandwalla, 1972). Various researchers claim that the rise in quality of products and services is another reason to increased competitiveness (Banker, Khosla & Sinha, 1998; Chong & Rundus, 2004; Shi & Su, 2007). Thus, in a competitive environment, hotels must deliver reliable quality products and services, and

exercise control over their resources to remain competitive (Patiar, et. al, 2012). Furthermore, hotel managers are required to make effective decisions related to setting prices for existing and new products and services, and launching promotional activities, all of which require the use a wide variety of information from different sources (Day & Wensley, 1988; Downie, 1997).

MAS Information

Chenhall and Morris, (1986) emphasise that MAS information can be either narrow (attained from within the organisation) or broad in its scope (attained from within the organization and from relevant external sources). More specifically, broad scope MAS information includes financial and non-financial facts; collected from internal and external sources; and it is of historical and futuristic nature. A MAS information system supports the effective management of resources and creates business value through for example accurate pricing (using costs projections), feedback on the performances, and by making available the details of market intelligence, the state of the economy and general consumer trends for making strategic decisions.

The management of hotels is a complex business as they offer a variety of products and services at varying price levels to a sizeable customer mix, and they are also affected by unique characteristics (i.e., products and services which are intangible, perishable and of a time-bound nature) (Lovelock, 1983). These features require managers to use significantly more information when making decisions (Santos et. al, 2010). For instance, hotel managers have to know how their customers perceive the products and services they offer, and how effectively their resources are being utilized to ensure shareholder value is maximized. The decisions of such a nature require careful assessment of different costs and their ability to offer optimum benefits.

Eisenhardt (1989), Milliken (1990) maintain that in a highly competitive environment, considerable uncertainty is generated. This uncertainty can lead managers

to lose control over business activities. In such situations, the success of decisions depends upon the extent of the DM's use of the right type of MAS information in timely manner (Chenhall & Morris, 1986; Chong & Eggleton, 2003; Patiar & Mia, 2008a; Winata & Mia, 2005). Gul and Chia (1994) report a positive relationship between managers' perceived environmental uncertainty, decentralization and the use of MAS information on managerial performance. Similarly, Patiar and Mia (2008a/2009) also found that within a competitive environment, hotel DMs made extensive use of MAS information to result in improved performance.

Departmental Performance

Performance assessment in a competitive environment is critical since "it is essential for managers to know what has happened, why it has happened and what can be done now to improve future performance" (Adams, 2006: 172). Feedback of such nature allows senior managers to effectively control resources and identify subordinates' professional development needs. Traditionally, the performance assessment has been based on financial measures; however, in today's competitive environment financial measures are been criticized for having only the short-term focus (Johnson & Kaplan, 1991). The literature has suggested that sole reliance on financial based measures results in declined competitiveness (Enz, Canina & Walsh, 2001; Kennerly & Neely, 2003; Phillips & Louvieris, 2005).

Conversely, a performance assessment system in hotels that captures financial (e.g., achieving operational budget) and non-financial (e.g., satisfying customers and other key stakeholders) outcomes helps department managers (DMs) to prioritize operational issues and make sound decisions, resulting in improved performances (Enz, et. al, 2001; Phillips & Louvieris, 2005). This is because managers are most likely to receive accurate feedback, which can then be employed in improving the quality of

products, services, and processes, and ensuring higher customer satisfaction and a attaining larger market share.

Transformational Leadership, Competition, MAS Information and Performance

A combination of hotel GMs' transformational leadership style, DMs' awareness of the strength of the competition and their use of MAS information in making a variety of decisions can result in improved levels of hotel department performance. Indeed, hotel GMs who extensively practice transformational leadership succeed in creating a favorable work environment by sharing their visions, coaching to encourage innovation and focusing on boosting the morale of subordinates, thereby helping them to realize their potential (Bass & Avolio, 1997). As such, transformational leaders can educate their subordinates to become independent in their decision-making (Burns, 1978). There is sufficient support for the effectiveness of transformational leadership in terms of improving subordinates' motivation and business performance (Clark, et. al, 2009; Erkutlu, 2008; Patiar & Mia, 2009). That is, hotel GM's practice of transformational leadership is most likely to promote favorable communications between staff and customers, and this is one of the key factors for hotel success (Patiar & Mia, 2009; Tracey & Hinkin, 1996).

The effects of intense competition is felt when competing businesses begin to sell the same or better quality products and services at lower prices, and increase their marketing efforts (Khandwalla, 1972). Moreover, in the case of hotels, competition is the result of the internationalization of hotel brands, advances in information technology and increasing customers' awareness of quality (Buckhiester, 2003; Jogaratnam, Tse & Olsen, 1999; Kim, Shi & Srinivasan, 2004; Wolff, 2004). Together the GM's transformational leadership style (creating increased decision-making responsibility) and intense competition (creating high environmental uncertainty), tied to the unique characteristics of the hotel industry, makes managers' jobs more complex. Indeed, the

use of pertinent information in making such decisions improves the effectiveness of decisions. Gordon and Narayanan (1984) support the above notion and report that under highly uncertain environments, senior managers' use of organic organizational structures encourage subordinates to make extensive use of MAS information in order to improve performances. Similarly, Gul and Chia (1994) report a positive and significant three-way interaction between perceived environmental uncertainty, decentralization and the use of MAS information to affect managerial performance.

It is argued that the complexity of decisions, as well as the number of decisions DMs are required to make, depend upon their GM's transformational leadership style, how they perceive the intensity of market competition and how extensively they use MAS information to affect their department's performance. Eisenhardt (1989) and Milliken (1990) point out that in a highly competitive environment, considerable uncertainty is generated which can lead to DMs losing control of the situation. Indeed, the success of their decisions depends upon the extent of the DM's use of MAS information, which helps in gaining control over business activities. Chenhall and Morris (1986) and Gordon and Narayanan (1984) suggest that the extensive use of MAS information assists DMs to better understand the complex environment and/or the decisions they are considering. Such understanding results in decreasing the DMs' level of perceived environmental uncertainty and job complexity, and increases the accuracy of the decisions being made.

Following the above explanation, it is proposed that the level of competition and the senior manager's transformational leadership style and MAS information use by DMs will jointly influence department performance. In other words, to drive the departmental performance of hotels there must be a suitable match between transformational leadership style, intensity of competition and MAS information use.

This argument is formally presented in hypothesis 1 for the financial performance, and in hypothesis 2 for the non-financial performance of hotel departments.

Hypothesis1: In a competitive environment, hotel GM's practice of transformational leadership style and DMs' use of MAS information will have a positive and significant effect on their department's financial performance.

Hypothesis2: In a competitive environment, hotel GM's practice of transformational leadership style and DMs' use of MAS information will have a positive and significant effect on their department's non-financial performance.

METHODOLOGY

Sampling and Procedure

The data for testing the hypotheses for this study were gathered using a self-administered postal survey of 140 large four and five-star hotels and resorts in Australia. Each of the surveyed hotels had 150 or more guest bedrooms. Properties of this size were selected because such properties are more likely to have a wide variety of products and services to cause operational complexities and offer DMs greater scope in managing profit centres compared to smaller hotels with less than 150 guest bedrooms and with less than four-star ratings. All of the properties were identified from the accommodation listing on the Royal Automobile Club of Queensland's Accommodation Guide website.

The GMs of 140 large hotels and resorts in Australia were sent a letter explaining the purpose of the study and were provided with a set of sample questions. The letter requested the GMs' permission for the participation of their room, and food and beverage DMs. These DMs were selected, as they were part of each hotel's executive team and had direct responsibility for key aspects of operations. For example, the food and beverage manager is responsible for the day-to-day and long-term

management and viability of the entire food and beverage department, consisting of a number of outlets. More specifically, a food and beverage manager is required to oversee their department's operating budget, the recruitment and supervision of highly skilled staff, and the implementation of marketing strategies. Similarly, in a hotel, the room manager is responsible for the "front-of-house" provision of guest bedrooms and the effective management of reservations, reception and concierge, and "back-of-house" operations including housekeeping, linen and maintenance. More holistically, room managers also control rooms operating budget, the recruitment and supervision of skilled staff and the implementation of rooms related marketing strategies.

Seven working days after posting the letter, telephone contact was made with each GMs office to establish if they would agree to their DMs participation in the study. In total, 78 hotel and resort GMs agreed to support the study. A package was then sent to each GM, containing a cover letter thanking them for their support and requesting the distribution of the respective envelopes to room and food and beverage DMs for the completion of the survey. The envelope for each DM also included a personal cover letter stating the purpose of the study; explaining the process for the completion and return of the questionnaire direct to the researcher; a copy of the questionnaire and a self-addressed reply-paid envelope. Useable responses from 112 department managers (i.e., representing 56 hotels of 140 large hotels and resorts in Australia) were received, giving a response rate of 40%, which is considered to be acceptable for a self-administered postal survey (Cooper & Emory, 1995; Wallace & Mellor, 1988).

Measures

The instrument used for collecting data included items related to transformational leadership, market competition, MAS information use, and hotel department performance. See Appendix A for instrument.

Transformational Leadership: Bass and Avolio's (1997) revised Multifactor Leadership Questionnaire (MLQ-Form 5X) was adapted to assess the DMs' perceptions of their GM's transformational leadership. The scale comprised of 20 items measuring the DMs' opinions (e.g., my manager: encourages pride for being associated with him/her; spends time teaching and coaching; acts in ways that build others respect) on a five-point Likert scale where 1 indicated "not at all" and 5 indicated "frequently if not always". See Appendix A for 20 items of transformational leadership.

Consistent with the approach of Avolio, Howell and Sosik (1999), Banerji and Krishnan (2000), Chen (2004) and Madzar (2001), the mean of 20 items was taken to represent the global score for hotel DMs' perceptions of their GM's transformational leadership. An internal consistency reliability Cronbach coefficient alpha of .93 was found in this study, indicating a satisfactory level of reliability for the instrument (Nunnally, 1978). Table 1 presents descriptive statistics for the transformational leadership scale.

Table 1. Descriptive statistics, reliability scores and inter-correlation for measures (N = 112)

Variables	Mean	σ	α	1	2	3	4
1. Financial performance	5.31	.89	.82	1.00			
2. Non-Fin. performance	5.16	.81	.80	.61**	1.00		
3. Transformational leadership	3.86	.62	-	1.16	.31**	1.00	
4. MAS information	5.00	.82	.81	-.01	.02	.03	1.00
5. Competition	4.17	1.01	.80	-.18	-.20*	-.08	.07

Note. * $p < .05$ ** $p < .01$

Competition: The DMs responded to three items of market competition, adapted from Khandwalla's (1972) instrument, which helped elicit their perceptions of the intensity of the market competition faced by their departments. The DMs were asked a number of questions related to market competition, for instance how difficult would you say it is for your department to compete in terms of (i) products and services price with competitors; (ii) quality with competitors; (iii) and marketing efforts of competitors

(sales promotions, loyalty programmes). The three aspects of market competition were measured on a seven point Likert scale ranging, where 1 indicated “not at all difficult” and 7 indicated “very difficult”.

A confirmatory factor analysis using a Principal Component-Varimax with a Kaiser Normalization Rotation method was used to test the construct validity for the three-item instrument assessing market competition. The factor analysis extracted a single factor with an Eigen-value greater than one, accounting for 73.6% of the total variance. The average of the three items of market competition was taken to represent a hotel DMs’ perception of the intensity of market competition faced by their department within the hotel. An internal consistency reliability Cronbach coefficient alpha of .80 was found in this study, indicating a satisfactory level of reliability of the instrument (Nunnally, 1978).

MAS Information Use: Chenhall and Morris’s (1986) MAS information use instrument was adapted for this study. Using a seven point Likert scale, where 1 indicated “Very low” and 7 indicated “Very high”, the DMs were asked to respond to five items that best described their level of MAS information use (i.e., related to financial and non-financial aspects of the operation; the market; future events; the likelihood of the future events occurring, and the social changes). See Appendix A for the items of MAS information use. To test the construct validity for MAS information use, a confirmatory factor analysis was performed which extracted a single factor with an Eigen-value greater than one, accounting for 57.02% of the total variance. Therefore, the average of the five items of MAS information use was taken to represent MAS information use. An internal consistency reliability Cronbach coefficient alpha of .81 was found in this study indicating a satisfactory level of reliability of the instrument (Nunnally, 1978).

Departmental Performance: A careful decision was made to use the subjective means of performance assessment and requesting DMs to assess their own performance in this

study. While some researchers have criticized the merits of the subjective nature of performance assessment and the self-reporting of performance on the basis that these are soft measures and there is a danger of results being over inflated. However, there is a vast literature that supports the validity of subjective and self-reporting of performance. Firstly, Covin, (1991), Dess and Robinson (1984) found no statistically significant difference between the objective and subjective nature of performance measurement. Secondly, other researchers have reported no significant difference between self and superior's rating of performance (Heneman, 1974; Patiar & Mia, 2008b; Venkatraman & Ramnujan, 1987). Moreover, a wide range of published literature supports the use of subjective and self-reporting of performance (Jogarathnam, et. al, 1999; Tsui, 2001; Patiar & Mia, 2008a; Patiar, et. al, 2012).

The departmental performance instrument was adapted from Gupta & Govindarajan's (1984) work. The DMs were asked to evaluate their department's performance by comparing it with the assessment of their GM's expectations on a wide variety of financial and non-financial based performance indicators (i.e., occupancy levels, average room rate or average spend on food and beverage, customer satisfaction, repeat business, staff development, staff morale, meeting budgets and cost reduction plans). See Appendix A for the items of departmental performance. The DMs responded to each of the eight items of performance on a seven-point Likert scale anchored at both ends, where 1 indicated, "not at all satisfied" and 7 indicated, "highly satisfied".

The results of a factor analysis extracted two factors with Eigen-values greater than one, accounting for 64.37% of the total variance. The first factor was labelled *financial performance* and second factor was labelled *non-financial performance*. The means of the performance items that were loaded on the same factor were calculated to determine their relative importance and to arrive at a single scale. The reliability of the scale was tested using Cronbach alpha to estimate the internal consistency of the scales.

The results were .82 for *financial performance* and .80 for *non-financial performance*, which is judged to be acceptable (Nunnally, 1978).

Data analysis

Table 1 shows that the independent variables used in this study do not correlate with one another and thus support the use of a multiple regression analysis technique. (See Table 1). In this study, Hypotheses 1 and 2 involved a combined effect of *transformational leadership style*, *market competition* and *MAS information* used on two dimensions (financial, and non-financial) of departmental performance, and were hypothesised using the following multiple regression equation;

$$Y_i = \beta_0 + \beta_2 T + \beta_1 C + \beta_3 M + \beta_4 CM + \beta_5 TM + \beta_6 CT + \beta_7 TCM + \varepsilon$$

β_0 = Constant β_n are regression coefficients

Y_i = Financial performance (when $i = a$), and Non-financial performance (when $i = b$), and ε = Error term

T = Transformational leadership

C = Competition

M = MAS information

RESULTS

The Interaction Hypotheses

The interaction hypotheses 1 and 2 have been tested using the regression equations stated above.

Hypothesis 1: In the competitive environment, hotel GM's practice of transformational leadership style and DMs' use of MAS information will have a positive and significant effect on their department's financial performance.

To support hypothesis 1, the regression coefficients β -TCM in the equation must be positive and significant. In other words, it means that the combined effect (x) of increasing level of DM's perception of GM's transformational leadership style and intensity of market competition and their (DM's) use of MAS information leads to (y)

increasing financial performance of hotel department. The results of the interaction model equation indicated that coefficient β -TCM in the equation was statistically not significant hence hypothesis 1 was rejected.

Hypothesis 2: In the competitive environment, hotel GM's practice of transformational leadership style and the DMs' use of MAS information will have a positive and significant effect on their department's non-financial performance.

To support hypothesis 2, the regression coefficients β -TCM in the equation must be positive and statistically significant. The results indicated that the coefficients β -TCM was significant. This means that the combined effect (x) of increasing level of DM's perception of GM's transformational leadership style and intensity of market competition and their (DM's) use of MAS information lead to (y) increasing financial performance of hotel departments. In Table 2, for non-financial performance β -TCM = 15.43; $p < .05$ and the model explains 17.7% of the variance (Adj. $R^2 = .177$; $F = 2.71$; $p < .01$) in the performance. Hence, hypothesis 2 could not be rejected.

Table 2. Hierarchical regression analysis for transformational leadership style, competition and MAS information use on non-financial performance (N = 112)

Variable	Coefficient	B	SEB	β
		-29.33	15.61	
T – Transformational	β_1	9.58	4.05	7.34*
M – MAS Info.	β_2	6.63	3.12	6.77*
C – Competition	β_3	8.38	3.60	10.56*
T x M	β_4	-1.81	.80	-10.11*
T x C	β_5	-2.35	.95	-13.19*
M x C	β_6	-1.67	.71	-13.10*
T x M x C	β_7	.46	.19	15.43*
Age	B_8	.03	.12	.30
Gender	B_9	.23	.17	.13
Qualification	B_{10}	.13	.09	.14
Experience	B_{11}	-.09	.06	-.14
Star ratings	B_{12}	.93	.17	.06
Size of hotel	β_{13}	-.11	.12	-.96
R^2	.281			
Adjusted R^2	.177			
F - value	2.71**			

Note. * $p < .05$ ** $p < .01$ *** $p < .00$

The three-way interaction effect was analysed controlling for the managers' age, gender, qualifications, experience and their hotel's star rating and size. The results indicated no change in the interaction, meaning the selected demographic and hotel characteristics variables did not influence the above three-way interaction in hypothesis 2. (See Table 2)

DISCUSSION AND CONCLUSIONS

The main purpose of this study was to examine the combined effect of transformational leadership, market competition and MAS information use on hotel departments' financial and non-financial performances. A statistically significant and positive interaction of *transformational leadership* style, *market competition* and *MAS* information use was found on *non-financial* performance outcomes. In particular, the results indicated that the association of the DM's use of *MAS* information with improved *non-financial* performance was dependent upon DMs perception of GMs practice of *transformational leadership* and the intensity of *market competition*. An explanation of the results is that first, the DMs receive decision-making autonomy as their GMs widely practice *transformational leadership* and second, the DMs perceptions of the high intensity of *market competition* provides stimuli to extensively use *MAS* information in order to make effective decisions.

Hotel operations of the four and five-star hotels' in particular are faced with many challenges. Therefore, hotel GMs practising transformational leadership style can assist in overcoming various challenges by effectively motivating their DMs to take the necessary actions to improve customer experience and their departmental performance. It is evident that GMs can exhibit a caring attitude by effectively sharing the organizational vision, inspiring and stimulating subordinates to feel more confident in making independent decisions. These findings are consistent with other researchers who have also reported that senior managers play a crucial role in meeting subordinates

higher order needs and in assisting to increase their job and organizational commitment (Erkutlu, 2008) leading to improved performance (Bass, 1990; Patiar & Mia, 2009). Hence, it is argued that the practice of a *transformational leadership* style is a strong predictor of improved performance (see also, Arnold, et. al, 2001; Chen, 2004; Clark et. al, 2009; Masi & Cooke, 2000; Ristow, et. al, 1999). The present study verifies these findings and adds that the importance of a *transformational leadership* style, particularly in luxury hotels, is vital.

Hotel DMs are involved in making decisions under intense *market competition*, thus giving rise to considerable uncertainty, mainly due to the unpredictability of conditions under which decisions are made and favourable performance outcomes being expected (Chong & Rundus, 2004; Mia & Clarke, 1999). Moreover, faced with the responsibility of making an increased number of decisions due to a hotel GM's *transformational leadership style*, and under a competitive environment, requires DMs to make *use of MAS information* in order to produce effective decisions. Chenhall and Morris (1986) noted that MAS information furnished financial and non-financial information, and information that was gathered from internal and external sources, and was of both a historical and a futuristic nature. Mia and Chenhall, (1994), Mia and Clarke, (1999) found that extensive use of MAS information resulted in improved performance as managers' understanding of the job enhanced and encouraged them to consider competing options; some of which would perhaps otherwise have gone unnoticed.

There is rather strong evidence from theory and other researchers that the relationship between MAS information use and departmental performance is affected by the GM's practice of a transformational leadership style and the intensity of the market competition (Patiar & Mia, 2008a, 2009). The results of the present study are consistent with the theory that when the DMs' perceptions of the intensity of market competition

risers, there is greater uncertainty for decision-making; and the GM's transformational leadership style also delegates significantly more decision-making responsibility. These two elements can create stress and ambiguity for DMs. According to Agbejule and Burrowes (2007), Gul and Chia (1994), to effectively drive the performance, managers need to first find and then process appropriate MAS information. Gul and Chia (1994) found a statistically significant three-way interaction between a DM's perceptions of environmental uncertainty, decentralized organisational structure and MAS information used on managerial performance. Furthermore, Agbejule and Burrowes (2007) reported that when managers perceived their environment to be uncertain they flexed their supply chain purchasing strategies by making extensive use of MAS information, which resulted in an overall improvement in performance. The results obtained in this research support the findings of Gul and Chia (1994) and Agbejule and Burrowes (2007), and further emphasises the GMs' transformational leadership style and DMs application of MAS information in the hotel industry, particularly to help overcome the competitive environment and the unique characteristics of hotel products and services.

It is worthy of mentioning that there was a lack of support to financial performance as stated in hypothesis 1. The possible reason for the lack of support is attributed to the effect of lag (financial) and lead (non-financial) performance indicators (Kaplan and Norton, 1996). There is sufficient research evidence that non-financial performance drives the financial performance in the long-term (Bento, Bento & White, 2013; Evens, 2005; Maiga & Jacob, 2009). Moreover, in the hospitality industry, committed employees are also likely to deliver high quality products and service, achieve greater customer satisfaction, help build stronger brand, and allow charging premium prices. Thus resulting in improved profitability (Banker, Potter & Srinivasan, 2000). These cause and effect activities are the secret to financial success.

IMPLICATIONS AND LIMITATIONS

Implications of the Study

The examination of the combined effects of *transformational leadership*, *market competition* and *MAS* information use on hotel *department* performance makes a significant contribution to the hospitality industry and hospitality-specific literature. Based on the results of the present study and extant published literature the following three key practical implications for hotel managers are presented. First, assess all managers' level of transformational leadership style, if necessary provide transformational leadership training and also include transformational leadership's key aspects (i.e., encouraging subordinates to have pride in being associated with them, coaching, sharing values and beliefs) in the manager's annual performance review. This will encourage senior and department managers to practice the transformational leadership style. It is likely that the above strategies will help in reinforcing the culture of transformational leadership throughout the organization. Second, in making complex and strategic decisions under uncertain environment such as increasing market competition, managers need to make appropriate use of MAS information that is financial (various costs) and non-financial (i.e., what customers like and dislike) obtained from internal (various internal reports and guest history) and external sources (benchmarking); and is of past (budgetary reports) and futuristic (sales forecasts) nature. Third, hotel managers ought to focus on both financial and non-financial performance of their departments. Indeed, there is a vast literature supporting the argument that non-financial performance such as performance on customer satisfaction, repeat business, staff morale and successful staff development plans are strong predictors of financial performance (Banker, et al., 2000; Bento, et al., 2013; Evens, 2005; Maiga & Jacob, 2009).

Limitations of the Study

Support was found for the relationship between transformational leadership, competition and MAS information use on non-financial performance in four- and five star hotels and resorts in Australia. However, readers are cautioned that the generalization of the results to other cultures and other sectors of the hospitality industry should be viewed with care due to the following three limitations. In the first place, the study was limited to four- and five- star hotels and resorts in Australia. The inclusion of other cultures and of hotels with lower ratings would assist in further verifying the present results. Next, the data collected for this study reflected manager perceptions and not actual performance data. Finally, while the study used a self-administered postal survey with selected DMs, the data were collected at a single point in time. As substantial external environmental changes are affecting the hotel industry, the results may not indicate a true reflection of the outcomes of these changes.

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APPENDIX A: Items used in the measurement of constructs

Transformational Leadership

1. Encourages pride for being associated with him/her
2. Talks about his/her most important values and beliefs
3. Talks positively about the future
4. Re-examines critical statements to query if they are appropriate
5. Spends time teaching and coaching
6. Goes beyond self-interest for the good of the group
7. Specifies the importance of having a strong sense of purpose
8. Talks enthusiastically about what needs to be accomplished
9. Seeks differing view points, when solving problems
10. Treats others as individuals and not as a member of the group
11. Acts in ways that build others' respect
12. Considers the moral and ethical consequences of decisions
13. Communicates a convincing vision for the future
14. Gets others to look at problems from different angles
15. Considers an individual to have different abilities and aspirations
16. Emphasises the importance of a collective sense of mission
17. Expresses confidence that goals will be achieved
18. Suggests new ways of attempting projects
19. Helps others to develop their strengths
20. Displays a sense of power and confidence

Market Competition

1. The prices of competitors' products and services.
2. The quality of competitors' products and service.
3. The marketing efforts of competitors (e.g. sales promotions, loyalty programs...).

MAS Information Use

1. Financial aspects of the operation (e.g. sales, gross profit, material cost, labour cost)
2. Non-financial aspects of the operation (e.g. customer satisfaction and repeat business, employees' morale, training effectiveness and breakage)
3. Non-financial aspects of the market (e.g. market size, market share, customers' likes and dislikes)
4. Future events (e.g. sporting events, shift in market mix)
5. External environment (e.g. economic condition, population growth, technological developments)

Departmental Performance

1. Achievement of target occupancy
2. Average spend on F&B or Average Room Rate
3. Overall customers' satisfaction
4. Extent of repeat business
5. Success of staff development plans
6. Level of staff morale
7. Meeting the operating budget
8. Meeting the cost reduction plans