ASSESSING THE EFFECTIVENESS OF KEY PERFORMANCE INDICATORS (KPIS) IN EVALUATING INNOVATION SUCCESS IN THE HOTEL INDUSTRY

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ABSTRACT

KPIs are the indicators that businesses and industry use to monitor performance in accordance with established criteria. When adopting innovation, defining Key Performance Indicators (KPIs) is an essential tool for making sure that all process goals are met. The level of innovation is critical to a country's or company's competitive advantage, and innovation can be measured in a variety of ways. The identification of several innovative behaviors that are common in the hotel business is another topic covered in this research paper. The paper covers a number of KPIs that are particularly relevant to the industry in question. This paper's goal is to provide an in-depth analysis of the continually growing range of innovation measurement methods. This research paper aims to accomplish several metrics that business leaders and industry professionals use to assess innovation and how it affects their operations. The many practises that are pertinent to innovation and various KPIs are also covered in this paper.

KEYWORDS

Innovation, key performance indicators, innovation success, best practices of innovation, hotel industry

INTRODUCTION

The corporate environment has gotten more competitive and aggressive. The primary forces behind these projected changes are modern globalization and technological trends and improvements(Kala et al.,2014). Businesses that can adapt promptly to daily changes can succeed in such a dynamic environment. The capacity for innovation serves as a foundation for such skill. Key performance indicators (KPIs) refer to the quantitative measurements that companies set up To be able to measure their activities and their results in comparison to the predetermined standards. Such performance indicators are used to overlook the overall long term performance of an enterprise(Dewangan et al.,2014). KPIs are also referred to as Key Success Indicators (KSIs) because they measure the overall success of an enterprise as per the standards and pre-defined

goals. Such KPIs are crucial from an organization belief to ensure that all the process and strategic objectives are timely met.

Andrew et al., 2020 stated that the exploitation of new markets, new and inventive corporate structures, new goods, new manufacturing methods, and new supply sources were only a few examples of the various forms of innovation that exist today. According to Drucker, 1985, Innovation is the method by which incorporating new, improved capabilities or higher utility. Corporate learning and innovation go hand in hand. As highlighted by Geanina Silviana Banu, 2018 & Bhat et al.,2021, while performing or adapting to innovation, an organization should carefully analyze all the factors of the innovation process that are consisting of:

- An innovation process comprises pre-defined standards or goals, time frame, key people involved, etc.
- The method of innovation should be open ended to the innovators as well as the adopters.
- In case of failures, either the process is completely eliminated or some new innovation (reinvention) takes place.
- Initially, innovation processes are a conclusion of careful planning and strategic decisions but there are times when the market demands are different and therefore innovation takes place.
- Innovation doesn't always succeed but it can definitely result in improvements.

One of the biggest obstacles to any business's survival in the hotel sector is its ever-changing and dynamic environment. Such fierce rivalry and difficulties mostly hinge on a company's capacity for innovation and quantifiable outcomes. This article looks at innovative behaviour in the hotel industry with the intention of using empirical methods to assess current theoretical developments in services innovation. The tourist sector, which is vital to the Indian economy, is closely associated with the hotel industry. As a result, evaluating innovation, its effectiveness, and different KPIs proves to be an essential component.

SIGNIFICANCE OF THE STUDY

This study mainly deals with the innovation behavior and its dealing with the hotel industry of India. The paper also discusses how a business can achieve a competitive advantage in comparison of other business with the help of innovation, its success and KPIs. The determinants of innovation decisions and its success are also analyzed and studied.

LITERATURE REVIEW

Nandal, et al., 2020 discussed the relevance of innovation in the current scenario. It also shows focus on the elevance of calculating the innovation and its success in quantitative terms for better decisions and efficient working of the business. Apart from this, Boston Consulting Group offers mainly 5 different types of innovation that are prevalent in the organization which are as follows:

- "New to the world" goods and services that open up completely new markets;
- Unique products and services that enable expansion to new customer segments;

- Innovative products and services for current customers,
- Minor modifications for current clients, and
- Reduction of costs for current offerings (Andrew, et al., 2007)

Orfila- Sintes, et al., 2009 proposed that the hotel sector is primarily characterised by four categories of innovation: management, external communication, service scope, and back office. Apart from the categories, the primary factors(Meira et al.,2019) that influence innovation are the attributes of the service provider, the competitiveness of the consumer, and the market forces. Orfila- Sintes, et al., 2009 concluded that the extra services provided, reservations made through tour operators or agents, etc., are the factors that influence innovation decisions.

The authors noted that individual hotels concentrate their efforts primarily on meeting the needs of actual consumers, while hotel chains have the financial resources to do research with both present and potential customers. They also identified gaps in the organisational process and market knowledge.

RESEARCH OBJECTIVES

The research objectives of this research paper are as follows:
- Studying the innovation success and factors relevant in the hotel industry.
- Various KPIs prevalent in the mentioned industry
- Innovation success and KPIs

RESEARCH   METHODOLOGY

The research methodology is descriptive study and consists of secondary research. Various research papers related to the concerned topic were studied thoroughly. Different journals, articles, websites, and blog posts were analyzed.

DISCUSSION AND ANALYSIS

1. Innovation and innovation success

   Innovation, in simple terms, refers to reinvention or inventing or innovating something new(Dogson et al.,2000). It is simply producing something new or adding new features to existing products or services so that the requirements from the clients are met. Innovation success typically implies the measurement or transformation of the results of a particular innovation to quantitative terms in order to make strategic decisions(Hagedoorn, et al.,2003). In context to this discussion and paper, Roberts, 1998 has defined innovation as follows:

   Innovation = invention + exploitation

   In this concept, innovation refers to the method of conceiving and developing an idea into a usable application, whereas exploitation refers to the method of marketing and reaping the rewards.

2. Innovation in hotel industry

The hotel and hospitality industry of India is an essential aspect of the Indian economy(Orfila-Sintes et al.,2009). The hotel industry is a crucial part of the tourism sector of the India and plays an important role for the development of the same. The main characteristic of the hotel industry of India is continuous and competitive transformation that is constantly happening. In order to maintain the competitive edge, every business in the mentioned industry focuses on innovation and its achievement to minimize its cost and optimize the final output(Sharma et al.,2022).

3. Success factors of innovation

Success in innovation depends on a number of important elements that need to be considered. The following are a few elements that contribute to the success of innovation:

(a) Innovation agenda: The secret to success is having a strategic innovation agenda that is completely in line with the objectives of the organisation.

(b) Visible employee involvement: Senior or upper management must be involved in the innovation process in order for it to be successful.

4. Connection between KPIs and innovation

KPI's are measures or shows that are used to measure the success of an activity or event. Such KPI's are crucial for innovation and its related activities in order to measure its success, failure or impact that it provides on the organization and its overall working. KPIs give useful insights into the success of innovation projects, processes, and outcomes. They assist organizations in assessing their ability to innovate, identifying areas for development, and making data-driven choices.

5. Various KPIs prevalent in the hotel industry

(a) Average daily rate (ADR)

This is the indicators for calculating the average rate per occupied room. This implies that the average amount of income collected everyday for all occupied rooms may be examined. To avoid unrepresentative numbers, ADR always eliminates vacant rooms.

This KPI will allow hotel businesses to measure a critical component of the hotel's financial success. ADR is also important in projecting price and marketing. This enables management to plan and deal with variable pricing on the basis on the seasons.

ADR = room revenue/ number of rooms sold (occupied)

(b) Revenue per available room (RevPAR)

The metric used to analyze the average revenue for a certain time period (generally presented as a daily average) based on all reservations. RevPAR is a pricing data that calculates how much revenue is earned per room. A high RevPAR usually indicates a high occupancy rate is same as a high ADR.

RevPAR= average daily rate x occupancy rate or total revenue from night / total number of rooms available

(c) Average length of stay (ALOS)

This metric, which is attained by dividing the total number of occupied rooms by the number of bookings, is used to ascertain the length of stay of the occupant. Since a higher score indicates a higher overall spend, it is typically a better indicator than a lower score. One benefit of ALOS is that pricing decisions can be made using the data. If the average length of stay (ALOS) is low, one might consider raising the room rate for shorter stays or providing better rates for longer stays. One major factor influencing the hotel's revenue is the duration of the stay.

ALOS = total occupied room nights/ number of bookings

(d) Occupancy rate

Companies can keep an eye on occupancy rate statistics every day, every week, every month, or every year. This measure counts the total number of rooms in addition to those that are reserved and unoccupied. It is essential for evaluating the daily activities of hotels, offering a constant flow of data. If low occupancy trends are noted, one might lower personnel if necessary or run promotions to promote more bookings on particular days of the week.

Occupancy rate = total number of occupied rooms/ total number of availability x 100

The hotel business also uses a number of other important metrics to gauge the success of innovation. But from the perspective of the hotel sector, the aforementioned four are the most well-known and frequently utilised measures and values.

LIMITATIONS OF THE STUDY

This research paper is descriptive study and deals with the general aspects of innovation success, key performance indicators and their relevance in the hotel industry. However, an in-depth analysis can be conducted for this research topic. The most common and prominent key indicators have been discussed and analyzed but in further studies, key performance indicators that affect innovation success can be studied.

In addition to this, some hotels can be shortlisted and a comparative analysis can be made between the two. The analysis could be a comparison between both the hotels and their KPIs for innovation success.

CONCLUSION

The present study deals with studying the relevant and the most prominent key performance indicators (KPIs) of the hotel industry of India. It also throws light on some of the success factors that can be seen in the mentioned industry. In order to make strategic decisions, innovation success usually entails measuring or translating a specific innovation's results into quantitative terms. KPIs are measurements or indicators that are used to assess an event's or activity's level of success. Key

performance indicators (KPIs) play a critical role in measuring the success or failure of innovation and related activities, as well as the impact they have on the organisation and its overall operations. Average daily rate (ADR), revenue per available room (RevPAR), average length of stay (ALOS), and occupancy rate are among the many KPIs that are frequently used.

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