Social Relevance And Integration As Predictors of Profitability Among Selected Five-star Hotels In Nigeria

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Abstract

The aim of every private organization is to maximize profit. Profit maximization strategies have therefore, been employed by different organizations. In the 21st century, innovative strategies have been found to enhance higher profit to the organizations than the conventional methods like compensations. Therefore this study aimed at ascertaining the effects of social relevance and social integration on the profitability of five star-hotels, especially in the period of economic recession in Nigeria. The study used cross-sectional design and in particular, the descriptive survey method. Questionnaire was used for data collection. Regression analysis and Partial Correlation were used for data analysis. The study found that both social relevance and social integration have no significant effect on organizational profitability. This means that despite the obvious tendency that the lack of socially responsible and integration policies in an organization may de-motivate employees; the extent of such de-motivation may not be enough to affect its corporate profitability. The study recommended that the hotel industry should streamline its priorities not to focus so much emphasis on social relevance in trying to enhance organizational profitability because of the need to cut cost. Also, although there is nothing bad forging cordial relationship between the management cadre and the operational staff, it is not advisable for organizations in the hotel industry to dissipate their energy on trying to enhance integration among staff and between the staff and the management especially if there are other managerial and financial issues that require urgent attention.

Key words: Social Relevance, Social Integration, Profitability, 5-Star Hotel, Nigeria

ntroduction

A precarious economic situation has pervaded the Nigerian economy, sparing no sector. The service sector is therefore not left out as the employee turnover rates in the sector have increased in recent times (Igwe, 2010). The profitability levels of hotels in Nigeria have also declined compared to previous rates. The net profit realized by Transcorp Hotel in 2013 for instance was N3, 304,000while in 2014, this profit declined to N2, 478,000. For Sheraton Hotel Abuja, the net profit in 2012 was N357, 512, 000 but in 2013, this profit declined to N167, 324,000 (Sheraton Annual Report and Account, 2013 and Trancorp Annual and Financial Statements, 2014).

One of the strategies used by organizations to enhance employee performance and achieve increased profitability is social relevance which manifests through extent of organizations' corporate social responsibilities (CSR). According to Walton (1973), organizations, which do not act in a socially responsible manner, are suggested to cause increasing numbers of their employees to depreciate the value of their work and careers that, in turn, will affect their self – esteem. Knez-Riedl, MatjazMulej and Dyck (2006) add that in the era of globalization and the so-called new economy, business behavior must be aimed at meeting societal needs, generating revenues and profits, creating jobs, and investing in the future company development as well as its societal and business environments. This explains why organizations carry out their corporate social responsibilities that can be regarded as socially desirable so as to remain relevant to their customers and the society in general.

Socially responsible behavior includes a broad array of actions such as behaving ethically, supporting the work of nonprofit organizations, treating employees fairly, and minimizing damage to the environment (Mohr & Webb, 2005). CSR participation can enhance various stakeholder relations (McWilliams & Siegel, 2001), thereby reducing a firm's business risk (Boutin – Dufresne & Savaria, 2004). For these reasons, the strategic value of CSR is becoming increasingly recognized (Porter & Kramer, 2006).

Social integration is yet another factor expounded by scholars like Walton (1974) and Bertrand (2009) to have the potentials for organizational profitability in the 21st century. By definition, social integration refers to the act of creating a suitable atmosphere for the employees' workplace by forging common goals and providing social platforms to enable them interact and share ideas and opinions. These interactions not only reinforce the feelings of attachment of the staff, they also reinforce this feeling of psychological ownership of the organization in these employees (Walton, 1974).

Betrand (2009) expounds that if the employees' in the hotel industry are given the opportunity to integrate among themselves both vertically (between management and operational staff) and horizontally (among management staff themselves or among operational staff themselves) the high stress level that characterize the industry will be reduced to a reasonable extent (Bertrand, 2009) thereby making the industry more profit oriented.

According to Meenakshi and Parals (2011), social integration brings about employee satisfaction and also triggers employee to work towards attaining higher profitability levels. According to them, the goal of every business organization is profit making and this is guided by the management. Thus, when there is integration, the management staff carefully guide the other staff towards the attainment of organizational goals.

Meenakshi and Parals (2011) also asset that the integration among staff is a strategy used by many organizations to achieve higher profitability. The quest for profit maximization in an organization requires effective communication between the staff and the management, on the one hand and among the frontline staff themselves on the other hand. Communication is the life wire of any organization; without it, no organization will succeed. The organizations that want to succeed therefore make effective communication their priority.

Most previous studies however, focused more attention on strategies like fair and adequate employee compensation, environmental health and security as effective strategies for attaining organizational profitability. There are therefore limited studies on whether social relevance and integration are predictors of organization profitability. The questions are: could organizations' social relevance and integration independently or jointly enhance profitability? Will Nigerian five-star hotels attain higher profitability levels by promoting social relevance and integration policies? These questions prompted the study.

2. Literature Review and Theoretical Framework

Social Exchange Theory (SET) is among the most influential conceptual paradigms for understanding workplace behaviour (Malinowski, 2002). One of the basic tenets of SET is that of reinforcement principles in which relationships evolve over time into trust, loyalty, and mutual commitments. To do so, the parties must abide by certain "rules" of exchange. Rules of exchange form a "normative definition of the situation that forms among or is adopted by the participants in an exchange relation" (Emerson, 1976). In this way, rules and norms of exchange are "the guidelines" of exchange processes.

While explaining the theory, Homan (1958) stated categorically that social exchange theory which is a function of social behavior entails an exchange of goods, both material goods and also non-material ones, such as the symbols of approval or prestige. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person in an exchange, what he gives may be a cost to him, just as what he gets may be a reward, and his behavior changes less as the difference of the two, profit, tends to a maximum.

The theory as it relates to the present study shows that employees of the hospitality industry have their own interests such as aspirations to attain higher ranking and positions through enhanced growth on the job as well as the need for trainings for enhanced capabilities and competencies. The management of five-star hotels on the other hand, desires higher productivity from their employees to enable their organizations attain higher profit levels. Thus, for equilibrium to be attained there must be a form of social exchange between the employees and the employers. The management must provide opportunities for employee growth and development while employees are to increase their level of productivity. Opportunities for growth and development are expected to act as motivators that should spur employees of Nigerian five-star hotels to higher productivity.

To buttress the role of social exchange in the hotel industry, a study conducted by Agba (2007) serves as an example to explain engagement of employees in organizations. This study uses social exchange theory to explain that obligations are generated through a series of interactions between hotel employers and employees who are in a state of reciprocal interdependence. The research identified that when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization. This is a description of engagement as a two-way relationship between the employer and employee.

Researchers have observed that in early stages of their careers, individuals are often willing to sacrifice their personal lives in the interests of their career progression. Research also suggests that career tenure and total tenure in one's occupation are positively related to career achievement (Judge & Bretz, 1994). Thus, having contingency job experiences as most hospitality workers do will negatively predict career success. Considerable research also supports the relationship between the number of hours worked per week and salary and ascendancy (Judge &Bretz, 1994) meaning that the desire to spend time at work predicts career achievement.

Armstrong (2009) carried out a study on social relevance and the employee productivity in the hotel industry in Nigeria using a sample size 300. His study revealed a positive relationship between social relevance and hotel industry effectiveness. He posited that the Nigerian Hotel industry over the years have seriously benefited from the advancements in information and communication technology as it has made it relatively easy for customers to easily access the services of the hotel at their convenience. To him, social relevance is an important element of organizational effectiveness particularly in the industry.

Allen's (2010) study focused on the assessment of the effect of interpersonal relationship on marketing effectiveness in the Nigerian hotel industry. A survey research design technique was used. The convenience sampling method was employed to select 350 participants who were administered a 30-item validated structured questionnaire. Using principal component analysis, correlation and multiple regression analysis, Allen findings revealed that social integration exhibited no overwhelming positive effect on organizations effectiveness and customer retention. The study concluded that interpersonal relationship is not an important competitive weapon in the hotel industry due to its inability to impact on the effectiveness of the organization. The relevance of this study in the present study is their focus on the hotel industry.

3. Methodology

The research adopts a cross-sectional survey research design with a focus on quantitative research methods. The reason for choosing the cross-sectional survey research design is because the study is based on information generated from a single period's observation of a sample. Furthermore, the study uses questionnaire, library and desk research for data collection. Data analyses were conducted using descriptive statistics and multiple regression.

The sample of 355 respondents was selected from a total population of 3,110 employees across the selected 5-Star hotels in Nigeria using Taro Yamen (1967) formula. However, based on the specification of Cochran (2005) who said the number of questionnaire administered on the respondents should exceed the sample size determined in the study by 100 percent, the sample size of 710 was determined for the study.

The five 5-star hotels purposively selected and used in the study were Transcorp Hotel Abuja, Sheraton Hotel Abuja, Intercontinental Hotel Lagos, Eko Hotel and Suites Lagos and Hotel Presidential Port-Harcourt. These hotels were selected because according to the National Institute for Hospitality and Tourism (NIHT, 2015) classification, they are the only five-star hotels by standard in Nigeria.

A stratified random sampling technique was used to sample respondents so as to remove bias and avoid sampling error by giving each respondent an equal chance of being selected. The sample was stratified into management staff (Managers and sectional heads) and operational staff (caterers, room attendants, bar attendants and receptionists) to capture the views of both groups.

Data were collected through the use of questionnaire. Out of 646 copies of the questionnaire retrieved, 156 were from Trancorp Hilton Hotel Abuja (18 management and 138 operational Staff), 164 from Sheraton Hotel Abuja (22 management and 142 operational Staff), 156 from Eko Hotel and Suites Lagos (20 management and 142 operational Staff), 162 from Intercontinental Hotel Lagos (14 management and 142 operational Staff) and 72 from Presidential Hotel Port-Harcourt (6 management and 66 operational Staff).

The data were processed using Statistical Package for Social Sciences (SPSS version 20.0 for Microsoft Windows). Multiple regression was used to assess the extent of the combined effect on the dependent variable from a set of independent or predictor variables. However, to get the accurate picture of the relationship between the two variables and also control for the possible effects of the other independent variable, partial correlation was also used.

Model Specification

The generalized model used in this study was based on the assumption that organizational profitability is dependent on its social relevance and integration policies. This model can be depicted as follow:

$PRF = f\,(SRE + SIN)$……………………..….. (i)

This is the implicit forms of the model. The explicit form is stated thus:

$PRF = b_0 + b_1 SRE + b_2 SOI + U_t$ ……………. (ii)

Where:

PRF	=	Organizational Profitability
SRE	=	Social Relevance
SOI	=	Social Integration
U_t	=	Error term
b_0	=	Regression intercept
b_1, b_2	=	Parameter estimates

a - priori expectations:

The model is subject to the restrictions that;

$$\frac{\Delta SRE}{\Delta PRF} < 0;$$

and

$$\frac{\Delta SOI}{\Delta PRF} < 0$$

These restrictions imply that a positive relationship is expected between organizational profitability and each of social relevance and social integration.

4. Results and Discussion

Table 1: Model Estimation

	DV	Intercept	IVs		Error Term
Parameters	PRF	-11.390	0.450SRE+0.330SOI		Ut
Std. Errors			(0.289)	(1.220)	
T-test			(5.473)	(6.464)	
P-values			(0.06)	(0.07)	
R	0.783				
R^2	0.613				
R^{-2}	0.681				
D-W	1.772				

Source: SPSS Output

Conditional Effect of Social Relevance on Organizational Profitability

Regression results show that if the hotel industry raises its socially responsible behaviour by one percent, its profitability level will increase by 45.0 percent and when its policy increases one percent of social integration among staff its profitability level will improve by 33.0 percent holding all other variables constant. If both social relevance and social integration in the industry are held constant however, organizational profitability will decline by 11.390 percent. This means that although both variables are have low impact on organizational profitability, they are nonetheless, essential for enhance profitability in the Nigerian five-star hotels.

The correlation between the dependent and the independent variables was 0.783 which shows a strong relationship of 78.3 percent between the regressors and the regressed. The coefficient of determination index was 0.613, meaning that social relevance and integration account for 61.3 percent of the variations in organizational profitability. Thus, the model has an explanatory power of 61.3 percent, leaving out 39.7 percent of other variables not accounted for in the model. These other variables are summed up in the error term and added to the model.

The Durbin Watson (D-W) values of 1.772 can be approximated to 2.00, which implies the absence of serial errors in the data used. Since the value is less than 2.00 by assymptocism, it means that the sum of errors is positively auto-correlated. Thus the data used in the study is highly dependable.

The unconditional effect (that is, controlling for social integration) of social relevance on organizational profitability is shown in Table 2:

Table 2: *Unconditional Effect of Social Relevance on Profitability.*

Control Variables			PRF	SRE
SOI	PRF	Correlation	1.000	.196
		Significance (2-tailed)	.	.010
		Df	0	646
	SRE	Correlation	.196	1.000
		Significance (2-tailed)	.010	.
		Df	646	0

Source: *SPSS Output*

The restricted results show that one percent increase in the level of social relevance leads to 19.6 percent increase in the level of organizational profitability. This result differs remarkably from the result of the conditional effect by a difference of 26 percent, indicating that social relevance alone is not a strong factor for enhancing organizational profitability in the hotel industry.

The statistical test of hypothesis show that the value of t-test is 5.602, which is not significant at 0.05 level ($p = 0.07>0.05$). Thus, social relevance has no significant impact on profitability in the Nigerian five-star hotels. This implies that employees' dissatisfaction with the organizations' contribution to the society, ethical and cultural attributes, the organization's relationship with the immediate environment and the organization's activities aimed at minimizing damage to its environment may not affect the profitability of organizations in the hotel industry. This contradicts According to Walton's (1973) view that organizations, which do not act in a socially responsible manner inevitably cause-increasing numbers of their employees to depreciate the value of their work and careers, which in turn, affect their self–esteem.

Table 3: *Unconditional Effect of Social Integration on Organizational Profitability.*

Control Variables			PFT	SOI
SRE	PFT	Correlation	1.000	.310
		Significance (2-tailed)	.	.004
		Df	0	646
	SOI	Correlation	.310	1.000
		Significance (2-tailed)	.004	.
		Df	646	0

Source: *SPSS Output*

As shown in Table 3, an increase in the level of social integration alone by one percent results to 31 percent increase in organizational profitability. In fact, social integration whether alone or in combination with other factors has weak effect on profitability. This means forging integration between staff has minimal effect of organizational profitability in the hotel industry.

From the result of the statistical test, the t-statistic with the value of 6.464 was not significant at 0.05 level ($p = 0.07>0.05$). Thus, social integration has no significant effect on organizational effectiveness in the Nigerian hotel industry. The implication is that the employees' nature of relationship with colleagues, the level at which senior management is trusted by frontline staff, the level of openness in the organization and the monetary value of their initiatives and ideas though affect quality of work life, may not necessarily affect organizational profitability.

Walton (1974) and Orpen (1981) actaully assert the importance of social interaction as another determinant of quality of work life. Bertrand (2009) also stressed that the idea of supportiveness should also be demonstrated within supervisory relationships, which should be both helpful and caring in nature. They however, did not expound a reliable linkage between social integration and profitability.

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