

Chapter 5

Performance Evaluation of Hotel Enterprises in Crete: A Multi-Criteria Approach

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ABSTRACT

The main purpose of this chapter is to evaluate the financial performance of hotel enterprises in Crete from a Multiple-Criteria Decision Making (MCDM) perspective. Crete is one of the most developed tourist destinations in the Mediterranean basin and the hotel sector plays a major role constituting the main driving power towards economic growth. In this study, the multi-criteria method PROMETHEE II, based on outranking relations, will be implemented based on five different criteria. The original financial data are obtained through financial statements for the recession period 2008-2012. According to the availability of data, the sample consists of 194 hotel companies. The present study provides valuable insights for a number of stakeholders in such a dynamic competitive sector.

INTRODUCTION

Tourism is one of the most dynamic sectors of the global economy. As a subset, the hotel sector appears to record a tremendous momentum. Within European territory, it is a business that is growing rapidly in many countries mainly with recent tourism development. Business activities' internationalization, increased travel mainly on account of free movement of individuals within the EU, improved transport

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infrastructure and services, and the development of advertising are elements that have contributed to the high growth of the hotel market in the European area (European Consumer Centres' Network,¹ 2009).

In Greece, tourism represents an important economic activity participating from 15% to 20% of Gross Domestic Product (GDP) whether measured directly or indirectly respectively (Agiomirgianakis & Sfakianakis, 2014). Even within the current period of economic crisis, tourism appears to have a great impact on the national economy. Based on a study of Foundation for Economic and Industrial Research (IOBE, 2012) regarding its total contribution (direct, indirect and induced) in Greek economy, each 1 € created by tourism generates additional indirect and induced economic activity of 1,2 € generating overall 2,2 € GDP. Tourism is therefore accounted a sector with great dispersion of benefits in Greek economy.

Other than GDP, tourism sector has also important role in the formation of country's employment. According to data of Association of Greek Tourist Enterprises (SETE), its total contribution to employment is accounted for 18,22% for the period 2008-2012 on average terms. Jobs generated by tourism during recession (2008-2012) decreased approximately by 24%, a relative small reduction compared to other economic sectors.

Equally important is also its competitiveness at global level. According to the World Economic Forum (2013, p.xvi), Greece ranked 32nd among 140 countries in 2013 based on the Travel and Tourism Competitiveness Index², while ranked 96th in the General Index of Competitiveness. It is worth mentioning also that tourism infrastructure ranked 3rd indicating its highly important strength. The above clearly demonstrate the significance of tourism for the Greek economy and the sector's dynamism.

At regional level, Crete is the largest island of Greece and the fifth largest in the Mediterranean. It is an established tourist destination enticing each year numerous tourists. According to the Association of Greek Tourism Enterprises (SETE) 3,56 mil international tourists visited the island in the year 2014. In other words, Crete holds a percentage of approximately 25% of international tourist arrivals in Greece, making the region one of the most attractive areas in the country. For that region, tourism activities contribute nearly 50% of the regional GDP.

Notwithstanding, the increasing competition in the tourism industry makes the application of significant established tools for measuring performance of tourist enterprises of major importance to various stakeholders. Within this context, this chapter deals with the evaluation of the financial performance of hotel companies operating in Crete by using the Preference Ranking Organization Method for Enrichment Evaluations (PROMETHEE) method.

Many studies have been done on the tourism industry including tourist image (Baloglu & McCleary, 1999; Baloglu & Mangaloglu, 2001; Gallarza et al, 2002; Correia & Crough, 2003) and tourist motivations (Kozak, 2002; Yoon & Uysal, 2005). Additional research has examined the role of tourism in Greece (Buhalis, 2001; Dritsakis, 2004; Kapiki, 2012a) and the development of alternative forms of tourism (Iakovou et al, 2009; Sotiriadis & Varvaressos, 2015).

Additionally, recent research has been devoted to examining the impact of the economic crisis on the tourism and hospitality sector in Greece (Kapiki, 2012b; Guduras, 2014).

Kapiki (2012b) examined the impact of global economic crisis on tourism in Greece. As she noted, the crisis has particularly strong impact and negative consequences in Greece. Notwithstanding, tourism can drive the country's economic recovery provided that policy makers will be oriented on taking measures which improve the sector. Such measures can include the introduction of alternative forms of tourism, development of quality infrastructure and differentiation of tourist product that offers value for money.

Another related study was done by Guduras (2014) who compared the performance of tourism sector with other five larger sectors in Greece during the crisis period. The findings show that tourism in

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