Operational Management and Financial Performance of Tourism Industry in Selected Towns of Batangas

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ABSTRACT

This study primarily aimed to accomplished four basic objectives, which are: determine the company profiles of tourism businesses in selected towns in Batangas; evaluate the level of effectiveness of the operating management practices of tourism companies in terms of the human resource, marketing and financial management; examine the level of their financial performance in terms of sales growth and profitability; and, find the significant correlation in the respondent's assessment on the effectiveness of the operational management practices and financial performance of the tourism companies. This study employed the descriptive survey research method that engaged 270 proprietors and managers of different tourism enterprises across the province of Batangas. Convenient sampling technique was used and Statistical Packages for Social Sciences (SPSS) to process the data. The researcher utilized Frequency and Percentage Distribution, Weighted Mean and Pearson Correlation Coefficient.

The study revealed that most tourism businesses in selected towns in Batangas belong to Sun and Beach Tourism. Majority are sole proprietorship, with less than three million capitalizations. Years in business operation are mostly 1 to 5 years, with more than 20 employees. Findings illustrate that the majority of tourism businesses of Batangas gave more importance on certain aspects of operational management over the others. For financial management, financial control has been prioritized over financial planning. Marketing management is assessed as one of the most essential aspects of business operation. The study found a very weak to weak correlation in Human Resource, Financial and Marketing Management vs. Sales Revenue Growth and Profitability Growth.

Keywords: business organization, financial performance, operations management, tourism

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Introduction

People love to travel. It is innate in man’s nature to explore and experience new places, meet new faces and indulge in exciting adventures. Whether a person would go for an out-of-town travel or cross the seas to visit a religious or historical landmark abroad, the idea of travelling is stirring excitement. Among the many activities of man, travelling is one thing that is deemed as something special, something that is beyond the clichés and the ordinary experience of daily existence. Whatever motivation in travelling people have, surely traveling will be a substantial part of human activities.

According to Goldberg (2016) people travel for numerous reasons, primarily, learning is a strong reason why people love to travel. People want to experience something unfamiliar and acquire new skills or knowledge based on this experience. Goldberg added that relaxation is another popular reason why people travel. She asserted that travel helps the mind and body refresh in a way you cannot achieve at home. In fact, 86 percent of people believe it improves their mood and outlook on life. Reaching and exploring unchartered territories is exhilarating, this is another reason why people travel. “Humans crave new experiences and travel lets us tap into that craving” Goldberg reported. Another reason people travel is to celebrate, celebration inspire people to travel and they want to do it in a special place far from home. It could be a wedding anniversary, a landmark birthday, or a celebration of a big success or achievement. Whatever the reason is, travelling exhorts a special day. Sarin (2015) stated that the reasons for travelling are endless, but common motives are to visit various destinations, take part in activities and learn about other cultures.

When people travel, business opportunities are created. Products and services are patronized by tourist anywhere in the world. Food, jewelry and accessories, clothing, and handicrafts are usual buys while services such as accommodations, beauty and health, transportation services, tour packages top the list of destination offers.

Travelling and tourism as an industry has come a long way. Tourism has tremendously grown over the years and is now playing a significant part of global economy. According to a report by United Nation World Tourism Organization, (UNWTO, 2018) there was an estimated US$ 1.7 trillion international tourism exports in 2018. International tourist arrivals were capped at 1.4 billion with Europe being the top destination followed by Asia and the Pacific, then Americas and Africa. Relatively, Tourism has generated 4.7 million jobs in 2013, and by 2024, travel and tourism will support 346,901,000 jobs or 10.2% of total global employment with predicted growth rate of over 4% annually. This is made possible by the emergence of a strong global middle class and the increase in number of young people travelling (UNWTO, 2018).

Tourism in the Philippines is also in great shape. Philippines is now considered as a major tourist destination in Southeast Asia. Every year, the Philippine government breaks its record of tourist arrivals, in fact, international tourist arrivals to the Philippines rose by 7.7% to 7.1 million visitors in 2018. Year 2019, foreign tourist arrivals rose 7.6 percent in the first quarter to 2.2 million, hitting another record-high number of tourists from abroad for the entire year (“tourist arrivals”n.d. para.1).

It is high time for businesses entrepreneurs to venture in tourism industry as Batangas tourism is “on a roll”. However, for a new player in tourism industry, it is imperative to understand how businesses operates. A business owner should have a thorough understanding of his/her business plan and this includes operational decisions in order to realize business goals and objectives (Dyson, 2013 as cited by Celis et al, 2015).

Operations management is vital in the success of any business especially in tourism. Operations management is the management of processes or system that creates goods and provides services. According to the study published on International Journal of Current Research and Academic Review (Celis, Balba, Pangilinan, Perez, Panaligan, Macalalad, 2015), operations management embodies several factors including but not limited to: forecasting capacity planning, scheduling of various agendas, handling inventories, controlling quality, inspiring employees, conceptualizing decisions on where to locate various facilities, and then
overseeing the settlement. The authors mentioned emphasized that "operations management activities are the core of all business organizations regardless of what the business they are in". Thus, good operations management is the key to a successful business enterprise. Operations management now covers wider area and has been an essential part of business. Currently, it has elements that are strategic, it relies on behavioral and engineering concepts, and it utilizes management science/operations research tools and techniques for systematic decision-making and problem-solving (Slack, Nigel, 2010).

This study would like to link the success of numerous tourism businesses in Batangas with efficient operational management. Moreover, being an entrepreneur herself, the researcher believes that a detailed investigation on the operating management of tourism businesses in Batangas would give her first-hand information and practical knowledge in this field. The researcher intends to put up a travel agency or accommodations business in Taal, Batangas and she believes that the result of this research will enable her to see the realities, advantages, challenges and directions that she could take in engaging with tourism business.

Methods

The present study applied the descriptive survey method of research in order to determine the significant relationship between effective operating management and the financial performance of tourism industry in Batangas. Survey research is the process of conducting research using surveys sent to survey respondents. The data collected from surveys is statistically analyzed to draw meaningful research conclusions. The researcher also conducted an informal interview to some of the respondents who also ask questions on the purpose of her research. Correlational research is used to measure two variables and to assess the statistical relationship.

Research Instrument

The researcher-made questionnaire instrument was used for gathering the necessary data. Draft questionnaire was made and presented to the dissertation adviser for modification and approval. After the approval, the researcher consulted the statistician for the validity and reliability test. Upon recommendation of the statistician, the researcher gathered 20 responses to test the reliability which will not be part of the actual respondents. The researcher used Cronbach’s Alpha with the help of statistical software which is SPSS.

The questionnaire has two parts. The first part inquired on profiles of the company in terms of category of tourism industry, forms of business organization, number of years of operation, number of employees, and capitalization. The other part acquired data on respondents’ level of effectiveness on operational management practices and the financial performance of the business. The researcher used the arbitrary scale of measure for the level of operational effectiveness of its implementation.

Data Gathering Procedures

In conducting the survey, the researcher decided to float 350 questionnaires to respondents but only 312 was successfully retrieved. From the 312 questionnaires only 270 was treated as good while 42 respondents failed to answer the financial performance of their business and was rejected by the researcher. The researcher was endorsed by the personnel from Business Permit Licensing Office of the selected towns and utilized research assistant for the distribution of survey.

Results and Discussion

Based on the data gathered, Sun and Beach Tourism rank first with a frequency of 91, followed by Leisure and Entertainment Tourism with frequency of 82, third is Meeting, Incentives, Conferences and Exhibitions Tourism with frequency of 72, then Health, wellness and Retirement Tourism with frequency of 10, Diving and Marine Tourism ranked 5th with frequency of 8 and last Cultural and Pilgrimage with frequency of 7.

There are only three form of business organization in this study. Sole Proprietorship with frequency of 216 comprised the 80% of the respondents, ranked first. Corporation with frequency of 44 or 16.3%, partnership with
frequency of 10 or 3.7% ranked second and third respectively.

For the number of years of operation, majority or 98 of the respondents which is 36.3% is operating from 1 year to 5 years, then 28.9% or 78 of them operating from 6 years to 10 years, 37 or 13.7% operating from 11 to 15 years, 33 or 12.2% operating 16 to 20 years and only 24 of them or 8.9% operating over 20 years.

For their employees, 98 of the respondents or 36.3% have more than 20 employees, 47 of them or 17.4% have 11 to 15 employees, 46 of them or 16.3% have 6 to 10 employees and only 35 of them or 13% have 1 to 5 employees.

For the capitalization, gathered the highest frequency of 130 or 48.1% is having a capitalization of 3M or less, followed by the frequency of 119 or 44.1% having a capitalization of 3M up to 15M and 21 of them or 7.8% having more than 15M capitalization.

Respondents assessment on level of effectiveness in Operational Management under Human Resource Management are: In terms of Recruitment, “Adequate and relevant information about the company and job is provided to the candidate at the time of recruitment which obtained the highest weighted mean of 3.89 and the respondents assessed that this is somewhat effective. In terms of Training and Development, the respondents assessed that it is somewhat effective “The content of the training programs organized are always relevant to the changing needs of the job and the business” with weighted mean of 3.90. While for Compensation and Benefits and Working Condition, the respondents assessed it as effective that “Pay increments offered by the company are satisfactory” with highest weighted mean of 4.12 and “Management respect each employee’s ability and knowledge of the job” with highest mean of 4.29 respectively.

Respondents assessment on level of effectiveness in Operational Management under Financial Management are: For Financial Planning, only “The company periodically forecast year-end revenue and expenses to assist in making sound management decisions during the year” was assessed as effective with highest weighted mean of 4.03 while “The company follows accounting practices which conform to generally accepted standards”, (weighted mean of 3.89) “The company prepares timely financial statement which are clearly stated and useful”, (weighted mean of 3.89) “The company prepared financial statement on budget versus actual comparative basis to achieve a better understanding of its finance” (weighted mean of 3.82) and “The company develops an annual comprehensive operating budget which includes cost of all operations and sources of funding” (weighted mean of 3.78) are somewhat effective as assessed by the respondents.

For Financial Control, all aspect enumerated are assessed as effective with grand mean of 4.39. “The company has documented a set of internal controls, including handling of cash and deposits and approval over spending and disbursements” and “The company has an annual, independent audit of their financial statements, prepared by Certified Public Accountant” got the highest weighted mean of 4.43 “All expenses of the company are approved by a designated person before payment is made” weighted mean of 4.39 and “The company has policy identifying authorized check signer and the number of signatures required on checks in excess of specified peso amount” got the lowest weighted mean of 4.37.

Under Human Resource Management the 4P’s mentioned in the study are assessed by the respondents as effective, Product, Place, Promotion and Pricing. For the Product, “There is a fast, efficient and prompt service is available” gathered the highest weighted mean of 4.58. For the Place, “There is a spacious layout, proper lightning and interior and exterior decorations” gathered the highest weighted mean of 4.48. For the Price, “Quality service is given at affordable price” and “Pricing policy of the company gives value for money to customers”, both got the highest weighted mean of 4.49. For Promotions, “The Management is able to inform its customers about new product/service” gathered the highest weighted mean of 4.44.

For Financial Operations: sales revenue growth, majority of the respondents gathered 6% to 10% increase in sales revenue growth per quarters of the year compared to previous years. For 1st quarter, 185 respondents, 2nd
quarter, 145 respondents, 3rd quarter 132 respondents and 4th quarter 123 respondents while for the profitability growth, majority of the respondents gathered 6% to 10% increase in profitability growth per quarters of the year compared to previous years. For 1st quarter, 181 respondents, 2nd quarter, 170 respondents, 3rd quarter 139 respondents and 4th quarter 153 respondents.

Conclusion
The findings of the study revealed that most tourism businesses at selected towns in Batangas belong to Sun and Beach Tourism. This is highly influenced by the geographical feature of this locations as well as the demand of such establishments in those areas. Leisure and Entertainment closely follows in number, Diving and Marine Sports is next in rank due to diving and marine sports in areas. Cultural and Pilgrimage Tourism is the least in number of tourism businesses.

The form of business organization is mainly sole proprietorship. Years in business operation are mostly 1 to 5 years which implies that new players in Batangas Tourism industry dominates the scene. This finding indicates that a good number of entrepreneurs have seen the potential of business success in the tourism industry of Batangas. While those well-established and has been operating for more than 20 years are the elite in this field.

The size and financial capacity of the majority of businesses have greatly influence the result of this study. Findings illustrate that the majority of businesses in tourism industry of Batangas have given more importance on certain aspects of operational management over the others hence certain aspects were assessed as effective while others are evaluated as somewhat effective.

When it comes to financial management, certain aspects of financial management have been prioritized such as financial control over financial planning as security of finances is deemed crucial in the company’s preservation.

Marketing management is convincingly assessed by the respondents as one of the most essential aspect of business management and operation. Findings indicate that every aspect of marketing is agreed by the respondents as Effective.

As sales revenue and profitability reports of the respondents depicted the current state of business atmosphere, data expressed a promising future for tourism enterprises in Batangas.

Conclusively, this study found no significant relationship between Human Resource Management Recrurtment and Working Conditions and Sales Revenue Growth thus accepting the null hypothesis. On the other hand, Human Resource Management and Profitability Growth have a significant relationship. Financial Management correlate to Sales Revenue Growth and Profitability growth are found to have no significant relationship. Marketing Management and Sales Revenue Growth have no significant relationship except for the aspects of Price and Promotion which are significantly related to Sales Revenue Growth. Marketing Management and Profitability Growth also have no significant relationship.

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