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# The Influence of the Level of Corporate Culture on the Ability to Implement Revenue Management Processes: Review

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**Abstract:** The aim of this review article is to examine the existing research on the relationship between a company's ability to apply revenue management processes in the hotel industry and the level of the corporate culture. Revenue management as a tool to help achieve desired occupancy levels at average room rates is widely reported in the literature. Similarly, the issue of corporate culture and corporate processes has been the subject of such research. However, the issue of the possible interdependence of these two concepts, i.e. the ability to apply revenue management on the one hand and the level of corporate culture in the hotel industry on the other, has not been sufficiently described in the literature so far. This review article aims to summarize the existing research on this issue, i.e. a possible influence of the level of corporate culture on the level of implementation of the revenue management tool. Given the results of the research, the authors present in the 3rd part the idea of the possible benefits of mutual integration of Revenue management processes and processes associated with the development of corporate culture.

**Keywords:** revenue management; corporate culture; corporate processes; small-scale enterprise; perishable product

**JEL Classification:** M21; O14; Z38

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## 1. Introduction

The hotel industry is a dynamically developing branch of the tourism sector. Like most other sectors of the economy, the hotel industry is facing new and emerging challenges. Economic pressure on the bottom line, ever-increasing costs, especially personnel costs, and other influences are forcing hoteliers to continuously increase revenues. In today's globalized world, sales strategy is the alpha and omega of success for almost every company. In the hotel industry, this is certainly true as well. Revenue management as a tool for achieving higher yields was established in the 1960s. Since then, it has evolved considerably. Nowadays, revenue management is firmly established in the processes of all major hotels and hotel companies. The acceptance of its importance is evidenced, among other things, by the number of research studies on this topic, both in terms of general definition and focusing on the hotel segment. Today it is seen as a reflection of particular management culture. Similarly, there can be no doubt about the importance of corporate culture in the ability to achieve desirable economic results. As with the concept of revenue management, the amount of scholarly

work on corporate culture is considerable. However, when focusing on the topic of Corporate Culture and the Hotel Environment, it is impossible not to see the underrepresentation of the topic. It can be assumed that management culture is based on the level of the corporate culture.

The aim of this review article is to suggest a possible relationship between the ability of hotels to apply the Revenue Management tool and the level of their corporate culture. At the same time, the authors aim to explore the level of research on this topic.

## 2. Research Methodology

The authors conducted seven, respectively 14 individual searches of research articles in the Scopus and Web of Science databases on February 11, 2022, using the keywords:

- "Revenue management"
- "Hotel revenue management"
- "Hotel corporate culture"
- "Hotel revenue management" AND "corporate culture"
- "Hotel performance" AND corporate culture
- "Hotel performance" AND "organizational culture"
- "Corporate culture"

The filter was set as follows: Scopus: Search within: Article title, Abstract, Keywords. No other limitations. In case of Web of Science: Search within: All fields. No other limitations.

The values in Table 1 show how many articles were found in the listed databases, taking into account the effect of the specified filters.

The search results indicate that the topic of corporate culture is very abundantly represented (see Table 1), hotel revenue management as well as hotel performance is widely represented in the literature. The topic of hotel corporate culture is less represented. In contrast, the connection between hotel revenue management and corporate culture and hotel performance and corporate culture seems to be almost unrepresented. Firms, and therefore hotels, are miniature communities, and if we want to understand their behavior, we need to understand the belief systems within the firm, a key component of what is called corporate culture (Stiglitz & Greenwald, 2014). Although some authors, such as Chen and Li (2007), Han (2012), and Murimi et al., (2021), have addressed the relationship between corporate culture in hotels and their performance, it is clear that the issue would merit deeper research.

**Table 1.** Terms "Hotel revenue management" and "corporate culture" in databases

	Scopus	Web of Science
"Revenue management"	2,925	4,107
"Hotel revenue management"	127	124
"Hotel corporate culture"	0	2
"Hotel revenue management" AND "corporate culture"	0	0
"Hotel performance" AND corporate culture	1	5
"Hotel performance" AND "organizational culture"	7	6
"Corporate culture"	4,621	3,559

### 3. Revenue Management

Revenue management is a management tool that is used by hoteliers to achieve the desired results, particularly in terms of occupancy and the achieved price per available room (ADR). Revenue management techniques have been adopted by hotels as an essential tool to maximize profits. This tool is based on the analysis of the amount of data available to the hotel. It is used not only in the hotel industry, but also to a large extent in other service sectors that are characterized by fixed capacity. The main idea is to sell identical services at different prices according to predetermined criteria (Lee & Bai, 2014).

Revenue management is a comprehensive and analytical view of management that not only uses disciplines, such as statistics, mathematics, and marketing but also uses technology. Its implementation and successful use are made possible mainly by a significant change in the understanding of revenue management by business managers themselves. This is the prioritization of profitability over occupancy (Talón-Ballestero & González-Serrano, 2012).

The existing research on the importance of revenue management in the hotel industry has mainly focused on the potential of the revenue management tool and its effectiveness from several perspectives:

1. the influence of the size of the accommodation facility and its accommodation capacity (Ivanov & Ayas, 2017) on the potential of the revenue management tool and its effectiveness,
2. the impact of the level of the accommodation facility as declared by the number of stars (Ivanov et al., 2021). Alternatively,
3. whether the level of the revenue management tool is affected by whether or not (a) the hotel is integrated into a hotel chain (Ivanova et al., 2016).

Alternatively, revenue management is examined from a purely technological perspective, with data subjected to various simulation models, such as in the study by Bandalouski et al. (2021). Some research on revenue management and its impact on hotel performance focuses on some specific issues related to the hotel industry, such as the study by Lentz et al. (2021), *Uncovering the relationship between revenue management and hotel loyalty programs*.

Demand forecasting is another important area of Revenue management application capability issues. Demand forecasting is at the very beginning of the Revenue management process and is a key (Webb et al., 2020) in terms of the whole follow-up process concerning the very basis of Revenue management which is: to offer the right price, to the right customer, at the right time.

According to some authors (Talón-Ballestero et al., 2014), Revenue management is not only an application or a system, but also a level of a certain management culture, the implementation of which has its costs. This process can be implemented gradually, considering the resources that are currently available. For this reason, it is more important to set the overall corporate culture at the beginning of the Revenue management implementation process than to invest heavily in software tools and systems at the outset (Abad et al., 2019).

The authors of some previous studies have addressed the complexity and multidimensionality of Revenue management (Okumus, 2007; Ivanov, 2014), which describe recommended practices for the proper implementation of Revenue management. Like other management practices, the application and proper use of Revenue management have become more sophisticated and widespread within the tourism industry (Anderson & Xie, 2010). The results of these studies highlight the importance of working with the data available to businesses.

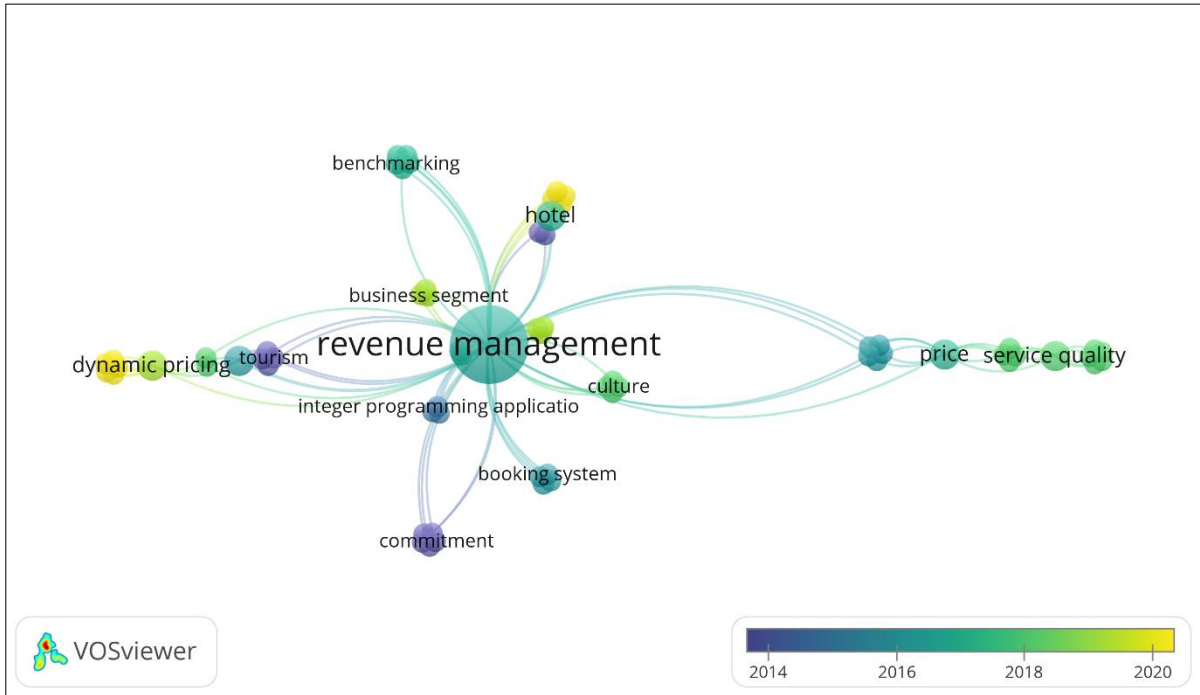
A number of authors have focused on the usual characteristics of accommodation establishments, such as the category of accommodation, the size and position of the accommodation within a hotel chain or stand-alone establishment when evaluating the success of Revenue management use (Tallón-Ballestero & González-Serrano; Abrate & Viglia, 2016; Ivanov & Ayas, 2017; Rodríguez-Algeciras & Tallón-Ballestero, 2017). However, the literature review revealed a lack of articles on the relationship between the success rate of Revenue management implementation and use and the corporate culture of data retention and their transfer.

A closer examination shows the connection of the term revenue management with other headings demonstrating the links to the individual components of the system. In other words, revenue management is logically linked in the literature to other keywords related to the issue of revenue maximization. In particular, strong links can be seen in the following map with the terms "demand", "customer satisfaction", "hospitality", "yield management". All these concepts are related to processes in the organization whose quality is influenced by the level of company culture. On the other hand, the result shows the absence of a connection between the term revenue management and the direct ones listed in Table 1 – corporate culture or organizational culture. This finding suggests a possible lack of research on this topic. The authors of this article find it helpful to point this out.

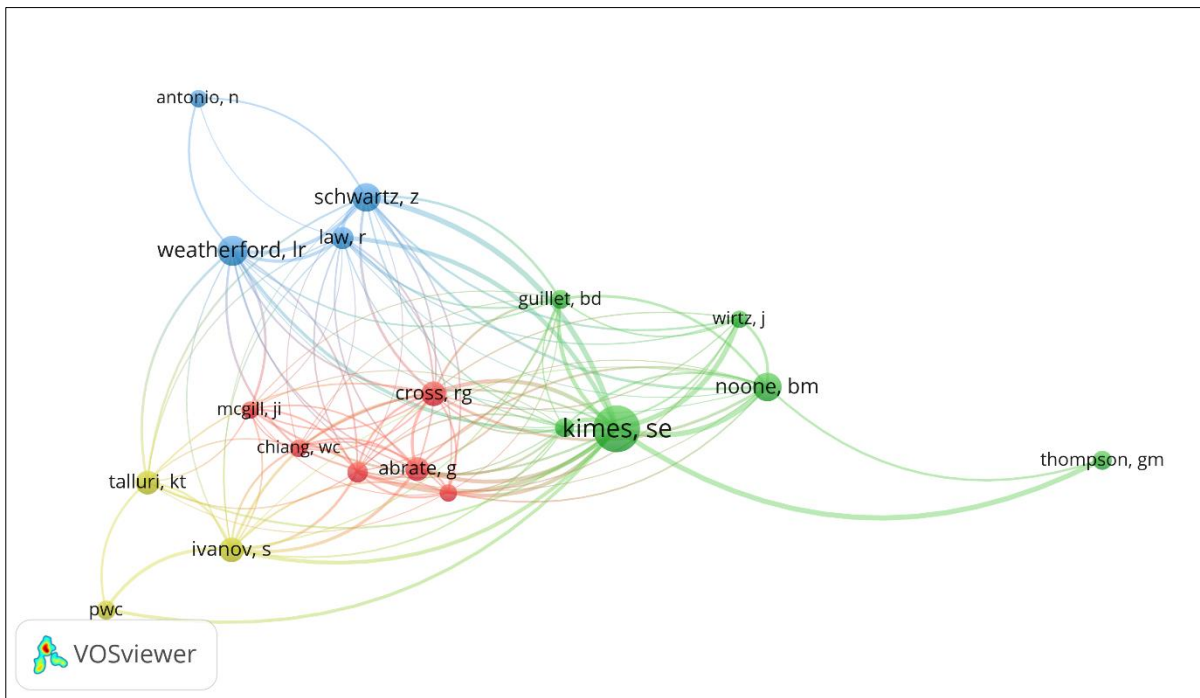
A map of keywords associated with the term revenue management was generated from the results of a search of the Web of Science database generated in VOSviewer 11.2. 2022 (see Figure 1). The filter was set as follows: Type of Analysis: Co-occurrence; Unite of Analysis: Author Keywords; Minimum number of occurrences of a keyword:1; In total 91 met the threshold, finally 66 items was selected.

For completeness, the authors present a map of the most important authors publishing on the topic of hotel revenue management in terms of representation in professional databases and their citations. The introduction of important authors publishing in the field of revenue management can be beneficial for the readers of this article in terms of inspiration for further research in the field of possible connection between revenue management and corporate culture.

The map of citations of authors publishing in the field of revenue management generated from the results of a search in the Scopus database in VOSviewer 11.2.2022. The filter was set as follows: Type of Analysis: Co-citation; Unite of Analysis: Cited author; Minimum number of citations of an autor:5; In total 19 authors met the threshold, finally 19 authors were selected.



**Figure 1.** A map of keywords associated with the term revenue management



**Figure 2.** The map of citations of authors publishing in the field of revenue management

#### 4. Corporate Culture

Corporate culture has received considerable attention in the international management literature regarding its importance as a coordination mechanism in the international business environment (Gardini, 2018). The findings indicate that another important factor in the Revenue management process is the human element in the organization and the ability of the organization to ensure knowledge and knowledge sharing between individuals. Knowledge

is seen as the primary asset or resource that drives the growth of the company and hence its performance (Yli-Renko et al., 2002). In recent years, knowledge and the ability to share it within companies has become an important part of building a competitive advantage (Ha & Nguyen, 2020). The quality of every single human element in an organization is influenced by management processes. Management processes and organizational structures can be seen as the building blocks of the enterprise architecture, which fundamentally constrain the flow of processes (Straková et al., 2021). In the service sector, the human element is one of the most important factors (Hán et al., 2020).

In the last decade, there has been a dramatic increase in the number of studies on strategic human resource management, with an emphasis on research on the performance of talented workers in individual positions in organizations (Lewis & Heckman, 2006). While various approaches to building talent management and concepts aimed at developing high-performing key employees are being developed (Hughes & Murray, 2018), there is a growing need to assess the impact of the maturity level and quality of key employees in small-scale enterprises on management processes, their continuity, and maturity. It is reasonable to believe that large-scale hotels in terms of capacity, as well as hotels belonging to reputable chains that have allocated resources to create, nurture and develop business processes, are in a fundamentally different situation than small hotels and hotels operating independently. Based on the above, the ability to apply Revenue management principles is one of the key processes that contribute to the economic sustainable development of these businesses.

The level, maturity, and quality of corporate processes are among the key factors for sustainable economic development. The effectiveness and quality of business management are determined by the ability to address and innovate approaches, principles, and methods (Hila, 2019). Corporate culture is seen not only as a selling point of hotel operations but also as a pillar of sustainable hotel development (Ma & Sun, 2014).

The authors do not include maps as in the case of the section on revenue management due to the minimal representation of the term corporate culture in the hotel industry in the literature. Based on the analysis of the occurrence in the Web of Science database made on February 11<sup>th</sup>, it can be stated that the most cited authors dealing with hotel performance and corporate culture are Susita Asree, Rizal Mohd Razalli and Mohamed Zain with 86 citations. The most cited article is the “Influence of leadership competency and organizational culture on responsiveness and performance of firms” of above-mentioned authors.

## **5. Relationship between Corporate Culture and Revenue Management**

The authors believe that there may be a relationship between business processes embedded in corporate culture and the level of application and use of Revenue management principles. The literature, whether in management theory or in sociology and psychology of management, does not contain generally accepted views on the role of corporate culture in relation to other corporate activities (Šigut, 2004). The level of corporate processes, on the other hand, certainly contributes to other corporate activities. Since Revenue management belongs to corporate processes, it can be concluded that the level of corporate processes corresponds to the level of Revenue management in the enterprise. The corporate processes that influence the

level of Revenue management, in this case, include data collection, data evaluation, data storage, as well as data transfer in case of a personnel change in a given position.

Revenue management processes, their level of implementation, and the application include a number of sub-processes. The most important is then the work with data. This refers to the ability of the business and the person assigned to this task to collect relevant data, store those data, analyze them, and continue to work with them. The primary task is to determine which data and from what sources should be used for the purposes of an effective Revenue management application. Hotels commonly forecast future demand for accommodation by combining historical data and booking levels on specific days (Talluri & Van Ryzin, 2004). The ability of the business to ensure data continuity is also an important element. This means ensuring that the data stored in the enterprise are maintained in such a way that their continuity is not interrupted by, for example, a change of personnel in a given position, insufficient or incorrectly set up control mechanisms in the enterprise or, for example, incorrectly set up training programs. Inadequacies in the quality of these processes would probably lead to the inability or interruption of the Revenue management implementation and application processes. The authors of this study believe that the level of corporate culture and the resulting ability of the organization to manage data and processes have a direct impact on the level of implementation and application of the Revenue management tool.

## **6. Conclusions and Discussion**

There is a large body of research on the feasibility of implementing revenue management tools, as well as research evaluating the usefulness of using revenue management tools themselves. In the current period of the Covid-19 pandemic, at a time of extraordinary declines in demand for accommodation, the role of the Revenue Management tool is even greater. Similarly, there is a number of papers focusing on research in the area of demand forecasting methodology, which is closely related to the revenue management tool. Corporate culture is also a topic in research that is widespread. If the aforementioned is true, that despite the unprecedented emergence of IT technology in hotel processes, the employee is still the most important element, the importance of corporate culture is obvious. As it has been mentioned above, the use of the Revenue Management tool depends, among other things, on the quantity and quality of data that the hotel or the person responsible for Revenue Management in the hotel can work with. Furthermore, the text shows that a very important asset of the hotel from this perspective is knowledge. This means the knowledge of the individual members of the work team and their willingness to work with, expand and share this knowledge. The authors believe that the level of quality of the corporate culture can have an impact on these necessary prerequisites. There are many studies that evaluate corporate culture from many different perspectives. However, the authors of this paper believe that the topic of the link between the level of corporate culture and the level of revenue management implementation has not been sufficiently explored yet, and therefore, further research should focus on this topic. The authors of this article acknowledge the possible limitations of not including additional search terms, which may be related to the concepts of revenue management and corporate culture, the inclusion of which could affect search results.

Another possible direction of research may be a deeper analysis of the relationship between the level of implementation of the Revenue Management tool and the level of quality of corporate culture. Research focusing on hotel management perceptions of corporate culture, its attributes, and comparison of hotel performance against competitors could suggest a possible association. The aim of this review article is to open the topic of the influence of corporate culture on the level of revenue management in the hotel industry. The authors believe that the research results provided point to insufficient research on this topic and believe that the article will motivate further research.

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**Conflict of interest:** none

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