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Human resources management and restaurant performances

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Abstract

The objective of this article is to discuss the specifics of human resource management in restaurants. It started from the idea that good HR results have a positive influence on business performance. The restaurant's bottom line (net profit) and margins are driven by certain HR practices, including encouraging employees to go above and beyond the call of duty. Attention is focused on how achieving HR goals affects restaurant performance.

Keywords: management, human resources, restaurant, performances.

1. Introduction

Restaurants, no matter how small, significantly influence the environment in which they work, on the one hand, as well as all their stakeholders, on the other hand. They are characterized by the fact that they are big consumers of water, energy, materials and food (Legrand et al., 2010). Employees depend on their compensation, and it is the basis for them to maintain stability in their lives, unlike employers who rely on the abilities and performance of employees to maintain their competitiveness in the market, i.e. ensure sustainable business in the long term (Kim &Young, 2020). As Dermody (2004) points out, working in a restaurant is widely considered an entry-level job that requires few skills and little education.

Human resources management (HRM) refers to the strategic and operational activities involved in managing an organization's workforce. It encompasses various functions and responsibilities related to the recruitment, selection, training, development, compensation, and overall well-being of employees. The primary objectives of HRM include maximizing employee performance, fostering a positive work environment, and aligning human resources with the organization's goals and objectives.

"The hospitality industry is one part of the larger travel and tourism industry that, in addition to hospitality, consists of transportation services organizations and retail businesses" (Hayes & Ninemeier, 2009). According to the purpose and establishment, organizations can be profit-oriented and non-profit-oriented. For - profit operations include hotels, restaurants, caterers, and retail operations such as grocery stores and service stations that provide prepackaged sandwiches, beverages, snacks, and other items. Not - for - profit operations, includes food services offered by educational facilities, healthcare institutions, the military, business/industry organizations, religious and charitable groups, correctional facilities, and transportation companies (Hayes & Ninemeier, 2009). The hospitality industry involves the provision of both tangible and intangible offerings (Golubovskaya et al., 2017).

Management of human resources is an integral part of every concern. The emerging technological work culture requires massive re-education of the existing workforce, especially for the new careers emerging as a result of the revolutions in microelectronics, biotechnology and communications. In accordance with these tendencies, management requires a new attitude towards employees as human capital. For the average worker, especially those displaced by new technologies, reeducation will be needed to develop skills for new careers and service activities. (Harris, 1983). Employees are a caterer's most valuable resource and must be selected, trained, and cultivated effectively (Mattel, 2015).

In in a practical framework (practical terms) for the HR department, directing and encouraging knowledge sharing within and between organizations can be considered a three-stage process (Seely Brown & Duguid, 2000). In the restaurant industry performance enhancement is more quickly achieved, and that should be appreciated when managing human resources. The first stage is to identify those areas where an interesting experience might be available. HR departments have a role to play in identifying organizations with which their own company can relate, and which have useful experience in dealing with and overcoming the issues in focus. Assuming that the corporate goal is to develop and maintain more trusting relationships with suppliers and customers, HR should be aware of other relevant organizations from whose experience they could learn ("benchmarking"). The second phase is then accessing this experience through collaborative discussions. Finally, the third stage of this process is deciding whether and how the experience can be used to suit the company's situation, which can be realized by gathering similar people with similar interests who face similar problems (Torres-Coronas & Arias-Oliva, 2005).

2. Human resources management in contemporary environment

Human resource management is defined as "the process of attracting, developing, and maintaining a talented and energetic workforce to support organizational mission, goals, and strategies" (Schermerhorn, 2001). Effective HRMPs are becoming increasingly important in the modern knowledge-based economy, as companies face the dual challenge of the need for more highly skilled workers coupled with a shortage of skilled labor. These challenges, along with the increased trend toward smaller firms in general, reinforce the need for effective HRMP in such firms (Audretsch &Thurik, 2000).

In a turbulent and competitive environment, it is an important part of overall restaurant management. It is important to point out that performance standards form the heart of job descriptions and describe what, how and how good a job is. Each performance standard measures three aspects of each work unit:

- What the employee is to do.
- How well it is to be done.
- To what extent it is to be done (how much, how soon) (Walker, 2018, p. 174).

Implementation of a performance management system enables the establishment of clear performance expectations, regular feedback and performance evaluation. By monitoring and addressing performance issues, restaurants can identify areas for improvement and provide the necessary support to employees, leading to improved overall performance. For effective business management, it is necessary to develop good standards that are adapted to the specifics of the work being done. If a complete set of performance standards is developed for each job for which responsibility is defined, the basis for a management system for the associates and the work they perform is defined. Industry often lacks appropriate information and/or tools to accommodate an aging workforce, particularly in the context of physical employment standards (Kenny et al., 2016). Employee empowerment refers to enabling or empowering employees to make their own decisions about solving guest problems (Jha and Nair, 2008). Various standards can be used to describe jobs, define the agenda for each job, train co-workers to meet the standards, evaluate co-workers' performance, and generate feedback on how they are doing (Bobko & Coella, 1994). Although the use of performance evaluation standards is common in most organizations, research in this area has focused almost exclusively on selection standards (and cutoff predictor scores) rather than standards for subsequent performance. Performance standards can be used as a basis for rewarding achievement and selecting people for promotion. Intelligent and consistent use of a standard performance system reduces or eliminates the reasons for low productivity and high turnover. Associates are clearly told what to do. Among other things, it is important to introduce Ethical Standards for Human Resource Management Professionals (Willey, 2000). Employee empowerment is often seen as an effective strategy for hospitality organizations, so that, strategy alone cannot ensure success. In this context, it is emphasized that individual and organizational factors should be taken into account in order to increase the perception of employee empowerment.

Hospitality operations management is considered at two levels. The first level is the level of the firm where the strategic management of operations takes place. The second level of management is the unit level. This identifies seven key result areas: assets, employees, capacity (or customers), productivity, service, revenue (or control) and quality (Jones, 1999). A manager can help and support associates with additional training or coaching when a standard is not being met. All this makes for much better relationships between associates and management (Walker, 2018, p. 174). “It’s important to remember that creative and artistic talent alone does not make a business successful, but rather complements the ability to generate revenue and control costs” (Mattel, 2015).

Today’s hospitality professionals must be experts at managing many functions. Retaining outstanding staff members is always a challenging task, but every restaurant manager must master them. It is important to point out the despite the importance of human resources issues to the success of the chain-restaurant business, a close look at one such company indicates that human resources managers are not yet party to firms' strategic decision-making. Fulford & Enz (1995) point to an important fact, which is that despite the importance of human resources issues to the success of the chain-restaurant business, a close look at one such company indicates that human resources managers are not yet party to firms' strategic decision-making.

High employee turnover can negatively impact restaurant performance and customer satisfaction. HR implements strategies to retain talented employees, such as offering competitive compensation and benefits packages, creating opportunities for growth and advancement, and promoting work-life balance. Retaining skilled employees leads to a more stable workforce, improved productivity, and consistent service quality.

3. Identifying the best practices to increase hotel banquet sales

Greater customer satisfaction is very important for a sustainable business. This should lead to an increased likelihood of repeat purchases, which in turn should result in higher restaurant sales, which has a positive impact on profitability as well (Gupta et al., 2007). Organizational performance is a widely used terminology to describe improvements in a firm’s bottom-line performance that is influenced by HRM (Cho et al., 2006). The influence of HRM on monetary and non-monetary organizational goals je često istraživana tema (Cutcher-Gershenfeld, 1991; Terpstra and Rozell, 1993).

Measures of organizational performance influenced by HRM se dele u into two categories: monetary and non-monetary measures (Appelbaum et al., 2000). Monetary measures are divided into financial performance and labor costs. Financial performance includes revenue growth, profit margin, market valuation, etc. Nonmonetary measures include employee trust, intrinsic rewards, organizational commitment, job satisfaction, and employee stress. Postoje i drugačije podele. Na primer, Dyer and Reeves (1995) proposed four types of measures for organizational performance affected by HRM: “(1) HR outcomes (turnover, absenteeism, and job satisfaction), (2) organizational outcomes (productivity, quality, and service), (3) financial accounting outcomes (ROA, ROE, and profitability), and (4) capital market outcomes (stock price, growth, and returns)”.

One of the burning questions in HR research is whether there is a single set of policies or practices that represent a universally superior approach to HR management. Best practice theories or high commitment theories suggest that some HRMPs, individually or in combination, are associated with improved organizational performance. These theories also suggest that well-paid and motivated workers, who work in an atmosphere of reciprocity and trust, create a greater increase in productivity and lower costs per unit of business (Boxall, 1996).

Investing in people has turned out to be the surest way to ensure the survival of an organization as well as its competitiveness and future. To get good HR, companies must be clever in choosing their employees and provide clear job descriptions, so the company can run well and be able to meet the desired targets“ (Mulyani, 2020). Research on the topic of tipping has been conducted in various disciplines such as economics, sociology, and psychology, but most scholars have investigated tipping in restaurants from the customer's perspective (Lin & Namasivayam, 2011).

The restaurant industry finds itself struggling with long-term problems that can only be magnified by the current environment. Human resources management plays a crucial role in the performance of restaurants. Here are some key aspects of HR management that can impact restaurant performance:

1. Staff Recruitment and Selection.
2. Training and Development.
3. Employee Engagement and Motivation.
4. Performance Management.
5. Scheduling and Labor Optimization.
6. Employee Retention and Succession Planning.
7. Compliance with Labor Laws and Regulations.
8. Effective Communication.
9. Diversity and Inclusion.
10. Conflict Resolution and Employee Relations.

Creating a positive and engaging work environment is crucial for employee morale and motivation. Recognition programs, incentives, and opportunities for growth and advancement can contribute to higher employee satisfaction and productivity, resulting in improved restaurant performance.

Several authors have attempted to analyze the relationships between firm performance and the introduction of specific HRMPs called "high performance" or "high commitment practices." Such practices tend to increase the knowledge of the staff, and in addition, they can also improve the way the staff uses their knowledge thanks to specific incentives. Such practices could then directly affect the social performance of the company by emphasizing the role that each staff member can play in the organization and strengthening his motivation and commitment to the firm.

4. Conclusions

Human resources management in the context of restaurants refers to the processes and strategies involved in effectively managing the people who work in the restaurant. It encompasses various aspects, including recruitment, training, employee relations, performance management, and compliance with labor laws. By effectively managing human resources in these areas, restaurants can attract and retain talented employees, develop a skilled workforce, and create a positive work culture, all of which contribute to improved restaurant performance, customer satisfaction, and overall business success.

Identifying areas for improvement and providing support can contribute to increased banquet sales. For that is important, regularly assess the performance of banquet staff in terms of their sales abilities, customer service, and overall performance.

The strategic use of human resources is important for the work of restaurants and hotels. The adoption of employee management practices has a positive impact on organizational performance. Human resources have been identified as an area of great importance for the success of restaurants and hotels.

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Cost management and small restaurant firms: challenges and the role of management

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Abstract

The objective of this article is to discuss the role of management in monitoring costs. Cost management is important to the financial viability of a restaurant. An important question is how managerial decisions affect observed costs. Understanding costs can be traced through costing, financial and managerial accounting. Understanding the relationship between a restaurant's costs and the value it provides to its customers is key to a restaurant's ability to reach its full profit potential, i.e., reach its target performance. From this perspective, the importance of understanding activities, their costs and their relationship with market prices is emphasized.

Keywords: banquets revenue, management, business's profitability, profit centre.

1. Introduction

Cost management is a critical matter for small restaurant firms in order to maintain profitability and sustainability. Effective cost management requires ongoing monitoring, analysis, and adaptation to ensure that expenses are controlled while maintaining quality and customer satisfaction. Small restaurant firms should prioritize cost management alongside revenue generation to achieve long-term profitability.

Restaurant managers use financial information to manage activities involving money earned and spent in the operation of their business. Financial information summarizing these activities must be organized and expressed in a meaningful way. Analysis and interpretation of data is necessary, and those results must be recorded, summarized and reported to those who need to know about the economic health of the restaurant. As will be seen, users will be both internal – owners and managers, for example – and external – including lenders and government agencies.

Running a restaurant requires countless decisions every day. Most decisions are quick and easy, but some require more thought or information, or both. More challenging decisions go through an eight-step decision-making process:

1. Problem identification and definition: Identifying the problem or challenge is important; otherwise, we may never know if we solved the problem or just patched it up and let it resurface.
2. Identification of decision criteria: Once the problem is identified and defined, we need to determine the criteria relevant to the decision.
3. Assign weights to criteria: We all know that some elements of a decision are more important than others, so putting a number to its weight makes sense - of course, we often do it instinctively.
4. To complete the work efficiently and effectively in the execution of certain tasks.
5. Development of alternatives: A list of different alternatives is presented.
6. Choice of alternative: The best alternative is chosen.
7. Implementation of the alternative: The decision is implemented.
8. Evaluation of the effectiveness of the decision: the degree of success as a result of the decision is measured.

There are two main types of decisions, programmed and unprogrammed. A programmed decision refers to decisions that occur on a regular basis, such as what to do when inventory is slightly below value, or when a guest requests a booth. An unprogrammed decision is one that rarely happens, so it is handled differently. Some examples would be which software program to use for the restaurant's front and back of house operations, or which vendor to use. Measuring the financial performance of a company is an important task, and for it is necessary accounting information (Milašinović et al, 2020; Mitrović & Milašinović, 2019; Moscove / Simkin, 1984).

Financial accounting information helps managers to know what happened in the past and what is the current situation (Stanković et al., 2012; Knežević et al., 2012) in the company and allows managers of restaurant companies to prepare for future activities and decisions. To be useful for decision-making, financial accounting information must be intangible, relevant, reliable, and comparable. Accounting is, in fact, a tool interpreted by actors with different representations and frames of reference and cannot be separated from the representation of the different parties involved (Wall & Greiling, 2011). Reports can be generated with more or less frequency and can be very detailed or less detailed depending on the manager's needs. When obtaining information, it is important to do a cost-benefit analysis (it is important that the benefits are greater than the costs of obtaining information). Also, accounting information must be current; "old" data is generally of little or no help as decisions are made in today's fast-paced restaurant business.

Information needed to monitor daily performance must be generated daily, and it is important to emphasize the importance of an adequate reporting system. The information system should help the decision-making process before, by preparing the decision, during, simulating the decision options and after, by communicating the decision to the contractors, including the control of its execution. Food costs and revenues are developed and analyzed on a daily basis, which is important for the efficiency of restaurant resource management. Decision-facilitating information aims to reduce the decision-makers' uncertainty before making a decision and thereby increase the probability of making better decisions in relation to the desired goals (Demski & Feltham, 1976). Accounting information must be accurate, that is, it must reasonably "tell" (reflect) the financial aspects of the measured activities. Moreover, accounting information related to previous periods can facilitate (future) decisions: For example, cost variations reported in the previous period give managers indications of where to take corrective measures in order to achieve certain goals. The audit is of great importance for making financial decisions (Milašinović et al., 2022)

2. Categories of costs in hospitality companies and cost calculation

Managers in multiproduct companies make strategic pricing and product mix decisions with distorted cost information, discovering the problem only after their competitiveness and profitability deteriorate. An alternative is to calculate costs by activity. Virtually all company activities exist to support the production and delivery of today's goods and services. Companies do not have to discard their formal costing systems to use activity-based methods. The two can exist simultaneously (Cooper & Kaplan, 1988).

The several types of expenses are:

- Cost of Goods Sold.
- Operating Expenses.
- Financial Expenses.
- Extraordinary Expenses.
- Non-Operating Expenses.
- Non-Cash Expenses.
- Prepaid Expenses.
- Accrued Expenses.

When looking at costs according to natural origin, they can be illustrated as follows:

Table 1. Group expenses

Group expenses	Structure of the group
Labor expenses	salaries, wages
Restaurant operating expenses	spending on vehicles, cleaning, equipment rental, small ware, pest control, printing, entertainment, decoration
Marketing expenses	promotion-related expenses
Utility expenses	electricity, gas, water and sewage, trash removal
Admin expenses	general and administrative expenses for back of the house functions, computer system–related spending, licenses and permits, telephone and communications, travel, professional services
Repair and maintenance (R&M)	repair and maintenance-related expenses

Source: Jung, H-I (2019). Restaurant financial management: a practical approach, Apple Academic Press, Inc.

When opening a restaurant, new business owners must consider the depreciation of equipment over time, which is a non-cash expense. As the equipment is used, it is disclosed as an expense on the income statement, as well as on the balance sheet as a reduction in total fixed assets. To calculate depreciation costs, it is necessary to determine the life of the equipment at the beginning, followed by the amount expected to be received for the equipment at the end of its life, either by selling it or exchanging it for new equipment. For example, if you paid $10,000 for a new dishwasher, estimated to last 10 years, and then either traded in or sold for $500, the formula for determining depreciation expense would be ($10,000-$500)/10, which equates to annual depreciation charges of $950.16. In addition, it is important to keep in mind that depreciation is calculated in different ways depending on whether it is accounting or tax purposes.

Given the impact of increases in labor, food, or rent costs, leveraging costs and revenues has become very complex for many hospitality businesses. The results of the research showed that the role of the owner-manager is emphasized by the use of increasing or already significant costs of labor, food and rent (Alonso & Krajsic, 2014).

Controlling food costs and ensuring that the best possible food products are purchased are matters of great importance to many managers (Enz, 2014). Costs that can be directly traced to a product, activity, or department are direct costs. Indirect costs are those that either cannot be directly traced to a product, activity or department or are not worth recording (Jiambalvo, 2018). Food costs and labor costs are treated as direct costs, while costs for utilities, rent or insurance can be considered indirect costs.

The term "controllable cost - controllable costs" is used to describe those costs that can be changed in a short period of time. Variable costs are usually controllable. Other controllable costs include salaries and wages (payroll) and related benefits; direct operating expenses, such as music and entertainment; marketing (including sales, advertising, public relations, and promotions); heat, light, and power; administration; and general repairs and maintenance (Walker, 2008, p. 241). Payroll is the largest cost control activity in most restaurants.

Food costs can be presented as a percentage of sales. This is possible because inventory is consumed only when customers are being served. If customers are not served and no revenue is generated, there should be no food costs. Food costs will increase at the same rate as a percentage of costs as revenue is generated. Unlike variable costs, some costs do not become zero when no sales. These are costs that do not change regardless of income. For example, these can be rent costs, interest and depreciation expenses.

U praksi se često koristi analiza odnosa troškova, obima i koristi da bi se testirale različite poslovne alternative (Greenberg, 1986; Adamović et al., 2023; Adamović et al., 2022). It is important to apply management accounting and cost calculation in any catering entity in order to cope with the challenges of the market (Scorţe & Udriştoiu, 2011). Menadzeri moraju da evaluiraju produktivnost i troškovnu efikasnost (Doering, 1979).

3. Income and expense management

Financial statements are generated within the accounting information system. They are used as a platform for decision-making. Three financial statements are commonly used, the balance sheet, the income statement, and the cash flow statement. The income statement is used by the same parties that use the statement of financial position. Some consider it the most useful financial report. However, it should be borne in mind that the generated profit based on the application of the accrual accounting concept does not imply that the cash flows are adequate, and that the restaurant company does not have liquidity problems. In fact, neither statement provides enough information to serve as the sole basis for complex business decisions made in a dynamic and competitive environment. Therefore, it is necessary to carefully study and analyze all reports as well as footnotes for the financial information to be valid. For example, a restaurant may have had a very profitable year looking at certain elements of the income statement, yet not have enough cash to pay interest and principal as early as next week. The inability to pay obligations can lead the restaurant company to bankruptcy. How income statement information meets the needs of external users (suppliers, bankers, investors, etc.), who are primarily interested in cash flows Profitability does not necessarily yield positive cash flows; however, profitable operations over several years generally indicate positive cash flows. In other words, the income statement provides some indication of future cash flows. The need to apply a "second income statement" was also discussed earlier (Beresford et al., 1996). It was also considered whether the matrix format is more useful for decision-making (Tarca et al., 2008). state that it is important to consider the possibility of influencing the result in circumstances when the balance sheet and income statement data are analyzed separately (Atukalp, 2023).

The income statement shows the income and expenses for a specific accounting period, which should then be compared with the budget goals. The income statement and supplementary reports answer questions such as:

- What was the income during that period?
- What were the percentages of food and beverage costs?
- How much money was spent on advertising?
- What was the tax expense for the period?
- Are the salary costs kept within the budget? (Schmidgall et al., 2002, p. 81).

After cost and efficiency data have been collected when combined with performance and profitability indicators, strategies for actions that will be taken in the future can be created (Lai et al, 2019).

"Sales *minus* cost of sales *equals* gross profit" is a standard accounting entry. While it may be standard for an accountant, a restaurant manager doesn't always have a clear understanding of the concept. Gross profit is the amount of earnings left over from sales after deducting the cost of sales, and it must cover all other operating expenses and still leave enough dollars for a satisfactory profit.

The revenue management approaches developed for the restaurant industry originated from the framework of the airline and hotel industries (Baltagi et al. 1995). For effective management of income and expenditure categories, it is important that managers of restaurant companies are educated in the field of financial management (Dennington al., 1991).

Some of the operating costs are fixed. Other costs are variable, meaning management has some control over them and they vary depending on sales volume. All costs must be covered by gross profit. When the gross profit is insufficient to cover the remaining operating costs and provide a satisfactory profit, the combination of sales and expenses must be re-planned. If this cannot be achieved, the business venture is not viable.

Restaurant service includes various activities that need to be carefully planned and monitored. However, before starting a business, the hospitality manager must be careful to avoid those events that will result in greater cash inflows than cash outflows from a single transaction. Undercharging does not provide enough to cover all variable and fixed overheads associated with a particular activity (service), e.g., by opening the meeting room. For example, if we look at a restaurant that uses part of its regular dining room to accommodate an organized event, in that case, significantly higher heating and cooling costs will not be initiated, on the one hand, but, on the other hand, the dining room must be heated or cooled regardless of the number expected guests. In addition, it is necessary to consider the option of opening a hall for ceremonies in terms of feasibility. Namely, if the room is opened, additional heating and cooling costs will arise, while if the room remains closed, these costs can be avoided (Mattel, 2015).

Here are some key considerations for cost management in small restaurant firms:

1. Menu Engineering,
2. Supplier Relationships,
3. Inventory Control,
4. Staffing and Labor Costs,
5. Energy Efficiency,
6. Portion Control,
7. Technology and Automation, and
8. Analyzing and Adjusting information to make informed decisions and implement cost-saving strategies.

4. Protection of restaurant property from wastage, theft and fraud and internal control

One of the most important responsibilities of a manager is to protect restaurant assets from theft and fraud. A restaurant can be an easy victim of these crimes, so internal control systems that maintain the security of its property are critical. Fraud and embezzlement are all too common in the restaurant business. Fortunately, there are a number of ways restaurant managers can reduce the opportunities for such theft.

Control deals with keeping track of costs, inventory, percentages, and other factors that keep the organization profitable and compliant with regulations. Restaurants have some general operating characteristics that make them more vulnerable to theft than many other businesses. These include:

- numerous cash transactions,
- many jobs require low skills,
- many positions with perceived low social status,
- items of relatively high value that are commonly used/available,
- availability of products that employees must otherwise buy (Schmidgall et al., 2002, pp. 295-296).

One of the forms of control that many restaurants neglect, and which can affect the reduction of costs, is recycling. At the end of the night at most, restaurants, food scraps, paper, bottles and cardboard are usually placed in a container in a back alley destined for landfill. Separating garbage requires people and time. But the fewer times the container needs to be emptied, the lower the costs associated with paying for garbage.

Alcohol control is critical to restaurant success. There are too many opportunities for abuse and theft. The cycle begins with management deciding which brands to carry for them well or house, then setting up an appropriate stock of drinks to keep on hand. Management also decides on the selling price and margin for beer, wine and booze. This will set the standard for the percentage of beverage costs (Walker, 2018).

Conclusions

In order to successfully solve the complex problems of the hospitality industry, a much higher level of preparedness and knowledge is required, as well as having skills in identifying "hidden" or opportunity costs. The value of the benefit that is lost when one decision alternative is chosen over another is an opportunity cost.

Restaurant managers need an efficient system for cash control and revenue. These controls are very important, as restaurants typically have hundreds (or more) of cash sales transactions per day and many cash-handling employees.

Cost management is a very complex area, especially considering that organizations today operate in an environment that is dynamic and turbulent. Gaining and maintaining a competitive advantage is increasingly difficult, and this is necessary for the sustainable business of restaurants and hotels.

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Banquets revenue and business's profitability

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Abstract

One of the most crucial pieces of information at the hotel banquet is revenue data. Revenue forecast enables cost reduction, increases staffing efficiency, and provides information that helps maximize competitive advantages in a turbulent environment. The hospitality industry is increasingly recognizing the importance of integrating revenue management into their business and the importance of their staff to do so, especially in the area of segment revenue tracking. The aim of this article is to point out the importance of proper management of banquets revenue for the business's profitability.
Keywords: banquets revenue, management, business's profitability, profit centre.

1. INTRODUCTION

Revenue management (RM) is a strategy applied by service companies with perishable inventory to maximize their revenue. The term RM is used to describe different strategies that allocate limited inventory (e.g., hotel rooms) between different customer segments (e.g., transient customers) (Cetin et al., 2016). Hotel and restaurant companies form strategic alliances. This is understandable, considering that in many cases it is not financially sustainable for a hotel restaurant to function only as an auxiliary function for hotel accommodation.

Hospitality and other companies can choose from a huge number of performance measures when deciding how they want to evaluate performance. Profit, market share, sales to new customers (hotel guests), development preparation time, etc., are examples of measures in general use. Because hotel and restaurant employee rewards often depend on how well an employee performs on a certain measure, employees focus on what is measured and may ignore what is not measured, which should be given special attention when developing a performance measurement system.

The hospitality industry increasingly recognizes the importance of integrating revenue management into its operations and the significance of its staff doing so. Yet revenue managers face major challenges from both internal and external sources. Hotel performance can be measured in terms of ADR, RevPAR, TrevPAR, restaurant F&B revenue per occupied room, and banquet F&B revenue per occupied room, etc. Yearly hotel revenue includes revenue from room sales, revenue from banqueting and restaurants (including revenue from food, beverage and service charges) and other revenues/miscellaneous (Sirirak et al., 2010).

"Banqueting is a fundamental part of the hospitality industry and as there are so many different moving parts, it's important to have a defined system in place in order to guarantee the success of the operation. By taking a holistic approach to banqueting and understanding the different moving parts that are in play, it is possible to optimize the service in order to make the most out of your resources" (www.mews.com).

Almost every banquet operation in recent times in its key performance indicators carries out a measurement of revenue and profit per square foot of banquet space. The trend is leveraging every square foot of space and its worth to earn revenues and profits. You could say that the owners and stakeholders are now looking at every foot of space for returns.

Customer satisfaction is critical to the survival of an organization in the hotel and restaurant business (Kirwin, 1992). Customers are becoming more sophisticated, with more education, leisure time and discretionary income (Kirwin, 1991); require efficient and high-quality services. Hotel managers must develop creative strategies to ensure customer satisfaction in hopes of promoting repeat or continued business. Repeat business is particularly important with respect to conferences and meetings, most of which use the hotel's banquet facilities to provide meeting food and beverage services.

"Banquet" has been understood as a socially necessary form of diet, also called a party, feast, or wine party (Zhou, 2017). Hotel banquets tend to have various expressions (Lau & Hui, 2010), such as wedding ceremonies, company dinners, meetings, private banquets, large gatherings, product demonstrations, small theatrical performances, reports, press releases, and dances (Wang et al., 2019). Hotel banquets are an essential source of profit in five-star hotels (Zhou, 2017).

The banquet department caters to business and social gatherings, many of which are hosted by local customers. It is essential that departmental functions (eg providing coffee breaks) are performed in accordance with hotel standards. Second, it is essential that reporting lines function smoothly, especially when there are problems.

The rest of the paper is organized as follows. The second part refers to the role of revenue management in achieving a business's profitability. The third part deals with identifying the best practices to sell hotel banquets. Banquet operations as a profit center are the subject of inclusion in the fourth part of the article. This is followed by concluding remarks.

2. REVENUE MANAGEMENT FOR BUSINESS'S PROFITABILITY

Business profitability refers to the ability of a business to generate profit from its operations. It is a measure of business efficiency and success, where it measures how much profit remains after all costs and expenses are deducted. Profitability is usually expressed as a ratio of profit to revenue or as a profit margin, which is obtained by dividing the realized profit by total revenue and multiplying by 100 to express it as a percentage. Higher profitability indicates that the company is effectively managing its resources, generating revenues above costs and having the ability to generate a return on invested capital.

Business profitability is important because it affects the sustainability of the company, opportunities for reinvestment in growth and development, payment of dividends to owners and attraction of investors. High profitability indicates a competitive advantage and good management, while low profitability may indicate problems in the business that requires analysis and taking appropriate measures for improvement.

In order to achieve business profitability, a company needs to properly manage costs, optimize revenues, monitor the efficiency of operations, identify areas for increased efficiency and improve risk management. Also, it is important to follow the changes in the market, follow the competition and focus on innovation and continuous improvement in order to achieve and maintain the profitability of the business.

The hotel's annual revenue refers to revenue from room sales (including revenue from overnight stays, telephone, laundry service, souvenir and mini-bar sales), revenue from banquets and restaurants (including revenue from food, beverage and service) and other revenue/miscellaneous. One of the most important pieces of information at a hotel banquet is income data. Revenue forecasting enables cost reduction, increases staff efficiency and provides information that helps maximize competitive advantage in an unpredictable environment. The F&B revenues in a hotel are usually an aggregate of revenues from five segments – the in-house all-day casual dining restaurants, specialty restaurants, bars, in-room dining (room service) and banqueting and conferences (Bharwani et al., 2019). Categories such as assets, liabilities, capital, income and expenses are visible in the financial statements generated by the accounting information system. Accounting includes several activities, namely collecting, classifying, summarizing and reporting financial information about the entity to interested addresses for making business decisions in the future. Addressees can be shareholders, creditors, potential investors and creditors, governments, and other interested parties. Further, it is important to emphasize that accounting includes the very systems that collect and transform information. It is often seen that accounting is referred to as the "language of business" and that, due to its prevalence, it influences, and affects the lives of individuals in all sectors of our society (Armstrong, 2017). Measuring the inflow and outflow of resources is a critical part of the accounting process. There are two general statements of flows prepared by accountants for external reporting purposes, including the income statement and the statement of cash flows, from which data on sales revenue and cash flow from customers can be viewed. In recent years, advances in information technology have radically changed access to information and, as a consequence, the business landscape, even to such an extent that the business era is called the information age. Since managerial accounting focuses on providing information for the purpose of planning and controlling operations and decision-making in hospitality and other companies, part of understanding managerial accounting is understanding the impact of information technology on business processes and the interactions companies have with suppliers and customers.

Revenue management (RM) is a strategy deployed by service companies with perishable inventories to maximize their revenues (Cetin et al., 2016). One of the important questions is what revenue management will look like in the future. We will mention several trends (Kimes, 2011). The first trend is the shift from tactical focus to strategic focus, which means that part of the attention is being redirected from sales revenue to total revenue. This will initiate strong changes in the organizational structure, including decentralization, as hotel managers will be required to look at the broader financial picture. Furthermore, it will require managers to acquire the necessary analytical and communication skills to be able to work across departments. Other important trends that have emerged are that pricing will become more analytical and that new technologies (such as mobile technology and social media) will play an important role in distribution. Such a change will entail not only modifications in the way hotels measure and reward internal performance but also in how hotels compare with the competition.

Banquet revenue refers to the revenue a catering company generates by providing food and beverage services for special events such as banquets, functions, conferences, or weddings. These revenues are generated through the sale of food, beverage packages and additional services, such as serving services, decoration, or technical support. Catering companies usually customize the menu and services according to the client's requirements and charge a fixed price for the entire banquet service. Banquet revenue can be a significant source of income for a catering company, especially if they successfully attract customers and provide high-quality service.

Banquets can be an area of high profit. Hotel banquets represent an important source of revenue for hotels, which is why it is so important to find ways to manage this service more efficiently in order to increase sales. Banqueting is a fundamental part of the hospitality industry and since there are so many different moving parts, it is important to have a defined system in place to guarantee the success of the operation. There are many reasons people might plan a banquet, such as awards dinners, work functions, and wedding receptions. There are various types of banquet products, mainly pure catering, outside catering, meetings, and weddings. Pure catering is a single product, while meetings and weddings are product mixes (Yin et al., 2022).

By taking a holistic approach to banqueting and understanding the various moving parts at play, it is possible to optimize service for the most efficient use of resources. In this context, it is important to measure various costs, such as food and beverage (F&B), human resources, administrative costs, property maintenance costs and marketing activities in this segment.

Banquet sales are the basis of profitability. Offering additional services is a keyway to increase revenue regardless of seasonality and to provide alternative sources of income for the hotel by diversifying the offer. There is no doubt that a banquet requires a lot of human resources and management, but there is no comparison between the revenue generated from a one-night stay and a one-night event.

Managers can use a variety of tools in the form of hotel revenue management software to more effectively manage hotel room rates and package rates, creating categories and rules that maximize revenue from room sales, and then supplement that revenue with revenue that originates from the banquet. Inventory optimization and profit maximization are at the heart of any strategy, and events such as weddings, conferences and corporate meetings are essential to ensure your hotel remains profitable throughout the year.

3. Identifying the best practices to increase hotel banquet sales

Banquet" has been understood as a socially necessary form of diet, also called a party, feast, or wine party (Zhou, 2017). With the development of social structures, hotel banquets tend to have various expressions (Lau and Hui, 2010), such as wedding ceremonies, company dinners, meetings, private banquets, large gatherings, product demonstrations, small theatrical performances, reports, press releases, and dances (Dev and Olsen, 2000; Soh, 2009; Lau and Hui, 2010; Wang et al., 2019). Hotel banquet is an essential source of profit in five-star hotels (Zhou, 2017).

As in any business, the key to success is differentiation. In the beginning, it is important to carry out benchmarking in order to find out information about competitors, more precisely their offers, and ultimately, for the formation of an individual competitive advantage. This knowledge is needed to stand out from the competition (Cho & Chang, 2019).

Economic theory suggests that the quantity demanded of a product or service is a function of the price charged and that, in general, the higher the price, the lower the quantity demanded. If managers can estimate the quantity demanded at various prices (admittedly a difficult but not impossible task), determining the optimal price is relatively simple. Variable costs are simply subtracted from the price to get the contribution margin, after which this margin is multiplied by the quantity, fixed costs are subtracted, to finally get the estimated profit. In such circumstances, it is necessary to choose the price with the highest profit, but in practice it is much more complicated than it sounds, especially when one takes into account the complexity and variety of products and services in the hospitality industry.

Hotel management is able to better understand the profitability of different customer segments and implement appropriate strategies (Dalci et al., 2010). Whether it's a unique food offering, a sustainable event center, or better prices, differentiation is key to increasing sales. Marketing strategies to increase sales have a key role in this process. "To maximize profits and allocate wisely your available resources, it is necessary to determine how different market segments contribute to your bottom line" (Nordling,1992).

When identifying what makes an organization different from the competition, it is important to look at who the target audience is. Finally, one cannot sell a product if there is no knowledge of who it is being sold to. In particular, it is necessary to analyze in detail who the target audience is and what their requirements are. If it is about the strategy of attracting business guests, it is necessary to position the hotel for corporate events and conferences. Of course, the location of the hotel greatly influences the type of event that people want to organize with the banquet service. Furthermore, for example, if the hotel is located on the beach, it is possible that there will be more guests who want to organize a wedding, birthday, or anniversary celebration. In short, it is necessary to look at who are the guests who visit the hotel in order to be able to create an offer based on identifying the target audience, and thus promote events accordingly.

In order to gain competitive advantages, it is important to carefully manage sales. When a client is already spending a lot of money on organizing an event, they won't even notice if they spend a few extra currency units per bottle on a better wine or more on a top-notch meal. Food and beverage is an important additional source of income during hotel banquets because when properly managed, there should be a high-profit margin in relation to the cost of food.

As in any business, networking for hotel banquet services is key. It is necessary to work with other local businesses to provide additional services that the hotel may not have the capacity for, such as wedding planners, florists, photographers, printers and more. Networking with local businesses allows the hotel to be at the top of their minds when they host an event, and they are more likely to recommend the hotel's services. Maintaining a relationship with loyal banquet contacts is important to successful revenue management.

4. Banquet Operations as a Profit Center

Profit centers are organizational units or parts of a company that are responsible for generating revenue and realizing profits. They are considered autonomous entities within the wider organization and their profitability is measured. Profit centers have their own revenues, costs and profitability, and are often evaluated based on the ratio between the revenues they generate and the costs they produce.

The purpose of profit centers is to recognize, monitor and evaluate business activities based on their financial performance. This allows the company to identify which business units or parts are profitable and which may require improvement or adjustment. Profit centers often have their own budgets, goals and responsibilities for managing their operations and achieving financial results.

Organizations use profit centers to improve efficiency, increase accountability for results, and create a clear picture of the performance of individual parts of the enterprise. These centers allow managers to make resource allocation decisions, set prices for services or products, and identify areas that require improvement to achieve better financial results.

Total hotel revenue management has emerged in the hotel industry as the next stage in the evolution of revenue management (Zheng & Forgacs, 2017), and refers to the integration of different revenue streams. Monitoring the performance of revenue management is essential to determine the quality of the data and payback on investors' investments. In order for a business to be sustainable, it is important for hotel managers to understand the main drivers of each property's financial performance (Kim et al., 2013). "The Banquet section is one part of the Food and Beverage department which has an important role in the hotel business to earn revenue for the hotel through the services it sells, such as food, beverage and function room sales, because it can accommodate a large number of guests" (Nugraha et al., 2022).

Banquet operation is an integral part of any hotel facility boasting a food and beverage operation. One often hears the question of what makes a banquet a desirable profit center. The first utility is based on volume. Once the volume of business drives revenues to cover fixed costs, additional volume achieved would enhance profit by only carrying variable costs. This also encourages contribution in the form of margin. The situation is characteristic of various situations, both for standard business or private meetings and for huge conventions that can include several thousand participants.

In today's tough economic climate, and dynamic environment, business managers must carefully consider all aspects of the business to minimize loss and increase efficiency (Kizirian et al., 2012). The revenue cycle continues to be a primary area of fraud and abuse that requires strong, comprehensive internal controls. Internal controls in the revenue arena are now more important than ever. For many firms in the industry, hospitality revenue can account for half of the company's total revenue.

On-premises caterers, by which they are understood as hotels, convention centers, and restaurants - usually have the advantage of offering many services under one roof. They can also provide sufficient space to house an entire event and plenty of parking. In general, each catered event has one host and one bill. It is important to keep in mind when monitoring the performance of profit centers (Mattel, 2015), in order to closely monitor expenses and income.

For instance, in some parts of the country there are independent banquet halls, convention facilities, and conference centers. Some of these properties are able to compete with hotels for the same customers because they have more flexible price structures owing to lower overhead expenses.

5. Conclusions

For a better design of the overall revenue management process, it is important to conclude that Revenue management must be integrated into all aspects of hotel management, marketing and operational activities, and segmental reporting on revenues, costs and earnings is important.

Using a Banquet Profit & Loss Statement to Enhance Profitability in F&B is an issue that needs special attention. Assessing staff performance problems requires designing interventions to improve performance. BRM professionals must determine how best to improve and develop their BRM practices so that they are well-positioned for the future. The hotel's BRM will continue to gain importance. The challenge for BRM is how to best position themselves to maximize banquet revenue, which would have a major impact on total revenues, and of course, profits in the future.

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Innovation design in catering service

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Abstract

The objective of this article is to discuss the catering service innovation process. In today's rapidly changing environment, the problem of increasing the competitiveness of organizations is becoming more emphasized. Restaurants and hotels are developing quickly in such an environment to adapt to it, and therefore competitiveness is an especially important factor for long-term survival. Innovations certainly have a dominant place in the development process.

Keywords: banquets revenue, management, business's profitability, profit centre.

1. Introduction

Catering is "the business of providing food services at remote sites such as hotels, hospitals, pubs, airports, cruise ships, parks or event venues" (Chung et al., 2022). Innovation is considered a key factor in economic growth, as well as competitiveness (Miles, 2010). The results of research by Chou et al. (2016) showed that five dimensions of sustainable service innovation in the restaurant management field include: sustainable service innovation, food service technology, organizational learning, adoption of innovation and organizational environment. Catering services, as a type of planned service of food and beverage, are considered a dynamic business group when looking at the structure of the food and beverage industry. By industry definition, catering is a scheduled food and beverage service. When it comes to a restaurant, the situation is different, because food and drinks are generally served upon request. Innovations are considered a key factor of economic growth, as well as competitiveness (Miles, 2010).

Catering can be classified as social catering and corporate (business) catering. "Social catering includes such events as weddings, bar and bat mitzvahs, high school reunions, birthday parties, and charity events. Business catering includes such events as association conventions and meetings, civic meetings, corporate sales or stockholder meetings, recognition banquets, product launches, educational training sessions, seller-buyer entertaining, service awards banquets, and entertaining in hospitality suites" (Shock et al., 2021; Shock & Stefanelli, 2001). The estimated 75 percent of all catering sales generated by business catering is due to the sheer volume of people served daily at meetings in hotels and convention centers, where meals for thousands are produced regularly.

The basic characteristic of catering services is that they can be provided in any place, public or private. Many restaurants offer catering services in addition to food and beverage on demand, and this requires an understanding of menu development and menu pricing. Some catering companies limit themselves to planned food and beverage functions. Managing a hospitality business involves issues such as quality service and standards training. Establishing the level of quality of service and delivery is a competitive factor in today's business environment. Evolving food and beverage staff training programs and techniques are critical to continued service success (Scanlon, 2007). Most clients assume that it will be cheaper to hire a caterer than to organize an event in a hotel or restaurant, but this is not the correct thinking, as it ignores certain facts. First, it should not lose sight of the cost of rental equipment (tables, chairs, linens, porcelain, glassware and cutlery), because this is all necessary if you hire an off-site caterer. Second, other costs may arise, such as transportation of food and supplies to the location, any form of special work, then decoration, tent rental, provision of air conditioning and/or heating, and other expenses. Bearing in mind everything that has been said before, it is necessary to carefully plan the costs for different alternatives related to catering.

2. Catering business management

The catering business is very attractive because it is growing at an accelerated pace. Statistics show that hospitality is one of the fastest-growing segments of the food and beverage industry. Within this, all types of food services, from mega-hotels to local restaurant operators, are reaping the benefits. According to Shock & Stefanelli (2001), catering is a particularly popular branch of activity.

Various issues can be analyzed when it comes to catering business management. These can be issues such as quality of service, training in standards and various other issues. What is important to point out is that establishing the level of quality of service and delivery is a competitive factor in today's turbulent business environment. Given the dynamism when it comes to staffing, it is important to ensure within the HR department that training programs and food and beverage techniques are critical to the continued success of service delivery. Costing and margins must take into account customer needs and perceived value for catering menus. Without that, there is no continuous business development.

Marketing in catering, as well as in other industries, should be called the competitive advantage of every business. "Marketing practices differ from continent to continent, from country to country, from city to city and from sector to sector in relation to social, cultural and economic origins". Differentiation between space, time and effectiveness of marketing practices can be the difference for each firm or business in a particular environment. At different stages of a company's life, different approaches to marketing planning and practice are used, while interactive marketing attracts a lot of attention (Ghouri et al., 2012; Hsu, 2013). The success of catering companies is contributed by the design of catering and the presentation of menus, packages with special functions and programs of conference and congress menus, and this has been very pronounced lately. It is very important to take care that catering menus are designed as marketing presentations.

"Local catering for any function - banquet, reception, or event - held in the physical premises of the institution or facility that hosts the function. It should be noted that on-site catering is different from off-premises catering, where the function takes place at a remote location, such as the client's home, a park, an art gallery, or even a parking lot, and staff, food, and decor must be transported to that location. In doing so, it should be borne in mind that off-premises catering often includes food production in a central kitchen, with delivery and provision of services at the client's location (Shock & Stefanelli, 2001; Mattel, B., 2015). Also, it is possible that some or all of the food production may be carried out or completed at the event location.

3. Identifying the best practices to increase hotel banquet sales

"It's the banquets that keep us in the black." This is a frequently used sentence in practice.

Benchmarking is becoming an integral part of corporate strategic planning. The results of benchmarking would serve as the inputs for formulating a company's competitive strategies with target goals and direction (Chang et al., 1997). The operational analysis of catering operations is constrained by the lack of an internationally accepted taxonomy and the seemingly infinite variety of operations (Jones & Huelin, 1990).

Activity	Realization
Planning	The catering department must accomplish both, financial and nonfinancial objectives. Further, it must develop appropriate marketing, production, and service procedures, and ensure that the department's operating budgets and action plans are consistent with the facility's overall company objectives.
Organizing	The catering department must organize the human and other resources needed to implement the plan. Staff members need to be recruited and trained. Work schedules should be prepared, and performance evaluations conducted.
Directing	Supervising employees is an essential part of every supervisor's job. The supervisory style applied in the catering department should reflect the guidelines and policies set by the company's senior management.
Controlling	The catering department manager must ensure that the actual performance matches the planned performance. To achieve this, effective financial controls are used to ensure that actual financial results (profit and loss) are in line with the budget. Also, effective quality controls are implemented to guarantee that food production and service delivery meet company standards.

Source: Shoch & Stefanelli, 2001

3. Catering innovation

"Innovation is widely recognized to be a critical contributor to economic growth, quality of life, and industrial competitiveness" (Miles, 2010). Ivkov et al. (2018) were, among other things, engaged in researching trends in the restaurant industry. The findings showed that the age, level of education and experience of restaurant managers greatly influence the type of innovation they implement. Innovation in services is essential if organizations are to remain competitive in a turbulent environment (Woss, 1992).

The catering industry is subject to constant innovation to meet the changing needs and expectations of clients. Here are some key catering innovations that have emerged recently:

Personalization and customization: Catering companies are increasingly moving towards providing personalized services. This includes tailoring the menu and food offerings to specific customer requirements, such as dietary needs (vegetarian, gluten-free, vegan, etc.) or cultural preferences. It is also possible to choose food through interactive menus or self-service systems.

Healthy eating and locally grown food: More and more people are paying attention to healthy eating, so the catering industry is adapting to this trend. Companies are increasingly using locally grown, organic ingredients and reducing the use of artificial additives. Low-calorie meal options, salads and freshly squeezed juices are also provided.

Food concepts and experience: Catering companies experiment with different food concepts to create a unique experience for customers. This may include setting up a live kitchen or interactive buffet tables, where guests can serve themselves. Also popular are concepts like "food truck" or "street food" styles of food that provide a relaxed and informal experience.

Technological innovation: The introduction of technology into the catering industry allows for improved efficiency and convenience. These may include online food ordering, mobile apps for menu viewing and selection, facial recognition technology for personalized event greetings, or automated food inventory tracking systems.

Sustainability and waste reduction: Catering companies are increasingly placing importance on sustainability. Biodegradable or recycled packaging is used, the use of single-use plastic products is reduced and food is brought in environmentally friendly containers. It also works to reduce food waste through donations of surplus food and efficient inventory management.

Firms that compete in mature markets often depend on innovation for gaining market share and differentiating themselves from competitors (Jones, 1996). Service firms rarely have R&D departments and innovation generally is an unsystematic search-and-learn process (Sundbo, 1997). Innovations have contributed to the growth in the number of service firms and to the scale of their operations, which in turn has increased their economic impact (Van der & Elfring, 2002).

"The food service industry continues to grow and expand into new areas of innovation and excitement" (Mattel, 2015). Despite the significance of services in the economic statistics, economic theories of innovation have tended to ignore them, or to assume that innovation in services consists of little more than adopting innovations developed in industry (Gadery et al., 2005).

Catering service robots working in restaurants are integrated with autonomous mobile, multi-sensor data fusion, and multimodal human computeprinter action techniques. Catering service robots can replace or partially take the place of the restaurant staff; It has good marketing effectiveness and potential profitable advantages (Chan et al., 2010).

These innovations in catering are aimed at improving the quality of service, increasing customer satisfaction and reducing the negative impact on the environment. Here are a few more notable aspects of catering innovation:

Creativity in food presentation: Catering companies are increasingly using creative and aesthetically appealing ways of food presentation. This can include decorative arrangements of dishes, the use of innovative dishes or trays, as well as placing themed decorations that match the type of event.

Integrating technology into the catering experience: Technological innovations are used to enhance the customer experience. This may include the use of interactive displays at events, virtual reality to provide a unique experience, or the use of social media to promote and share images of food.

Experiential catering: Catering companies are increasingly focused on providing the entire experience, not just the food. This can include inclusive activities such as cooking workshops, tastings, sommelier presentations, or interactive entertainment segments to provide guests with an unforgettable experience.

Use of advanced analytics and data: Catering companies use advanced analytics tools and collect data to understand customer preferences and improve their services. Based on this data, they can adjust menus, optimize inventory and predict trends in demand. Without it, there is no sustainable business today

Food Delivery: Digital food delivery platforms, such as mobile apps, have become increasingly popular. Catering companies are adapting to this change by offering options for food delivery to events or business meetings, making it easier for customers to enjoy a quality meal wherever they are.

These catering innovations enhance the customer experience, offering a wide range of options, personalization, sustainability and technological advances. The catering industry is constantly evolving to adapt to the needs of modern clients and follow trends in food and service. This innovation in service can prove to be so successful that other organizations have started introducing similar schemes. This can lead to an increase in income and that is easily self-supporting (Kipps & Middleton).

4. Conclusions

The hospitality industry is considered a growing manufacturing and service sector, and it refers to the distribution of food production. People want and need to get together for a plethora of reasons. There will always be conventions, weddings, fund-raisers and simply joyful celebrations of various kinds – and there will always be a need for a catering executive. The catering industry always adapts to market trends. Innovation can be a good marketing move to attract customers.

Development strategy for catering enterprises should be based on digital transformation. The jump in turnover and profit can mostly be stimulated by innovations. Competitive advantage and good business performance are, as with other types of business, important for this business phenomenon. Innovative development of food and services is an issue that is attracting more and more attention from the academic community and practitioners.

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Organizational Structure in Times of Change: Adaptation and transformation strategies

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Abstract
Contemporary organizations are constantly facing changes as they operate in an exceptionally turbulent and dynamic business environment. The crisis caused by the COVID-19 pandemic, accelerated globalization, social changes, as well as digitization, have all affected the organizational structures of all entities regardless of their size and activity, creating numerous challenges in terms of achieving competitiveness and adapting to new business conditions. The ability to quickly adapt to these changes becomes a key factor for the survival, growth, and development of any organization. The paper highlights that the mentioned changes have led to the transformation of organizational structure by influencing organizations to abandon traditional organizational designs and move towards more flexible forms of organization, which are required by Industry 4.0. Factors influencing changes in organizational structure are explored, as well as the role of organizational structure in the context of dynamic changes inherent in the contemporary business environment. The aim of this paper is to identify adaptation and transformation strategies that enable organizations to successfully manage changes, and consequently achieve long-term sustainability and competitiveness in an increasingly demanding business environment.

Keywords: organizational structure, changes, adaptation strategies, transformation, business environment

1. Introduction

The dynamic changes that characterize the business environment of 21st-century organizations, such as market globalization, technological innovations, social changes, and cultural differences, have influenced the transformation of organizations. Today, organizations must adapt to new challenges and be proactive in their approaches, which in turn creates the need for more flexible organizational structures, such as team-based, networked, modular, and virtual structures.

The transition from traditional to modern organizational design becomes crucial to maintaining competitiveness and long-term success in complex and dynamic business environments. Modern organizations aim for decentralization, informality, and a reduction in hierarchical levels to enable flexibility and agility in decision-making. Employees in such organizations are creative, respond more quickly to changes in the environment, take on risks, and assume greater responsibility.

The business environment was relatively stable in the 1960s and 1970s with low competition. The business environment provided organizations with predictability and allowed them to plan their goals, activities, and investments in the long term. Such a business climate allowed organizations to manage their resources more efficiently, as they could predict revenues, costs, and demand. Organizations created according to the bureaucratic design concept are characterized by: high specialization, rigid departmentalization, a clear chain of command, narrow management spans, and high formalization. In the traditional organization, the information layer-to layer delivery delays fast decision-making and rapid responsiveness (Xu, 2009). Structures with traditional organizational design often prove to be inefficient and inflexible in quickly responding to changes and introducing innovations.

By the late 1970s and during the 1980s, the business environment became more dynamic due to global economic changes, technological innovations, and shifts in consumer preferences. These factors contributed to organizations gradually changing their strategies and introducing adaptability and innovation.

The last decades of the 20th century and the 21st century have brought significant changes to the business environment worldwide. The business environment has become dynamic, complex, and unpredictable, forcing organizations to adapt, change their strategies, and restructure. The process of changing the organizational structure points to the fact that an organization is a form that transforms under the influence of economic and other activities, such as globalization, technology, the market, and needs. Modern organizations have the following characteristics:

1. Low degree of specialization. Employees will be more motivated as they have broader responsibilities and are involved in the realization of projects or tasks.
2. Low degree of formalization and standardization. Rules and procedures are less strict and rigid, allowing for more flexibility and freedom in decision-making, problem-solving, and approaching work.
3. Reduction in the number of hierarchical levels. This enables direct communication and simplifies the decision-making process. Employees have the opportunity to exchange information and ideas directly with fewer intermediaries.
4. Decentralized decision-making. Decisions are often made at all levels of the hierarchy, which encourages greater employee engagement and motivation, as well as faster responses to changes.

Flexible organizational structures lead to changes in employment practices and human resource management. Organizations are adjusting their hiring strategies, making it crucial to establish a balance between job security and organizational flexibility. While organizations seek minimal legal regulation and reduced state intervention in labor relations, this approach can have drastic consequences, potentially leading to an increase in the number of social welfare cases on a global scale. Human resource management faces numerous challenges due to flexible work arrangements, the growing importance of skills, and the rise of freelance occupations.

2. Challenges of Different Types of Organizational Structures

Organizational structures are essential for the efficient management and functioning of organizations. Organizational structure can be affected by goals, strategy, environment, technology, organization size (Ahmady *et al.*, 2016). Based on their objectives, organizations must develop an effective organizational structure. This structure must also be updated on a regular basis to account for changes in the environment (Niveditha *et al.*, 2024). Organizational structure is necessary for the organizational activity of any business enterprise (Hajdari *et al.,* 2023). Organizations use structures to control employee behavior, coordinate tasks, and arrange work-related elements (Rezaeian *et al.,* 2017). Consequently, different typologies of organizational structures exist, based on various criteria and specific needs.

One classic depiction of organizational structure is the organic versus mechanical structure (Marjani *et al*., 2012). Mechanistic structures are characterized by centralized decision-making, adherence to formal rules and procedures, tight control of information flows and elaborate reporting structures (Hilman *et al*., 2014). In contrast, organic structures are typically associated with de-centralized decision-making, open communication, organizational adaptiveness, and de-emphasis on formal rules and procedures (Hilman *et al*., 2014). The most common types of organizational structures include:

Functional Structure. Similar or related tasks are grouped into organizational units such as marketing, finance, production, sales, etc. This structure is suitable for organizations operating in stable and predictable business environments that do not require rapid responses to change.

Divisional Structure. The organization is divided into divisions, often based on products, markets, or geographic areas. This structure is characteristic of decentralized organizations, allowing greater flexibility and adaptation to specific market or product needs.

Matrix Structure. The matrix structure is a so-called "hybrid" structure of both functional and divisional structures, combining their advantages while seeking to minimize their weaknesses. A key feature of this structure is dual authority, meaning that employees report to two managers: their functional department manager and a project or divisional manager. Organizations that operate within a matrix structure may include those within dynamic and fast-paced industries, such as the field of technology (Steiger *et al.*, 2014).

Boundaryless Organizations. Also known as "organizations without walls" this concept aims to eliminate traditional hierarchies, formal boundaries, and rigid structures to create a more flexible and agile work environment. This structure is particularly applicable in modern business settings that require rapid adaptation to changing trends. Managers may use virtual, networked, or modular organizations as forms of boundaryless structures. These organizations foster flexibility, open communication, creativity, and innovation, leading to faster responses to changes and challenges in contemporary business environments. Flexible working conditions enabled by digital tools can enhance work–life balance (Maruyama *et al.,* 2009), and flexible or remote working can have positive consequences for work effort, reduced stress, and job-related wellbeing (Felstead *et al.,* 2017).

Globalization and the development of information and communication technology have made it increasingly difficult for bureaucratic organizations to cope with shifting social trends. As a result, there is a growing need to change organizational structures and introduce organic organizations. Modern trends in organizational design indicate the following tendencies:

1. Modern organizations strive to be dynamic, flexible, decentralized, and innovative to adapt to rapid changes in the business environment and respond to current trends accordingly.
2. Organizations engage external resources or services to perform specific activities, tasks, and functions instead of relying on an internal team (outsourcing).
3. Knowledge, quality, and information have become key competitive resources in today's business world.
4. Enhancing teamwork and developing an advanced corporate culture are becoming increasingly important aspects of modern organizations.
5. Atomized organizations are emerging as competitors to large corporate giants. These are small task-oriented work units characterized by strong information and telecommunication connectivity.

The COVID-19 pandemic has had a significant impact on changes in organizational structures worldwide. Many organizations were forced to reassess their structures and work methods to adapt to new challenges. The pandemic accelerated the transition to remote work, leading to greater decentralization within organizations. The implementation of IT – accelerated by the COVID-19 pandemic – has become a necessary condition for staying competitive in a digital economy (Kraus *et al.*, 2021). Many had to reorganize their structures to effectively manage teams working from different locations. The pandemic prompted the implementation of flexible work policies, including remote work, flexible working hours, and changes in task and resource allocation. Many organizations have reduced the need for employees' physical presence in the workplace and are analyzing the benefits of this organizational structure, implementing it either for all employees or only for certain groups.

During the pandemic, virtual organizations gained immense popularity due to the need for flexibility and adaptation to new working conditions. This model allows teams to collaborate across different geographical locations, reducing costs and providing access to a broader talent pool. The virtual organization is an increasingly adopted concept among major global organizations, relying on information and communication technology. It represents a network of independent organizations that are geographically dispersed, where employees share specific capabilities and create new products or services. Employees work from home, connected through IT networks to enable efficient and flexible collaboration and knowledge exchange. The goals of establishing virtual organizations vary and may include expanding the labor market, pooling competencies and knowledge, resource sharing, launching new products, risk distribution, and market access.

Virtual organizations promote a culture of diversity, which is often a key advantage in achieving success in the global market. Their employees come from different cultural backgrounds, speak different languages, and understand the customs of local markets. Thanks to this diversity, virtual organizations can better tailor their activities and strategies to the specific demands and preferences of different markets, fostering creativity, innovation, and problem-solving in ways that would be difficult in more homogeneous organizational structures.

3. Factors Influencing Changes in Organizational Structure

Managers continuously adjust the organizational structure to achieve maximum performance with minimal resource utilization. The shaping of the organizational structure is influenced by multiple factors, each exerting different effects. Therefore, managers must be familiar with all these factors to assess their intensity and anticipate dominant influences on the formation of the organizational structure in the future. All factors within an organization interact with one another and are interconnected. The influence of a single factor can determine the choice of organizational structure, while a complete change in one or more factors can alter the existing structure.

The key factors that have contributed to the transformation of organizations are:

- **Globalization** is the subject of political, sociological, cultural, and other studies. As a process, globalization brings a range of changes, such as advancements in technology, transportation, and communication, enabling organizations to expand their activities globally. The primary drivers of globalization are predominantly multinational companies, supported by strong logistical backing from their home countries. Multinational corporations operate in multiple countries and typically have a centralized management structure based in their home country. While global organizations adopt an integrated approach across all markets, multinational organizations segment markets based on their significance and size, treating national markets as just one of their target markets. Global companies lose their national identity and have a decentralized management structure, where decisions are made at both local and regional levels.

- **The phenomenon of digital transformation** has affected all aspects of business and represents a turning point in the business environment. With the rapid development of information technology, digital transformation has become a key way for enterprises to enhance competitiveness and adapt to market changes (Li *et al*., 2024). This phenomenon has necessitated changes in organizational structures, shifting from traditional models to models highly oriented toward information technologies and innovation. The advent of the internet, information and communication technologies, and mobile devices enables rapid information exchange, process automation, and the development of new products and services. For example, implementing new information systems can facilitate easier communication and information exchange, leading to structural changes such as reducing hierarchical levels or centralizing certain functions. Technology-driven organizations often have dynamic structures that quickly adapt to new technological trends. Boundaryless organizations use digital technology to connect and coordinate their activities worldwide, making them more efficient, competitive, and adaptable to the digital age. Globalization and the development of information and communication technologies have contributed to bureaucratic organizations becoming more open and adopting characteristics of organic organizations.
- **Global economic crises**, as well as geopolitical changes and shifts in trade agreements, require companies to develop organizational flexibility, agility, and adaptability to thrive in evolving business environments.
- **Strategic goals**. Organizations must define their vision, mission, and strategic objectives. The organizational structure should align with these goals and strategies to ensure the organization's survival, growth, and development. The structure should be designed to support the achievement of these objectives effectively.
- **Organizational size.** The size of an organization is one of the key factors in structuring it. Smaller organizations often use simpler structures with low levels of formalization, fewer hierarchical levels, and less specialized departments. The size of an organization affects the complexity of its structure. Large organizations tend to use more complex structures with multiple hierarchical levels, various functional areas, and a high degree of formalization.
- **Communication and coordination.** A crucial factor in designing an organizational structure is establishing coordination and efficient communication channels among functional departments and teams. This may involve setting up formal communication channels, holding regular meetings, or using information systems that facilitate information exchange.
- **Nature of work**. The type of work an organization performs plays a key role in designing its structure. For instance, manufacturing organizations may have production lines, quality control departments, and logistics units. Service-based organizations may focus on different service sectors, such as customer support or technical assistance. Technology-oriented organizations may have research and development teams, innovation departments, and implementation units.
- **Organizational culture.** Organizational culture consists of shared understandings and beliefs among members that significantly influence their collective actions. It defines how individuals within an organization behave and make decisions. A hierarchical (control-oriented) culture is based on strict rules, standardized procedures, clear policies, and well-defined roles and responsibilities. In contrast, an innovative (development-oriented) culture may require a less formalized structure that fosters creativity, innovation, flexibility, and rapid adaptation. In the competitive culture, values relating to demanding goals, competitive advantage, marketing superiority, and profits are emphasized (Vo, 2011). Finally, in the consensual culture the elements of tradition, loyalty, personal commitment, extensive socialization, teamwork, self-management, and social influence are important in the organization's values (Vo, 2011).
- **Organizational environment**. Organizations should prioritize the cultivation of adaptable structures and leadership styles that promote a collaborative culture, particularly in hybrid settings (Khan, 2024). Many organizations adopt flexible structures, such as team-based or matrix structures, to improve responsiveness and support innovation. Regulatory requirements and international standards also influence organizational structures. For example, organizations in the financial sector or pharmaceutical industry may adopt traditional structure with strict control mechanisms and dedicated regulatory and compliance departments to meet legal requirements.

4. Key Strategies for Organizational Adaptation and Transformation

In a dynamic business environment, organizations face changes in all aspects of their operations. To survive and remain competitive, organizations must recognize that change management is of strategic importance and that it is necessary to create and implement effective strategies for adaptation and transformation. The organizational structure should support the achievement of set goals. These goals are influenced by the organization's strategy, making it logical that strategy and structure are closely interconnected. The organization's ability to continuously adapt to change and transform when necessary is crucial for maintaining competitiveness.

One of the most important strategies for successful change management is establishing leadership with clearly defined strategic goals and vision. Organizational leaders must be proactive, able to anticipate future changes, and make non-routine decisions.

Digital transformation enables organizations to enhance and improve their business processes by leveraging advanced technologies such as artificial intelligence, automation, cloud computing, and online technologies. If an organization's competitiveness is based on innovation or imitating innovations, it requires flexibility and an open flow of information within an adaptive structure.

Agile change management includes creating self-managing teams that can quickly test and implement new ideas. These teams often work in shorter cycles to evaluate the impact of specific initiatives and adapt based on market feedback.

An organizational culture that supports change promotes values among employees such as open communication, creativity, and innovation. Today, organizations face constant structural and cultural changes at an accelerated pace, with a growing focus on self-determination to improve employee motivation and organizational performance (Burton *et al.,* 2020; Martela *et al*., 2021). Employees should be motivated to participate in the change process and feel empowered to identify and solve problems. A learning-oriented organizational culture fosters continuous learning, skill development, and experience-sharing among employees, ensuring the application of new knowledge for achieving results. Managers should invest in employee training and development while promoting values such as team collaboration, transparency, and flexibility.

In today's business environment, sustainability is becoming an increasingly important factor for improving an organization's reputation and ensuring long-term competitiveness. Organizations that invest in sustainability reducing their environmental footprint, improving resource efficiency, and promoting social responsibility can create competitive advantages that differentiate them in the market. Many new technologies and business models emerge from the need to protect the environment and generate social benefits.

After implementing changes, organizations should continuously monitor and evaluate their impact. This includes regular data collection, market analysis, and tracking key performance indicators that help maintain competitiveness. It also enables organizations to assess the success of their strategies and determine whether further adjustments are necessary.

5. Conclusion

Organizational structures serve as the foundation upon which all business processes within an organization are built. In times of change, whether driven by technological innovations, market fluctuations, legislative shifts, or internal reorganizations, an organization's ability to adapt and transform becomes a key factor in its survival, growth, development, and competitiveness.

Although not a simple process, organizational transformation presents an opportunity to enhance competitiveness and build sustainable growth. The key to success lies in an organization's ability to continuously adjust its structures, processes, and strategies to meet the demands of an increasingly sophisticated market and evolving circumstances.

In the future, organizations will continue to improve their ability to adapt quickly and efficiently to emerging changes. Advances in digitalization, the application of artificial intelligence, automation, and shifts in market conditions are making organizational structures even more dynamic and flexible. Organizations that develop effective adaptation and transformation strategies will not only survive periods of change but can also position themselves as market leaders, ensuring long-term sustainability in a globalized and technologically advanced environment.

Organizations that foster a culture of innovation and continuous learning adapt more easily to change, as their employees possess the knowledge and skills needed to respond to new challenges. Employee training and the development of managerial skills for change management are key components of a successful adaptation strategy.

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