

The Influence of Firm Characteristics on Profitability: Evidence from Italian Hospitality Industry

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Abstract : Purpose: The aim of this paper is to investigate the factors influencing profitability in the Italian hospitality industry during the period 2008-2016. Design/methodology/approach: This study examines the profitability and its determinants using a sample of 2366 Italian hotel firms. First, we use a multidimensional measure of profitability including attributes as return on equity, return on assets and occupancy rate. Second, we examine variables that are potentially related with performance and we sort these into five categories: market variables, business model, ownership structure, management education and control variables. Findings: The results show that financial crisis, business model and ownership structure influence profitability of hotel firms. Specific factors such as the internationalization, location, firm's declaring accommodation as their primary activity and chain affiliation are associated positively with profitability. We also find that larger hotel firms have higher performance rankings, while hotels with higher operating cash flow volatility, greater sales volatility and a higher occurrence of losses have lower profitability. Research limitations/implications: Findings suggest the importance of considering firm specific factors to evaluate the profitability of a hotel firm. Results also provide evidence for academics to critically evaluate factors that would ensure profitability of hotels in developed countries such as Italy. Practical implications: This investigation offers valuable information and strategic implications for government, tourism policymakers, tourist hotel owners, hoteliers and tourism managers in their decision-making. Originality/value: This paper provides interesting insights into the characteristics and practices of profitable hotels in Italy. Few econometric studies empirically explored the determinants of performance in the European hospitality field so far. Therefore, this paper tries to close an important gap in the existing literature improving the understanding of profitability in the Italian hospitality industry.

Keywords : hotel firms, profitability, determinants, Italian hospitality industry

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