

Factors Affecting Performance of Boutique Hotels: The Case of Istanbul Sultanahmet

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Abstract: *The boutique hotels, which have a modular feature, play an important role in creating value by providing personalized services to their customers in tourism industry. The goal of the research is to determine the basic problems of the boutique hotels to analyze the effects of these problems on their business performance. The results showed that the basic problems of boutique hotel businesses are labor turnover, institutionalization, financial and marketing, personnel selection, Internet utilization, bureaucratic structure, labor supply and salary, market research and promotion problems. It has been observed that there was a positive relation between institutionalization, personnel selection, Internet utilization, market research and promotion and boutique hotel business performance. Moreover, it has been determined that financial and marketing problems have a negative effect on boutique hotel business performance. Nevertheless, institutionalization, personnel selection, Internet utilization have a positive effect on boutique hotels performance.*

Keywords: *Boutique Hotel, Performance, Small Hospitality Business, Sultanahmet Destination*

Butik Otellerin Performanslarını Etkileyen Faktörler: İstanbul Sultanahmet Örneği

Özet: *Modüler bir nitelik arz eden butik otel işletmeleri de müşteriye kişiselleştirilmiş kaliteli hizmet sunarak turizm sektöründe değer yaratmada önemli bir işlev üstlenmektedir. Bu noktadan hareketle, çalışmanın amacı butik*

anlayışıyla hizmet sunan küçük otel işletmelerinin temel sorunlarını belirleyerek, bu sorunların işletme performansı üzerindeki etkilerini incelemektir. Açıklayıcı faktör analizi sonuçlarına göre, küçük otel işletmelerinin temel sorun alanları işgücü devri, kurumsallaşma, finansal, pazarlama sorunları, personel seçimi, internet kullanımı, bürokratik yapı, personel tedariki ve ücret sorunu, pazar araştırması ve tutundurma sorunları olarak belirlenmiştir. Korelasyon analizi sonuçlarına göre ise işgücü devri, finansal ve pazarlama sorunları ve bürokratik yapı ile küçük otellerin performansı arasında negatif yönlü bir ilişki olduğu tespit edilmiştir. Buna karşın, kurumsallaşma, personel seçimi, internet kullanımı, pazar araştırması ve tutundurma ile küçük otellerin performansı arasında pozitif yönlü bir ilişki olduğu gözlenmiştir. Ayrıca regresyon analizi sonuçlarına göre finansal ve pazarlama sorunlarının küçük otellerin performansı üzerinde negatif bir etkiye sahip olduğu tespit edilmiştir. Ancak kurumsallaşma, personel seçimi ve internet kullanımının küçük otel performansı üzerinde pozitif bir etkiye sahip olduğu sonucuna varılmıştır.

Anahtar Kelimeler: Butik Otel, Performans, Küçük Ölçekli Konaklama İşletmeleri, Sultanahmet Destinasyonu

Introduction

There are many enterprises which are different in classification and qualifications, meet the needs of accommodation while people are away from their homes. Boutique hotel is a new type of accommodation with personalized and quality service on destinations, are popular with historic and architecture structures. Boutique hotel is an accommodation type, has a different architecture structure, minimum number of rooms and offers their guests personal service as small hospitality businesses (Anhar, 2001). Although boutique hotels have been a rapidly growing sector of the tourism industry (Lim and Endean, 2009; Rogerson, 2010), there are no official definitions of boutique hotels. In order to comprehend the concept of boutique hotel, Rabontu and Niculescu (2009) suggest that define these two separate terms. Boutique means small and luxurious stores that sell goods on small series or fashionable clothes, and the hotel is a building with more furnished rooms that provide accommodation to travelers (Rabontu and Niculescu, 2005). For Erkutlu and Chafra (2006) boutique is a term to describe intimate, often luxurious or quirky hotel environments. Lim and Endean (2008) have asserted that boutique hotel as "a small hotel with an intimate and individualistic atmosphere and style". Thus, boutique hotels differentiate themselves from traditional or mainstream accommodation such as hotels and motels. It is suggested in an increasing number of studies that boutique hotels are smaller properties (Caterer Search, 2005; Albazzaz et al., 2003:5; Rabontu and Niculescu, 2009) with thematic, architecturally quirky design (Albazzaz et al., 2003:5) and personalized service

(Rabontu and Niculescu, 2009; Albazzaz et al., 2003:5; McIntosh and Siggs, 2005). According to Van Hartesvelt (2006) small hotels of individual character, qualities which are commonly associated with twenty first century boutique hotels, have a long standing role in accommodation provision. However, prevailing notions of what constitutes a boutique hotel have been shaped by events since the 1980s (Henderson, 2011:218). The term comes from the United States of America (Rabontu and Niculescu, 2009; Rogerson, 2010; Lim and Endean, 2009; Henderson, 2011), and used to describe the hotels which contain usually luxurious or have a special design accommodation. There are no exactly definitive figures about boutique hotels. The term of boutique hotel is sometimes known as “lifestyle” (Rogerson, 2010), “townhouse” (Callan and Fearon, 1997) and “designer” (Rogerson, 2010) hotels accepted small hospitality businesses by operators, creators and owners (Caterer Search, 2005).

The boutique hotels have small number of rooms (Albazzaz et al., 2003:5; Rabontu and Niculescu, 2009), are considerably smaller than mainstream hotels. Although there is no limitation in the number of rooms of boutique hotels often ranging from 3 to 100 guest rooms (Erkutlu and Chafra, 2006:286) while, according to Van Hartesvelt (2006:36) boutique hotels typically range from 20-150 rooms. Agett (2007) states that the relatively small size of boutique hotels affords the most efficient conditions in which personalized service may be provided, and it is advised that the number of rooms in each of these hotels be kept to a minimum, therefore exponentially more difficult above 200 rooms (Van Hartesvelt,2006:34). Freund De Klumbis (2004:7) demonstrates that “boutique hotels” swept through the market and was used to describe the typically 50-100 rooms property over the last two decades, for Forsgen and Franchetti (2004)the boutique hotels have unique identities and highly modern characters, with an average of 86 rooms per hotel (Agett, 2007).According to the study conducted by Rogerson (2010), 22 rooms are an average per boutique accommodation establishments which the boutique hotel industry had been examined in the case of South Africa. McNeill (2009:216) states the most common features are for boutique hotels as “individual, design conscious, small-scale operations (Rogerson, 2010). Boutique hotels form a niche of their own in the luxury hotel segment without hotel chain affiliations. Typically, boutique hotels are furnished in a themed, stylish or aspirational manner. Guest rooms and suites may be fitted with telephone and Wi-Fi Internet, air-conditioning, snack bars and often cable TV, focusing on quiet and comfort. Guest services are often attended to 24-hour-working hotel staff. Many boutique hotels have on-site dining facilities, and the majority offer bars and lounges that may also be open to the general public.

A study conducted by McIntosh and Siggs (2005), investigates the reasons that boutique hotel consumers in New Zealand choose to stay in these hotels rather than more traditional accommodation. They found five key experiential dimensions setting the boutique sector differentiate from traditional accommodation offerings. These are the “unique character”, the “personalized”, the “homely feel of the accommodation”, the “high quality standards offered”, and the “value added” nature of the physical location, knowledge and culture of the hosts (McIntosh and Siggs, 2005:78). Similarly, Agett (2007) analyzed the factors that have influence growth in the UK’s boutique hotel sector. Results of this study showed that “location”, “quality”, “uniqueness”, “services provided” and “the personalized levels of service offered” are identified as the top five attributes attracting respondents to these hotels. Rogerson (2005) conclude that providers of boutique hotels have sought to distinguish this new product in terms of its experiential qualities with strong emphasis placed upon the production of high levels of design, ambience, and offerings of personalized service.

Although boutique hotels are becoming more popular in the hospitality industry, there has been little attention given to the problems of boutique hotel businesses. Therefore boutique hotels are in the focus of this research. Sultanahmet destination (as well known as The Old City) contains different kind of hospitality enterprises as in the form of boutique hotel. As such, this article considers the basic problems of boutique hotels in a selected region of the Sultanahmet. Boutique accommodation is a popular alternative term used for small sized hotels; this term will be adopted throughout the context of this study.

1. Literature Review

Small accommodation suppliers are well recognized and acknowledged as vital and significant contributors to economic development, employment, innovation, income generation and the general health and welfare of regional, national and international economies (Akbaba, 2013). Numerous studies have evaluated the performance of small tourism businesses. Business performance issues have drawn the interest of scholars from various disciplines and perspectives (Othman and Rasli, 2011). For example, Lerner and Haber (2000) examined the performance determinants of small tourism ventures in the Negev desert in Israel, Reichel and Haber (2005) investigated the differences in performance between and among three sectors of small ventures in the Israeli tourism industry: accommodation, sites of interest and active recreation. Previous researches investigated several factors that influence performance including gender differentials (Lerner et al., 1997; Sherifat, 2013), owners professional background, entrepreneurship training and experience (Munyaka, 2010), access to credit facilities, national policy and regulatory environment (Tunçsiper and İlban, 2006), cultural and religious beliefs, technology, markets

information. Wiklund and Shepherd (2005) investigated entrepreneurial orientation positively influences small business performance. Performance of small-sized businesses is also positively influenced by access to financial capital. For Sherifat (2013), all these factors have served as sources of obstacles to success those firms in developing countries. Morrison and Teixeira (2004) emphasize management of the majority of small tourism businesses challenge economic logic as, facilitated by low barriers to entry, family and lifestyle are literally accommodated alongside that of the commercial enterprise.

Performance is defined as the act of performing; of doing something successfully; using knowledge as distinguished from entirely possessing it. Nevertheless, performance seems to be conceptualized, operationalized and measured in different ways, making cross-cultural comparison difficult (Sherifat, 2013). Munyaka (2010) indicated that organizational performance comprises the actual output or results of an organization as measured against its intended outputs. Organizational performance is the concept of measuring the output of a particular process or procedure, then altering the process or procedure to increase the goals and objectives, efficiency or the effectiveness of the process or procedure. According to Sacace and Goffee (1984), the performance profile of small businesses is a complex matter and multi-dimensional in scope and character (Morrison and Teixeira, 2004). It comprises a convergence of local resources and infrastructure; and external relationships. These in turn will undoubtedly impact on quality of the product and services within the small businesses. Furthermore, Beaver et al., (1998:160) emphasize that: “competitive advantage of the principal role players, and owes much to their personal perception of satisfactory performance and business direction”. Moreover, the traditional image presented of small tourism business orientation is that, for many, maintenance and protection of a certain lifestyle will be prioritized over a commercial focus on profit-maximization.

Tunçsiper and İlban (2006) investigated the marketing problems of small sized hotels located in Balıkesir in Turkey. The results of their study showed that the most important problems of these managements are: the difficulty of following technology, inadequate demand, and difficulty of customer satisfaction, cheating and confusing advertisements, excessive competition, and not having talented and educated salesmen. For Dallaryan (2007) boutique hotels in Sultanahmet area are dealing with financial, legal, bureaucratic, production, marketing and managerial problems. Kiracı and Alkara (2009) analyzed the importance of institutionalization in family companies, which have been serving in tourism sector. They stated that institutionalization in family businesses in tourism sector is an important consideration for ensuring the sustainability of businesses. Baldemir and Bozkurt (2012) analyzed the factors of affecting performance of small accommodation suppliers in Marmaris.

Considering these results, labor costs including salaries have negative effect on accommodation establishments. Even if companies run unskilled and seasonal staff in order to minimize costs; it seems like a factor that would have adverse detrimental effects on service quality of those companies in the long term. Sharma and Upneja (2005) in their literature investigated that marketing resources and capital structure mix of enterprises as well as previous experience, skill and educational level of the owners are factors influencing small business performance. Güngör (2006) concludes that the lack of understanding of modern marketing and non-implementation of modern marketing techniques occur marketing problems in small and medium enterprises. Reviewing and summarizing the present literature about factors affecting performance, some hypotheses for boutique hotel businesses can be derived. The empirical study presented in the following chapter will refer to the following hypotheses:

- H1:** Labor turnover has a negative effect on performance.
- H2:** Internet utilization has a positive effect on performance.
- H3:** Financial and marketing problems have a negative effect on performance.
- H4:** Personnel selection has a positive effect on performance.
- H5:** Institutionalization has a positive effect on performance.
- H6:** Bureaucratic structure has a negative effect on performance.
- H7:** Labor supply and salary have a negative effect on performance.
- H8:** Market research and promotion have a positive effect on performance.

2. Methodology

2.1. Sample

The sampling consisted of small hotels serving with concept of boutique hotel operating on Sultanahmet region in Istanbul. The questionnaire method designed based on literature was used to collect data in this study. In this study 337 businesses were randomly selected. The small hospitality businesses were certificated into two groups: certificated by ministry and municipalities. The data for this research were collected from managers and owners of small hotel businesses listed in Ministry of Culture and Tourism and Fatih Municipality. These small businesses were based on their self-classification as boutique hotel. The respondents were contacted initially by e-mail and subsequently telephoned to arrange a convenient interview time. After eliminating the questionnaires that were annulled or not returned, there were left with a final sample of 214 respondents. The response rate was 63.5 % (214 usable

questionnaires), an acceptable response rate for this kind of study (Schwoerer, et al., 1995; Harris and Sutton, 1995).

2.2. Data Collection Procedure

The questionnaire form consisted of three sections. The first section measured boutique hotels' problems by using a 5-point Likert scale ranging an agree/disagree continuum (1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, 5=strongly agree). The 48-items instrument in the first part had reliability (Cronbach's alpha) of 0.74. Usually, a value of 0.70 in Cronbach's alpha is considered adequate in order to ensure reliability of the internal consistency of a questionnaire (Nunnally, 1978). In addition, in order to measuring boutique hotels' performance, the 7-items small hotels' performance by designed Fawcett and Clinton (1996) was used. This hotel performance scale had reliability (Cronbach's alpha) of 0.88. The second section was designed to hotels' characteristics. Moreover, the third section was designed to state respondents' demographic characteristics.

3. Results

3.1. Demographic and hotel characteristics of the respondents

Demographic characteristics of the staff in hotels

The sampled hotels had been involved in business with 15.4 per cent under 1 year and 51 per cent between 1-10 years. The number of rooms that responded to the questionnaire was 12.1 per cent 10 and under 10, 31.3 per cent between 11-20; 25.2 per cent 21-30 and 31.3 per cent 30 and over. The results indicated that 45.8 per cent of the hotels had more than 45 beds with 19.6 per cent was between 26-35 bed. Only 3.7 per cent had less than 10 beds. Most are small business. 35.5 per cent of the hotels employed 6-10 employees, and only 7.5 per cent of employed 5 or fewer employees. As well, number of having tourism education employee was 66.4 per cent 5 or fewer employee, 14.5 per cent between 6-10; 4.7 per cent between 11-15; 3.3 per cent between 20 or more and 9.8 per cent no had tourism education. The rate of hotels that responded to the questionnaire was 35 per cent tourism licensed, 43 per cent municipality licensed, and 22 per cent special category. It was showed that 47.2 per cent run/operated by owners, 14.5 per cent by professional manager and 38.3 per cent owner and professional manager. Sole proprietors were

accounted for 34.1 per cent, limited company 46.3 per cent, corporation 12.1 per cent and family company 7.5 per cent.

Table 1: Demographic characteristics of the staff in hotels

Characteristics	f	%	Characteristics	f	%
Length of hotels			Number of tourism degree employees		
1 year or below	33	15.4	5 or below	142	66.4
1-5 years	62	29.0	6-10	31	14.5
6-10 years	47	22.0	11-15	10	4.7
11-15 years	30	14.0	16-20	7	3.3
15 years or above	42	19.6	20 or over	3	1.4
			Not have	21	9.8
Number of room			Category		
10 or below	26	12.1	Tourism License	75	35.0
11-20	67	31.3	Municipality License	92	43.0
21-30	54	25.2	Special Category	47	22.0
30 or above	67	31.3			
Number of bed			Management		
10 or below	8	3.7	Owner	101	47.2
11-25	35	16.4	Professional manager	31	14.5
26-35	42	19.6	Owner and Professional manager	82	38.3
36-45	31	14.5			
45 or above	98	45.8			
Number of Employee			Organizational Structure		
5 or below	52	24.3	Sole proprietorship	73	34.1
6-10	76	35.5	Limited company	99	46.3
11-15	30	14.0	Corporation	26	12.1
16-20	16	7.5	Family company	16	7.5
20 or above	40	18.7			

Demographic characteristics of respondents

Table 2 shows that the majority of the respondents were male (86.9 per cent) and the rest were female (13.1 per cent). This imbalance possibly reflects the dominance of male in tourism industry. More than 80 per cent of the respondents were aged between 21 and 50, and only 2.3 per cent 20 or below. They were dominated (54.7 per cent) single and 45.3 per cent of respondents were married. In terms of education levels, 3.7 per cent of respondents had graduated from primary school, 44.4 per cent held Bachelor degree, and 6.1 per cent had Master's degree or PhD. They included owners (15 per cent), managers (about 80 per cent), and employees (3.3 per cent). About 50 per cent of those responding had more than 10 years of job experience and 57.5 per cent of the respondents had tourism education with a variety of tourism education levels.

Table 2: Demographic characteristics of respondents

Characteristics	f	%	Characteristics	f	%
Gender			Status		
Female	28	13.1	Owner/Manager	32	15.0
Male	186	86.9	General Manager	68	31.8
			Assistant GM	3	1.4
Age			Department Manager	91	42.5
20 or below	5	2.3	Public Affairs Manager	2	0.9
21-30	106	49.5	Sales Marketing Manager	11	5.1
31-40	73	34.1	Other	7	3.3
41-50	23	10.7			
50 or above	7	3.3			

Marital Status	28	45.3	Length of tourism background		
Married	186	54.7	1 or below	12	5.6
Single			1-4 year	46	21.5
Education level of sample			5-8 year	47	22.0
Primary school			9-12 year	46	21.5
High school	8	3.7	13-15 year	23	10.7
Associate degree	67	31.3	15 or above	40	18.7
Bachelor degree	31	14.5	Tourism Education		
Master's degree or PhD	95	44.4	Yes	123	57.5
	13	6.1	No	91	42.5
			Tourism Education Level		
			Tourism certificate	19	8.9
			Tourism high school	16	7.5
			Tourism associate	39	18.2
			Tourism undergraduate	43	20.1
			Tourism graduate	6	2.8

3.2. Factor Analysis

Prior to Exploratory Factor Analysis, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and the Bartlett's Test of Sphericity were pursued to test the fitness of the data (Altunışık et al., 2005: 212). KMO was 0.785, in the acceptable range (Norusis, 1993:49). The Bartlett's Test of Sphericity was found to be 2302, 181, with significance lower than 0.000, which suggests that the incorrelation matrix contains sufficient common variance to make factor analysis worthwhile. Both statistical data supported the use of factor analysis for these questions. Besides, 'Eigenvalue/Latent root' and Scree Plot were applied as criteria for selecting the right number of factors (Wong and Pang, 2003).

Exploratory factor analysis (EFA) was conducted for 48 items. The exploratory factor analysis was conducted in order to generate a better understanding of the data. Specifically, principal components factor analysis with varimax rotation was utilized. Fourteen factors were extracted in the unrotated factor solution with eigenvalues over 1. The variables were rotated eight times. However, interpretation of the factors that are not subject to rotation is rarely significant. Moreover, after the content analysis, eighteen non-

significant variables that have low loading values were not included in factor analysis. After analyzing the remaining 30 items, 8 significant factors having a factor loading of 0.50 and eigenvalue greater than 1 were yielded. These eight significant factors explain 62.27 per cent of the variance, which is an acceptable percentage (Çoban and Özgener, 2005). The result of factor analysis of the 30 items, is shown in Table 3.

The results of the factor analysis produced a clean factor structure with relatively higher loadings on the appropriate factors. Most variables loaded heavily on one factor and this rejected that there was minimal overlap among factors and that all factors were independently structured. The higher loadings signaled the correlations of the variables with the factors on which they were loaded. Reliability analysis (Cronbach's alpha) was conducted to test the reliability and internal consistency of each factor. These values showed that the Alpha coefficients of the eight factors ranged from 0.71 to 0.88, well satisfying the Nunnally Cronbach's alpha criterion of 0.70 for an exploratory factor analysis (Nunnally, 1978). So the reliability of this study is acceptable.

A varimax rotation was applied, which converged in 8 iterations. Eight factors were therefore identified as main factors affecting performance of boutique hotel businesses. Table 3 shows the results of the factor analysis in terms of: the factor name, the factor loadings, and the initial eigenvalues, the variance explained by the factor solution, the communalities and the Cronbach's Alphas. The factors were named: labor turnover (6 items), institutionalization (7 items), financial and marketing problems (5 items), personnel selection (4 items), internet utilization (2 items), bureaucratic structure (2 items), labor supply and salary problem (2 items), and market research and promotion (2 items).

Table3: Results of factor analysis of factors affecting boutique hotels' performance

Factors	Factor loadings	Initial eigen values	Variance explained (%)	Cronbach's Alpha	Communalities
Labor Turnover		5.811	18.159	0.916	
Staff turnover is frequent.	0.502				0.702
Keeping qualified staff for the long-term is difficult.	0.716				0.663
Qualified staff is transferred to large hotels due to low-wage.	0.721				0.576
The staff quits due to problems of workplace.	0.832				0.739
The staff leaves the job due to an excessive workload.	0.779				0.656
The staff doesn't work effectively and efficiently due	0.639				0.600

to the lack of job descriptions.

Institutionalization

The delegation of authority process affairs efficiently in hotel. 0.584 4.333 13.540 0.854 0.553

Accountability and corporate governance approach is implemented for transparency. 0.648 0.609

Authorities and responsibilities are clearly defined. 0.748 0.636

Control activity is mostly carried out by senior management. 0.643 0.555

The hotel is managed by a professional manager. 0.645 0.691

The staff has sufficient business knowledge. 0.555 0.590

The property has sufficient conditions for location, lighting, heating and so on. 0.624 0.547

Financial and marketing problems 2.122 6.631 0.853

Taking up a loan is difficult due to assurance and high interest. 0.716 0.586

The hotels cannot benefit from the incentives for tourism. 0.542 0.583

The allocated budget to expenses such as purchasing, employment and promotion is tight and long-term plans' risk ratio is higher. 0.698 0.590

The costs of raw material and labor (energy costs, high interests and currency risks etc.) are high. 0.664 0.522

The hotel has problem in marketing their products and services. 0.653 0.590

Personnel Selection 1.873 5.854 0.762

Staff's received tourism training is important in the selection of personnel. 0.722 0.653

Staff's tourism experience is important in selection of personnel. 0.778 0.667

Staff's knowledge of foreign language is important in selection of personnel. 0.767 0.758

Staff's desire to work long-term is important in selection of personnel. 0.698 0.580

Internet Utilization 1.623 5.072 0.882

Hotel benefits effectively from internet for customer relationship management. 0.722 0.668

Factors Affecting Performance of Boutique Hotels:

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The Case of Istanbul Sultanahmet

There is web site for hotel reservation and promotion.	0.715				0.624
Bureaucratic structure		1.565	1.565	0.827	
The hotel does not have a flexible structure to adapt to changing conditions.	0.743				0.590
The division of labor and specialization is insufficient in hotel.	0.770				0.642
Labor supply and salary problem		1.371	4.285	0.881	
The hotel does not encounter any problems in labor supply.	0.803				0.722
Staff may receive the wages earned.	0.686				0.658
Market research and promotion problems		1.228	3.838	0.736	
The hotel benefits optimally from custom relationships and advertising.	0.709				0.657
The hotel conducts periodically for demand and market of product and service research.	0.766				0.699
Total variance explained (%)	62.270				

Note: Principal Component Analysis was used. Rotation converged in 8 iterations.

Table 4: Means, Standard deviations and correlations of the factors identified

Factors	Mean	Standard Deviation	1	2	3	4	5	6	7	8	9
1.Labour turnover	3.03	1.18	(0.91)								
2.Institutionalization	3.82	0.73	-.370(**)	(0.85)							
3.Financial and marketing problems	2.88	1.07	.173(*)	-.093	(0.85)						
4. Personnel selection	4.21	0.71	-.180(**)	.356(**)	-.041	(0.76)					
5.Internet Utilization	4.31	0.79	-.301(**)	.354(**)	-.062	.274(**)	(0.88)				
6.Bureacratic structure	2.55	1.03	.318(**)	-.185(**)	.165(*)	-.162(*)	-.167(*)	(0.82)			
7.Labor supply and salary problem	3.31	1.10	-.215(**)	.269(**)	.006	.105	.078	-.092	(0.88)		
8.Market research and promotion problems	3.37	0.97	-.220(**)	.350(**)	-.110	.143(*)	.262(**)	-.190(**)	.302(**)	(0.73)	
9.Performance	3.66	0.70	-.314(**)	.400(**)	-.325(**)	.371(**)	.445(**)	-.174(*)	.106	.294(**)	(0.88)

* Correlation is significant at the 0.05 level (2-tailed)

** Correlation is significant at the 0.01 level (2-tailed)

Table 4 reports means, standard deviations, correlations among the eight factors, and Cronbach's alpha coefficients. The analysis of the correlation results showed that there were a negatively relation between boutique hotel performance and labor turnover ($r = -0,314$; $p < 0.01$), financial and marketing problems ($r = -0,325$; $p < 0.01$), and bureaucratic structure ($r = -0,174$; $p < 0.05$). According to the correlation analysis results, it is understood that financial and marketing problems was affected most negatively on boutique hotel performance. However a positive relation was observed between institutionalization ($r = 0,400$; $p < 0.01$), personnel selection ($r = 0,371$; $p < 0.01$), internet utilization ($r = 0,445$; $p < 0.01$), market research and promotion problems ($r = 0,297$; $p < 0.01$) with boutique hotel performance. Moreover the results showed that no statistically significant relation was found on labor supply and salary problem with small hotel performance ($r = 0,106$; $p > 0.05$).

Regression analysis was applied in order to analyze the effects of the basic problems on performances of boutique hotels. Table 5 shows the results of regression analysis. The values of Variance Inflation Factors (VIF-s) were estimated for investigating multi collinetary in terms of regression equation. The maximum value of VIF is at the level 1.46. This is far below the acceptable upper limit 10. (< 10) (Şimşek et al., 2009). The lowest tolerance value is 0.681, which is the lower limit value 0.10, is much higher. However, the Durbin-Watson coefficient is around 2. Therefore, a simple regression model does not have the problem of multi collinetary.

Table 5 shows, research model ($R^2 = 0.394$; $F_{(8-208)} = 16,584$; $p < 0.01$) is statistically significant as accepted eight factors are independent variable, and the hotel performance is dependent variable. According to model independent variables explains 39.4 per cent of the variance independent variables. In the model, especially in the financial and marketing problems have been observed to have a negative effect on the performance of boutique hotels ($\beta = -, 265$; $p < 0.01$). So Hypothesis 3, which states that financial and marketing problems will be negatively related to boutique hotel performance, received strong support (Table 4). It is understood that financial and marketing problems were affected most negatively on boutique hotel performance. However, institutionalization ($\beta =, 149$, $p < 0.05$), personnel selection ($\beta =, 210$, $p < 0.01$), and Internet utilization ($\beta =, 272$, $p < 0.01$) findings appear to have a positive effect on performance. Consequently, Hypothesis 2, Hypothesis 4 and Hypothesis 5 were supported. Nevertheless Table 4 shows labor turnover ($\beta = -, 083$, $p > 0.05$) and labor supply and salary problem ($\beta = -, 020$, $p > 0.05$) have a negative but no statistically significant effect on performance. Therefore Hypothesis 1 and Hypothesis 7 were not supported. On the other hand bureaucratic structure ($\beta =, 023$, $p > 0.05$) and market research and promotion problems ($\beta =, 102$, $p > 0.05$) have a positive effect but no statistically significant effect on performance. Hypothesis 6 and Hypothesis 8 were also not supported.

Table 5: Results of regression analysis

Model (Independent variables)	Non-standardized coefficients		Standardized Beta	tvalue	Significance level	Collinearity Statistics	
	β	Standard error				Tolerance value	VIF value
Constant	1.602	.406		3.942	.000		
Labor turnover	-.049	.037	-.083	-1,313	.191	.751	1.332
Institutionalization	.143	.064	.149	2.250**	.025	.681	1.469
Financial and marketing problems	-.174	.037	-.265	-4.722*	.000	.947	1.056
Personnel selection	.208	.059	.210	3.534*	.001	.842	1.187
Internet utilization	.241	.054	.272	4.454*	.000	.797	1.255
Bureaucratic structure	.016	.040	.023	.390	.697	.861	1.161
Labor supply and salary problem	-.013	.038	-.020	-.334	.739	.858	1.166
Market research and promotion problems	.073	.044	.102	1.666	.097	.790	1.265
R				0.628			
R ²				0.394			
Adjusted R ²				0.370			
Estimated standard error				0.5600			
F				16.584			
Significance level				0.000			
Durbin-Watson				2.010			

Dependent variable: Performance *p< 0.01. **p< 0.05.

4. Conclusion

Boutique hotels are a relatively new concept to the tourism industry; therefore investigation of their performance is a worthwhile scholarly attempt. While much previous research focused on underlying causes or reasons for the success of boutique hotel businesses, very little research has been undertaken in relation to the different factors that are used to measure success. Furthermore, the lack of a comprehensive theoretical framework between various factors and boutique hotel business success has limited the usefulness of previous research. This paper investigates factors affecting performance of boutique hotel businesses.

According to explanatory factor analysis, the basic problem fields of the boutique hotel businesses are; labor turnover, institutionalization, financial and marketing, personnel selection, Internet utilization, bureaucratic structure, labor supply and salary, market research and promotion. The correlation analysis showed that there were a negatively relation between small hotel performance and labor turnover, financial and marketing problems and bureaucratic structure. It was observed there were a positive relation between small hotel performance and institutionalization, personnel selection, Internet utilization and market research and promotion problems. Nevertheless, according to regression analysis, it was determined that financial and marketing problems have a negative effect on performance of boutique hotels (Sharma and Upneja, 2005; Wiklund and Shepherd, 2005; Tunçsiper and İlban, 2006; Dallaryan, 2007; Baldemir and Bozkurt, 2012). Wiklund and Shepherd (2005) mentioned small business performance is positively influenced by entry to financial capital. They are the worst performers with little access to financial capital. Nevermore, it was concluded that institutionalization (Kiracı and Alkara, 2009), personnel selection (Sharma and Upneja, 2005; Baldemir and Bozkurt, 2012) and Internet utilization (Sharma and Upneja, 2005) have a positive effect on performance of boutique hotels. Sharma and Upneja's (2005) study in the Tanzanian tourism industry found that small hotels and restaurants become a major source of employment opportunities and entrepreneurial activities. For Sharma and Upneja (2005), operating factors in small hotels such as inefficiencies due to lack of employee training, low investments in fixed assets and technology may be equally responsible for low profitability are government policies that ignore appropriate emphasis on ensuring safety and security, and quick processing of licenses and permits. A study by Kiracı and Alkara (2009) study in Turkey found that institutionalization in family businesses in tourism sector is an important consideration for ensuring the sustainability of businesses. Güngör (2006) also emphasized price and market analysis for the most important issues related to problems. Unlike Lerner and Haber (2000) stressed higher education was even negatively correlated with profitability. However, the acquisition of business

skills, even while running the business, is a requisite for profitability. This may suggest that in tourism the entry barriers are not as high as in other industries which require industry specific previous experience and a high level of education. The literature demonstrates that the training has helped to slash turnover, improve employee morale, expansion room occupancy and increase profitability in the highly competitive tourism industry. The results showed that the problems which subject of these factors should be solved urgently for boutique hotels.

The paper also investigated the unique characteristics of boutique accommodation. It may be concluded from a review of the published literature, boutique hotels may be demanded for the experiences of comfort, luxury, uniqueness, personalized services/facilities, personal touches they can provide. The typical boutique hotel is less than 100 guest rooms (Agett, 2007; Forsgen and Franchetti, 2004; Lim and Endean, 2008; McIntosh and Siggs, 2005), and provides accommodation as well as food&beverage service, safe deposit box, change currency, swimming pool, internet access services to increase their total revenue, but level and quality of these services are not quality and quantity at the desired. They are managed by its owner(s) in a personalized manner. It is perceived as small, in terms of physical facilities, production/service capacity, and number of employees.

The results showed that the hospitality enterprises have not been standardized in Turkey yet. The luxury hotels which provide all sorts of facilities within the business and also the hotels do not have more features and rooms, just have a different decor are marketed under the name of "boutique". The legacy chains will need to change for the benefit of tourism industry as soon as possible. The businesses must renew their standards quickly with changing consumer trends and increasing expectations. Moreover, small hotel enterprises should adapt to this situation to have more guests and be benefit for economy of country. Consequently if small hotels on boutique concept have same standards they can make a contribution to Turkey tourism industry. Therefore, this type of investment should be increased. The findings and literature agree that the historic aspect of the building is an important feature of a boutique hotel as it helps to establish individuality (Agett, 2007; McIntosh and Siggs, 2005). The use of older buildings that have previously been used in some other way is also a feature that is often used to create individuality.

This study has a number of limitations. First limitation is the study relied on a small sample to assess the small hotels serving with concept of boutique hotel. Second, the participants may have been biased to present positive aspects of their business. The scale used at this research has not proven reliability in many different settings. As with any new measure, further tests in additional samples would help to establish our confidence in it. This study also

determined factors affecting performance of boutique hotel businesses, the case of Istanbul Sultanahmet. There are several potential areas for future research. First, effect of local values on customer relationship on small hotel business. Second, future research can focus the effect of clustering approach in tourism industry on competitiveness of boutique hotels.

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