



Service production planning and performance of hotels and tourism firms in an emerging economy

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Abstract

This paper evaluates the influence of services production planning on the financial performance of hotels and tourism industry in Nigeria for 2007-2018. Regression analysis was the tool of analysis. The results indicate that plans for service production-input raw materials conversion period in the production process insignificantly impact positively on return on assets and negatively on return on equity. The services payment period plan positively and insignificantly affect ROA and ROE. The plan for services production-inputs suppliers' credit payment period insignificantly relates negatively with ROA and positively with ROE of the listed hotel and tourism firms of Nigeria. Thus, services production planning has vital influences in achieving a better financial performance of the hotels and tourism industry in Nigeria for the period of study.

Keywords: hotels and tourism industry, emerging economy, production planning, return on investment, Nigeria

INTRODUCTION

Production is a fundamental function of every productive system and it is effective when good plan is at work in the business. Essence of planning is to forecast into the future the amount of production required at any point in time, prepare to get the necessary raw material inputs in place at the right time, quantity and quality, evacuate storage facilities to accommodate new productions through sales, prompt receipt of sales proceeds in order to pay off creditors as and when due, all done in order to forestall disruptions in the production process. Thus, production planning is the predetermination of production requirements with the aim to deliver quality products, good product delivery terms at flexible and affordable cost. The nature of production planning substantially determines price of the product. To be profitable in the intensive global competitive markets, managers of hotel and tourism firms should know that survival rests on commitment to continual service production process and product improvement with low cost product with high quality and reliability to ensure retention of an adequate market share. In this regard, most companies have started using production system that smoothen competition through adequate control of all inventory, debtors and creditors levels in order to deliver good returns to the owners of the business as well as delivering quality goods and services to customers on time. In developing economies where resources are relatively scarce, production planning becomes very imperative in order to avoid waste of resources and ensure good organizational performance. Failure to engage production planning may give rise to inefficiency and lack of direction in the production process and rob the company good financial performance.

On this note however, it is not quite clear how production planning in terms of raw material inventory, finished goods/services inventory and production-inputs (raw materials) suppliers credit influence the return on investment of the hotel and tourism sector of an emerging economy Nigeria. Past studies mainly focused on primary data obtained through questionnaires and did not give attention to these basic variables that are the bedrocks of the production process. The duration of production materials (inventory) on the production process can mar or make the organizational performance. The delay in getting cash from sales affects liquidity and can stifle production activities as production-inputs may not be acquired on time, in the right quality and quantity. The delay in payment of production staff and purchases of production-

inputs can make them shirk their responsibilities in terms of supplying production materials at the right time, quality and quantity. Therefore, there is need to critically examine the influence of these variables on organizational financial performance. Consequently, the major aim of this study is to determine the influence of service production plan in terms of inventory period, product payment period, and suppliers' credit payment period on the return on investment of the hotel and tourism firms in Nigeria. The study remains the most recent work from the perspective of hotel and tourism industry firms with global orientation and focus but located in Nigeria. The findings will definitely excite the managers of small and medium scale enterprises in the industry involved in hospitality business in policy formulation regarding their production plan.

LITERATURE REVIEW

Jain and Aggarwal (2008) stated that every manufacturing activity requires resource input in terms of men, materials, money and machines. Buffa (2001) maintains that production planning is indispensable in any firm irrespective of size and complexity. According to Adegbuyi and Asapo(2010), production planning is an important part of the process in manufacturing that transform raw material components into finished products to reduce waste in time and finance with maximum obtainable profit. In manufacturing operations, there use to be consistent alignments and misalignments in productions activities. Banjoko (2009) opined that production planning is mainly concerned with the directing and controlling of production process of an organization in order to foster optimum utilization of human and material resources used in production, which brings about increased productivity and consequently profit maximization. Similarly, Ikon and Nwankwo (2016) opined that production planning involves the establishment of the overall strategy and process design required for the realization of effective production in an organization. This study concur to the fact that production planning is the predetermination of manufacturing requirements of such things as available basic materials, detailed equipment, production runs, order priority, money, man, and method and production process within the scope of the enterprise for efficient production of goods to match its sale requirements (Željko & Damir, 2016; Sharma, Sharma and Sharma, 2014; Gbadamosi, 2013). As such, production planning is particularly very important in a developing country where resources are relatively scarce.

Theoretical framework

In line with Girod and Whittington (2015), the resource-based theory of Wernerfelt (1984) and dynamic capabilities theory of Teece, Pisano and Shuen (1990) form the anchor of this study. The resource-based theory states that the growth of a firm internally and externally depends on the manner in which its resources are employed. By discovering and utilizing relevant the firm can improve its productivity and profitability. If the management of a firm can identify and utilize the required resources, the fortune of the entity can improve.

Dynamic capabilities theory opines that the ability of the firm to constantly address rapidly changing environment by properly by adapting to changing valuable resources over time through its competencies improves its performance. Through these dynamic capabilities mechanisms, firms avoid some inhibiting situations, learn and accumulate new skills and move forward in their performance (Ambrosini and Bawman 2009; Helfat and Petaraf 2003; Teece et al. 1997).

Empirical review

In studying how company financial performance is influenced by the application of production planning, almost all the researchers adopted the regression analysis which makes it possible for them to predict the changes of the dependent variant via the independent variant. There are a number of studies on the influence of production planning on firms' performance (Aldehayyat & Khattab 2013; Suklev & Debarliev 2012; Aldehayyat & Twaissi 2011; Gică & Negrusa 2011; O'Regan, Efendioglu, & Karabulut 2010; Glaister, Dincer, Tatoglu, Demirbag, & Zaim 2008; Ghobadian, O'Regan, Thomas, & Liu 2008; Sims & Gallear 2008; Falshaw, Glaister&Tatoglu 2006; Kraus, Harms, & Schwarz 2006; Yusuf & Saffu 2005; Rue & Ibrahim 1998) and they mostly affirm that the tool of production planning influences financial sustainability of the firm. Ida, Azahari, Munauwar, and Rushami (2015), Suklev and Debarliev (2012), Aldehayyat and Twaissi (2011), Wang, Walker & Redmond (2007), Signhvi (2000), Miller & Cardinal (1994), Venkatraman &Ramanujam (1986) provide evidence that production planning relates with the performance of the firms. That is, Namada, Bagire, Aosa and Awino (2017), Sujay and Chakraborty (2016), Onwuka, Ugwu, Ndife (2015), Ida, Azahari, Munauwar and Rushami (2015), Sharma, Sharma and Sharma (2014), Gbadamosi (2013), Umoh, Wokocha, Amah (2013), Arasa and K'Obonyo (2012), Aldehayyat and Twaissi (2011), Akinyele and Fasogbon (2010), Mahdi, Mehrdad, and Morteza (2010), Wang, Walker & Redmond (2007), Signhvi (2000), Miller & Cardinal (1994), Schwenk and Shrader (1993), Venkatraman &Ramanujam (1986) recorded positive relationship between production planning and firm performance. Aldehayyat and Twaissi (2011) recorded positive and significant relationship between production planning and firm performance in the Middle East context. Schwenk and Shrader (1993), through their meta-analysis study, found positive relationship between strategic planning and firm performance. Sinha (1990) proved that there is a positive relationship between time horizon and organizational performance. Umoh, Wokocha, Amah (2013) investigated the relationship between production planning and performance of the Nigerian manufacturing industry with 62

questionnaires out of 80 distributed and confirm significant impact. Arasa and K'Obonyo (2012) found positive relation between the two. Ikon and Nwankwo (2016) registered that production planning increases profitability. Yusuf & Saffu (2005), Falshaw, Glaister & Tatoglu (2006), Ghobadian, O'Regan, Thomas & Liu (2008), and Gică and Negrusa (2011) show evidence that there is no relationship existing between the two. The findings are equivocal and this extends the debate.

Mitchelmore and Rowley (2013) recommended firms to lengthen their time horizon of production planning in order to gain better performance. From the foregoing the following questions are raised to guide the search for information for the study. To what extent does services production inventory period plan affect the return on asset and return on equity of the listed hotel and tourism firms? How does services payment period plan influence the return on asset and return on equity of the listed hotel and tourism firms? Is there a relationship between production-input suppliers' credit period plan and the return on asset and return on equity of the hotel and tourism firms? In line with the extant literature the researchers were guided by the following hypotheses: HO1: The services production inventory period plan does not affect the return on asset and return on equity of the listed hotel and tourism firms. Ho2: The product payment period plan does not influence the return on asset and return on equity of the listed hotel and tourism firms. Ho3: The production-input suppliers' credit period plan does not influence the return on asset and return on equity of the listed hotel and tourism firms.

Materials and methods

Materials

The aim of this study is to determine the influence of production planning on organizational profitability of hotel and tourism industry in Nigeria. Panel dataset was found more appropriate for the industry study of hotel and tourism. This design meets our purpose and enables us to generalize from the result of our sample for the entire industry. The dataset consists of annual data sourced from the annual financial statements as approved by the regulators. The raw data required for the study include the yearly amount of inventory, sales, and raw material purchases, number of days in the year, total assets, earnings before interest and taxes, profit after tax, and shareholders' funds. The figures were utilized in determining the production plan through days inventory stays in production process, days debt stay uncollected, and days suppliers bills remain unpaid, and also to determine the organizational performance through return on assets and return on equity.

For this study, purposive sampling technique was adopted. Four active hospitality firms in Nigeria with uninterrupted production with regular annual financial statements from 2007 to 2018 are Capital hotels, Ikeja hotels, Tantalizers and Tourist Company of Nigeria and so were selected for the study. Therefore, we derived a sample of four (4) hospitality firms out of a population of the four (4) operational quoted firms in the industry. The four firms control more than 96 percent of services in the industry in Nigeria.

Methods

Model specification

The criterion variable for organizational performance (OP) is assumed to depend on the predictor variables for the service production planning (PP). The OP was measured by return on total amount invested in the firm (return on asset) and return on equity shareholders which signals profitability performance of the firm. Service production planning is proxy by the number of days production inventory stays in production process, the number of days sales proceeds remain uncollected in cash, the number of days suppliers of production inputs remain unpaid based on credit policy plan in place in agreement with the suppliers. It was assumed that the practices of production plan in these areas will trigger organizational performance through its dimensional effects on financial performance. According to Nwude, Allison, and Nwude (2020), researches in this area are replete with use of control variables along with the main variables in order to have a balanced analysis and reduce error in capturing the variables that affect the financial performance of the firms. Nwude et al. (2020) cited Smith and Begemann (1997), Deloof (2003), Eljelly (2004), Garcia-Teruel and Solano (2005), Lazaridis and Tryfonidis (2006), Nazir and Afza (2009), among others as some of the scholars that reflect use of control variables in their study. In line with the extant literature, this study include the liquidity (LIQ), gross working capital to total asset ratio (WCR), current financial liabilities ratio (FLR), sales growth rate (SGR), size of the firm (FSZ), gross working capital turnover ratio (WCT) and its total financial leverage (FDR) as control variables as in Nwude et al. (2020). Therefore, to find out the influence of production planning on organizational prosperity of the manufacturing firms we use the following regressions.

$$ROA_{it} = a_0 + a_1MCP_{it} + a_2CRP_{it} + a_3MPP_{it} + a_4LIQ_{it} + a_5WCR_{it} + a_6CLR_{it} + a_7SGR_{it} + a_8FSZ_{it} + a_9WCT_{it} + a_{10}FDR_{it} + e_{it}, \dots \dots \dots (1)$$

$$ROE_{it} = a_0 + a_1MCP_{it} + a_2CRP_{it} + a_3MPP_{it} + a_4LIQ_{it} + a_5WCR_{it} + a_6CLR_{it} + a_7SGR_{it} + a_8FSZ_{it} + a_9WCT_{it} + a_{10}FDR_{it} + e_{it} \dots \dots \dots (2)$$

Where: ROA = return on asset is the dependent variable used as the profitability performance proxy for both the debtholders and the residual owners of the firm. $a_0 - a_{10}$ = Parameter estimate. MCP = production materials conversion period. CRP = proceeds of credit sales receivable period. MPP = suppliers of production materials payable period. MCP, CRP, MPP were independent variables. LIQ, WCR, CLR, SGR, FSZ, WCT, and FDR are as defined above while FSZ = firm size proxy by logarithm of total asset (Nwude et al., 2020). e = Stochastic term. ROE = return on equity is another dependent variable used as the profitability performance proxy for the residual owners of the firm. The classical linear regression models were employed in analyzing the data. Following the footstep of Nwude et al. (2020) the summarized format for the calculation of each of the variables is shown below in table 1.

Table 1: Variables definitions and measurement of working capital items

	Variables	Definitions	Measurement	Abbreviation
1	ROA	Return on asset	Earnings before interest and tax/Total asset	EBIT/TA
2	ROE	Return on equity	Profit after tax/Shareholders' funds	PAT/SHF
3	MCP	Materials conversion period	[Average inventory/Cost of Goods Sold]*365	AI*365/COGS
4	CRP	Sales receivable period	[Average Trade debtors/Sales]*365	AD*365/Sales
5	MPP	Materials payment period	[Average Trade payable/ Purchases]*365	AP*365/COGS
6	LIQ	Liquidity = Current ratio	Current asset/Current liabilities	CA/CL
7	WCR	Working capital ratio	Current asset/Total asset	CA/TA
8	CLR	Current liabilities ratio	Current liabilities/Total Assets	CL/TA
9	SGR	Sales Growth rate	(Succeeding sales - Preceding sales)/ Preceding sales	$(S_t - S_{t-1}) * 100 / S_{t-1}$
10	FSZ	Firm size	Natural logarithm of total asset	LnTA
10	WCT	GWC turnover ratio	Current Assets/ Sales	CA/S
11	FDR	Financial debt ratio	Total Financial debt/Total Assets	TD/TA
12	AST	Asset tangibility	Fixed asset/Total assets	FA/TA
12	FAG	Firm age	Natural logarithm of Age from inception to 2018	LnAGE
			GWC = Gross working capital	

Source: Adopted from Nwude, Allison and Nwude (2020)

Empirical results and discussion

The derived research data from the data extracts are shown in table 2-5 under appendix 1. The study focused on service production planning variables in terms of production inventory conversion period (MCP), proceeds of credit sales receivable period (CRP), suppliers of production materials payment period (MPP) and the profitability in terms of ROA and ROE of the firms. Descriptive statistics are shown in table 5 under appendix 1.

Descriptive statistics

The ROA and ROE for the industry averaged 6.85 and 1.92 percent respectively which indicate good performance of the production plan in pumping out services that provide profits during the study period. ROA has a peak value of 25.30 and the lowest value of -11.50 percent with a range of 36.80 percent and standard deviation of 8.62 percent. ROE has a peak value of 156.83 and the lowest value of -560.95 with a range of 717.78 and standard deviation of 105.43. It takes the industry on the average 34 days to convert its consumable raw materials into service providing, 37 days to receive cash from services rendered to customers, and almost 37 days to pay off suppliers of raw materials input. This shows that the industry matches its cash collection period from the debtors to the creditors' payment period which is a very good financial management practice. Liquidity position (LIQ) and the level of other variables can be observed from table 6a.

Capital and Ikeja hotels mean ROA of 13.78 and 10.20 percent respectively are higher than the industry average while that of Tantalizers and Tourist Company are below the industry average. Similarly, Capital hotel and Tantalizers mean ROE of 13.49 and 18.41 percent respectively are higher than the industry average while that of Ikeja hotel and Tourist Company are below the industry average. The consumable input of raw materials stay shorter days in Capital and Ikeja hotels, Tantalizers before being ready for service providing which are below the industry standard. These three companies show better inventory managerial skill than the Tourist Company. This may be the reason for the losses incurred by the Tourist Company. While the standard industry practice in terms of receipts and payments is matching both to be happening at the same time, Capital and Ikeja hotels give higher days of credit to their customers than the days

of credit given to them by their creditors. This may lead to having financing gaps as they pay up their debts before their debtors pay them.

Tantalizers and Tourist Company secured higher days of credit from their creditors than the days of credit they give to their customers. This may attract sufficient liquidity and avoidance of having financing gaps as the debtors pay up their debts before it becomes due to pay their creditors. But the worry here is what has been the reason for loss generation by Tourist Company if she has been working with such good arrangement of cash flows. Though it may still be linked to poor inventory management.

Paradoxically, the firms that are liberal credit extenders (Capital and Ikeja hotels) in days are awash with adequate liquidity even better than the conservative credit extenders (Tantalizers and Tourist Co). While the liberal credit extenders provide services with conservative production plan with respect to their working capital ratio to total assets, the conservative credit extenders provide services with aggressive production plan with respect to their working capital ratio to total assets. The dangers of insufficient liquidity due to inadequate working capital are glaring in the profitability performance of the firms. Industry benchmark for the ratio of current liabilities to total assets was 0.3195 but this was exceeded by Tantalizers with 0.405, reduced to 0.2312 by Capital hotel which incurred lower current liabilities to total assets. This indicates that Capital hotel had best management of current liabilities. It is surprising that Tourist Co has the highest sales growth rate (SGR) but still incurred the worst loss position. the level of other variables can be observed from tables 6a-e.

Correlation matrix

The MCP, MPP, SGR, FSZ, FDR, AST, and FAG have negative relationship with ROA while CRP, LIQ, WCR, CLR, and WCT exhibit positive relationship with ROA (table 7). The CRP, CLR, SGR, and FAG have negative relationship with ROE while MCP, MPP, LIQ, WCR, FSZ, WCT, FDR, and AST relate positively with ROE. While the negative relationship connotes opposite effects, the positive relationship denotes the same direction of effects. Therefore, the shorter it takes the hotel and tourism firms to turn their inventory into service useable form, pay their suppliers of service production input materials (MPP), reduced sales growth, smaller firm size, less debt, less fixed assets to total assets ratio, and younger age of the firm, the higher will be the ROA. The opposite is the case of CRP, LIQ, WCR, CLR, and WCT as the higher they are the higher will be the ROA.

The shorter the debt collection period (CRP), lower ratio of current liabilities to total assets, lower sales growth and younger the age of the firm, the higher the return on equity (ROE). The ROE appreciates with service production plan that increases the raw materials conversion period to finished products (MCP), increases the days of payable bills (MPP), increases liquidity (LIQ) and working capital to total assets (WCR) and higher number of times working capital covers amount of sales (WCT), higher firm size (FSZ), higher leverage (FDR) and asset tangibility. The results of other variables on ROA and ROE can be observed from the table 6 under appendix 1. Therefore, in the light of the control variables, efficient production planning in terms of effective scheduling of inventory of raw materials in the hotel and tourism industry impact positively the financial prosperity of the firms. Again, efficient service production planning in terms of scheduling of receipts from services rendered has positive impact on the organizational performance. Furthermore, efficient service production planning in the area of payment for raw materials inputs purchased on credit in the influences performance. Hence, the Nigerian hotel and tourism firms can increase their profitability by efficient management of their MCP, CRP and MPP.

Regression results

From table 8, the service production input conversion period (MCP) and sales proceeds receivable period (CRP) have a non-significant positive impact on the ROA while the production-input suppliers' payable period (MPP) schedules has a non-significant negative impact on ROA. In the case of the control variables, LIQ, WCR, CLR, FSZ, and FAG have insignificant positive impact on ROA, while SGR, WCT, FDR, and AST have a non-significant negative impact on ROA. The F-statistic p-value of 0.000116 was significant at the 95% confidence interval for the ROA model. This implies, collectively, the input variables significantly accounted for 62.55% of the variations in ROA. That is, all the independent variables had a combined significant effect on ROA at the 5% level of significance. In the same vein the results on ROE can be observed from the right hand side of table 8.

The equation

$$ROA = -0.786 + 0.057MCP + 0.032CRP - 0.061MPP + 2.185LIQ + 11.452WCR + 29.130CLR - 0.016SGR + 1.152FSZ - 8.154WCT - 4.034FDR - 17.492AST + 3.774FAG$$
 was finally deduced as the estimated model for the study. This implies, the partial slope coefficients ($\beta_1 = 0.057$), ($\beta_2 = + 0.032$), ($\beta_3 = -0.061$), ($\beta_4 = +2.185$), ($\beta_5 = + 11.452$), ($\beta_6 = 29.130$), ($\beta_7 = - 0.016$), ($\beta_8 = +1.152$), ($\beta_9 = -8.154$), and ($\beta_{10} = - 4.034$), ($\beta_{11} = - 17.492$), ($\beta_{12} = + 3.774$) for MCP, CRP, MPP, LIQ, WCR, CLR, SGR, FSZ, WCT, FDR, AST and FAG were respectively simultaneously not equal to zero.

Thus, ($\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10}, \beta_{11}, \beta_{12} \neq 0$) and was in line with the apriori expectation of the study as in Nwude et al. (2020).

Also adopting the approach of Nwude et al. (2020), the MCP had non-significant negative impact while CRP and MPP had non-significant positive effect on ROE. All the other independent variables registered insignificant effect on ROE. From Table 8, the F-statistic value of 0.877 was insignificant at the 95% confidence interval for the ROE model. This implies, collectively, the input variables insignificantly accounted for 23.1% of the variations in ROE.

That is, all the independent variables had a combined insignificant effect on ROA at the 5% level of significance.

ROE = $-878.55 - 0.287\text{MCP} + 0.047\text{CRP} + 1.076\text{MPP} + 43.315\text{LIQ} + 482.448\text{WCR} + 261.344\text{CLR} + 0.057\text{SGR} + 30.463\text{FSZ} + 182.143\text{WCT} + 57.788\text{FDR} + 656.845\text{AST} - 88.463\text{FAG}$ was deduced as the estimated model for the study. This implies, the partial slope coefficients ($\beta_1 = -0.287$), ($\beta_2 = 0.047$), ($\beta_3 = +1.076$), ($\beta_4 = +43.315$), ($\beta_5 = +482.448$), ($\beta_6 = +261.344$), ($\beta_7 = 0.057$), ($\beta_8 = 30.463$), ($\beta_9 = +182.143$) and ($\beta_{10} = +57.778$) ($\beta_{11} = +656.845$), ($\beta_{12} = -88.463$), for MCP, CRP, MPP, LIQ, WCR, CLR, SGR, FSZ, WCT, FDR, AST and FAG were respectively simultaneously not equal to zero. Thus, ($\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10}, \beta_{11}, \beta_{12} \neq 0$) and was in line with the apriori expectation of the study as in Nwude et al. (2020).

Test of Hypotheses

H_{01a}: The service production inventory period plan does not affect the return on assets of the listed hotel and tourism firms of Nigeria.

H_{01b}: The service production inventory period plan does not affect the return on equity of the listed hotel and tourism firms of Nigeria.

In testing these hypotheses, the organizational profitability indices (ROA and ROE) of the listed hotel and tourism firms were regressed with the production planning proxy by production-inputs conversion period. The outcomes are shown in table 8. R-values of 0.625 and 0.231 for ROA and ROE respectively indicate that inventory period plan has a non-significant positive influence on both ROA and ROE. The co-efficient of determination shows that 49.71.56 and -3.2 percent variations in ROA and ROE respectively indicate that inventory period planning accounts for substantial variations in ROA profitability measures but not for the ROE. **The conclusion is that production inventory period plan has positive and insignificant effect on ROA and negative and insignificant effect on ROE of the listed hotel and tourism firms of Nigeria.**

H_{02a}: The services payment period plan does not influence the return on asset of the listed hotel and tourism firms of Nigeria.

H_{02b}: The services payment period plan does not influence the return on equity of the listed hotel and tourism firms of Nigeria.

ROA and ROE were regressed with the number of days the product payment remains uncollected. The outcomes are shown in table 8.

It was observed that the services payment period plan has positive and insignificant effect on ROA and ROE of the listed hotel and tourism firms of Nigeria. Therefore the null hypotheses that services payment plan does not affect the ROA and ROE of the listed hotel and tourism firms of Nigeria were rejected.

H_{03a}: The service production-inputs suppliers' credit period plan does not influence the return on asset of the listed hotel and tourism firms of Nigeria.

H_{03b}: The service production-inputs suppliers' credit period plan does not influence return on equity of the listed hotel and tourism firms of Nigeria.

The ROA and ROE were regressed with the number of days the service production-inputs suppliers' credit remains unpaid. The outcomes are shown in table 8.

It is observed that the service production-inputs suppliers' credit plan relates negatively and insignificantly with ROA and positively and insignificantly with ROE of the listed hotel and tourism firms of Nigeria. Therefore the null hypotheses that service production-inputs suppliers' credit payment plan does not affect the ROA and ROE of the listed hotel and tourism firms of Nigeria were rejected.

The findings of this study align with Aldehayyat and Twaissi (2011), Miller and Cardinal (1994), Suklevand Debarliev (2012), Ida, Azahari, Munauwar and Rushami (2015), Wang, Walker & Redmond (2007), Signhvi (2000), Miller & Cardinal (1994), Venkatraman & Ramanujam (1986) among others who recorded positive relationship between the two constructs.

CONCLUSION

In summary, service production inventory period in the production process of the hotel and tourism industry positively and insignificantly enhances ROA and negatively and insignificantly affect ROE of the listed firms in Nigeria. The services payment period plan positively and insignificantly affect ROA and ROE of the firms. The plan for services production-inputs suppliers' credit payment period relates negatively and insignificantly with ROA and positively and insignificantly with ROE of the listed hotel and tourism firms of Nigeria. From the findings production planning in the hotel and tourism services industry plays vital role in achieving improved profitability of the firms. As raw materials input conversion period increases, production suppliers' credit payment period decreases and services payment period increases, the financial performance of the firms in terms of return on assets (ROA) improves. As raw materials input conversion period decreases, production suppliers' credit payment period increases and services payment period increases, the financial performance of the firms in terms of return on equity (ROE) improves. Investors, operators and managers of hotel and tourism business will find the outcome of this study helpful in planning their production of their services toward achieving their desires and make better decision ahead of time. Since production planning has been proved to enhance the profitability performance of hotel and tourism firms, there is every need for the vacationers in this line of business to pay serious attention to the efficiency issues such as how materials are being consumed in production process, make adequate plan to keep them at optimum inventory level and beware of the consequences of planless receipt of cash from sales and impromptu payment of the production bills as these may cause disruptions in the process if adequate plans were not made.

Policy implication of the findings of the study

Obviously as a result of ongoing recession, if there is the strong desire to get the hotel and tourism firms to continue rendering their services to the customers without threat of extinction, the findings of this study provide useful insight to their research and development department.

Contribution to knowledge

Most of the notable studies on production planning are not only with reference to developed economy but fewer are with reference to emerging economies like Nigeria that is currently wooing her teeming productive population to embrace any of the entrepreneurial chains as a way to encourage entrepreneurship. The validation of the relevance of respective impact of timing of production inventory conversion into finished products, receipt of proceeds from the sale of the products and the average time required paying the suppliers of the production inputs on profitability from hotel and tourism sector of emerging economy is a germane study. This research was essentially done through the lenses of the sectoral/industry classifications and used disaggregated production plan in terms of timing of production inventory, timing of receipt of proceeds from the sale of the products to support more production and the average time required to pay the suppliers of the production inputs. These serve as nuclei to continuous production in hotel and tourism business.

Appendix 1

Table 2: Service production planning and performance variables for Capital hotels

1.CAP	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
2007	9.9754	10.4637	20.2359	21.2072	10.3473	1.6405	0.1697	0.2649	40.9247	6.4532	0.4388	0.4042	0.5655	1.4150
2008	15.0165	11.0014	24.9362	27.2277	13.3393	4.2875	0.4836	0.1471	40.9247	6.5895	0.6185	0.5108	0.3693	1.4314
2009	25.2960	26.8239	25.8715	38.1138	20.9727	3.6430	0.4702	0.1779	18.7048	6.6918	0.6776	0.4933	0.3519	1.4472
2010	18.9460	20.1246	25.3468	44.0157	26.5212	3.3265	0.4706	0.2023	6.9696	6.7513	0.7543	0.4726	0.3272	1.4624
2011	19.6917	11.6854	21.6349	60.4161	41.7415	2.8276	0.4709	0.2576	-2.5036	6.8261	0.9949	0.2576	0.2715	1.4771
2012	19.6917	11.6854	20.0546	71.7999	53.5867	2.8276	0.4709	0.2576	0.0000	6.8261	0.9949	0.2576	0.2715	1.4914
2013	5.1178	5.1833	20.7757	47.0547	33.8827	2.3939	0.3086	0.2214	-5.0067	6.8057	0.7270	0.4951	0.4701	1.5051
2014	9.5112	7.0929	25.0462	19.2459	15.9274	2.1221	0.2635	0.2348	-2.3006	6.8474	0.7701	0.5062	0.5017	1.5185
2015	8.8591	12.4094	25.5220	23.8436	16.3306	2.5229	0.3851	0.2529	3.0808	6.8788	1.0284	0.4756	0.3620	1.5315
2016	21.9180	24.3156	24.4814	31.5394	12.9088	2.4432	0.3757	0.2603	14.4771	6.9054	0.9523	0.3483	0.3639	1.5441
2017	7.0350	15.1510	21.8155	36.3023	14.7569	2.2970	0.3064	0.2363	4.6463	6.9930	0.9500	0.3723	0.4573	1.5563
2018	4.3368	5.9209	14.7364	33.1948	24.9324	2.1663	0.3044	0.2610	6.3220	7.0033	0.9533	0.3632	0.4345	1.5682

Source: Calculated from the extracted data from annual financial statements of Capital hotel

Table 3: Service production planning and performance variables for Ikeja hotels

2.IKJ	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
2007	8.3944	14.5035	19.8675	59.2532	17.8266	1.0129	0.0036	0.2786	13.7713	7.1903	0.8279	0.6896	0.7178	1.5441
2008	9.6624	15.8487	16.2541	37.1263	8.1126	1.0105	0.0029	0.2767	22.1991	7.1879	0.6678	0.6428	0.7204	1.5563
2009	12.6901	17.5710	18.8232	29.3969	10.4142	0.9036	-0.0305	0.3163	11.0629	7.2450	0.7009	0.6206	0.7142	1.5682
2010	12.5956	25.5861	18.7920	37.7339	9.4300	1.1477	0.0495	0.3352	6.9077	7.2937	0.9870	0.5587	0.6153	1.5798
2011	16.8768	-31.5476	17.0135	41.2668	20.3230	1.1547	0.0917	0.5927	55.8242	7.1250	0.7642	0.9401	0.3156	1.5911
2012	18.2246	45.7857	29.3236	54.3258	27.7516	1.7200	0.1910	0.2652	-5.6906	7.2115	0.6592	0.7294	0.5438	1.6021
2013	11.8113	17.2917	24.4333	43.8476	18.0951	1.6666	0.1792	0.2688	-0.3509	7.2422	0.6970	0.6706	0.5521	1.6128
2014	5.6763	0.0508	24.7291	38.8104	21.4323	1.3529	0.1053	0.2984	-10.3157	7.2937	0.7887	0.7065	0.5963	1.6232
2015	6.7785	8.7184	28.9243	35.6885	19.4308	1.1372	0.0437	0.3187	-2.0943	7.3263	0.7795	0.6966	0.6376	1.6335
2016	9.4793	14.6247	25.6449	34.6914	16.0446	0.8314	-0.0599	0.3551	10.2480	7.3922	0.6704	0.6934	0.7048	1.6435
2017	4.6906	3.4801	33.3885	37.7819	27.1080	3.8308	-0.0516	0.2610	11.5690	7.5533	2.9492	0.5148	0.0000	1.6532
2018	5.5904	5.9911	31.7705	36.8997	40.3588	0.9378	-0.0167	0.2680	9.4510	7.5777	0.7163	0.5121	0.7487	1.6628

Source: Calculated from the extracted data from annual financial statements of Ikeja hotels

Table 4: Service production planning and performance variables for Tantalizers

3.TAN	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
2007	16.0176	24.2385	14.6206	7.5325	42.8464	0.3803	-0.3968	0.6403	21.0240	9.5169	0.2138	0.7044	0.7565	1.0000
2008	7.8362	8.1051	15.6919	5.3074	35.4058	1.2375	0.0451	0.1901	21.0240	9.7109	0.2668	0.2667	0.7647	1.0414
2009	3.4996	1.5523	15.5025	4.2814	44.6061	0.8896	-0.0249	0.2260	18.9660	9.7602	0.2147	0.3664	0.7989	1.0792
2010	2.8941	1.5594	15.1341	6.0177	68.4625	0.8720	-0.0253	0.1978	-9.3030	9.7687	0.2071	0.3299	0.8275	1.1139
2011	1.5170	2.7031	19.9275	8.0983	64.9773	1.1358	0.0259	0.1904	-5.8244	9.8174	0.3084	0.4262	0.7838	1.1461
2012	-3.7725	-9.0618	25.0758	9.5222	57.1485	0.6328	-0.0888	0.2419	-8.8244	9.7805	0.2199	0.4448	0.8469	1.1761
2013	-6.9049	-21.1753	22.9627	10.9146	62.8188	0.3438	-0.2193	0.3342	-17.1068	9.7580	0.1891	0.5344	0.8851	1.2041
2014	-11.501	-43.8693	20.1011	18.7922	66.7068	0.2198	-0.3497	0.4482	-16.1019	9.7001	0.1692	0.6434	0.9015	1.2304
2015	9.2882	40.2895	27.4304	40.1849	77.4329	0.1954	-0.3519	0.4373	-33.8625	9.7197	0.2320	0.6654	0.9146	1.2553
2016	14.8820	137.6511	27.0594	45.1370	59.1777	0.1496	-0.5268	0.6194	0.5388	9.6954	0.2366	0.8511	0.9074	1.2788
2017	17.7913	66.6183	31.4711	95.7417	56.9568	0.3852	-0.4232	0.6884	-9.8321	9.6065	0.6121	0.8353	0.7348	1.3010
2018	7.2538	12.3238	36.1793	170.0826	62.0674	0.4599	-0.3517	0.6513	-12.8784	9.5593	0.7119	0.8069	0.7005	1.3222

Source: Calculated from the extracted data from annual financial statements of Tantalizers

Table 5: Service production planning and performance variables for Tourist Company of Nigeria

4.TCN	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
2007	2.7669	15.3831	30.1462	71.8363	13.7490	0.3154	-0.3573	0.5220	18.5958	6.8954	0.8870	0.8976	0.8354	1.6335
2008	-8.1293	-56.9480	47.7158	65.8161	8.7999	0.2309	-0.4907	0.6380	1.7884	6.9643	0.9136	0.9868	0.8527	1.6435
2009	4.6463	121.7604	131.8923	41.9026	51.4896	0.2881	-0.6166	0.8661	12.9671	7.1216	1.9681	1.0423	0.7504	1.6532
2010	4.6463	121.7604	156.8299	28.6979	86.3562	0.2881	-0.6166	0.8661	0.0000	7.1216	1.9681	1.0423	0.7504	1.6628
2011	-6.5352	-61.2250	44.3276	15.8823	25.7355	0.5549	-0.0705	0.1584	165.8826	7.0567	0.2245	0.8036	0.9121	1.6721
2012	-2.8094	-30.0579	41.7693	34.1590	22.2136	0.6745	-0.0489	0.1503	-23.4046	7.0477	0.3311	0.8443	0.8986	1.6812
2013	0.8672	6.9226	70.6897	36.6769	55.5543	0.9473	-0.0072	0.1370	1.2260	7.0449	0.4162	0.8371	0.8702	1.6902
2014	-1.6005	-50.0515	58.2009	38.2955	80.1041	1.0165	0.0019	0.1166	-2.0940	7.0252	0.3709	0.8864	0.8815	1.6990
2015	-0.4838	183.6896	54.0706	34.8649	56.7898	1.4163	0.0389	0.0935	-5.2197	7.0165	0.4287	1.1385	0.8675	1.7076
2016	-4.2093	79.4079	54.7928	22.2457	44.3854	1.3428	0.0437	0.1275	-9.9048	7.0231	0.6246	1.6624	0.8288	1.7160
2017	-6.2000	31.5396	48.1542	13.5333	38.9632	1.3174	0.0431	0.1357	69.7067	6.9960	0.3610	2.0299	0.8212	1.7243
2018	-0.9001	-10.8701	70.3380	23.1657	63.3012	1.1880	0.0094	0.0498	-26.5004	7.5326	0.5594	0.6278	0.9408	1.7324

Source: Calculated from the extracted data from annual financial statements of Tourist Company of Nigeria

Table 6a: Descriptive statistics(Hotel and tourism industry)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
Mean	6.8485	1.9168	34.1564	37.2807	36.8255	1.3685	0.0048	0.3195	8.3267	7.7177	0.7022	0.6793	0.6593	1.4913
Maximum	25.2960	183.6896	156.8299	170.0826	86.35620	4.287495	0.483571	0.866117	165.8826	9.8174	2.9492	2.0299	0.9408	1.7324
Minimum	-11.5007	-560.948	14.621	4.2814	8.1126	0.1496	-0.6166	0.0498	-33.8625	6.4532	0.1692	0.2576	0.0000	1.0000
Std. Dev.	8.6211	105.4352	27.1688	27.2948	22.2037	1.0329	0.2944	0.1955	30.1964	1.1782	0.5067	0.3331	0.2246	0.2038
Observations	48	48	48	48	48	48	48	48	48	48	48	48	48	48

Source: computed by the researcher using E-View 9.0

Table 6b: Descriptive statistics(Capital hotels)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
Mean	13.7829	13.4881	22.5381	37.8301	23.7706	2.7082	0.3733	0.2312	10.5199	6.7976	0.8217	0.4131	0.3955	1.4957
Maximum	25.2960	16.8239	25.8715	71.7999	53.5867	4.2875	0.4836	0.2649	40.9247	7.0033	1.0284	0.5108	0.5655	1.5682
Minimum	4.3368	5.1833	14.7364	19.2459	10.3473	1.6405	0.1697	0.1471	-5.0067	6.4532	0.4388	0.2576	0.2715	1.4150
Std. Dev.	7.1578	6.9545	3.3098	15.8992	13.2667	0.7341	0.1032	0.0377	15.7750	0.1590	0.1855	0.0932	0.0911	0.0501
Observations	12	12	12	12	12	12	12	12	12	12	12	12	12	12

Source: computed by the researcher using E-View 9.0

Table 6c: Descriptive statistics(Ikeja hotels)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
Mean	10.2059	-11.5080	24.0804	40.5685	19.6940	1.3922	0.0424	0.3196	10.2151	7.3032	0.9340	0.6646	0.5722	1.6059
Maximum	18.2246	45.7857	33.3885	59.2532	40.3588	3.8308	0.1910	0.5927	55.8242	7.5777	2.9492	0.9401	0.7487	1.6628
Minimum	4.6906	-307.5476	16.2541	29.3969	8.1126	0.8314	-0.0599	0.2610	-10.3157	7.1250	0.6592	0.5121	0.0000	1.5441
Std. Dev.	4.3833	93.9799	5.9105	8.4044	9.0220	0.8181	0.0844	0.0913	17.0246	0.1414	0.6412	0.1143	0.2160	0.0389
Observations	12	12	12	12	12	12	12	12	12	12	12	12	12	12

Source: computed by the researcher using E-View 9.0

Table 6d: Descriptive statistics(Tantalizers)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
Mean	4.900	18.411	22.596	35.134	58.217	0.575	-0.224	0.405	-4.348	9.699	0.298	0.573	0.819	1.179
Maximum	17.791	137.651	36.179	170.083	77.433	1.237	0.045	0.688	21.024	9.817	0.712	0.851	0.915	1.322
Minimum	-11.501	-43.869	14.621	4.281	35.406	0.150	-0.527	0.190	-33.862	9.517	0.169	0.267	0.700	1.000
Std. Dev.	9.164	46.917	7.029	50.183	11.960	0.374	0.200	0.201	16.993	0.093	0.175	0.206	0.073	0.105
Observations	12	12	12	12	12	12	12	12	12	12	12	12	12	12

Source: computed by the researcher using E-View 9.0

Table 6e: Descriptive statistics(Tourist Company of Nigeria)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
Mean	-1.4951	-12.7241	67.4106	35.5897	45.6202	0.7984	-0.1726	0.321756	16.92025	7.0705	0.7544	1.0666	0.8508	1.6846
Maximum	4.6463	183.6896	156.8299	71.8363	86.3562	1.4163	0.0437	0.866117	165.8826	7.5326	1.9681	2.0299	0.9408	1.7324
Minimum	-8.1293	-560.9480	30.1463	13.5333	8.7999	0.2309	-0.6166	0.049815	-26.50042	6.8954	0.2245	0.6278	0.7505	1.6335
Std. Dev.	4.276938	188.5285	38.05813	17.92194	24.82611	0.459232	0.267011	0.310932	52.94847	0.158073	0.604998	0.395474	0.058381	0.0324
Observations	12	12	12	12	12	12	12	12	12	12	12	12	12	12

Source: computed by the researcher using E-View 9.0

Table 7: Correlation matrix (Hotel and tourism industry)

	ROA	ROE	MCP	CRP	MPP	LIQ	WCR	CLR	SGR	FSZ	WCT	FDR	AST	FAG
ROA	1.000													
ROE	0.222	1.000												
MCP	-0.280	0.173	1.000											
CRP	0.270	-0.072	0.035	1.000										
MPP	-0.309	0.278	0.419	0.007	1.000									
LIQ	0.484	0.099	-0.262	-0.038	-0.394	1.000								
WCR	0.413	0.053	-0.461	-0.151	-0.451	0.837	1.000							
CLR	0.129	-0.110	0.381	0.404	0.184	-0.488	-0.726	1.000						
SGR	-0.022	-0.154	-0.024	-0.197	-0.352	0.078	0.105	-0.083	1.000					
FSZ	-0.182	0.091	-0.219	-0.068	0.574	-0.504	-0.502	0.251	-0.272	1.000				
WCT	0.181	0.051	0.429	0.227	-0.175	0.353	-0.032	0.325	-0.039	-0.415	1.000			
FDR	-0.399	0.008	0.486	0.080	0.147	-0.363	-0.410	0.184	0.172	-0.168	-0.003	1.000		
AST	-0.635	0.025	0.275	-0.156	0.464	-0.851	-0.664	0.104	-0.073	0.451	-0.574	0.414	1.000	
FAG	-0.120	-0.069	0.433	0.168	-0.323	0.161	0.156	-0.150	0.157	-0.833	0.439	0.455	-0.134	1.000

Source: computed by the researcher using E-View 9.0

Table 8:OLS Regression results(Hotel and tourism industry): Dependent variables = ROA & ROE

ROA	Variable	Coefficient	Std error	t-statistic	P-value	ROE	Variable	Coefficient	Std error	t-statistic	P-value
	C	-0.786	56.771	-0.014	0.989		C	-878.55	994.7202	-0.883	0.383
	MCP	0.057	0.110	0.520	0.606		MCP	-0.287	1.931	-0.149	0.883
	CRP	0.032	0.045	0.709	0.483		CRP	0.047	0.791	0.059	0.953
	MPP	-0.061	0.090	-0.678	0.502		MPP	1.076	1.583	0.679	0.501
	LIQ	2.185	3.406	0.641	0.525		LIQ	43.315	59.684	0.726	0.473
	WCR	11.452	18.173	0.630	0.533		WCR	482.448	318.428	1.515	0.139
	CLR	29.130	19.995	1.457	0.154		CLR	261.344	350.343	0.746	0.461
	SGR	-0.016	0.037	-0.429	0.671		SGR	0.057	0.648	0.088	0.931
	FSZ	1.152	3.002	0.384	0.704		FSZ	30.463	52.605	0.579	0.566
	WCT	-8.154	7.161	-1.139	0.263		WCT	182.143	125.468	1.452	0.156
	FDR	-4.034	4.291	-0.940	0.354		FDR	57.788	75.186	0.769	0.447
	AST	-17.492	27.602	-0.634	0.530		AST	656.845	483.625	1.358	0.183
	FAG	3.774	15.844	0.238	0.813		FAG	-88.463	277.607	-0.319	0.752
Model Summary											
Model	R ²	Adjusted R	Std error	F-statistic	P (F-statistic)	Mean dependent var	SD dependent var	Durbin-Watson stat			
ROA	0.625484	0.497079	6.113819	4.871164	0.000116	6.848472	8.621097	1.651829			
ROE	0.231	-0.032	107.124	0.877	0.576	1.917	105.435	2.195			

Source: computed by the researcher using E-View 9.0

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