

IVANKA AVELINI HOLJEVAC, Ph.D., Full Professor
Faculty of Tourism and Hospitality Management in Opatija, University of Rijeka

PROJECT REPORT

“PERFORMANCE MANAGEMENT IN THE CROATIAN HOTEL INDUSTRY”

The Project was contracted with the Ministry of Science, Education and Sports for a three-year period from 2002 to 2005.

A total of nine researchers were involved in the Project. Together with the Head of Research, they are:

1. Vlado Galičić, Ph.D., Assistant Professor
2. Sandra Janković, Ph.D., Assistant Professor
3. Suzana Marković, Ph.D., Assistant Professor
4. Helga Maškarin, Ph.D., Assistant Professor
5. Mislav Šimunić, Ph.D., Senior Assistant
6. Dubravka Vlašić, M.Sc. Assistant.
7. Ana-Marija Vrtodušić Hrgović, M.Sc., Assistant
8. Kristina Črnjar, Assistant

Having an average age of 36, these are young researchers.

Work on the project was carried out through three stages, each stage lasting one year.

Below is the list of research themes per individual researcher per year.

First year of research:

- Current organisational status of business and process hotel functions (Galičić)
- Shortcomings of performance accounting in the hotel industry (Janković)
- Service quality in the hotel industry: Concepts and measurement (Marković)
- Assessing and evaluating performance in Croatia’s hotel industry – state of the art (Maškarin)
- Web pages and managing performance in the hotel industry (Šimunić)
- Overview of accounting methods in leasing (Vlašić)
- TQM in the hotel industry (Vrtodušić Hrgović)
- Performance appraisal in the hotel industry (Črnjar)

Second year of research:

- Executive information systems as the basis for restructuring business and process hotel functions (Galičić)
- Activity-based accounting: Theoretical assumptions and conceptual framework (Janković)
- Quantitative application of the SERVQUAL model in the hotel industry (Marković)
- Employee job satisfaction in Croatia's hotel industry (Maškarin)
- Web pages and managing performance in the hotel industry (Šimunić)
- Current state of leasing accounting in Croatia's hotel industry (Vlašić)
- Performance as an element of the quality system (Vrtodušić Hrgović)
- Work productivity factors in Croatia's hotel industry (Črnjar)

Third year of research:

- Restructuring business and process hotel functions (Galičić)
- Model for introducing activity-based costing in the hotel industry (Janković)
- Qualitative application of the SERVQUAL model in the hotel industry (Marković)
- Measuring the impact of employee job satisfaction on hotel performance (Maškarin)
- Web pages and managing performance in the hotel industry (Šimunić)
- Designing and optimising leasing accounting models in the Croatian hotel industry (Vlašić)
- Proposed model for measuring and evaluating performance in the quality system (Vrtodušić Hrgović)
- Knowledge management in hotels (Črnjar)

The papers presented by the researchers total 342 pages. Being mutually complementary, the papers represent a unity entitled "Managing Performance in the Croatian Hotel Industry". Reviewed by Prof. Stevan Popović, Ph.D, Faculty of Tourism and Hospitality Management, Kotor, Serbia and Crna Gora; and Prof. Ludmila Novacká, Ph.D., University of Economics, Bratislava, Slovakia, all paper have been classified as scientific papers.

SUMMARY OF THEMATIC UNITS PER RESEARCHER

Vlado Galičić, Ph.D. , Assistant Professor

The subject of research involves previous theoretical and practical achievements of management in organising and carrying out business and process functions in the hotel, in understanding the impact of these achievements on the organisational structure of hotels in Croatia, in identifying the means and methods of improving the way work is organised in hotels, and in determining the prerequisites essential to restructuring hotel business and process functions.

Research objectives focus on the analysis of the present organisational status of business and process functions and on determining the optimum organisational forms for performing these functions in the hotel. These organisational forms are established by determining organisational needs and by analysing both the current structure of business and process functions and the restructuring they require, in addition to identifying the manner and methods of meeting IT requirements at various levels of management.

The **method of research** is adapted to the research subject, which belongs to the category of applied research. General scientific methods (induction and deduction; comparison; analysis and synthesis; descriptive, normative and statistical methods) as well as specific methods (complex analytical method, evaluating organisations with regard to process functions) are used.

Research results show that organisational restructuring through the appropriate application of information technology is a prerequisite to the process of restructuring business and process functions in the hotel. Although this process involves the participation of all hotel employees, the top management is responsible for its successful implementation. Furthermore, the application of IT can help to reduce operational costs, improve the quality of services provided and increase customer satisfaction. The results of the study contribute to promoting the diversification and management of hotel performance, and the application of principles of business and process function organisational structuring. In addition, these results can also be applied in formulating strategies in shaping the organisational model of the hotel, taking into account the numerous links and relationships existing in the immediate and broader environment and focusing on achieving hotel business efficiency and service quality of world-class and European standards.

Sandra Janković, Ph.D., Assistant Professor

This leg of the project deals with the requirements placed before performance measurement systems in the hotel industry. The measurement system is designed in a way that will make it useful to hotel managers as a management

tool. Activity-based costing is the **subject of research**. As an integral part of the performance measurement system, this method is intended to provide support to new concepts of management.

The **objective of research** is to present a conceptual framework for implementing a Cost and Performance Measurement System which will provide the basis for improving the operational performance of the hotel enterprise. Central to this system is the process of activity-based costing (German *Prozeßkostenrechnung*) which becomes a management tool and the basis for strategic decision-making. In keeping with new demands, this costing method is supplemented with value- and market-oriented factors, and integrated with the cost and performance management system, thus becoming one of the major tools of process and value management.

Research results: The paper rests on the following hypothesis: using an integrated activity-based costing system, it is possible to provide hotel managers with an information base to assist them in rationally using resources, continuously improving processes and enhancing performance.

This hypothesis is confirmed using the **case-study method**.

Suzana Marković, Ph.D., Assistant Professor

The **subject of research** is the statistical measurement of service quality in the hotel industry.

The **purpose and objective of research** is to explore the major features of quality and service quality within the context of economic sciences, provide scientifically based study results (conceptual and empirical) regarding quality measurement in the hotel industry, and examine, using a selected model, whether or not the most frequently applied service quality measurement model (SERVQUAL, Parasuraman et al., 1988.) is also the most reliable for measuring service quality in the hotel industry.

The objective of this study is to examine the reliability and validity of the SERVQUAL model (Parasuraman et al., 1988.) in the hotel industry, based on the following hypothesis: by applying scientifically based methods and instruments in measuring service quality, hotel managers are capable of efficiently impacting on hotel service quality and guest satisfaction, as well as on hotel performance. The study has confirmed this hypothesis using the methods of univariate, bivariate and multivariate (factor analysis and reliability analysis) statistical methods.

Research results: The results of the quantitative application of the SERVQUAL model to the hotel industry indicate that the expectations of hotel guests exceed their perceptions. This is suggestive of a negative SERVQUAL gap. The results of factor analysis point to a pure factor structure with fairly high factor coefficients. The three-dimensional solution of the expectation scale results in the following factors: reliability, responsiveness, and tangibles. The perception scale also comprises three factors: responsiveness, reliability, and tangibles.

Research methods: Reliability analysis is used in addition to factor analysis, and the complex reliability of the construction is calculated. Results show that all factors exceed the recommended 0.50 level (Hair et al., 1995), ranking from 0.77 to 0.96. The alpha coefficient for the expectation scale is 0.8246; for the perception scale it is somewhat higher at 0.9243. The study, therefore, demonstrates the high reliability of the SERVQUAL instrument used.

Nevertheless further adjustments to and evaluation of the research instrument are required, including instrument validity tests.

Helga Maškarin, Ph.D., Assistant Professor

The **subject** of this research is to examine and identify the nature and strength of ties linking employee job satisfaction and hotel performance.

The general **objective** is to prove the existence of such relations. Special objectives derived from the general objectives focus on establishing the importance of measuring, evaluating and managing hotel performance; defining hotel performance measurement and evaluation models taking into account the specific features of the hotel industry, international standards and the latest scientific advancements; identifying the significance of measuring job satisfaction in the hotel industry; and determining the nature and the strength of ties between job satisfaction and hotel performance.

Doing scientific research and compiling and presenting results requires the application of the appropriate combinations of scientific **research methods**, including induction and deduction, analysis and synthesis, abstraction and concretisation, generalisation and specialisation, verification and refutation, comparison, and observation. Research was conducted using a standardised questionnaire, the results of which were processed and analysed by univariate (descriptive statistics) and bivariate statistical methods (ANOVA, Mann-Whitney test, Kruskal-Wallis test, Pearson's and Spearman's correlation coefficients). Data processing was supported by SPSS 11.0, the statistical data analysis and processing program package.

Research results: Using the Balanced Scorecard, the first part of the study provides a conceptual framework for measuring hotel performance based on the opinions and attitudes of hotel enterprise managers. The second part determines the level of employee job satisfaction across various dimensions of this construct, and the third part brings together the study's two primary constructs: job satisfaction and hotel performance. Research indicates a weak, but nevertheless statistically significant correlation between all dimensions of job satisfaction and hotel performance. Low correlation coefficients between hotel performance and job satisfaction do, however, suggest that management should also seek out other areas in which to act in enhancing performance, areas where such activities will bring greater results.

Mislav Šimunić, Ph.D., Senior Assistant

This paper's **research subject** involves the following:

- The importance of multimedia and promotion, and their role in the context of e-business, with emphasis on the analysis of the validity and principles of market communication in promotional activities, where information is becoming the dominant resource in modern business,
- Web pages as information models for multimedia (IMMm),
- Web pages and their dual dynamic nature,
- The importance of tracking Web page activity; analysing, redesigning and reorganising Web pages,
- Log files used as data sources and for analysis purposes,
- Issues on the design and characteristics of log-file analysis programs,
- Theoretical and practical assumptions as preconditions to and the bases of analysing IMMm activity,
- Analytic and systematic study of IMMm activity in presenting national tourism on the Internet (study based on the Web pages of the Croatian Tourist Association).

The objective and tasks of the study include the following: defining the dynamic level of Web pages as IMMms; determining the current status and relevant issues, and proposing solutions and guidelines for comprehensive and efficient tracking and analysing; creating and redesigning model structures to provide for improved and efficient presentation, in general, and in particular in the case of presenting national tourism over the Internet, as research in the study focuses on the Web pages of the Croatian Tourist Association which present the national tourism offer of Croatia.

Research methods are dependent of the issues discussed, and the possibilities and conditions under which research is carried out. Research begins by studying the available domestic and foreign literature, with the application of the historical method to provide broader and in-depth understanding at theoretical and practical levels. A combination of the historical method, normative method and analysis is used in examining the situation in Croatia regarding the presentation of national tourism over the Internet.

Research results: The aim of this paper is to identify the following issues at a theoretical, as well as a practical level:

1. There is no Web cluster model with defined dual dynamics that provides a continuous analysis of log files with direct feedback to its dynamic levels.
2. By determining and tracking IMMm activity through log-file analysis, it is possible to reduce response time, react more efficiently and systematically to market demand, and constantly monitor contemporary world trends.

Dubravka Vlašić, M.Sc., Assistant

The research subject of the part of the project entitled "Performance management in Croatia's hotel industry" deals with the types and range of leasing accounting methods used in the Croatian hotel industry.

One **objective of research** is to create a model, based on data gathered, that will help to increase the application of leasing in the hotel industry of Croatia and take fuller advantage of the benefits this method of financing can provide. Another objective, with regard to the specific features of the hotel industry, is to create a report according to the method used by the Uniform System of Accounts for the Lodging Industry (USALI).

Research methods include the historical method for gathering information from the domestic and foreign literature, which was followed up with empirical research of a representative sample of hotels in Croatia. Empirical research was based on the application of the general principles of methodology common to research in economics. Other methods used are the abstraction method as a combination of inductive, deductive and verification methods. Analysis and synthesis were used in understanding the various theoretical aspects and practical procedure of using leasing in hotel enterprises.

Research results indicate a very limited application of leasing in Croatia's hotel industry, which suggests insufficient awareness of the advantages of leasing. The impact of leasing on financial reports in the Croatian hotels is therefore also very limited, although it is expected to grow steadily in the future, calling for systemic research in this field. A leasing information system is also needed. These principles would be the starting point for compiling observations in financial reports. The quality and reliability of information on leasing provided in financial reports will depend upon the organisation of financial accounting, as well as on the quality of the internal accounts, taking into account the specific features of the hotel industry.

Ana-Marija Vrtodušić Hrgović, M.Sc., Assistant

Research subject: Having proved itself successful in the production sector, the Total Quality Management (TQM) system entered the servicing sector during the late 1980s and early 1990s, and hotel enterprises were made aware of the value and power of quality. Defined as *understanding and meeting guest demands*, quality is today a unique force, driving and directing hotel enterprises in providing services that will not only fulfil, but also exceed the expectations of guests. Implementing TQM makes it necessary to implement an appropriate system for measuring and evaluating performance as well. The research subject of this paper, therefore, is TQM and the principles on which it is founded, together with a system for measuring and evaluating performance within TQM. Attention is centred on the special features of TQM in the hotel industry, as well as on the modern approach to measuring and evaluating performance.

Research objective: For a hotel enterprise to monitor and evaluate performance, an appropriate model is required. The objective of this paper is to define such a model that will enable the hotel to *measure and evaluate performance* in consistency with TQM. This model will make it possible to measure performance from the perspective of customers, employees and the community, as well as from the financial perspective and it should provide the hotel with framework for achieving business excellence. Because it is compatible with the criteria of the EFQM model of business excellence used in awarding the European Quality Award, the hotel will be able to apply the model in competing for this prize.

The **research methods** used include abstraction and concretisation, generalisation and specialisation, induction and deduction, analysis and synthesis, the historical method, verification and refutation, as well as the classification, statistical, comparative and descriptive methods.

Research results: Based on the criteria of the EFQM model of business excellence, the result of this study is a defined model for measuring and evaluating hotel performance within the quality system. This is a modern approach to measuring and evaluating performance as it enables the model to monitor results relating to customers, employees and the community, as well as the results of operational performance through financial and non-financial indicators. As such, the model can assist hotel managers in making decisions, as the information provided on the hotel's operational performance and financial status is supplemented with crucial information pertaining to customer, employee and community satisfaction, together with information on the level of success of improvements carried out.

Kristina Črnjar, Assistant

Research subject: Organisations in hospitality and tourism gain competitive advantages on the world market through high productivity, top-quality products and services, and innovations. Employees and the skills they possess are becoming a key success factor in hotel enterprises. The research subject deals with human capital and work productivity in the hotel industry. Attention is focused on employee performance appraisal, work productivity and factors that impact on work productivity, and on knowledge management in increasing the individual rate of work productivity of hotel employees.

The **research objective** is to identify the issues linked to human capital and work productivity as factors that determine the success of the hotel enterprise.

Research methods: The primary methods used are the statistical method of analysing and processing data and the comparative method, together with other methods commonly applied in research in the field of tourism and hospitality.

Research results: The result of research is a theoretical and methodological basis required for monitoring, measuring, evaluating and managing

employee work productivity in the hotel industry. Results also illustrate quantitative and qualitative indicators of work productivity. Special attention is focused on the development of human capital and work productivity in the Croatian hotel industry. The study has helped to enhance our understanding of the importance of human capital and knowledge for the successful performance of hotels and the hotel industry.

CONCLUSION

This project has brought together a considerable number of researchers proving that “Performance Management in the Croatian Hotel Industry” is an interesting and complex subject, which needs to be addressed in-depth from the aspect of various factors such as accounting, information technology, statistics, analysis, organisation, quality and personnel.

The efforts of the researchers over a three-year period have produced good results. These young researchers have demonstrated a deep understanding of today’s management methods and techniques in the domain of managing performance in the work processes specific to the hotel industry.

Research results represent a theoretical contribution to the science of economics in the hotel industry. In addition, these results can also provide a considerable contribution to improving current management practices in hotels, and in enhancing the effectiveness, efficiency and competitive ability of the hotel industry of Croatia.

Opatija, March 7th, 2005

Head of Research

Ivanka Avelini Holjevac, Ph.D., Full Professor