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## THE INTEGRATION OF CROATIAN HOTEL INDUSTRY INTO THE STANDARD EUROPEAN AND INTERNATIONAL PERFORMANCE MEASUREMENT SYSTEM

*UDC 640.41:006.07(497.5)*

*Received: 04.05.2003*

*Original scientific paper*

International standard system of business performance indicators used by the hotel industry consists of two parts: standard financial ratios – that are accepted and used by companies regardless of industry type, and standard business ratios for the hotel industry – a part that encompasses and reflects the characteristics of the hotel business operation.

When defining the indicators and building the systems of indicators, it is necessary to take into consideration that they have to be adjusted to the characteristics of hotel operation, they have to reflect the quality of the business success, they have to be measurable and complement each other, be complete and comparable with similar companies and their business branch.

The aim of this paper is to emphasize the importance of the integration of Croatian hotel industry into the European and international standard system for performance measurement. To enter the standard international hotel business information and communication system, certain conditions and standards need to be fulfilled. These conditions and standards are discussed in this paper.

Key words: hotel industry, international standards, performance indicators.

### 1. INTRODUCTION

Integrations are based on the agreement on the common goal, and on the policies and the time required to achieve that goal. The conclusion to be drawn is that integration into the economy, and into the European and world market also requires the acceptance of certain rules and laws which regulate operations. This also comprises the acceptance of the standard performance measurement and assessment system in all the industries, and in the hotel industry alike.

The needs and advantages of entering the standard performance measurement and assessment system are the following: the comparability and objectivity of assessment, increased quality of management and informing, and the

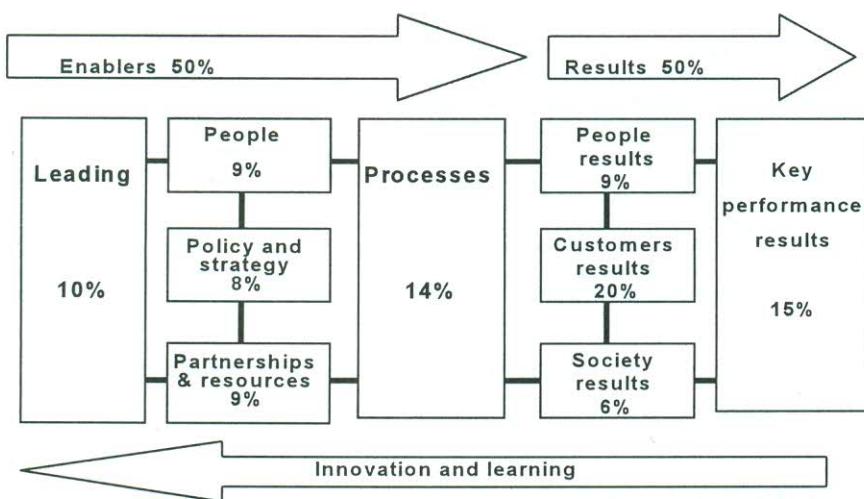
strengthening of competitive advantage and partnership on the European and world tourism market.

The purpose of this paper is to give an overview of the European and international standard system for measuring business results and to point out the importance of including the Croatian hotel industry in these systems.

## 2. THE EUROPEAN SYSTEM OF MONITORING HOTEL INDUSTRY PERFORMANCE

The model for measuring and evaluating the hotel industry performance is based on the quality system of the European Foundation for Quality Management (EFQM).

Figure 1. EFQM Excellence Model



Source: Introducing Excellence (1999) The European Foundation for Quality Management, Brussels, p. 14.

Of the total amount of 1000 points, 6% refer to business excellence in terms of social responsibility, i.e. responsibility towards the local, national and international community.

Social responsibility can be monitored through the following activities:

Figure 2. **Monitoring of social responsibility**

<p><i>Performance as a responsible corporate citizen:</i></p> <ul style="list-style-type: none"> <li>- disclosures of information relevant to the community,</li> <li>- equal opportunity practices,</li> <li>- impact on local and national economies,</li> <li>- relationships with relevant authorities,</li> <li>- ethical behaviour.</li> </ul>	<p><i>Involvement in the communities where it operates:</i></p> <ul style="list-style-type: none"> <li>- involvement in education and training,</li> <li>- support for medical and welfare provision,</li> <li>- support for sport and leisure,</li> <li>- voluntary work and philanthropy.</li> </ul>
<p><i>Activities to reduce and prevent nuisance and harm from its operations and/or throughout the life cycle of its products:</i></p> <ul style="list-style-type: none"> <li>- health risks and accidents,</li> <li>- noise and odor,</li> <li>- hazards (safety),</li> <li>- pollution and toxic emission.</li> </ul>	<p><i>Reporting on activities to assist in the preservation and sustainability of resources:</i></p> <ul style="list-style-type: none"> <li>- choice of transport,</li> <li>- ecological impact,</li> <li>- reduction and elimination of waste and packaging,</li> <li>- substitution of raw materials and other inputs,</li> <li>- usage of utilities e.g. gas, water, electricity, new and recycled materials.</li> </ul>

Source: Model Scorebook (1999) European Communications S.A., EFQM, Brussels, p. 65.

The EFQM Excellence Model is comprehensive, as it comprises all the elements of the quality of the activity enablers and the results of these activities. The measurement and evaluation of Croatian hotel industry business results with the aid of this model would make it possible to obtain a general and complete view of business excellence.

Total Quality Management (TQM) is a market-oriented and customer-driven system. In the total quality system, the customer is the *king* because the process begins with the customer (what the customer wants) and finishes with him (a satisfied customer).

The system is based on the definition of quality according to the ISO 8402 (BS 4778): "Quality is the totality of features and characteristics of a product or service on which their ability to meet expressed or expected demands is based."

TQM is a system for the improvement, increased flexibility, effectiveness and efficiency of operations.

TQM aims at ensuring and creating conditions in which all employees jointly achieve, with maximum efficiency and effectiveness, a single goal: to produce a product and provide a service when, where and how the customer or consumer wants and expects it, for the first and every other subsequent time.

TQM is based on the concept of the constant improvement of processes, on continuous quality and teamwork, which all result in continuous overall improvement.

*Quality and the standards that define quality are the only way to enter and survive on the European and international tourism market. Quality is the key to business success.*

### 3. THE INTERNATIONAL SYSTEM OF MONITORING HOTEL INDUSTRY PERFORMANCE

The European system of monitoring hotel industry performance is included in the international Uniform System of Accounts for the Lodging Industry (USALI).

The world hotel industry monitors its results on the basis of the defined hotel performance management standards. The annual publication, Worldwide Hotel Industry, which is prepared by Horwath and Horwath International, New York (with two hundred consultant companies in seventy countries), is based on a sample of 239,000 hotel rooms in the following regions and sub-regions throughout the world: Africa, the Middle East, Asia, Australia, North America (Canada and the USA), Europe (continental Europe, Scandinavia, Great Britain), Latin America (Mexico, South America, the Caribbean Islands). The indicators are deduced from hotel business statistics and from the terminology and standard accounting data according to the methodology of the Uniform System of Accounts for the Lodging Industry, which is accepted in all developed countries.

**The Uniform System of Accounts for the Lodging Industry**, a standard accounting system for the hotel industry, was first published in 1926 by the Hotel Association of New York City (USA) and has since appeared in nine revised editions.

The system that contains a list of standard accounts serves for drawing up basic accounting reports for external and especially for internal information users.

In addition, USALI contains a hotel's business statistics with an overview of the most important information about its operations. Based on the standard accounting information and business statistics of the hotel, a whole series of indicators is calculated about the hotel's operations and performance, which make up one part of

the instruments used in the a...  
creditworthiness.

A short overview of...  
according to USALI:<sup>1</sup>

### I. ROOMS OCCUPANCY IND...

1. Average o...
2. Average r...
3. Revenue p...
4. Total dai...

### II. MARKET DATA

#### 1. Nationality of all guests:

- SAD, Canada
- Central and So...
- Domestic gues...
- Other Europe
- Japan
- Other Asia
- Australia
- Middle East
- North Africa
- Other Africa
- Total:

#### 2. Composition of market:

- Business travel
- Tourists (indiv...
- Conference par...
- Government of...
- Other
- Total:

<sup>1</sup> According to Worldwide Hotel Industr...

the instruments used in the analysis and evaluation of the hotel's performance and creditworthiness.

A short overview of the system of measuring a hotel's business results according to USALI:<sup>1</sup>

## I. ROOMS OCCUPANCY INDICATORS

1. Average occupancy rate (%)
2. Average number of guests per room
3. Revenue per available room – RevPAR (€)
4. Total daily rate (€)

## II. MARKET DATA

### 1. Nationality of all guests:

SAD, Canada	
Central and South America	
Domestic guests	}
Other Europe	
Japan	
Other Asia	
Australia	
Middle East	
North Africa	
Other Africa	
<hr/> Total:	<hr/> 100%

### 2. Composition of market:

Business travellers	
Tourists (individuals and tour groups)	
Conference participants	
Government officials	
Other	
<hr/> Total:	<hr/> 100%

<sup>1</sup> According to Worldwide Hotel Industry, Horwath & Horwath International, New York

**III. OPERATIONS DATA****1. Revenue (5%):**

Rooms	
Food	
Beverage	
Minor operated departments	
Rentals and other income	
<b>Total:</b>	<b>100 %</b>

Departmental expenses (% of departmental revenue):

Food  
Beverage

Departmental profit (%):

Rooms  
Food and beverage

Gross Operating Profit – GOP (%)

**2. Human resource statistics:**

Number of employees per available room  
Revenue per employee (€)  
Expenses per employee (€)  
Payroll and related expenses (% of revenues)

**IV. REVENUES PER AVAILABLE ROOM****1. Rooms revenue:**

Revenue per available room (€)  
Revenue per available room (% of total RevPAR)

**2. Food and beverage revenue:**

Revenue per available room (€)  
Revenue per available room (% of total RevPAR)

**3. Telecommunications revenue:**

Revenue per available room (€)  
Revenue per available room (% of total RevPAR)

**4. Minor operated departments revenue:**

Revenue per available room (€)  
Revenue per available room (% of total RevPAR)

**5. Rentals and other income:**

Revenue per available room (€)  
Revenue per available room (% of total RevPAR)

**V. PAYROLL AND RELATED EXPENSES PER AVAILABLE ROOM****1. Salaries and wages (€):**

- Rooms
- Food and beverage
- Administration and general
- Marketing
- Property operation and maintenance

**2. Other related expenses (€):**

- Rooms
- Food and beverage
- Administration and general
- Marketing
- Utility costs
- Property operation and maintenance
- Management fees

**VI. EXPENSES (% OF TOTAL REVENUE)****1. Salaries and wages:**

- Rooms
- Food and beverage
- Administration and general
- Marketing
- Property operation and maintenance

**2. Other related expenses:**

- Rooms
- Food and beverage
- Administration and general
- Marketing
- Utility costs
- Property operation and maintenance
- Management fees

The analysis of the above-mentioned indicators points to the fact that this is vital business information about the hotel industry, which enables business people and potential investors to form a global picture of the hotel industry in a particular country and its tourism potential. To experts, analysts and financiers, it provides the possibility to carry out comparative analyses and evaluate the creditworthiness of the hotel industry; in other words, the gradation of tourism potential of individual countries in Europe and the world.

#### 4. CONCLUSION

The integration of the Croatian hotel industry in the standard performance measurement system, used by the world hotel industry, requires a fast and efficient adjustment of the existing circumstances to new requirements and needs that are dictated by the European and international tourist market.<sup>2</sup>

This is a prerequisite for the increased quality of the tourism product and better business results in Croatian tourism.

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#### Sažetak

### UKLJUČIVANJE HRVATSKE HOTELSKE INDUSTRIJE U EUROPSKI I MEĐUNARODNI SUSTAV PRAĆENJA POSLOVNIH REZULTATA

*Sustav standardnih pokazatelja kojeg koristi hotelska industrija općenito se gledano sastoji iz dva dijela: standardnih financijskih pokazatelja – koji su jednako važeci za sve djelatnosti, te posebnog dijela koji odražava specifičnosti poslovanja u hotelskoj industriji ili standardnih pokazatelja hotelske industrije.*

*Pri definiranju pokazatelja i sustava pokazatelja mora se voditi računa o tome da pokazatelji moraju biti prilagođeni specifičnostima poslovanja, odražavati kvalitetu poslovnoga uspjeha, moraju biti mjerljivi, razumljivi, međusobno se nadopunjavati, sustav mora biti potpun i činiti cjelinu, te moraju biti usporedivi s ostalim sličnim poduzećima i pripadajućom grupacijom.*

*Cilj je ovoga rada ukazati na važnost uključivanja hrvatske hotelske industrije u europski i međunarodni sustav praćenja poslovnog rezultata. Za ulazak u međunarodni hotelski standardni poslovno-informacijski i komunikacijski sustav treba zadovoljiti određene uvjete i standarde, koji su u radu zasebno obrađeni.*

*Ključne riječi: hotelska industrija, međunarodni standardi, poslovni pokazatelji.*

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<sup>2</sup> Today, the Croatian hotel industry does not possess the basic formal prerequisites for inclusion in the mentioned information system. This is proven by the fact that the indicators mentioned in the tables, both for the hotel industry as a whole, and for a sample of hotels, cannot be calculated on the basis of the existing official statistics of the country's hotel and tourism industry, nor on the basis of hotel statistics and official business information. As an example, the statistics monitor accommodation capacity expressed in the number of beds, not in the number of rooms, although the number of rooms is used in a large number of indicators. Similarly, information is not monitored that can be used to calculate a hotel's total and internal success, nor is all the required marketing information available.