II.
HOSPITALITY MANAGEMENT

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THE QUALITY OF HOTEL PERFORMANCE
(The Effectiveness and Efficiency)

Service quality has been a major preoccupation of the hospitality industry throughout the 1980s and the early 1990s. Quality management systems have been clearly identified as a means of increasing the professionalism and social competence of staff, while developments such as customer care programs and quality teams have produced notable improvements in the effectiveness and efficiency.

Starting from the main economic goal of making profit in each enterprise, it is necessary to measure and to evaluate effectiveness and efficiency.

The aim of this paper is to emphasize the importance and necessity of measuring two aspects of the quality of business success: effectiveness (hotel market success) and efficiency (hotel economy).

The paper defines effectiveness and efficiency as well as key ratios for measuring and evaluating those two aspects of quality of business success.

Key words: quality, effectiveness, efficiency, ratios.

1. INTRODUCTION

Optimal business results and success represent main management goal in each enterprise. Business success is one of the basic elements of TQM system that represents the development strategy of tourism and hotel industry. In order to measure and evaluate business success, it is necessary to define business performance ratios. The aim of this paper is to emphasize the importance and necessity of measuring two aspects of the quality of business success – effectiveness and efficiency.

2. THE EFFECTIVENESS AND EFFICIENCY IN TQM

Nowadays, in high conditions of competitiveness and more demanding consumers, quality has become the basic factor of development strategy and survival on the market. The history of Total Quality Management started in 1900. Since than, TQM has developed by stages and the present stage is "Quality as a strategy".

TQM creates conditions in which all employees should achieve one goal- *producing a product or offering a service when, where and how consumer wants and expects.* Consequently, the emphasis is on constant quality, adjustment to quality by each employee, *effectiveness i.e. realizing business goal (best prices and high profits) and efficiency (lower costs and optimal utilization of material and human resources).*

TQM is based on the concept of continuous improvement, quality and teamwork. TQM system is market oriented and driven by customer. *The customer is the king in the TQM system since the process begins with the customer (what the customer wants) and ends with him/her (satisfied customer).* Each participant is very important in the process of quality creation; every employee is responsible for the quality of his/her work. The burden of responsibility for quality is no longer on control/inspection since each employee is responsible for his/her work. Quality reflects a constant process and encloses planning of quality, realization of quality, control and evaluation of quality and quality improvement. In short, this means planning, realization, control and improvement.

Control and inspection have been replaced with employee education, training and development. Training and education has become obligatory for all employees. Each of them has his quality program (managers are learning concepts of quality and workers how to do their jobs).

The advantages of TQM implementation are

- the quality of products and services is increased,
- the customer satisfaction is increased and his loyalty is preserved,
- the competitive ability of the enterprise is stronger,
- the costs are decreased,
- the productivity and profitability are increased,
- the satisfaction of employees is increased,
- the quality of management is increased,
- the reputation and value of enterprise is increased.

The concept of TQM is based on individualized respect and social responsibility, and has also the tendency to spread on entire activities of the individual and the society. Quality becomes a culture and a process that has the possibility to shape the future.

One of the characteristics that people have is curiosity and desire for learning. Through the years, their motivation has been destroyed since the award's system has been developed just for the best ones. In that way, a lot of people have not been participated in a creative work equally. The future management systems are not based on the hierarchy. On the contrary they are based on equality, homogeneity and motivation. TQM uses the potential of each employee.[1]

In spite of its complexity, the TQM of tourism product is possible and necessary. Tourists are more demanding and accordingly the aim of the tourism industry is to fulfil their expectations. TQM in service sector was taken over from production sector and adjusted to the specifics of tourism and hotel industry. Good results achieved in production sector and the fact that **productivity, quality and profit** constitute a unity influenced on the development and improvement of quality of tourism services. Quality becomes the basic factor of efficiency and competitiveness on the tourism market. *Consumers in general do not tolerate mistakes any more. They want quality for their money.*

The quality is rewarded. One of the highest awards for quality is the *Malcolm Baldrige National Quality Award.* The award was founded in 1988 and named after USA Minister of trade (1981-1987) who improved effectiveness and efficiency of American government. It was found in order to develop and foster the quality of products and services. It is assigned each year by American Society for Quality Control for three categories: production companies, service companies and small enterprises. Based on the American experience some similar organizations were founded in Europe such as European Foundation for Quality Management and European Organization for Quality.

ISO certificates of quality as ISO 9000 ff given by verificated institutions are valid for three years and checked every six months. This proves that quality is the constant process that has to be improved continuously.

The criteria for Malcolm Baldrige provide organizations with an integrated, results-oriented framework for implementing and assessing processes for managing operations. These criteria are given in the table 1.

[1] Japanese car producer "Honda" based it's business philosophy and quality of products on seven principles:
- respecting the individuality of each employee,
- respecting the joy of creating, shopping and enjoying,
- finding out what customers want and fulfilling their requirements and expectations,
- having a pleasant working atmosphere and enjoying working,
- improving team work,
- achieving continuous development by creating new values,
- keeping constant quality of cars and services in order to preserve customer loyalty.

Table 1. Criteria for Performance Excellence – Item Listing

Categories/Items	Point Values
1. Leadership	**125**
– Operational Leadership	85
– Public Responsibility and Citizenship	40
2. Strategic Planning	**85**
– Strategy Development	40
– Strategy Deployment	45
3. Customer and Market Focus	**85**
– Customer and Market Knowledge	40
– Customer Satisfaction and Relationship	45
4. Information and Analysis	**85**
– Measurement of Organizational Performance	40
– Analysis of Organizational Performance	45
5. Human Resource Focus	**85**
– Work System	35
– Employee Education, Training, and Development	25
– Employee Well-Being and Satisfaction	25
6. Process Management	**85**
– Product and Service Processes	55
– Support Processes	15
– Supplier and Partnering Processes	15
7. Business Results	**450**
– Customer Focused Results	115
– Financial and Market Results	115
– Human Resource Result	80
– Supplier and Partner Results	25
– Organizational Effectiveness Results	115
Total Points	**1000**

Source: Malcolm Baldrige National Quality Award, Criteria for Performance Excellence, www, National Institute of Standards and Technology, Gaithersburg, 1999.

These criteria focus on Business Results and they are represented with 45% in the total point values. The Business Results Category provides results focus that encompasses the customer's evaluation of the organization's products and services, overall financial and market performance, and results of all key processes and process improvement activities.

Table 2. contains an example of objectives and performance measures defined by restaurant managers who want to realize these goals: to address its responsibilities to the public and offer fresh and nutritious meals at a fair price.

Table 2. Performance Measures for a Restaurant

Objectives	Outcome measures	Drivers
1. Financial		
Improve returns to shareholders	Return on equity. Product profitability.	Number of new outlets opened.
2. Customer		
Increase customer satisfaction	Customer satisfaction measure	Number of new products released Number of customer complaints
	Market share	Number of customers participating in special promotion
	Increase in sales revenue	Average time to serve customer Average price per meal
3. Internal business processes		
Maintain the quality of products		Wastage in kitchen
Create new innovative products	Number of products currently under development	Time to develop new product Number of promotions in process
Improve efficiency of production processes	Average cost per meal	Cycle time Labour productivity
4. Learning and growth		
Improve employee satisfaction	Employee satisfaction survey	Improvements in working conditions
Improve employees' knowledge of company systems	Number of employees completing company training program	Number of employee suggestions Number of employees achieving "gold star" status

Source: Langfield-Smith, K., Thorne, H., Hilton, R. W., Management Accounting - An Australian Perspective, Second Edition, McGraw-Hill Companies, Inc., Sydney, 1998, p. 13.33

The table indicates that effectiveness and efficiency represent two aspects of quality of business success, which is one of the basic elements in the TQM system. Effectiveness measure if the planned aim is realized (doing right things) and efficiency if the aim is realized through an optimal utilization of resources (doing things in a right way).

Controlling or management control i.e. business analysis, as the central controlling activity has to define effectiveness and efficiency ratios. The effectiveness is measured by market ratios (what customer wants) and the efficiency is measured by internal ratios (what the hotel management wants). As a part of controlling function, efficiency ratios represent an important management instrument. Following definitions emphasize the previous mentioned function.

"Controlling is functional management instrument that supports management and decision making process through direct processing of information."[2]

"The quality of all information systems and particularly management control depends on selected criteria for performance measurement i.e. on the ratios that create management signals."[3]

The essence of controlling is management of business results based on the quality and quantity ratios of realized or expected business result. Using efficiency ratios, controlling provides successful management.

The ratio represents relation between results and invested resources. The business success ratio system is one of the basic elements of controlling or management control, especially of operational controlling. The business success ratios create management signals that provides comparison of realized with expected results and success in a way that managers can react correctly and timely and focus on planned results. Accordingly, business ratios have to be

- true (result of the real situation),
- complete (there has to be enough ratios in order to measure all aspects of business success),
- accurate (defined and given to users timely).

It is necessary to distinguish two different types of business success ratios:

- quantity ratios
- quality ratios.

They are mutually related and determined. The quantity ratios of business success are referring to certain aspects of business result such as quantity of outputs, revenue and profit. The quality ratios of business success are referring to business efficiency. They represent the measure of quality since they indicate the relation between business result and resources. In other word, they represent the measure of realized business rationality. Moreover, they complete quantity ratios of business success and provide a judgement on the quality of business performance. Namely, a realized quantity does not necessarily mean quality of business success. For example hotel realized 20% higher sales revenue than previous year. At the same time the costs are increased 25%. In this case, the quantity is realized, but the quality is not since the cost-effectiveness is lower than previous year.

$$\frac{Sales\,\mathrm{Re}venue}{Costs} = \frac{120}{125} = 0{,}96 \text{ or } -4\%$$

The increasing of costs was higher than the increasing of revenues and the result was lower profit that reflects on the decrease of profitability.

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[2] Preisler, P. R., Peemöller, E. K., Controlling, Moderne Industrie, Landsbert/Lech, Germany, 1990, p. 16.

[3] Alazard, C., Separi, S., Contrôle de gestion, Dunod, Paris, 1994., p. 9.

The process of defining business success ratio system has several phases:
- defining ratios,
- measuring efficiency by ratios,
- identifying the deviations in relation to the expected efficiency ratios,
- analyzing the deviations, identifying the causes and results of deviations,
- taking on corrective measures in order to achieve expected efficiency ratios.

When defining ratios, it is necessary to take into consideration that
- they have to be adjusted to the specifics of business performance,
- they have to reflect the quality of business success,
- they have to be measurable,
- they have to be understandable,
- they have to complement each other,
- they have to be complete,
- they have to be comparable with similar enterprises and associated group.

Regarding the scope there are different types of ratios
- global ratios,
- partial ratios,
- special ratios.

Global ratios represent the measure of realized quality of business performance. Those ratios help in bringing over general judgement-diagnose on the quality of hotel performance. The information provided by those ratios have been assigned to external users (stockholders, investors, supplier and others) and to internal users (executive managers, supervisory board and others).

Partial ratios measure the quality of business success of
- particular department,
- particular activity,
- particular task,
- certain manager, and
- certain employee.

They are specific since they reflect the characteristics of business performance of particular departments, activities, tasks, managers and other employees. Those ratios have been assigned to executive managers for internal reporting.

Special ratios represent the measure of realized quality of particular activities or tasks such as investments, permanent education, training, promotion etc. They have been used for reporting on the analysis of particular task.

Measurement of realized efficiency is determined by time. While business result and the utilization of resources are continuous, the ratios as their relation are defined periodically. The measurement can cover long or short period of time (hour, day, week, month, year, 5 years etc.) which depends on the user's requirements.

The ratios can refer to past, present and future. As a measure of past business efficiency, they represent the relation between past business results and resources. They can be used for evaluating previous year's business efficiency in order to define its trends.

Current ratios measure the efficiency of present utilization of resources. One of the management tasks is how to exploit those resources in the best possible way in order to realize more outputs, revenues or profits per expenditures, costs and assets. Those ratios have control and preventive task i.e. they signalize the negative deviations and imbalances in relation to planned ratios.

If we measure future by ratios, than they have to reflect the desired efficiency. Concerning efficiency, the management task is to plan higher benefits than costs (such as new employees, higher qualifications, new equipment, new technology and similar). Consequently, the benefits have to increase faster than costs (i.e. output has to increase faster than input) that leads to a higher rationality and expected efficiency in the future. To achieve that, it is necessary to define an optimal combination of planned resources and expected results. The emphasis is on the development strategy and expected results from new investments that have to realize a higher quality of business success.

Business analysis has to evaluate quality of business success and define measures for effectiveness and efficiency improvement. The goal of business analysis (as the central controlling activity) is to increase the effectiveness and efficiency.

Its goals and tasks are realized by

a) diagnose a business imbalances,
b) informing about causes and consequences of imbalances, and
c) preparations for decision-making.

Management by results as a management technique is based on the research-analytical activities. The aim of this modern market-oriented technique is how to realize planned profit. This aim is realized through continuous analysis of financial results and costs in all business activities, in other words through the sales analysis and continuous products and services development and improvement.

3. EFFECTIVENESS – RATIOS OF HOTEL MARKET SUCCESS

TQM system is entirely market oriented and driven by customer. Effectiveness ratios measure the hotel market success. They give the information if the planned goal is realized and that is a satisfied customer.

Effectiveness represent measure of realized strategic (basic) goals defined by management or owner. The most represented comparison value for evaluating effectiveness is a benchmark – the best on the market, the most successful competitor which becomes a standard for comparison.

Preconditions for the comparative effectiveness analysis are

- market research,
- knowing the competitors,
- knowing the customers,
- knowing the customer satisfaction, and
- being competitive.

In the theory of business analysis and efficiency, the most represented comparison values used for comparative analysis are the best enterprise, the most successful enterprise, the first in the group, an idealistic enterprise – the most successful enterprise in terms of all ratios, a competitor. A comparison with the others is necessary in order to find out where we are now and what we want to achieve. The necessity for comparing and evaluating in relation to others is as old as human mind (to know other people in order to know yourself, get to know your enemy, human curiosity and desire for changes, outstanding and competition).

"Comparison method is one of the *basic* business analysis method. The essence of this method is in defining the *deviations* by comparing the examined phenomenon with the comparison value or normal. By identifying deviations it is necessary to define their *direction* (more or less) and intensity (a little, medium or large). The results of evaluation process (*bad, good, very good*) are based on identified deviations.

Preconditions for using comparison method are

a) comparability,
b) adequate comparison value or normal, and
c) adequate quantification.

This means that similar economical phenomena are comparable and if we want to compare them they have to be quantified. The most represented *comparison values* are plan, normative, standard, legal provisions, group average, optimum, previous years results and benchmark (the best competitor who achieves best results, leader in his group or generally the desired aim).

The evaluation and quality of observed phenomenon depends on the used comparison value. *If bad example is taken as comparison value than everything compared is good. But when we take the best example as comparison value, it represents a good direction* i.e. the *aim* that has to be achieved."[4]

When determining deviations it is necessary to evaluate quantitative and qualitative differences correctly. For example if the maintenance costs are decreased compared to the planned costs, that represents positive quantitative difference. But if

[4] Avelini Holjevac, I., Kontroling – Upravljanje poslovnim rezultatom, Hotelijerski fakultet Opatija, 1998., p. 48.

the guests are complaining (because of inadequate maintaining of equipment and installation, inadequate heating etc.) than the difference from the quality aspect is negative since it can reflect on decrease of hotel demand and accordingly hotel's revenues. Consequently, each deviation request the analysis i.e. defining causes and consequences of deviations in order to eliminate negative and high deviations compared to the normal.

In the analysis of Croatian enterprises benchmark has not been used as a comparison value. On the contrary, the most represented comparison value for evaluating business efficiency was plan, previous year's results or group average. Recently, the concept of benchmark or benchmarking is more present in the domestic economic theory. The reason for that is a globalization process and strong desire to become a part of that process through integrated and standardized economic terminology. But, in most cases some authors exaggerate in a way that they present the concept of benchmark as a totally new one. Moreover, in the non-market economy the comparison with the best was not represented. But with the transition to market economy benchmark becomes basic comparison value in the comparative business analysis especially those concerning effectiveness and efficiency.

The economic imbalance shows each deviation from normal situation or generally from the predetermined normal that cause reduction of business rationality and efficiency. Consequently, *the analyst-diagnostician has to define normal for each object of research. Defining the normal in economy has its specifics, since the normal is variable and according to that the analyst has to define normal for each analyzed case.*

Normal can be defined as an ideal state of balance and harmony between realized business results (output) on the one hand and costs and used assets (input) on the other. Each deviation from the normal represents business imbalance that leads to loss and reduced business efficiency. *This means that normal illustrate the ideal state that each enterprise has to achieve because it leads to an optimal effectiveness and efficiency as well as to stability and development of enterprise.* Depending on the object of analysis and type of imbalance, different normal can be used such as plan, normative, standards, legislation, average of the hotel industry, optimum (for each specific case) and the most successful hotel company in the country and abroad, so-called Bench-mark. *We can describe Bench-mark as a " equalizing symbol", " firm base for comparison" or "normal". Bench-mark represents the best in the branch and accordingly the best measure of achieved business success and results.* Bench-mark can be the best competitor on the market, the one that realizes the best results or an ideal enterprise that encloses best results from different departments or business operations in different hotels (for example the best kitchen in hotel X, the best accommodation in hotel Y, the highest quality standards in hotel Z etc.).

Benchmarking is a process of comparing, evaluating and continuous improving that leads to a better position on the market and higher efficiency through better products and services quality, higher prices, higher profitability, higher dividends etc. In general, it leads to a better sales and position on the market as a result of continuous adjustment to customer requirements and needs. The essence of benchmarking is continuous business improvement in order to realize the best results i.e. to become the first and the best on the market. It is based on the market information about competitors and customers' requirements, the quality standards and the standard quality ratios of business success.

Benchmarking is closely linked to the market and marketing since market is the place where consumers and producers meet, and place where the information regarding new products, services, customers needs and requirements are available. But it is not enough to imitate the existing competitors. It is also necessary to do researches in order to find new solutions and improvements and become the first and the best on the market.

TQM system and standards as well as improvements system and benchmarking represent development methods. They show that the main aim is customer satisfaction, business success and recognition.

The customer satisfaction ratios are sophisticated. They have to be chosen correctly and interpreted in the right way (new statistical methods, surveys, contracts with customers, questionnaires etc.). Basic standard market ratios specific for hotel industry can be divide into two groups

I. Market data

1. Structure of guests according to the regions and countries (%)
2. Structure of guests according to the main purpose of visit: business travelers, leisure travelers, government officials, tour groups, conference participant, other (%)
3. Guest satisfaction (service quality) $\dfrac{\text{number of complaints}}{\text{number of guests}}$ $\dfrac{\text{satisfied guests}}{\text{number of guests}}$
4. Structure of guests according to type of reservation: directly, through agencies, other ways
5. Structure of guests according to method of payment: cash, credit cards, through agencies and other ways
6. Structure of guests according to loyalty: regular guests, occasional guests, etc.
7. Structure of guests according to other criteria (age, nourishment, culture etc.)

II. Market Test Ratios

1.	Price/earnings ratio P/E ratio	$\dfrac{\text{Market price per share}}{\text{Earnings per share}}$	How much is market willing to pay per unit of earnings (or per share)
2.	Dividends yield	$\dfrac{\text{Dividend per share}}{\text{Market price per share}}$	Measure of current yield for investor
3.	Market risk	$\dfrac{\text{Change in price per share}}{\text{Average change in prices of other shares}}$	Measure of company's stock price fluctuation compare to other companies

In general, effectiveness ratios represent external ratios of the quality of business result since they are all based on the market information.

4. EFFICIENCY – RATIOS OF HOTEL ECONOMY

As previously mentioned effectiveness ratios measure if the market aim (satisfied customer) is realized. On the other hand, efficiency ratios measure if the desired aim is realized in an optimal way i.e. by most rational utilization of material, financial and human resources.

Defined as a relation between outputs and inputs, efficiency ratios represent ratios of internal economy. Those ratios value the effects of external management action on the market as well as the effects of internal management action related to the enhancement of business rationality. Rational operating implies that an optimal result has to be realized with a minimum of available resources.

In the following part an example of international standard efficiency ratios for hotels is given.

STANDARD RATIO SYSTEM FOR MEASURING AND EVALUATING BUSINESS EFFICIENCY

A/ HOTEL PERFORMANCE KEY RATIOS

I. Hotel Operating Ratios

1. Average Annual Room Occupancy (%)	$\dfrac{\text{Rooms sold x 100}}{\text{Available Rooms x 365}}$
2. Average Annual Capacity Occupancy (%)	$\dfrac{\text{Realized Overnights x 100}}{\text{Maximum Overnights (Number of Beds x 365)}}$
3. Average Number of Guests per Room (Double Room Occupancy)	$\dfrac{\text{Realized Overnights}}{\text{Rooms Sold}}$
4. Average Revenue per Room (Average Room Rate)	$\dfrac{\text{Rooms Revenue}}{\text{Rooms Sold}}$
5. Average Revenue per Overnight (Average Rate per Guest)	$\dfrac{\text{Rooms Revenue}}{\text{Realized Overnights}}$
6. Average Guest Stay (days)	$\dfrac{\text{Realized Overnights}}{\text{Number of Guests}}$

7. Profitability (%)	**Gross Operating Profit x 100** / **Sales Revenue**
8. Liquidity / Cash Flow	**Cash Flow x 100** / **Sales Revenue**
9. Liquidity / Cash Flow	**Increase in Cash x 100** / **Decrease in Cash**

<u>II. Revenue and cost structure</u>

1. Revenue Structure in %:
   Rooms Revenue, Food Revenue, Beverage Revenue, Minor Operating Departments Revenue (telephone, gift shop, garage and parking), Rentals and Other Income.
2. Cost Structure in %:
   Salaries and Wages, Direct Departmental Costs, Costs of Food Sales, Costs of Beverage Sales, Administrative Expenses, Depreciation and Amortization, Utility Costs, Marketing Expenses, Property Operation Expenses, Interest Expenses, Insurance and Income Taxes.

<u>III. Human Resource Information</u>

1. Average number of employees
2. Structure of employees according to
   - professions,
   - qualifications,
   - departments,
   - years of service,
   - working hours (full-time employees and employees on a short time),
   - age, and
   - other criteria
3. Average Salaries and Wages:
   - in hotel
   - in departments
   - other employee benefits relative to salaries and wages in %
4. Permanent Education:
   - type of education
   - number of participants according to
     - qualifications,
     - professions, and
     - departments.

B/ FOOD AND BEVERAGE OPERATING RATIOS

1. Food and Beverage Revenue per Available Seat	Food and Beverage Revenue / Number of Seats
2. Food and Beverage Occupancy (%)	Number of Covers in the Observed Period x 100 / Number of Seats x Number of Days in Observed Period

3. Average Meal Rate	$\frac{\text{Food Revenue}}{\text{Number of Meals Served}}$
4. Food Cost Percentage	$\frac{\text{Food Costs x 100}}{\text{Food Revenue}}$
5. Beverage Cost Percentage	$\frac{\text{Beverage Costs x 100}}{\text{Beverage Revenue}}$
6. Labour Cost Percentage	$\frac{\text{Food and Beverage Labour Costs}}{\text{Food and Beverage Revenue}}$
7. Revenue per Overnight	$\frac{\text{Food and Beverage Revenue}}{\text{Realized Overnights}}$
8. Ratio of Beverage Revenue to Food Revenue (%)	$\frac{\text{Beverage Revenue x 100}}{\text{Food Revenue}}$
9. Ratio of Food and Beverage Revenue to Sales Revenue (%)	$\frac{\text{Food and Beverage Revenue x 100}}{\text{Sales Revenue}}$
10. Food and Beverage Revenue per Day	$\frac{\text{Food and Beverage Revenue for a Certain Period}}{\text{Number of Days for a Certain Period}}$
11. Productivity	$\frac{\text{Food and Beverage Revenue}}{\text{Number of Employees in Food and Beverage Department}}$
12. Cost – Effectiveness (%)	$\frac{\text{Food and Beverage Costs x 100}}{\text{Food and Beverage Revenue}}$
13. Profitability (%)	$\frac{\text{Gross Operating Profit x 100}}{\text{Food and Beverage Revenue}}$
14. Inventory Turnover	$\frac{\text{Food and Beverage Sales (Exit from the Stocks)}}{\text{Average Food and Beverage Inventory}}$
15. Service Quality (%)	$\frac{\text{Number of Complaints}}{\text{Number of Guests Served}}$

NOTE: It is recommended to define efficiency ratios for Kitchen and for Restaurant.

C/ ROOMS OPERATING RATIOS

1. Number of Employees per Room	$\dfrac{\text{Average Number of Employees}}{\text{Rooms Available for Sale}}$
2. Number of Rooms per Hotel Maid	$\dfrac{\text{Rooms Sold}}{\text{Number of Hotel Maids}}$
3. Receptionist's Productivity	$\dfrac{\text{Number of Arrivals and Departures}}{\text{Number of Receptionists}}$
4. Ratio of Rooms Revenue to Sales Revenue (%)	$\dfrac{\text{Rooms Revenue x 100}}{\text{Sales Revenue}}$
5. Ratio of Departmental Costs to Total Costs (%)	$\dfrac{\text{Departmental Costs x 100}}{\text{Total Costs}}$
6. Departmental Costs per Room (Overnight)	$\dfrac{\text{Departmental Costs}}{\text{Rooms Sold (or Realized Overnights)}}$
7. Costs per Employee	$\dfrac{\text{Departmental Costs}}{\text{Average Number of Employees}}$
8. Profitability (%)	$\dfrac{\text{Gross Operating Profit x 100}}{\text{Rooms Revenue}}$
9. Productivity	$\dfrac{\text{Rooms Revenue}}{\text{Average Number of Employees in Department}}$
10. Assets Profitability	$\dfrac{\text{Gross Operating Profit}}{\text{Average Assets}}$
11. Cost – Effectiveness (%)	$\dfrac{\text{Costs x 100}}{\text{Sales Revenue}}$

The most represented comparison values for evaluating business efficiency is current plan, previous year's results, optimal value, standard, group average and benchmark.

5. CONCLUSION

When measuring and evaluating business success it is necessary to define ratios of hotel market success and ratios of hotel economy i.e. effectiveness and efficiency. They represent two aspects of quality of business success that is one of the key elements in TQM system.

Consequently, each enterprise has to develop the ratio system for measuring and evaluating the quality of business success to help management when realizing basic business goals.

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Sažetak

KVALITETA POSLOVANJA HOTELA
(Efektivno i efikasno poslovanje)

U skladu sa suvremenim tendencijama kvaliteta je usluga u hotelskoj industriji postala jedna od glavnih preokupacija 80-tih i 90-tih godina. Sustavi su upravljanja kvalitetom prepoznati kao načini za povećanje profesionalnosti i motivacije zaposlenih, veće efikasnosti i efektivnosti poslovanja kroz programe koji vode računa o kupcu i timove za kvalitetu.
Polazeći od temeljnog ekonomskog cilja svakog poduzeća a to je ostvariti profit, neophodno je stalno evidentirati, mjeriti i ocjenjivati efektivnost i efikasnost poslovanja.
Cilj rada je razlučiti dva aspekta kvalitete poslovanja, a to su efektivnost - položaj hotela na tržištu i efikasnost - ekonomija korištenja resursa hotela.
U radu se najprije definiraju efektivnost i efikasnost poslovanja, nakon čega se razlučuju pokazatelji mjerenja i ocjenjivanja ta dva aspekta kvalitete poslovanja.

Ključne riječi: kvaliteta, efektivnost, efikasnost, pokazatelji.