

# IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEMS IN LARGE AND MEDIUM-SIZED CROATIAN HOTEL ENTERPRISES

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## ABSTRACT

In the last twenty years hotel enterprises have recognized the benefits offered and ensured by quality management systems and have initiated implementing them. One of the frames that can be used for implementation of the quality management system is international standard ISO 9001:2008. In this paper results of the research on application of quality management system in large and medium-sized Croatian hotel enterprises are given. The paper describes the reasons for obtaining ISO 9001 certification, time and level of implementation, difficulties faced during the registration process, and the benefits achieved as the results of standard implementation. The paper analyzes also the hotel enterprises lacking the certificated quality system, especially from the viewpoint of their application of the activities which ensure and improve the quality.

**Key words:** ISO 9001:2008, large and medium-sized hotel enterprises, survey, benefits

## INTRODUCTION

Market globalisation and increasingly discerning customers, who demand more for their money, are compelling product/service providers to base their business systems on customer needs and to incorporate customer requirements into every segment of business. Total Quality Management (TQM), a new philosophy of managing and running business systems, makes it possible to systematically implement these ideas. Although TQM was initially developed in manufacturing enterprises, the benefits of this type of management were soon recognized, leading to its application in the service sector. One of the models hotel enterprises can apply in implementing a quality management (QM) system is the model provided by the international standard ISO 9001:2008 (Quality Management Systems-Requirements). Efficiently meeting the requirements defined by this standard will ensure that enterprises are able to continuously meet the demands of their customers, thus augmenting customer satisfaction.

To establish the level at which QM systems are applied in the Croatian hotel industry, a questionnaire-based survey was administered on a sample of large and medium-sized hotel enterprises. Research focused on analysing the current state of QM practices in these enterprises from a variety of aspects, such as motivation, time of implementation, organizations for quality, level of application, barriers encountered in the implementation process, and plans concerning future activities linked to quality. Research also aimed to establish the opinions of respondents regarding the benefits that the standard provides. The activities undertaken to achieve and improve quality in hotel enterprises lacking a certified quality system were analysed to obtain a comprehensive view of the application of QM practices in the hotel industry.

## METHODOLOGY

The research was carried out in the second half of 2009 and comprised large and medium-sized hotel enterprises (Vrtodušić Hrgović, 2010). At the time of research, of the 13 hotel enterprises possessing the ISO 9001 certificate, large and medium-sized hotel enterprises accounted for up to 70 per cent. In addition, large and medium-sized hotel enterprises accounted for 83 per cent of total revenue realized and 74 per cent of the total assets of Group I 55.1 "Hotels and similar accommodation". Previously announced questionnaires were sent by regular mail and e-mail. Target respondents were quality managers and, alternatively, board members and hotel operations managers, and in some hotel enterprises, financial managers, human resource managers and marketing managers, considered as being the most knowledgeable of the existing state of quality system development in their respective enterprises. Thirteen (54 per cent) out of a total of 24 large hotel enterprises, and 18 (24 per cent) out of a total of 75 mid-sized hotel enterprises, filled out and returned the questionnaire. The hotel enterprises (large and mid-sized) participating in the study accounted for 40 per cent of total revenue, 38 per cent of the total assets of Group I 55.1, and 39 per cent of the total number of persons employed in 2008 (FINA, 2010).

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A questionnaire consisted of two parts, that is of 32 questions and is based on the current research in this field (Kanji and Liu, 2003; Yusuf et al. 2007). The first part pertains to general and financial data about the hotel enterprise, while the second part refers to the aspects of quality system application in accordance with the international standard ISO 9001:2008. This part comprises also questions referring to that hotel enterprises lacking the certificated quality system in order to establish the extent in which they apply those activities enabling to ensure and improve the quality of their products/services (for example measurement and evaluating satisfaction of their employees and guests, investment in education and training, reward system, market research etc.) These activities are based on theoretical frameworks for implementing quality management systems (Brocka and Brocka, 1992; Tenner and De Toro, 1992; Dahlgaard et al. 1998; Besterfield et al. 1999, ISO 9000:2002; Kanji, 2002; Claver et al. 2003).

The questionnaire was also aimed at establishing what the situation was from the point of view of implementation of continuous improvement as one of the basic principles of quality management that is whether there is a system for gathering suggestions by employees.

### GENERAL PROFILES OF RESPONDENTS

From the legal status, of 31 surveyed large and medium-sized enterprises, 23 that is 74 percent operate as a stock company, while 8 that is 24 percent in the form of incorporated company. According to the ownership type, the greatest number of hotel enterprises, that is 12 of them or 39 percent, is controlled by national private ownership. They are followed by hotel enterprises prevalently owned by foreign capital (7 of them or 22 percent). A lesser number, that is 6 hotel enterprises or 19 percent, are controlled by private and state ownership, while, based on other ownership forms (completely state-owned and partially state-owned) there are 2 enterprises or 6 percent.

The surveyed hotel enterprises dispose of totally 175 accommodation facilities, of which 145 (or 83 percent) belong to Group I 55.1 "Hotels and similar accommodation", including hotels, apart hotels, resorts, apartments and pensions, while the remaining, that is 30 accommodation facilities appertain to Group I 55.3 «Camps and camping grounds». Of a total of 145 accommodation facilities of the group «Hotels and similar accommodation» the largest part is occupied by hotels (totally 109 or 75). In this structure, 3-star hotels (44 percent) and 4-star hotels (30 percent) are most represented, followed by 2-star hotels (18 percent), while 5-star hotels (8 percent) were the least represented. A similar structure is present also in the overall Croatian hotel industry; nevertheless, it should be emphasised that although even if 3-star hotels dominate, in the last years there is a trend of their reduction with an increase of 4-star hotels, which indicates an improvement of the quality level of Croatian hotels.

### QUALITY MANAGEMENT SYSTEMS IN LARGE AND MEDIUM-SIZED CROATIAN HOTEL ENTERPRISES

Of totally 31 surveyed hotel enterprises, 12 (or 39 percent) have the ISO 9001:2008 certificate, obtained in the last 4-5 years, while one of them was certified more than 10 years ago. Even if more than one third of the hotel enterprises implement the quality system according to this international standard, the research has proven that 13 of a total of 19 hotel enterprises lacking the certificate (that is 68 percent) intend to introduce ISO 9001:2008. According to the ownership structure, certified hotel enterprises are largely controlled by foreign and private domestic ownership (66 percent), while from categories of their hotels, 3-star hotels (50 percent) are prevailing.

Half of the surveyed hotel enterprises (52 percent) have implemented the quality system by using the services of outside consultants and the implementation process in the majority of the enterprises (75 percent) lasts between 6 and 12 months. Similar results have been also acquired in the research carried out on a sample of 34 hotels, in which it has been shown that in the largest number of cases the quality system has been implemented in 6 to 12 months (53,8 percent), a lesser number in 3 to 6 months (30,8 percent) and a very small number of hotels in less than 3 months (15,4 percent). (Kanji and Liu, 2003) In order to determine the reasons which motivated the surveyed hotel enterprises to introduce quality system respondents evaluate their importance by using the Likert scale, where 1 was entirely unimportant and 5 extremely important.

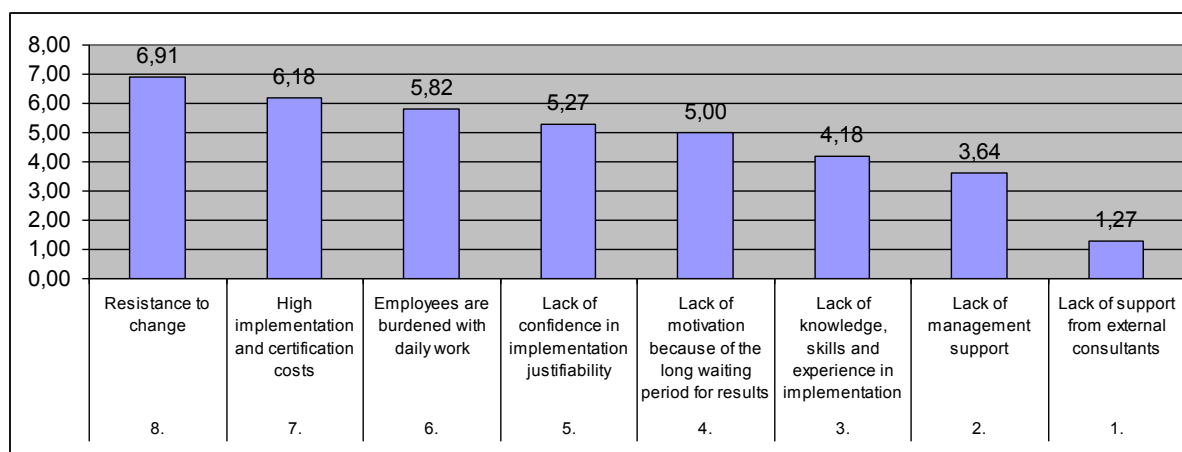
**Table 1**  
**Reasons for obtaining ISO 9001**

Rank	Reasons	Mean	Standard deviation
1.	Product/service quality improvement	4,67	0,492
2.	Guest satisfaction increased	4,50	0,522
3.	Defining standardized rules and procedures to assure and improve quality continuously	4,50	0,522
4.	Greater awareness of employees on guest importance	4,42	0,515
5.	Financial results increased	4,33	0,492
6.	Higher employee involvement (improvement suggestions)	4,17	0,718
7.	Marketing reasons	4,00	0,426
8.	Cost reduction as a result of reduced complaints	3,92	0,848
9.	Lower employee turnover as a result of their higher satisfaction	3,67	0,389
10.	Certificate helps in acquiring new guests (guests have more confidence in product/services)	3,67	0,778

The surveyed hotel enterprises indicate that the most important reason for introducing the quality system is represented by improvement of the product/service quality (4,67). Highly evaluated is the reason related to guests and enhancement of their satisfaction (4,50) and defining standardized rules and procedures (4,50). Growth of the awareness of the employees regarding guest importance represents an important reason for system implementing (4,42) as well as acquiring better financial results (4,33). The surveyed enterprises are of the opinion that employees higher involvement is deemed to be an important reason (4,17), as well as marketing reasons (4,00) and reduction of the costs as result of reduced complaints (3,92). Decrease in employee turnover and certificate role in acquiring guests have been evaluated as being of average important (3,67). By all reasons the standard deviation is lesser than 1, which indicates a smaller dispersion of data from the average value. Such results are in compliance with the current research results. (Taylor, 1995; Carlsson and Carlsson 1996; Poksinska et al. 2002; Kanji and Liu, 2003)

Together with the reasons which motivated the hotel enterprises to introduce quality system respondents ranked the barriers faced during implementation. Barriers have been ranked according to their difficulties where 8 is the most difficult barrier and 1 the least difficult. The results obtained in this research are illustrated in the following figure.

**Figure 1**  
**Barriers in implementing ISO 9001**



The most difficult barrier is resistance to changes (6,91). The high implementation and certification costs (6,18), personnel burdened with every day work (5,82), and lack of confidence in implementation justifiability by the employees (5,27) as well as the lack of motivation because of the long waiting period for the results (5,00) represent a difficult barrier for the surveyed enterprises. According to the results, it can be ascertained that there is no lack of support from management (3,64), which is the prerequisite for a successful

implementation of the quality system, and also there is no lack of support from external consultants (1,27). Similar results have been confirmed also by other research (Beskese and Cebeci, 2001; Kanji and Liu, 2003;).

More than the half of the certified hotel enterprises (58%) has decided to implement the system in the entire hotel enterprise, while the other part has implemented it in hotels. Even if the research has not examined the reasons of that partial certification, according to the current theoretical and practical knowledge, it is supposed that one of the possible reasons is associated with the high certification costs. Two thirds of these enterprises have a developed organizational quality structure, which is confirmed by the Quality Department as well as Quality Manager and Quality Teams. Those who do not have a Quality Department have the Quality Manager or Quality Teams.

In implementing quality management system education represent an important element (Brocka and Brocka, 1992; Tenner and De Toro, 1992; Dahlgaard et al.1998; Besterfield et al. 1999, ISO 9000:2002; Kanji, 2002; Claver et al. 2003). The results show that in 42 percent of the enterprises, employees spend 5-10 days in quality education, while in 33 percent and more, such a period extends to 10 days and more. These results are even better than one research carried out in China on a sample of 36 enterprises in which it has been shown that in 50 percent of the enterprises implementing TQM, employees spent on average 3-5 days on education (Yusuf et al. 2007).

In relation to the benefits of ISO 9001 certification different researches have been conducted (Escanciano, 2001; Mencer, 2001; Claver et al. 2002; Poksinska et al. 2002; Claver et al. 2006; Dick, 2008; Drljača, 2009.) The obtained benefits are usually divided in internal (cost reduction, fewer errors, fewer complaints, quality improvement of products/services, better internal organisation, greater awareness of quality by employees, better system documentation, better internal communication, improvement of the internal procedures) and external (increase of the revenue and market share, develop relationships with guests, acquiring new guests, increase of the guests' satisfaction, improved reputation, gaining competitive advantage).

The way that the surveyed enterprises perceive the offered benefits that is the level of their agreement with them is shown in the following table. In the evaluation Likert scale was used where 1 represent strongly disagree and 5 strongly agree.

**Table 2**  
**Benefits from ISO 9001 certification**

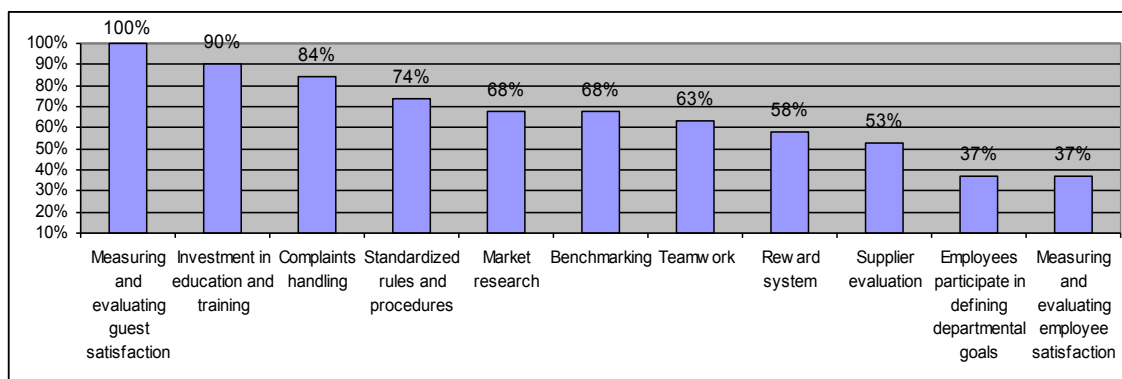
Rank	Benefits	Mean	Standard deviation
1.	Quality of products/services increased	4,92	0,289
2.	Company's reputation rose	4,83	0,389
3.	Better documentary evidence of the system	4,75	0,622
4.	Guest satisfaction increased	4,58	0,515
5.	Number of complaints decreased	4,58	0,515
6.	Number of guests who return increased	4,42	0,793
7.	Number of new guests increased	4,42	0,900
8.	Greater employee commitment and motivation	4,08	1,084
9.	Better financial results achieved	4,00	1,044
10.	Employee satisfaction increased	4,00	0,853
11.	Reduced costs	4,00	0,603

This research shows that there is a high degree of agreement in relation to the benefits (internal and external) acquired by quality system implementation. The surveyed hotel enterprises completely agree that after introduction of the ISO 9001 standard, quality of products/services increased (4,92) as well as the increase of the company's reputation was denoted (4,83) and better documentary evidence of the system was reached (4,75). According to the opinions of the respondents, good results have been achieved in the relationship with the guests: guest satisfaction increased (4,58) and the number of their complaints decreased (4,58), the number of guests who return increased (4,42) as well as the number of new guests (4,42). Even if the mean values are a bit less, the respondents deem that the quality management system according to ISO 9001 ensure some benefits especially toward employees regarding a greater commitment and higher motivation (4,08) and greater satisfaction of the employees (4,00) as well as some benefits from the point of view of the achieved results; in

fact, they are of the opinion that the quality management system results in reduction of costs (4,00) and achievement of higher financial results (4,00). Values of all standard deviations are below 1 which indicates a small dispersion of the data from the average value, with the exception of the values regarding the greater commitment and motivation of the employees and better financial results.

In order to apply the quality system in the enterprise it is not necessary to be certified. There is a range of activities to be implemented by the enterprise in order to achieve and improve the quality of its products/services. In the following part results from the aspect of the implementation of these activities in the hotel enterprises lacking of ISO 9001 certificate are given.

**Figure 2**  
**Activities of the non certified enterprises applied in order to achieve and improve the quality**



The results highlight that the greatest attention is focused on measurement and evaluation of the guests' satisfaction. This activity is important for the overall success of the hotel enterprise as it enables to ensure information on the level of their satisfaction during their stay in the hotel as well as on the quality dimensions of hotel products and services. Focus on the guest is confirmed also by the high percentage of those hotel enterprises disposing of a system of complaints handling, which is important from the perspective of their retention. In these terms, one study showed that 91 percent of the customers who had complained will not come again. But, in the case that complaints are quickly solved 95 percent (for bigger complaints) and 82 percent (for minor complaints) of those customers will come back. (Zemke,1993)

The research has indicated that even if those hotel enterprises do not have the certificate, the majority of them that is 90 percent invest in education and training. Today lifelong education becomes one of the most important forms of management and development of human resources. Contemporary enterprises focus more and more of their resources (money, time, information, energy) to professional education and lifelong specialisation of their employees. The management is increasingly aware that the continuous education and training of its employees represents one of the most efficient ways to achieve competitive benefits and is the basic prerequisite for the market competitiveness. (Bahtijeravić Šiber, 1999) It is necessary to emphasize that two thirds of these enterprises define rules and procedures establishing conducting and working rules of the employees in order to affect the company's efficiency and effectiveness.

More than the half of the hotel enterprises, that is 68 percent, analyze the market, which represents the basic form of activity enabling the enterprises to acquire information on consumers and non consumers, competition and distributive channels in order to recognize the necessities and the possibilities of selling on the market, to identify the business problems and to control the business activity. (Marušić and Vranešević, 1997) The same number of enterprises compared their results with competitors which is important if they want to reinforce their competitive position.

Between 50-60 percent of these enterprises are using teamwork and have a developed system for rewarding the best employees. Due to importance of the employees as carriers of the quality, this percentage is too small. In organizing employees in teams, whose joint objective is improving the quality, better communication between and within departments is realized creating the way for introducing changes. In these terms a significant role can be played by the reward system as a factor impacting the employees' motivation. The reward systems of the majority of hotel enterprise include promotions (84 percent) and financial rewards (77 percent), while more than a half of the hotel enterprises (55 percent) reward their employees through public

recognition. Paid vacations as a form of reward are less frequent (26 percent), as are other forms of reward, such as lifelong learning and training (16 percent).

Approximately 50 percent of the enterprises evaluate their suppliers and by implementing this system the quality of inputs as prerequisites of quality of final products/services is ensured.

It is surprising that only 37 per cent of the hotel enterprises measure and evaluate satisfaction of their employees. Monitoring the results related to the employees and their satisfaction is necessary as their overall work, satisfaction, motivation and commitment represent the prerequisite for the success of any hotel enterprise. In the same way the results have been evaluated negatively indicating that only 37 percent of them empower their employees. Empowerment is important since employees are becoming responsible for their work and as they feel more and more involved, their desire to achieve better results will be higher.

Continuous improvement implies that every employee thanks to his knowledge and experience in the working process is permitted to carry out improvements. As employees can affect processes and their improvements, they should know what to do, how they can do it and be capable of measuring the process's improvements and the level of their achievement. By orientation to continuous improvement, every organization should have the possibility to learn from the achieved results. The research results indicate that the surveyed hotel enterprises are aware of the importance of improvements as 68 percent of them (23 of a total of 31 enterprises) have a system for gathering suggestions of their employees. The results of its implementation are given in table 3.

**Table 3**  
**Suggestions per employee**

Number of suggestions per employee	Number of hotel enterprises	%
There is no evidence	3	14,5
Less than 1	7	33
From 1 to 3	7	33
From 3 to 10	1	5
More than 10	3	14,5

Even if there is a system for gathering suggestions from employees, one third of the hotel enterprises register one proposal per employee and one third from 1 to 3 suggestions. Therefore in these terms, employees should be financially or in other ways stimulated and awarded for submitting their suggestions.

## CONCLUSION

Research results reveal the level of implementation of quality management practices, with the emphasis on ISO 9001, in large and medium-sized Croatian hotel enterprises. The results indicate that large and medium-sized enterprises are aware of the importance and necessity of implementing the quality management system as 39 percent of them have certified the quality system, while the majority of the enterprises (that is 68 percent of the total of 19) plan to implement it. To prove that the surveyed hotel enterprises are aware of the quality role in current competitive conditions, their awareness is confirmed by the results of this research which indicate that the hotel enterprises lacking the certificate, undertake a range of activities in order to achieve and improve quality. The results show that these activities are mostly referred to measurement and evaluation of guest satisfaction and investment in education and training. At this point it is necessary to emphasise the shortcomings established in this research and related to the insufficient application of the activities linked to the employees that is to the lack of the employee empowerment and measurement of their satisfaction.

The most important reason for introducing ISO 9001 standards is quality improvement of products/services, while the greatest barriers are referred by respondents to be resistance to changes and high costs of implementation and certification. The quality systems in more than half of the hotel enterprises are applied at the level of hotel enterprise, while the largest part of them (two thirds) have the Quality Department as well as Quality Managers and Quality Teams. The results show that the respondents have a positive attitude in relation to the benefits achieved as a result of standard application. There is a high level of agreement with the benefits indicating the achieved improvements from various aspects – guests, employees and achieved business results. Research results indicate that the system for gathering suggestions by employees is still insufficiently used. Even if such systems exist in the majority of hotel enterprises, they do not achieve good results in

consideration of the small number of submitted suggestions (less than 1 or from 1 to 3 suggestions per employee).

By providing insight into the various aspects of quality-system implementation, together with an overview of the benefits that quality systems ensure, the research will help to encourage and raise awareness of the importance and necessity of implementing quality systems as a precondition for the survival and development of hotel enterprises. It will also provide additional incentive to hotel enterprises that have not yet implemented a quality system to apply it. Based on this research further researches in the field of quality management system implementation in small hotel enterprise can be conducted.

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