Enabling Quality in the Tourism Industry: The Evaluation of Business Excellence in Greek Hotels

GEORGE D. TSIOTRAS, PENELOPE D. TSIOTRAS

AND THOMAS A. FOTIADIS

[Short Abstract]

Tourism has a direct impact on the national economy and hotels are one of the most prominent parts of the industry. Using a study of Greek five star hotels, we examine the enablers of business excellence in the hotel industry to identify areas in need of improvement.

[Long Abstract]

The economic crisis, technological innovation and social and shifting cultural norms have brought changes in the level of competition in the tourism industry. In Greece, tourism has a direct impact on national economy and hotels are its most prominent industry. Here we evaluate the enablers of business excellence in the hotel industry in Greece, based on a study of 34 Greek five star hotels using the five enablers of the European Foundation for Quality Management Excellence Model. The results show that the hotels are in the process of quality improvement and working towards business excellence, however, there remain a number of issues including lack of benchmarking, poor evaluation of historical data and poor performance in aspects of human resources management. We argue that our method could be expanded beyond the present study and identify areas for improvement in our sample.

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Tourism has a direct effect on national economies, and hotels are one of the most prominent features of that industry. The global financial crisis, technological developments, and changes in social and cultural norms have all had a direct impact on the level of competition in the hotel business, particularly so in Greece. Strategies to improve the quality of services

provided by hotels are increasingly seen as being central to acquiring a competitive advantage in tourism (Arasli, 2002a; Ekinci. 2008. The question that needs to be addressed by the industry is, which strategies for quality improvement are the most effective if hotel units wish to maximize customer satisfaction, as well as their profits, during the present economic crisis? To answer this, we examined the enablers of business excellence used by hotels in Greece; we believe that the weak points identified in this study can be used as the basis for recommendations to improve customer satisfaction, in both Greece and elsewhere. Furthermore, the methodology used has proved to be an efficient tool, despite the hostile conditions that the sector faces from the external business environment.

We present a review of the key issues of quality in the hotel industry and follow this with a study of a sample of five star hotels in Greece, which are evaluated with regard to the enablers for achieving business excellence, the ultimate objective being the development of recommendations for quality improvement. These recommendations can constitute a framework of proposals to be used and solidified through further research in the hotel industry.

[H1] Quality in Hotels

Quality in hotels is an ambiguous notion. There are two aspects of quality at play here: subjective and objective. Subjective quality refers to meeting client needs and demands as perceived by the organization and each individual client. Typical examples of this relate to the politeness and discreetness of reception staff, to the tastefulness of hotel rooms, etc. Objective quality on the other hand, has to do with the tangible, physical existence of a product or service. For example, whether food is served at the scheduled time, if there is an interior heated pool, a health spa etc. We define quality in the hotel sector as follows, "quality

is the consistent supply of goods and services to the customers according to the expected standards."

Mullins (2001) suggests the following as the characteristics of the hotel as a product: constant potentiality (golf facilities, spa, conference rooms, and amenities), liability (a room that is not rented represents an irreparable loss of income), unstable demand (substantial fluctuations during the year) and real time activity (immediacy of activities).

An increasing number of clients are willing to pay more to enjoy hotel amenities and services that meet or exceed their expectations. The quality level of services is therefore an important factor to take into consideration (Hayes, Ninemeier & Miller, 2011). Attracting new clients is expensive both in terms of time and in terms of money; by adding value to existing services a hotel can more easily secure repeated visits and build a loyal client base.

Quality improvement results in the reduction of waste and increases productivity (Tsiotras, 2002); consequently, costs are reduced resulting in increased profits. In the competitive market in which hotels operate, issues related to quality are increasingly becoming a source of competitive advantage; this is reinforced by factors such as consumers' rights and the "emergence" of a new breed of consumers who are attached to quality (Soteriadis & Varvaressos, 2006).

Based on our review of the literature related to quality in the hotel industry, the steps required for the development of quality in the hotel sector are as follows:

- Defining the type of visitors who are served;

- Understanding their desires;

- Developing procedures which could offer clients what they desire;

- Training and motivating staff;

- Improving the use of information systems;

- Getting feedback.

It is clear that the supply of quality services constitutes a major challenge for the hotel sector, however, a more important question is the way in which this might be achieved and the difficulties that arise in doing so (Lazer & Layton, 1999).

[H1] Total Quality Management (TQM)

TQM is an approach that lays the emphasis on constantly improving procedures, with the ultimate aim of meeting customers' needs and ensuring the long-term success of the business (Shahbazipour, 2008). TQM presupposes the participation of the entire staff of the organization in a chain of procedures and human resources, with the sole aim of maintaining and improving the quality level of the products or services being produced (Tsiotras, 2002). It can also be defined as the satisfaction of social shareholders - clients, owners, and suppliers - by applying effective planning, schedules, and strategies, and by utilizing human resources effectively and consistently within the organization (Arasli, 2002b). In effect, TQM describes a series of business procedures and is claimed to be a means of improving customer satisfaction.

Research indicates that TQM programs reinforce organizational performance both in terms of its business and financial aspects, such as improvement in the teamwork of employees, increase in customer satisfaction and the achievement of a competitive advantage (Karia &Assari, 2006; Sit, et al. 2009). However, problems such as a lack of commitment by senior management, insufficient training of employees concerning the application of TQM,

inadequate resources and excessive dependence on outside consultants create problems that may discourage or hamper the implementation of TQM.

TQM takes the view that the smooth cooperation of all sections of the business is necessary if an organization is to be effective. Its techniques can be applied to all sections of the enterprise so that individuals from different departments, with different priorities and skills, can communicate and assist one another. TQM aims to improve competitiveness and effectiveness, as well as the ability to adjust. It is, in effect, a model of planning, organizing, and understanding every activity.

The successful application of TQM can produce results both in the internal and external environment of the enterprise. With regard to the external environment, care for quality products or services reinforces customers' trust in the company resulting in an increased market share, facilitating its profitability and securing a stronger foothold in the market than its competitors. Furthermore, it also reinforces its relationships with suppliers. As regards the internal environment, it has been established that the application of TQM principles increases productivity and, consequently, the effectiveness of the enterprise. According to Karia and Assari (2006), all employees participate in achieving their business targets within an effective TQM environment. They are all responsible for quality and have access to tools and training in order to perform their duties. They operate within an environment of positive interaction between themselves and management and are encouraged to offer their best.

[H1] TQM in the Hotel Industry

Over the past few years, quality in services has developed into an important research field due to its perceived relationship to cost, profitability, customer satisfaction, maintaining clientele, and marketing by word of mouth. The necessity of adopting the TQM philosophy at

the hotel branch level stems from changes in customer preferences, fierce competition, and changes in the economic, technological, and demographic environment. Globalization means that the hotel industry is under increasing pressure. Hotel guests are increasingly well informed, demanding, and willing to switch to a competitor that provides better products and services. Research has shown that quality has replaced cost as the determining choice factor in the hotel industry (Harrington and Akehurst, 2000).

Quality, as perceived by the hotel guest, is defined in terms of reliability, security, responsiveness, and empathy, factors which influence his/her satisfaction. The application of quality practices adds value to the quality hotel guests perceive and places the enterprise in a better position to understand the expectations of its clients and to ensure that its services meet their expectations (Gaspari and Taga, 2011).

The result of all these pressures is the use of TQM as a strategy for the survival of the enterprise (O'Neil, 2001). Commitment to TQM affects the performance of an enterprise; the benefits from the application of TQM are reflected in gaining a more competitive foothold in the market but also in a better business outcome (Prajogo and Sohal, 2006). Quality is directly related to the economic results of the organization and all success indicators of the enterprise are affected by it.

In the hotel sector in particular, the quality of products and services is decisive since it influences efficiency and performance, causing an internal impact on the organization through the procedures, and an external impact through the market (Kimes, 2001). The internal impact of performance has to do with the internal operation of the organization while the external one is concerned with the implications of quality on customer satisfaction and demand.

Improved quality provided to clients offers the hotel unit two significant benefits (Ekinci, 2008). The first one is maintaining a high percentage of clientele, provided they are satisfied, and the second is attracting new clients by promoting the improved services it provides. Santos-Vijande and Alvarez-Gonzales (2007) and Feng et al. (2006) have concluded that the application of TQM assists the enterprises of the branch in developing the ability to innovate and meet the needs of their clients. Researchers have proved (Sit, et al., 2009) that the application of TQM programs reinforces the performance of the enterprise on an operation level too, since it improves teamwork, and staff ethics, as well as their working behavior.

[H1] Critical Success Factors and TQM

Many researchers have looked at the critical factors for TQM success. The basic question they addressed was how these factors are defined, measured, and evaluated (Zairi & Youssef, 1995). In 1982, Deming developed 14 TQM principles and highlighted the significance of using statistical methods. These principles concern six general factors: the commitment of the leadership, the adoption of a quality philosophy, the healthy production from the beginning, excellence in internal communication, and cooperation of the sections and the weakening of quantitative measurements.

However, the first model of critical factors was developed by Saraph et al (1989), who identified eight factors that need to be applied if TQM is to be successful. These factors included leadership commitment, the role played by the quality department, training, product planning, the quality of the suppliers, the procedures employed, reporting quality data, and the relationships among personnel. These factors were evaluated using eight measures that can be viewed from two perspectives. The first is concerned with the management's response to those factors related to the current reality, that is to say, their true nature; the second is

concerned with the management's response to the ideal situation, that is to say, how the enterprise should be and operate.

This was followed by a model for measuring critical factors based on the criteria of the Malcolm Baldridge award (MBNQA), which deals with strategic elements, individuals' involvement, customer focus, awareness of the external environment, collaboration with suppliers and the measurement and emphasis on the development of a quality culture (Zairi & Youssef, 1995). This was followed in turn by Arasli in 2002, who identified seven general factors: leadership, participation, satisfaction, training, empowerment of employees, and organizational change (Arasli, 2002b).

In 2006, Ju et al defined ten critical success factors: the leadership commitment, the development of a quality philosophy, empowerment of employees, benchmarking, the procedures, the quality of the suppliers, clients' involvement, customer satisfaction, the training of employees, and measuring quality (Ju et al, 2006). Finally, Sila and Ebrahimpour (2003), having compared 76 empirical factors in 23 countries identified the following critical factors: leadership commitment, focus on the customer, strategic programming, the involvement of employees, training, procedures and their inspection, teamwork, product planning, continuous improvement, empowerment of employees, social responsibility, securing quality, employee satisfaction, human resource management, the analysis of information and benchmarking.

Of the numerous management tools and techniques available, the European Foundation for Quality Management Excellence Model (EFQM, 2015) provides the most holistic view of the organization; it can be used to determine how the different methods fit together and complement each other. The EFQM Excellence Model allows people to understand the cause and effect relationships between what their organization does and the results it achieves. It

can also be used in conjunction with any number of these other tools as a framework for developing sustainable excellence. It has been applied to more than 30,000 leading organizations (private and public) throughout Europe and can be used in several different ways:

- As a tool for self-evaluation;

- As a method of comparative evaluation in relation to other organizations;

- As a guide for identifying areas that need improvement;

- As a basis for using a common vocabulary and way of thinking;

- As a structure for the management system of an organization.

Consequently, we adopted the EFQM Excellence Model as the basis for our study.

[H1] A Study of Business Excellence in Greek Hotels

The aim of the study was to evaluate the enablers of business excellence of five star hotels in Greece with a view to making proposals for quality improvement. The study uses the following EFQM criteria: leadership, policy and strategy, human resources, partnerships and resources and processes. 222 of the 22,000 hotels in Greece are five star hotels (Trivago, 2015). A questionnaire was sent to random sample of 70 (nearly 30 per cent of the total); 34 questionnaires were returned completed. The responses were provided by high level administrative executives (general managers, marketing, quality, and sales managers).

The research was conducted using the first part of the EFQM (enablers) questionnaire, which consists of 35 questions. Our questionnaire contained structured multiple-choice questions and a scale of responses based on five-point Likert scale (1= totally disagree, 5= totally

agree). The questionnaire was piloted in two hotels in Thessaloniki and the research itself was conducted during April and May 2014.

The analysis was based on the measures of dispersion (mean and standard deviation) as well as on frequencies. An average of four (which corresponds to "agree" on the Likert scale) constituted the threshold for the presence of excellence. Averages lower than four were examined to see if the difference from the threshold value was statistically significantly. The level of significance used was 5 per cent. The complete results are shown in **Exhibits 1 - 5** below.

[PRODUCTION: Set Exhibits 1 - 5 about here]

[H1] Results and Discussion

Dale & Lascelles (1997) considered that businesses with scores below the mid-point had issues with specific procedures or practices. Thus, to identify areas in need of improvement, factors whose averages were below the mid-point were selected; it was also decided that those factors with averages between 3 and 3.5 should be considered and hence were included in our analysis.

[PRODUCTION: Set Exhibit 6 about here]

Exhibit 6 lists the items in question together with their averages as well as the overall averages of the factors. The overall average score amounted to 3.13, just above the mid-point. Businesses with this score are classified to the category labeled "improvers." Hotels in this category have already been involved in quality improvement processes for at least the last five years and have improved considerably, although some still have some way to go. They have understood that the existence of quality entails a long-term change of culture and

recognize the importance of such a change for the improvement of quality (Dale & Lascalles, 1997).

One could suggest that, having reached this point, the burden falls on the shoulders of top management, the leaders of the company, who must support and guide, continuously, and uninterruptedly, by means of improved strategies, progress towards excellence. **Exhibit 1**, shows that "leadership" ranks high, compared to the other factors; although it is also evident from the results that customer-centric culture figures in the nucleus of the philosophy adopted by the leadership of hotels (Exhibit 1, 3b). Hotels should, or ought to be, aware of the current state of affairs, probable future outcomes, and what course of action should be taken to attain the best results. Since the future is but a mirror of the past, the prolonged lack of such information will have a negative effect in both the customer-centric strategies adopted by hotels and their efforts to be more competitive.

It is most probable that the low measurements in items relating to processes - see elements 31, 34, & 35 of **Exhibit 5** - may partially be attributable to the failure in the collection and processing of information regarding customer satisfaction. Another cause might originate in the lack of the necessary infrastructure (technology, working groups, and knowledge). This is also most likely, since similar difficulties are manifest also in issues relating to policy and strategy (Exhibit 2, 9).

However, as we see from **Exhibit 4**, what seems to be most important is that hotels have not yet reached the "improver" level with respect to informing on their performance and the moves of their competitors (Exhibit 4, 23D). The lack of the aforementioned infrastructures is also evident in the low measurement of whether the "hotel has adopted innovative and environmentally friendly technologies" (Exhibit 4, 28).

The result of the measurement of the EFQM criterion relating to "Policy and Strategy", as shown in **Exhibit 2**, is the greatest (3.7) compared to the other criteria and shows that hotels support their mission, vision, and objectives in general via their strategic choices. However, such strategic choices do not appear to include the appropriate mechanisms that would furnish hotels' leadership with the capacity to collect the necessary information in order to know the needs and demands of the society in and as part of which they operate, in their agenda.

Hotels appear to be borderline cases with respect to the exploitation and utilization of the ideas of their people (Exhibit 2, 11), and the collaboration of top management with the staff for the establishment and hierarchy of objectives and action plans needed for the improvement of operations (Exhibit 2, 13). The results for these two elements combined with the low score for participation of employees in the attainment of objectives through meetings with top management (Exhibit 2, 14) show shortcomings in issues of participatory management or personnel empowerment. Moreover, the results for items 17, 20 & 21 - shown in **Exhibit 3** - suggest that there is room for improvements in key human resources management issues, such as systems for evaluation and professional and personal development.

[H1] Some Lessons from Our Study

If the ultimate goal is to provide excellent services, then this objective must be consolidated both at the level of middle and lower hotel operations management. It is leadership that must develop and communicate this objective, an objective that makes working meaningful. An effective leadership is one that takes account of both the expectations of employees and the motivations for their behavior, as well as environmental conditions. The ultimate goal of leadership must be the motivation and empowerment of employees, based on specific

methods designed to assist the improvement of employee performance. However, in order for this to happen, managers and hotel leadership must adopt a human-centric management model, the administrative agenda of which should include incentives that increase employee satisfaction and will, ultimately, be conveyed to the client as a higher quality service.

Although the leadership model followed by hotels is not known, perhaps they should move towards the adoption of a participatory system or, in any case, part thereof at the initial stage. When satisfactory access to resources and information is granted to the personnel, it is more likely for them to trust the directors and feel more committed and attentive to the objectives and policies traced out by the hotel. This change of culture (more collaboration) will also bring about the marshaling towards the common goal of further upgrading and improving the quality of the services rendered.

Informing, however, must be constant, fast, and accurate. The installation of one or more IT systems, easily accessible by competent employees, may also assist in this. Such a system will not only contribute towards the improvement of the quality of services but will also be a key way of communicating, at the point of implementation, procedures, and their control. It is well known that technology is a key component for the creation of a competitive advantage for a company, in particular in the areas of production, personnel training and decision making management. There are several IT systems available for the hotel industry; these include PMS (Property Management System), POS (Point of Sales), EMS (a system for energy management), accounting systems, sales analysis systems, intranets, and others. Undoubtedly, some hotels already own and use them but some others do not. Having said this, even if such systems are in place and used, the manner in which IT systems are implemented constantly evolves, but such a development is rarely in the minds of top executives and leadership when they are involved with decision-making. It is not rare for IT

systems to be outdated, or even obsolete, compared to those available in the market. As a result, management may be flooded by reports and statistical data, but this does not necessarily mean that they get the information they need in order to plan, schedule and manage correctly the decision or task at hand. In addition, the systems in question not only have the capacity for stand - alone, independent operation, but may also be interconnected to form a uniform and unified hotel system, and thus function more efficiently and effectively.

Succinctly, the results of the survey have shown that the hotels examined in our study are on course to improve their quality, but still have some ground to cover before they attain excellence. The problems are mainly detected in the lack of historic data for both the hotels themselves, as well as their competitors and centered on issues relating to the management of human resources. The solutions must be sought in the application of new information technologies or the upgrading of existing ones and in their effective and efficient management; in the adoption of a business culture focusing on the consolidation of perceptions and attitudes; in defending and safeguarding the uniqueness of the members of the organization, their creativity and views; in the approach promoting the empowerment of personnel and, finally, in the incorporation of ecological management in quality management.

As outlined at the beginning of the article, the study took place in the turbulent environment of an economic crisis, rapid technological advance, and shifting social and cultural norms. It should also be noted that the methodology use in this study, could be applied to the same sector in other geographic areas, and to any kind of hotel type, not only in less demanding environmental conditions, but also in similar exacting conditions.

Investments in these fields may appear to be of high cost in the short run. However, in the long run the benefits far outweigh what may appear as an initially high cost. The terminus is the attainment of excellence. As Deming, one of the gurus of quality, states it, higher quality

means lower cost and increased productivity, which entail higher market shares and higher levels of competitiveness.

[H1] References

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[Bios]

George D. Tsiotras *is Professor and Director of the Business Excellence Lab in the University of Macedonia, Thessaloniki, Greece. He holds a Ph.D. from State University of New York at Stony Brook and has served as the Secretary General of the Region of Central Macedonia and as the President of the Balkan and Black Sea Regions of Europe. He is the author of four books and has published more than 100 papers in international referred journals.*

Penelope D. Tsiotras *holds an MBA from the Open University of Cyprus and a B.Sc. in Physical Education from Aristotle University of Thessaloniki, Greece.*

Thomas A. Fotiadis *is an assistant Prof of Marketing and Director of the Marketing Lab, at University of Thrace. He holds a Ph.D. in Marketing (University of Macedonia, Thessaloniki, Greece). His research interests include High Tech Marketing and Technology, Green Marketing and International Marketing. He has contributed more than 25 papers in international conferences and book chapters.*