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Benchmarking Quality Management in Hotels

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Abstract

In the early 1980s many hotels in the United States adopted quality assurance as a business strategy. By the late 1980s independent and chain hotels realized that total quality management (TQM) was a more powerful process and they began utilizing many of its components. For over 10 years, hotels have flirted with a variety of tools, processes, and theories to improve service to the guest

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In the early 1980s many hotels in the United States adopted quality assurance as a business strategy. By the late 1980s independent and chain hotels realized that total quality management (TQM) was a more powerful process and they began utilizing many of its components. For over 10 years, hotels have flirted with a variety of tools, processes, and theories to improve service to the guest.

One of the problems with studying the design of quality systems is that there is no single, best definition of TQM. It has been called a philosophy and system designed to encourage positive organizational development.[1] It has also been called a process that entails work in 10 areas, from creating a culture of quality to building a system for rewards and recognition.[2] More specifically, TQM has been defined as a commitment to the continuous improvement of customer satisfaction.[3]

Certain commonalities can be found, however, in the various definitions of TQM.[4] First of all, a systematic approach must be taken for TQM to be successful. The culture of the hotel system must allow employees to make decisions about their jobs. Continuously improving customer satisfaction with products and services is another key element of a quality system. Clearly, management's responsibility is to employees as well as customers. That responsibility includes training employees to use the appropriate TQ tools and measuring customer satisfaction so that decisions are based on reliable data. And at the heart and soul of quality is an understanding of the processes that are designed to create employee and customer satisfaction.

But there have been no empirical studies of what hotels are actually accomplishing in terms of specific TQM principles. Several researchers and groups have studied manufacturing and service industries to identify the best practices of companies that operate according to the quality philosophy. Benchmarking, as this process is

known, can be beneficial to the hotel industry by pointing out the practices that can either help or hinder the quality journey. But benchmarking a manufacturing operation and trying to apply the results to a hotel would fail to consider the service intensive nature of lodging.

Therefore, the researchers wanted to investigate the best practices of hotels in the United States that are noted for their quality systems. In order to conduct a competitive benchmarking process of the seven hotels identified by the American Hotel and Motel Association as quality resource properties. These properties have gained nationwide recognition for their quality efforts. The results of the study can help hoteliers recognize those practices most closely identified with a successful quality program. Hotel managers can also use the data to avoid spending time and money on processes that do not add value to an operation.

Benchmarking Means Measurement Against the Best

Benchmarking has been an important management tool since the 1980s.[5] Xerox Corporation began to popularize the use of benchmarking in 1979 when it wanted to find out why Canon could sell a copier for what it cost Xerox to make one. Shortly thereafter, Ford Motor Company adopted the practice and showed great success with it as demonstrated by the reviews for its Taurus and Sable models.

Benchmarking is an ongoing process whereby one organization measures its practices and outputs (both product and service) against the best global competitors or leaders in the specific aspects being studied.[6] All of this is done in order to find opportunities for improvement. When benchmarking, an organization brings an external perspective to internal processes in order to continuously improve.[7] Clearly, benchmarking is intended to help organizations improve their systems, processes, and output by comparing their own operations to those noted for their excellence.

Several types of benchmarking can be used, each for a particular purpose.[8] Internal benchmarking, which is where all benchmarking should begin, requires an organization to examine itself. This type can be applied to a particular function or a whole system and gives a baseline for future comparisons. Competitive benchmarking, which is often conducted by a third party, investigates one or more specific competitors recognized for excellence. In this study, the seven hotels identified by the AH&MA as quality resource properties were surveyed. Industry benchmarking, as the name implies, entails research into all like businesses, for example, all hotels, in order to get baseline information. Best-in-class benchmarking is used to identify the best processes regardless of the industry. An example would be a hotel controller's office looking at the accounting department of a manufacturing firm identified as having the fastest accounts receivable turnover or other indices of operating effectiveness.

Benchmarking can be undertaken in a variety of ways. Perhaps the most common happens when somebody from Company A attends

a conference and hears all the wonderful things going on at Company B. Company A decides to benchmark Company B and sends a team to their plant or site. Site visits may be as short as couple of hours or be conducted over a period of several days.[9]

The process can fail after the visit if the team feels that Company B is so different from them, they cannot duplicate the excellent practices. Or the team might not realize that the visit is just the beginning of the benchmarking process and that a lot of hard work is still ahead. On the other hand, the process can be successful if the team members and their supervisors go beyond the mere numbers. This means investigating why Company B can perform a function with 10 employees while it takes 20 employees at Company A to perform the same work. Perhaps Company B is far more automated or serves a very different client base with different needs.

If a site visit is not possible, benchmarking can be achieved through mail surveys.[10] Questionnaires can be completed by the appropriate person(s) in the organization being studied. If the benchmarking team has developed an extensive survey, a mailing might be a better approach.

Only Top Companies Benefit

Perhaps the most widely publicized benchmarking study was undertaken by Ernst & Young in conjunction with the American Quality Foundation. The "Best Practices Report" (a result of the International Quality Study) presented data on an international study of almost 600 service and manufacturing companies.[11] The most important finding of this study was that only top-performing companies were likely to benefit from benchmarking, mainly because they had the infrastructure needed to support quality and continuous improvement. Low and medium performers, lacking such infrastructure, needed to concentrate on the fundamentals of survival.

Another benchmarking study looked at 47 firms, representing diverse industries. This study was designed "...to understand measures used to track performance, to gather data on best-in-class results and to discover how best-in-class companies achieve those results."[12] A major finding of this study was that the excellent companies understood that each customer must be approached as a unique individual or entity. The best companies continuously researched their accounts to measure and analyze current and future requirements.

In 1993, a report entitled "TQM: Forging Ahead or Falling Behind?" was produced by Development Dimensions International (DDI). The bulk of the data were derived from almost 6,500 respondents representing five organizational levels in 84 North American organizations. All of the organizations had been involved in the quality process for at least one year. This report described several major findings. First of all, total quality management was in its infancy. Secondly, TQM improved operational results, customer satisfaction, and organizational climate.

Not surprising, another finding was that success with TQM did not come overnight; patience was needed. There was also a significant gap between what was important for TQM and the actual performance of those factors and leadership commitment was essential if TQM was to succeed. The study identified the belief that TQM was the favored strategy for improving long-term competitiveness and position. DDI defined 13 factors critical to the success of TQM: training, leadership commitment, customer focus, alignment of organizational systems, empowerment/involvement, communication; implementation/rollout, performance management/appraisal, vision and values, measurement, supplier involvement, recognition and rewards, and tools and techniques.[13]

Studies Have Been Done on Hotels

In 1982, The American Hotel and Motel Association (AH&MA) formed a Quality Assurance Committee and introduced a quality assurance program. A report on the status of quality in hotels in the United States was requested by this committee.[14] This was, in essence, an attempt at baseline benchmarking to gain an understanding of how hotel executives viewed quality. The survey resulted in several significant findings. For one, executives did not understand the quality concept and even though it was concluded that quality assurance was needed in hospitality, few properties had effective quality programs. Other findings were that few effective employee orientation programs existed and low turnover rates were positively correlated with several factors relating to quality, such as training and standards of performance. The authors also quantified the cost of nonconformance to standards, or a lack of quality, and estimated it was 1.86 percent of total revenues per year.

The next study on quality in hotels was conducted eight years after the AH&MA began its quality assurance program. Thirty-eight hotels, one half having quality programs and the other half not, were surveyed.[15] This research looked at operating statistics, guest and employee satisfaction variables, and operational factors. The authors found that in 19 of 21 operating variables, the quality assurance properties registered higher levels of positive change. A new baseline of sorts had been established.

Both the 1982 and 1990 research projects established the need for continued investigation of quality processes in hotels. The research presented in this paper is based on the survey created by DDI in 1993 and their definition of 13 factors critical to the success of TQM. The questionnaire was sent to each of the seven AH&MA quality resource properties, those hotels recognized at the national level for practicing quality principles.

The survey was constructed by DDI in a multi-step process. First, the researchers conducted a review of TQM surveys, selecting and modifying certain items, and identifying 13 factors for TQM success. They then met with focus groups to refine the factors and items. This

step resulted in a pilot survey that was tested with six organizations. The authors then conducted confirmatory factor analysis to determine the quality of the factor structure and also looked at alpha levels to measure internal consistency reliabilities. The final version of the instrument contained 13 factors and 76 items.[16]

Respondents were asked to rate both importance and performance of the 76 items according to the following scale: 5 = very high; 4 = high; 3 = moderate; 2 = low; 1 = very low; 0 = don't know. They were also asked to rank order the three factors most critical to the success of their TQM programs.

The researchers added several inquiries: the length of time the quality program had been in place, the primary reasons for the implementation of TQM, and the methods used to measure quality.

Quality Resource Properties Were Surveyed

Competitive benchmarking is limited in scope and investigates only those competitors identified as being the best. In the United States, the quality resource properties are recognized nationally for their commitment to the quality process. These hotels are known for their continued work in the development and promotion of the quality concept. They share information among themselves and with other hoteliers. At present there are seven quality resource properties recognized by the AH&MA.

The investigators mailed a survey to the person in charge of each hotel's quality program. Six responses were received. A site visit to the seventh property yielded a response. Therefore, 100 percent of the quality resource properties were represented in this research. It is important to note, however, that there are other hotels in the United States that practice TQM. The seven chosen for this study have been designated "quality resource properties" by the AH&MA.

The data were analyzed using SPSS-X release 3.0 and descriptive statistics were computed for each of the 13 quality factors and 76 items. Rank order of the most critical factors was achieved by assigning point values to each response. Frequencies were obtained for the categorical data.

Additionally, the Wilcoxon Matched-Pairs Signed-Ranks Test, a non-parametric test, was used to determine if there was a significant difference between importance and performance scores. This test was employed because the distribution skewed toward the positive end, meaning a normal distribution could not be assumed, and t-tests would therefore be inappropriate.

DDI granted the investigators the authority to make a limited number of copies of the instrument, which was copyrighted. The agreement specifically stated that the survey could only be distributed to one person in each hotel company. If one of the quality properties wanted to use the scale to measure itself, it would have to apply to DDI for permission and pay a fee. Therefore, this study should be considered a pilot test.

Leadership Emerges as Important

Table 1 presents the overall mean scores for both importance and performance of the 13 factors and shows the gap that exists between the two. With the exception of tools and techniques, all factors were rated as very important. The largest gap (1.10) was found between importance (4.62) and performance (3.52) for customer focus. But all the gaps, with the exception of the gap between importance and performance for tools and techniques, were significant at the .05 level.

Respondents were asked to rank order the top three factors they considered most important to the success of their TQM programs. Only eight factors received votes: leadership commitment, score of 12; customer focus, 9; vision and values, 9: training, 3; communication, 2; empowerment, 2; alignment of organizational systems, 2; and implementation/rollout, 1. Leadership commitment was identified as the most crucial element in a quality program. The DDI study had the same result.

All of the methods used by the quality resource properties to measure quality are included in Table 2. Six of the properties relied on employee surveys, suggesting that quality properties believe that guest satisfaction is positively correlated with employee satisfaction.

Five hotels have had quality initiatives in place for three or more years. Only one property reported a program only one to two years old. The pool of quality resource properties has changed over time so it is not unusual for a property to have a relatively young program.

All believed that the improvement of customer service was the most important reason for implementing their quality programs. Secondarily, the respondents believed that quality would improve employee morale (71 percent). Again, the hotels recognized for their quality programs seem to demonstrate a belief in the importance of employee satisfaction to providing guest satisfaction. Other reasons included decrease costs and improve productivity (43 percent each) and improve competitive position (28 percent).

Because the sample size was small and the mean scores so tightly grouped, it is impossible to make any general statements about the data. However, there are some points that are worth noting.

Tools and techniques are clearly the least important factor for TQM success. This is not surprising given the service nature of the industry and the production emphasis of the items in this factor, such as ISO 9000.

All other factors had mean scores between 4 and 5, indicating high to very high importance. But three factors stood out when respondents were asked to rank order them; leadership commitment, customer focus, and vision and values each received more points than the other five factors combined.

Unfortunately, the largest gaps between importance and performance were noted for three of the four most important factors in the rank order. Customer focus, vision and values, and training each had a gap greater than 1. This suggests that the hotels are not best at what

Table 1
Overall Mean Scores of Factors

Factors	Importance	Performance	Gap
Customer focus	4.62	3.52	1.10*
Vision and values	4.77	3.69	1.08*
Training	4.67	3.62	1.05*
Alignment of systems	4.54	3.54	1.00*
Supplier involvement	4.17	3.17	1.00*
Empowerment	4.57	3.61	.96*
Communication	4.63	3.71	.92*
Leadership commitment	4.41	3.51	.90*
Measurement	4.51	3.63	.88*
Performance management/appraisal	4.36	3.50	.86*
Recognition and rewards	4.50	3.71	.79*
Implementation/rollout	4.64	3.90	.74*
Tools and techniques	3.46	3.13	.33
Overall means	**4.45**	**3.56**	**.89***

Note: n=7. *Significant at the .05 level.

Table 2
Methods Used to Measure Quality

Methods	Percent
Comment cards	100
Employee survey	86
Guest survey	71
Corporate inspection process	71
Mystery shopper service	14
Other measures	14
Note: N=7.	

is most important. Leadership commitment which was rank ordered as number 1 had a smaller gap, but it is difficult to know if this is significant because of the small sample size.

The best performance score, 3.90, was realized for implementation and rollout. But this factor ranked eighth in importance. So what the hotels are best at is not what they think is most important.

Clearly, more research is needed into the state of quality in the hotel industry in the United States. The researchers intend to use these results to create a survey specifically for the hotel industry. Hotel managers would then be able to assess their operations more accurately. That is how benchmarking truly begins.

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