



The impact of quality management on productivity in the hospitality sector



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ABSTRACT

This paper attempts to determine the relationship between quality and productivity in the hospitality sector. Although both variables are crucial to the competitive and value creation processes in hotels, few empirical studies have explicitly analyzed the relationship between them. Thus, we estimated a production function for a hotel sample that shows how a set of determinants influences labour productivity. Among these determinants we included different quality variables, defined from the point of view of total quality. The estimation results show a direct and significant effect of quality on labour productivity. This suggests that the implementation of total quality management (TQM) systems, or the adoption of the TQM principles, have a positive impact on hotel labour productivity.

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1. Introduction

Since the late 1980s, many authors – especially those associated with the Nordic School of Services – have studied productivity in the service sector and have addressed the need to define a concept of productivity that takes into account the distinctive features of this sector of economic activity. This approach was followed by Vuorinen et al., 1998, Ojasalo (1999), Parasuraman (2002), and more recently by Djellal and Gallouj (2013), indicating that this topic is still under discussion. During this period, the first studies on productivity in hotels appeared (Van der Hoeven and Thurik, 1984). Several focused on measuring hotel productivity, and many others investigated its key drivers (Brown and Dev, 1999; Kilic and Okumus, 2005; Marchante and Ortega, 2012).

The concept of quality in business has evolved over time, leading to changes in the methods used for its management. Since the 1980s, the concept of Total Quality Management (TQM) has been adopted together with a strategic approach to quality in an attempt to focus all the resources on achieving excellence. Various quality management systems, international standards, and quality certificates are based on this approach. The implementation of this concept has brought out the difficulty of managing quality in the service sector. However, compared to the number of studies

on tangible goods, there are still few studies on this subject. Such studies are driven by two main schools of thought: the North American school (Rosander, 1989; Horovitz, 1990; Zeithaml et al., 1990; Berry, 1995); and the Nordic school (Grönroos, 1984; Edvardsson and Gustavsson, 1988). Interest in quality in hotels arose in the late 1980s – similar to the case of productivity – in response to increasing competition in the hotel industry, which was followed by a recession in Western economies (Stewart and Johns, 1996). The first studies focused on quality management from a theoretical perspective, the implementation of specific management systems, and the gaining of quality certification. Over time, two lines of research emerged in the literature in this field (Hernández-Maestro et al., 2009): studies addressing quality from the customer's perspective (Camisón et al., 1996; Al Khattab and Aldehayyat, 2011) and others analysing the advantages and disadvantages of the implementation of quality management practices and systems in hotels and their relationship to business performance (Claver-Cortés et al., 2008; Viada-Stenger et al., 2010).

Although the relationship between quality and productivity has attracted some interest from a theoretical perspective, most research has focused either on quality or productivity; studies focusing on the relationship between the two aspects remain few, especially empirical studies. However, in recent years, growing interest in the study of productivity and quality in the service sector has led to the emergence of studies that have more or less explicitly investigated the relationship between the two variables, based on different perspectives and with different results. The traditional view is that quality and productivity are incompatible. However, many authors have questioned this relationship,

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proposing a modern vision that takes into account the customer's perspective. Thus, researchers consider the two variables as being positively related, and assume that quality has a direct effect on productivity (Gummesson, 1992; Parasuraman, 2002, 2010; Kontoghiorghes, 2003; Hope, 2007). In fact, an integrative or dual perspective is considered necessary (Hernández-Maestro et al., 2009; Parasuraman, 2010), whereby perceived quality depends on objective quality and consumer expectations. Consequently, from the standpoint of managing both productivity and quality, traditionally addressed in isolation, integrated management is also considered a necessity (Vuorinen et al., 1998; Parasuraman, 2002; Kontoghiorghes, 2003). TQM is seen as the most useful tool in this approach, although some authors have proposed their own management systems that are based on similar philosophies (Young and Colosi, 1993; Mohanty, 1998).

Thus, taking into account the foregoing, we use a strategic approach based on the concept of TQM to investigate the relationship between quality and productivity. This analysis is also justified by the fact that various public administrative bodies have strongly invested efforts in promoting improvements in quality in hotels in Spain. These activities have often been developed under programmes designed to increase the competitiveness of the sector, ensure the survival of companies that form the sector, and maintain or steadily increase the sector's contribution to the economy over time.

Furthermore, opportunities may exist for increasing productivity levels in the hospitality sector in Spain. In this sense, Table 1 presents data on labour productivity levels (measured as the average value added generated by each person employed) for EU member states in 2006. These states represent 85.7% of the total employment of EU-27 in that year. Labour productivity in Spain was €20,000 for the entire hotel and restaurant sector. This figure is very similar to the one reported for Italy (€19,700) and very close to the figure reported for the UK (€21,600). However, there is an important gap in productivity between Spain and leading countries such as France and Austria in the hospitality industry. Moreover, labour productivity decreased in real terms in Spain up to 2008, mainly due to a large increase in employment during the latter half of the 1990s (Ortega and Benavides Chicón, 2013).

In fact, the increase in productivity in Spain in 2009 is a consequence of job destruction and an increased unemployment rate in the context of the current recession. Thus, these data suggest that there is a high potential for improvement in productivity in the hospitality sector in Spain if the output per worker is compared to that in leading countries in Europe.

This article is structured as follows: First, we present a review of the relevant literature on the subject. Then, the theoretical

framework used to investigate the relationship between quality and productivity in services, and specifically in hotels, is presented. Subsequently, we describe the database and construction of the empirical variables used to estimate the proposed model. Following the econometric assessment of the model, we discuss our findings and the limitations of the study.

2. Review of the literature

Few studies have specifically addressed the relationship between quality and productivity in hotels. However, some relevant studies exist that address quality from a managerial point of view or that analyze the influence of quality on business performance, which has sometimes been quantified using different measures of productivity.

In the first case, a positive association between TQM and productivity was identified in theoretical studies, such as those by Vrtiprah and Ban (2000) and Avelini Holjevac and Vrtodušić Hrgović (2012). Both studies include measures of productivity in the Croatian hospitality industry in order to justify the relevance of productivity management in hotels; they also analyze the factors which influence productivity and suggest strategies for increasing it. Among these factors, product and service quality play a significant role, and this association is best illustrated by the concept and goal of TQM (Avelini Holjevac and Vrtodušić Hrgović, 2012). Thus, they conclude that quality management systems have a positive effect on productivity, based on the results of a descriptive analysis that compares labour productivity in ISO 9001 certified and non-certified Croatian hotels.

In the second case, a positive association was observed between quality and management aspects or performance variables from both the management's and consumer's points of view (Skalpe and Sandvik, 2002; Claver et al., 2006; Claver-Cortés et al., 2008; Tarí et al., 2010), although the conclusions presented by these authors differed. These studies include capital productivity measures among the economic performance variables, using the number of available rooms as a measure of input. Skalpe and Sandvik (2002) studied the economics of quality in the hospitality sector and demonstrated that quality requires economic resources and has positive effects on the economic performance of hotels. They assessed the consumer's perception of quality based on quality ratings from 40,000 customers and concluded that quality has a significant impact on revenues per room available. Claver et al. (2006) studied the reasons for the adoption and certification of quality systems and their impact on performance, based on the perceptions of two hotel managers in Spain. The results show that, among the variables considered, certification has a relatively high impact on productivity (5 out of 7 points). Claver-Cortés et al. (2008) analyzed the relationship between TQM, managerial factors, and performance in a sample of Spanish hotels. Among the performance measures considered, they included gross operative profit per available room and day (GOPPAR). They concluded that hotels that show higher commitment to TQM reach higher levels of GOPPAR. However, a more recent study (Tarí et al., 2010) did not find a positive relation between commitment to TQM and GOPPAR, either separately or in combination with environmental commitment.

Finally, some studies have examined the factors that influence productivity in the hospitality sector. Some of them identified quality as a relevant factor (Sasse and Harwood-Richardson, 1996; Brown and Dev, 2000; Kilic and Okumus, 2005). The studies by Sasse and Harwood-Richardson (1996) and by Kilic and Okumus (2005) were both based on interviews with hotel managers with the aim of identifying the factors influencing productivity. However, these studies were not based on a specific definition or measurement of productivity. According to Sasse and Harwood-Richardson

Table 1
Labour productivity level and growth in the hospitality sector in EU countries (value added divided by the number of persons employed).

	Levels ^a (10 ³ €/employee) 2006	Annual growth, in per cent ^b			
		2006	2007	2008	2009
France	31.2	0.5	-0.6	n/a	n/a
Sweden	26.5	-2.5	1.4	1.6	-4.3
Austria	26.3	0.4	-2.3	2.2	-0.8
United Kingdom	21.6	5.2	2.2	0.5	n/a
Spain	20.0	-1.7	-0.6	-0.3	1.4
Italy	19.7	2.7	-0.5	1.5	-0.5
Netherlands	19.2	0.1	-1.2	1.9	-6.9
Germany	17.7	-0.7	3.9	0.5	-5.2
Greece	11.4	-2.4	-3.6	2.7	8.6
Poland	11.1	7.6	-2	-0.5	n/a
Czech Republic	7.9	21	-2.5	3.1	n/a

Sources: (a) Eurostat (2009). (b) OECD.

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