

Assessment of Efficiency of the Hotel Management by a Russian Company

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Abstract: Presence in a hotel of technical provisions for rendering of services (cozy rooms, public premises, high-tech equipment, etc.) does not absolutely guarantee the service quality and regular income. In order to achieve success in the short- and long term the enterprise shall first of all ensure organizational conditions, i.e. a special management system shall be developed and implemented. Besides, application of the efficient management methods in the conditions of the cash deficiency could significantly improve the hotel performance indicators by the minimum investments in the facilities modernization, staff training and service promotion. Thus, the main potential for development of the modern hotel facilities is contained in their management level. Experience shows that neither development and implementation of an effective strategy, nor successful organizational changes within a hotel are not possible if it does not have a viable mechanism for management of the organizational and technical possibilities and the high performance indicators are inaccessible without formation of an integral control system meeting the strictest modern management requirements. At the current stage of development the three methodological approaches to the management efficiency assessment are the most widespread: the system approach; from the perspective of satisfaction and goals. Presently the three assessment methods are being investigated: economic value added, process-oriented profitability analysis and the balanced scorecard. In the article the most promising direction of the management system efficiency assessment is explored which is the economic efficiency index calculated according to the BSC and EVA integration models. The authors have presented the proof of the hypothesis of the high potential of the index application both from the perspective of the activities monitoring and analysis of the investment attractiveness of the hotel enterprise.

Key words: Balanced Scorecard (BSC) • Concept of the economic value added (EVA) • Strategic charts
• economic efficiency • Management system • Management system index

INTRODUCTION

Over the last years the issues of the efficient company management became rather topical for many countries [1-3]. The management efficiency factors influence the company performance. The management efficiency determines such factors as competitiveness,

investment attractiveness of the companies. The operating efficiency, in its turn, depends also on the macroeconomic factors, for example, government regulation of the economy and business [4, 5].

The economic efficiency of the hotel complex management shall be considered in the context of demand, not supply, for this reason the management efficiency is

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not technical efficiency, but allocative one. It is necessary to single out the two stages in the development of the methods for the management system efficiency assessment: the financial and holistic one. At the current stage of development the three methodological approaches to the management efficiency assessment are the most widespread: the system approach; from the perspective of satisfaction and goals. Presently the three assessment methods are being investigated: economic value added, process-oriented profitability analysis and the balanced scorecard. The analysis of these methods allowed to prove that the economic efficiency of the management system is an integrated category covering all the areas of the company activities.

Research Methods and Procedure: In order to prove the hypothesis the methods and techniques of the system and logical analysis have been used which allow to present the subject as an interrelated aggregate of components; the functional approach by means of which the purpose of each separate component and the system as a whole was determined; synthesis of the managerial decisions and approaches; method of scientific classification, comparison and generalization of objects and phenomena; the factor approach allowing detection and classification of the inconsistencies within the economic system, economic and mathematical methods of analysis.

The informational background of the research is presented by the legislative and other statutory and regulatory acts of the Russian Federation and the city of Moscow, statistics data, publications in the specialized periodicals, accounting reports and other documentation provided by the hotel facilities and banks. In the course of the research work also the materials of the research-to-practice conferences, the catalogues of the Russian hotels, the findings of the surveys among the consumers of the hotel services as well as findings of the observations and investigations performed by the authors were used.

RESULTS

Following the analysis of the conceptual proposals the most promising direction in the assessment of the management system efficiency seems to be the economic efficiency index of the management system calculated according to the BSC [6] and EVA[7], [8] integration models, by formula:

$$IEEMi = \sqrt[5]{E_1 \cdot E_2 \cdot E_3 \cdot E_4 \cdot E_5} \quad (1)$$

where

E_1 = Effectiveness of the attitude to the staff in i - period;

E_2 = Effectiveness of the business processes aspect in i - period;

E_3 = Effectiveness of the environmental aspect in i - period;

E_4 = Effectiveness of the aspect of attitude to the customers in i - period;

E_5 = Effectiveness of the financial activities aspect in i - period, the main indicator - EVA.

Each component is calculated as the mean value of the set of selected indicators evaluated with reference to the mean value within the branch segment.

Let's consider the practical example of management system efficiency index calculation for a hotel enterprise of the Russian Federation [9, 10].

In the Table 1 the data required for calculation of this indicator are presented. The data provided by the Federal Border Guard Service of the Russian Federation, Moscow State Statistics Committee, $\hat{A} \hat{e} \hat{a} \hat{+} \hat{a} \hat{n} \hat{o} \hat{a} \hat{a} \hat{e} \hat{n} \hat{o} \hat{i} \hat{+} \hat{i} \hat{e} \hat{i} \hat{a} \hat{e} \hat{i} \hat{o} \hat{i} \hat{D} \hat{M} \hat{a} \hat{o} \hat{e} \hat{e} \hat{e} \hat{n} \hat{i} \hat{f} \hat{e} \hat{u} \hat{c} \hat{i} \hat{a} \hat{a} \hat{e} \hat{e} \hat{n} \hat{u} \hat{n} \hat{a} \hat{a} \hat{a} \hat{a} \hat{i} \hat{e} \hat{y}$, SJSC "Moscow", the Committee on the Foreign Economic Activities by the Moscow City Government as well data obtained by means of interviewing the leading hotel enterprises of the city have been used.

The Employee Satisfaction Index represents the indicators characterizing the attitude of the employees to the duties executed and to the senior managers. We have interviewed the 36 employees of the "Lesnaya" hotel.

The Customer Satisfaction Index represents the indicators related to the features of the service offered and relationships between the hotel and customers. We have singled out the 29 indicators relating to the customers' preferences and their assessment of the quality of the services offered. These indicators were divided into 5 groups, within the framework of each group a customer should select those that seem to be the most essential to him. These indicators are weighed in order to represent the relative priorities and importance of these indicators for the customers. The rating is assigned to each of the indicators, on the basis of the points scored the customer satisfaction rate is calculated. Thus, the hotel may gradually adapt to the specific indicators the

Table 1: Data for calculating the efficiency index of the system for the “Lesnaya” hotel management

Indicator name	Rate at the “Lesnaya” hotel	Average annual rate within the middle segment of the hotel industry in Moscow	Index, line 2/line 3
Relationships with the staff			
Income per one employee, (rubles/year)	242132.818	403554.69	0.6
Level of expenditures on training, (% of revenue)	0.5	3	0.17
Highly-qualified employees, (%)	20	34.39	0.58
Employee Satisfaction Index	5.03		
Internal business processes			
Average price per a hotel room, (rubles)	1366	2212.227	0.62
Average revenue on a room in use, (USD/day)	53.2	72.93	0.73
Ratio between the total number of employees and beds	2.1	3.5	0.6
Relationships with the customers			
Package of services, (rubles)	34050	44605.5	0.31
Customer Satisfaction Index	3.71		
Share of the new customers, (%)	11	24	0.46
Finance			
Return on sales, (%)	36	18.7	1.92
Hotel room occupation rate, (%)	70	53.05	1.32
Economic value added, (rubles)	2290534.2	3848097.456	0.68
Ex post return on a room, (%)	55	65	0.85
Environment			
Impact on the environment	26		
Profit investment ratio, (%)	19	20	0.95
Regional risk	76		

Table 2: Measuring the economic efficiency index of the system for the “Lesnaya” hotel management

Indicator	Value
Relationships with the staff, E ₁	0.7385
Internal business processes, E ₂	0.648
Relationships with the customers, E ₃	0.8088
Finance, E ₄	1.1
Environment, E ₅	12.336
Economic efficiency of the management system, IEEM	1.3935

customer attaches importance to. The survey was conducted among the 300 customers of the “Lesnaya” hotel.

The efficiency index of the system for management of the “Lesnaya” hotel is calculated on the basis of multiplication of the mean index values on each aspect of the hotel performance and taking the Nth root of their number (Table 2).

CONCLUSION

The practical effect of the research performed is that the suggested indicator - economic efficiency index of the management system refers to the monitoring indicators and not the diagnostics ones, it allows estimating the managerial decisions according to the key aspects. This index shall be monitored and calculated on a monthly

basis. The calculated index of the hotel management system efficiency may be further on used by a commercial bank for the investment project analysis and making decisions on the project selection.

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