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## Quality Management Strategies in Croatian Hoteliership with Baldrige Method Application

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**Abstract:** Today, business quality and quality management evolve to become the strategic components of modern companies. Business quality can not be partially evaluated; all organizational sequences must be systematically comprehended. Quality management is developed globally. With that purpose different methods of national awards in quality management are developed constantly. One of above mentioned awards is also the American national quality award (MBNQA); representing one of the service/product quality improvement systems with a strategic goal of achieving business excellence. This business quality research is focused on the sample of two hundred and fifty five Croatian hotel companies. Through its improvement even better results can be achieved.

**Keywords:** strategic management, business quality, hotel companies, Baldrige method, total quality management system

**JEL Classification:** L190

### Introduction

In today's world the changes are swift. They put upon the best, leading organizations, while the other has problems in catching up and adopting. Still, they occurred in less wealthy and underdeveloped countries. Key of success is quality.<sup>1</sup> Quality was recognized just at early fifties of twentieth century as a competitive strategy. Pioneers of this, new philosophies were: Edward W. Deming, Joseph M. Juran, Kaoru Ishikawa, Philip Crosby, Tom Peters and others (Injac 2001). Simple definition Juran (1980) defined quality as 'fitness for use', where fitness was based on the availability,

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reliability and maintainability of the product. Similarly, Crosby (1979) identified quality as meaning 'conformance to requirements'. All of these definitions focus on the satisfaction of customer needs, expectations and requirements.

They all are the founders of Total Quality Management (TQM). TQM is the approach of organization management directed by quality, in other words: employee's contribution with the goal of achieving long-term business success through the satisfaction of all, customers and employees. Basic TQM goal is quality inside every organizational process, quality inside every level of organization. According to Zikmund (1994), TQM is a business management philosophy, which believes that the corporate management process should focus on integrating the concept of customer or client quality throughout an organization, stressing constant improvement on products, processes, and people.<sup>2</sup> TQM is an organizational strategy and the associated techniques that results in the delivery of high quality products and services to customer and clients (Lee et al., 1992). However, main goal of strategy TQM is imputation quality in all organizational processes in all level of organization.<sup>3</sup>

Quality management strategy of hotel companies in Croatia is directed to creating awareness of people inside the organization and to their contribution of continual adaptation to customers needs. Every TQM strategy must be shaped in order to determine the needs, wishes and demands of customers, and also the capability of company to fulfill them. A successful quality strategy needs to fit within existing organization culture, which is the reason the Baldrige Award criteria are non perspective. No magic formula works for everyone. One study of Baldrige Award winners concluded that each has unique 'quality' engine that drives the quality activities of the organization.<sup>4</sup> The quality engine customizes the quality effort to the organizational culture and provides focus (Evans and Lindsay, 2008).

Furthermore it is necessary to enhance the company's performances and to satisfy the customers. Quality management evaluation efforts are developed not only inside national levels, but globally. With that purpose different models and awards emerged, as Malcolm Baldrige National Quality Award, European Quality Award, Britain Business Excellence Award, Deming Prize from Japan, and ISO 9000 – Quality Management and Quality Assurance Standards.

This business quality research will demonstrate the actual problematic of hotel companies with Baldrige method<sup>5</sup>. Hotel companies are an important segment of Croatian economy. Through their improvement even better results can be achieved. Baldrige can be a breakthrough considering its criteria of quality management, strong foundations of management focus and continuous improvement strategy. The Baldrige criteria define both an integrated infrastructure and a set of fundamental practices for a high-performance management system (Evans and Lindsay, 2008).

Purpose of this research is to demonstrate that implementation of Baldrige increases business effectiveness inside hotel companies. Continuous quality evaluation and capability improvement guide the company to form a stable market position, satisfying results in placements, employees, profit, and customer satisfaction.

Model application represents extraordinary strategic components of business quality improvement inside hotel companies, and every other Croatian economy branch. Quality role and importance growth, inside single organizational systems caused the increased number of methods and philosophies of quality achievement.

Research problematic refers to the management method – MBNQA, of managing Croatian hotel companies. From the defined business problem, emerges the research subject with the next question to be answered: The implementation possibilities of Baldrige in order of entire business system improvement, especially for competitive advantages on local and global markets. Object of this research is Baldrige and hotel companies combined. Baldrige is quite sufficient in that area, considering its criteria of quality management grading, with strong foundations of direction and development.

Awarding criteria are created to help business improvement and direction on two competitive goals: constant customer value enrichment and business improvement. The Baldrige criteria define both an integrated infrastructure and a set of fundamental practices for a high-performance management system (Evans and Lindsay, 2008). By conducting excellence principles the Baldrige criteria represents a working frame for goal achievement. The Criteria consist of a hierarchical set of categories, items and areas to address. The seven categories<sup>6</sup> are as follows:

1. Leadership: This category examines how an organization's leaders guide and sustain the organization. Also examined are an organization's governance and how the organization addresses its ethical, legal, and community responsibilities.

2. Strategic planning: This category examines how an organization develops strategic objectives and action plans. Also examined is how the chosen objectives and plans are deployed and changed if circumstances require and how progress is measured.

3. Customer and Market Focus: This category examines how an organization determines requirements, needs, expectations, and preferences of customers and markets. Also examined is how the organization builds relationships with customers and determines the key factors that lead to customer acquisition, satisfaction, loyalty, and retention and to business expansion and sustainability.

4. Measurement, Analysis, and Knowledge Management: This category examines how an organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets and how it reviews its performance.

5. Human Resource Focus: This category examines how an organization's work systems and employee learning and motivation enable employees to develop and utilize their full potential in alignment with the organization's overall objectives and action plans. Also examined are the organization's efforts to build and maintain a work environment and employee support climate conducive to performance excellence and to personal and organizational growth.

6. Process Management: This category examines the key aspects of an organization's process management, including key product, service, and organizational process for creating customer and organizational value and key support processes involving all work units.

7. Business Results: This category examines an organization's performance and improvement in key business areas – product and service outcomes, customer satisfaction, financial and marketplace performance, human resource outcomes, operational performance, and leadership and social responsibility. Also examined are performance levels relative to competitors and other organizations providing similar products and services.

This business quality research is focused on hotel companies, an important segment of Croatian economy. Through business improvement even better results can be achieved. Research is conducted throughout the year of 2006/2007, on the sample of two hundred and fifty five Croatian hotel companies, two to five stars. A total sum of five hundred and sixteen employees was questioned. The conducted research has presented the Baldrige method as a quality contribution to value of product and service, buyer and consumer content, better market position and business profitability.

### **Expected Research Contribution**

Basic expectations were goal achievement:

- a) Customer, employee, and investor's satisfaction,
- b) Better market position,
- c) Higher profitability.<sup>7</sup>

Still the goal is to demonstrate and establish a working frame for entire organization improvement and also single component improvement. Our goal is to demonstrate that investment in business management quality increases and achieves greater customer, employee and investors satisfaction, and at the same time better profitability.

Basic purpose of this paper is evaluation of management quality and business excellence of Croatian hotel companies, with the appropriate Baldrige Award criteria. Basically with business result measurement and evaluation goal achievement is measured and evaluated in order of business excellence realization in future company's plans. Future long-term business activity is constructed out of strategic planning, that is not adequately comprehended. Significant importance of strategic planning is to project the future business environment, with the purpose of declloaking and diminishing the competitive threats. This research develops a theoretical working frame, which includes quality management strategies inside Croatian hotel companies. A question is to be asked: How to ensure strategy in order of primary objective achivement, success of hotel organization?

Leaders create clear and visible quality values and integrate these values into the organization's strategy. Strategy is the pattern of decision that determines and reveals a company's goals, policies, and plans to meet the needs of its stakeholders. Through an effective strategy, a business creates a sustainable competitive advantage.<sup>8</sup>

Companies use the Balrige Criteria in different ways – for self-assessment or internal recognition programs, even if they do not intend to apply for the award. The benefits of using the criteria for self-assessment include accelerating improvement efforts, energizing employees, and learning from feedback – particularly if external examiners are involved.<sup>9</sup>

Basic research intent is to explore hotels business quality and business control. Extracted results should be a useful background and help for any hotel company in order to improve its business quality. This system also reveals hotels strengths and weaknesses considering the seven Malcolm Baldrige criteria. Based on the above mentioned, basic purpose and goal is to remove all hotel business defects that have a diminishing effect on business goals. Still the goal is to demonstrate and establish a working frame for entire organization improvement and also single component improvement. Our goal is to demonstrate that investment in business management quality increases and achieves greater customer, employee and investors satisfaction, and at the same time better profitability.

### **Research Methodology and Research Sample Characteristics**

Data of this research were collected via: telephone, e-mail, personally, telefax and by mail. Research is conducted on two hundred and fifty five hotel samples, representing a total 56.30% of Croatian hotel companies. Five hundred and sixteen employees were questioned by the conducted research. Basic research goals were: evaluation and measurement of business quality inside Croatian hotel companies through Baldrige method.

In every hotel company we've send five questionnaires. Some hotel companies filled out questionnaires and return to us. Research goal was collect as many as possible filled questionnaire from various hotel categorie.

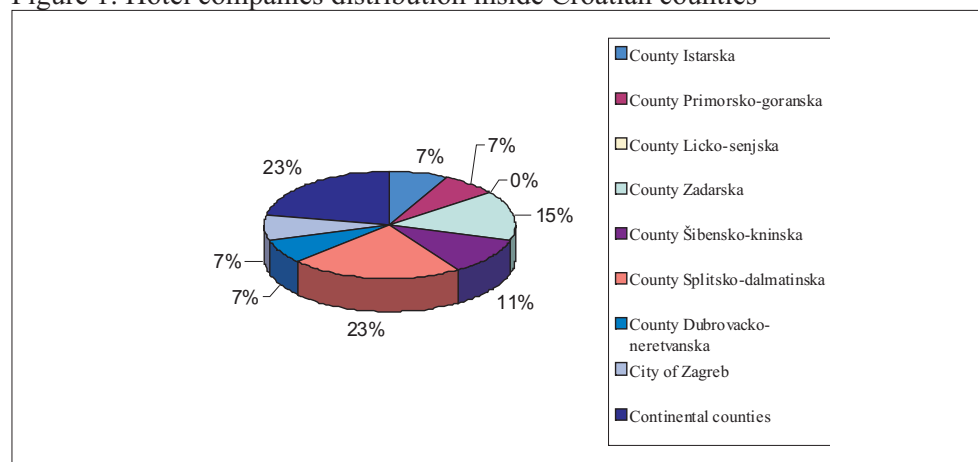
This research questioner is composed out of three groups of questions. With the first group, we extracted basic companies' data – year of establishment, employee number. Second question group reflects on four respondent markings - job position, sex, age, and educational level. Through the third question group all seven business variables are demonstrated – leadership, strategic planning, consumer and market orientation, measurement, analysis and knowledge management, human resources, process management and business results.

Inside the third part of questioner a Likert scale is used, a scale that offers questioned a possibility to state the level of his agreement or disagreement with the set up question or given answer. Agreement rates were graded 1-5 considering that 5 is excellent, 4 very good, 3 good, 2 sufficient and 1 a poor opinion on the given question/answer.

A total sum of 300 questioners is distributed randomly, to nine counties of Croatia: Istarska, Primorsko – goranska, Ličko – senjska, Zadarska, Šibensko – kninska, Splitsko – dalmatinska, Dubrovačko – neretvanska, Grad Zagreb, Continental counties.

Figure 1 presents hotel company distribution from the sample, divided according to the county.

Figure 1: Hotel companies distribution inside Croatian counties



Presented hotel distribution chart in Croatia perceives that 23% (twenty three percent) of hotels is located in Splitsko – Dalmatinska County and Continental counties.

Table 1 demonstrates hotel sample ratio of conducted research and total hotel number in Croatia – according to the data from Croatian Ministry of sea, tourism and traffic at September the first A.D. 2006. A total hotel sum in Croatia was four hundred and fifty three. From the total sum, nine of those were five stars hotels, fifty five were four star hotels, and two hundred seventy five were three stars, while hundred fourteen hotels had two stars.

Table 1: Sample display of hotel companies in Croatia

Catering companies HOTELS	Total hotel units sum
Hotels**	114
Hotels ***	275
Hotels ****	55
Hotels *****	9
Total hotel sum	453
Number of hotels from sample	255
(%) portion from sample	56,30%

While selecting the hotel sample we also included hotels that were not on the top fifteen lists in Croatia<sup>10</sup>.

From the three hundred sent questioners two hundred and fifty five were filled out and returned, and the sample ratio was 56.30% (percent) out of total hotel sum. A whole number of five hundred and sixteen employees were questioned; this paper looked into different hotel categories (displayed in the next table ‘Sample display of hotel categories in Croatia’).

Table 2: Sample display of hotel categories in Croatia

Hotels	Sample percentage
Hotels **	11%
Hotels ***	63%
Hotels ****	19%
Hotels *****	7%
Total percentage	100%

Table accordingly on this sample, the greatest number of questioned hotels is from the three stars area, with portion of 63%.

### **Research Results and Analysis**

Basic research goals were: evaluation and measurement of business quality inside Croatian hotel companies through Baldrige method. Research is conducted on two hundred and fifty five hotel samples, representing a total 56.30% of Croatian hotel companies. Five hundred and sixteen employees were questioned by the conducted research.

All questioned were hotel employees:

- Male 170,
- Female 346.

Average age in this research is 34.6 years.

Employee educational level:

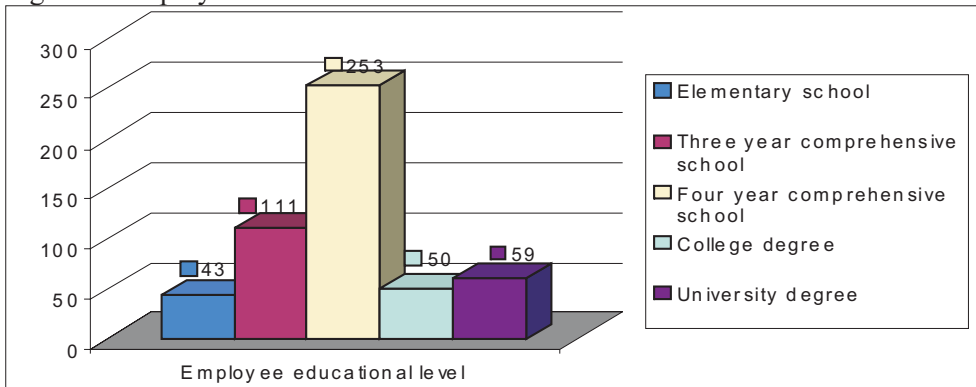
- elementary school 9.04%
- three year comprehensive school 22.89%
- four year comprehensive school 46.39%
- college degree 10.24%
- university degree 11.45%

Employee educational level is more thoroughly presented in figure 2.

If we are to compare the expected and given results in education level area of employees inside Croatian hotel companies a matter of insufficient educational level is perceived. But, there we must mention that education level is not a criterion for business excellence achievement. If educational system is introduced into the company system it would also meant a business quality enhancement for the company.

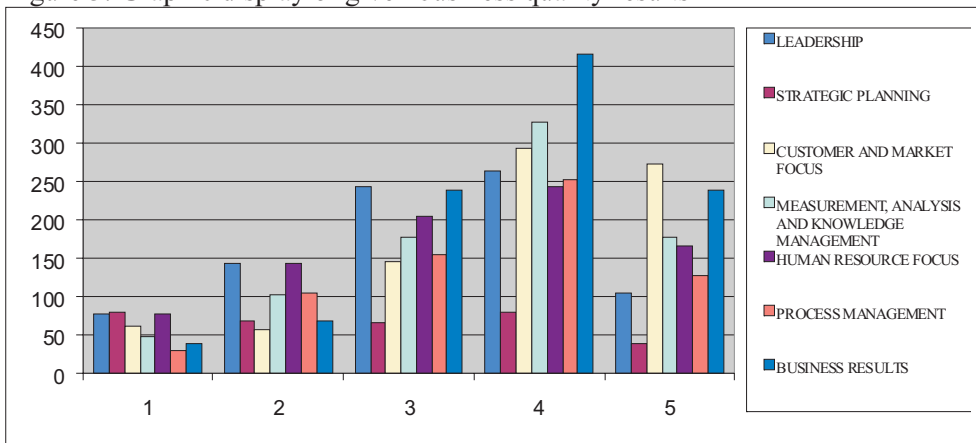


Figure 2: Employee educational level



Next figure, number four displays in general management quality of Croatian hotel companies; it demonstrates given business grades ranged from 1 – poor through 5 – excellent.

Figure 3: Graphic display of given business quality results



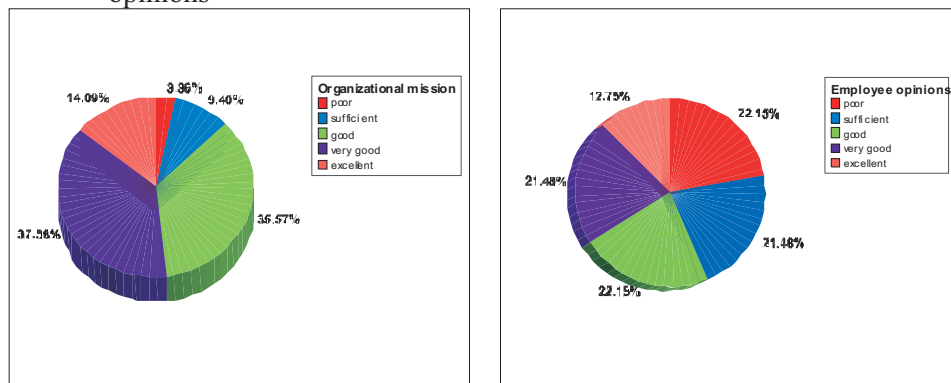
All seven Baldrige variables are displayed, together with the average grades of every single one of them, according to the Likert scale from 1 – poor through 5 – excellent.

### Leadership

Management quality is a reflection of company's culture, team, and connection with board of directors and executive managers. Employees of Croatian hotel companies gave existing management a grade of 3.22, which is a couple of points over 'good'.

Next figure displays values and percentage of questioned based on the two answers/questions from the first Baldrige criteria – leadership.

Figure 4: Questioned answers that reflect accordance with the mission and employee opinions



On the question of organizational mission accordance, most of 37.58% (percent) of questioned agrees with the organizational mission and evaluates the mission with the high 4 - very well. Crucial to point out is that 35.57% (percent) of questioned who evaluated mission with 3 – good also supports the mission. 21.15 % (percent) of questioned considers that employee opinion is sufficiently comprehended and they evaluate this part of leadership with 3 – good and 1 – poor. In modern business conditions, where only excellence wins, this '3 – good' or '1 – poor' are not sufficient, so the activities such as: standards, pyramid decisions, or roads to excellence should be an example of business excellence achievement. Leadership of Croatian hotel companies, according these results, tends to strong excellence driven leadership. Leadership effectiveness can be improved with the correct mix of the leader's style of management.

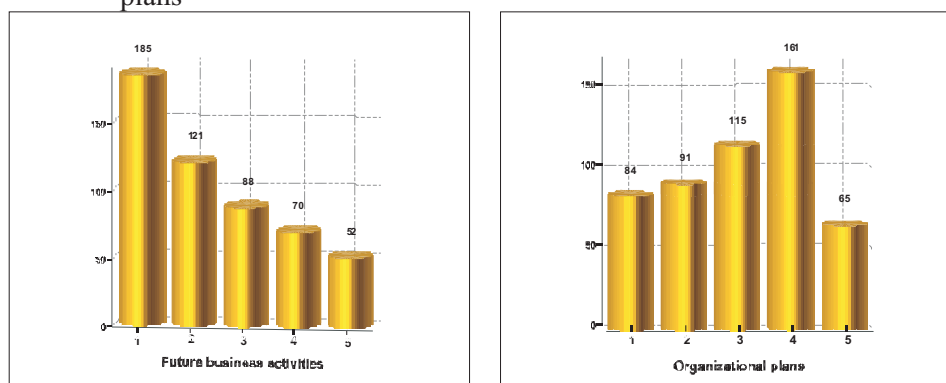
### Strategic Planning

Strategic planning quality or strategic planning demand and induce strategic contemplation and action in order to achieve better market position. Strategic

planning considers relevant strategic instructions how to determine the plan of actions, and achieve goals. The basic purpose of these criteria is to ensure a strategy of achieving the central organizational goal. At Croatia hotel companies' average grade of this criterion from the sample is 2.79. Average grade is low, somewhere over sufficient, what indicates that hotel companies should develop a detailed strategic instructions and define them with the plan of actions.

Next two figures demonstrate values of future business activities and organizational plans.

Figure 5: Questioned values display of future business activities and organizational plans



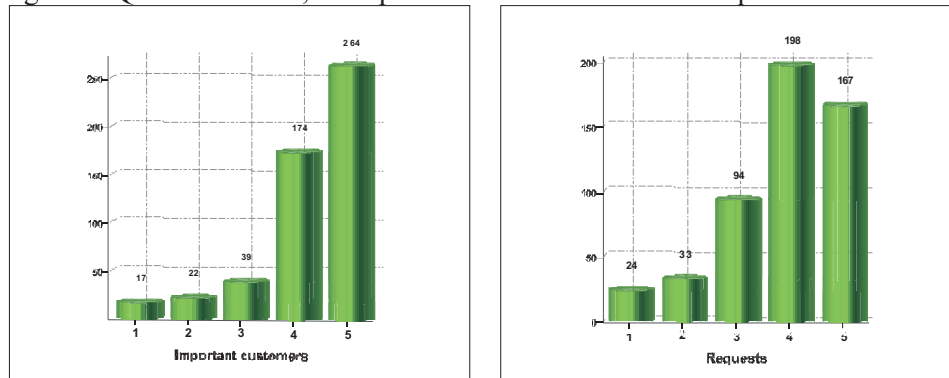
On future business activities issues one hundred and eighty five questioned stated the 1 - poor evaluations. With the organizational plans one hundred and sixty one stated the 4 – very good results. The given average grade of these two factors is not sufficient. Employees of the modern hotel company must adequately cooperate in business planning with the order of better reaction on increased customer demands. Employee and hotel company organization ought to cooperate in future business planning, in order to obtain more customers and anticipate the competitive environment.

#### *Market and Consumer Focus*

Market and consumer focus quality presents the reference of hotel company organization with the demands and expectations of both market and consumers. Meanwhile establishing and creating a link with customer in order of obtaining their satisfaction and commitment. Average grade of this category is 3.80 closer to very good, than good.

This criterion points out the relevance and the connection between strategy excellence performance, learning and ‘listening’ of customers. Next figure displays how well the questioned recognize most important customers and their requests.

Figure 6: Question values, of important customers and their requests



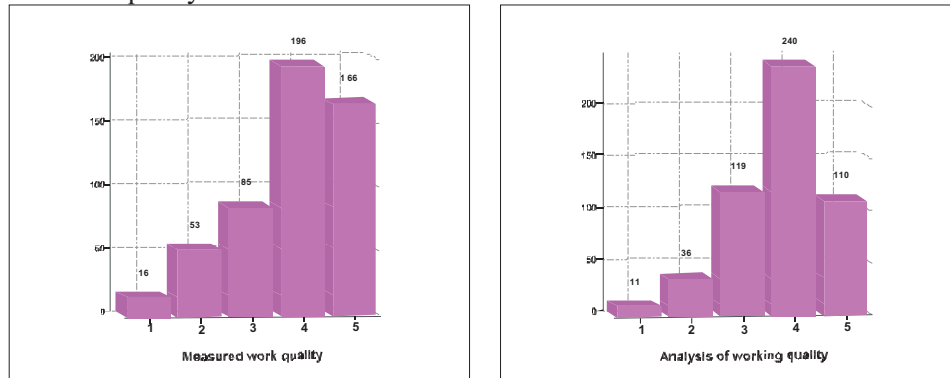
From total five answers of this criterion two were selected. First refers to recognition of most important customers (guests) where two hundred and sixty four questioned have marked 5 – excellent, this means that the employees are aware of the most important customers. With the grade 4 – very good, they marked feed back information on the customer’s needs and desires. Today modern organizational trends bring forward plenty of important information, not only customer related, but also connected with business improvement.

#### *Measurement, Analysis and Knowledge Management*

Measurement, analysis and knowledge management quality are used for efficiency research, result analysis and improvement, and information for key organizational processes and systematic management achievement. Hotel companies employees marked an average grade of 3,58 for current measurement, analysis and knowledge management, better than good. This evaluation can be increased by conducting organizational management process, what will most certainly result with key business results, strategic goals and help anticipating future organization models and external changes.

Next figure displays values from measured work quality and the analysis of working quality measurement values and work.

Figure 7: Questioned values from measured work quality and the analysis of working quality



From total five answers of this criterion two were selected. One hundred and ninety six of questioned from the sample evaluated with 4 – very good measurement and analysis of work. To achieve better results, that are now insufficient, it is necessary to educate employees in order of process and service improvement inside organization. This category goal is to keep the existing situation with modifications of business needs, innovative solutions development that demand increased value of customer and organization.

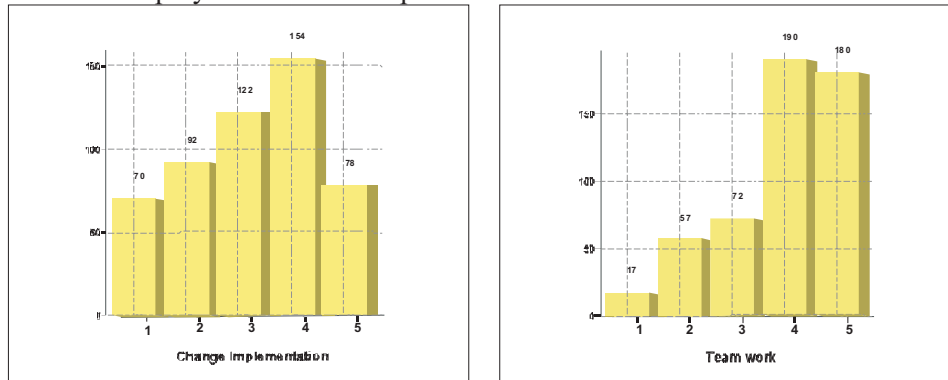
### *Human Resources*

Human resources quality demonstrates motivation of working force inside organization with the goal of its development and potential exploitation through organizational goals achievement. Average in this category is 3.34.

Next figure refers to the values stated by questioned on the change implementation and team work between employees of hotel companies.

From total five answers of this criterion two were selected that refer to changes implementation and team work. Both were evaluated by the questioned with 4 – very good. Other answers from this category had an influence on the grade of these two. An increased portion of human resources usage can improve these categories.

Figure 8: Questioned values on the change implementation and team work between employees of hotel companies

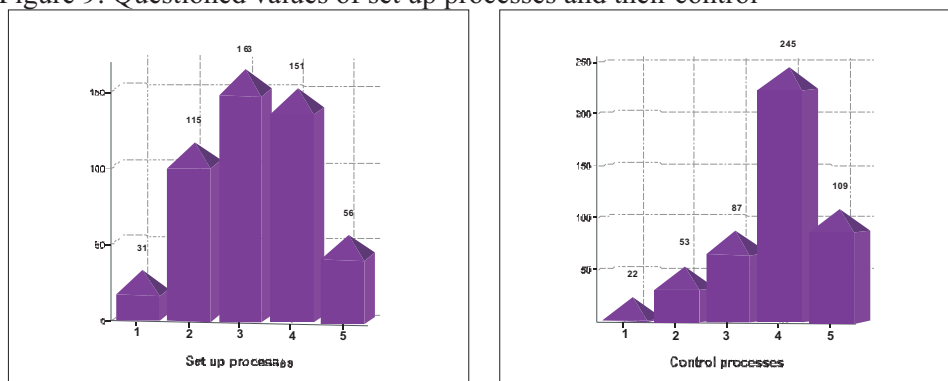


### Process Management

Management quality is the central section of Baldrige criteria. Questioned gave the existing management an average grade of 3.52. This average grade in modern business is very low. In order of crucial services improvement business processes should be looked into and improve their organizational development, they are the constructors of customer values.

In figure 9 values of conducted processes and their controls are displayed.

Figure 9: Questioned values of set up processes and their control



Questioned values from two chosen answers are for set up processes 3 - good, and for the working process control 4 – very good. This category demands three central connections: buyer, supplier and partner, and the values of their achievement.

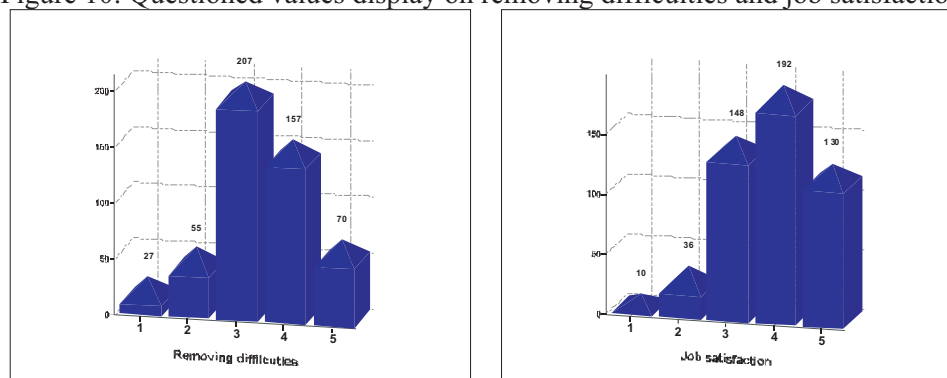
Process shaped value refers to the key products/services research and business processes, with the goal of shaping customer values and other key stockholders, and to improve market and operative development.

### Result

Result quality refers to the organizational conduction and improvement in key business areas as: customer satisfaction, financial market activities, human resources, suppliers and partners business, operational procedures, government and social responsibility. Categories research organizational activities considering the competition. This category grade is 3.75, considering that results allow us to see the current condition, where evaluation and service process improvement harmonize with complete organizational strategies and tactics.

Result criteria had six answers, two were selected – ‘Organization removes the difficulties on the way to the goal’ and ‘I am satisfied with my job’. They are both displayed in the next figure.

Figure 10: Questioned values display on removing difficulties and job satisfaction



Questioned on the area of – my organization removes difficulties on the way to my goal, evaluated the category 3 – good. Questioned on the area of job satisfaction evaluated their question with an average 4 – very well. Results inform us on the current business status, where this category is graded with good. In order of evaluation and improvement of processes and services in hotel companies, they are to be adjusted in order of achieving business excellence.

### **Final Scoring List of Evaluated Test Results**

With the preceding displays single organizational components of business quality were analyzed by all seven Baldrige criteria. However all these components, their bonds, differences, interactions are necessary to unite and receive the evaluated analytical display of all hotel companies' business variables. Therefore, the next graph represents analytical displays of averages, from sample of all seven Baldrige variables, every single one of them, according to the Likert scale. When we sum all averages (110.52) and divide with number of questions from questionnaire (32), we get one average grade of 3.45, red line in figure 11. It indicates an average grade of business quality from two hundred and fifty five hotel establishments in the Republic of Croatia.

If we pronounce 21 century as century of quality<sup>11</sup>, then this average grade 3.45 is significantly different in comparison with other hotel establishment – on global market. In modern companies where business excellence strives, these grades are not satisfying, so every category should be far more advanced and improved, strategic goals must be developed together with the basic processes. The Baldrige method can be of assistance and a source of competitive advantages. Conducted research indicates on implementing excellence strategy in Croatian hoteliership in term to be competitive on global market. In achievement that strategy Baldrige method can be very useful.

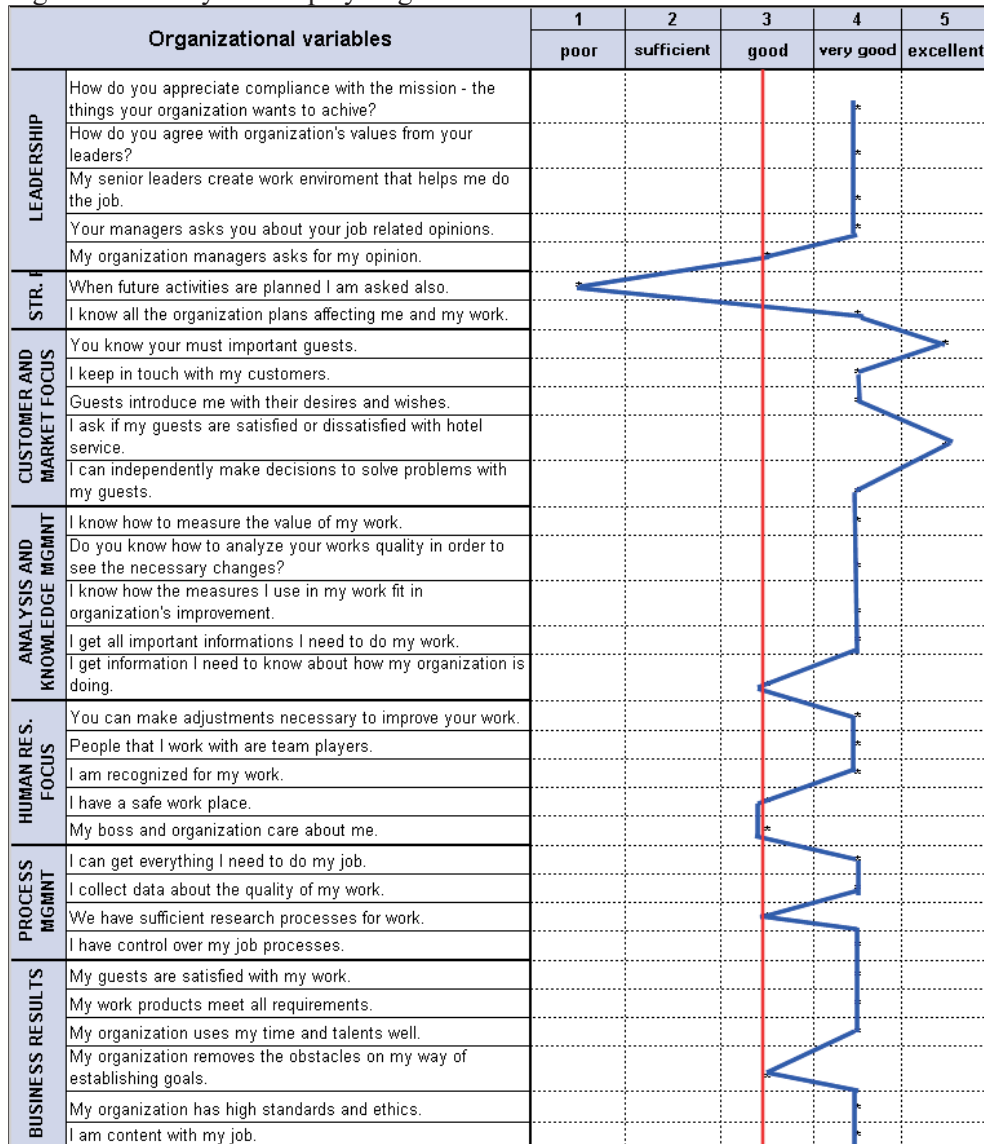
### **Strategic Model of Management Quality in Hotel Companies**

Our entire quality improvement process is graphically demonstrated in figure 12.

The basic process step is to set the criteria or working frame. To achieve this it is necessary to observe a hotel company with the destined customer view – guest or buyer, together with their needs, desires and demands. Second step honors measurable indicators of encouragement to the hotel company on achieving improved business capabilities, with the goal of business excellence acquirement. All with the service of obtaining sufficient market position, business results, customer satisfaction, employee content, income and profit. Third step of the process refers on creation and innovation of hotel services quality, with the goal of improving the service.



Figure 11: Analytical display of grades inside all observed criteria evaluations



According to the Deming circle we developed a circle of our own. Development circle of new, better and improved hotel service in order to increase quality and customer pleasure. Circle is divided on five equal parts; together with the process steps it fulfills our strategic model of business quality improvement.

Successful hotel companies develop detailed models of business quality improvement. Such companies know what areas of hotel services need to be enhanced, to have guests return, use services more frequently, and in that way increase not only quality but also the profits.

Figure 12: Strategic model of quality improvement inside hotel companies

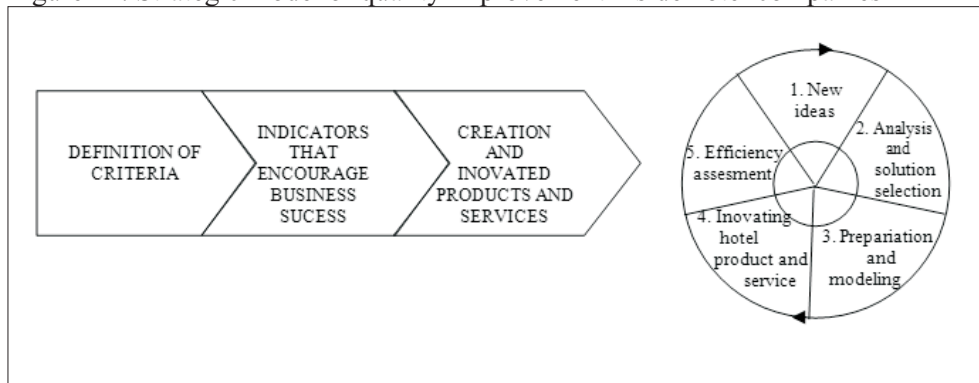
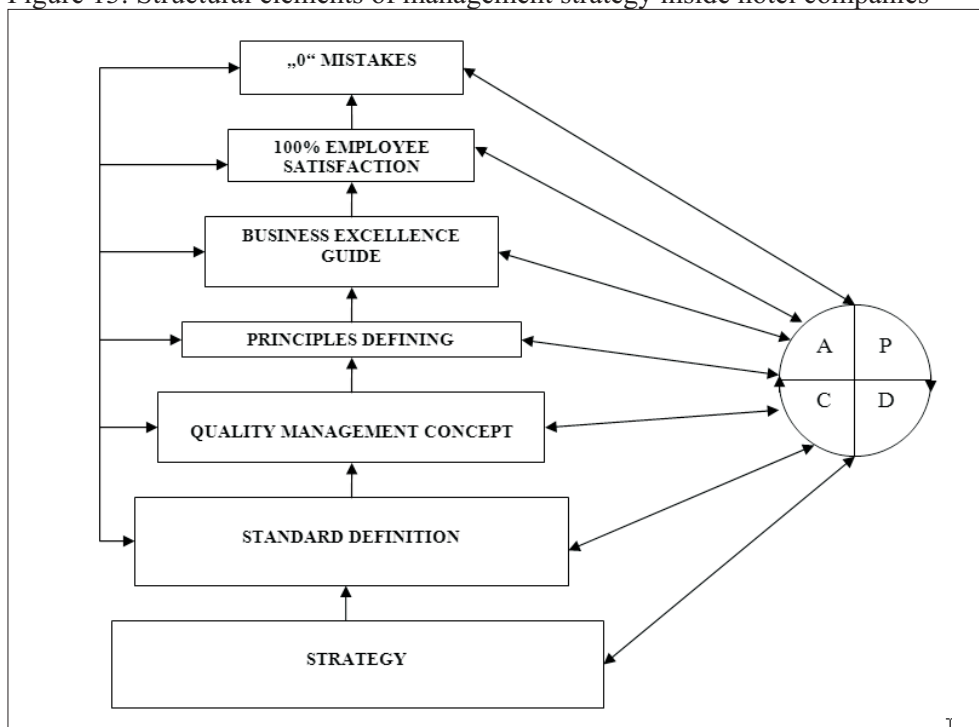
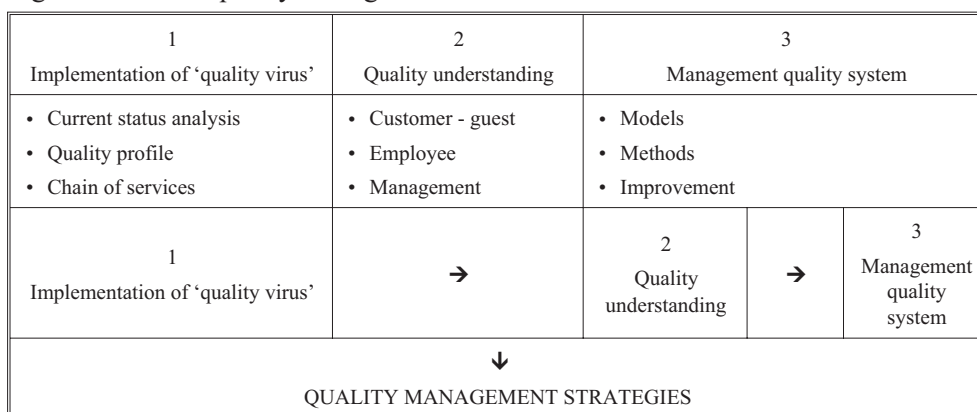


Figure 13: Structural elements of management strategy inside hotel companies



Structural elements of quality management inside Croatian hotel companies represent a sequence of event presentation and demands, which improve step by step, fulfill and strive towards business excellence. Success of Hotel Company depends also on: employee and management efforts, leadership, strategic planning, consumers and market, information and analysis, human resources, process management and business results. Excellence performance research ever since its early beginnings presents continuous necessity, as the Deming PDCA circle<sup>12</sup> of constant improvement. The mentioned indicates that every activity must be planned, conducted, checked, and then based on the results improvement actions must be carried out. After that the circle keeps spinning, repeatedly without ending. In order of prosperous business Hotel Company must not forget basic principles. Basic principles are to be held up, edified, and continuously improved, a way to be better, recognizable and unique.

Figure 14: Three quality management levels



Source: Adapted from Government programme, 2006

Management quality system inside hotel business is a combination of three managing levels that are necessary to conduct a business process inside Hotel Company. First level refers to 'quality virus' implementation which defines: current status analysis, quality profile and service chain. Understanding of quality as the second level of quality management is a combination of three elements: customer, employee and management. Interaction and different management level influence effects also the quality management as the third and the final managing level, a combination of models, methods and continuous improvement in the area of hotel services.

## Conclusion

Modern businesses are exposed to rapid changes. Consequences of technological development, institutions and values, have exposed modern business without bias, to essential rapid changes. In achieving these goals: market share, sales and profit, businesses are forced to use any means necessary. Assistance is necessary, governments can aid in the advancement of such degree by offering incentives, amongst award methods for business quality.

Business quality and hotel service process development is based on quantitative measurements that are the basis of nowadays models, methods and improvement tools. Correct measurement application, quality management systems and improvement programs become more important by the day inside the global economy. In developed countries researches are conducted of the quality effect on business. Business quality brings profit to the company, its implementation and continued improvement in management system increases effectivity and efficiency. Modern economy demands new strategies, techniques, tools and methods for business quality evaluation.

For business quality evaluation can be very useful Baldrige method. The Baldrige method represents a system model of competitive business. It is based on set of criterias – leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, process management and business results. In the United States this method brought forth significant positive results, to organizations small or large.

By conducted research we have proven not only that Baldrige method can be efficiently applied, but also the fact that its implementation can be a sound ground for quality management improvement. Basic implementation reasons and conduction of strategic quality management are the appearance of strong competition inside the tourist market sector.

Such theoretical conceptions have been verified by the empirical research, carried out throughout 2006/2007; on sample of two hundred and fifty five various hotel establishments in the Republic of Croatia. Data of this research were collected via: telephone, e-mail, personally, telefax and by mail. This research demonstrates a total sample of 56.30% of all Croatian hotel companies'. Five hundred and sixteen questionnaires were filled up and return. Basic research goals were: evaluation and measurement of business quality inside Croatian hotel companies through Baldrige method.

Results of this research according to all seven Baldrige criteria are as follows:

Leadership – average grade is 3.22, which is not sufficient and must be adjusted together with leadership activities. In modern business conditions, where only

excellence wins this average grade is not sufficient. Leadership activities must be improved with correct mix of the leader's style of management. Strategic planning – average grade is 2.79, which is low, what indicates that hotel establishments should develop detailed strategic instructions and define them with the plan of actions. Market and customer focus – average grade is 3.80. Modern organizational trends bring forward plenty of important information, not only customer related, but also connected with business improvement. Measurement, analysis and knowledge management – average grade is 3.58. This evaluation can be increased by conducting organizational management process, what will most certainly result with key business results, strategic goals and help anticipating future organization models and external changes. Human resource focus – average grade is 3.34. An increased portion of human resources usage can and must be improved according to this category. Process management – average grade is 3.51. Process shaped value refers to the key products/services research and business processes, with the goal of shaping customer values and other key stockholders, and to improve market and operative development. Business results – average grade is 3.75. Considering that results allow us to see the current condition, where evaluation and service process improvement harmonize with complete organizational strategies and tactics.

This paper demonstrates the research results of business quality management of Croatian hotel establishment, with average grade 3.45. This average grade 3.45 is significantly different in comparison with other hotel establishment – on global market. In modern companies where business excellence strives, these grades are not satisfying, so every category should be far more advanced and improved, strategic goals must be developed together with the basic processes. The Baldrige method can be of assistance and a source of competitive advantages. Conducted research indicates on implementing excellence strategy in Croatian hoteliership in term to be competitive on global market. In achievement that strategy Baldrige method can be very useful.

Quality as a competitive advantage is directed toward employees, with the goal of long-term business success achievement through customer satisfaction – '0' mistakes, but also the employee satisfaction – 100%. Basic quality management strategy goal is to implement all organizational processes and subroutines from welcoming the customer all the way to the pleasant 'goodbye'.

Hotel managers must adapt to the market conditions by: continuous education, participation ability development, future prognosis in order to achieve profit. Decision making process on quality implementation, requests managers of different educational, knowledge, capabilities and skills, who will interact on quality system, and work as one.

Basic purpose of this paper is to specify the necessity of introduction and improvement of quality management, as an assumption for successful work on its

way to improvements. With the paper we presented seven quality management improvement strategies, considering the analysis of current business quality of hotel companies in Croatia.

This paper demonstrates one of the most actual and attractive areas of research in hotel establishments. Therefore we can see a great perspective in this area for further research empirically and theoretically.

The new strategic management quality improvement model demands abandonment of traditional management concepts. New strategic model is based on strategy of greater success apropos business excellence management of Croatian hoteliership. Conducted research implies how Baldrige method can be useful for improvement of management quality in Croatian hoteliership. Received average grades of all seven Baldrige variables are 3.45. Research results indicate on need for developing a strategy of quality excellence in Croatian hoteliership. In achievement and practical implementation of that strategy, Baldrige method can be very useful.

## NOTES

<sup>1</sup> Avelini Holjevac, I. (2007), Total Quality management and business excellence, Proceedings of 8th International Symposium on Quality of Croatian Society of Quality Managers, Management Systems oriented towards Quality, Baska, Croatia

<sup>2</sup> According to Armand V. Feigenbaum: Argued that total quality management (TQM) was a necessary to achieve productivity, market penetration, and competitive advantage, this involves four essential actions: (1) setting standards, (2) appraising conformance, (3) acting when necessary and (4) planning for improvement.

<sup>3</sup> As Evans and Lindsay (2008) explain, “an organization that is committed to total quality must apply it at three levels: the organizational level, the process level, and the performer/job level.”(p. 29). “Viewing an organization from this perspective clarifies the roles and responsibilities of all employees in pursuing quality. Top managers must focus attention at the organizational level; middle managers and supervisors must focus at the process level; and all employees must understand quality at the performer level. Getting everyone involved is the foundation of TQ.” (p. 30).

<sup>4</sup> Davis, J. H., (undated), Who Owns Your Quality Program? Lessons from Baldrige Award Winners, New York: Coopers & Lybrand

<sup>5</sup> Malcolm Baldrige National Quality award (MBNQA) has been one of the most powerful catalysts of total quality in the United States, and indeed, throught the world. The award’s Criteria for Performance Excellence establish a framework for integrating total quality principles and practices in any organization. The Award examination is based on a rigorous set of criteria, called for Performance Excellence, designed to encourage companies to enhance their competitiveness through an aligned approach to organizational performance management that results in the following: (1) delivery of ever – improving value to customers, resulting in improved market place success, (2) improvement of overall company performance and capabilities, (3) organizational and personal learning. (Evans and Lindsay, 2008).

<sup>6</sup> Baldrige National Quality Program, (2006), Criteria for Performance Excellence, National Institute of Standards and Technology (NIST), <http://www.baldrige.nist.gov> (July 2006)

<sup>7</sup> Adopted from Baldrige National Quality Program, (2006), Criteria for Performance Excellence, National Institute of Standards and Technology (NIST), <http://www.baldrige.nist.gov> (July 2006)

<sup>8</sup> Evans, J. R., Lindsay, W. M., (2008), *Managing for Quality and Performance Excellence*, Seventh Edition, Thomson, South-Western, p. 212.

<sup>9</sup> Evans, J. R., Lindsay, W. M., (2008), *Managing for Quality and Performance Excellence*, Seventh Edition, Thomson, South-Western, p. 122.

<sup>10</sup> List of 500 Croatian top companies, (2004), Fifteen hotel companies, *Business magazine No 7*, June / July, p. 33

<sup>11</sup> Joseph Juran, one of the most respected leaders of quality in the 20th century, suggested that the past century will be defined by historians as the century of productivity. He also stated that the current century has to be the century of quality. 'We've made dependence on the quality of our technology a part of life.' – Jay Reeves. As a member of the emerging generation of business leaders, we have an opportunity and a responsibility to improve the quality of our company and society, not just for products and services but in everything we say or do.

<sup>12</sup> The Deming cycle is a simple methodology for improvement that was strongly promoted by W. Edwards Deming. It was originally called Shewhart cycle after his founder, Walter Shewhart, but was renamed the Deming cycle by the Japanese in 1950. The Deming cycle is composed of four stages: plan, do check and act.

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