

**Productivity Changes of Hoteling Industry in Iran  
(Case study: Kadoos Hotel of Guilan)**

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**ABSTRACT** - Productivity is the standard by which human power in using resources to achieve their desired goal is determined. In recent years this standard has seen an up most attention in calculating technologies in industrial and service productivity industries. Value added methodology is a comprehensive way of measuring producing of all producing factors in a particular unit. In this case study we have interested recent changes in the hoteling Industry in Iran, along with our investigation we have selected kadoos hotel. A 5 stars hotel located in Giulan of Iran as our case study we have analyzed the productivity of this hotel in the period of 5 years 2005 – 2009. Results have shown that the foreign rate of occupation of hotel rooms – has increased in this hotel. This in turn has resulted in an increase in hotel revenue. But still we have not seen any creativity and change in other parts of the hotel such as food and beverage. There has not been an optimal use in new capitals and equipments in this hotel. To see more improvement In the hoteling industry in Iran, we have to have new knowledge in the field of quality management and connections to the world net of hoteling.

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**Introduction and Subject Definition**

Productivity is the standard by which human power in using resources for the achievement of his desired goal, can be determined. Various techniques and methodologies for the better use of Machinery and human resources were introduced after Feredriks Taylors systematic approach in management In the early twentieth century. All of the Introduced techniques emphasized on the manufacturing and economical efficiency in the producing organizations.

Productivity standards are of most general standard used to better identify and evaluate the function of managing of a country in using resources. In the recent decades these standards sectors. To measure productivity for the service sectors following elements are to be considered (check & Hian, 2000):

1. Efficiency or optimal use by the resources.
2. Effectively or the conception of a good work which in the service sectors depends on three factors:

- service quality
- Flexibility
- creativity and innovation

If possible, in the measurement of the productivity in the service sectors has to be diaspectual. First having supervision on the financial and economical and strategical indexes through out organization; such as value added per personnel and or the return of the capital and the ability to compete in the labor cost and then next aspect involves internal standards directly related to

all, practically doing the work.

This paper, first is going to have a quick glance at the situation of hotel industry in Iran, and will discuss changes in the industry's policies, its revenue indexes and finally its place in the economy of Iran.

In the second part it will investigate the methodology in the form of value added for the calculation of productivity based on accounting concepts. This will enables one to measure the productivity and quality.

In the last part productivity indexes of kadood Hotel of Guilan for the late 20<sup>th</sup> century using value added methodology will be analyzed. In our final part, having in mind the internal and external factors, we will see the changes in the productivity of this hotel in Iran (Financial reports of Kadoos Hotel, 2009).

**The situation of Hotel industry in Iran**

Tourism industry has seen ups and downs and changes through out the last 3 decades of the 20<sup>th</sup> century. For this industry the last yare of 70s and 80s decades has been the time of stagnation. During these years Iran faced yet decreasing number in tourists arrival. We can mention in the year 1978 Iran was the host of 500 thousands tourist but this number decreased to 70 thousands in the next ten years. Improvement were due date the first plan of government in 1988 and with the start of a good political relationship with tourist generating countries, so Iran faced an outstanding growth in this industry (Ministry of Islamic

guidance, 2006).

In 2005 the number of tourists visiting Iran reached up to 1.3 of a million and as predictions showed by the end of the year 2009 we will see an increase in this number by the rate of 24%. So the expectant number will be 4000/000. This fast grown rate in recent years, has had strengthening effect on the place of Iran in the word of tourism (Ministry of Islamic guidance, 2008).

According to the worldly zone identification done for tourism activities.

All Asian countries except Middle East countries can be categorized into 2 groups.

First: countries in East Asia, and pacific ocean  
second: countries in the south of Asia.

The second group is consisted of India, Iran, Nepal, Pakistan and some other countries. The number of tourist arrived in these countries (group 2) in the year 2005 was about 4477 thousand %51 of which (about 2288 thousand) was for India (having the first place) and about %10.2 of which (about 456 thousand) was for Iran (having the second place). The forecasts show an improvement in Irans place in future. (WTO, 2008).

During 2000 there has not been an appropriate growth in the number of hotels comparing to the growth of arrival tourists.

In 2007 the number of rooms summed up to 17147, this number increased to 25<sup>th</sup> thousand in the year 2008. In other words in average there was a %7 increase in the number per year. New rooms, generally, belonged to 3 and 4 stars hotels. During these years there was not even a single 5 stars hotel built (Ministry of Islamic guidance, 2008).

Increase in the number of tourists with no appropriate hotel building to meet the need, all resulted in the over crowding of the Iranian hotels in the cities with attraction for tourists, these included Yazd, Isfahan, Shiraz. It is such that agencies face difficulty in high season In these cities.

New conditions can result in an increase related to the rate of occupation and concurrently it can enhance the rate of return.

### **Case study on the productivity in Kadoos hotel of Guilan**

Kadoos Hotel a large hotel in Iran. It is a 5 star hotel, having 540 rooms, situated in Rasht, Guilan Tourism city of this hotel has 2 towers, Eastern tower and western tower. The eastern tower was renovated last years. In this process the most recent facility and equipments in the hoteling industry have been used.

To investigate the changes we will make use of the value added model which has most practical in

the Japanese corporation.

### **Calculating productivity using value added methodology**

In this study we acquired a methodology from productivity center in Japan. This methodology is a mixture of social accounting methodology and company accounting.

From economics point of view in any national accounts, value added can be calculated in 2 different ways.

Since our case is in a company level, we adapt the following formula.

value added = Net revenue - [(raw material expenses + depreciation + other expenses) + (stock value at the beginning of the year)-(stock value at the end of the year) ± (value added adjustment)].

In analyzing value added, the relationships between indexes and their effect on technological factors; management, revenue, sale, and labor expenses are indicated.

In general, in this study we have acquired following indexes for our value added analysis of Kadoos Hotel:

- value added productivity indexes
- value added component
- cost indexes
- capital profiting indexes

To calculate productivity we have general accounting definitions. All number were calculated according to the rate of market for the price of dollar.

Since the number of indexes used is many in number, we have tried to use lesser indexes for the simplicity of conclusion.

### **Analysis on the value added productivity**

The analysis of value added productivity is related to 4 factors:

- a - Technology and Management
- b - Revenue
- c - Capital
- d - Labor cost

#### **a. Technology and Management**

The equipment ratio indexes per personnel has increased from 626 in the year 2005 to 2910 in the year 2000 in other word, for each personnel there has been 4.6 times more of capital at hand. In other hand, equipment productivity shows a decrease by %3.63 during the same period. These 2 indexes show an increase in the investment put in the hotel for the purpose of resource equip ting and it also shows an inappropriate use of them. So hotels value added has no increased appropriately with its income.

**b. Revenue**

Hotel revenues has seen an increase by 2.5 times during the mentioned period. Increase in sale has mostly belonged to the increase in the price of the rooms. other services provided by hotel has not show an appropriate growth. one of the features related to all large hotels in Iran in the stagnation of services such as food, beverage, entertainment and sport, it shows that the market for mentioned services in not doing well.

The ratio of revenue to expenses has a decrease of %34 (%92-%59) from years 2005 to 2009 which itself show a well growth and better profiting of hotel the year 2009 in comparison to the year 2005.

During the studied the ratio of value added remained unchanged, (the ratio of value added to the revenue), showing appropriate growth in value added and revenue.

**c. Labor cost**

During the mentioned period value added productivity has changed from\$ 4776 in 2005 to \$1161 in 2009 and we from \$6560 in 2005 to \$15789 in 2009 in the ratio of our income to the number of personnel (Table 3). This fact shows a stability in the number of labor and also appropriate changes in salary. This fact lies according to the value of the countries currency and also the increase of revenue and the profit of hotel. The most important factor contributing to the better revenue goes to the increase of foreign rate of occupation and hotels prices being in dollar.

**d. Capital**

productivity indexes show that the part taken by profit in our value added during this period has known an increase. But for reason of severe increase in the capital, capital productivity of value added has seen a decrease In year 2009 to year 2005.

**Discussion and Conclusion**

Total analysis by value added component productivity indexes in Kadoos Hotel shows that during our period of study, this hotel has had a good growth in revenue and value added. Labor productivity, too, has seen an increase but food and beverage revenue has not seen a good growth in this times. Hotel capital for the reason of the renovation and reconstruction and also the use of good equipments, has tasted an outstanding increase but hotel management has been unable to appropriately use the new capitals. So capital productivity indexes have decreased.

Hotel productivity is effected by internal and external factors. external factors included:

Economical conditions, law related to tourism industry, labor, foreign investment, taxes and existence of other competitors.

Internal factors include (Taleghani, 2007):

Labor management, and quality management.

In external factors for hotel industry, there exist 2 threatening factors.

1. The absence of world large hoteling companies in Iran.
2. Little knowledge in the field of quality management and appropriate servicing in the hoteling industry.

Cooperation and also common investment obviously we should think of young generation and the use of young trained labor.

Mentioned factors resulted in the decrease for the qualities of services presented by hotels in Iran and has let little competitors such as hotel apartments, little restaurant, pilgrim houses compete well with hotels.

Not appropriate use of the present capital has resulted a high price for hotels for their servicing. This in fact has led to the decrease in the domestic rate of occupation. So customers would prefer hotels, competitor (Taleghani, 2007).

Since tourism industry has a good perspective in Iran. Hotels must equip themselves with new knowledge on hoteling and improve their quality and labor managements. Moreover they have to create and present various services such as food and beverage and other activities. They can lessen the price by the increase in sale and so they can compete with their domestic competitors.

Of important need for this industry in recent decade we could name:

- connection to the system of international reservation
- signing of training contracts management
- cooperation and also common investment obviously we should think of young generation and the use of young trained labor.

Table 1.Net Revenu (per \$) of Kadoos Hotel of Guilan.

	2005	2009
Rooms	1,883,43	6422951
Food & beverage	1395002	1,888,473
Telecommunication	126703	377709
Laundry	30922	45995
Sport & Recreational center	31848	43719
Total Revenue	3542816	8778849
Value added	2579460	6455710

Source: Financial reports of Kadoos Hotel, (2005-2009)[2].

**Table 2. Total cost of different sectors of Kadoos Hotel.(per \$)**

year	Rooms		Food & Beverage		Telecommunication		Laundry		Total	
	2005	2009	2005	2009	2005	2009	2005	2009	2005	2009
Wages & salary	552375	352713	799996	1067627	24541	8184	39291	45081	1418441	1475079
Consumed material	44416	145232	4554346	685417	64604	103765	2602	7119	522260	950555
Administrational expenses	257012	704588	63457	208215	2084	62400	9216	135027	335385	1170497
Depreciation	41264	152551	10549	43317	1001	838	276	4466	55799	202086
Total	895068	1355086	1328350	2004578	92230	175187	51388	191693	2381897	3798218

Source: Financial reports of Kadoos Hotel (2005-2009)[2].

**Table 3. productivity indexes.**

	Indexes	2005	2009
1	Value added productivity (value added / number of employee)	4776	11611
2	Value added ratio (value added/Revenue)	0.73	0.73
3	Revenues / number of employee)	6560	15789
4	Capital intensity	1711	5160
5	Equipments / number of employee	626	2910
6	Employee ratio (wages & salaries / value added)	0.55	0.22
7	Profit Ratio	0.45	0.77
8	Wages & salaries / number of employee	2626	2653
9	Cost / Revenue	0.59	0.93
10	Administration expenses / Revenue	0.19	0.13
11	Revenue / Tangible fixed assets	10.48	5.42
12	Operating profit/Revenue	0.33	0.56
13	Productivity of equipments (value added /fixed assets)	7.62	3.99
14	Purchase ratio (1-value added Ratio)	0.27	0.27
15	Productivity of capital (value profit) added/operating	2.8	2.24

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