



Universitat Autònoma de Barcelona

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**ORGANISATIONAL STATUS AND EFFICIENCY:  
THE CASE OF THE SPANISH SOE  
“PARADORES”**

**Magda Cayón**

**Joaquim Vergés**

**Document de Treball núm. 07/5**

Departament d'Economia de l'Empresa

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**Organisational status and efficiency: The case of the Spanish SOE ‘Paradores’**

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# **Organisational status and efficiency: The case of the Spanish SOE ‘Paradores’**

## **ABSTRACT**

### ***Purpose of this paper***

The purpose of this paper is to provide new evidence on the issue of the effect on public enterprises economic performance of the introduction of some given changes in organisational status and management practices, while keeping the enterprises under public control.

### ***Approach***

Our approach is case study type and relies on comparative efficiency literature. We identify relevant changes on the organisational status of a State owned large hotel group along a period of twenty years, next we measure its annual efficiency indicators, and then evaluate to which extent the observed changes in economic performance can be attributable to the corresponding management reforms carried out.

### ***Findings***

As a result we find that the formally more relevant change in organisational status (the enterprise passing to be a Limited Company), which implied a substantial increase in the enterprise autonomy, did not produce a significant improvement in its economic performance; a finding contrary to what we expected according to agency theory. However, a second relevant organisational change –five years later- when both the principal (government) and the agent (firm’s CEO) changed is consistently related to a significant improvement in economic performance.

### ***Research implication***

As a research implication we abide for use more precise agency theory statements; and as a practical implication we argue here that potentialities of improvement brought about by a formal-legal change in the status of the enterprise may require also –in order to actually improve firm’s efficiency- some changes in the firm’s key personal positions: supervisor (principal) and CEO (agent), in the sense that a change to a greater-autonomy for the enterprise it seems should come together a parallel new ‘management culture’.

### ***Practical implications***

Management good practises to apply to other public enterprise’s restructuring in order to improve their efficiency.

### ***Original paper***

It’s the first study on organizational changes and efficiency for an important Spanish public enterprise.

Keywords:

State owned enterprise / Organisational status reforms / Efficiency measurement / Agency theory / Management control / Hotel sector

Type of paper: Research paper

## **Organisational status and efficiency: The case of the Spanish SOE ‘Paradores’**

### **1. INTRODUCTION**

The research we summarise here has a basic aim of providing more evidence on the issue of the effect on public enterprise (PE) economic performance of the introduction of changes in organisational status and management practices, while keeping the enterprises under public control. That is, how far the ‘management-improvement’ reforms applied to PE actually generate improvements in their efficiency. Our study is of an in-depth case study type, and refers to the only Spanish public hotel group: *Paradores Nacionales*. It is a fully state-owned enterprise, and it has experienced several changes in its organisational status. It operates under competition conditions, that is, under the same conditions prevailing for the other Spanish (private) hotel chains. There is not specific regulation on the sector.

As changes in the organisational status of a PE we consider here, 1) significant changes in the legal status of the PE, towards more company independence (Parker / Hartley, 1991), and 2) that restructuring measures in the PE’s have been undertaken, in the sense of changing its organisational structure and introducing new ways of management and/or new ways of reporting & supervision. All these changes and restructuring being oriented to allow for more autonomy in the PE, and to introduce management rules and objectives explicitly oriented to financial results; that is, market oriented criteria. These kinds of measures are usually referred to as: ‘to introduce private-company-type management criteria, objectives and practices into a PE’; or as to ‘commercialise’ the public corporation (Bozec / Dia, 2003); or, also, as ‘organisational privatisation’. In any case the objective pursued by the government by undertaking these reform/modernising policies is clear: to try to improve PE efficiency without choosing the option of privatising them.

Direct empirical evidence on efficiency improvements yielded by these types of changes in organisational status is at present not extensive; partially because in most cases these reforms come together with changes in the market position of the PE (eg. market liberalisation,) or in the regulation on the sector (Hartley / Parker/ Martin, 1991), which makes it difficult to determine the specific effect on efficiency attributable to the organisational reforms per se. And, on the other hand, in-depth case studies (which seems a logical approach to analyse these kinds of questions) are not abundant (Curwen, 1988; Aylen, 1999; Beauman, 1996). Nevertheless, we can also count on some indirect

empirical evidence on our issue. Thus, the significant efficiency improvements reported in several studies for the period prior to some PE privatisation (Lynk, 1993; Martin and Parker, 1997; Dewenter / Malatesta, 2001, p. 321; Reeves and Palcic, 2004) tend to be explained precisely in terms of an effect coming from organisational reforms (oriented to financial targets and the other private-like management practices) introduced by the government into the PE during the pre-privatisation period. We can also add to this indirect evidence, that provided by studies that detect efficiency improvements in the remaining state-owned enterprises, in parallel to the privatisation process of other SOE; i.e., cases where the efficiency of firms –both, privatised and not privatised- improves to a similar degree during the same period (Majumdar, 1998, pp. 17-18; Omran, 2004). And we also have as a related issue the empirical evidence provided by those studies that find no significant differences in efficiency in some PE operating without political constraints, compared to similar private enterprises (Kole / Mulherin, 1997). Starting from that background, our case study aims at providing direct empirical evidence on the relationship between the ‘organisational privatisation’-type reforms and the degree of efficiency of the affected PE.

## 2. APPROACH

The direct government intervention on the firm, that consists in the case of “Paradores” in the government deciding –through a public agency: ‘Turespaña’- the sites and buildings for every “Paradores” hotel, as part of government regional development policy. However, we have verified that no significant change in this constraint has occurred during the period of our study, so, there is no need to take this issue into account in our analysis either.

Therefore, our study may be centred on identifying the moments of change in the organisational status of “Paradores”, to assess the firm’s efficiency for each year of the study period, and to determine the relationship that can be established between both elements; that is, what the impact of this organisational changes on efficiency has been. Taking into account, when evaluating this observed relationship, the external economic background for the same years: general economic trends and, specifically, the evolution of demand for hotel services .

## 2.1 Defining changes in organisational status

To typify those changes in organisational status that may affect a company's efficiency we rely both on agency theory and on management control literature. From the first we take the idea that when the 'principal' (government, in our case) gives more autonomy to the enterprise management (CEO; the 'agent') then the corresponding fiduciary agency costs will be lower; and, therefore, enterprise efficiency will increase. And we also assume the proposition that the more effective the control the principal exerts on company's management, (supervision system and practise) the more effort the agent/management will put in, so bringing a reduction in efficiency agency costs. On the other hand, the 'best practices' literature on management control tells us that the effectiveness of a control system on a firm's manager will depend basically on appropriate compliance by the principal of three related practical conditions: 1) annual specific targets within the context of long term objectives must be set for the manager of the firm. 2) Short term comparison of targets vs. actual results should be carried out. 3) Some kind of incentive for the manager is established, linked to the above comparison of results/targets.

Taking the above methodological approach, in the present study we have tried to characterise (identify) the relevant changes in the organisational status of the firm addressing the following questions: a) Degree of autonomy (range of decision power) for the enterprise manager (CEO); b) Basic features of the supervision/control system & practices; i.e., strategic planning practice, type of annual targets set for the firm manager, and periodical reporting & control scope and procedures; c) Incentive scheme for the enterprise manager; d) actual enterprise management practices and strategic decisions.

## 2.2 Efficiency measurement approach

To measure a firm's economic performance we use three indicators: two measures of financial results, and a productivity index. That is, we work with ordinary operating revenues (OR) and operating costs (OC). Then we calculate the margin rate over revenues as our basic financial performance indicator:

$$m = \frac{OP}{OR}; \text{ being: } OP = \text{Operating Profits} = \text{Operating Revenues (OR)} - \text{Operating Costs (OC)}$$

which we use together with the rate of return on investment

$$r = \frac{OP}{E + FL}; \text{ where: } E = \text{Equity}; FL = \text{Financial Liabilities}$$

In using these two performance measures we take into account that they are not independent variables but linked through a well known relationship:  $r=m \cdot [OR/(E+FL)]$ . Considering this we can say that, especially in the event the two variables should lead to disparate conclusions, the first ( $m$ ) will be more significant as an efficiency measure, as it comes from confronting in a given way the monetary figures of outputs with those of inputs; while variable  $r$  depends on variable  $m$  and on variable  $[OR/(E+FL)]$  which has more to do with the firm's financial structure (revenues per monetary unit of investment) than with the firm's efficiency per se..

As for a productivity measure, we use the standard total factor productivity index (TFP),

$$\Pi^x = \frac{\sum_i (q^x \cdot P^0)_i}{\sum_j (F^x \cdot K^0)_j} \equiv \frac{\sum_i (q^x \cdot P^x)_i \frac{1}{PI^{x,0}_i}}{\sum_j (F^x \cdot K^x)_j \frac{1}{KI^{x,0}_j}}$$

where:  $q_i$  are the quantities of the 'i' outputs;  $P_i$  are the prices obtained by the firm for every one;  $F_j$  stand for the quantities of the 'j' inputs;  $K_j$  stand for the prices paid by the firm for each input; 'x' stands for the year for which we are determining the productivity; '0' stands for the specific year we take as reference for the change in prices;  $PI^{x,0}_i$  are the price-change index for output 'i', from year 0 to year x; and  $KI^{x,0}_j$  are the corresponding price-change index for input j.

And we complement the former with its annual rate of growth,  $t = \ln(\Pi^x/\Pi^{x-1})$ .

As usual, the key issue for the calculation of the above productivity index for every year  $x$  is how outputs and inputs are measured and how price changes are determined or estimated. As regards outputs, the data obtained have allowed us to distinguish three types of outputs: lodging, food and beverages, and other complimentary services. For each of these three activities we have been able to determine the respective annual revenues ( $OR^x_i$ ), whose relative importance is remarkably constant over the period studied: 48.5 %, 47%, and 4.5%, respectively; (the differences between one year and another do not exceed one percentage point). We have also obtained the physical units associated with the two main activities: number of room-days invoiced (as lodging units), and number of covers served (as food and beverage units). This has allowed us to calculate the average annual prices applied by the enterprise for lodging and for food and beverages, respectively. Both temporal series of prices have been translated into their respective indices of variation (taking year 1992 as a base; the first year we have been able to obtain complete data). Finally for the other 4.5% of revenues we have supposed that the evolution of the enterprise's prices has been equal to the weighted average of the two main blocks of revenues; thereby completing three series of indices

of variation for the enterprise's prices ( $PI_i^{x,92}$ ). It has not been necessary to resort to the usual estimations based on indices of external prices.

This has not been the case for inputs. As is usual in applications dealing with total productivity, the information available has not allowed us to determine the average purchasing or contracting prices paid by the enterprise to the many different factors (which are in any case very diverse in a hotel company); nor, therefore, to produce the corresponding indices of variation of prices paid by the enterprise to its factors. Hence we have here followed the usual practice of making estimations based on indices of external prices (from annual statistics) to determine the values  $KI_j^{x,0}$ . The information obtained on the enterprise's costs has allowed us to distinguish five blocks of factors: Personnel, Consumables, Depreciation, External Services and Other. As indices of external prices we have taken: for *Personnel* the annual indices of the Gazette of Labour Statistics; for *Consumables* (different material for rooms, food products, beverages, ..), the Food and Beverage RPI; for Depreciation the RPI for durable industrial goods; for External Services the RPI for Other Services; and for other costs the general RPI. (all taken from the National Institute of Statistics, INE) .

### 3. RESULTS

#### 3.1 Identification of relevant changes in the "Paradores" organisational status

Following the approach described in 2.1, we have analysed "Paradores" successive legal-status and internal organisation changes during the period 1985-2004. To do so, we have relied on annual company reports, related ministry reports, and on in-depth interviews with former and present "Paradores" managers. As a result we have identified the following relevant changes in organisational status:

(take in Table I)

According to the above analysis, we conclude that we can distinguish three relevant moments of change in the organisational status:

1. (1991) The separation of "Paradores" from the Ministerial structure, and its change of legal personality as a limited liability company.
2. (1996) Changes in the company and its relationship with the government, as a consequence of the change in government (the Socialist Party loses power and the Popular Party takes over).

3. (2004) As above, in this case the Socialist Party wins. In addition the “Paradores” management is able to decide on the location of new hotels.

However, as we do not have enough information available for the period after the last organisational change to analyse any possible changes in efficiency attributable to these, we have only considered the first two changes; that is we have analysed three sub periods: 1985-1990, 1992-1995, and 1997-2003.

### 3.2 Efficiency measurements and explanatory variables

Basic variables for efficiency measurement have been produced –according to what is stated above- working on primary data from company annual reports. From this database we have calculated the efficiency indicators described in point 2.. The results are shown in Table II.

(take in Table II)

Finally to determine if there has effectively been a relation of cause and effect between the changes in organisational status and variations observed in company efficiency we have carried out a multilateral comparison –using the three efficiency indicators- of the respective average values, before and after the two organisational changes (table III).

(take in Table III)

We can see, therefore, that the change in organisational status when the enterprise changed legally into a Limited Company had a negative impact on economic indicators: an average reduction of over 5 points in the margin rate (statistically significant). A result in contrast to what we expected according to our initial hypothesis based on that such a change in legal personality would imply a higher degree of autonomy for company management and this greater autonomy would be reflected in an improvement in economic indicators. This may be partly explained by 1) the fact that the pace of growth of the activity of the hotel sector decreased notably from one period to the other, after 1991, as a consequence of the general economic crisis caused by the Gulf war (1991). And the dynamics of “Paradores” evolved in a similar way (columns 6 and 7 and table II); and 2) the organisational change of 1991 was actually purely legal, and did not result in changes in the managing of the company, as we conclude from an in-depth analysis (based on interviews with company managers), and as is shown in our synopsis in table I, in the section ‘impact on management policy’.

And in contrast, the second organisational change –in which both the principal and the agent (CEO) change as a consequence of the change in government- is associated with a substantial improvement in economic indicators: an average increase of 8 points in the margin rate; three more than had been lost in the previous period. However, in terms of productivity the improvement is rather more modest: 9%. From the difference between these two increases we can deduce that the improvement in margin after this second change was due in part to the increase in productivity but, above all, to an increase in billing prices much higher than purchasing/contracting prices. It must be pointed out that this improvement in financial results happened along a period where a recovery in the pace of growth of the output of “Paradores” occurred, in line with the recovery of the sector. Though it appears clear from our analysis that also significant changes in management policy within the company took place after this second organisational change (table I, second section); as if the potentialities of the greater autonomy brought about by the first organisational change (1991) did not become effective until the second one (1996).

As we can see, coinciding with both organisational changes an important variation in activity level both in the sector and in “Paradores” occurred. How far can the changes observed in efficiency indicators between one sub-period and another be considered due, totally or partially, to factors which were external to the supervision and management of the company such as the economic situation of the sector? To control for this external factor, on the one hand we have analysed how far the annual variations in the company revenues (OR) correlate with the variation in demand in the hotel sector in Spain. And on the other hand we have measured the sensitivity of productivity (*TFP*) to such relative variations in annual company revenues.

As regards the first relationship (column (6) vs. column (7) in table II), the result obtained (by means of a regression using o.l.s.) allows us to state that, effectively, the correlation is very high: Around 80% of the relative variation in “Paradores”’s turnover is explained by the evolution of the economic situation in the sector. And with regard to the sensitivity of the productivity (column 3) with respect to this growth in “Paradores” output (growth in real terms, column 5), we have found (using the same technique) that the usual working hypothesis that an increase (decrease) in the level of real activity will lead to in the short term –due to the existence of fixed costs- an increase (decrease) in the relationship outputs / inputs, is true in this case with respect to the indicator of total productivity. From this quantitative analysis –connecting the two

above results- we conclude, that of the increase observed in productivity after the second organisational change (+0,0923), approximately half can be attributed to the effect of strong growth in the activity level of the company; that is to a certain type of economies of scale; albeit such output growth for “Paradores” comes explained mostly by the growth in demand in the Spanish hotel sector. Hence, for the improvement observed in productivity for “Paradores” (9%) about the other half can be actually attributed to the organisational changes in 1996.

#### 4. CONCLUSIONS

We have tried to verify in this work how changes in the organisational status of the state enterprise ‘Paradores’ have affected its degree of efficiency. From the study carried out we conclude that during the analysed period, 1985-2004, “Paradores” experienced three relevant changes in its organisational status: in 1991, in 1996 and in 2004. However, we only analyse here the first two, as there are not yet enough data for the last one.

Our results point to the fact that the first apparently relevant change (1991), which made the enterprise going from being a ministerial agency to being a Limited Company was purely formal, as while the enterprise changed its legal status, and the whole formal structure necessary for more management autonomy was established, none of this materialised in internal management’s specific actions or policies. Thus, –and even controlling for the role that the unfavourable economic situation played just after 1991 – in this case the standard hypothesis that a change in firm’s organisational status towards more autonomy with respect to government intervention will translate into higher company efficiency is not confirmed. A finding that suggests the convenience of a more precise formulation of agency theory where applying to PE, distinguishing between changes in status that allow for more enterprise autonomy, on the one hand, and effective use of this possibility by managers on the other.

In contrast, the second relevant organisational change here analysed, 1996, when both principal and agent (CEO) changed, appears to really be an effective management reform; new inside management techniques were applied, and specific strategies aimed at improving quality and management practices are adopted. And we observe, in parallel, a strong favourable change in efficiency indicators: productivity increases moderately but the margin rate shows a large increase, reaching high positive levels. However, this impressive improvement in economic performance was not so much due to an increase in company productivity but mainly to 1) a relative increase in billing

prices and 2) an improvement in the economic situation of the Spanish hotel sector. Nevertheless, we can say that in this case the change of both principal and agent seems to have been a determining factor to put into effect the possibilities of more enterprise autonomy which were established five years earlier.

To sum up, the above conclusions suggest that in future studies on the effect of management reforms on the economic performance of public enterprises more attention should be paid to the fact that a certain period of time may be required for the potentialities that a particular reform may offer become effective; and that one of the fostering conditions for this effectiveness may be the firm's key position, specially the CEO, be actually prepared to change accordingly as far as the ways of managing and running the firm.

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Table I

## Assessment of the relevant changes in organisational status

<b>Formal change</b>	<b>Relevant changes observed in the organization</b>	<b>Assessment</b>
<b>1991.</b> Change of legal personality: the enterprise becomes a Limited Liability Company with 100% of the shares in the hands of the State.	<p><u>Degree of autonomy:</u></p> <p>1. A hierarchical structure based in territorial divisions is established</p> <p><u>Control system:</u></p> <p>2. 4-year strategic plans are introduced with the establishment of annual targets and management supervision by means of budget control. Annual accounts and budgets are started</p> <p><u>System of incentives:</u></p> <p>3. All managers below top management receive a variable remuneration (which could reach 30%) depending on achieving targets.</p> <p><u>Impact on management policies</u></p> <p>4. Setting up of the first staff training plans</p>	<p><b>Increase</b></p> <p>notable</p> <p><b>Improvement</b></p> <p>substantial</p> <p><b>Increase</b></p> <p>(introduced for the first time)</p> <p><b>Irrelevant</b></p> <p>Specific action is not taken to back up the change in organisational status</p>
<b>1996.</b> Change in the national government and consequent changes in political control and management staff over enterprise management.	<p><u>Degree of autonomy:</u></p> <p>1. Regional managers go from 10 to 4.</p> <p><u>Control system:</u></p> <p>2. Change of Chairman/CEO.</p> <p>3. Substitution of 73% of the members of the Board.</p> <p>4. Substitution of all the General Managers</p> <p><u>System of incentives:</u></p> <p>5. The variable remuneration plan is extended to the heads of department of company establishments. A policy of special prices and discounts is applied in all establishments for staff.</p> <p><u>Impact on management policies:</u></p> <p>6. A new marketing plan is initiated, a plan to update establishments and a plan to computerise the enterprise.</p> <p>7. Adoption of quality rules and controls, adoption of the TQ philosophy and Continuous Improvement.</p> <p>8. The “Amigos de Paradores” loyalty programme is launched.</p> <p>9. A Professional Career Plan is launched for staff. Beginning of the first strategic continuous training plan for staff</p>	<p><b>Decrease</b></p> <p><b>Change of ‘principal’</b></p> <p><b>Change of ‘agent’</b></p> <p><b>Increase,</b></p> <p>As it is extended to lower management</p> <p><b>Substantial</b></p> <p>Introduction of numerous measures and specific actions that allow for effective “organisational privatisation”</p>
<b>2000.</b> After the	<u>Degree of autonomy:</u>	<b>Minor changes</b>

<p>General elections the party in power continues with an absolute majority.</p>	<p>1. Half of the General managers are changed.</p> <p style="text-align: right;"><u>Control system:</u></p> <p>2. Change of Chairman/CEO and 75% of Board members</p> <p style="text-align: right;"><u>System of incentives:</u></p> <p>3. Staff recognition is initiated by means of various types of awards: for quality, for billing and for management.</p> <p style="text-align: right;"><u>Impact on management policies:</u></p> <p>4. An Environmental Division is created and a system of Environmental Management is put into place in 70% of the centres</p> <p>5. An R&amp;D department is set up with the aim of improving processes.</p> <p>6. Large scale investment in technology.</p> <p>7. Deseasonalised products are created</p> <p>8. “Yield management” is implemented in all establishments.</p>	<p><b>Change of ‘agent’</b></p> <p><b>Minor change</b></p> <p><b>Important</b></p> <p>Actions to improve management continue to be introduced</p>
<p><b>2004.</b> Change in national government.</p>	<p style="text-align: right;"><u>Degree of autonomy:</u></p> <p>1.The company can open new establishments independently of Turespaña.</p> <p style="text-align: right;"><u>Control system:</u></p> <p>2. Change of Chairman/CEO and 60% of Board members</p> <p style="text-align: right;"><u>System of incentives:</u></p> <p>Continuist policy</p> <p style="text-align: right;"><u>Impact on management policies:</u></p> <p>3. Setting up of a plan of universal access to “Paradores” .</p> <p>4. Emphasis put on quality gastronomy and sustainable development.</p> <p>5. R&amp;D is reinforced</p> <p>6. A strong expansion plan is initiated which plans the opening of new establishments until 2010 (creating more than 500 jobs).</p> <p>7. The offer is segmented in 7 groups: sun and beach, health, nature, historical heritage, golf and sport, family and companies.</p>	<p><b>Important increase</b></p> <p><b>Change of ‘principal’</b></p> <p><b>Change of ‘agent’</b></p> <p><b>No changes</b></p> <p><b>Continuist policy</b></p> <p>Actions which foster growth are continued</p>

Table II

## Efficiency measures and output growth

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year	m (%)	r (%)	TFP (*)	t= TFP rate of growth (%)	rate of growth of firm Revenues (%)		rate of growth of the Sector
					(real**)	nominal	nominal
1985	0.59	0.38	-	-			
1986	7.06	5.78	-	-	-	25.7	1985-1990  79.85 %
1987	7.45	7.05	-	-	-	16.3	
1988	7.24	7.63	-	-	-	11.8	
1989	7.22	8.41	-	-	-	11.-	
1990	-0.14	-0.16	-	-	-	7.6	
1991	2.62	3.02			-	8.-	
Mean 1985-1990 sd. se.	<b>4.9</b> 3.633 1.4833	<b>4.85</b> 3.7733 1.5404	-	-			
1992	1.03	1.18	1.0104		-	1.2	1990-1995  34.76%
1993	-2.82	-3.21	0.983	-2.75	-2.7	0.6	
1994	-2.11	-2.46	0.984	0.10	-1.8	2.8	
1995	2.67	4.56	1.07	8.38	0.5	6.8	
1996	-0.43	-0.74	1.0376	-3.07	1.-	3.7	
Mean 1992-1995 sd. se.	<b>-0.31</b> 2.5959 1.2979	<b>0.017</b> 3.5843 1.7921	<b>1.01</b> 0.0408 0.0204	<b>1.91</b> 0.0578 0.0334			
1997	3.46	6.43	1.091	1.94	6.34	11.5	1995-1998 8.9 %
1998	5.81	11.72	1.122	2.80	13.15	16.-	
1999	5.23	10.98	1.097	-2.25	9.2	14.4	27.- %
2000	10.69	21.77	1.128	2.79	4.4	10.5	-0.7 %
2001	10.79	19.1	1.112	1.36	-3.9	1.4	4.52 %
2002	9.53	13.68	1.08	-2.92	-0.8	4.4	n.a.
2003	11.07	12.14	1.1	1.83	2.15	4.8	n.a.
2004	11.56	12.70	1.0975	0	7.5	11.9	n.a.
Mean 1997-2003 sd. se.	<b>8.08</b> 3.1575 1.1934	<b>13.69</b> 5.1783 1.9572	<b>1.10</b> 0.01719 0.0065	<b>0.8</b> 0.0237 0.00897			

(\*). Not enough data for years before 1991 (neither annual accounts nor management reports exist for the company; only the annual budget payment).

(\*\*) At constant prices.

Column (7): Source: Own production, from annual figures of added value for the Hotel sector, obtained from the Spanish Hotel Federation.

Table III

## Relationship organisational changes / efficiency variation

Change in organisational status I	mean before	mean after	difference	t *, conf. level
<b>m</b>	4.9	-0.3075	-5.2075	2.4589 (***)
<b>r</b>	4.85	0.0175	-4.8325	2.021 (**)
Change in organisational status II				
<b>m</b>	-0.03075	8.0829	8.11365	-4.4889 (***)
<b>r</b>	0.0175	13.6885	13.671	-4.6335 (***)
<b>TFP</b>	1.012	1.1043	0.0923	-5.3791 (***)

(\*) t-statistic for significance of differences in means from non paired observation sets.

(\*\*) confidence level over 90%; (\*\*\*)confidence level over 95%

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