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MODULE 1

UNIT 1 INTRODUCTION TO STRATEGIC MANAGEMENT

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1.0 INRODUCTION

This unit introduces strategic management and provides an overview of the modules on Strategic management for Hospitality and Tourism. Strategy is presented from a historical perspective from various lenses- including schools of thought- through which strategy has been conceptualized, researched and developed over several decades. The section then discusses key definitions of the terms used in strategic management literature, and various schools of thoughts in the field described, and a case study of a scenario that necessitates the application of strategic management in hospitality and tourism.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Discuss the historical origins of strategic management.

2. Identify the schools of thoughts on strategic management.

3. Discuss the strategic management framework and its objectives.

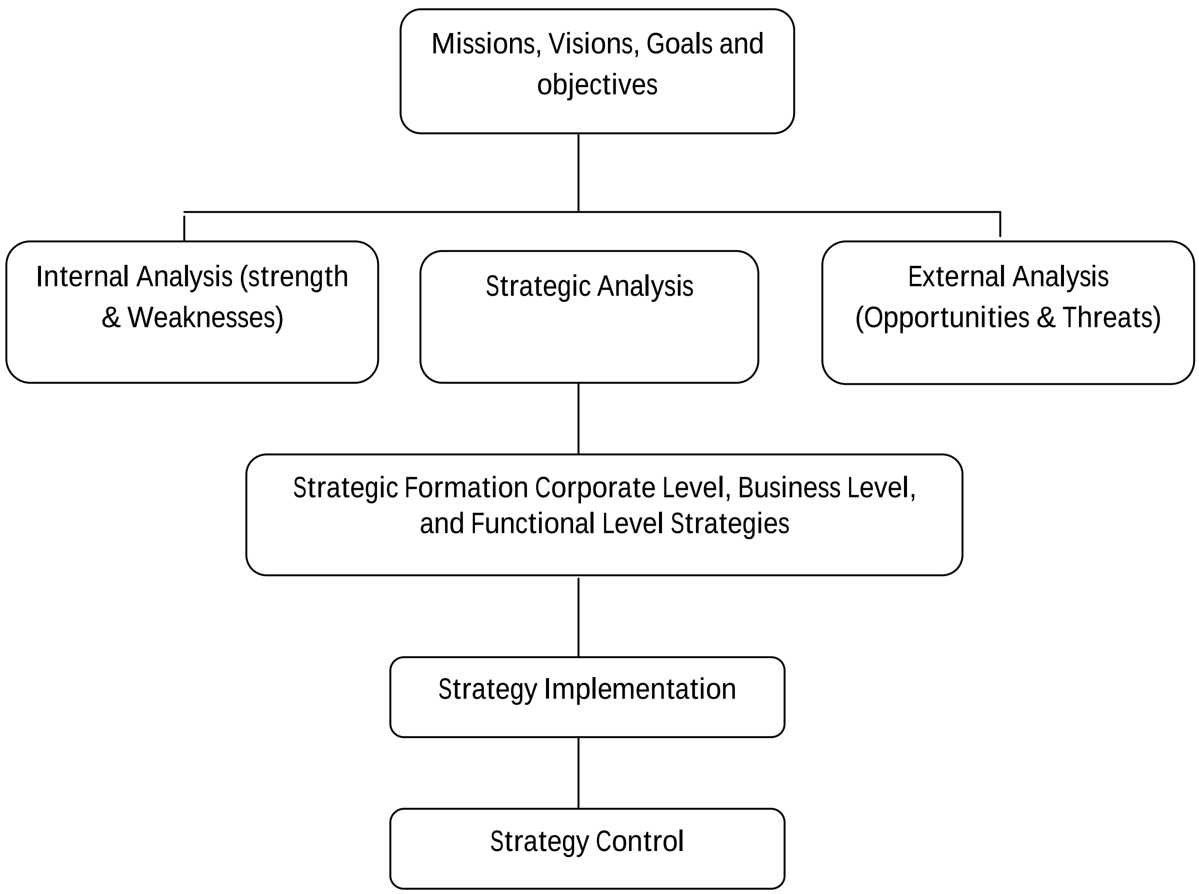
4. Define key terms pertaining to strategic management and their significance.

3.0 MAIN CONTENT

3.1 Historical Origins of Strategy and Strategic Management

In order to appreciate the historical origins of strategy and strategic tourism management, it becomes essential to firstly, define *strategic management.* Strategic management is a field of study that involves the process through which firms define their missions, visions, goals, and objectives, as well as craft and execute strategies at various levels of the firms' hierarchies to create and sustain a competitive advantage (Okumus, Altinay, and chathoth, 2010). In other words, strategic management assist organization in prioritizing what is of most importance to them and provides a holistic view of the organization. Strategic management consists of two distinct phases that deals with formation and implementation of strategy within an organizational setting (Okumus, Altinay, and chathoth, 2010).

Figure 1: shows the strategic management framework /process.



The origins of strategic management have been linked to the military. The term *strategy* emanated from the word *strategos,* which translate to “general.” Literally, it means “leader of the army.” Military strategy often deals with planning and execution in a war setting, while taking into account the strategy and tactics required to implement the plan. Defeating the enemy in a “chess-like” play situation entails critically thought-out plan with emphasis on the plan’s execution.

Strategic management can be linked to the works of Sun Tzu that dates back to 400 B.C. and to Carl von Clausewitz in the eighteenth century. Sun Tzu’s reference to space, quantities, and other factors related is similar to the characteristics of the positioning schools (Mintzberg, Ahlstrand, and Lampel, 1998). According to Sun Tzu, calculations underlie victorious situations in war.

Carl von Clausewitz’s considered strategy “a variation of themes” in war situation (Mintzberg et al., 1998). Clausewitz notes that strategy was “open-ended and creative” in a situation of chaos and disorganization (Mintzberg et al., 1998). This provides avenue for a more systematic and organized approach, which is why planning became part of the process. Strategy formation takes into consideration the various maneuvers and the scenarios and calculations pertaining to them. Being flexible while being proactive and deliberative, however, is essential. Literature since the twentieth century used these works to describe strategy in the corporate arena.

Strategic management as a field of study has evolved in over the past fifty years (Okumus, Altinay, and Chathoth, 2010). In the 1950s and 1960s, strategic management was viewed from general management perspective, emphasizing the role of the leader. Hence, the focus was on leadership, interpersonal relationships, and the systems, processes, and structures in an organization. Firms used the top-down approach, with the top management at the core of the decision making process. However, the strategic management process was not formalized and explicit during this phase; instead, it was more implicit and informal. In the 1960s, 1970s, and the early 1980s, firms adopted the strategic planning approach with an emphasis on analysis and formalized planning, with special teams assigned to develop plans. The typologies and concepts related to business and corporate strategies, with strategy formulation at the core of such conceptualizations, led to the evolution of the domain during this period.

Strategy implementation as a process was however the emphasis of scholars during the 1980s period. There was a shift in emphasis from the leader to the development of organizational culture and its role in defining and implementing strategies. In the same vein, globalization began to capture the imagination of firms' executives, researchers provided more insights into the underlying concepts of globalization, including systems, processes, and structures that enabled firms to grow into multidivisional corporation. Some scholars however focused on firms' competencies to explain strategy, which led to the emergence of resource-based view of firms. In the hospitality and tourism field, strategic management emerged as a field of study in the mid- to late 1980s that aimed at applying the works of scholars in the strategic management domain to the hospitality organizations. These efforts are aimed at confirming theories related to the contingency, strategic planning, and competitive strategies.

In the 1990s, globalization led to the emergence of network strategies, and strategic alliances became the focal point around which researchers developed the literature. More efforts from a resource-based perspective led to the conceptualization of characteristics related to firm's internal competencies that enabled them to sustain competitive advantage. The shift towards internal competencies also saw a shift in perspective towards knowledge-based view and learning at the core of strategic competitive advantage in the late 1990s. Progress continues using the knowledge perspective from the 2000s, with increased emphasis on corporate social responsibility.

In the hospitality and tourism domain, Olsen, West, and Tse (2006) conceptually developed the coalignment concept, which has been used as a theoretical framework in other studies in the field. Efforts by Harrigton (2001), Okumus (2004), and Jogaratnam and Law (2006) in the 2000s focused on environmental scanning in the hospitality industry context, whearas Harrington and Kendall (2006), Okums and Roper 1999, and Okumus (2002), as well as others, have made attempts to develop the strategy implementation framework for hospitality and tourism firms during this period. More recent efforts in the field have moved toward a knowledge-based view and corporate social responsibility.

3.2 Schools of thoughts on strategic management

Many schools of thought have emerged in the strategic management domain. Mintzberg and colleagues (1998) described the domain as consisting of ten schools/perspectives that pertain to design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental, and configuration. Mintzberg and his colleagues notes that the first three school are more prescriptive, with an emphasis on strategy formulation that developed from 1960s to 1980s. The next six schools are less prescriptive, while emphasizing how strategies are developed. The tenth school conceptually combines and captures the other nine schools of thought into an integrative whole. Brief description of each schools is given in this section.

The design school emphasis a fit between an organization’s internal capabilities and external opportunities. This school emphasizes the importance of a firm’s position within the context in which it operates. The environment is used as a reference while weighing the firm's strategies and the emphasis is on how it develops its structure in order to support the strategy.

The second school, planning, which was developed in 1970s, conceptualized strategy to include a structured, step-by-step approach. Mission and vision statement were set, and goals were clearly spelled out while detailing the objectives that would lead to the accomplishment of those goals.

The third school is positioning, which was developed in 1980s. Although not very different from planning and design school, it views strategy formation as consisting of a few strategy types. This school emerged from the work of Porter (1980), with an emphasis on strategy typologies. Strategy was still conceptualized as a formal and controlled process, but the focus here was on competitive strategies and industry structure.

The fourth school of thought is the entrepreneurial school, which pertain to decision making and the process of strategy formation. Here the central role of strategy formation lies with the leader, whose "intuition, judgment, wisdom, experience and insight" are at the heart of decision making. Sources: Mintzberg, H.,Ahlstrand, B., Lampel, J. (1998;p. 124). The leader's vision and his or her leadership style influence the organization's strategic posture.

The cognitive school is the fifth school, and it emphasizes strategy formation from the perspective that the decision maker's cognition and mind drive strategy making. The cognitive skills of managers influence their perspectives on the environment. These perspectives in turn influence the strategy formation process. According to Mintzberg and his colleagues, they include 2concepts, maps, schemas, frames."

The sixth school is learning, which supports the notion that strategy making is based on the foundation of learning. The strategy maker is constantly learning about process of strategy formation and its various elements in complex environment .As a matter of fact, the firm is learning constantly as a whole, which is incremental and continuous in a complex business environment. The knowledge perspective is part of the learning school, and the focus here is on the on the system as a whole rather than only a few managers at the helm of decision making.

The seventh school view strategy formation from a power perspective, with negotiation at the crux of the process. Power and politics drive this school of thought, with organizations vying for position in the markets and transactions. Strategy formation is more emergent as firms engage in power plays, ploys, and tactics to maneuver in various contexts.

The eighth school is the cultural school, where, again, the emphasis is on the organization as a collective whole and strategy formation as comprising social interaction. Strategy is deliberate in that the members are engaged in the process that involves collective action. Resources and capabilities are the sources of competitive advantage, as firms are able to create a culture that brings forth unique decision making with a resistance toward organizational change.

The ninth school pertains to environment while describing strategy formation as a reactive. The firm's external environment influences the strategy formulation and implementation process, and firms are viewed as being part of an environment that is simple or complex, stable or dynamic. The decision maker's role is one of a boundary spanner in being able to scan the environment while identifying the macro and micro level forces that impact the firm's position within a business domain.

The tenth school is the configuration school, which views strategy as transformational. *Configuration* refers to the structure that a firm adopts in a given environmental context, and *transformation* refers to a change in configuration based on a change in context. The life cycle of organization is essentially a pattern that emerges from the various configurations and transformation that occur over the various periods of change that organizations go through. The essence of strategy formation is to ensure that firms are able to recognize the need to change its configuration while transforming from one state to the other during its productive life.

3.3 Aims of Strategic management: Creating a competitive advantage

A firm is in business to create value for its stakeholders. Since value is created if firms have competitive edge over their market rivals, it is imperative that a definitive and formalized approach that falls within the realm of strategic management is at the core of the process. Creating a competitive advantage, and subsequently sustaining it over a period of time requires a formal approach in terms of strategy formation and implementation. Constant evaluation of an organizations market position, including benchmarking, becomes inevitable in maintaining a competitive edge. Hilton Hotels and McDonalds are typical examples of firms that have been through ups and downs during the course of their organizational histories in terms of sustaining competitive advantage in their respective market domains.

Strategic management process can be administered at three major levels including; corporate, business and functional levels.

1. At the corporate level, strategy entails asking questions about what business the firm is in or would like to engage in, the firm's potential to create value by being in the business or expanding into a new line of business, and the recourses and capabilities the firm already has or needs to get to sustain/create competitive advantage in its business or businesses.

2. At the business level, firms need to ask themselves the following questions: How can we create competitive advantage in our product-domain in each strategic business unit (SBU)? How can we continue to be an overall cost leader or broad differentiator, or, have a cost focus or be a focused differentiator in our market domain? Note that SBU is defined as a unit within a given corporate identity that is distinctly different from other units within the corporation in terms of products and services, as well as the markets it serves with a distinct profit-making capability of its own.

3. At the functional level, the firm's objective is to sustain its advantage by focusing on efficiencies related to production, operations, administration, marketing, and other support functions. It also engages in constant innovation to ensure new product/service development rollout, while ensuring that the service and product qualities, as well as the customer satisfaction related to them are at the highest level.

The linkage among the three levels of strategy leads to the creation of sustainable competitive advantage.

3.4 Defining key terms on strategic management

Strategy entails futuristic thinking and developing a course of action to meet goals and objectives. The strategic management framework (Figure 1.1) captures the process sequentially and definitively. It should be noted that although different element of the strategic management framework is presented separately or in linear step-by-step process, in fact they overlap and go hand in hand. The framework includes mission and vision statements, goals, and objectives that are linked to the mission and vision, as well as strategies and tactics to achieve the goals and objectives. Strategic analysis provides the firm with a clear picture of its situation, which includes internal and external analysis. Internal analysis pertains to strengths and weakness analysis, whereas external analysis pertains to opportunities and threats analysis, which is also referred to as SWOT analysis. The analysis enables a firm to engage in strategic decision making. Strategic decisions pertain to choosing an alternative among a set of alternatives that leads to strategy-related success. These decisions have an effect on the firm's long-term orientation and direction.

Strategic management includes two distinct phases: the strategy formation phase and the strategy implementation phase. Strategy formation is the process of defining the direction of the firm's futuristic course of action, which would enable the firm to allocate resources in order to achieve the set goals and objectives. An internal and external environment analysis is part of the assessment before strategy is formulated at the corporate, business, and functional levels. On the other hand, strategy implementation is the process of putting strategy into action, which includes designing the organizational structure and related systems. These process leads to effective resource allocation processes, including programs and activities such as setting budgets, developing support systems, recruiting, hiring, and training, as well as designing performance evaluation and rewards systems that lead to the attainment of set goals and objectives.

The organization must first define its mission, goals, and objectives. The mission is a brief description of the very purpose of creating the organization. This mission statement includes a clear purpose and states why the organization is in existence.

To differentiate missions, goals, objectives, strategies, and tactics, let's consider this case: Jeflum Hotel is in the business with a mission to create value for its stakeholders. To accomplish the mission, the firm has set goals for the current year of increasing the business segment productivity. The objectives that linked the goals include increasing the business segment revenues by 10 percent and increasing repeat clientele for this business segment by 15 percent. The strategies include marketing and operations- related plans and tactics, including increasing sales calls in the business districts of the city, increasing promotional campaigns for the international and domestic business markets, and creating an amenities package for business travelers that includes free airport transfers, a free welcome drink on arrival, free internet access in the room, and free use of business centre secretarial services for three hours a day. Note that the goals are linked to the mission, the objectives are linked to the goals, strategies are linked to the objectives, and the tactics are linked to the strategies.

3.5 Case study

The Magnificent Northern Hotel, a privately owned, independent, four star chalet hotel located in Abuja, Wuse Commercial District, is confronted with a turbulence external environment as a result of the global financial crisis. Since its inception 8years ago, the hotel has been one of the top performers in the upscale and luxury market segments, preceding the current economic crises. The hotels main target market is the business traveler (80 per cent of room bookings) who has no problem with paying 12,000 naira per night for a room.

During the past 12 months, however, the hotel has been a victim of several economic turbulence, which resulted in a significant reduction in rooms bookings from the business travel segment. This has reduced profits drastically to the extent that the hotel is no longer able to cover fixed costs. The owner, Adebisi Samuels has called an executive committee meeting to discuss the future direction the organization should take in the immediate term and in the long term to sustain its competitive advantage.

1. What issues should Adebisi and the executive committee address? Why? (Hint: Make assumption where necessary, including mission and vision statements, as well as goals, strategies and objectives.)

2. Given the preceding information, what are Adebisis's options? How should they be evaluated? Make assumptions where necessary.

3. What should the hotel do in the short and long term? Make assumptions where necessary to arrive at your decisions.

4. Why is it difficult to answer the preceding questions? Do we have clear answers for issues and challenges in real life?

5. Do Managers and executives in hospitality and tourism organizations always have sufficient and reliable information to make decisions?

4.0 CONCLUSION

Having studied this unit, you should now be familiar with the term "strategy", its origin, and applicability in the tourism and hospitality industry. In addition, you should be able to explain what strategic management entails, and discuss how it can be administered at various level of management in the hospitality and tourism settings.

5.0 SUMMARY

This unit introduced strategic management, while providing an overview of how the field has evolved from historical perspective. Given the complexity of managing firms, schools of thought on strategic management have briefly covered the various approaches to managing firms from a strategic perspective while highlighting their relevance and significance. Definition of key terms used in the field, such as mission, vision, strategy, goals and objectives were briefly discussed to explain how the strategic management framework can be used effectively.

6.0 SELF ASSESSED STUDY EXERCISE

Choose a Hospitality and Tourism organization and research this company's vision, mission, goals, and objectives. Critically evaluate and compare them with those of other H&T companies. What are the similarities and differences? Which aspects do you like in this statements and why?

Study Questions

1. Explain the origins of strategy and strategic management
2. List the main schools of thought, and explain their premises on strategic management.

3. Why are there different schools of thought on strategic management?
4. Define strategic management, vision, mission, goals, objectives, and tactics.
5. Do you think it is important for Hospitality and Tourism companies to have such statements as in number four question above?

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UNIT 2 STRATEGIC MANAGEMENT IN HOSPITALITY AND TOURISM

CONTENTS

1.0 INTRODUCTION

In Unit 1, we introduced the topic of strategic management, with discussions on the historical origin of strategy and the writings of classic authors. The dominant strategic management schools of thought were also discussed. The first unit is particularly important to readers in providing foundation for discussions and debates in subsequent units.

In this unit, we define the Hospitality and Tourism context and evaluate characteristics and types of Hospitality and Tourism organizations. The question on how these characteristics may impact strategic management practices in Hospitality and Tourism organization were highlighted. Discussions on how generic strategic management models and theories can best be applied in the Hospitality and Tourism context are also highlighted. Finally, a brief review of strategic management literature in the Hospitality and Tourism field was discussed.

2.0 OBJECTIVES

At the end of this unit, you should be able to;

1. Define the hospitality and tourism context
2. Evaluate characteristics and types of Hospitality and Tourism Organization
3. Discuss how characteristics of Hospitality and Tourism organizations may influence the application of strategic management practices in Hospitality and Tourism organization.
4. Evaluate the current level of strategy research in the Hospitality and Tourism field

3.0 MAIN CONTENT

3.1 Defining the Hospitality and Tourism Context

Although, it is one of the largest industries worldwide, providing a concise definition for the hospitality and Tourism industry has been a major challenge for professionals and academics. As often noted, there continues to be a lack of agreement as to exactly what hospitality and tourism encompasses and the relationship between them. According to Nykiel (2005), definitions of Hospitality and Tourism industry are often limited by the unique viewpoints of sectors within the industry. For instance, a hotel operator may see the industry as accommodation with food and beverages. A food and beverage operator may view the industry as a dining experience with the focus on menu offerings and food service. A travel agency manager might believe that providing travel related services to people for business and leisure defines the industry best. An executive of a theme park may see hospitality as providing a unique entertainment and educational experience. In order to overcome this confusion, Nykiel (2005) placed all of these viewpoints under a wider perspective called "hospitality" and further stated that the hospitality industry encompasses travel, accommodation, food service, clubs, gaming, attractions, entertainment and recreation.

Kandampully (2007) however notes that hospitality and tourism organizations operate within a network of service organizations. The author argued that they are, to a large extent, they are interrelated and interdependent, and include the following:

- Tour operator, travel agents, and tourism organizations
- Travel and transport operators
- Leisure, recreation, and entertainment venue
- Restaurants, bar, clubs, and cafes
- Hotels, resorts, motels, camping grounds, bed & breakfast (B&B) establishments, and hostels.

Butler and Jones (2001) use *tourism* as an all-encompassing term that covers all aspects of people being away from their homes and *hospitality* as a specific part of providing accommodations and meals for tourists. They note that the one difficulty in their definitions is that the hospitality industry also serves many people who are not tourists, such as local residents. They state that tourism is often interpreted as flow of visitors from one country to another for more than 24 hours of time and less than one year.

In this module, in order to have a broader knowledge and include all the different types and sizes of organizations in the field, the term hospitality and tourism is used interchangeably. These terms encompass travel, accommodation, food services, clubs, gaming, theme parks, attractions, entertainment, recreation, conventions, and nonprofit tourism organizations such as national tourism offices, destination management, and marketing offices. The hospitality is thus a composite of a number of distinct industries that are closely interrelated and interdependent. These industries operate within a global network. The next section provides explanations and discussions about different types of Hospitality and tourism organization.

3.2 Types of Hospitality and Tourism organizations

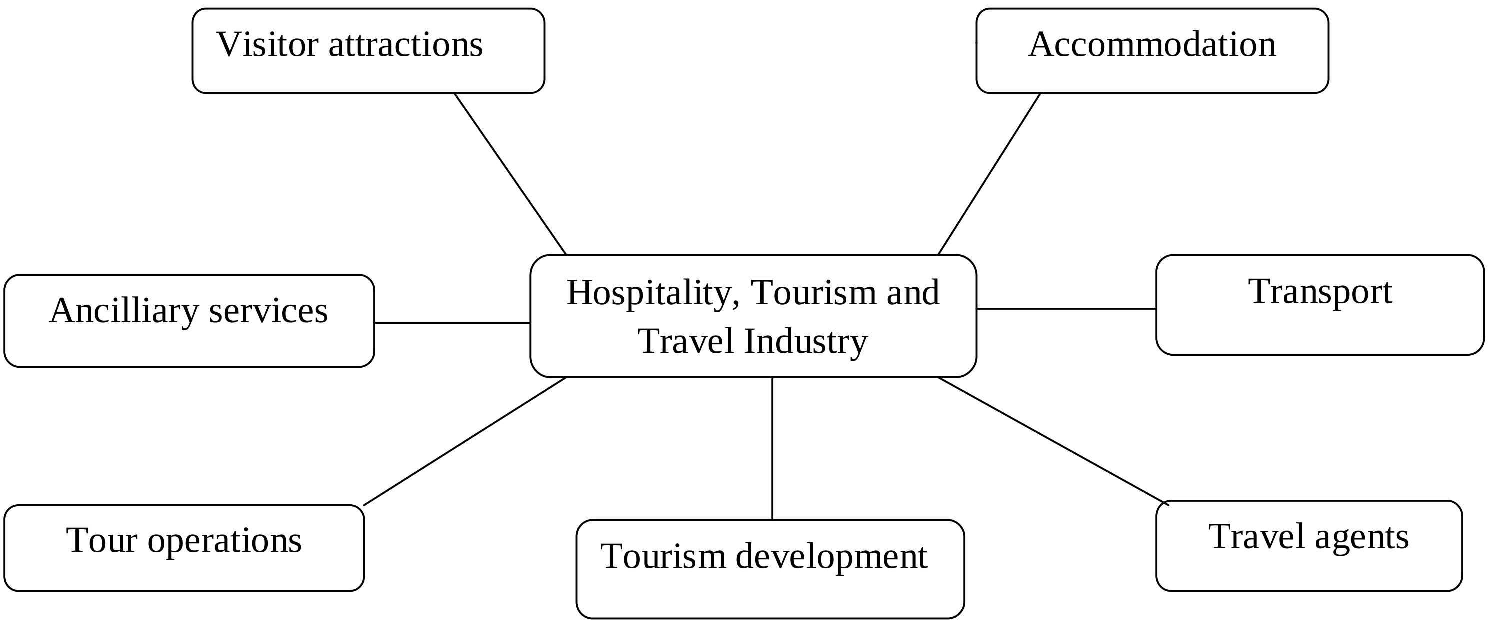
Hospitality and Tourism industry can be grouped under different categories depending on their primary activities, size, profit motives, and geographical coverage.

In terms of their primary services, organizations can be categorized as follows:

1. Travel and transport
2. Accommodations (lodging)

3. Food and beverages
4. Entertainment and recreation
5. Tourism offices or destination management organizations
6. Nongovernmental tourism organizations.

Figure 2: Component of travel, tourism and hospitality



Each of these is often identified as a subsector under the Hospitality and Tourism industry. In addition, each can be further broken into several sub groupings. For example, under accommodations, there are hotels, motels, guest houses, hostels, villas, and time-shares. Some of these can further grouped, depending on their service level, such as luxury hotels, boutique hotels, mid-market hotels, and budget hotels or according to their star ratings, such as five-star (diamond), four-star, and three star hotels.

Hospitality and tourism organizations could further be classified as small, medium and large scale. Independent and flexible small and medium sized enterprises (SMEs) dominate the tourism market worldwide. An SME is defined in employment terms as a company with workforce of fewer than 250 employees (European Commission, 2002; Wanhill, (2000). For example it is reported that around more than 90 percent of tourism and hospitality organizations in Europe and most part of the world are SMEs (Bastakis, Buhalis, and Butler, 2004; European Commission, 2002, Wanhill, 2000) which are usually owned-managed, being run either by an individual or by small group of people.

Finally, hospitality and tourism organization can be further grouped based on their geographical coverage. These include local, regional, and global firms. Local organization operate in only one city or country, whereas regional organizations operate in only a geographical region such as Europe, the Middle East, Africa, or North America. The global hospitality and tourism firms such as Hilton, Intercontinental Hotels, McDonald's and KFC are examples of those that operate in many countries and almost all continents worldwide. Compared to national organizations, regional and global hospitality and tourism face more complex, dynamic, and challenging external and internal environments. As a result they must accommodate the impact of an international context when tackling strategic analysis, strategic choice, implementation, strategic control, and global competitive advantage.

Discussion Question

Based on what we have just discussed, can we make generalizations about the hospitality and tourism industry?

3.3 Characteristics of Hospitality and tourism organizations

The following are some closely related, unique characteristics of Hospitality and tourism organizations as depicted in the service sector organizations. (Fitzimmons and Fitzimmons, 2004; Gronoos, 2007; Kandampully, 2007):

1. Inseparability-customer participation in the service process
2. Simultaneity
3. Perishability
4. Intangibility (the tangible-intangible continuum)
5. Heterogeneity
6. Cost structure
7. Labor intensive

- **Inseparability**

In the hospitality and tourism organization, customers need to be present and participate in the service delivery process. In other words, the customer cannot be separated from the service delivery process in the industry. Hospitality organizations are expected to communicate with and encourage customers to actively participate in the service delivery process. Attracting and bringing customers to hospitality and tourism organizations entail careful attention to their location, brand image, and ongoing marketing and promotional activities. Also, the presence of customers and the requirement for them to play an active role in the service delivery process necessitates ongoing careful attention to behavior, the physical appearance of employees, the interior design and decoration of facilities, furnishings, layout and noise. This means that like Fitzsimmons and Fitzsimmon's (2004) comments on managing service organizations, operations, marketing and HRM functions in hospitality and tourism, organizations need to be closely integrated.

- **Simultaneity**

Services in the hospitality and tourism organizations are created and consumed simultaneously. This can prevent employing active quality control mechanism. As earlier noted, customers and employees need to participate and coordinate in the service delivery process. It is however almost impossible to have one manager for every employee to monitor the service delivery process and make sure that frontline employees are doing their jobs well, in addition to guiding the customers' participation in the process. In order to make sure that services are produced and offered to customers at an expected quality that meets consistent standards, hospitality and tourism organizations should rely on other measures such as investing in human resources, use of technology, building desired physical facilities, and decoration to ensure the quality of service desired.

- **Perishability**

As production and consumption in hospitality and tourism organization are simultaneous, services become perishable if they are not sold. As a result, their value is lost forever. For example, an airline seat or a hotel room will perish if a customer does not purchase it at the time of production. Hence, the full utilization of service capacity is a strategic task for many hospitality and tourism organizations. It is however important to emphasize that demand for hospitality and tourism organization's services often fluctuates considerably, depending on the external developments and changes, such as seasonality and crises. For instance, terrorists attacks (Such as September 11, 2001 in New York), disease outbreaks (such as SARS in the far East), and natural weather phenomena (such as tornados or hurricanes) all had a negative impact on the demand for services offered by the hospitality and tourism industry worldwide.

- **Tangibility**

Hospitality and tourism organizations offer a combination of tangible and intangible products (Kandampully, 2007). For example, a hotel room or a meal in a restaurant has both tangible and intangible qualities. Yet, there may be major difference between a budget hotel and a luxury hotel or between a fast-food restaurant and an upscale restaurant in terms of tangible and intangible qualities offered. However, services are often ideas, concepts, interactions, relationships, and experiences that are not often patentable. It is essential to note that the intangible aspects of services offered by hospitality and tourism organizations are critical in customer satisfaction. This is because the main difficulty related to the intangibility of services is that customers cannot often see, feel, and test these services when they order or buy them (Gronroos, 2007; Kandampully, 2007). In order to overcome potential problems and dissatisfaction in these areas, some hospitality and tourism companies publicize their service promise and offer 100 percent satisfaction guarantee.

- **Heterogeneity**

Hospitality and tourism organizations services may also vary considerably. One hotel unit in a chain hotel, one unit restaurant chain, or one holiday experience of a traveler to the same destination is likely to be identical to another. Various factors, particularly the human element, result in variations in service delivery process. In other words, services will be heterogeneous, and variations in service delivery from customer to customer and from time to time will always occur. It is however often difficult to standardize every employee-customer interaction in the hospitality and tourism business. Also, in many hospitality and tourism organizations, customers interact not only with employees but with other customers. This customer- to customer interaction in certain service organization such as pubs, disco, nightclubs, and cruises, can be an important aspect of the total service delivery process. However, hospitality and tourism organizations are highly susceptible to external changes. For example, an external factor is weather condition. Visiting and outdoor theme park can be very pleasant and entertaining one a nice day, but can be a miserable experience if it is raining and cold. In recent times however, through the intensive use of information technology and active training of employees and design of physical facilities, attempts to improve and standardize the service delivery process have greatly increased.

- **Cost structure**

The cost structure of the hospitality and tourism firms influences their managerial and resource allocation decisions. For example, luxury hospitality and tourism organizations are capital, labor, and energy intensive. Typically, they have high property cost and employ large number of employees. It could be difficult for them to reduce such cost items if the demand for their services is low. Also, they may need to renovate their facilities every five to ten years to stay competitive in the field. A major issue is that given the vast amount of investment made in these organizations, investors and owners often look very carefully at their return on investment. As a result, these companies need to maintain a steady flow of customers in order to maintain the profitability of their businesses. This often leads to creative marketing and product development strategies as well as pricing strategies, such as weekend rates, long stay guests and group lodge discounts.

- **Labor intensive**

Hospitality and tourism organizations are labor intensive. This is because personal interactions and experiences are important parts of services and employees play a key role in this process. Despites using many machines, computers, and technological developments, hospitality and tourism organizations still rely primarily on their employees to deliver a memorable and positive experience. Being served and treated nicely by employees is a major factor in getting repeat customers.

3.4 Strategic management in hospitality and tourism organizations

Owing to its size and growing importance, the hospitality and tourism industry faces major challenges and problems worldwide. Hospitality and tourism businesses operate in a dynamic and complex environment. External trends such as changes in legislation, regional and global economic and political crises, sociocultural trends, sophistication of customers, stiff competition, terrorism, security, global warming, multiculturalism, globalization, mergers and acquisitions, labor shortages, and advance technological developments all pose important challenges to the management strategies of hospitality and tourism organizations. According to Nykiel (2005), product design, market segmentation, franchising, real estate investment trusts, and new product concepts are some of the strategic driving forces that cause the industry to be very dynamic. These trends and developments require the organizations in the hospitality and tourism industry to keep redefining their strategic management practices through a continuous process.

It is however worth emphasizing that strategic management is not only important in the hospitality and tourism organizations but also to all organizations, regardless of their size and type. However, it is important to stress that hospitality and tourism organizations operate in a unique external and internal context, which makes it especially important to understand and follow contemporary strategic management practices and theories. For example, the hospitality and tourism industry have been experiencing dramatic changes in customer expectations and needs. They not only need to develop new products and service concepts as an ongoing basis, but they also need to control their costs and manage their human resources wisely.

According to Pine and Gilmore (1998), services in the hospitality and tourism industry are undergoing a shift from service to experience. Today, most hospitality and tourism organizations such as Hilton, Disney World and Marriot refer to their respective services as "experience." This requires changing the mindset of many managers and employees in their strategic thinking and daily actions. In order to achieve this shift, there is an essential need to know both the hospitality and strategic context and how this strategic change can be achieved in that context. This is because strategic management deals with the major and fundamental managerial issues that directly affect the future of hospitality and tourism organizations.

Table 2: Areas where strategic management can help tourism and hospitality organizations

- Providing a holistic view for the entire hospitality and tourism organization
- Providing a sharper focus on what is strategically important
- Providing a link between the external environment and the internal environment
- Analyzing a complex and rapidly changing external environment
- Analyzing an organization's strategic resources
- Giving a clear sense of strategic vision and direction
- Defining organizational purposes
- Developing measurable goals and objectives
- Identifying key resources and investing in core competencies
- Formulating decisions and making them happen
- Managing change
- Coordinating organizational activities and allocating resources
- Understanding the complexities of decision making and the structuring of organization
- Understanding the role and importance of the organizational structure and culture on the strategy process.
- Reducing and managing uncertainty inside the organization

- Measuring intended and unintended outcomes of the strategy process.

3.5 Small case study

A hotel group recruits a successful senior executive from a service industry to turn around the hotel group.

1. Discuss what type of challenges this new executive may encounter in this new position.
2. Discuss the types of skills that this new executive may need in this new position.

4.0 CONCLUSION

Understanding the types and characteristics of hospitality and tourism organizations, and having adequate knowledge of how strategic management is being applied in these organizations will enable you confidently discuss the internal features and managerial practices when addressing the limitations in the hospitality and tourism organizations. These are all contained in the unit you have just studied.

5.0 SUMMARY

This unit provides insights to the extent to which the characteristics and types of hospitality and tourism organization can impact on strategic management practices, particularly in strategic analysis, decision making, resource allocation, and creating and maintaining a competitive advantage.

6.0 SELF ASSESSED STUDY EXERCISE

1. How can you define the hospitality and tourism industry
2. What are the main characteristics of Hospitality and Tourism organizations
3. Can we make generalization of hospitality and tourism organizations
4. In what situations can strategic management help hospitality and tourism organizations?

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UNIT 3 CORPORATE STRATEGY IN TOURISM AND HOSPITALITY

CONTENTS

1.0 INTRODUCTION

In the previous, we defined the Hospitality and Tourism context and evaluated the characteristics and types of Hospitality and Tourism organizations. The question on how these characteristics may impact strategic management practices in Hospitality and Tourism organization were discussed

This unit provides an overview of tourism corporate strategy. Without strategy, organizations are vulnerable to strategic drift. The absence of strategy will translate to a consequence of failure in monitoring and responding to changing external environment. Organizations that do not use strategic planning tend to make ad hoc decisions. These decisions tend to be reactive rather than proactive to events. The absence of an effective strategy can result in corporate failure.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Appreciate the importance of both mission and stakeholders in tourism management
2. Identify the techniques of strategic analysis choice
3. Enumerate the process of strategic implementation

3.0 MAIN CONTENT

3.1 Mission and Stakeholders

It is difficult for an organization to formulate strategy without a clear idea of its overall aim. The mission of an organization can be thought of as what the organization is trying to achieve; what its purpose or aim is and where it is trying to head in the medium to long term (David, 1989). A mission statement should be succinct, achievable, consist of visionary and statement, look to the future and describe the main aims of organizations.

Tourism firms have missions that encompass different aims, including:

Tourism Concern Campaigns for tourism industry which is just yielding benefits that are fairly distributed

Participatory-involving local people in its development and management

Sustainable-putting long-term environmental and social benefits short term gains.

In this case, it is ethical consideration rather than profit that guides Tourism Concern.

An organization’s mission is often accompanied by a series of objectives that spells out the goals that is needed to be achieved in order to realize its mission. Objectives may be written in closed or open form. Closed objectives describe quantifiable targets and should conform to SMART principles and thus be:

Specific;

Measurable;

Agreed with those who must attain them;

Realistic; and

Time-constrained.

On the other hand, open objectives are written in more of a qualitative style.

The mission question (what does the organization exist for?) cannot be readily answered without the consideration of stakeholder question (who does an organization exist for?). The term ‘stakeholder’ refers to a person or group of people who have an interest in the operation of a particular organization and ‘stakeholder analysis’ (Mitroff 1983; Freeman, 1984). Stakeholder analysis is a useful way of analyzing the importance of different stakeholders to an organization. Stakeholder analysis starts with a mapping of a range of stakeholders who are often divided into those who are external and those who are internal to an organization. A stakeholder map for British Airways would include:

Shareholders (may be divided into large and small);

Directors;

Workers;

Customers;

Bankers;

Key suppliers;

Airlines in one world Alliance

Local communities; and

Environmental groups;

However, it is the stakeholders' power that will determine the influence that the different groups have in an organization's mission. The power of internal stakeholders is influenced by factors such as position in the organization, control over resources, power of patronage, charisma and specialist knowledge. External stakeholders can wield power because of control of resources (particularly finance), their constitutional role (e.g. shareholders voting rights) and legal agreement (e.g. bank).

3.2 Strategic Analysis

Strategic analysis is the next stage in the formulation of tourism corporate strategy. It involve considering the major influences affecting the organization's ability to fulfill its mission in terms of resources and environment. Strategic analysis give reports on the most current and future Strengths, Weaknesses, Opportunities and Threats (SWOT) facing the organization.

Opportunities and Threats summarize the external environmental factors that a tourism organization faces. The key elements of the external environment may be summarized as C-PEST factors, which refer to:

Competitive;

Political;

Economic;

Socio-cultural; and

Technological environments.

Strength and Weakness analysis summarizes the state of internal resources of an organization.

Opportunities, Threats and the external environment

The competitive environment of the tourism industry describes the extent of influence of tourism organizations or destinations upon one another, and that of suppliers and buyers. The competitive environment may be analyzed in two ways:

Structural Analysis

Competitor Analysis

Structural analysis examines the whole industry in which a tourism organization operates for competitive pressures. Profit-maximizing tourism organization will seek a position within an industry where competitive threats can be minimize and competitive opportunities exploited. Porter’s (1980) ‘five forces’ model can be used to analyze the competitive environment. The five forces proposed by Porter are:

The threat of new entrants;

The power of buyers;

The threats of substitutes; and

The degree of rivalry between competitors.

On the other hand, Competitive analyses involve a more detailed look at a tourism organization’s existing and potential competitors. It enables an organization to formulate a strategy in the light of an assessment of its key rivals. Porters (1980), sets out a framework for competitors’ analysis by deploying a response profile of competitive organizations. The profile is divided into two sections. The first section asks questions about the motive of the competitors, and the second section asks questions about the competitors’ current and future activities. The detailed questions that need to be addressed within the response profile included:

Product lines;

Prices

Quality;

Differentiation;

Advertising;

Market segment;

Marketing practices; and

Growth and prospects.

Buhalis (2001) provides a strategic analysis of the competitiveness of tourism in Greece, identifying its unique nature, culture and heritage as strengths and the lack of differentiation of the tourism product as well as competitive disadvantages in marketing and planning as weaknesses.

The political environment is important to tourism organizations since it is here that changes in laws, regulations and policy occurs (Hall and Jenkins, 1995). It is therefore important to establish the location of political power, how political power may change in the future and the likely effects of this on policy. Analysis of government, opposition and election cycle yields information on the political environment, and government plans and party manifesto are also important sources of information. In addition, pressure group activities can be important in influencing policy in democracies, and the activities of such group as Greenpeace and Tourism concern attempt to affect government policy as it relates to tourism.

The economic environment affects tourism destinations and organization both in terms of demand factors and especially in the case of organizations, in terms of supply and costs as well (Tribe, 1999). The main economic variable to be analyzed includes:

Consumers' expenditure: This is the amount of money consumers actually spend. It is mainly determined by income level, but is affected by savings, taxation and government benefit payments, consumer credit and expectations about the future. There is a direct positive relationship between growth in consumers' expenditure and growth demand for tourism.

Exchange Rates: This is the value of country's currency in terms of other currencies. A high exchange rate for the pound sterling for instance means a lower cost for tour operators buying services in foreign currency.

Interest Rates: This affects the cost borrowing. High interest rates increase the costs of tourism organizations and dampen tourists' demand.

Taxation: This includes taxes on income, spending and profits. Increase in the former can reduce tourism demand.

Inflation: This is the change in the general level of prices and it can result in destinations becoming less competitive.

Strength, Weakness, and an Organization's resources

Analysis of its resources and products or services enables a tourism organization to assess its strategic capability- or how well it is equipped to pursue its strategy. Resources are typically classified under four headings.

Physical resources, including buildings, fixtures and fittings, machinery and transport fleets.

Human resources, consisting of mainly; skilled, semi-skilled and unskilled labor.

Intangibles including acquired knowledge and skills, patents and recipes, good will brands and corporate image.

Performance monitoring analyses the way in which resources are being utilized and can include the following:

Analysis of efficiency;

Financial analysis;

Appraisal; and

Comparative analysis.

Efficiency measures the ratio of inputs to outputs. Broader measures of financial evaluation include share prices, earnings per share, and return on capital employed (ROCE). Appraisal is used for the evaluation of human resources and is a process where employees meet with their line managers to set targets for the future and review performance against previous targets. Comparative analyses can be made by reference to an organization's historical record, to other organizations in an industry (best practices) or to benchmark.

3.3 Strategic choice

Strategic Choice is concerned with the generation of strategic options, an evaluation of strategic option and the selection of strategy. In simple terms, an organization seeks to gain advantage over its competitors either by selling a cheaper product than the competitors, or a better product than the competitor, or cheaper and better product. These are the key strategic options available. During any phase of strategic review, a number of strategic options will be generated from strategic analysis. The preferred option will pass the tests of suitability, feasibility and acceptability.

A price based strategy seeks competitive advantage by offering the lowest prices in the industry. A key way to achieve this is to reduce cost by offering a basic, standardized, mass-produced, no frills products with inessential aspects stripped out of the value chain. On the other hand, a differentiation strategy offers product quality and uniqueness. This is achieved through design, innovation, attention to quality and advertising.

Some organizations seek to provide high-quality products at low prices- a hybrid strategy. This is difficult to achieve because adding extra consumer value adds to costs and forces up prices. It is generally feasible if an organization can achieve economies of scale so that average costs fall in line with growth in output. Each of these positions offers a strategy for gaining competitive advantage.

3.4 Strategic Implementation

The agreed organizational strategy will generally be set out in a formal document and effort then needs to be directed at strategic implementation. This is concerned with putting into practice of an organization's strategy. Initial consideration may need to be given to logistics and operations. Complex strategies will need a project plan which takes logistics into account and provides a logical sequence of what has to be done before each stage of the plan can be realized. It therefore takes account of time scales and the interdependency of different elements of a strategy and allows a critical path to be mapped.

4.0 CONCLUSION

The general strategic method outline in this unit represents a standard cycle of strategic planning and a classical approach to strategy. However, it should be noted that the success of a strategy depends on the accuracy of much of the analysis contained in the plan. Much of the analysis involves forecasting and the future is notoriously unpredictable.

5.0 SUMMARY

This unit provides necessary information on the importance of both mission and stakeholders in tourism management, it gives insight into the techniques of strategic analysis and choice. It also highlights the process of strategic implementation.

6.0 SELF STUDY ASSESSMENT QUESTIONS

1. How would you explain the terms Mission and Stakeholders in tourism management?
2. Explain the difference between strategic analysis and strategic choice.

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UNIT 4 THE HOSPITALITY AND TOURISM CONTEXT

CONTENTS

1.0 INTRODUCTION

In the previous unit we studied how corporate strategy could be applied in tourism. Without strategy, organizations are vulnerable to strategic drift. The absence of strategy will translate to a consequence of failure in monitoring and responding to changing external environment.

This unit provides you with the perspective of the role of the environment and its impact on the hospitality and tourism firms. The internal and external environment will be defined and a description of the role of the external environment and its impact on the business will be elaborate on from a strategic formulation perspective.

2.0 OBJECTIVES

At the of this unit, you should be able to:

1. Define and explain the role of the external environment in the context of the hospitality and tourism businesses
2. Explain strategy formulation from a contingency perspective
3. Explain environment dimensions

3.0 MAIN CONTENT

3.1 Characterizing the external environment

On a daily basis, firms deal with both external and internal environments. The external environment lies outside the firm and includes individuals, firms, systems, and institutions that have an impact on it. Influences from the external environment come in form of changes that occur due to the forces that emanates from it. These forces arise from the trends in the macro and micro environments and could present opportunities or pose threats, depending on how they impact the firm. Organizations that scan the environment, track changes, and assess the impact of changes in terms of cause and effect have a more formalized approach to environment scanning.

Duncan (1972) defines the external environment as the context (e.g., firm) within which social and physical factors are taken into consideration by individuals for decision making. The interpersonal interactions among the members in the internal environment are what distinguish it from the external environment. According to Duncan, the internal environment contains three components: human resource, organizational function, and organizational level. The functional component refers to operations, sales, and marketing, human resources, materials management, and administration, while the organizational level refers to products and services, goals and objectives, and the process that integrates personnel with the organization.

Scanning the environment itself is not sufficient, organizations must be able to cope with the forces by ensuring that the internal resources and capabilities are aligned with the opportunities so they can tap them as they appear in the firm's external environment. Likewise, organizations must be able to counter the threats posed by the changes in the environment. This entire process of identifying strengths, weaknesses, opportunities, and threats is referred to as the SWOT analysis.

Strengths and weaknesses lie within the internal environment of the firm. Opportunities and threats are external to the firm and emanate from the macro and micro environment in which it is located. SWOT provides a situation analysis of the firm in terms of its current position given in market.

3.2 Strategic Fit and Strategic Intent

The SWOT analysis provides the firm with an overview of how it is positioned in a given market to tap opportunities and counter threats. This analysis was initially developed by Albert Humphery from Stanford University from the perspective of providing firms with a framework to assess their resources and capabilities so opportunities could be tapped. The alignment between the firm's internal resources and capabilities and external opportunities is called the "strategic fit." The "fit" ensures that firms can align themselves with emerging opportunities.

"Strategic intent" was put forward by Hamel and Prahalad (1989), based on the premise that firms would not be able to create a sustainable competitive advantage unless strategic resources and capabilities are used to tap opportunities. This approach captured a firm's posture toward its environment in terms of identifying the opportunities and threats and positioning it to address them by acquiring resources and capabilities ahead of time. Therefore, resources should be acquired and capabilities should be developed to tap tomorrow's opportunities and threats. Here, we use Porter's (1980) definition of *sustainable competitive advantage*, which is "the advantage that firms are able to create in the marketplace by being ahead of competition during the time horizon over which existing resources and capabilities are used to the fullest extent."

The opportunities and threats that emanate in the environment, as described earlier, are a result of the forces that emerge from the macro and micro external environments. Literature categories as distinct, using classification scheme. The scheme was developed so it becomes easier to conceptualize and understand a complex subject such as external environment. The importance of understanding the environment and its impact was emphasized by scholars in the 1950s when the contingency school emerged. The characteristics of the environment are discussed in more details in the next section.

3.3 Environment Characteristics

Terms used to describe the environment include environmental uncertainty, environment, environmental volatility, and environmental munificence (Table 3.1). Environmental uncertainty relates to the difficulty of the firm's managers to accurately predict the occurrences of an event. The higher the uncertainty, the more the difficulty managers have in assigning probable estimates of the occurrence or nonoccurrence of the event. The literature categorizes environmental uncertainty as contingency views and perceptual views (Gerloff, Muir, and Bodensteiner, 1991).

The contingency view relates to understanding the environment and fitting the firm as per the characteristics of the environment. On the other hand, perpetual views of the characteristics of the environment relates to how the firm's manager are able to "notice, interpret, or learn about" the environment and its characteristics. The firm's external environment is characterized as being stable or volatile, certain or uncertain, liberal or illiberal. Volatility and uncertainty relates to the rate of change of key variables in a given environmental context. An environment in which firms have plenty of opportunities to grow, including the availability of slack resources, is said to be liberal or munificent. On the contrary, illiberality is associated with an environment where maturity has taken hold, strategic resources are difficult to acquire or obtain, and firms find it difficult to grow.

The firm's environment is also described as hostile, turbulent, and dynamic. Environmental hostility refers to unfavorable conditions in the general or macro environment. For instance, the current economic environment presents a hostile environment for tourism and hospitality firms. On the other hand, market hostility refers to unfavorable conditions at the task and industry environment levels. In the hospitality industry, demand and supply conditions and competitive forces could create a hostile market environment. Environment turbulence refers to the amount of change in the firm's external environment categories. Note that the "complexity" refers to the numbers of factors in the environment. Finally, environmental dynamism is the degree of change in the key factors within the firm's external environmental categories. For instance, the change in mortgage and interest rates in the U.S. context due to the economic downturn that began in mid-2008 reflects environmental dynamism. Similarly, within the hospitality and tourism industry environment, the level of dynamism is reflected in the shift in demand during a 365-days period due to a shift from high-peak to low seasons during the course of the year.

Table 3.1 Environmental Characteristics

Environmental Characteristics	**Description**
Environmental Uncertainty	Difficulty in accurately predicting the occurrence of an event
Environmental Volatility	Rate of change related to factors in the external environment
Environmental Munificence	The availability of slack resources and the opportunities for firms to grow
Illiberality	The opposite of munificence; an environment in which the scope for growth is limited

Environmental Dynamism	Degree of change in key factors in the environment categories, especially the general and task environment.
Environmental Hostility	The unfavorable conditions in the firm's general environment that have a negative impact on the firm
Market Hostility	Pertains to the unfavorable conditions in the firm's task environment
Environment Turbulence	Amount of change in the firm's external environments, as well as the complexity (number of factors) in those environmental categories

3.4 Environment Dimensions

There are two environmental dimensions in literature: the simple complex dimension and the static-dynamic dimension. The simple complex dimension refers to the number of factors or variables that influence the environment. The fewer the factors, the more stable the environment. Contrarily, the greater the number of factors, the more complex the environment. For instance, if a market has many suppliers and many buyer groups, then the business environment in such market is considered to be relatively complex.

The static-dimension refers to the degree of change over time related to the factors or variables pertaining to the internal and external environments. The lesser the change, the more static the environment and vice versa. Duncan (1972) refers to two subdimensions of the static-dynamic dimension: the degree of change over time (stability/instability) in the factor that firms' manager consider during the decision making process, and the frequency with which the decision makers consider new or different factors.

4.0 CONCLUSION

The characterization of the external environment in relation to its dimensions and how strategic fit and intents can be used to tap opportunities and counter threats have been discussed in this unit. The hospitality and tourism firms are often in a competitive environment, and the need to understand the environment they operate in cannot be undermine.

5.0 SUMMARY

Understanding the external environment is essential so firm's managers can formulate strategies while taking into consideration the various forces that emanate from its categories.

6.0 SELF STUDY ASSESSMENT QUESTIONS

1. Why is it necessary to analyze the external environment?
2. How would you describe "Strategic Fit and Strategic Intent"
3. What are the terms used to describe environmental characteristics?

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UNIT 5 UNDERSTANDING THE MACRO ENVIRONMENT

CONTENTS

1.0 INTRODUCTION

The previous provides you with the perspective of the role of the environment and its impact on the hospitality and tourism firms. The internal and external environment was defined and a description of the role of the external environment and its impact on the business were be elaborated on from a strategic formulation perspective. In this unit, we shall discuss the macro environment, consisting of the environment types and how these environment types impact the hospitality and tourism industry.

2.0 OBJECTIVES

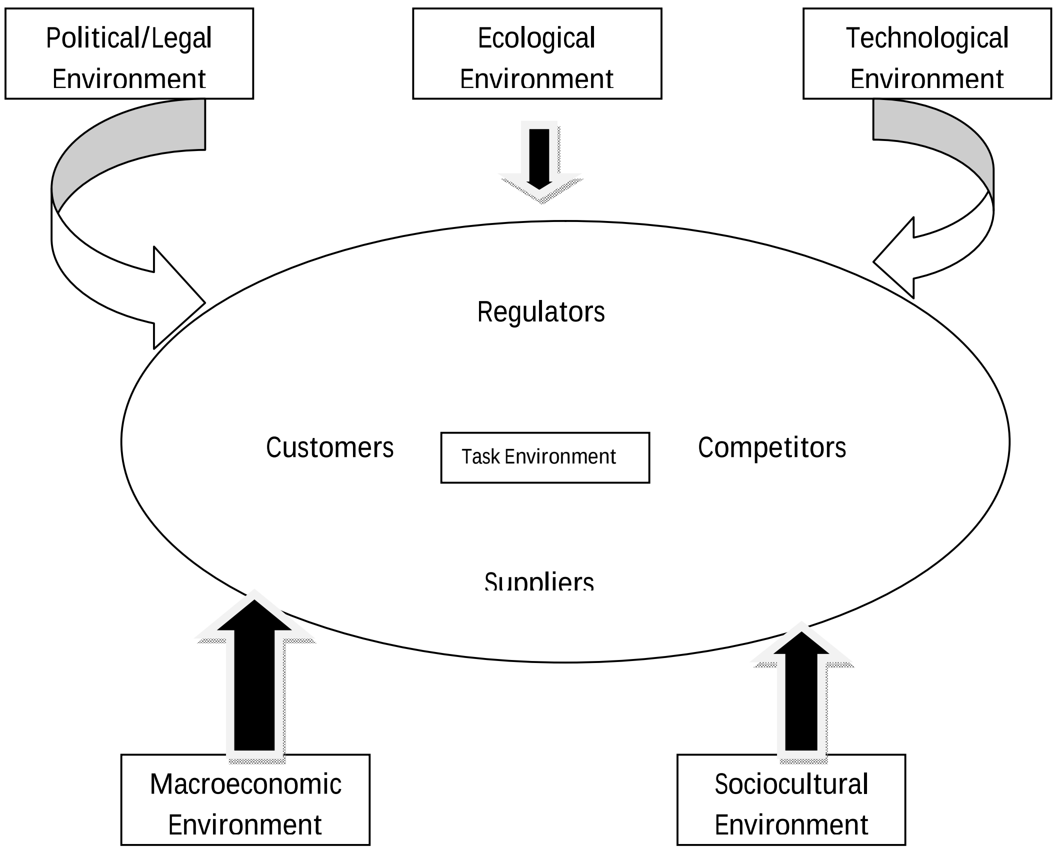
At the end of this unit, you are expected to be able to:

1. Define the macro environment
2. Discuss the types of environment
3. Explain how the different types of environment impact the hospitality and tourism industry.

3.0 MAIN CONTENT

It should be noted that there are no clear demarcation between environment categories, but the boundaries are imaginary for the purpose of conceptualization and comprehension. These categories form the five major subcategories of the macro environments (Figure 2). They are discussed in more details in the following sections.

Figure 3: Environment types-General and Task Environments.



3.1 Political Environment

The political and regulatory factors have been instrumental in defining how firms can maneuver, succeed, and expand in local and international markets. Transparent legal and political systems, especially in the West, have enabled firms to use franchising as a mode of development in the international context. Firms are impacted by regulations related to human resources management, ecology, technology, copyright- and patent-related issues, and market-related factors and issues, including handling customer-related problems. The regulation related to how tourism businesses are formed and how they need to be operated from human resources and ecological view-points are important to consider from local and global perspectives. From the employees relations perspective, due consideration should be given to legal issues related to human resources from different ethnic backgrounds as well as gender related issues. Changes in rules, regulations and laws in the business environment that impact the firms must be tracked.

As a matter of fact, the political environment is equally very important to consider because it influences the policies and decisions that impact all other environmental categories. Policies in terms of terrorism related issues, including safety, security, ecology, and so forth, are politically driven, so they impact the laws and the regulatory environment of business. They must be considered in order track changes in the environment. For instance, from an ecological perspective, what is considered acceptable in Nigerian context may not be acceptable in South Africa or United State contexts, given the political, legal, and social norms in these geographic domains. Table 3 lists the key variables and issues that are part of the political/legal environment.

<u>Table 1: General Environment-Key Variables/Issues to Track and Analyze</u>

General Environment	Variables/Issues to Track and Analyze
▪ Political	-Regional policies - Change in government -Terrorism -Wars -New regulations impacting businesses, including minimum wage, manufacturing and consumption of indigenous products, and so on. -Labor and hiring workforce locally versus form abroad -Policies related to the ecology including global warming, greenhouse gas emissions, and so on -Policies related to corporate and personal taxation
▪ Economic	-Interest rates -Inflation rates -GDP growth rate -Cost of input factors -Consumer price index -Consumer confidence

-Price of oil and commodities

-Stock markets

-Mortgage rates

- Balance of trade/exports and imports

-Exchange rates and purchasing power parity

-Corporate, personal, and capital gains taxes

-Availability of credit

-Unemployment rates

- Sociocultural **Demographic changes**

- *Birth and death rates*

- *Immigration*

-*Emigration*

-*Age related changes*

-*Gender related changes*

-*Education related developments*

Psychographic changes

-Life style of the baby-boomer generation

-Life styles of generations X and Y

Cultural changes

-Multiculturalism

Other factors

-Spread of disease

-Work-life balance
-Terrorism
-Religion
-Nationalism

- Technological
  - -New technology-related hardware
  - -New technology related software
  - - New technology application
  - - Development of new products
  - - Investments in technology related R&D
  - - Safety and security related technological developments
- Ecological
  - - Demand for "green products"
  - -Supply of "green products"
  - -Global warming and greenhouse gas emissions
  - -Disposal of waste
  - -Recycling paper and landfills
  - -Deforestation and climatic changes
  - -Protecting the natural environment

3.2 The Economic Environment

The economic environment relates to the factors that emanates from the economy, which includes variable such as the GDP growth rate, interest rates, mortgage rates, stock market performance, foreign direct investment, consumer confidence, and inflation rates. These variables depict the state of the economy and the prospects of the business in that economy. Hospitality and tourism firms need to track changes in the economy so they will be aware of the impact of these changes in terms of cause and effect. For instance, an upturn in the economy would have an impact on businesses in terms of opportunities for enhancing their profitability, which will in turn have an effect on the tourism industry in terms of business and leisure travel. Hence, the need for scanning the economic environment is essential to finding out how the businesses are being affected from economic perspective. However, it is essential to get a more comprehensive view of the environment by considering the mutual effects of each environment category on business. We hall discuss the sociocultural environment in the next section

3.3 Sociocultural environment

The sociocultural environment pertains to the geographic, demographic, and psychographic description of markets and the emerging trends in them. The geographic locations of markets in sates, regions and national contexts have an influence on businesses. For instance, the sociocultural factors that influence businesses in Lagos would be considerable different from those in Dubai. Business also must deal with a multicultural society and their impact on the resource and capabilities of the firm. The workforce is diverse, and firms' managers need not to only understand the psychographics of their customers but also the employees' behavior and orientation. Education is another aspect that firms have to deal with in the knowledge economy. It is becoming more important for hospitality and tourism firms to hire experienced, qualified employees, even it means recruiting help from other countries. Other variables that are part of this environment include multiculturalism, the spread of disease, the work life balance, terrorism, religion, and nationalism, which all impact a company's task environment (see Table 3).

We shall discuss the technological environment next.

3.4 Technological Environment

Whereas the economic and sociocultural environments have a significant impact on firms, it is equally important to consider the impact of the technological environment that have had a major influence on businesses over the past two decades. Technology has played a major role in the way products and services are consumed, how they are produced, and even how they are marketed and distributed. Significant changes have taken place in the post- World War 2 era in terms of technology in science, engineering, and businesses. In the past two decades, the advent of computer technology has revolutionalized how markets and businesses connect with one another and how linkages among business units are established across national context.

Hospitality and tourism firms have been impacted in a major way that includes demand- and supply-side-related effects. Consumers have accessibility to products using the online medium in a way that has driven businesses to create market interfaces that are purely technology based. Operations have been impacted to the extent that efficiency and productivity have improved. In fact, employees have become multitask oriented, while addressing ecological issues by being more environment friendly in handling day-to-day transactions.

3.5 The Ecological environment

The ecological environment has had a major impact on businesses in recent years, with more and more firms becoming socially responsible in how they deal with increasing threats related to the environment. These threats have emanated because of degradation of the environment and depleting natural resources, including global warming. Key variables/issues include demand for and supply of “green” products, global warming and greenhouse gas emissions, disposal of waste, recycling paper and landfills, deforestation and climatic changes, and protecting the natural environment. Table 3 list the variables and issues that are part of the ecological environment. Tourism businesses have had to redevelop and/or redesign their systems, processes, and procedures to become more pro-environment in their orientation. Consumers in turn have become more eco-friendly in their lifestyle and orientation towards tourism products. Eco-certifications have become the norm to identify best practices in the tourism industry.

4.0 CONCLUSION

Having holistic understanding of the general environment and the associated issues that accrues from these environment will enable you comprehend the day to day challenges the hospitality and tourism firms are constantly faced with. This environmental awareness have helped the hospitality and tourism firms to realign their strategies in order to be adequately prepared for external challenges.

5.0 SUMMARY

The general environment impacts the firms in it, and comprehending the origins of these impacts in the general environment and corresponding impacts on the task environment is essential.

6.0 SELF STUDY ASSESSMENT QUESTIONS

1. Why do we need to analyze the external environment?

2. How can we classify the external environment?

3. How does the external environment influence the hospitality and tourism firms?

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Module 2………………………………………………..

UNIT 1 THE TASK ENVIRONMENT AND ITS INFLUENCE

CONTENTS

1.0 INTRODUCTION

In the previous unit, we discussed the macro environment, consisting of the environment types and how these environment types impact the hospitality and tourism industry. This unit will give us an understanding of how firms are influenced by the more immediate or task environment.

2.0 OBJECTIVES

At the end of this unit, you will be able to:

1. Discuss the immediate or task environment
2. Relate the Five Forces Model to the hospitality and tourism industry.
3. Explain the dynamic of competition and strategic groups
4. Explain environmental scanning and its application to the hospitality and tourism industry.

3.0 MAIN CONTENT

3.1 The Immediate Business or Task environment

The immediate or task environment consists of customers, competitors, suppliers, and regulators (Dill 1958). These four components of the task environment influence the firms in the industries. Here industry is defined as consisting of firms that offer similar products and services that could be considered close substitute.

Customers or Buyers form an important component of the task environment, comprising different groups with different needs, wants, and buying power. Customer groups with similar needs are defined as part of a segment, and their buying behavior influences firms to position their products and services accordingly. Based on this, from tourism business perspective, business and leisure travelers could be considered major customer groups, in which subsegments could be defined. These customer groups could be categorized based on propensity to consume various products and services (e.g., luxury verses economy hotel products and services), propensity to consume standardized versus customized products and services (e.g., major hotel chains versus boutique hotels), and propensity to consume products and services based on location (e.g., airport hotels versus city hotels).

Competitors form an important element of the task environment. The positioning strategy of the firm defines with whom it competes within the market segments. In the tourism industry, examples of competitor hotel firms in a given market include Transcorp Hilton Hotels and Sharaton Hotels. The competitive dynamics in a given industry depend on the industry and the product life cycles.

Suppliers form an important component of the business or task environment by supplying raw materials and finished products and goods to the firm, including the tourism industry. Quality-related issues come to the fore when suppliers are not able to deliver goods and finished products to the firm as agreed. The efficacy with which firms connect with suppliers is of paramount importance if they are to respond to customers' needs and wants. In fact, firms should request frequent feedback from suppliers on how prospective goods and raw materials can be made available so future opportunities can be tapped. This is essential for firms to be able to sustain a competitive advantage in the long term.

Regulators are an extension of the legal environment that set policies, rules, and regulations so firms in a given economy or industries are engaged in healthy competition. Regulators set the tone for competing firms in markets through policies that ensure that there are no copyright or patent infringements, that antitrust-related issues are not a problem, that price fixing or other such issues do not give unfair advantage of firms, and that there are no infringement related codes and other regulations.

3.2 The Five Forces Model

Based on the competitive forces that emanate within the industry environment, Porter (1979; 1980) developed the five forces model (Table 4), which can be summarized as follows:

- Potential competitors
- Competiveness among industry incumbents
- Buyers influence
- Supplier's influence
- Substitute products

These factors are assessed from the perspective that the stronger these forces, the fiercer the competition in a given industry and the more difficult it is for firms to earn a profit.

Table 2 Porter Five Forces Model Characteristics

Task Environmental Forces	Characteristics
Potential Competitors	-This threat is high when industry barrier to entry is low -Established firms hold their position and discourage firms from entering their market through price and margin reduction -This threat is low when firms have established best practices in marketing, management, production, and administration High brand loyalty enables firms to mitigate risk
Competitiveness among industry incumbents	-This threat is high when the industry growth rate has slowed down -It is low if the environment is liberal, seen especially in growing markets. -Firms avoid direct competition in mature markets
Buyers' Influence	-Is a threat when buyers' buying power

	and influence on the firm are high. -Buyers' influence comes in the form of price discounts, demand for better quality and level of service, especially after sale services -Buyers could switch to other products and services quite easily when switching costs are low.

Suppliers Influence	-The threat from suppliers is high when they can charge higher prices for raw materials and finished goods. -Threat arises when few suppliers can provide customized goods with access to unique raw materials, technology, and other relevant resources -Threat is high when suppliers can control the quality and price of raw materials. -when the supplier has higher influence, incumbent firms have no choice but to accept or switch suppliers, which is difficult when only a few suppliers exist.
Substitute products	-Fads, trends, and consumer buying behavior influence markets to pursue alternative products -Substitute products are considered when markets are exposed to threats.

3.3 The Dynamics of Competition and Strategic Groups

Competing firms engage in rivalrous actions in markets where customers have higher bargaining power. As firms compete among themselves for market share, they develop similarities and differences in terms of strategic posture and market orientation. Firms that are similar in terms of strategy could be grouped based on certain firm characteristics. Hatten and Schendel (1977) observed this in the brewing industry and the same phenomenon has been documented in other industries including restaurant and hotel industries.

Firms that are part of a given strategic group are almost the same in terms of products and services, competing directly against each other. These firms' products and services are close substitutes for one another, often part of the options that customers choose among during transactions. Since the competition among firms in a given group is direct, firms often fight for a position in these groups, including access to resources and supplier/buyer contacts. It should be noted that the similarities amongst firms in a given strategic group leads to differences across groups as the firms in each group have different traits and behaviors. Firms need to consider their position in groups based on which companies they want to compete against based on their strategic orientation in those markets.

For instance, in the hospitality industry, hotels like Hilton and Marriot offer similar products in global markets based on their positioning strategy. These hotels that are part of strategic group have similar firm characteristics, including target markets, product-service bundles, core competencies, and the type of contractual arrangements used as vehicles of growth in global markets. A typical example of strategic groups is fast food restaurant firms like McDonald's and Burger King that offer similar products and services in global markets. They have similar positioning strategies, products and services, and competencies required to succeed in their product markets.

3.4 Environmental Scanning and the Hospitality/ Tourism Firms

Firm's managers constantly scan the environment to keep abreast of developments in the external environment. The process of constantly keeping track of changes in the firm's external environment to access the trends that create opportunities or pose threats to the firm is called environmental scanning (Okumus, Altinay and Chathoth 2010). As earlier discussed, the trends in the general environment impact a firm's task environment. Owing to this, firm's managers should track down the macro environment trends and their impact on the task environment. The effect of these forces on the firm needs to be further tracked to determine how they impact the business.

Historically, environmental scanning was considered the responsibility of top management. The literature (e.g., Jogaratnam and Law, 2006) refers to such managers as boundary spanners, who constantly seek, assimilate, and disseminate information so the firm can process and use it in its key decision-making frameworks. Whereas such approach would work in a stable environment, given that firms are internationally exposed in a global market, leading to an uncertain and dynamic firm environment, the need for managers at all levels of the firm's hierarchy to scan for relevant information is extremely important. Moreover, the type of information required by managers at different levels varies, giving rise to the notion that environment scanning is required at all levels of the firm's hierarchy, including frontline employees. Owing to this, managers and employees at various levels of the firm's hierarchy are required to be information seekers or boundary spanners so they can immediately spot and access trends and guide their units in the value-creation process. This notion is supported by hospitality researchers as well (Okumus, 2004).

Many firms are aware of the importance of scanning but they do not formalize activities related to scanning. Scanning largely remains an informal activity, which is seen in the case of hospitality and tourism firms (Costa and Teare, 2000; Jogaratnam and Law, 2006). Based on the need to seek information, managers may use one of the two approaches: the outside-in approach or the inside-out approach, as defined by Fahey and Narayanan (1986) and supported Jogaratnam and Law (2006). The former approach is about scanning the environment to seek information about the various trends form a macro perspective. The latter is more about scanning the environment to seek specific information about the trends to address a specific need or situation that has been internally defined.

4.0 CONCLUSION

We have discussed how firms are influence by the immediate or task environment, with emphasis on the tourism and hospitality industry.

5.0 SUMMARY

The general and task environment impact the firms in it as seen in the tourism industry, and comprehending the origin and forces in the general environment and the corresponding impacts on the task environment is pertinent. Porter’s five forces model as summarized in table three provides us with a clearer understanding of the business environment and it immediate impact on firms, especially the hospitality and tourism industry.

6.0 SELF ASSESSED STUDY EXERCISE

1. What is the task environment and how does it influence the firm
2. How can Porter's five forces be used to analysis the external environment
3. Who should analyze the external environment and how often.

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UNIT 2 THE ORGANIZATIONAL CONTEXT

CONTENTS

1.0 INTRODUCTION

In the presiding units, we discussed and explained how to analyze the external environment of the hospitality and tourism organizations, especially as it relates to task environment. The unit will give you an understanding of the influence of an organization's internal environment on strategy formation and implementation.

In particular, the importance of different stakeholders in an organization will be highlighted, and the organizational structure, including its resources, core competencies and distinctive competencies will be discussed.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Identify different stakeholders
2. Discuss organizational functions
3. Explain what influences organizational structure
4. Discuss the complexity of Hospitality and Tourism Organizations' internal environment.

3.0 MAIN CONTENT

3.1 Identifying different Stakeholders

One of the main concerns of today's hospitality and tourism organization is how to manage the interest of different stakeholder groups in its environment. If managers are to act strategically and plan their actions, they must have some ideas about how key players both in the external environment in their organizations will act and respond to changes and challenges. Therefore, identifying and analyzing stakeholders' needs, expectations, and predicted responses become important.

Freeman (1984) defined a stakeholder as any group or individual who can affect or is affected by the achievement of a firm's objectives. When attempting to meet the needs of these groups, you need to answer three general questions about stakeholders:

- Who are they? (This question concerns their attributes.)
- What do they want? (This question concerns their ends.)
- How are to going to try to get it? (This question concerns their means.)

These are many answers to the questions “Who are they?” These include the customers, shareholders, employees, suppliers, bankers and community or pressure groups such as environmental groups or employee unions. These key actors affect the strategic direction of any hospitality and tourism organization, and they may control critical resources with varying interests and may attract the attention of senior executives.

In response to “What do they want? ,” we can generate numerous lists of their interests. Each of the presiding groups may have different expectations. For example, the ultimate interest of shareholders is economic welfare. The sustainable growth of any organization will depend on creating value for its owners. If no value is generated for the owner, then the organization will not be able to survive. It is however, worth noting that an organization’s ability to offer return on the shareholders-owners’ investment depends on their ability to meet the expectations of other stakeholder groups.

Finally, answers to the question “How are they going to try to get it?” require careful analysis of different stakeholder groups’ influence on the organization their means to achieve their needs and expectations. Shareholders monitor the activities of the organization, exert power and influence on top executives, and/or withhold the flow of the firm’s resources. Customers, community, and pressure groups could boycott the products and services in order to force the organization in a certain direction. Employees could go on strike or lobby to influence the manager.

It is therefore critical that organizations understand and always keep in mind the stakeholders/shareholders influence.

3.2 Organizational Functions

Organizational functions influence an organization's ability to respond to the changes in the dynamic external environment. They can be divided into four main areas:

1. The operations deal with the day-to-day operations of the system in order to ensure that the organization has the appropriate systems and procedures in place and delivers consistent quality of service and products.

2. The marketing function deals with the management of demand by developing and implementing appropriate pricing policies and running marketing campaigns and programmes through various channels, including television, magazines, and the Internet.

3. The human recourses function carries out a critical analysis of how human assets of an organization add value to the organization and contribute to sustainable competitive advantage. The human resources functions responds to the employee selection and recruitment issues and addresses the needs and wants of the employees by monitoring pay and reward systems, training, and empowerment policies.

4. The finance function is concerned with identifying the main sources of funding and financing the operations of an organization in cost-effective way. This function carries out a systematic analysis of how different financial resources add value and contribute to competitive advantage.

When carrying out an internal analysis of an hospitality and tourism organization, it should be essential to analyze each functional area to identify strengths and weaknesses. In some cases, strengths and weaknesses may result in a combination of factors emerging from different functional areas rather than one functional area.

3.3 Resources and Core Competence, and Distinctive Competences

Hospitality and tourism organizations should first identify their tangible and intangible resources. Tangible assets of an organization can be seen in the form of plants, equipment, and/or land. The building itself is a good example of a tangible asset for a hotel company. Intangible assets are associated with the company knowhow and skill sets. They have no physical presence but present real benefit to the organization. They include reputation and brand, product reputation and brand, employee/leadership skills/experience and knowhow, culture, networks, databases, supplier knowhow, distribution knowhow, public knowledge, contracts, intellectual property rights, and trade secrets.

Core capabilities and distinctive competencies are built on tangible (what the company has) and intangible (what the company can do) assets. Core capabilities refer to those areas that an hospitality and tourism company does exceedingly well, whereas, distinctive competencies refer to those areas and activities that an hospitality and tourism company excels at and is better than its competitors (Wheelen and Hunger, 2006). Core capabilities are the most critical and most distinctive assets an organization possesses, and they are the most difficult to copy when effectively linked with appropriate strategic targets in a value chain that begins and ends with company’s key stakeholders (Brownwell, 2008).

Therefore hospitality and tourism organization should amalgamate their core competencies, including their special knowledge, skills, technical knowhow, that distinguish them from others with business processes that they use to deliver information in the form of products, services, other results. In essence, the kind and degree of coordinated and leveraged skills and assets of an organization can lead to developing core capabilities and, eventually, distinctive competencies.

3.4 The influence of organizational structure

Organizational structure can be defined as the coordination of workflow and communication, and management of authority relationships in an organization (Altinay and Altinay, 2004). It is a critical antecedence to decision making. This is concerned with where the decision-making power lies, who makes the decisions, and how decisions are made. Organizational structure influences the way tasks, duties, activities, coordination, communication, and resource allocation procedures are organized.

Several types of organizational structures can be seen in the hospitality and tourism organizations, which can include functional, multidivisional, and matrix:

1. A functional structure can be defined as the coordination activities undertaken by an organization, such as operations, marketing, human resources, and finance. The responsibilities of an organization are divided in this type of structure according to the organization's primary roles. For example, in a small hotel, there may be several functional departments that include the front office, food and beverage, security, marketing, human resources management, finance and security.

2. A multidivisional structure refers to having separate divisions based on products, services, and geographical areas. Under each division or geographical region are functional areas such as operations, marketing, human resources, and finance. For example, some hotel groups structure their organizations based on brands or geographical region, such as West Africa Division, Europe Division, Middle East Division, etc.

3. In a matrix structure, functional departments such as marketing, human resources management, finance, research, and development are assigned to work with one or more product or geographic business units. For example, large hotel groups such as Marriott Hotels and Resorts and InterContinental Hotels and Resorts have this matrix organizational structure, where functional departments and specific business units work together, and there are multiple reporting lines.

Certainly, each type of organizational structure has its advantages and disadvantages in developing and implementing strategies. For example, in the functional organizational structure, it would be easy to make decisions, communicate with subordinates, and closely control the processes and outcomes.

4.0 CONCLUSION

This unit explained and gave us insights into the internal environment of an organization, with an understanding of the importance of organizational variables for it to function well. This unit identifies that organizational structure and culture, amongst others are important factors that influence both strategy formation and implementation.

5.0 SUMMARY

We have learned that an organization's environment comprises of different important factors that have influence on and bearing of its functions. It is therefore easy for you to understand and identify hospitality and tourism company's stakeholders, tangible and intangible assets, core competencies, and their distinctive competencies.

6.0 SELF ASSESSED STUDY EXERCISE

1. What are the factors in an organization's that have influence on and bearing on its functioning?
2. How important are these factors for an Hospitality and Tourism organization?

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UNIT 3 BUSINESS-LEVEL STRATEGIES

CONTENTS

1.0 INTRODUCTION

This unit will give you in-depth account of business-level strategies that are critical for a firm’s success in its product-service market domains. It provides detailed account of what constitutes good strategy and describes positioning and generic strategies and their roles in creating sustainable competitive advantage.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Define competitive strategy.
2. Explain positioning and generic business strategies and their role in a firm's value-creation process.
3. Assess business-level strategy in hospitality and tourism firms.

3.0 Main Content

3.1The Parameters of Competitive Strategy

Competitive strategies define a firm's position in relation to its competitors in a given market. These strategies enable a firm to develop its market position while being able to create a sustainable competitive advantage. In other words, by implementing competitive strategies that defend or extend their market position, firms are able to add value to their bottom line in terms of return on investment. In fact, Porter (1980) points out that a firm influences an industry's attractiveness as well as its competitive position. While the attractiveness of the industry is important if the firms are to create and sustain value addition, s firm may not be able to sustain value creation if it chooses a poor competitive position.

A competitive advantage is defined as the above-average profits a firm is able to generate from its business operations when compared to its competition or competitive set. A competitive set refers to all of the firms in a given market/segment that compete directly against one another. To be able to sustain a competitive advantage, firms need to ensure that resources and capabilities are in place and that strategies are well defined so as to establish a link among resources and capabilities and strategies.

Hence, how do firms create competitive strategy? The answer to this question lies in the ability of the firm to serve its market with the same products and services that competition does, but at lower cost. An advantage could be created if the firm is able to provide products and services to the market that are superior to the competition.

3.2 What is the Basis of a Good Strategy?

Before positioning strategies are explored in detail, it is essential to discuss what constitutes a good strategy. According to Porter (1996), a good strategy has to do with the uniqueness the firm is able to create through a course of action, and “the essence of strategy is choosing to perform activities differently than rival do” (p. 64). Strategy is not action perse; neither is it a mission, a vision statement, nor a goal. Strategy enables a firm to become unique in terms of the position it occupies in the market. A good strategy should be accompanied by a clear definition of the industry and the products and services. In fact, strategy enables a firm to make the right decisions regarding the choices pertaining to the course of action.

Porter (1996) points out that managers often confuse organizational effectiveness with strategy. Best practices may not necessarily carve out a unique position for the business, as they are easily imitable in the short to medium term. For instance, in the hotel business, managers often introduce actions that lead to operational improvements, which they mistake for uniqueness at the business unit level. Introducing a system to improve guest service at the front desk of a hotel is not a strategy.

The firm's strategy is developed on market information and analysis. An inside-in approach is based on developing strategy predominantly using a market perspective in terms of tapping opportunities. The firm's resources and competencies are altered based on current and emerging opportunities. On the contrary, an inside-out approach is about developing strategy based on the firm's resources, capabilities, and competencies, while tapping opportunities based on its strengths. A good strategy is one that uses a combination of the two approaches, while leaning more toward an inside-out approach. Since strategy needs to be continuous, the very formulation of strategy should be based on a long term approach. For this to happen, according to Chandler (1962), a firm needs to clearly define its long-term goals and objectives and how it would attain them through predefined courses of action and resources allocation decisions.

3.3 Positioning and Generic Strategies.

Positioning pertains to the market position that firms aim to create. Porter (1996) describes strategic positioning as "based on customers' needs, customer's accessibility, or a variety of company's products and services" (p.66). He conceptualizes positioning to be driven by three factors: Variety-based, needs-based, and access-based, with the overall objective of "carving out a nitch."

How do the three types of positioning differ? According to Porter (1996), variety-based positioning relates to the products and services a firm is able to produce based on distinctive competencies and activities. The uniqueness related to products and services is based on what the firm can produce rather than the segment of the market it targets. This is seen in the case of ethnic restaurants set up by celebrity chefs. Such restaurants are developed based on the competencies of the proprietors, which have unique brand value and appeal. On the other hand, needs-based positioning is about targeting customer groups based on their needs. In this case, the company's products and services are produced to meet the specific needs of customer groups in a given market segment.

Access-based positioning is based on market segmentation in order to identify customers who could be accessed differently. According to Porter (1996), reaching customers is the essence of this positioning strategy, with firms differentiating themselves on customer geography or customer scale. For instance, motels such as Formule 1use access-based positioning to take their product to the market. Their products are located only on major high way in France and other countries in Europe and the outskirts of metros.

3.4 Generic Strategies

Business-level strategies are referred to as generic strategies, as firms based in any industry, regardless of the products and services they process and the product-markets they serve are able to pursue them. They consist of cost leadership, differentiation, and focus. Porter (1980, 1985) derived these types that are closely linked to a framework that uses customer needs, customer groups, and distinctive competencies developed by Abell (1980).

The following are three generic level strategies developed by Porter:

1. ***Cost leadership strategy:*** Firms derive this strategy by maintaining a low cost position. Low cost refers to the overall cost of producing products and services when compared to competing firms in the same market. If a firm is successful in achieving lower costs as compared to competition over a sustained period, it is said to have a competitive advantage. To be able to achieve a lower cost position, firms would need to target the products and

services to customer groups with objective of achieving volume sales so the marginal costs related to production could be reduced through the economies of scale. For instance, many firms have used technological solutions to manage costs, a case in point being Aero contractor Airlines, where passengers who book ahead of time enjoy over 70% discounts, resulting to high sales of seats prior to scheduled flights, compared to other competitors.

2. ***Differentiation strategy:*** This strategy stems from a firms objective of providing unique products and services to its customers as compared to competition. The competitive advantage is achieved when firms are able to command premium prices or sell more of a product at a given price compared to the competition. Moreover, buyer loyalty enables a firm to sustain the advantage during periods of downturn. Porter (1985) states that differentiator firms are able to “gain equivalent benefit such as greater buyer loyalty during cyclical or seasonal downturns” (p.120), which applies to the hotel industry. Firms such as Hilton offer luxury products with the objective of differentiating their offerings from competition.

3. ***Focus strategy:*** This strategy is narrow in scope in terms of the market segment and the product-service offerings. The firm targets a market segment with the sole objective of serving only that particular segment. Note that competitive advantage is derived only from targeting the segment. The firm either develops a cost advantage or it can differentiate itself. Therefore, focus strategy are of two types: cost focus and differentiation focus. Cost focus pertains to seeking a cost advantage in the target market segments. Firms with such an approach are typically narrow in their cost focus. Many

standalone, low-end, guest houses economy and small hotels would fall into this category.

On the other hand, differentiation focus is about differentiating the firm's products and services in the target market segments. The difference between overall cost leadership/differentiation and cost/differentiation focus strategies is that in the case of the former, the firm tries to achieve marketwide cost leadership or differencaition, whereas in the latter, the strategy is limited only to the target market segment.

4.0 CONCLUSION

This unit provides us with a review of business level strategy which includes examining positioning and competitive strategies and how they can form an essential part of creating and sustaining a competitive advantage.

5.0 SUMMARY

This unit highlights the fact that in business level strategies, sustainability of a competitive advantage form the backbone of how firms are able to add value to the firm through a linkage between its resources and capabilities, and its strategies.

6.0 SELF ASSESSED STUDY EXERCISE

1. What is competitive advantage?

2. Differentiate between Positioning and Generic Strategies.

3. How are overall cost leadership and differentiation strategies different from cost focus and differentiation focus strategies?

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UNIT 4 CORPORATE-LEVEL STRATEGIES

CONTENTS

1.0 INTRODUCTION

This unit introduces corporate strategy and its main elements in the Hospitality and Tourism organizations. It discusses how different corporate strategies could add value to organizations. We shall reflect on different approaches to corporate strategies-namely, portfolio and competence approach.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Understand corporate strategy and identify its competence

2. Evaluate and identify different approaches to corporate strategy development

3.0 MAIN CONTENT

3.1 Corporate Strategy

Corporate strategy is a firm's overall approach to gaining competitive advantage by operating in several businesses simultaneously. Gaining a competitive advantage requires setting a clear purpose for the entire organization and identifying plans and actions to achieve that purpose. At the corporate and headquarter level, Hospitality and Tourism organizations need to constantly ask themselves what business they are in, what business they should be in, what their basic directions are for the future, and what their attitude towards the international market is. For example, during its early years, Holiday Inn's purpose was to meet an unmet customer need: a gap in the market for quality accommodations through developing the Holiday Inn brand in United States. The purpose became broader concept that included hotel properties, international customers, and employees outside of domestic boundaries.

Later, the decision to expand overseas was made by headquarters, and it was also decided that the company would adopt strategies that were shaped by its home country culture. Holiday Inn set the standard for the rest of the world. This system gave people the opportunity to build their business and to achieve great success with hard work and self improvement. Holiday Inn was later acquired and now part of Intercontinental Hotels and Resorts.

Developing competitive strategy requires flexibility in terms of being able to reallocate resources quickly and smoothly among different business units in response to changing market conditions. The next section discusses different corporate strategies employed by large hotel and tourism organizations.

3.2 The Portfolio Analysis

In today's world, the majority of Hospitality and Tourism organizations offer more than one product or service, and many serve more than one customer group. For example, Easy Jet, a budget, no frill airline company in Europe, not only carries passengers between different destinations in Europe but also rent cars, runs hotels and cruises, and manages cinemas. There are very good strategic reasons for this: Relying solely on one activity would expose the organization to the risk of a potential downturn in an area of operations. Easy Jet would still run its operations if for any reason one of its products and services fails or if its customers go elsewhere.

One of the most popular aids to developing a corporate strategy that addresses issues in a multibusiness Hotel and Tourism organization is portfolio analysis. Portfolio analysis puts the corporate headquarters into the role of an internal auditor. In portfolio analysis, top management views its products lines and business units as a series of investments that will have a return. In the case of Easy Jet, the chief executive officers of the company view airlines, hotels, cruise business, car rentals, cinemas as separate business units, and they evaluate the return and contribution of each business line to the overall organization's performance with a view to adding value.

3.3 Corporate Strategy and Adding Value

Large organizations that operate in highly dynamic and competitive markets face different types of pressure (Connel, Hitt, DeNisi, and Ireland, 2007):

1. Pressure to reduce costs
2. Pressure to increase revenue
3. Pressure to increase market share
4. Pressure to be responsive to the market in which they operate
5. Pressure to innovate and stay relevant
6. Pressure to satisfy shareholders and stakeholders
7. Pressure to transfer information, Knowledge, and competencies among business units and functional areas. (p. 564)

In order to respond to some of these pressures, large Hospitality and Tourism organizations need to pursue a low-cost strategy at a convenient location where they can benefit from economies of scale. Large Hospitality and Tourism organization may also need to adapt their product and service offerings to the condition of local markets in order to be able to accommodate the differences between markets. Being able to strike a balance between these competing demands can be seen as a competitive advantage that adds value to the organizations portfolio. The intent is to create and maintain synergy among all business units and functional areas so the whole organization can collectively work together to achieve the corporate goals.

Ghoshal and Barlett (1990) presented frequently used typology to describe the multinational corporate strategy that encompasses the preceding competing demands. They identified four main strategies for the multinational corporations: international, multidomestic, global, and transnational. Table 6 outlines the key characteristics of these strategies.

Table 3: Multinational Corporation

Organization Strategy	**Specifications**
International	-It is a coordinated federation of local companies controlled by a corporate team -The attitude of the parent company tends to be parochial, fostered by superior knowhow at the centre. -Its competitive strength relies on its ability to transfer knowledge and expertise to overseas environments that are less advanced
Multinational or Multidomestic	-It is a decentralized federation of local companies linked by a web of personal controls.

	-Expatriates form home country organization occupied key positions -Its strength lay in high degree of local responsiveness.
Global	-The firm makes standardized products and services. -It is often centralized -Control of strategic decisions, resources, and information is tight. -Its strengths are efficiencies of scale and cost advantages.
Transnational	-It is made up of a network of specialized or differentiated units. -Attention is paid to managing integrative links among local companies as well as with the centre. -The subsidiary is a distinctive asset rather than simply an arm of the parent company. -Both manufacturing and technology development are located wherever it makes sense, but there is an explicit

	focus on encouraging local knowhow in order to exploit worldwide opportunities. -This organizational form has undoubtedly been held up as possibly the "ideal" organizational structural form.

Source: **Adapted from Ghoshal and Bartlett (1990).**

3.4 The Core Competence approach

Core competencies are *valuable , rare, inimitable, nonsubstitutable* resources of an organization that give them a competitive edge in the market. The embedded skills, processes, shadow organizational systems, and culture of an organization that give rise to the next generation of competitive products are examples of core competencies. A rival might acquire some of the elements that comprise the core competence, but it will find it more difficult to duplicate the more or less comprehensive pattern of internal coordination and learning.

At least three tests can be applied to identify core competencies in a large Hospitality and Tourism organization. First, a core competence provides potential access to a wide variety of markets. Second, a core competence should make a significant contribution to the perceived customer benefits. Third, a core competence should be difficult for competitors to imitate. In the past, corporations could simply points its business units at particular product markets and become world leaders. However, with market boundaries changing ever more quickly, targets are temporary and elusive. In today's dynamic world, the critical task for management is creating product and services that customers need but have not been imagined or experienced yet. This is deceptively a difficult task. Ultimately, it requires radical change in the management of major companies. In particular, it requires top management to oversee the management of core competencies.

4.0 CONCLUSION

In this unit, we have come to realize that corporate strategy is a firm's approach to gaining a competitive advantage by operating in several businesses simultaneously.

5.0 SUMMARY

This unit highlights what corporate strategy is, and its importance in hospitality and tourism organizations. It further reflects briefly on different approaches to corporate strategy namely, portfolio and competence approaches.

6.0 SELF ASSESSED STUDY EXERCISE

1. What is corporate strategy, and why do large Hospitality and Tourism corporations need corporate strategy.

2. What is portfolio analysis, and how does it differentiate businesses under large corporation.

7.0 REFERENCES/FURTHER READINGS

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UNIT 5 NETWORK-LEVEL STRATEGIES

CONTENTS

1.0 INTRODUCTION

In the presiding unit, we discuss the extent to which tourism and hospitality organizations should seek to develop corporate arrangements when developing strategies.

This unit covers various motivations for entering into a corporative venture (Network-level strategies) and introduces the advantages and disadvantages of strategic alliances. It highlights different forms of the most popular alliances-namely, franchising, management contracting, and joint ventures in the hospitality and tourism industry.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Identify and discuss different motivations for forming strategic alliances.
2. Discuss the advantages and disadvantages of strategic alliances.
3. Briefly explain the concepts of Management contracting, Franchising and Joint ventures as it relates to hospitality and tourism firms.

3.0 MAIN CONTENT

3.1 Strategic Alliances

The term *strategic alliance* is often defined as an agreement between two or more partners to share resources and knowledge that could be beneficial to all parties involved (Chathoth, and Olsen, 2003). These strategic alliances can be as simple as two companies sharing their technology or marketing resources in order to develop products jointly and market and promote collaboratively. This is a reciprocal relationship in which each partner brings certain strength, pooling of resources, investments, and risks for mutual gain. In contrast, they can be highly complex, involving many companies located in different countries.

Strategic alliance can allow an exchange of tangible assets or intangible capabilities of the firms such as knowledge, skills, financial capital, technical capabilities, managerial capabilities, and other intangible assets such as firm reputation. Less resource-endowed organizations may desire to learn new technical and managerial capabilities, whereas, more resource-endowed organizations want to gain knowledge of markets and build relationships to provide access to different markets. Strategic alliances are also intended to maximize market coverage, while also achieving economies of scale and scope and minimizing capital investment.

Hospitality and Tourism firms involved in strategic alliances seek to achieve organizational objectives more successfully through collaboration rather than competition. This results in various mutual benefits. These include higher return on equity, better return on investment, and higher success rates.

Despite having numerous benefits, strategic alliances also have various drawbacks. Alliances provide opportunities to learn new skills and core competencies, but at the same time, alliances create the potential danger of transforming a partner into a competitor.

3.2 Franchising

Originating from the United States, franchising emerged as a powerful way of facilitating the growth of hospitality organizations. Franchising gives hospitality and tourism industries and organizations an opportunity to form an alliance with partners in different country markets (Lashley and Morrison, 2000). Therefore, from a business perspective, it involves less risk than some other means of expansion, notably direct investment. Grant (1985) defined *business format franchising as follows:*

The granting of a license for a predetermined financial return by a franchising company (franchisor) to its franchisees, entitling them to make use of a complete business package, including training, support, and the corporate name, thus enabling them to operate their own businesses to exactly the same standards and format as the other units in the franchised chain. (p.5)

Franchising can take various forms, but typically, it involves satellite enterprises (run by the franchisee) operating under the trade name and business format of a larger organization (franchisor) in exchange for a continuing fee. Hotel franchising come in many forms, but he basic premise is that the owner remains in control of the management and property but has the advantages of a large chain in terms of brand name and marketing outreach. The franchisee sets up his or her own business, operating along the lines specified by the franchisor and trading in the product or service previously market tested by the franchisor.

Franchising has been well appreciated and welcomed by the hotel industry as well as the fast food chains. Hotel chain see franchising as a form of development strategy, and this is expected to be one of the fastest-growing vehicles for expansion, especially in the international arena. It is particularly attractive for international expansion because it requires substantially less capital than ownership. For example, KFC, a popular food chain in the UK and USA are now present in many cities in Nigeria, with the same brand name, being managed by franchisees.

3.3 Management Contracts

Management contracts can be defined as the management of one company by another, and often, but not always, the two are in different countries. A firm with an established reputation for being an excellent manager will grow by contracting to manage properties for an owner in return for a fee. In the hospitality industry, management contracts have been recognized as one of the quickest forms of expansion strategy with minimal risk (Eyster, 1988). In essence, the rationale behind a management contract involves a three-concerned arrangement in which one company (the operator) agrees with another (the owner) to set up a third (the contract venture) to bring together the operator's expertise and the owner's capital (Eyster, 1993).

Management contract agreements are favored in many international settings by international hotel chains such as Hilton and Intercontinental Hotels that have internationally recognized brands and a successful track record of hotel management expertise. The management contract allow for a separation of ownership and operations. With such an arrangement, the owners act as investors who allow someone else to manage the property.

Hospitality and tourism organization usually choose management contracts because it is a good opportunity to generate more revenue with less risk out of knowledge acquired at great expense. Here are some other reasons why an operator might choose to enter into a management contract:

- The operator's expertise is sellable.
- The operator has spare resources, such as management, knowhow, and equipment
- There is a viable new business that offers low-risk market entry
- It allows the operator to control the standards of operations

- The contract can bring additional business in the sale of other goods and services.

3.4 JOINT VENTURES

A joint venture can be defined as the participation of two or more companies in an enterprise in which each party contributes assets, owns the entity to some degree, and shares the risks (Kivela and Leung, 2005, Magnini, 2008). The alliance may be one of equal partners or on where one party is stronger than the other because of the resources or expertise it possesses. Companies enter into joint venture partnerships because they reduce the risk of failure by sharing the burden with a partner, gain rapid market access, and internationally they can have an increase in company and product acceptance by having a local firm serving as the direct interface with the customer.

Joint venture may permit better relationships with local government and organizations such as labour unions (Magnini, 2008). Government- related reasons can be the major rationale for joint ventures in less developed countries, particularly if the local partner is the government itself or if the local partner is politically influential. The new venture may be eligible for task incentives, grants, and government support. However, the key to a joint venture is the sharing of common business objectives.

In selecting partners, companies must pay attention to the cultural capability of partner. For example, in the case of expanding into Indian and Chinese market, if you do not have market knowledge, joint venture partnership with local partner can be a viable option in order to make presence in these markets. However, one needs to pay attention to the cultural differences, including the educational backgrounds and cultural values and how these can be managed between the partners.

4.0 CONCLUSION

This unit presented us with analysis of different types of network-level strategies, including strategic alliances, franchising, management contracts, and joint ventures. The unit gave us insights to the merits and demerits of alliances between organizations, especially the hospitality and tourism industry.

5.0 SUMMARY

In this unit, we discover that the highly competitive and volatile nature of today's global environment motivates organizations to seek alliances with other partners. This evident in many large hospitality and tourism organizations as discussed in this unit.

6.0 SELF ASSESSED STUDY EXERCISE

1. What are the reasons for forming Strategic alliances?

2. Discuss the benefits of franchising

3. Discuss management contract, joint venture and their benefits in forming partnership.

7.0 REFERENCES/FURTHER READINGS

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Module 3……………………………………………….

UNIT 1 STRATEGY FORMATION-FORMULATION APPROACHES

CONTENTS

6.0 Self Assessed Study Exercise

7.0 References/Further Reading

1.0 INTRODUCTION

This unit discusses how strategy formulation and implementation is viewed by different schools of thought or approaches in the strategic management field. We shall evaluate each view and offer suggestions for developing and implementing strategies.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Define strategy formation: strategy formulation and implementation
2. Discuss the evaluation of different approaches to strategy formation

3.0 MAIN CONTENT

3.0 Strategy Formation-Strategy Formulation and Implementation

Strategy formulation involves understanding the underlying bases that guide future strategy, generating strategic options for evaluation and selecting the best options among them (Okumus, Altinay and Chathoth, 2010). Strategic implementation addresses the issue of formulated strategy into action or practice with limited time and resources (Alexander, 1991). Although strategy formulation and implementation are defined separately and perceived as separate areas, in recent years, strategy formulation and implementation have been seen as whole process rather than separate activities. Therefore, it is recommended that they should not be defined alone or separated from each other (Okumus, 2003). In other words, the four main elements of strategic management-strategy analysis, strategy formulation, strategy implementation, and strategy control-are not mutually exclusive; in fact, they are interdependent and dynamic. Therefore, the term strategy formation is used here to refer to both strategy formulation and implementation as a single unit (Mintzberg et al., 1998). Each school on the process of strategy formation are reviewed and evaluated in the following sections.

3.1 The Planning Approach

The planning approach is the oldest and the most influential approach in the strategic management field (Whittington, 2001). This approach views strategy formation as the outcome of sequential, planned, and deliberate procedures. According to these view, strategic planning consist of four separate elements: analysis, strategy formulation, strategy implementation, and control monitoring. This approach gives more emphasis to the formal analysis of the issues in both the external and internal environments.

Developing strategies or strategic decisions by following strategic planning principles and utilizing PESTE analysis, Porter’s Industrial Structure Analysis, and SWOT analysis are considered primary responsibilities of corporate offices, senior executives, or specialised departments such as strategic planning department or corporate strategic planning office.

Strategies and strategic decisions are developed by senior executives, and apart from minor modifications, these executives should not deal with implementation part. The role of middle managers and supervisor is to implement the developed strategies. This approach further advocate well specified plans with clear objectives, timetables, budgets, and resource allocations, clear lines of responsibility, limited participation in strategy development, and minimum discretion for all levels of implementers. Finally, profit maximization, cost cutting, high market share, and other tangible outcomes are the ultimate aims of strategic formation process.

3.2 The Learning or Emergent Approach

The learning approach does not see strategy formation as a neat, sequential, and rational process. This school of thought suggest that strategies often emerge from the pragmatic process of trial and error and that they are often developed and executed in an incremental, trial-and error way, mainly by middle managers, and that the strategy formulation and implementation stages often overlap (Mitzberg, 1984).

Mitzberg and colleaques (1998) describe this approach as “crafting” or “emergent” strategy and state that successful companies such as Honda achieved their position without going through the process of analysis, formulation, and implementation for which the planning approach implies. When we analyze how the Southwest Airlines started and became one of the most successful airlines in the United States, it is evident that the company did not achieve this success through strategic planning but instead by responding to emerging issues in an incremental way and learning from their experiences.

This approach values the significance of power distribution, politics, and organizational culture in the strategy formation process. Having rational, mainly financial, objectives may not always be practical, as companies often need to consider intangible aspects of the process such as internal politics and culture (Whittington, 2001). This is because organizations are often political entities, comprised of shifting coalitions and powerful internal and external interest groups who may have conflicting demands and objectives (Mintzberg et al., 1998). Therefore, it is not always straightford to develop and implement strategies without considering internal politics and power structures.

3.3 The Contingency Approach

The contingency school of thought suggests that successful strategies are not developed and implemented by a simple or single set of factors. Instead, their successes depend on many factors in the internal and external environments of the company. This approach was developed as a reaction to the idea of "one best way management." According to Child (1984), the contingency view relates to the design of an effective organization that must cope with the contingencies of certain factors such as environment, technology, resources, people and other elements in a situation in which the firm operates. In other words, the effectiveness of strategy formation process depends on how multiple factors interact in a situation, and there may be different ways to approach the same issue, depending on the situation.

Berman (1980) suggest that strategies can be carried out more effectively if they are chosen to match the situation, especially the extent of agreement about the strategy, the degree of capacity and coordination of the strategy formation process, and the stability/complexity of the environment and the organization. Put another way, the process of strategy formation cannot be uniform for all situations, invariable or over time and homogeneous across organizational levels, and therefore executives and managers should find suitable ways and switch them when necessary to deploy their strategies successfully.

3.4 The Configurational Approach

Attempts were made to combine all the previous strategic management schools of thought into one single perspective, which is called the configurational view (Mintzberg et al., 1998). It was intended to eliminate the disadvanges of the previous approaches and offer a holistic view. The main difference between the contingency view suggests “it all depends on the situation in the strategy formation,” whearas the configurational view is concerned with “combining all previous approaches together.” Mintzberg and colleagues (1998) stated the following:

The process of strategy making can be one of conceptual designing or formal planning, systematic analysing or leadership visioning, cooperative learning or competitive politicking, focusing on individual cognition, collective socialisation, or simple response to the forces of the environment; but each must be found at its own time and in its own context. In order words, the schools of thought on strategy formation themselves represent particular configurations. (pp. 305-306).

Therefore, in order to develop and implement strategies, a number of certain factors should fit together and a comprehensive strategy formulation and implementation frameworks needed to analyse and evaluate the fit and interactions among the key factors.

3.5 The Complexity Approach

This approach suggest that organizations are adaptive systems that take the form of nonlinear negative and positive feedback loops that connect the individuals, groups, functions, and processes in an organization to one another, and connect an organization to other systems in the environment (Theys, 1998). Due to these nonlinear feedback loops, any small change or development, both within and outside the organization, can have significant and unexpected implications for the firm; this is often entitled the “butter fly effect” (Stacy, 1995). In terms of strategy formation, this means that managers need to identify and evaluate the emerging patterns continuously within and outside the company and then develop and implement strategies rapidly. In addition, they need to consider the implications of the strategy formation process, not just for a specific part of the company but also for other functional areas as well as customers, competitors, and other stakeholders (Glass, 1996).

Contrary to the previous approaches, this view does not recommend having definite aims and objectives for the long-term future. Instead, it is suggested that managers need to understand, evaluate, and interpret the complexity and dynamics of the situation as an ongoing process and respond to emerging patterns rapidly if they are to be successful. This may require continuous modification of company’s vision, goals, objectives, structure, and culture to incorporate new and relevant values and norms (Glass, 1996; Stacey, 1996)

4.0 CONCLUSION

The key theme that emerged from this unit is that all schools of thought in the strategic management field indicate and emphasize the need for critical consideration and the use of multiple issues and factors when developing and implementing strategies.

5.0 SUMMARY

This unit reviewed different schools of thought in the strategic management field. Understanding the propositions of these approaches is important in order to be able to comprehend and analyze the current thinking on strategy development and implementation in the hospitality and tourism organizations.

6.0 SELF ASSESSED STUDY EXERCISE

1. Explain Strategy Formation, Formulation and Implementation

2. Evaluate main propositions of each school of thought to strategy formation

7.0 REFERENCES/FURTHER READING

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UNIT 2 STRATEGY IMPLEMENTATION AND CHANGE

CONTENTS

1.0 INTRODUCTION

There is no agreed upon and dominant framework in strategy implementation (Noble, 1999b and Okumus, 2003). This unit proposes a framework by identifying key factors and categorizing them into different groups depending on their role and importance. The role and importance of each factor, as well as its relationship with other factors, are explained. The pace of strategic change and some discussions on potential barriers and resistance to strategy development and implementation and how they can be overcome is also discussed in this unit.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Explain why we need strategy implementation framework
2. Evaluate strategy formulation and implementation from a holistic perspective
3. Discuss potential barriers and challenges in developing and implementing strategies

3.0 MAIN CONTENT

3.1 Previous Implementation Framework

One of the most cited implementation framework was proposed by Waterman, Peters, and Philips (1980). Based on their research and consultancy work, these authors argued that effective strategy implementation is essentially attending to the relationships between seven factors:

- Strategy
- Structure
- System
- Style
- Staff
- Skills
- And Subordinate goals.

The conceptual strategy implementation frameworks developed by Stonich (1982) consist of explicit key implementation factors. These were the first implementation frameworks to appear in the field of strategic management. These frameworks consist of similar factors, including:

- Strategy formulation
- Organizational Structure
- Culture
- People
- Communication
- Control
- Outcome.

3.2 Toward an Implementation Framework

There are important similarities among the previous implementation frameworks in terms of key factors forwarded and the assumptions made. The overriding assumption of these frameworks is that multiple factors should be considered simultaneously when developing and implementing a strategy and strategic decision. Some frameworks combine several elements under one factor, while others refer to each element as a separate factor. For example, in the framework proposed by Galbraith and Kazanjian (1986), the issue related to managers and employees are incorporated under a separate factor entitled “people” or “staff.” In the framework developed by Hrebiniak and Joyce (1984), a manager’s style, incentives, and training are presented as individual factors.

However, each framework includes different numbers and types of factors, and some frameworks indentify more factors than others. Strategy formulation is referred to as strategy, business strategy, intended strategy, market strategy, vision, new strategy, and strategic decision. Outcome is referred as results and success. A further issue is that some frameworks have a starting point, which is usually the formulation of strategy (Hrebiniak and Joyce, 1984), whereas other frameworks, such as those proposed by Waterman and colleagues (1980), do not specifically have a starting point when looking at strategy implementation.

From the analysis of previous frameworks, key factors can be identified that play an important role in strategy formation process:

- Strategy development
- Environmental uncertainty
- Organizational structure
- Organizational culture
- Leadership
- Operational planning
- Resources allocation
- Communication
- People
- Control
- Outcome

3.3 Barriers and Resistance to Strategy Implementation

The following are the main barriers to strategy implementation and change (Alexander, 1995, Kotter 1995, Okumus and Hemmington, 1998).

- Time limitation or more time needed as originally planned
- Lack of or poor communication
- Lack of coordination
- Lack of support from other management levels
- Resistance from lower levels
- Poor planning activities
- Sudden changes
- Fear of losing something valuable
- Lack of skills and knowledge
- Unpleasant previous experiences
- Commitment to previous practices
- Strong organizational culture
- Internal politics
- Trade unions
- Government regulations

- Cost of change
- Financial difficulties
- Other priorities
- Technical difficulties
- Fear of insecurities

We can perhaps add many more items to this list or combine some of them together.

The identification of potential barriers is more vital. However, it is perhaps more important to decide on and evaluate methods that tourism and hospitality companies can overcome and manage possible resources of resistance to strategy implementation. Kotter and Schesinger’s (1979) pioneering study advocated six strategies: education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation and co-optation, and coercion. Similar strategies have been suggested by other scholars and researchers. Interestingly, they further recommend that multiple strategies should be employed that are contingent on the organizational situation rather than relying only one of them.

Okumus (2003) grouped implementation factors into four categories: Strategic content, strategic context, process and outcome.

1. Strategic content include the development of strategy
2. Strategic context is further divided into external and internal context. The former includes environmental uncertainty, and the internal context includes organizational structure, culture and leadership
3. Operational process includes operational planning, resources allocation, people, communication, and control
4. Outcome includes the results of the implementing process.

4.0 CONCLUSION

This unit highlights the need to employ holistic approach in viewing the formulation and implementation of strategy and then evaluate how multiple factors interact with one another and how they impact on the strategy formation process.

5.0 SUMMARY

We have been able to discuss and understand strategy implementation frameworks and its diversities, including the various barriers to strategy formation implementation.

6.0 SELF ASSESSED STUDY EXRCISE

1. Why is effective strategy implementation necessary?

2. What are the barriers to strategy formation and implementation?

3. How can Hospitality and Tourism companies manage strategies implementations resistance?

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UNIT 4 STRATEGIC MANAGEMENT PROBLEMS

CONTENTS

1.0 INTRODUCTION

This unit introduces you to the challenges of strategic management in the tourism and hospitality industry, including its dynamic of content, context, process, outcome, and how tourism and hospitality organizations sustains competitiveness. It also gives you an overview of the previous units.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Explain the challenges of strategic management in the context of hospitality and tourism context
2. Explain the terms Dynamics, Content, Context, Process and Outcome
3. Discuss how hospitality and tourism organizations can sustain competiveness.

3.0 MAIN CONTENT

3.1 The challenges of strategic management in the hospitality and tourism context

Hospitality and tourism organizations operate in a dynamic and complex environment. Changes to legislations, regional and global economic and political crisis, sociocultural trends, sophistication of customers, stiff competition, terrorism, security, global warming multiculturalism, globalization, mergers and acquisitions, labor shortages, and advance technological development all pose important challenges to the owners and managers of hospitality and tourism organizations.

Managing firms through a strategic management perspective can help Hospitality and tourism organization not only in responding to these trends and developments but also in proactively developing strategies to change the role of the game.

Strategic management entails futuristic thinking and developing a course of action to survive and create a sustainable competitive advantage. First all, Hospitality and tourism organizations need to define their vision, mission, goals, and objectives. The mission can be defined as the desired future state of an organization. The mission statement explains why the organization is in existence. Goals are general statements in terms of what the organization aims to achieve in a certain period of time to fulfill its mission and vision.

3.2 The Dynamics of Content, Context, Process, and Outcome

Content refers to description, selection, and justification of a certain strategy (or strategies). Content is all about explaining what the strategy is and why it needs to be chosen, developed, and implemented. Context refers to the environment in which strategies are developed and implemented. The context can be grouped under external environment (macro and industry) and internal environment. The process refers to development and implementation of strategies in external and internal contexts. Outcome refers to intended or unintended results of the deployment of strategies. We want to emphasis here that rather than seeing strategic management as a step-by-step process, we need to focus more on dynamics and interactions among content, context, process, and outcome. This not only help us to better understand what, why, where, and how, but it also makes it easier to strategically analyze each hospitality and tourism firm's situation.

Strategic management is important to hospitality and tourism organizations regardless of their size and type. However, we should stress that hospitality and tourism organizations operates in unique external and internal context, which makes it particularly important to understand why certain strategies are developed and how they are developed and implemented. For example, the environment in which they operate impacts the firms in terms of strategies they formulate, the investment they make, and the value they generate from such investments. Large corporations such as Hilton, Macdonalds, Sharaton and small ones like independent family hotels are all exposed to the same macro environment.

3.3 Sustaining Competiveness

Hospitality organizations should first identify their tangible and intangible resources. Tangible assets are plants, equipment, and/or land, whereas, intangible assets are associated with the company knowhow and skills assets. They have no physical presence but represent real benefit to the organization. They include company reputation and brand, product reputation and brand, employee/leadership skills skills/experience knowhow, culture, networks, databases, suppliers knowhow, distributor knowhow, public knowledge, contracts, intellectual property rights, and trade secret.

Hospitality organizations need to protect, exploit and enhance their unique intangible assets. While competitive advantage is obtained by appealing to customers targeted markets, sustainable competitive advantage is the result of developing and combining several distinctive competencies, which are eventually difficult to imitate and substitute by competitors (Barney, 1991).

However, hospitality and tourism firms should focus on linking resources and capabilities with strategies. The link among resources, capabilities and strategies is such that one shapes the other two. A cot leader firm should b able to develop resources and capabilities that enable it to sustain its position. Likewise, a broad differentiator should be able to use its resources and capabilities to develop an array of products and services for various market segments.

4.0 CONCLUSION

We have studied the challenges of strategic management in the tourism and hospitality industry, including its dynamic of content, context, process, outcome, and how tourism and hospitality organizations sustains competitiveness.

5.0 SUMMARY

We have learned from this unit that hospitality and tourism organization faces a lot of challenges ranging from changes in legislations to stiff competition among firms. However, hospitality and tourism firms should focus on linking resources and capabilities with strategies in order to sustain competitive advantage.

6.0 SELF ASSESSED STUDY EXERCISE

1. What are the challenges confronting hospitality and tourism organizations
2. Suggest ways by which tourism and hospitality organizations could sustain competitive advantage
3. Explain the terms; Content, Context, Process, and Outcome as it relate to hospitality and tourism organizations.

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Unit 5: STRATEGY AND ICT IN THE AIRLINE INDUSTRY

CONTENTS

1.0 INTRODUCTION

This unit will exposes us to the extent to which Information and Communication Technologies have helped to strategically reposition the tourism industry, especially the airlines.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Discuss the growth of ICT in the tourism and hospitality industry.
2. Analyse the benefit ICT in the strategic management of airlines.
3. Explain how the operations of an airline is facilitated by the use of ICT.

3.0 MAIN CONTENT

3.1 Strategic ICT Growth in the tourism industry

As Cooper et al (2005) notes, the tourism industry is fragmented. Buhalis (2003) divides the sector into five categories – airlines, hospitality, destinations, travel agencies and tour operators.

Buhalis (1998 p. 412) highlights three key evolutions of ICT application in the tourism industry. These are the application of "*Computer Reservation Systems (CRSs) in the 1970s, Global Distribution Systems (GDSs) in the 1980s, and the Internet in the 1990s*". Buhalis (2003) adds that it has been the larger tourism organisations that have capitalised on the growth of ICTs. One of the sectors of the tourism industry with the most powerful organisations is the airline sector. As noted in the introduction, ICTs have been applied to the airline industry since the 1960s. This was a result of the development by American Airlines a CRS named Sabre (Raventos, 2006). This technology benefited airlines in "*generating flight plans for the aircraft, tracking spare parts, scheduling crews and developing a range of decision support systems for management*" (Buhalis, 2003 p. 194). Raventos (2006 p. 380) adds that CRSs expanded in the 1980s to become GDSs. The most prominent of these included Sabre, but also the development of Galileo, Amadeus and Worldspan. GDSs differed by allowing access to further airlines and travel agencies "*so they could have flight information, inquire about availability, and book reservations in real time*". However it was the development of the World Wide Web in the 1990s that was "*responsible for the massive growth in business use of the internet*" (Chaffey, 2004 p. 75).

Oliva (2002) notes that organisations that delay in applying the internet "*will undoubtedly find themselves at a competitive disadvantage*". As this statement is now 7 years old it would be unlikely to find an airline that does not apply the internet to some form of operations. As will be detailed further, low-cost carriers were early adopters of the internet which has aided their success (Buhalis, 2004).

3.2 Strategic Management and Use of ICT in Airlines

Buhalis (2003 p. 198) notes that "*airlines use ICTs for a wide range of business functions as well as for tactical and strategic management*". Buhalis (2004 p. 811/812) highlights that "*airlines use technology to develop and manage their business model*". However, there remains conflicting views as to the relevance of traditional strategic business models as a result of ICTs (Kim et al, 2004). Porter (2001 p. 64) argues that organisational success through the application of ICTs are achieved by "*building on the proven principles of strategy*". This includes such models as Porter's five forces strategy. Porter (2001) adds that although the internet has affected the business environment, strategy requires building on proven models, such as the five forces strategy, rather than developing entirely new ones. Chaffey (2007 p. 219) supports Porter's analysis by acknowledging that the five forces strategy "*still provides a valid framework for reviewing threats arising in the e-business era*". Porter (2001 p. 72) adds that in the initial growth of e-business, many organisations were guilty of ignoring strategy in order to "*maximise revenue and market share at all costs*". As a result this has decreased the likelihood of their long-term success. Therefore Porter (2001) argues that analysing an industry, by the use of the five forces model for example, is more important than before. However not all authors support Porter's view.

Tapscott (2001) argues that the growth of Electronic-Business (ICT) represents a huge change to business models. As Oliva (2002 p. 42) notes, Tapscott believes that "*business Webs enable entire new ways of doing business and fundamentally new ways of formulating strategy*". Tapscott (2001) argues that a key area of this is through increased collaboration with partners. Porter (2001) argues that many organisations have falsely viewed partnering as a method of ensuring e-business success. Tapscott (2001) argues that partnerships are now a necessity for e-business. In regards to the airline industry an argument can be made for Tapscott being correct. Partnerships, in the form of airline alliances (such as the Star Alliance), are becoming increasingly important to the industry (Evans 2001). A reason for their growth, and to an extent their success, has been due to "*the "info-structure" for close collaboration*" that ICT offers (Buhalis, 2004 p. 818). The benefits of alliances are shown as Table 4. Furthermore, Buhalis (2004) add that the development of the Opodo website, which was a collaboration between nine European airlines, as a further area of partnerships as a reaction to the growth in online travel agencies such as Expedia and Travelocity. Therefore based on these developments, Tapscott's theory proves to be more pertinent than Porter's.

Table 4 – Benefits of airline alliances (Buhalis, 2004)

Consumer benefits	Airline benefits
Fairly consistent service across several airlines and regions	Virtual expansion of network
Access to airport lounges	Access to new markets by tapping into partner's under-utilised route rights or slots
Frequent flyers miles on member airlines	Code Sharing and GDS ranking
Worldwide recognition of status and loyalty club benefits	Traffic volumes and ability to feed long haul flights
Priority reservation, standby and boarding	Protect home markets and building presence in distance markets
Priority baggage handling	Common marketing and branding
Technological solutions for travellers	Economies of Scale through resource pooling across operational areas
Flexible round the world fares	Increased load factor and yield

However as noted elements of business strategy are still valid, such as Porter's five forces. Kim et al (2004) argue that Porter's generic strategies (Figure 4) can also be adopted for e-business.

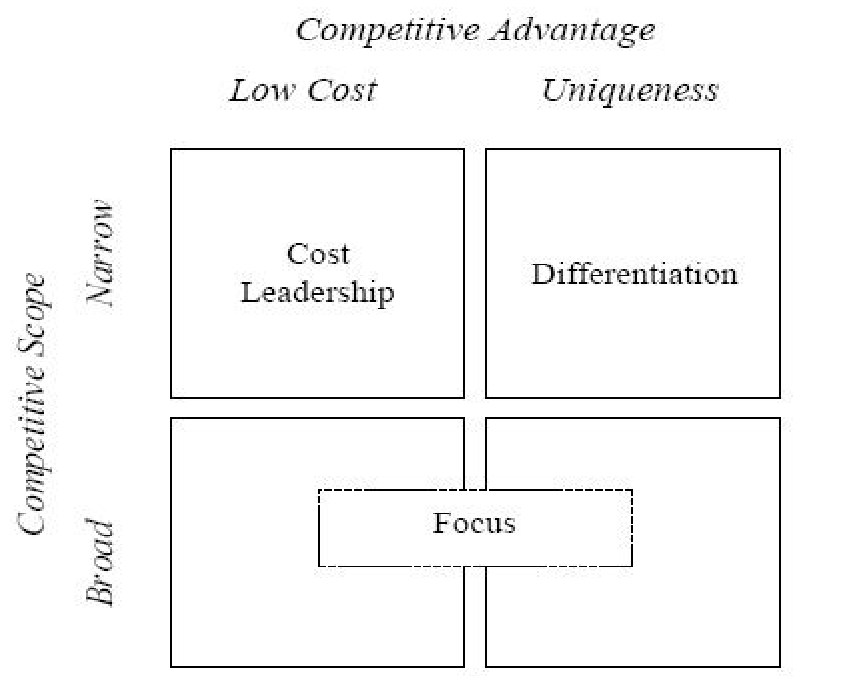

Figure 4– Porter's generic strategies (Kim et al, 2004)

Although in Porter's original theory on choosing a generic strategy in one of the sectors shown in Figure 1, Kim et al (2004) argue that Amazon.com have successfully utilised both a cost leadership and differentiation strategy. As a result Kim et al (2004 p. 582) suggest that organisations should adopt an "*integrated strategy*" that offers both cost leadership and differentiation (Figure 4).

<u>Figure 5 – Integrated strategy model (Kim et al, 2004)</u>

Consequently, there are therefore both arguments for and against either view by Porter or Tapscott. However as Oliva (2002 p. 44) notes, "*between two extremes is often the best course*". Therefore e-business success is achieved through finding the correct balance between both authors' viewpoints. Further to this Kim et al (2004 p. 584) propose that organisations should have "*a tight integration between their on- and offline operations*". An example of this for airlines would ensuring that the flight information given on their websites matched that of their actual operations. However Buhalis (2004 p. 812) notes that in regards to strategic management, ICTs can also be used "*to monitor the external environment and competition, undertake revenue analysis, forecasting, maintain historical data, predict demand, and design desirable products*". Therefore most elements of strategic management can be aided by ICTs.

3.3 Operations Management in the Airlines industry

Figure 5 demonstrates the relationship between intranets, extranets and the internet for an organisation's operations. The lines represent the lines of accessibility, with only organisational members given access to intranets, whereas the organisation's internet is available to all. Each of the technologies have been adopted by airlines. Buhalis (2004) notes that intranets can be used for communicating with employees. Furthermore Buhalis (2003 p. 203) highlights that "*There are few other organizations in tourism that rely as heavily on external partners for their operations as airlines*". Therefore, the development of extranets have become vital for working with suppliers. Buhalis (2004 p. 817) adds that "*eProcurement is also a major force for Extranets*". Buhalis (2003) notes that the type of eProcurement purchases rage from aviation fuel to catering. For instance, an airline's website will allow them to communicate and sell services to their customers. Akamai (2008) note that Cathy Pacific's extranet and online booking service save the organisation more than $1million per year. This is through a reduction of staff at call centres and a more efficient website. The ability of airlines to sell tickets via their website has "*allowed airlines to reduce their dependence on intermediaries*" (Buhalis, 2004 p. 812). This has resulted in the concept of disintermediation which can be defined as "*The removal of intermediaries…that formally linked a company to its customers*" (Chaffey, 2007 p. 45). For airlines, this has allowed them to cut down on commission fees paid to third party travel agencies (Buhalis, 2004). Buhalis (2003) adds that easyJet and British Airways (who are two of the leaders in internet application, which will be evaluated further in the following section) offer discounts for online bookings, encouraging customers to utilise this method. As of 2007 98% of all easyJet's bookings were online (Breaking Travel News, 2008). Buhalis (2004) notes that by reducing the role of GDSs, airlines can reduce the cost to customers. Therefore there are huge cost advantages of utilising online bookings. However there are disadvantages to disintermediation. Most pertinently is that it has resulted in the growth of new online travel agencies such as Travelocity and Expedia. These intermediaries have been established by Sabre and Microsoft respectively (Raventos, 2006) and have large resources to compete in the online marketplace. Airlines have therefore had to respond to this, with methods such as the creation of Opodo, as mentioned previously. Further barriers to internet development will be mentioned in section 4. A further step for airlines has been the development of eTicketing and self-service checking in. Buhalis (2003 p. 212) notes that these devices"*are expected to improve customer service and experience…by increasing flexibility and speeding up all processes*". Chang and Yang (2008) highlight three benefits of utilising self-service kiosks:

- Reduces waiting time for passengers
- Reduces the airline's costs
- Saves space for the airports

Calder (2009) notes that, in order to reduce costs, Ryanair is making online check-in mandatory and is removing all check in desks from airports, replacing them with self-service kiosks. However Calder (2009) adds that by making online check-in mandatory, Ryanair is discriminating against those "*who do not have easy access to the internet and a printer*". Therefore by focusing solely on the cost saving benefits, Ryanair may upset a section of their regular passengers.

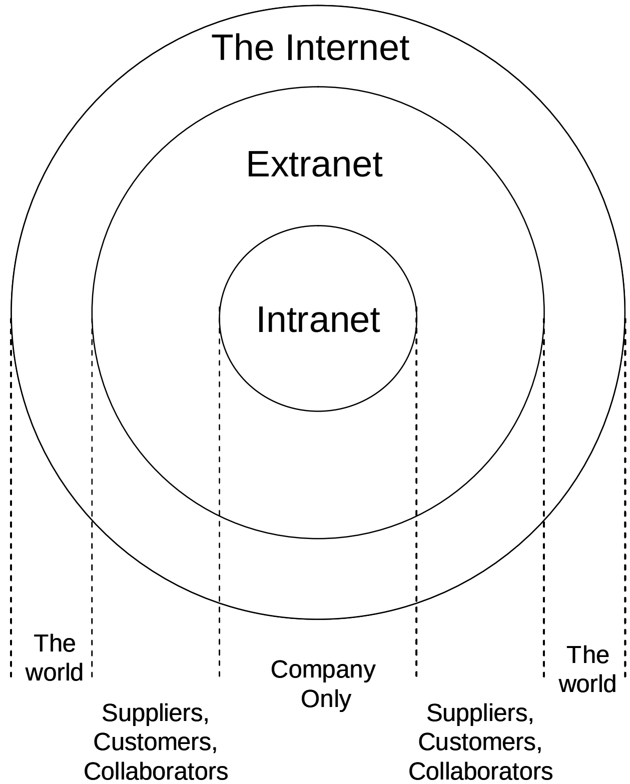

Figure 6 – The relationship between Intranets, Extranets and the Internet (Adapted from Chaffey, 2007)

A further area of ICT application is to frequent flyer programmes. Shon et al (2003) note that databases which hold customer information to be used in such programmes, are imperative to utilising such programmes. Buhalis (2004) adds that the development of alliances have also benefited the growth of frequent flyer programmes.

The development of the internet has led to a greater pressure on the operations of airline. As Buhalis (2003) notes ICTs have allowed customers to access factual information free from organisational bias. Litven et al (2008) adds that the growth of the internet has resulted in the increase in word-of-mouth (WOM) communication, which they describe as "*the communication between consumers about a product, service, or a company*". Briggs (2001) adds that due to it being free from organisational bias, it is viewed as a reliable source of information by consumers. Buhalis and Law (2008) note that in regards to United Airlines, the growth of WOM has been a threat, with the development of the website Untied.com. This site was established by a customer dissatisfied with United's service and encourages other passengers to share their unsatisfactory experiences (Buhalis and Law, 2008). Furthermore the development of the Skytrax website (http://www.airlinequality.com) provides potential travellers with details of previous flight experiences. It also offers an airline rating system based on the quality of their service (Skytrax, 2009). Therefore the access that consumers have to airline information as a result of the internet puts pressure on airlines to improve the quality of their operations.

3.4 ICT achievement and failure in the airline industry

In regards to the UK airline industry, the major organisation that has achieved a high level of ICT success is the British Airways, among many others.

British Airways

"*British Airways is the UK's largest international scheduled airline, flying to over 300 destinations*" (British Airways, 2009). They have also been large investors in ICTs. Buhalis (2003 p. 153) notes that British Airways announce in 2000 that they "*would be spending £100 million on its on-line strategy within two years*". This has transformed all levels of their operations including HRM. McKenna and Beech (2002) highlight that a large emphasis has been placed on recruiting online by

British Airways. A reason for this is to present an image of the organisation as being forward thinking.

ICT failure

Overall airline adoption of ICTs has been successful. Of all the tourism sectors, the airline sector has been the pioneers of ICT adoption (Buhalis, 2004). Therefore it is difficult to uncover areas of ICT adoption that have failed. Instead it may be more pertinent to look at some of the disadvantages of ICT adoption for airliners. It should be noted that adopting ICTs does not guarantee organisational success. As Buhalis (2003 p. 57) notes, ICTs "*can create new problems if enterprises fail to introduce adequate, appropriate, rational and innovative ICT resources*".

Future ICT development in the airline industry

Although the future growth areas will be unknown, it is important that airlines are "*proactive and reactive in constantly assessing the external environment*" (Buhalis, 2003 p. 55). This may then allow them to gain a competitive advantage by adapting the latest ICTs when they become available. Furthermore Buhalis (1998 p. 420) adds that "*The future success of tourism organizations and destinations will be determined by a combination of innovative management and marketing, intellect and vision, as well as strategic use of advanced ITs*".

4.0 CONCLUSION

We have discussed the importance of ICT in the hospitality and tourism industry and how the application of ICT can help in the strategic management of airlines.

5.0 SUMMARY

This unit explained the successes Information and Communication Technology adoptions in the strategic management of the tourism and hospitality industry. With emphasis on the airline sector, ICT have helped in ensuring that airline such as the British airways maintain competitive advantage.

6.0 SELF ASSESSED STUDY EXERCISE

1. Explain the importance of ICT in the tourism industry

2. Discuss the relationship between ICT and Strategic management

3. Discuss the successes of ICT adoption in the airline sector of the hospitality and tourism industry.

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Unit 5 Case Study on Novotel- a Hotel Accommodation provider

CONTENTS

1.0 INTRODUCTION

While the previous unit highlights strategic management in the airline industry, especially as it relates to ICT application, this unit will give us a detailed case study of the management and growth strategy of Novotel- a hotel provider.

Novotel is a hotel brand belonging to the Accor group of companies, which is, in turn, a global provider of hotel accommodation. The business was founded in France by Paul Dubrule and Gerard Pelisson. The first Novotel Hotel was opened in 1967 at Lille Lesquin in north-eastern France. The core idea behind the brand from the onset was to provide purpose built, modern, comfortable hotel accommodation, coupled with restaurants, work and recreational facilities, plus car parking. Accor target market for the Novotel brand is the mid to upper level of the market range. The Novotel concept is of an international chain of modern, practical and informal hotels catering for both business and leisure tourists. Globally, there are 396 Novotel hotels in 58 countries, including Nigeria. We will discuss Novotel's structural and operational strategies, and its customer service and marketing strategies.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Explain the essence of strategic management in Novotel
2. Analyze Novotel's management structure
3. Discuss the relationship between the customer service strategy and the marketing strategy of Novotel.

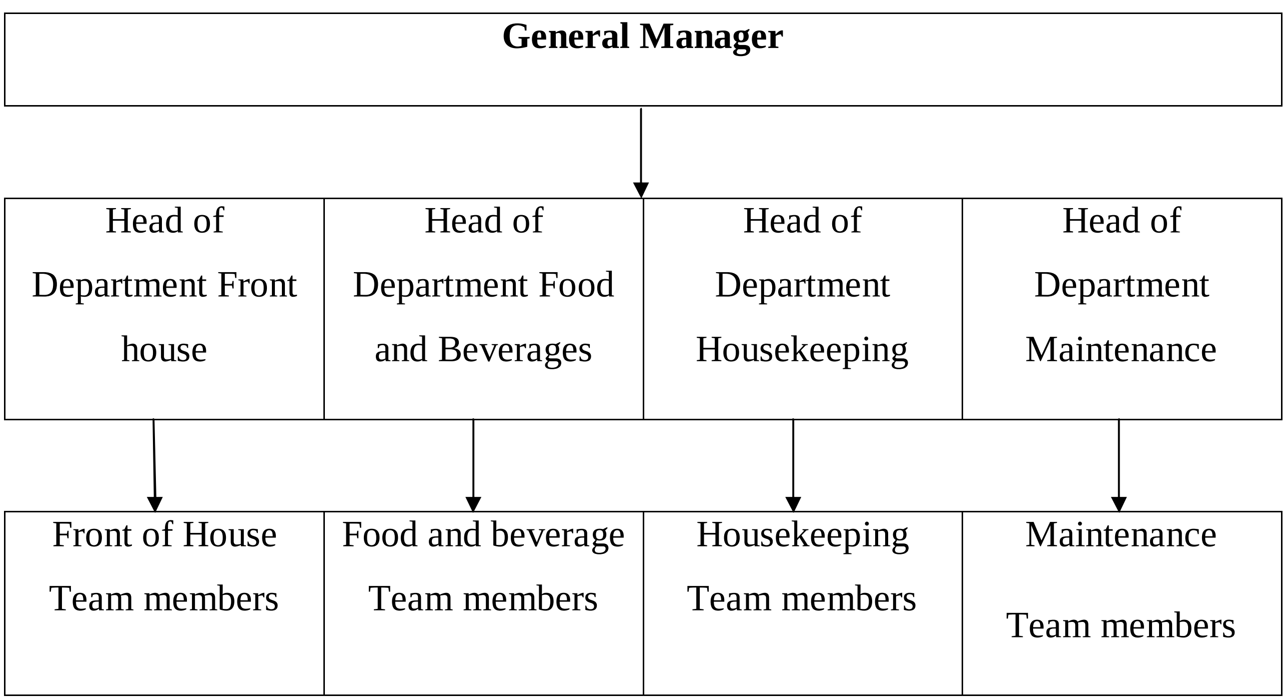
3.0 MAIN CONTENT

3.1 Novotel Strategic Business Management Structure

Accor began with Novotel, but the group has dealt in a variety of business interests, not only hotels. For example, it owned the Carlson Wagonlit business travel agency chain until 2006. It strategic business interests have also expanded outside the travel and tourism industry, for example the American employment services firm Worklife Benefits, which Accor merged with Workplace Options in 2005. The global group business structure has been highly diversified, but in 2007, it moved to concentrate on its two key business areas:

- Hotel;
- Tourism and services

The Figure 7: Management structure of a typical Novotel hotel.



The above management structure of Novotel depicts a fairly ‘flat’ structure, with staff working as a team on relatively equal basis. Nevertheless, there are hierarchical elements; the General Manager is in charge of the hotel and is responsible for the work of the Departments Managers who in turn manage the members of their own teams.

3.2 Operational Strategy

In the United Kingdom alone, Accor operate 31 Novotel hotels, each with operatinal restaurant, bar, leisure facilities, en-suite bedrooms and meeting rooms for business guests, whether resident or not. Most hotels have a car par and one in two has a swimming pool. Catering for family guests, bed settees are provided and inter-connecting rooms are available in some hotels. Wi-Fi internet access is made available at a supplementary charge.

The Novotel London St. Pancras is one example of the Novotel brand in the United Kingdom. Previously London Euston, the hotel was renamed in 2007when the nearby St. Pancras International rail station, just 3 minutes from the hotel became the London terminal for Eurostar trains to the Continent. Novotel Londo St. Pancras is a 4-star hotel, comprising 312 bedrooms and suites, Mirrors restaurant and bar, 16 conference rooms and a fitness centre. Room service is provided 24 hours a day.

3.3 Strategic Customer Service approach

Novotel have introduced a customer service concept called ‘Service Extraordinaire’, emphasising the company’s French roots. ‘Service Extraordinaire’ simple means extraordinary service. It is a training programme aimed at enabling hotel staff to provide excellent customer service, with an edge over Novotel’s competitors, an edge that Novotel senior management team refers to a ‘Novotel Difference’. The first Novotel to introduce ‘Service Extraordinaire’ was Novotel London West in 2003. That year, Novotel London West won the Best Training Team of the Year award for Service Excellence in the National Consumer Service Awards.

Novotel management, making use of market research findings, defines the customer service it wants its guests to receive as:

- A hassle-free stay;
- Staff who are proactive in meeting customer needs
- Customers who feel comfortable and relaxed;
- Customers who have a choice over the service they receive;
- Services that is delivered with a human touch

‘Service Extraordinaire’ was introduced to Novotel’s staff as a way of enhancing the already good customer service they were delivering. The Novotel UK vision is to be the brand of choice for its customers and for its employees. If Novotel can attract the best staff, because they want to work for the company, customer service is likely to improve still further and staff turnover will be reduced.

Novotel four hotel standards and seven service behaviours are as follows:

For Hotel standards:

1. Look Professional-be professional
2. Greet every guest and colleague

3. Look after your hotel

4. Be positive

Seven Service Behaviours

1. Be positive

2. Be gracious

3. Be a listener

4. Be a communicator

5. Be solution-oriented

6. Be responsible

7. Be thankful

However, for the hotel staff to be abreast of the aforementioned standards and behaviours, training is delivered through:

- Awareness-raising-staff meetings, posters and newsletters are used to familiarise staff with the four hotel standards

- Induction to ‘Service Extraordinaire’-all staff attend a 3-hour induction to the ‘Service Extraordinaire’ training course;

- A 2-day seminar;

- Follow-up training by ‘hotel coaches’

3.4 Marketing Strategies

Customer service quality is in itself an important element in Novotel's marketing strategy. Having well-regarded hotel service hotel service product is important to Novotel not only for the retention of existing customers but also to attract new guests. This achieved through the mechanism of 'below-the-line' communication- the hidden marketing of word-of-mouth whereby a past or present customer passes on to the other potential customers a hopefully positive recommendation of the hotel chain. Not only does this process lead to more business and increase the company's turnover, but it also comes at no extra financial cost beyond delivering the product well. The effectiveness of Novotel's 'Service Extraordinaire' programme is therefore enhanced and the financial and human resources investment in it further justified by the marketing spin-off it generates.

E-marketing (electronic marketing) is another approach used by Novotel, as it is by other Accor brands, to attract repeat business. Many customers now book online, using the Novotel or Accor websites. Novotel does not find it necessary to enter into partnership with online booker such as Expedia. Unless they have indicated otherwise, customers receive regular e-mailings to keep them up the level of their awareness of the Novotel brand and attract them by means of special offers on stays at selected hotels. A business customer may be enticed to make a leisure booking as well as further business bookings and trade volume grows as a result.

4.0 CONCLUSION

We have discussed how Novotel succeeds in using their structural, customer service and unique marketing strategies in maintain competitive advantage in the hospitality and tourism industry. Understanding this concepts will enable you discuss the strategies that could be applied in any hotel setting in order to maintain a competitive advantage.

5.0 SUMMARY

This case study on Novotel has given you insight as to how tourism and hospitality industry, in this case, a hotel can adopt unique strategic management style in order to have a real competitive edge over other rival hotel providers.

6.0 SELF ASSESSED STUDY EXERCISE

1. Review the term "Service Extraordinare" and the customer service and strategy in Novotel

2. Discuss how Novotel can maintain its place and brand in the ever-changing hotel market

3. Explain the importance of Novotel's marketing strategy.

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