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THEORETICAL ASPECTS OF STRATEGIC MANAGEMENT IN HOTEL BUSINESS

Hotel business in the tourism industry is the most dynamically developing subsection, which brings millions of profits for many countries' economy. Hotel business development is a key factor in tourism growth. Increasing number of tourists and effective functioning of hotel complexes create jobs and ensures filling of national and regional budget.

Modern features of hotel industry developed in the second half of the twentieth century. In 60-70s of the last century, drastic changes took place in the global hotel industry. If, at the end of 19th century and at the beginning of the twentieth century, hotel represented individual and mostly family establishment; modern hotel is a complex agricultural unit which performs a variety of industrial, agricultural and managerial functions. The service sector and in particular industrialization of hotel industry raised in the foreground a large, technically and technologically well-armed corporations, hotels, chain which combine thousands of hotel rooms around the world. Small family business moved towards the periphery of the tourist flows and occupied the market niche, which corresponds to their size and potential. Therefore, in modern conditions and from global perspective the placement means are presented as independent small and medium enterprises or hotel chains. However, it should be noted, that in countries with low tourism development rate, because of inadequate infrastructure, small hotel business is used very frequently.

Serious, evolutionary changes have occurred not only in hotel management principles and methods, but also in hotel product itself - it has become a high-tech and consumer-oriented, striving to meet the needs and desires of the most extraordinary people. In modern circumstances, hotel business operates in extremely tough competitive environment. Employing the progressive marketing strategies in hotel service market, absorption and consolidation and market segmentation, as well as new companies entering the market makes the competition fierce.

Tourist residency enterprises function in affiliation with the environment. Evolvement of microenvironment (economic, competitive, climate - environmental and political factors, criminal situation) has several impact on business, forcing hotels to take into account the above mentioned issues and other significant environment changes while developing hotel strategy. The main objective of the modern world managers tend to be development of company's strategy and its execution, if not implemented properly, attaining success in business becomes impossible.

Hotel strategy is logical unity of certain steps that the hotel has to carry out for managing successful business. Lack of direction in a business significantly increases the risk factor. If there is no decision making guidance and main concept, the issues are solved by gut feeling. Worse still, when tempted into following competitors' moves in the hope of getting to a better place. Keeping an eye on competitors is, of course, a must; doing what they do is not, unless it fits with own goals. If it does, then you should question why you did not get there first. Do you want to lead or follow? Operating your hotel solely on the basis of what others are doing, or taking uninformed decisions will get you nowhere in the end because what seems like a smart move today often turns sour tomorrow.

In spite of the above mentioned, not everything in business life can, or indeed should, be planned and analysed to the n^{th} degree. Gut feeling is good and has inspired many great decisions but it should not be the sole driver while making decisions. Without focused, goal-orientated decision-making, hotel business drifts into trouble.

Armed with strategic plan, the above mentioned problems can be avoided and risk factors condensed. It assists us to develop the plan which ensures long term success in business. With the help of the strategic plan, hotel business is result- oriented, which in turn, reduces the risk of failure.

The result of strategic planning for the hotel business, derived from the long term interest, tends to be making management decisions. Strategic planning must be effective - this is unalterable command of scientific approach regarding management and the main task of economic science. As a result of mistakes made during strategic planning sacrificing economic resource and market position is higher than sacrifices made during short-term planning.

The ability to create a realistic strategic map begins with a particular mindset; everything else stems from that. It implies how an owner views his/her own hotel business, and as a result, how it is managed. Thoughts determine act; so, having a certain mindset supports the creation of strategic map and indeed the quest for excellence.

Very often, businessmen view their business from the wrong perspective, believing that as they have a hotel they have stakeholders, such as customers and employees. However, there are some who truly believe in excellence and take a different approach. They see their stakeholders as being an integral part of their hotel, not external to it, or a result of it. They recognize that without certain stakeholders they do not actually have a viable business. Creating result-oriented strategy requires allotment of greater importance to stakeholders which should be divided into two parts:



Differentiation between primary or secondary stakeholders happens according to the degree to over which they exert influence, or have an impact on to run hotel. Those who have significant influence and/or impact are seen as primary stakeholders and, as such, require most of attention. Secondary stakeholders are not unimportant; it is just that they are unlikely to have the same degree of power over the choices. However, their needs should be considered.

For hotel purposes, focus should be made on three primary stakeholders, as shown in the picture. Creation of the strategic map involves placing these stakeholders at the forefront of thinking. It also means recognizing that the path to excellence lies in satisfying their needs because, in doing so, hotel ultimately satisfies its own desire. For example: one of employees' needs is to feel valued and respected. In case an employer cannot

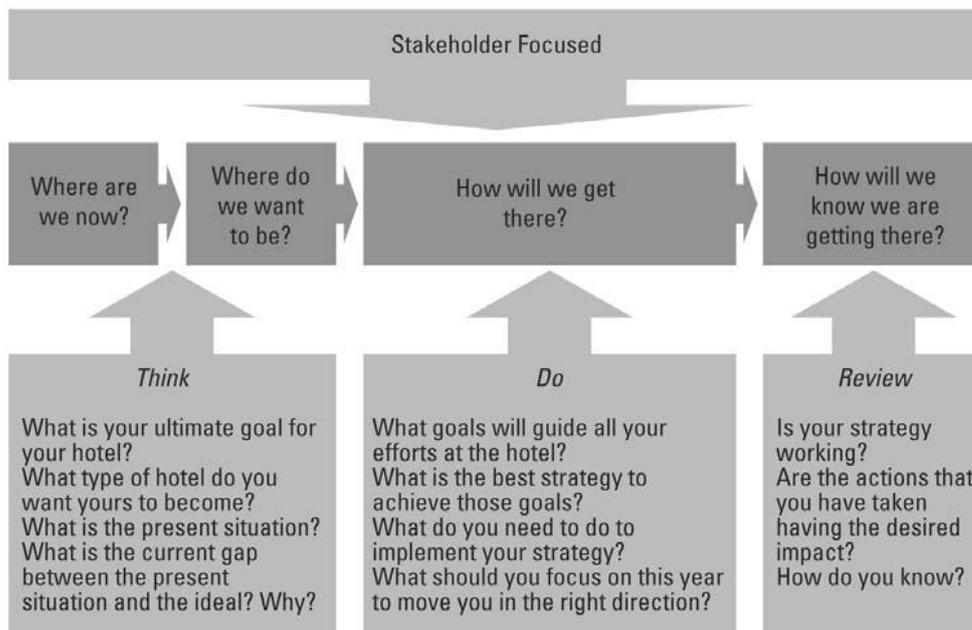
deliver on that need, this will affect employees ability to offer excellent service to customers which, in turn, will sooner or later impact on profitability. It is this interconnectivity of stakeholder needs which provides the rationale for the creation of strategic map and underpins the journey to excellence.



Elements of a strategic map

Not only can this process of strategic map-making seem confusing at times, but it is also riddled with concepts, models, frameworks and terminology. On the other side, there exist different interpretations of how best to develop strategic map. While trying to answer four vital questions, challenges are eliminated. When looking to work at it this way, things start to make a bit more sense. However, building strategic map fits closely the approach “*Think, Do, Review*”.

- First of all, it starts by thinking about the current position of the hotel (Where are we now?) and followed by description of the big picture (Where do we want to be?).
- Based on that, goals are defined and related strategies are developed: with action taken every year to make it happen (How do we get there?).
- It is crucial over time to review progress to see if moving in the right direction (How will we know we are getting there?). It is noteworthy that managers who learn lessons mentioned here, can adjust elements of strategic focus where necessary.



It is important to emphasize that the strategic map will not be written in stone. Changing economic or competitive dynamics will naturally require to revisit the plan – review the section of “where you want to be” or to adjust the “how to get there” part. That is not to say that the strategic map will constantly change from year to year, for that, in fact it would mean that there is no strategic map.

Features of Strategic map (Enda M.Larkin)

not guarantee the achievement of success.	create a foundation upon which excellence can be built.
not a straight line.	define what is hoped to be achieved and even if they are forced to change direction in the short period, they will have a context to refer to while making these decisions.
not provide control over volatile business environment.	help to understand more clearly the forces influencing business, and to have a better chance of mastering, or at least managing them.
not resolve the resource issues that business faces.	assist in channeling limited resources in the right areas for maximum impact
not mean that it will not get wrong over time.	helps to make proper decisions. Mistakes are costly, both in financial and reputational terms.
not mean that change in track in direction cannot be made.	establishes a benchmark against which to measure progress, so that it is easy to spot when there is necessity to change the direction.

Accordingly, if a hotel is in its early stages of development, creating strategic map should be number one priority. In spite of scarcity of time, it is crucial to be considerate. It is not always so that good financial position means that hotel is heading in the right direction. It is of course a better sign than bad financial indicator, but unless having mapped out the direction, there might be shocks hiding behind what currently seems to be a healthy bottom line.

Despite the fact that strategic plan can help hotel to prosper and develop, if operation is based on a bad idea, in the wrong location, at the wrong time then a strategic map will be useless.

Within the development of strategic vision, it is important to develop right marketing strategy to ensure hotel's sustainable market position and competitive advantage. Often managers and owners of the hotel business utilize outsourcing strategy. Adopting this strategy means to concentrate on the main sections of value chain (value) and transfer other activities to independent companies. It should be noted that the use of outsourcing is not always appropriate, and it certainly has advantages and disadvantages, and if not considered it can create serious problems for the hotel. Below is defined different business functions transferred through outsourcing, advantages and disadvantages.

The functions of hotel business enterprise and activities of certain types of outsourcing, advantages and disadvantages (according to V. Kameneva)

of activities and ss functions	Advantages of outsourcing	Advantages of outsourcing
Accounting	Qualification of provider specialists; possibility for breaking the tax law is due to an employer; decrease in taxes due to reduction in the (Salary Fund); no necessity of using informational technologies for carrying out accounting activities.	Primary documents preparation by an accountant; the risk of information disclosure; loss of efficiency in receiving the data.
Personnel selection and development	Quality of personnel selection and training; high mobility of outsources; highly informative about the labor market.	Lack of personnel management; the lack of understanding the specificity of hotel business; the complexity of staff in the formation of a stable climate.
Service	High market value of qualified professionals; the regularity of the demand.	High value of service invention firms; complexity of business and legal issues in hotel business.
Marketing functions	Qualification of outsources; reducing the cost of advertising.	Lack of increasing the level of professional knowledge in the hotel business; high cost of services.
Appropriate level of maintenance repair work	Appropriate level of quality while maintenance work; agreement about the dates of the work (mainly for the production of regularity); qualification of provider group of specialists.	Lack of small repairs; need for quality control; the risk of causing discomfort for clients.
Production services	Need to buy expensive equipment; ensuring the quality of service provision.	Lack of efficiency; necessity of quality control.
Computers and information services	Qualification of provider group of specialists, provides a level of modern technology; high market value of specialists; regularity of demand; to support providing modern informational techniques.	Lack of efficiency; specific nature of computer programs.
Technical services for commercial equipments	Qualification of provider group of specialists.	
Cleaning rooms and and common use places	Quality in personnel; attachment with current needs (no regularity); high-quality of service; use of expensive equipment; complete complex of cleaning services.	Need for quality control; the need for specific knowledge in the hotel business.
Security and safety service	Qualification of provider group of specialists.	Lack of specific knowledge in the hotel business.
Laundry and dry cleaning	Quality in personnel; high quality of work; use of expensive equipments; attachment to current needs depends on the hotel's non regularity factor.	Need for quality control.

We have many examples in the world where every year a large number of small and large companies face bankruptcy because of managers' lack of qualification and not having well defined competitive strategies.

In addition, training is particularly important for small and medium business representatives; in Georgia they often run business with gut feeling, without any specific business education and awareness of the hotel industry. Our analysis reveals that small hotel owners and managers have absolutely no idea about the strategic plan and its importance, or have the information, but in current situation, they ignore. Understanding the nature of the strategic map - why it is important and how it contributes to the management of the hotel – is the first significant step towards the search of perfection.

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