

An Integrated approach to developing and implementing strategy in Hotels

Gerry Gallagher.

Lecturer in Corporate Strategy, Department of Business, School of Business and Humanities, Institute of Technology, Tralee. Tel: 00 353 66 7191912 (Direct).

Email: gerry.gallagher@staff.ittralee.ie

Abstract

Every hotel wants to improve its financial performance, yet it appears that few approach it in a strategic manner that will result in balanced, sustainable growth. This paper sets out a framework for hotels which incorporate all the main elements required in setting goals and objectives that co-ordinate all internal departments as well as providing metrics and initiatives to enable those to achieve their desired results.

Key words

Vision, Goals, objectives, Balanced Scorecard, metrics, strategy.

An Integrated approach to developing and implementing strategy in Hotels

Introduction

Setting objectives and achieving results is central to any business. While every business will establish objectives, there is often a lack of cohesion between those objectives and the strategies chosen to support them. While in professions such as medicine, it goes without saying that practice is grounded in relevant theory. The same does not always apply to business. Tranfield and Denyer (2004) discuss the need for linking knowledge producers and knowledge users; what Starkey and Madan, (2001) refer to as bridging the “relevance gap”.

The rationale for this research comes from a gap in the relevant literature and from industry experience. Taking primarily a deductive approach (Horn, 2009; Saunders *et al*, 2009:61), the aim of this paper therefore is to provide a theoretical framework for hotels in the development of objectives that are in line with a well-crafted vision, and are internally consistent. It also provides a link between objectives and appropriate strategies and metrics. The consistency is provided not only between linking the vision, mission, objectives, strategies and results, but also in terms of aligning all internal departments of the hotel. While each hotel will be different in terms of objectives and resources, it is a generic framework that can be applied, with adaptation, in every situation.

METHODOLOGY

This research involves a two-phased methodological approach. Initial qualitative research was undertaken to gain a better understanding of the issues involved in formulating goals and objectives in the hotel industry. According to Horn (2009:124), qualitative research seeks data and understandings from natural organisational settings. It is interested in exploring meanings, perceptions and understandings. It often “focuses on processes, not outputs”. Semi-structured interviews were chosen as the means of gaining this understanding. Kahn and Cannell, 1957 describe interviews as purposeful discussions between two or more people to enable one to gather valid and reliable data and to help

formulate research objectives. The data are likely to be used to help understand the 'what' and the 'how' but also to place important emphasis on the 'why' (Saunders, et al. 2009:321). Semi-structured interviews were carried out with hotel managers and industry consultants. The purpose of these interviews was to ascertain the issues involved in developing goals and objectives in the hotel industry, particularly around the structure used by managers. Such interviews allow the researcher to probe answers and get the interviewees to elaborate on specific aspects. According to Jankowicz (2005), interviews are most suited when the questions are open-ended or complex. The nature of semi-structured interviews can lead to concerns about reliability (would the findings be replicated by other researchers), and interviewer bias (Easterby-Smith *et al.* 2008). The ability to generalise findings is also an issue. This does not however impact on validity. None of these obstacles is insurmountable however. In regard to reliability, such research findings are not necessarily intended to be repeatable: they merely reflect the reality of the time that they were collected. Interview bias can be overcome by careful preparation and interviewing competence (Saunders, et al. 2009). Finally, in regards to the transferability to the findings, Bryman (1988:90) suggests that the difference between semi-structured interviews and surveys is not hugely significant as "a wide range of different people and activities are invariably examined so that the contrast with survey samples is not as acute as it would appear at first glance".

Findings

The most significant finding from the initial research is the difference between larger international/national hotel chains and stand-alone domestic hotels – the latter tend not to have any structured system for setting goals and objectives, while larger chains tend to have some formal systems in place. For those hotels that do not have formal goal-setting systems in place, the issues that arose in the discussions were:

- The seasonal nature of the industry
- The cyclical nature of the industry
- Smaller hotels – perceived lack of relevance

- Foreign nationals working in the hotels, often with poor levels of English, and consequent difficulty in communicating
- Focus by managers tends to be on short-term operational issues rather than long-term strategic ones.

As a result of this research, the following framework is proposed as a mechanism that can be utilised by hotel managers irrespective of the size of their hotel or whether it is a stand-alone operation or part of a larger chain.

Once this model is refined, quantitative and qualitative research can then be undertaken to further investigate the validity of this approach. The quantitative research (self-administered questionnaires) will be used to obtain data setting and implementing goals in general. Qualitative research (case study) will be used with hotels that use formal systems of goal setting to fully understand its impact on managing performance.

INTEGRATED APPROACH FRAMEWORK

VISION

In “Alice in Wonderland”, when Alice asks the Cheshire Cat in which direction should she go, the Cat advises her: “That depends good deal on where you want to get to” (Carrol, 1989:63). Organisations need a clear understanding of where they are heading. Goals and objectives should not be set in isolation, but should be set to enable the organisation to achieve their vision. They should also be clearly understood by everybody in the organisation. An organisation’s vision is therefore the starting point for what it ultimately achieves. The vision informs the mission, and in turn, the goals and objectives. These must be properly measured to ensure successful implementation.

Many hotels are experiencing enormous difficulties as a result of the current recession. As they grapple with these difficulties, they should differentiate between the need for a constant focus on what the organisation is trying to achieve, while retaining flexibility to respond as circumstances change. Quinn (1980:58) describes the process of “logical

incrementalism” – the development of strategy by experimentation and learning from partial commitment. Notwithstanding the need for flexibility, many writers (Mintzberg, 1994; Johnson *et al*, 2008; Gallagher, 2009; Thompson *et al*, 2010) believe it is also necessary to develop concrete plans, with specific goals and strategies to achieve those goals.

Vision links the challenges that currently exist and long-term focus on what is required by the organisation. According to Kotter (1996) developing a vision plays a major part in leading change, and the hotel industry is now experiencing enormous change. Collins and Porras (1996) found that companies that have taken the time to craft a proper vision have outperformed the general stock market by a factor of 12 since 1925: “Companies that enjoy enduring success have core values and a core purpose that remain fixed, while their business strategies and practices endlessly adapt to a changing world.” Collins and Porras regard a well-conceived vision as consisting of two major components:

- A Core Ideology consisting of core values and core purpose — what the company stands for and why it exists;
- Envisioned Future — what the company aspires to become; where long-term objectives are set and how these objectives are communicated to all concerned.

Thompson *et al*. (2010: 24) outline the characteristics of an effectively worded strategic vision. It should be graphic; directional; focused; feasible; desirable; and easy to communicate.

The environment for the hotel industry is changing at an ever-increasing rate, making long-term planning in particular, extremely difficult. As a result, hotels have to be flexible and adaptable when opportunities arise. Vision provides the end goal for effort. There are many ways of achieving that end goal, and those methods will change as circumstances unfold.

Benefits of a Vision

Vision plays a very important role in the hotel business. First and foremost, having a vision for the organisation provides senior managers with a clear and shared understanding of

where the hotel is going over the long term. This will inevitably impact on the decisions that are made, which correspond with achieving that vision. Vision also serves as a guiding light for the entire organisation, both in terms of lower-level managers setting departmental objectives, and in terms of employees buying into the process. Finally, vision will guide the organisation through inevitable periods of change and uncertainty.

Components of an Organisation's Vision

Collins and Porras (1996) spoke of the core ideology consisting of values and purpose. One essential element of a vision that they did not discuss is the driving force behind it — the leadership required to give the process energy and direction. Gallagher (2009) believes that there are three essential components of an organisation's vision:

- Leadership
- Values
- Purpose

Leadership

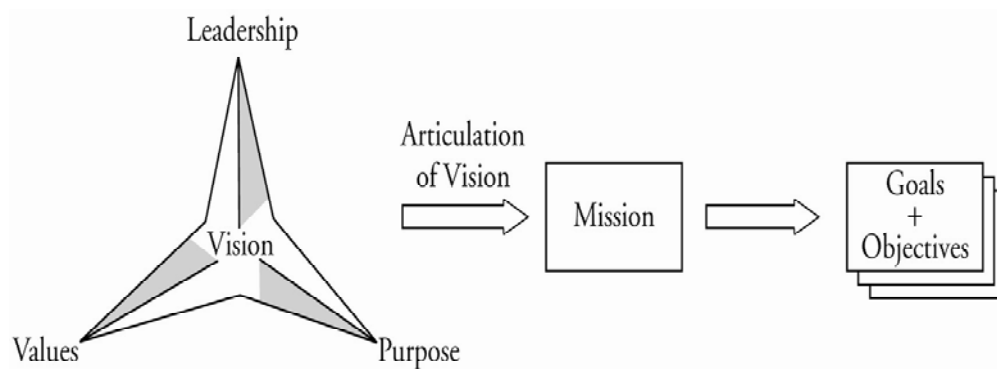
Leadership, values and purpose together constitute the organisation's vision, see fig.1 below. Values and purpose do not exist in isolation. Leadership plays a very important part of the process of building and sustaining the values and purpose of the organisation. Other functions of leadership that are also relevant here include building teams of people that are culturally compatible with the values and purpose of the organisation, as well as developing individuals as future leaders who will ensure the continuity of the values and purpose of the organisation (Gallagher, 2009:54). The latter point is of particular importance in family-run hotels, where in common with other family-run businesses, succession often poses a problem, as the family member designated as successor may not be properly groomed for the transition (Collins, 2007).

Building and sustaining a vision by its nature is a long-term process. Therefore, an important function of leadership is to maintain the level of motivation and commitment within the

organisation while achieving the mission and objectives. Perhaps the most important function that binds leadership and vision is the necessity to bring that vision to fruition.

Fig, 1

Vision, Mission, Goals and Objectives



Ref. Gallagher (2009: 53)

Values

Dose (1997) defined Values as: “standards or criteria for choosing goals or guiding actions, and they are relatively enduring and stable over time”. While societal values are relatively enduring and stable, it is natural that they will evolve over time. The fact that they can evolve is important. Rokeach (1973) argues that social change would not take place if values were absolutely stable. On the other hand, if there were a lack of stability with regard to values then there would be no continuity in society. Each set of values ultimately reflects the society in which they exist. Buelens *et al.* (2006: 91) distinguish between ‘content’: what people find important; and ‘intensity’: how those values are ranked according to their importance — a value system that can be described as “an enduring organisation of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance”.

It is generally accepted that people are not born with an internal set of values, but that they are acquired through a process of socialisation during their lifetime from a variety of sources including family, peers, school, work and national culture. Initially, values are learnt in isolation from each other in an absolute, all or nothing sense. As people mature, they learn to integrate these isolated values into a hierarchy of importance. Schwartz and Sagie (2000) consider that there are a number of value types that are common to most societies. This has obvious implications for global hotel chains in terms of creating common values throughout their organisations, and indeed for smaller, domestic Irish chains as well, as there has been a large increase in foreign workers coming to Ireland in recent years to work in the hotel industry (CSO).

Ross *et al.* (1999) state that work values are expressions of basic values in the work setting and are ordered by their importance as guiding principles for evaluating work outcomes and settings, and for choosing among different work alternatives. Thus, corporate values ultimately reflect the personal values of those running the company. Ireland has become a multicultural country, and this can present challenges for organisations. Various cultures may differ in their values, but there will still be shared core values to which they can all aspire. In turn, the values of an organisation will ultimately attract people whose personal values reflect those of the organisation. Isadore Sharp, CEO of Four Seasons Hotels and Resorts places great importance on the culture and values of the organisation. For any potential new employee it sends out a clear message about the personal values that they are required to have: "It's not something they train for. This is the way they are brought up."(www.fourseasons.com)

Values guide an organisation in its dealings with all its stakeholders. While values might be explicitly stated, they are ultimately of intrinsic value to the organisation and do not require any justification to outsiders. Each company will generate their own values. Collins and Porras (1996) recommend having only a few — perhaps three or four — as only a few values can be truly core and define what is central to company beliefs.

Buelens et al 2008 differentiate between espoused (stated) values and enacted values. Many organisations will have espoused values, but practising them is another. Enron had espoused corporate values including respect, integrity, communication and excellence, yet displayed very different values in its actions. One famous example of stated values that do guide action is the Johnson & Johnson credo which identifies four categories of stakeholders: customers; employees; the wider community and lastly, shareholders, and the credo also explains the values which guide its actions. www.Johnson&Johnson.com

Purpose

The third element of a vision is purpose: the organisation's *raison d'être*. While business objectives will change, Collins and Porras (1996) suggest that you cannot fulfil the organisation's purpose; it is like a guiding light on the horizon, forever pursued but never reached. According to Mourkogiannis (2006), purpose both drives a company forward and helps build sustainable advantage. Purpose becomes 'the engine of the company'. Core purpose is not about the maximisation of shareholder wealth. A primary function of core purpose is to inspire, and not many people in the organisation will be inspired by a purpose based on maximisation of shareholder wealth. Many people in business are wealthy beyond their dreams and still remain passionate about their work. For others, wealth does not come into it. As Peter Drucker pointed out, the best and most dedicated people are ultimately volunteers, for they have the opportunity to do something else with their lives (Drucker 1999).

FROM VISION TO STRATEGIC INTENT

The company's vision must ultimately be translated into concrete results. According to Hamel and Prahalad (2005), "Strategic Intent envisions a desired leadership position and establishes the criterion the organisation will use to chart its progress". It lengthens the organisation's attention span rather than just focusing on the here and now. It also sets a target that deserves personal effort and commitment which has a much greater motivational impact on employees. To be effective, management and staff must understand it and see the implications for their own jobs.

The process of developing strategic intent involves a different approach with an emphasis on engaging employees emotionally and intellectually in the development of new skills and in reciprocal responsibility for competitiveness. They believe that cost reductions are achieved not through lower wages but from better working methods developed by employees. This requires a constant focus on innovation, building layers of competitive advantage over time, exploiting areas that competitors are not immediately concerned with.

Thompson *et al.* (2008: 33) describe strategic intent thus: “A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.” When Jack Welch became CEO of General Electric he set the objective for the company to “become number one or number two in every market we serve and revolutionise this company to have the strengths of a big company combined with the leanness and agility of a small company” (Welch, 2001).

Sharing the vision

A vital part of the process of achieving a vision is getting others to buy into the process — getting them to picture what the organisation will look like when vision has been achieved. Covey (1994: 97) suggests that we “begin with the end in mind” — and work backwards to where we are currently at”. This involves describing that vision and then deciding what needs to be done to achieve it. That vision has to be shared with everyone in the organisation and their support for the process galvanised. President Kennedy’s inauguration speech in January 1961: “...The torch has been passed to a new generation of Americans... tempered by war, disciplined by a hard and bitter peace” was an exhortation that appealed to their sense of patriotism and duty: “And so my fellow Americans; ask not what your country can do for you — ask what you can do for your country” (Daller, 2003).

MISSION

There is a clear distinction between a strategic vision and a mission statement. In essence, a vision concerns the company’s future business — where it is heading in the long term. A mission, on the other hand, describes the company’s current business: ‘who we are, what

we do and why we are here'. The vision guides the mission. In turn, the mission statement and consequent goals and objectives all provide guidance for the planning process. Gallagher (2009:62) defines a mission in the following terms: "A mission guides the members of an organisation in making decisions that will achieve strategic goals and objectives". Kotler (2007: 88) describes a mission as an "invisible hand" within the organisation. According to Dibb *et al.* (2006: 42), creating a mission statement is very difficult because there are a number of complex variables involved. It is however, an important one.

GOALS AND OBJECTIVES

In order to achieve the mission, the company must translate it into more immediate goals and objectives. The terms 'goals' and 'objectives' are often used interchangeably. There is a large overlap between the two terms, but there is a distinction nonetheless:

Goals are a broad general statement of intent in line with the mission, focused on achieving a certain outcome, and they are usually *qualitative* in nature. A goal may have a number of objectives emanating from it.

Objectives are also statements of intent but are much more specific in terms of the desired outcomes to be achieved. They are, generally speaking, *quantitative* in nature. Bill Hewlett of Hewlett Packard once said: "what gets measured gets done" (Gallagher, 2009:64).

In setting goals and objectives for an organisation, it is essential that they reflect the entire organisation. Many organisations set goals and objectives based on financial performance. Depending solely on financial measures of performance does not give a balanced view of how well the organisation is performing overall. One of the big problems associated with financial performance is that the measures used are lagging indicators – the focus is largely on what has happened in the past, and these are not necessarily a good indicator of future performance. Moreover, financial reports may indicate areas that need improvement, but without necessarily indicating how these improvements can be made. Leading indicators of the company's future strategic position show whether the company will be in a stronger or weaker position in the market place. The targets that are set for the organisation must reflect a balance between financial and strategic goals. This is achieved by use of a Balanced

Scorecard, which combines both qualitative and quantitative measures that reflect different aspects (and stakeholders) of the company. The Balanced Scorecard also ensures a link between the organisation's vision, its mission and the resulting goals and objectives.

THE BALANCED SCORECARD

Kaplan and Norton first developed the Balanced Scorecard in 1992 arguing that organisations should monitor both financial and operational metrics simultaneously, and that the perspective should be forward-looking to build up an integrated and comprehensive picture of overall performance. Likewise, managers need an overview of the entire organisation when goals and objectives are being formulated. The Balanced Scorecard is primarily a planning device, but it also serves as a control device in the implementation of strategy. It also plays a very important role in the process of change and helps the organisation keep market-focused.

According to Kaplan and Norton (2005), there are four elements to the Balanced Scorecard:

- **Customer perspective** – how do our customers see us and do our products/services meet or exceed their expectation?
- **Internal perspective** – knowing what our customers want, what do we have to do internally in order to deliver on that expectation?
- **Innovation and learning perspective** – expectations will change over time. What measures are we taking in order to be able to deliver in the future? Can we improve on what we are doing?
- **Financial expectations** – how is the organisation doing financially and is it delivering good returns to its investors?

A number of goals are listed for each element along with appropriate metrics to measure performance. By limiting the number of measures used, the Balanced Scorecard helps minimise information overload — it forces managers to concentrate on those measures that are of critical importance to the organisation. It brings all the critical information together from different elements in to one report and helps prevent sub-optimisation by showing

managers the inter-relationship between those parts. Improvement in one area should not be at the expense of another. The scorecard for each individual business will be different because of variances in market situations, strategies and competitive environments. Each business unit will, therefore, have to customise the scorecard to fit in with their own particular circumstances. It will have to be updated regularly as circumstances change, while all the time remaining consistent with the company's long-term strategy.

Kaplan and Norton (2008) recommend the development of a strategy map as a powerful tool to help all staff members to visualise the strategy, and its cause and effect relationship among strategic objectives. It begins with the long-term financial objectives and these are then linked to the other processes: the customer perspective; the process perspective and the learning and growth perspective. Larger organisations will have an overall strategic map and then link it to strategic maps for each operational unit. These are then linked to corresponding measures and targets. The process can be simplified somewhat by using three to five strategic themes. A strategic theme is a vertical slice within the map that consists of a set of related strategic issues. These themes have a number of advantages: they all manage to customise the various themes to suit their particular circumstances while at the same time, help integrate the different objectives with the overall strategy. The themes can also be developed to deliver results over different time periods. This will help hoteliers to manage short-, medium- and long-term value-creating processes simultaneously.

The strategy map is then linked to performance metrics for each objective. Such metrics are a vital part of the process in terms of managing and improving the organisation. Another essential element is authorising and allocating the resources necessary for attaining the desired results, along with the strategic initiatives required. Kaplan and Norton believe that achieving results requires an integrated and cumulative impact of the different themes across the organisation. Finally they recommend that a senior manager is assigned responsibility for each theme as this allows for much greater co-ordination between different parts of the organisation and provides for greater chances of success. Each of the metrics can be assigned a colour-coded indicator (green, orange and red) that will focus management attention on the most pressing issues that require their attention. The

example below (fig.2) takes three themes: operational excellence, service and customer management. These themes can then be superimposed on the four perspectives of the Balanced Scorecard.

Fig.2 Strategy Map for a Hotel

Strategic Map for a Hotel			
<i>Themes Perspectives</i>	Operational Excellence	Customer Service	Customer Relationship Management
Financial	Increase margins ↑	Create higher margins ↑	Increase revenue and ROCE ↑
Customer	Increase contribution from customer ↑	Customer-focused service. Create a compelling place to visit. ↑	Add and retain high value customers. ↑
Internal Process	Develop efficient internal processes, to include environmental processes and CSR ↑	Create seamless and co-ordinated service between departments. Minimise absence. New product and service development ↑	Create a comprehensive customer database to include detailed information about likes and dislikes. ↑
Learning and Growth	Develop a capable and efficient Workforce Develop a customer-focused competences in staff		

In turn, each of these themes is supported by the appropriate metrics, strategies and budgets that will manage performance. Fig. 3 below will elaborate on the third theme from the strategy map: Customer Relationship Management.

Fig. 3 Theme No 3: (Customer Relationship Management).

(Theme 3): Customer Relationship Management					
	Strategy Map (Fig. 2)	Measure	Target	Initiative	Budget
Financial perspective	Increase revenue and ROCE ↑	Revenue mix. Revenue growth.	New: + 10% Existing: + 25%		
Customer perspective	Add and retain high value customers. ↑	New customers. Increase in repeat visits. Longer stay.	15% increase in new customers. 10% increase in repeat visits (calendar year). 1 night extra per guest per visit.	Marketing campaign. Discount for extra night.	€ __
Internal Processes Perspective	Create a comprehensive customer database to include detailed information about likes and dislikes. ↑	Targeted marketing. Improve process for customer feedback. Develop integrated database	Complete database of all customers c/w personal preferences, interests etc.	Data mining. Email/ write to targeted customers	€ __ € __
Innovation & Learning Perspective	Develop a capable and efficient Workforce Develop customer-focused competences	Staff training. Staff development.	Certification awards. Top rating for Customer feedback. Staff Incentive scheme	Internal training. External Training. Secondment/Posting to other hotels and resorts. Profit sharing	€ __ € __ € __ € __

--	--	--	--	--	--

References

- Bryman, A. (1998) *Quantity and Quality in Social Research*, London, Unwin Hyman.
- Buelens, M. *et al.* (2006) *Organisational Behaviour*, Maidenhead, McGraw-Hill.
- Carroll, L. (1989) *Alice's adventures in wonderland*. London, Hutchinson.
- Collins, J. And Porras, J. (1996) Building your company's vision. *Harvard Business Review*, Vol. 74 Issue 5, p66-77.
- Collins. L. (2007) *Irish Family Feuds*, Dublin, Mentor.
- Covey, S. (1994) *The Seven Habits of Highly Effective People*. London, Simon & Schuster
- Daller, R. (2003) *John F. Kennedy: An Unfinished Life*. London, Allen Lane
- Dibb, S. *et al.* (2006) *Marketing Concepts and Strategies*, Boston, Houghton Mifflin.
- Dose, J.J. (1997) "Work values: an integrative Framework and Illustrative Application to Organisational Situation", *Journal of Occupational and Organisational Psychology*, September 1997, pp.219-40.
- Drucker, P. (1999) *Management challenges for the 21st century*. London HarperCollins.
- Easterby-Smith, M. *et al.* (2008) *Management Research* (3rd ed). London, Sage.
- Gallagher, G. (2009) *Corporate Strategy for Irish Companies*. Dublin, Chartered Accountants Ireland.
- Hamel, G. and Prahalad, C. (2005) "Strategic Intent", Boston Harvard Business Review, Jul/Aug 2005, Vol. 83 Issue7/8, pp148-61.
- Horn, R. (2009) *Researching and Writing Dissertations*. London, CIPD.
- Jankowicz, A. (2005) *Business Research Projects* (4th ed.) London, Business Press Thompson Learning.
- Kahn, R. and Cannell, C. 1957 *The Dynamics of Interviewing*. New York, Wiley.

Kaplan, R and Norton, D. (2001) *The Strategy-Focussed Organisation*. Boston, Harvard Business Press.

Kaplan, R and Norton, D. (2005) The Balanced Scorecard: Measures that Drive Performance. *Harvard Business Review*, Jul/Aug 2005 Vol. 87 Issue 7/8 pp.172-180.

Kaplan, R and Norton, D. (2006) How to implement a strategy without disrupting your organisation. *Harvard Business Review*, Vol. 84 Issue 3 p.100-109.

Kaplan, R. and Norton, D. (2008) Mastering the management system. *Harvard Business Review*, Jan 2008 Vol. 86 Issue 1 pp.62-77

Kotler, P. and Armstrong, G. (2007) *Principles of Marketing*, New Jersey, Prentice Hall.

Mourkogiannis, N. (2006). *Purpose – the Starting Point of Great Companies*. New York. Palgrave MacMillan.

Quinn, J. (1980) *Strategies for Change*, Homewood, Ill. Irwin.

Rokeach, M. (1973) *The Nature of Human Values*, New York, The Free Press.

Saunders, M. et al. *Research Methods for Business Students*, 5th ed., Harrow, England, Prentice Hall.

Schwartz, S. and Sagie, G. (2000) "Value Consensus and Importance: A Cross-National Study", *Journal of Cross-Cultural Psychology*, July 2000, p.468.

Starkey, K. and Madan, P. (2001) "Bridging the relevance gap: aligning stakeholders in the future of management research", *British Journal of Management*, Vol. 12, Special Issue. pp.3 -26

Thompson, A. et al. (2010) *Crafting and Executing Strategy: The quest for competitive advantage*, 17th ed., New York, McGraw-Hill.

Tranfield, D. and Denyer, D. (2004) "Linking theory to practice: a grand challenge for management research in the 21st century?", *Organization Management Journal*, Vol.1, No.1, pp.10-14

www.fourseasons.com accessed 10 April 2010

www.Johnson&Johnson.com accessed 24 May 2010