

Methods For Formulation And Evaluation Of Strategies In Hotel Enterprises

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Abstract

In this study we discussed entrepreneurship in hotel enterprises, as well as strategic management with factors that affect the performance of enterprises by formulating strategies for better use of factors in creating sustainable and competitive advantages, where entrepreneurship focuses on creativity and innovation of hotel offers.

Therefore, entrepreneurship and strategic actions are at the center of building the performance of hotel enterprises. Entrepreneurial activities are the basis for companies' behavior - to move to new markets, gain new customers and combine existing resources in new ways. Entrepreneurship is mainly concerned with identifying market opportunities and creating a range of resources through which they can be exploited.

On the other hand, strategic actions have been taken to select and implement strong strategies. Increasingly, in globally competitive organizations, many strategic activities aim to monitor entrepreneurial opportunities by undertaking entrepreneurial activities. Strategic activities provide a climate in which innovations are developed and commercialized.

Thus, successful integration between entrepreneurship and strategic actions will strengthen the hotel enterprise's ability to grow and generate profit.

Keywords: Management, catering, entrepreneurship, strategy.

I. Introduction

The contemporary hotel industry faces many challenges from the national environment that are enhancing the understanding of strategic management for the growth and development of hotel businesses. In addition to the global character of tourism, the highly competitive tourism market and the internationalization trends of the hotel industry, several contemporary trends can be identified that condition to manage hotel enterprises (Hitt, Ireland, R.D., Camp, S.M., & Sexton, D.L. 2001): The tendency to increase the participation of sports and adventure activities can be mentioned;

The tendency to increase the participation of individual tourists who travel only with their own arrangement and seek products suitable according to their needs; The tendency of greater participation of wellness program content; Continuation of the trend of using sunny destination; Tendency to accommodate at lower prices; Tendency for shorter and more frequent trips; Tendency towards cheaper housing; Tendency to make travel decisions spontaneously; Tendency to change destination - traveling is an attraction and can be traveled to many different destinations; The emergence of new forms and types of accommodation; The contact with unpolluted natural environment; Tendency for the development of computer technology in tourism; Culture and education will

increasingly be sought as part of tourism content. Both strategic management and entrepreneurship relate to decisions made by general managers who have the responsibility for the enterprise as a whole. While strategic management is related to factors that affect enterprise performance (e.g., environmental strategies and sources of sustainable competitive advantages); Entrepreneurship is about the processes that lead to the creation of an enterprise (by this are considered independent enterprises and corporate enterprises). Moreover, it is better to say that entrepreneurship focuses on growth and innovation, while strategic management focuses on creating competitive advantages.

However, in this case the most convincing result of the integration of an enterprise and strategic management is the creation of the well-being of an enterprise or firm. For this reason, entrepreneurial and strategic actions are at the core of wealth creation for hotel enterprises. Entrepreneurial actions are a fundamental behavior of enterprises with which they move to new markets, gain new customers and combine existing resources in new ways. In this context, venture is mainly concerned with identifying market opportunities and creating a set of resources through which they can be exploited. Entrepreneurship has two components of behavior and attitudes. Lyon, Lumpkin, and Dess (2000) predicted that at the beginning of the 21st century, many enterprises in almost all types of industries would consider entrepreneurial actions as essential if they are determined to survive in an ever-increasing and changing world.

On the other hand, strategic actions are taken to select and implement the firm's strategies. Increasingly, in globally competitive organizations, many strategic actions are tailored around pursuing entrepreneurial opportunities by taking entrepreneurial action. Strategic actions provide the context in which innovations are developed and commercialized.

Thus, there are intersections between entrepreneurship and strategic management. The notion of such intersections indicates that successful integration between entrepreneurial and strategic actions will improve the firm's ability to grow and create wealth. Wealth creation is associated with the development of sustainable income. The ability to generate sustainable growth or revenue highlights the determinants of whether an enterprise can create wealth.

2. Literature review

2.1. Types of management strategies of hotel enterprises

The success of today's hotel enterprises depends heavily on the formulation of effective development strategies through which it will achieve its long-term goals and plans. Strategy as a key decision that determines the way to achieve the set goals and observe the direction of movement of hotel enterprises is the subject of evaluation in the literature of this paper. Strategy is a current or future planned action, through which the hotel enterprise must achieve its vision, mission and goals and which will be better than of its competitors. Indeed, the purpose of the strategy is to increase the competitiveness of hotel enterprises and move its position from the point "Where we are" to the point "Where we want to be". Strategy is still defined as "a method or plan that is chosen to bring the desired future, such as a choice for a problem or the fulfillment of a certain goal" David,F.R (2011).

Strategies are the mainstay of hotel businesses to compete with their competitors. However, some strategies can be identified that match the character of the catering business, namely: diversification strategies, integration strategies, defense strategies and strategies for intensifying marketing efforts. There are many types of strategies, and the essence of all of them is to determine the optimal combination of human and material resources that will be used in the

realization of the business. The tougher and stronger competition in the field of tourism further emphasizes the importance of strategies for the success of hotels in the international market.

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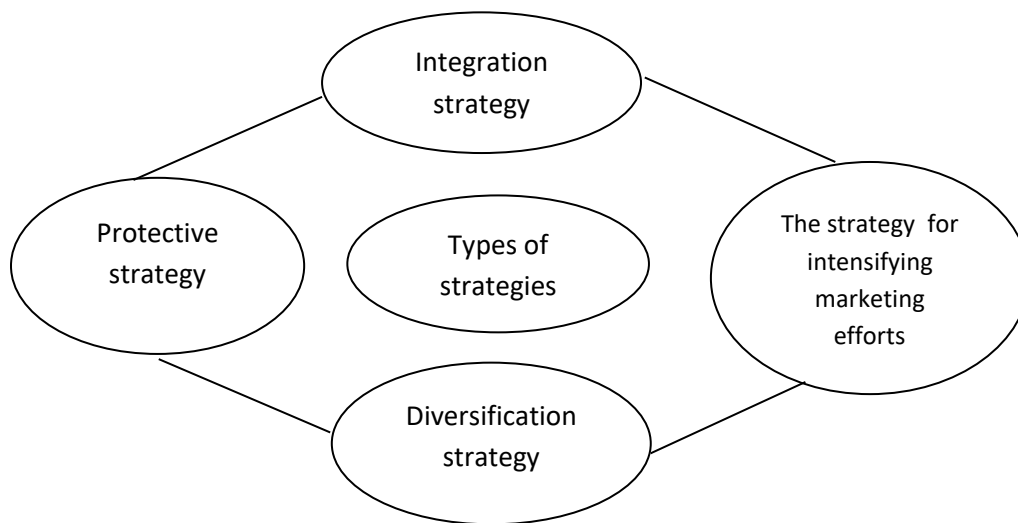


Figure 1: Types of strategies

There are two types of integration strategy: vertical and horizontal integration. Vertical integration is about involving hotel enterprises in new businesses, as it can be a vertical integration strategy backwards and a vertical integration strategy forwards. The vertical integration strategy backwards marks the penetration of hotel enterprises in a new field of business and is about acquiring some of the existing inputs in hotel enterprises.

It actually refers to the takeover, i.e. the realization of some activities that the hotel had used from suppliers. For example, the hotel company owns its own farm or produces agricultural products, offering customers products of its own production. Vertical integration strategy means involving a hotel enterprise in new areas of business such as owning a travel agency or similar which means direct contact with tourists.

Horizontal integration strategy means expanding activities of the hotel enterprise in new markets, new geographical areas and expanding the existing range of services with new and more sophisticated and attractive choices. The diversification strategy can be implemented through two types of strategies, and this is a concentric and conglomerate strategy.

Connected and nonconnected diversification strategies, or strategies for the hotel enterprise entering into new or non-essential activities. Connected diversification means expansion, i.e. the growth of the hotel enterprise by engaging in similar activities. For example, if the hotel enterprise that owns a sports center or restaurant and extends its business in this regard, then it means that it applies the connected or concentric diversification strategy. Nonconnected diversification, as opposed to concentric diversification, means the entry of the hotel

enterprise into a new, nonconnected activity. This is a characteristic for companies that have a medium competitive advantage and the attractiveness of the activity in which they are located is low (Shuklev, B., Drakulevski Gj, 2001).

Particularly important in the field of catering business are strategies for intensifying marketing efforts. The focus of these strategies is on the additional efforts that need to be made to advance the competitive position of the catering offers in the market. This strategy includes market penetration, market development and catering offer development.

The market penetration strategy aims to increase the market share of the existing catering offer in the existing market through additional marketing activities and above all by increasing the volume of all forms of promotional activities. This strategy includes increasing the promotion of the catering offer, by offering promotional discounts or a package of services at preferential prices, more aggressive marketing propositions of the hotel enterprise and what is offered by increasing the publicity of the hotel enterprise. Market development is a strategy by which hotel companies place their offer in new markets. As the most important instrument through which this strategy can be implemented is the strategy of aggressive tourism promotion, through which the new product should be positioned in the awareness of tourists with its characteristics in relation to competitors. The promotion strategy should actually promote attractiveness in the services offered by the hotel and make them familiar with tourists. Whereas, the development of the catering offer as a strategy means improvement, modernization and richness of the catering offer provided in the market in order to promote its competitiveness.

These three types of marketing strategies can be effectively achieved through differentiation

strategy. This strategy is one of the strategies for achieving the competitive advantage of the hotel in the conditions of hazardous competitive market. Its purpose is to differentiate consumer awareness in terms of competitors through their quality, attractiveness, promotional campaigns (mass marketing, face to face marketing, online marketing, direct marketing, public relations and other promotional forms) and the like.

The management of the Hilton hotel is developing their business on service differentiation strategies. This hotel enterprise builds its recognition by differentiating itself from its competitors in terms of the quality of its services, applying the hotel standard at the highest level and by integrating IT systems in various aspects of service delivery. Digital catering is one of the main sources of Hilton Hotels's competitive advantage. Enterprise digitization efforts relate to booking channels, mobile services, loyalty and personalization of data, guests experience and their privacy. The effective integration of these digitization areas creates an additional synergistic effect for the enterprise's business (Hilton Hotels Business Strategy and Competitive Advantage). A protective strategy is used to avoid or minimize the risk of potential losses.

In general, most strategies are divided into three groups known as general, generic, and functional strategies.

- General strategies, where in this group include strategies for growth, stability, reduction and combined strategies that determine the overall orientation of the enterprise.

Growth strategies as the most widely used strategies, are used to increase profits, sales or market share. This strategy includes the concentration strategy, the diversification

strategy and the international enlargement strategy.

Stability strategies are implemented to maintain the existing level of work and activity in the area they operate. Such strategies are mostly used by companies that are in the maturing stage, which have a relatively good market position that they are trying to maintain. This set of strategies includes: a small growth strategy and a sustainability strategy.

Hotel enterprises apply the reduction strategy, where their competitive position is weak to reduce the existing size of the enterprise and the scope of operations. This includes a return strategy, a disinvestment strategy and a liquidation strategy.

- Generic strategies include cost management strategies, differentiation strategies and focus strategy. These strategies enable enterprises to gain a competitive advantage.
- Functional strategies enable maximizing the efficiency of utilizing the resources of business functions and achieving a competitive advantage. This set of strategies includes: production, procurement, marketing, finance, personnel and research and development strategies.

3. Results

3.1. Methods for formulating and evaluation of strategies of hotel enterprises

One of the most important steps in the strategic management process is the formulation of strategies, a process which is very much influenced by the subjective decisions of the strategists. Thus, during the research of the management literature we come across models, techniques and logical frameworks which, if

used, would help managers to reduce the degree of subjectivism as well as formulate and choose more effective strategies for achieving management objectives of the business units for which marketing operates and of the development objectives of enterprises as a whole. Many methods have been developed which help in evaluating and formulating the enterprise' strategy. It is very important to know them, because the situations in which the company is located are different and, consequently, the strategies implemented must be consistent with these situations. Methods of analysis and formulation of activity' strategy, not only allow the study of specific products, but can also be used in the field of investigations that affect activities that are part of a diversified portfolio (P. J. Smit, (2000)).

PIMS Method

A few years ago, the Institute for Strategic Planning launched a study called "Profit Impact of Market Strategies (PIMS)", which aimed to identify the most important changes that affect profits. PIMS is the name given to an ambitious project developed with the initiative of General Electric in collaboration with the Harvard Business School in the early 1970s. Record for this project were collected from hundreds of enterprises, in various branches of industry in order to identify the most important changes related to the impact profitability. The study found that the profitability of the enterprise, measured by return on investment (ROI), increases with its relative market share, in the markets where it provides services. (N.Reshiti 2008).

Portfolio analysis

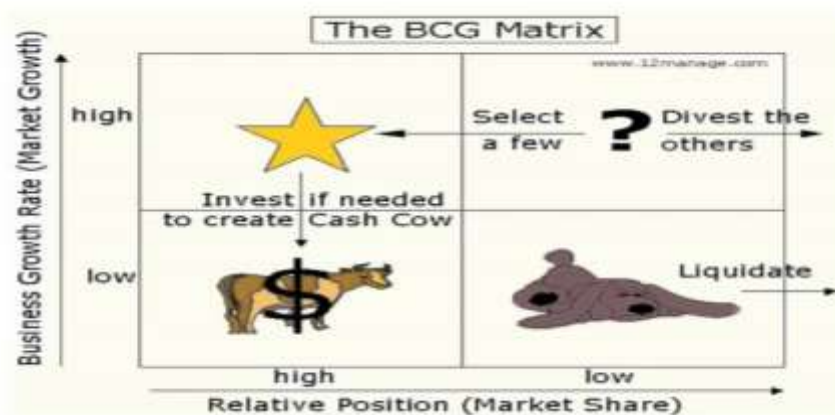
The choice of overall strategy at the enterprise level should indicate which products, services or businesses the enterprise should develop and which to abandon. The key factor to consider and who determines the strategy is the growth. It has

a dual meaning for the enterprise. First, growth is a key factor influencing the achievement of market effects. Second, growth is an indicator that gives the opportunity to invest. In the 70s and 80s of the XX century, to assess the position of various products, ie. enterprise businesses began to develop simple and objective techniques known as portfolio analysis, in order to make decisions in the area of enterprise resource engagement. Portfolio analysis is a technique for managing various businesses in the enterprise portfolio. The application of this analysis is based on the fact that individual markets and enterprise products are at a different stage of development. Therefore, a strategic approach to evaluating individual products and businesses in the enterprise should be planned in terms of its long-term goals. The Literature on management and practice, developed more portfolios-techniques for evaluating the products and businesses of an enterprise. Known techniques that can be used in the hotels are: BCG - Growth matrix / share and GE - matrix of market activity / business position.

BCG Method

The BOSTON Matrix (aka B.C.G. analysis, B.C.G.-matrix, Boston Consulting Group analysis) is a diagram created by Bruce Henderson for the Boston Consulting Group in 1970 to assist corporations in analyzing their business units or lines products. This helps the

enterprise in resource allocation and is utilized as an analytical tool in brand marketing, product management, strategic management and portfolio analysis. The BCG matrix method is based on the product life cycle theory that can be used to determine which priorities should be given to the business unit's product portfolio. To create long-term value, the enterprise must have a product portfolio that contains highly developed products that need cash inputs and low-development products that generate a lot of cash. This has two dimensions: market profit and market growth. Behind this lies the fact: the more profit there is from the market or the faster the product market grows the better for the enterprise. In the context of the firm's professional service, the BCG matrix is a tool to determine the attractiveness of a service or area of practice, based on the service life cycle and experience curve. In other words, it provides the critical information that strategists need to decide where the enterprise should focus its resources during the next strategic cycle. The initial purpose of the profit growth matrix was to evaluate business units, so the same evaluation can be done for product lines or any other cash-generating entity. This should be attempted for real lines that have enough history to make some predictions; if the corporate has produced only a few products and named them the product line, the model mismatch will be too high for this type of analysis. It can also be used to indicate the position of the firm.



GE Method

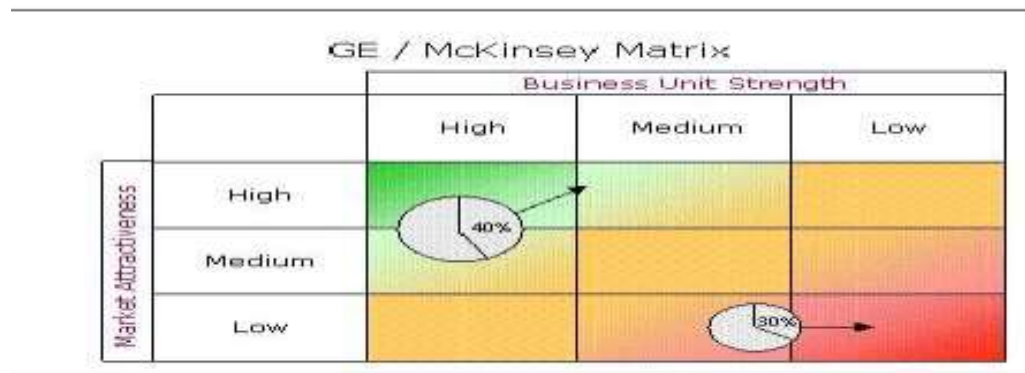
With consulting engagements with General Electric in the 1970s, McKinsey & Company developed a nine-cell matrix as a tool to demonstrate a large portfolio of strategic business units (SBUs). The GE / McKinsey matrix is similar to the BCG profit growth matrix which shows the strategic business units in the industry network and the position of the SBUs in the industry. The GE matrix aims to improve the BCG matrix in the following two ways:

The GE matrix generalizes the axes as "industry attractiveness" and "business unit advantage", while the BCG matrix uses the market growth

rate as a power for industry attractiveness and market share as a power for business unit advantage.

The GE matrix has nine cells versus the four cells in the BCG matrix.

The attractiveness of the industry and the strength of the business unit are calculated by first identifying the criteria for each of them, determining the value for each parameter in the criteria, and multiplying that value with measurement factor. The result is the quantitative measurement of the attractiveness of the industry and the relative performance of the business units in that unit.



On the vertical axis of the GE portfolio, the matrix is represented by the attractiveness of the activity which can be: high, medium and low. It is expressed through:

1. Market size and market growth rate
2. profit margin of the activity (present and future)
3. competition intensity
4. cyclical and seasonal variations
5. technology and living capital
6. social, legal and human impact
7. the emergence of opportunities and constraints
8. barriers to entry and exit

The horizontal axis of the GE portfolio matrix expresses the strength of the enterprise in the market, which depends on:

1. Relative market share
2. mastery of essential skills
3. Price competition
4. Product quality
5. Knowledge of the market and the buyer
6. technological skills
7. managerial ability

Certain conclusions can be drawn by positioning the sectors of the enterprise. On the contrary, those businesses that are characterized in segments by high and medium activity attractiveness, in one hand, and the strong and medium strength of the enterprise on the other hand, should be supported and developed. In those businesses that are in an unattractive activity, they need to be disinfected and develop

market attraction strategy. For businesses located in the diagonal zone that are medium, a selective strategy should be implemented (Elmazi-Bila, Liljana, (2010)).

Since the vertical and horizontal axes represent multidimensional variables, the GE portfolio matrix is not subject to criticism as a BGC matrix. Enterprises can include more variables related to their competitive position and make a more comprehensive analysis of business attractiveness, which is a more sophisticated approach to enterprise positioning. The implementation of the GE portfolio matrix as a sophisticated technique is limited due to the difficulties in determining the enterprise's market share, the greater the time required to build the GE portfolio matrix, the greater are financial means to obtain and apply and necessary information needed for its construction.

SWOT Analysis

SWOT analysis is a planning method that systematically analyzes the internal and external factors of enterprise activity. Its purpose is to identify the strengths and weaknesses of the enterprise and the opportunities and constraints that the environment creates. Hence derives the name of this analysis, which is an acronym derived from the first letters of the words Strengths, Weaknesses, Opportunities and Threats. Managers use SWOT analysis to see the ability of the enterprise to meet environmental requirements and choose the optimal strategy that the enterprise will benefit from in the external environment processes in order to successfully position the product, i.e services in the market and the increase of company's.

Therefore, SWOT analysis finds the widest application in strategic planning.

The procedure in performing the SWOT analysis takes place in three stages (Simonceska, L. (2012)):

1. Collection of data and information on all key factors in the enterprise and its environment.
2. Data coordination, differentiation of strengths, weaknesses, capabilities, limitations and compilation of the SWOT matrix.
3. Determining and evaluating the impact of systematized factors and defining alternative business strategies.

The SWOT matrix presents a tabular overview of internal and external factors. This makes comparison easier. Such a matrix is prepared for possible enterprise strategies, as well as for action plans with tasks that can be undertaken.

4. Conclusions

Enterprises that are considering to engage in international market are facing different types of risks. Risk as probability or opportunity for an adverse event has its impact on the operation of the enterprise and therefore management must consider it successfully to cope with the adoption of appropriate strategies.

To define and manage strategies more easily, in hotel enterprises, risks can be observed from different perspectives: individual risks and general risks - depending on the area in which they have an impact; dynamic and static risks - dynamic risk is presented as a result of economic changes - changes in prices, consumer preferences, income, technology in the production process, etc., while static risk is presented unchanged in the economy as a whole. The basis of such risks is found in various natural disasters or in the non-ethnic behavior of individuals or economic entities.

In the context of macro-environmental risks, an important place is also the analysis of risk factors that contribute to the low or large increase of tourists in the country, namely tourist movements in the process of international tourism. Commercial risk, as the sublimite of interest rate risk and currency risk represents specific area of financial risk that all businesses face, also hotel

businesses are no exception. Inflation risk and its dependence on the macroeconomic policy measures of the country, respectively the beneficiaries of economic policy, are also directly correlated with the activity of hotel enterprises. Government policy can encourage the development of a hotel business, but it can also be a "deterrent" to its development. Risks may arise from instruments, measures and regulations carried out by the government of the country. With its measures, the government can protect domestic hotel companies and put barriers to competition from foreign investors, encourage foreign investment in hotel businesses, increase taxes and travel taxes and so on. High competition in the tourism market results in the emergence of multiple risks from actions taken by competitors. These include threats such as the entry of a new hotel into the market, the launch of new products and services, the acquisition of pre-purchase shares by competitors, the fight against prices and promotional campaigns.

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