

Global issues in the hospitality industry report

[Business](#), [Marketing](#)



INTRODUCTION

Strategic management is an area concerned with the main and upcoming initiatives that managers are required to do on behalf of business owners. This area involves proper usage of resources within an organization so as to make a firm as effective as possible in relation to its external environment. Strategic management calls upon a manager to outline their organization's objectives, mission and vision. In this area of management, managers are also required to develop plans and policies so as to achieve the organization's objectives (Gronroos, 1998, p. 3). It is interesting to note that studies done recently show that the process of strategic management is most efficient when initiated by stakeholders; this means that evaluation of the process involves an evaluation of each stakeholder's performance. It is through strategic management that managers are able to give direction to their organization. This area of management involves two distinct steps: strategy formulation, and strategy evaluation. In strategy formulation, the first step, the managers are called upon to set objectives for their organization. An important process in this step is for the manager to conduct a situational analysis of their organization. The importance of this process cannot be underscored considering that for an organization to know where to 'go', it must be aware of where it is at the moment or otherwise it may even go backwards unawares. After the situational analysis the next process in this process involves formulation of objectives, both long term and short term. These objectives answer questions like, 'where does the organization want to be in five years?' The objectives represent a target that should be met for the organization to be said as successful- they are a performance

indicator. After strategy formulation the manager can now evaluate their strategy in terms of how suitable for the organization it is. Also the managers are required to test the feasibility of the strategy and also how well it will be accepted by not only the employees and owners but also by the clients and suppliers.

Managers in hospitality establishments face relatively the same situations as managers elsewhere. For example whereas a hotel manager may be forced to calm a disgruntled customer whose order is running late, a bank manager is dealing with a similar situation when dealing with an angry client whose loan disbursement has been delayed. However, even with the similarities in the management roles there is still a difference when managing a hospitality establishment. This difference is brought about by the fact that the hospitality product is very perishable and seasonal; hence a hotel manager does not have a lot of time when it comes to making some decisions in this area. This is because if a delay may result in underperformance during a high season or loss of potential income. For example, when a lodging manager is faced with a problem regarding a certain section of the lodge, a delay by a day of the decision means loss of that day's income from the lodges- and this cannot be recovered.

As noted previously, strategic management should takes into consideration the influences and trends in an organizations external environment. One of the things that hospitality managers seek to achieve through strategic management is to assess global issues that may be of concern to them. The managers then formulate strategies to cushion themselves from any negative issues and also strategies to gain from any available opportunities

globally. This way a hospitality manager can be said to be gaining a more precise understanding of the global market through strategic management. Strategic management also helps managers in making decisions, planning, motivation, organization, control, and leadership in their organizations. Since planning, control, and organization are functions of management, strategic management can be said to be enhancing management.

GREEN HOSPITALITY

Global warming and other signs that the environment is getting worn out by business activities of various industries has not only been a concern to the hospitality industry but also to all other industries. Current measures put to effectively reduce depletion of natural resources and a consequent negative impact on the environment call for each industry to play its part in this process. It is due to this insistence on saving the environment that the hospitality industry seems to be going green. This is characterized by hotels using energy saving machines, using green energy, recycling their waste, and also having proper waste management policies.

According to Wang, J. and Wang, J. Z. (2009, p. 54), the perception people had of green has evolved from a sidelined agenda to the main one. The two authors also point out that in a recent conference on lodging; the session that was attended by most people was that dealing with making the hospitality industry a green industry. This shows just how much emphasis the industry is placing on going green and consequently playing its part in reducing pollution of the environment and depletion of natural resources. The green hospitality industry is founded on creating a balance between people, profits, and the planet. By taking into consideration the people, a

green hospitality seeks to be beneficial to the surrounding communities while the consideration of the planet makes the idea environment friendly. The profits aspect is a necessity since it makes a green hospitality industry economically viable and not a charity organization.

Strategic Response to Green Hospitality

Since managers are responsible for ensuring that their organizations keep in touch with emerging trends, those in the hospitality industry have to come up with strategies to ensure that their establishments are not left out on the green hospitality move. This has mainly being done by the managers vouching for eco-tourism which is a form of tourism that is keen on appreciating the environment and reducing negative impacts on the environment. The positive impact of this is that with the customers sensitized on the need to go green, they are at a higher chance of appreciating efforts directed towards this direction by the establishments they visit. Also, most establishments have a green policy and also a green strategy where they aim to have achieved a certain level of green production in their operations within a given number of years.

ISSUES ON LABOR COST

Statistics show that expenses on labor were the highest item in the hospitality industry in 2005 with it being 44.6 percent of all the operating costs in a hotel (Wang, J. & Wang, J. Z., 2009, p. 55). It is due to this that any issue that affects the labor market is of particular interest to managers in the hospitality industry especially in their strategic planning and management. These managers are now faced with the task of finding possible ways of

reducing the labor costs in their organization while at the same time making sure they are not understaffed nor are they underpaying their employees.

The situation seems to have been worsened by proposed government legislation that is meant to increase the minimum wages of wages of employees. Other legislation such as immigration law changes is also not making the situation better. All these means that the managers have to work even harder to reduce labor costs in their organization, even when it goes up due to the proposed legislation.

Another issue that has added to labor cost is the attempt to give employees a work life balance. This has led to hiring of more employees so as to allow each employee an opportunity to have an off day at least once in two weeks. Also managers have to deal with an issue of reducing shift hours which means more employees to be hired and definitely increased labor costs. Though this particular issue has led to increased labor cost, it is important to note that it has helped in improving productivity which through proper strategic management may be translated into increased revenue for the organization.

The importance of labor cannot be underscored in the hospitality industry especially because the employees give the service operations a human face that the customers can relate to. There have been several advancements that have resulted in incorporation of technology that reduces the human resource needed in the hospitality industry. However, it remains a fact that this industry cannot do without the human resource even with all the efforts to reduce it.

Strategic Management Response to Labor Issues

What most hospitality establishments are doing to deal with this problem is by placing an emphasis on employee development which seeks to improve productivity of employees. This has been done through on and off site training of employees which is also aimed to keep the employees in touch with emerging industry trends. This way even with a small work force an establishment can still deliver the same level of productivity as before. Another strategic management tool used by managers in the hospitality industry is human resource short and long term planning. This involves analyzing of the human resource requirements of the establishment within a period of one year and also within a period of five years. The importance of this is that the organization is able to detect trends in its human resource market and hence be able to incorporate it in its planning. All this is done through the process of strategic management. Planning for the human resource also helps in forecasting labor costs and planning on how to deal with any impacts instead of waiting to be 'surprised' by the impacts (Chimhanzi, 2004, p. 76).

MARKETING ISSUES

Market segmentation, increased guest sophistication and overlapping brands are some of the marketing issues that managers in the hospitality industry have to deal with. The issue of market segmentation is basically about the current trend that each establishment wants to focus on a particular niche in the market. This in turn means reduced diversity in the industry which at times may be risky especially when a particular segment shifts to another service; for example when the segment targeted by middle level

establishments starts having house parties where they cook for themselves. Overlapping of brands is also an issue in the industry as franchises seek to expand their market share and numbers. It is feared that if this expansion is not controlled, members of the same franchise may even end up competing with each other (Ambler, 2001, p. 52). For example, when a franchise company gives two investors, whose establishments are 8 blocks apart, the license to operate an establishment under their franchise will result in the two investors competing even though they are under the same franchise. Sophistication of customers is another marketing issue in the hospitality industry. This is because what the guest wants seems to be changing rapidly and hence making it rather cumbersome for establishments to cope up with this change (Wilkie, 2005, p. 316).

Strategic Management Response to Marketing Issues

One important aspect of hospitality industry that managers seem to have realized is the fact that marketing plays a significant role in the number of clients an establishment gets. Managers now deal with the problems discussed above by having independent marketing departments that are tasked with coming up with marketing plans for the organization. By making this department autonomous, managers have realized that it is able to work more and to concentrate more on external marketing other than internal marketing such as giving flyers to guests already at the establishments. For example one example in Kenya, Rangers Restaurant, which is a three star hotel, has a majority of its marketing executives working offsite. This means that the executives spend most of their time on marketing and developing marketing strategies other than doing the planning periodically. The

importance of this strategy is that it recognizes that marketing strategizing is a continuous process. When organizations do this, they are able to keep track of their market share, consumer perception about them, and also improve their brand strength. It also helps in ensuring that market segmentation is done after considering recent information and that any fluctuations in an establishment's segment buying power can be detected before it leads to huge losses.

TECHNOLOGICAL ISSUES

This issue cannot be downplayed especially since the world seems to be in frenzy for technological advancements where one technology today may be outdated a few months later. These means that when an enterprise in the hospitality industry makes an investment in a new machine it risks losing out on this investment when another better machine is introduced to the market later. Other issues such as data mining where marketing departments get the opportunity to use data on guests to come up with various information is also an issue for the industry.

Also on technology is the fact that there is criticism to hospitality establishments on the numerous numbers of clicks that a customer has to make to make a reservation. Managers are hence faced with the issue of reducing these clicks so as to encourage clients to make reservations with their organization more. However, the trick here is to ensure that even with reduced clicks, the establishment is still able to get all the information required to make the service experience satisfying and memorable.

Another technological issue is the fact that guests want to keep up with the latest technologies even when in hospitality establishments. The guests want

new phone models in their rooms as soon as the models hit the market, and they also want interactive ordering systems as soon as they get wind of them amongst other facilities. The only problem with this is that in most instances the cost of installation of some of the technologies is so high such that removing them after a few months or even years may result in a loss for the enterprise.

Strategic Management Response to Technological Issues

This is one area that managers face a daunting task. One of the reasons for this is that managers are trained as management specialists and not technological specialists (Twiss, 2001, p. 4). This means that it may be hard for them to detect the viability and competitive advantage gained by purchasing a particular product (Flanagan & Smith, 2006, p. 158). However, most hospitality managers have identified the importance of keeping in touch with technology and have employed technology specialists to keep them in touch with any changes in the area. Also, managers are now insisting on development of a management information system for their organizations (Crystal, Rosanna & Rob, 2011, p. 10). One such example is McDonald's which was able to increase its productivity by developing a system that provides information on emerging trends to its branches on a daily basis. Through the system, McDonald is also able to detect any drop in performance by a particular branch. This is one example of how strategic management has been used to incorporate technology into the normal operations of an organization. Another example is Ritz Carlton which has successfully been able to develop a database of its clients such that a return customer will have fewer clicks to make during the reservation process. An

interesting significance of this database is that it enables this organization, through data mining, to note preferences of its clients.

ECONOMIC ISSUES

Among the major economic issues that the hospitality industry is facing globally is globalization, inflation rates, and a great reliance on national economies. Globalization affects this industry as it influences the rate at which people travel around the world. Hence impacting on the number of guests an establishment in the hospitality industry is going to receive. When globalization is high, hospitality establishments have an increase in business as these travelers have to seek accommodation and also a place to eat as they are away from home.

Inflation rates also influence the hospitality industry as they determine the amount of disposable income people have to use in enterprises in this industry. It also affects the enterprises in that it results in prices of commodities going up and hence increasing the operation costs for the enterprises.

Over reliance on the national economy affects the hospitality industry in that when the national economy is performing well, the citizens tend to travel more. This increases the number of guest that hospitality establishments receive.

Strategic Management Response to Economic Issues

This is perhaps one of the most sensitive areas for managers in the industry because their establishments need to make profit otherwise the managers will be considered ineffective (Moliner, Enrique & Jose, 2010). To deal with

the issues discussed above, managers are now keeping information on financial trends. Any projected rise in inflation rate is now countered before it arrives with some establishments such as airlines buying their stock under contract that ensure that even when the prices rise, they will still buy the products at the same price.

Another response to economic issues through strategic management involves the managers seeking to expand their product mix so as to reach more markets. This means that when one market has reduced buying power, the establishment can still operate from other segments targeted by other products that it offers (Adamson, 2002, p. 279).

Managers have also identified the need not to be over reliant on the one economy, either global or national, because in such instances a fluctuation in these economies has negative impacts on their establishment. One way of doing this is by the managers encouraging domestic tourism to tap the national economy and also targeting international guests so as to balance their reliance on both economies (Onkviksit & Shaw, 2005, p. 102). Also hospitality establishments are now seeking markets in developing countries which have not yet been tapped fully (Ayoun & Moreo, 2008, p. 7).

CONCLUSION

The period from 1960 to 1970 saw an emphasis on human relations and emphasis on the human resource part of the organization (Reichel, 2002, p. 330). However, recent years have seen the emphasis shifting to management and in particular strategic management. This is because of the realization of the role played by this management on the effectiveness of an organization and it being to tackle issues that might affect it. From

discussions in the previous sections, it can be concluded that strategic management plays an important role in the hospitality industry dealing with global issues.

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