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Introducing strategic management

About this chapter

The subject of strategic management is wide ranging and extensive, and many excellent textbooks have been dedicated to the topic. In this text the focus is on the application of accounting data and information for the purposes of strategic decision making. As a result, a broad overview of the subject of strategic management is introduced, supported by a range of frameworks to illustrate the strategic use of financial information for effective strategic decision making. This chapter includes a discussion of the following key areas:

- The decision-making process
- Definition of strategy
- Organisational structures
- Organisational objectives
- Information needs
- Current strategic issues for the hospitality industry.

Learning objectives

On completion of this chapter, you should be able to:

- Define strategy and explain the key elements of the strategic decision-making process
 - Appreciate the impact of organisational structure on strategic decision making
 - List the key business stakeholders and understand how their needs can impact on organisational strategy
 - Gain an insight into the current strategic issues in the tourism and hospitality industries.
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Introduction

In the first edition of this text, published in the nineties, this chapter opened with the statement that:

“For the modern hospitality business faced with the challenge of operating in increasingly diverse markets it is essential, therefore, that the processes of strategic management are as effective as possible. All organisations need to make decisions about the nature of their business activities to ensure that the resources are put to the best possible uses whilst ensuring that customer needs remain satisfied.”

Almost over three decades have elapsed since the first edition was released and in many ways this statement has more resonance than before. In recent years the international tourism and hospitality industries have been at the centre of a period of tremendous change ranging from the increasing level of customer expectations and the entrance of many diverse competing and disruptive accommodation products and services, such as AirBnB and the growth of the serviced apartments sector, through to the huge opportunities arising from the application of technology for data management and business intelligence. Challenges arising in the post-pandemic period have included changing market segment profiles and disruption to the supply chain and labour resources.

Strategic management is defined by Johnson et al. (2017) as ‘*the long-term direction of an organisation*’. In the 11th edition of the leading text, *Exploring Strategy*, they cite the definitions of many of the thought leaders from the field of strategic management who focus on elements such as ‘Competitive strategy’ Porter (1996) and ‘Competitive advantage’ Peter Drucker (1994). In today’s business environment it is overwhelmingly clear that it is essential for every organisation to continually review its activities to bridge the gap between where it is now and where it would like to be, or indeed, needs to be to survive and meet the new challenges arising. This ideal position is unique to each organisation and is dependent on the long-term organisational goals and objectives which have been set over a period, during which the external environment will continue to change. As a result, it is no longer relevant to assume that the implementation of strategy will lead to a fixed point in the future. Instead, the organisation needs to continually monitor, control and adapt the business strategy to meet the needs of a changing landscape, and this process is reliant on the provision of accurate and relevant information about the business, as well as a reliable review of the external environment through bench marking and market analysis.

The hospitality, tourism and leisure sector is extensive and diverse with the overall purpose of providing food, drink, accommodation and a variety of leisure activities and experiences. The sector is often cited to include the following:

- Hotels
- Serviced apartments and extended stay accommodation
- Restaurants
- Pubs, bars and nightclubs
- Contract food service providers

- Membership clubs
- Events
- Casinos
- Travel services
- Tourist services
- Visitor attractions
- Youth hostels and student accommodation
- Holiday parks
- Self-catering accommodation
- Hospitality services.

Focusing on the hotel sector, there can be multiple classifications for a single or group of properties. STR, part of the CoStar Group, leading providers of data for the hotel sector define these as:

- Chain* or *brands* which are visible to the customer;
- Parent company* – the overall name of the company which may include numerous brand names;
- Hotel operating company* – the company operating the hotel on behalf of other parties such as a brand and/or owner;
- Owner* – the investor in the property who may choose not to operate it;
- Asset management company* – represents the owner to ensure the hotel is being operated to maximise the potential of the investment;
- Franchises* – chain hotel run by a third party where the chain receives a franchise fee;
- Independent* – not owned or affiliated with a chain or parent company in the industry.

As we approach the mid 2020s the integration of hospitality into wider urban planning is already here. With over 70% of the world's population expected to live in cities within the next decade, hospitality services have a key role to play in the development of urban co-work and co-living spaces. Against this background of constant change, this text attempts to demonstrate how techniques for monitoring and forecasting the business position can assist managers in decision-making, with examples based on the needs of the sector, where meeting expectations for customer service and quality of experience is central to the business purpose.

What is strategy?

Leading theorists, Johnson et al (2017) describe three elements which they suggest combine to form the strategy for a business entity:

1. The long term time frame
2. Direction
3. Organisation