

THE FACTORS OF COMPETITIVENESS IN THE HOSPITALITY INDUSTRY AND THE COMPETITIVE STRATEGY OF FIRMS

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The present study is based on the results of research conducted in 2007 by a group of researchers in the Tourism-Services Department of the Commerce Faculty in ASE Bucharest. In the first part of our paper the complexity of the concept of competitiveness, the factors of competitiveness as well as its particularities in the hospitality industry are highlighted. The factors that influence competitiveness in the hospitality industry, as apparent in specialized literature, are outlined and explained. A strong point of our study is represented by research on the relation between strategy, competition and competitiveness. The research method chosen was the survey based on a questionnaire on a representative sample of hotels in 7 cities of the country. The paper presents the main results of the research, as well as the elements (the main levels) of the competitiveness model in the hospitality industry, a model created on the basis of the results of this research, as well based on the synthesis of research existent in specialized literature.

Competitiveness, the factors of competitiveness, the hospitality industry, the competitiveness model, competitive strategy

Introduction

The current context marked by globalization and the increasing recognition of interrelations has imposed new rules of conduct: the prosperity of nations is based on competitiveness on international markets, and that of enterprises, on the integration in the worldwide value chains. Therefore, the competitiveness issue has become a topical subject for all the actors in economy, from the regional level to the organizational one.

Defining competitiveness has preoccupied both renowned names in economic thought as well as scientific centers and associations. A few definitions are listed below (Hornianschi, 2004):

- *Porter (1990)*: ‘the only complete indicator that defines the concept of competitiveness at a national level is national productivity’;
- *Management Forum (1994)*: ‘competitiveness on an international level is the capacity of the country or firm to coordinate economic growth with the external balance; at the basis of the external performance of industrialized countries lies the fundamental importance of international trade.
- At an international (global) level, the World Economic Forum has perfected the modalities of assessment of competitiveness to reflect the remarkable evolutions of the global environment. The report entitled « The Global Competitiveness Report 2006-2007 » is at its 27th edition and it defines the competitiveness of a country as being the result of the totality of factors, policies and institutions that determine the level of national productivity. Competitiveness therefore represents

the global expression of medium and long term development being the result of three main categories of factors regarding: the competitiveness of the national macroeconomic environment, the quality of the activity of public institutions and the positive results of the policies they promote, along with the technological efficiency and receptiveness to new technologies (WEF, The Global Competitiveness Report 2006-2007, p.3).

At the level of the European Union, a strategic reference in the defining of competitiveness is represented by the Lisbon Strategy. According to this strategy, the competitiveness of European economies represents the main objective of the EU, an objective to be reached by 2010. In the services' competitiveness, the most important aspects refer to: liberalization, intensiveness in knowledge, financial services, the increase in the quality of public services and the efficiency of administration, educational services, human resources formation and sustainable development.

Particularities of competitiveness in the hospitality industry

Tourism is a sector in which the structure of supply is extremely volatile and the solid and consistent part is the demand. Tourism exists only because, for various reasons – pleasure, business etc. – people want to travel and are willing to spend money; consequently, they create demand for tourism products and services. Thus, the decision to travel precedes the acts of consumption (Keller, 2005). Travelers are willing to consume a large variety of goods and services produced and supplied by various industries, among which the most important are transports, hotel and restaurant services or segments of activity related to entertainment, culture and sports.

The fact that *competition* is firstly between destinations becomes obvious, since this is what visitors choose in the first place. Only after this choice another form of competition occurs, that between the *suppliers* of products and services at the respective destination. We can therefore speak about a duality of competition forms, with the following implications:

- the competitiveness of destinations is an essential topic, and it can depend, for instance, on the existence of specific attractions visitors are willing to pay for;
- the tourism firms that contribute to the formation of the package of goods and services consumed by visitors on arrival benefit from the uniqueness of the destination;
- at a certain destination, firms (e.g., hotels) can be competitive on the basis of specific advantages that differentiate them from the rivals and give them an advantage.

Another duality of tourism markets – which includes the hospitality industry – is structural. Numerous destinations are dominated by small firms that offer hotel and restaurant services and leisure activities etc., forming the SME segment. On the other hand, tourism is a very dynamic sector in the world economy and one of the most internationalized, which lead to the formation of large companies operating on a global level. This development was possible especially because of important innovations, such as charter flights, the forming of hotel chains – some originating in family businesses, rent-a-car services, debit and credit cards that easily allow for international money transfers etc. At the same time, the innovations of the kind mentioned allowed for a high degree of standardization of services, so that the segment of the large international companies can offer clients quality services at affordable prices. Standardization does not mean, however, the elimination of the services supplied by small firms, since a lot of tourists prefer the life experiences they offer.

- Referring strictly to the hotel services sector, in most cases a strong brand competition is manifest. However, along with the basic monopolistic competition, other types of market structures can exist on various segments, for instance oligopolies (Ionciță and Stănciulescu, 2006). Therefore, a specific analysis of the relevant markets is necessary, as they should be defined both from the point of view of the product as well as geographically, because on certain sub-markets the situation can be different from free competition, and anti-competitive behavior could be noticed.

The relation competitiveness – strategy in the hospitality industry

Changes in the political and economic environment in the last century had strong effects on the way companies operate. Turning from a production economy to a market economy and globalization have confronted companies with new realities based on competition in which they needed new tools to succeed.

The key to attracting and making clients loyal is offering an unforgettable experience and not just accommodation; hotel chains innovate to create a unique environment, from hotel rooms to lobbies and the restaurant. Thus, changes in the design of Marriott restaurants and in the menus – so as to reflect the particularities of different regions – have led to up to 50% increases in sales recorded in rapport to the number of rooms occupied (Hotels, 2004).

Along with innovation, technology is an important strategic asset that allows hotel chains to improve their performance and competitiveness. On a global scale, the role of technology in strengthening the competitive advantage of a hotel is recognized, hence its contribution to the hotel's success (Nyheim, 2004).

Since the hospitality industry, as any other branch of services, is capital intensive, human resources can represent a source of competitive advantage for a company. Failite Ireland, in the research conducted among 3, 4 and 5 star hotels in Dublin to analyze successful practices in hotels underline the fact that the industry depends on the know-how of personnel, of the knowledge and understanding of the clients' requirements that would make the client feel at home.

Another source of competitive advantage can be found in the management of the acquisition-delivery chain. As Harold Sirkin notes for the Boston Consulting Group: the acquisition-delivery chain can enhance the performance of a company by developing advantages in specific sequences: quality, trust, flexibility, agility and cost efficiency. The achievement of improvements by observing this order will ensure long term benefits that will offer a sound foundation for future improvement initiatives and a better positioning of the chain to successfully deal with future challenges (Henkoff, 1994).

Another strategy recently adopted by some hotels is integrated in the current trends that aim at making tourism a **sustainable activity**. Thus hotels are encouraged to adopt new methods for protecting the environment in their daily operations and to help the local community.

Factors that influence competitiveness in the hospitality industry

The hospitality industry is increasingly confronted with the intensification of competitiveness at a global level, the rapid advance of technology and higher expectations from clients. Among the most important factors of influence highlighted by research are the ones described in the following.

1. ***Interaction abilities*** (Rodríguez-Díaz, M.&Espino-Rodríguez, T.F., 2006). These are understood as superior abilities to manage resources shared by several companies. Methodologies of developing the capacity to interact have already been outlined, consisting of a 4 stage process. *The first* targets the **internal analysis of the resources and capacities** of the organization. *The second* stage is represented by the **analysis of relations between activities**. Stage *three* is represented by the **integration process**. Stage *four* consists in actually **developing the ability to interact** that targets the degree of cooperation and the integration process attained.
2. ***'Learning organization'***. Transforming the hotel in a learning organization represents a new globalizing strategy (Bayraktaroglu and Kutanis, 2003).
3. ***Human resources***. People represent the central point in all aspects of activity in the hospitality industry, from creation and design to the development and delivery of services (Lashley, 2001; Mullins, 2001; Failte Ireland, 2005).
4. ***Technology and information technology***. Technology represents an important strategic asset in obtaining competitiveness (Nyheim et al., 2004; O'Connor, 1999; Siguaw et al., 2000).

Research on the relation strategy – competition – competitiveness

In 2007, in the project ‘Modeling the determining factors in the relation competitiveness – competitive strategy in the hospitality industry’ research was undertaken, with the following objectives: - knowing the degree to which the concept of competitiveness is understood and valorized by managers in the hospitality industry in Romania; - identifying a set of determining factors in the increase of the competitiveness of firms in the hospitality industry; - identifying strategic concerns of firms in the hospitality industry in Romania, so as to establish the connection between the strategy and the competitiveness of firms in this sector. From the total sample of 282 hotels, the number of respondents was of 108 in 7 cities: Brasov, Bucharest, Cluj-Napoca, Constanta (including Mamaia), Iasi, Sibiu and Timisoara.

The conclusions of research:

Regarding the **perception of competitiveness**, most respondents (49%), especially managers of 3 and 4 star hotels, have associated competitiveness with the concept of competition, referring to it directly or using the notion of comparative advantage. The second group of respondents (26%), represented by 2 star hotels, associate competitiveness with profit. Only 17% of the hotel units related competitiveness with the capacity of being present on the market on the long term. **We can notice a fairly wide variation and a certain degree of imprecision in the conceptions regarding competitiveness among managers in the hospitality industry.**

One of the important questions in the questionnaire aimed at identifying the factors of competitiveness in the hospitality industry that hotel managers considered important in obtaining current results. The main external factors mentioned (in the order of importance) were the following: - the level and evolution of demand; - the competitive environment; - the location of the hotel; - legislation in the field; - general infrastructure (access, communications, public utilities etc.). The major internal factors are

(in the order of importance): - the quality of services; the diversity of services offered; costs control; the level of tariffs; promotion; the brand; the capacity to innovate. The analysis of the competitiveness factors in the present is completed by the perception of factors associated to competitiveness on the long term, in the future. In this respect, the key success factors in the view of actors in the hospitality industry in Romania are: - quality (68 respondents), costs control (55 respondents), - the capacity to innovate (47 respondents), - legislation (41 respondents) and the quality of human resources (38 respondents).

As to the measures by which the hotels questioned could ensure the increase of competitiveness in the future, out of a list of 9 specific to the hospitality industry, the following three were chosen, in order:

- Improving the standards of accommodation/ food services (48 answers).
- Increasing marketing efforts (33 answers). Increasing marketing efforts was mainly indicated by managers of independent hotels. Although their budgets are generally lower, there is a higher awareness of the role played by the image on the market and by the notoriety of the hotel name.
- Flexibility towards clients’ demands (30 answers). We must notice the recognition of the role of clients in the very existence of the business. Thus, hotel managers show interest in their demands and are willing to adjust their supply to the clients’ needs.

Regarding the relation between competitiveness and competition, answers highlighted the managers’ perceptions on the evolution of the hotel. Thus, managers see the business they run as being in a development process (48, 2% of respondents) or stable (30, 4%); only 21, 4% see the business as declining. Regarding the current level of competitiveness: 38% of answers point to a ‘high level’ of competitiveness, and if we add all the values that indicate at least a medium level, the share of hotels increases to 70,5%, almost two thirds of the hotels questioned.

Regarding the assessment made by managers for competition on the market, most of them see the intensity of competition as being medium. The second question that arises refers to the adequacy of answers regarding the level of competitiveness, since, without being subjected to a stronger pressure from rivals, hotels might overestimate their own competitiveness. Hotel managers identify their competitors especially based on spatial proximity, and similar degree of comfort. In the future, the vast majority of hotel managers tend to forecast an increase in competition. Even in the conditions of an increase in competitiveness, most respondents are optimistic regarding the resources they have to face competitors. They appreciate that relatively reduced efforts are needed to adapt resources so as to face competition. (53, 8% of respondents

think they need minor adjustments). This attitude shows a high level of confidence in the elements that ensure their market position. Competition is not to be feared, on the one hand because of the fact that differentiations can be easily copied, and on the other hand because of the increasing demand for hotel services. In general, managers of 4 and 5 star hotels are the most optimistic, while managers of 1 and 2 star hotels are the most pessimistic.

Regarding the existence or lack of existence of an explicit strategy for the future of the business, answers describe the following situation:

- hotels of 5* (2), 27 four* hotels and six 3* hotels have a strategy formulated for more than 3 years
- 42 three* hotels have a strategy formulated for an interval of 1-3 years
- 17 two* hotels have a strategy formulated for maximum one year
- three 3* hotels, eight 2* hotels and the three 1* hotels have no strategy at all.

When the problem of indicating strategic objectives and the temporal framework for achieving them was put forward, from the answers received one can notice that these are formulated quite imprecisely (for instance, maintaining the brand, consumer satisfaction, training personnel), and they are also focused especially on investments in endowment and expansion (for instance, buying a pool table, setting up a computer room, building a new wing, a pool, opening new hotel units).

Therefore, following the collection, analysis and processing of data, a series of conclusions were obtained that further contributed to the elaboration of a radiography of the situation existent in Romania. Thus, a lot of specific aspects, certain less than correct interpretations and some unprofitable practices were noticed. Competitiveness, according to the research, is based on four determining factors, i.e. human resources, innovations, services and costs that influence all the operations in the hotel. Each determining factor comprises a different number of attributes as was shown by the results of the research. Determining the competitiveness factors and their attributes represents a first level in elaborating the competitiveness model. A second level consists of including the attributes of the competitiveness factors in the processes and operations in the organization with a view to reaching the objectives and obtaining a competitive advantage. The third level of the model shows the dimensions of competitiveness as a social and economic impact, namely: clients' satisfaction, the position on the market and the social internal and external responsibility. As a conclusion, we should underline that integrating the competitiveness model in the strategy of Romanian firms would contribute to an understanding of the dynamism involved by obtaining and maintaining competitiveness in hotel organizations. At the same time, adopting the right behavior in reaching competitiveness is a complex process and is determined by both internal and external factors.

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