

# **Strategic Development and Planning in the New Zealand Hotel Industry**

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## Executive Summary

Individual business success is often the outcome of competent manager utilising strategic planning and development at macro (the business/industry environment) and micro (the business unit) level. The *Global Competitiveness Index* ranks New Zealand 47<sup>th</sup> out of 60 countries for the availability of competent senior managers – managers who manage within the macro and micro environment. New Zealand managers have been identified as being weak in: strategic thinking, people and communication skills, leadership, networking and relationship development, international experience and technical skills such as marketing (Mallard, 2006a) – holistically factors that enable industry strategic development and planning and country economic transformation.

Given the above position, this research is a stock-take / benchmark of our current position of Strategic Development and Planning (SDP) – as part of management competency, with participants being managers from major hotels in New Zealand. The overall conclusion as presented by hotel managers themselves is that SDP at various levels, in general, is lacking, with managers acknowledging more needs to be done in this regard to ensure business and industry profitability and sustainability.

Hotel managers have mixed experience in engagement with SDP and are often restricted in engagement in SDP by the day-to-day issues of operations management. Potentially the more an operation is ‘systemised’, governed and SDP developed by Head Office, the less a manager needs to engage in SDP. This presents lost opportunity for all stakeholders. In general, managers need to more clearly understand the full complexities of SDP and work on advancing skills in these areas as they themselves acknowledge under a theme of Managerial Competencies ([Theme 7.4](#)).

Potentially the ongoing industry challenges highlighted in this research of: room rates and yield, seasonality and airlines, labour and room stock (supply) are a result of a lack of industry SDP, yet given the time to consider these many solutions have also been presented. A noticeable theme from this research is the general commonality of challenges and solutions from managers in differing locations and property size. Linking this to the newly developed sub-theme of ‘collectiveness’ gives hope that now managers may be more comfortable in pushing for an element of industry SDP.

Managers' in this research were very clear on two particular points:

- (1) That as an industry there needs to be more SDP to ensure the long-term sustainability of the industry, and
- (2) The challenges that the industry faces and not insurmountable with potential solutions within their grasp, but action is required by all.

Indeed these points are a demonstration of 'strategic thinking' and may have been a result of having 'time to think' – the opportunity to spend time 'on the business as well as in the business'; a key factor that may assist New Zealand's movement to *economic transformation* and in the future lift our ranking in the *Global Competitiveness Index*.

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# 1. Introduction

Individual business success is often the outcome of competent manager utilising strategic planning and development at macro (the business/industry environment) and micro (the business unit) level. The *Global Competitiveness Index* ranks New Zealand 47<sup>th</sup> out of 60 countries for the availability of competent senior managers – managers who manage within the macro and micro environment. New Zealand managers have been identified as being weak in: strategic thinking, people and communication skills, leadership, networking and relationship development, international experience and technical skills such as marketing (Mallard, 2006a) – holistically factors that enable industry strategic development and planning and country economic transformation.

Major hotels operate within the macro tourism and general commerce industry. The global outlook for tourism will see a growth rate of 4.6% per year for the next ten years, contributing 10.3 per cent of the world's GDP and employing 234 million workers, yet overall strategic development, planning and sustainability is being questioned (Baumgarten, 2006, President WTTC). Given New Zealand's international ranking (47 out of 60), it is appropriate to consider how (senior) managers within New Zealand major hotels view Strategic Development and Planning (SDP) and development (1) in the context of their own (micro) hotel, their hotel company, and (2) the (macro) national hotel industry, both with reference to future business sustainability.

In response to current and anticipated future tourism growth and corporate business activity, new hotels have been built, office blocks converted to hotels or existing hotels expanded. It is questionable however, as to the amount of macro SDP undertaken that eventually affects micro SDP. Naturally, increased competition in terms of the number of players (or rooms) in the hotel industry places pressure on two key areas, (1) business-resource needs, i.e. available land (natural resources), facility superstructures (buildings, renovation and maintenance), and facility infrastructure (suppliers to the business, management and staffing), and (2), room price as they compete for market share. Negative pressure on either of the above two areas jeopardises the prime business success factor - profitability. How managers strategically manage the macro and micro levels to 'develop and plan' or 'react' to such pressure is the

focus of this research given businesses desire to maintain operations, profitability and/or establish sustainability.

While most countries, including New Zealand, wish to increase tourist numbers, these business-resources are not necessarily infinite. In an environment of exponential growth comes increased competition. Competition for resources places pressure on prices which has the potential to reduce productivity, quality and returns to sector stakeholders, e.g. owners, management companies, employees, suppliers and the general economic and social community.

## **Report Overview**

This report, the first to ever review Strategic Development and Planning (SDP) in hotels and the New Zealand hotel industry begins with a review of the literature associated with (SDP) and sustainability. This sets the scene from which we can benchmark what general managers understand as SDP, how they engage with it and how it applies at micro - business, company and macro - national levels. The research methodology is then explained before moving to the results section, which, in the main, is the participants' response to SDP/sustainability questions.

At the conclusion of each theme a 'position' is presented. Potentially the position is a point from which further discussion and action is needed.

## 2. What is strategic development and planning (SDP)?

Strategy and its associated development and planning has a varied literature base as *strategy*, *being strategic*, and *strategic planning and development* mean different things to different people. A selection of researchers who have recently written on this topic include: Bollinger (2002), Carnall (2002), DeSarbo (2005), Noy (2001), Okumus (2002), Goerzen (2005), Greiner (2003), Olsen (1991), Phillips (1999, 1999). The holistic concepts that these researchers present is that ‘strategic management best practice’ is a range of optional techniques that managers can engage when seeking increased business performance – what the New Zealand government associate with economic transformation. Arguably however, businesses are not generic and what is perceived as appropriate in one country or industry may not be directly applicable in another. The hotel industry, as part of the tourism industry, lacks presence in the international literature regard SDP and may well have a different strategic development and planning base, visions and actions as opposed to the general tourism industry. Potentially, opposing visions and actions may damage the overall industry, e.g. when airlines develop packages to increase passenger traffic and encourage hotels to provide low room rates. In effect both parties are reliant on each other, yet strategy, operations, operational yield and margins are quite different.

Pitts and Lei (2000, p. 7) define strategy as *the essence in matching strengths and distinctive competence with terrain in such a way that one’s own business enjoys a competitive advantage over rivals competing on the same terrain*. This military theme suggests to businesses to find a distinctive competence (against your competitors) that matches the external environment. Hitt, Ireland and Hiskisson (2003, p. 9) use similar words to describe strategy – *an integrated and co-ordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage*. Finally, the concept of strategic management as presented by Dess, Lumpkin and Eisner (2007, p. 11) is: *one of analysis, decision and actions an organisation undertakes in order to create and sustain competitive advantage*. The key attributes accompanying Dess *et al* definition is that it directs the organisations goals and objectives, includes multiple stakeholders in decision making, includes long and short-term perspectives and recognises trade-offs between efficiency and effectiveness.

Understanding what strategy is allows us to move more swiftly to the matter of *strategic thinking*. The *Global Competitiveness Index* (Mallard, 2006a) ranks New Zealand managers' weak (47<sup>th</sup> out of 60 countries monitored) in the area of strategic thinking, along with other factors such as people and communication skills, leadership, networking and relationship development. Strategic 'thinking' is different to strategic development and strategic planning, and must happen before either. Arguably, the latter two are more functional than conceptual. It is therefore possible that the reasoning for the low ranking that New Zealand managers receive is due to the level of *understanding of strategy*.

### **3 The New Zealand government's view on SDP**

A key factor affecting the development of business in New Zealand is the relative lack of strategic management (Dunphy, 2003; Frost, 2003), and has become a concern of central government for obvious reasons of country-wide economic growth. The affects are in part due to the lack of infrastructural knowledge by business of the possible models and tools to use, and in particular for SME's and fragmented sectors such as the hospitality industry. In indirect support of Dunphy and Frost's views in 2006, the New Zealand government released its strategy for securing New Zealand' future prosperity via a process of *Economic Transformation* with the aim to (strategically) raise the living standards of all New Zealanders' (Mallard, 2006b). Such a strategy embeds several key points. (1) international growth affecting New Zealand (of which tourism is a growth industry), (2) issues of business sustainability in terms of profitability (of particular interest to the New Zealand tourism industry and hotels), (3) associated areas such as labour force availability (which hotel reportedly struggle with) and finally, (4) benchmarking (an area that hotels do, to a limited degree engage).

The New Zealand government seems intent on supporting businesses, small and large, to move to a sustainable position involving growth. Given such positive direction, it would seem appropriate for all business to review their strategic positioning and seek help where necessary.

## 4 The New Zealand hotel industry and SDP

The New Zealand business environment is based on competitive commercialism, that is, industry collusion (on factors such as pricing) is illegal. There is, therefore, a need to be clear on how far SDP of an industry can be taken before breaching Commerce regulations. However, when we consider New Zealand competing against other countries for tourism, Hitt, Ireland and Hoskisson's (2003, p. 9) definition of strategy is – *an integrated and co-ordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage*, with and Dess, Lumpkin and Eisner's (2007, p. 11) view being: *one of analysis, decision and actions an organisation undertakes in order to create and sustain competitive advantage*. There is, therefore, the opportunity or need for an 'industry' – not unit level, strategy – one that drives economic transformation for the industry and country.

For the New Zealand hotel industry, the New Zealand Hotel Council (NZHC) provides a voice on hotel accommodation-specific issues that are important to the profitability and activities of its members. NZHC hotels have over \$2.5 billion invested in rate-paying properties around the country, are major employers and significant contributors to the tourism industry both regionally and nationally (NZHC, 2005). With specific reference to elements of strategy, the NZHC state they: are New Zealand's most professional and influential hotel sector organisation; providing members with comprehensive hotel-specific research, industry statistics and analysis to assist with day-to-day management and strategy, and actively engage with key tourism, government and business leaders to provide a strong, collective voice for its members on industry issues.

In summary, while the New Zealand government supports SDP in general and economic transformation country wide and there is an organisation (the NZHC) that speaks for some stakeholders, there is perhaps more detail needed regard a 'strategy for the industry'.

## 5 Where does sustainability fit in?

The term *sustainability*, like SDP, means different things to different people.

Broadly speaking, within the New Zealand tourism context the term sustainability is more often aligned with sustainability of the natural environment. However, when considering sustainability in business terms, generally, the environment does not feature as predominately as the focus turns to sustainability of 'profit'. It is accepted that many businesses do recognise the intrinsic link between environmental sustainability and profit sustainability; however, 'pragmatic (profit) management' often wins at the end of the day and if you can and do mix both, all the better.

To be fair, some literature regard 'business sustainability' does contain elements linking the natural environment, e.g. Diakaki *et al* (2006), Nissim (2007). However, such themes pale when compared to the business sustainability themes of organisational development, accountability, TQM, Human Resources, risk management (Bader, 2005) – all driven to increase profit, e.g. Robson *et al* (2002), Hee (2007), Colbert and Kurucz (2007)

Narrowing the field to New Zealand, while the New Zealand government is very focused on of the sustainability of the (natural) environment (and also demonstrated by the theme of the 2007 Tourism Industry Conference), New Zealand's Economic Transformation policies of sustainability are in terms of profitability. The prominence of *sustainability in terms of profitability* at such a high level is a strong signal to the business community. Sustainable business development (SBD) seeks to find middle ground and has grown in prominence in recent years (Rainey, 2006, p. 1) with its articulation of integrating and achieving social, economic and environmental goals, perhaps providing a more philosophical aim.

It appears possible for all stakeholders to gain from SDP which can lead to business sustainability. This research set out to understand New Zealand senior hotel managers views regard this area.

## **6. Research methodology, analysis and participant selection**

This research set out to understand: (1) what New Zealand hotel general managers understood about strategic development and planning (SDP), (2) if, how and when they engaged in SDP, and finally, (3) their views on strategic hotel development and planning in New Zealand. As such, the research genre was qualitative and explorative.

Thirty hotel general managers from New Zealand's largest hotels (as much as possible equally representing the regions of Auckland, Wellington, Christchurch and Queenstown), were invited to participate in this research. Of the managers approached two did not wish to participate as they believed they were not involved in any strategic planning and development at hotel, group or national level, while nine managers did not respond to the initial invitation or subsequent invitations to participate. The nineteen participating hotel managers managed in total 4486 hotel rooms of which 66% belonged to international hotel groups, 21% to national hotel groups and 13% were significant independent hotels. Managers' experiences included New Zealand and international management postings.

Participants were hotel general managers' not corporate head office managers. Establishing hotel managers' level of involvement in SDP was an integral part of this research. However, where a participant was a hotel general manager and held some form of regional or national strategic role, their views have been enfolded into the overall analysis. Given the number of hotel managers who participated in this research it is acknowledged that generalisation to the total New Zealand hotel industry is limited.

Participants were asked open-ended questions related to SDP (see Table 1). Where appropriate, responses to the questions were 'laddered', that is, further clarification was sought or aligned areas explored if it was felt relevant to the overarching question. Interviews had no set time limit and varied in length from twenty minutes to one hour. All interviews were transcribed and coded using NVivo – a qualitative software package which allows for participants data to be coded - generally into personal constructs which helps build a conceptual frame/theory related to the research question/s. The qualitative methodological approach taken in this research was guided by the work of established qualitative researchers

such as Creswell (1998), Denzin and Lincoln (1994), Kwortnik (2003), and Miles and Huberman (1984).

**Table 1 Research Themes**

Theme 1: An Understanding of Strategic Development and Planning

- What is your understanding of strategic development and planning?

Theme 2: Engagement in Strategic Development and Planning

- How are you engaged in strategic planning and development?
- What amount of time do you spend on strategic development and planning?

Theme 3: Tools used for Strategic Development and Planning

- What strategic development and planning tools do you use?
- What strategic development and planning resources, tools, and techniques would you like access to?
- What new strategic development and planning resources, tools, and techniques does the New Zealand hotel industry need?

Theme 4: Strategic Development and Planning Challenges and Solution

- What long-term strategic development, planning and sustainability challenges exist for the New Zealand hotel industry and what are possible solutions?

Theme 5: Who needs to be involved in Strategic Development and Planning

- How is not involved with SDP for the industry that should be?

Additional theme developed during the research:

- Commentary on New Zealand Hotel Council

## 7. Results

### **Theme 7.1: An Understanding of Strategic Development and Planning**

In general, SDP for the majority of hotel managers' refers to immediate and short-term budgets and marketing plans. The timeframe of such planning spans one to five years, with exceptions being a 10 year plan by two managers who held regional/national responsibilities. A manager's understanding of SDP (as a complete concept) is shortened to that of 'planning'. The area of 'strategy' is minor and quite a distance from that in the literature, e.g. *an integrated and co-ordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage* (Hitt, Ireland, & Hoskisson, 2003, p. 9). While planning is part of SDP, it is how the planning is developed that is key.

Managers (who in the main did not hold regional responsibilities and exemplified by "our regional office looks after all our development"), did note, however, that owners are more 'strategic' regard planning for their assets. Planning, and in this case the shorted frame of 1-5 years, may have links to the cyclic nature of management contracts. This of course may be linked to the dynamic nature of the general tourism industry which often presents growth and decline phases. However, it is questionable if the short-term planning projected here is 'strategic' in relation to long-term business sustainability.

Moving to the area of SDP for the hotel industry in New Zealand. Commentary in relation to this highlighted the strong views held by the majority of managers, whether they held regional or national responsibilities. Managers' comments are detailed in Table 2.

**Table 2 Managers comments regards SDP in the New Zealand hotel industry**

Managerial quotes

- All companies think they are deeply into strategic development but I think that the reality is somewhat different.
- Lack of strategy – price wars
- Very little – to be frank!
- I don't see a lot of strategic development happening
- There is not much strategic development in terms of the industry in general
- We definitely don't do enough of it
- Where is the strategy in 3-4 5 star hotels in Queenstown in the next 3-4 years?
- I think we are rushing without any strategy
- I don't think there is much strategic management taking place, but that's probable not unusual for New Zealand – a lot of hotels are built for ego's
- I haven't seen any strategic plan – it's obviously up to each municipality.
- Is there one?
- We need more understanding without getting into collusion
- I don't think we have the level of planning and strategic point that we should have
- Owners are property focused and will wait till they sell the building to get their return – meanwhile hotels are hurting
- Supply and demand may be fine – but where is the sustainability?
- The industry needs to grow together properly- we have heaps to do
- There should be strategy round environmental sustainability, recruitment etc
- While we have a free market economy – no one is going to tell anyone not to build another 5 star hotel – even if I think we don't need one.
- Most feasibility studies put forward tend to be gloriously incorrect...
- We regularly update our strategy – we take a full country view – even down to which geographic areas could absorb more hotels.
- The market will tell you if you need more hotels.
- As a stepping approach to strategy we need to make people more aware of the tourism industry.

It must be stressed that industry SDP does not necessarily lead to collusion – a major concern of the industry, yet when an industry/country has limited resources, some planning is common sense. While sharing of Strategic Development Plans between hotels is highly unlikely - exemplified by one manager stated “*I don't share strategic thoughts and visions with other*

*hotels*”, industry awareness, potentially at a high level is highly desirable – to avoid the industry freefalling in times of instability causing damage to all stakeholders.

The above merges into the field of sustainability and while the majority of managers did not make commentary on this area, regional managers are clear that growth will only come where there is sustainability. In relation to sustainability, two managers stated “*Supply and demand may be fine – but where is the sustainability?*”, “*While we have a free market economy – no one is going to tell anyone not to build another 5 star hotel – even if I think we don’t need one.*”

### **Impact for the hotel and general tourism industry**

- Operational hotel general managers have a narrow understanding of SDP compared to that of the general literature and potentially other industries.

*As managers work within extensive hotel systems and the pressure of day-to-day management, time to develop an awareness of best practice SDP may reduce a hotels ability to compete.*

- Potentially, as a result of the above point timeframes related to SDP are short.

*Possibly symptomatic of, and related to, management contracts (where hotel management companies manage but do not own the hotel), yet potentially places stakeholders sustainability at risk.*

- While many managers have a limited understanding of SDP, given the opportunity to discuss the topic they see the need for more SDP.

*Developing a deeper understanding of SDP and economic transformation etc will help the hotel industry become more stable and sustainable.*

*Managers’ present understanding of SDP is somewhat understandable given that managers’ engagement in SDP is often limited and indeed several managers felt they were not involved in this area at all. While this may be understandable, this is of*

*concern as managers are leading substantial organisations in which stakeholders are relying on them to be there for the long-term.*

- Industry fragmentation.

*Given the fragmented nature of the hotel industry and the lack of an overarching theme related to SDP can create instability. As such, this often forces short-term planning which reduces the opportunity for long-term sustainability.*

- Limited SDP for the hotel industry is desired

*Managers would welcome a limited amount of SDP – which can only benefit all stakeholders.*

## **Theme 7.2: Engagement in Strategic Development and Planning**

Fundamentally, the level of understanding of SDP will dictate engagement in SDP. Generally engagement fell into three categories:

- (1) Very little engaged e.g. *“mainly is it Head Office that do the planning – they ask my opinion on local knowledge”, “Head office ask for my input.”*
- (2) Some engagement, e.g. *“We are doing more of it now – there is a need for it now”*
- (3) Fully engaged, e.g. *“100% engagement! We start with the senior management team and I provide the leadership and we look forward to next year.”, “A series of meetings with staff and then senior managers take over.”*

Allowable engagement into SDP at hotel level may be determined by chain affiliation (if the hotel is part of a chain) and Head Offices view on how much they ‘allow’ the manager to be involved – as is suggested in point 1 above. Company engagement ranged from nil to annual retreats once a year. At times hotel companies engage the Board in SPD and outside consultants.

The majority of managers have little to no engagement in SDP in the wider New Zealand, however, managers responsible for regions and clusters do have involvement with the New Zealand Hotel Council.

*Economic Transformation* is being lead by the New Zealand government and it is strongly suggested this can only be achieved by managers being engaged in SDP activities at the micro level, i.e. the adage of ‘spending more time working on the business than in the business’ and macro level – industry development. While most managers agreed there are concentrated periods of SDP – usually in relation to annual budget construction, managers with non-regional/national representation roles typically spent on average 15% of their time on SDP. The continuum of responses was from – *“one day a month”, “once a fortnight”* to *“50% of my time is on strategy”, “most of my time is on this stuff”*. While there is no benchmarked ‘time’ that a manager should spend on SDP, the presented figure does provide a benchmark for New Zealand hotel general managers in relation to future research on this topic.

Managers are more focused and perhaps challenged by the day-to-day management of operations with SDP happening in ‘chunks’ when necessary.

### **Impact for the hotel and general tourism industry**

- The majority of manager found it difficult to find the time engage in SDP.  
*SDP is acknowledged as being important, yet due to other pressures SDP is something that has to be done at certain times. This point supports the Global Competitiveness Index which ranks New Zealand managers 47 out of 60, in particular regard New Zealand managers as weak in: strategic thinking. Unless managers lift their understanding of engagement in SDP, their hotels and the New Zealand hotel industry will miss significant opportunities to contribute more than they presently do, to New Zealand’s economic transformation.*
- Managers of chain hotels spend less time engaged in SDP with much being done at Head Office.  
*Chain hotels have sophisticated management and reporting systems that a hotel manager contributes to, and must follow. This systems management approach may well force’ managers to support the system’, rather than the ‘system supporting the manager’, eventually reducing the managers intuitive engagement in SDP. Reducing SDP engagement may well result in a de-skilling effect which is contrary to best management practice.*
- Managers want more engagement in SDP.  
*The fact that SDP is being encouraged at the highest governmental levels and managers want more engagement is positive. However, the following questions need addressing: How do hotel managers gain, and their region or national managers provide, the opportunity to be more engaged? What is presently holding back managers engaging in SDP, is it time, is it knowledge of what SDP is?*
- A limited amount of national SDP is appropriate.  
*Managers’ comments about the lack of SDP at a national level are noted. While pure commercialism is the base for business in New Zealand, where resources are limited or restricted and an interdependence on key partners e.g. airlines, it makes sense to SDP for the industry.*

### **Theme 7.3: Tools used for Strategic Development and Planning**

Successful SDP requires access to a range of tools. As such, managers were asked what SDP tools they used in their hotel and company and what additional tools they would like access to. Concluding this theme, managers were asked if there were any additional tools that New Zealand hotel industry needed to assist in overall industry SDP.

In general, managers considered, and relied on, ‘tools’ to mean resources such as statistics and qualitative newsletters. Only two managers advanced this further identifying “*Revenue management forecasting software*”, “*A market review by an external consultant and we go out and meet people in other markets*”.

At one extreme there are the very basic tools, or as one manager phrased it “*We don’t have any flash technology other than a smart accountant and a good excel spreadsheet*” and another “*Pretty ad hoc – a spreadsheet*”. Moving along the tools continuum, managers utilised data from COVEC and “*A wide network of contacts. Wholesalers, ITO, Government agencies, a lot of web research*”, “*Modelling tools and benchmarking*”, to “*A full template from Head Office for modelling.*”

‘Additional’ hotel specific SDP tools managers would like access bought one manager to comment: “*We don’t know what we don’t know*”. This perceptive comment itself suggests that there is more to learn about SDP and the tools needed to engage with it. Potentially there is substantial data and tools available, with one manager noting “*We have enough information!*” but that it was not readily available or perhaps presented in a format that is useful – to busy operational managers. Comments related to this point included: “*There is (possibly) enough information out there – but you have to find it*”, and “*Data (is there, but) needs to be more simply and easily accessed*” In suggesting new tools for SDP managers commented: “*Need for more international trends so we can plan*”, “*More information so that we can analyse it*”, “*More benchmarking data both domestically and internationally*” and “*(Knowing) What the airlines are up to...*”

Finally, at the most extreme end of the continuum of data one manager stressed: “*Data must present a balanced view*”.

**Table 3 Tools used in SDP in hotels**

*Managerial quotes*

- The internet, New Zealand Tourism, Christchurch marketing, New Zealand Hotel Council.
- Usual PMS
- New Zealand Hotel Council, Tourism News,
- New Zealand Hotel Council, share our own chain stats, competitor set analysis
- Revenue management forecasting software
- New Zealand Hotel Council, in Dubai marketing people get together – no prices are discussed, but a chance to collectively market at trade shows etc. I think there needs to be more dialogue here in New Zealand
- A market review by an external consultant. We go out and meet people in other markets
- New Zealand Hotel Council, Ministry of Tourism
- Stats New Zealand, New Zealand Tourism,
- We don't have any flash technology other than a smart accountant and a good excel spreadsheet
- Pretty ad hoc – a spreadsheet. I don't know what is out there to be honest
- Our own trends and what other properties are doing – benchmark data. If other hotels had better access to benchmark of what others were doing – more would reciprocate.
- COVEC.
- More need to subscribe to Hotelbenchmark so that we can see where the industry is at.
- New Zealand Hotel Council.
- A wide network of contacts. Wholesalers, ITO, Government agencies, a lot of web research
- Hotels Magazine, daily email alerts, web,
- Modelling tools, benchmark,
- A full template from X for modelling
- Our own results, forecast to 2011, TIANZ

Moving outside the hotel sector, yet matters considered critical to SDP of the hotel industry on a national basis, managers viewed more information (tools) were needed from two particular areas. The first is airlines and their future developments and the second is Local Authorities. In particular hotels are often frustrated by their perceived lack of knowledge and significance of the industry and consequently holding back development in some areas.

Concluding this sub-theme was the matter of 'consistence in terminology'. Here managers often felt confused by the raft of terminology and tools used that had multiple meanings. This is further exemplified with the term 'sustainability' and terms used outside the industry such as 'economic transformation'. While some believe that "*We have the information – it's*

*analysing it” and others note “Statistics are near impossible to translate! We need more narrative data.”*

**Table 4 SDP Tools Hotel Managers would like access to**

*Managerial quotes*

- Data more simply and easily accessed
- Data must present a balanced view
- Need for more international trends so we can plan
- There is enough information out there – but you have to find it
- More information so that we can analyse it
- We don’t know what we don’t know
- More benchmarking data both domestically and internationally
- What the airlines up to
- We have enough information
- The more collective we can be the more strategic we can be

**Impact for the hotel and general tourism industry**

- SDP tools and their use vary.

*Today’s business environment is complex; therefore SDP has the potential to be complex. Yet, no matter how complex, managers have to be comfortable with the tools they use otherwise there is the potential to not become so engaged. Additionally, if managers are unaware of the significance and complexity of SDP, i.e. through lack or depth of understanding, then there will be little enthusiasm to seek out more advanced SDP tools. Failure to seek out and utilise SDP that will cope with business complexities may have long-term affects on business profitability.*

- Tools, in terms of data, appears (for some) to be complicated to analyse.

*The level of data analysis (as a tool) may depend of the managerial experience and education of managers. If managers are challenged with the terminology of the industry, the presentation of data and subsequent analysis, effective and appropriate SDP will be reduced.*

*In recognition of effective and efficient knowledge and use of SDP tools, one manager concluded his commentary with: “The more collective (with data generation) we can be the more strategic we can be”.*

## **Theme 7.4: Strategic Development and Planning Challenges and Solution**

SDP in any industry or country will be presented with challenges, and as can be expected, participants in this research identified numerous challenges at micro and macro level. Indeed this was the most substantial area of commentary from managers. The first question to managers was: “What challenges exist for the New Zealand hotel industry in the long term?” This was followed by “What are potential solutions?”

The basis for these questions was that SDP involves immediate, short and long-term issues/challenges and when linked to economic transformation, SDP engages elements of sustainability, therefore responses would clarify what managers’ views are in these areas. Potentially, effective industry and country SDP, while recognising challenges, finds solutions with the best outcome being an industry is in control of its destiny - rather than someone else controlling it. As we see from many of the responses in this theme (see Table 5), the industry has many significant challenges ahead of it, yet managers also present some very pragmatic solutions (see Table 6).

Clustering the challenges’ highlights the old chestnuts of: room rates and yield, seasonality and airlines, labour and room stock (supply), while two new clusters surfaced namely: managerial competence and collectiveness. A third cluster covered a diverse range of areas.

As stated, the ‘old chestnuts’ present nothing new. However, given that they have been round for many years, the most appropriate SDP question has to be: Why have they been round for so long with no apparent abatement? If they were a fact of business life, then potentially they would not register as a SDP issue.

Of note in this theme is the new cluster of ‘managerial competencies’. The list of challenges in this cluster is substantial and at times concerning, yet to some degree may explain New Zealand’s low ranking (46 out of 60) in the *Global Competitiveness Index* in terms of managerial competence. In particular the *Global Competitiveness Index* highlighted New Zealand managers as weak in: strategic thinking, people and communication skills, leadership, networking and relationship development, international experience and technical skills such as marketing (Mallard, 2006a); combinations of skills required for SDP.

On the other side, the ‘solution’ cluster of managerial competencies does provide some answers as to why we find our selves in this position in terms of SDP and international ranking, e.g. “*more mature training...*”, “*be more strategic*”.

Within this theme, we finally review the new ‘collectiveness’ cluster. Naturally, any element of industry collusion is illegal and professionally inappropriate, particularly regard areas of rate setting; nevertheless, the fragmentation of the industry appears to be stalling constructive industry SDP. While the New Zealand Hotel Council received positive commentary during this research – and is reported on later, there is a call for more work by this organisation to sell the economic transformation ability of this industry. Managers highlighted a desire for the industry to be recognised as significant economic generator etc, yet this message appears to struggle to get through.

**Table 5 SDP Challenges**

*Managerial quotes*

Room rates and yield

- Rate, yield and staffing. The average 5\* hotel has a year round rate of \$USD350.00 we are no where near that!
- We are not good at growing our own base rates
- Our rates tend to be going backwards in comparisons to other costs
- New Zealand’s future is about yield not volume
- Discounting to beat the competition
- We are seen as a discount destination
- Rates are not high enough
- Rates to the tour market are just too low
- Everyone talks about sticking to their guns and holding and increasing rates, but then they do their own thing and drop them
- We’re all underselling our products

Labour

- Pay is 40% of the revenue dollar – we need to lift rates to lift pay
- Wages are shockingly low – its got to go to \$20.00 an hour
- Regard labour, we are the architects through our own stupidity as far as I’m concerned
- Rates we pay our staff are atrocious
- Low unemployment is part of the problem – the other part is we don’t pay enough. I think labour will become more of a problem and we will be dragged kicking and screaming by the unions and government to increase what we are paying.

- Turnover of hotel managers – lack of long term knowledge and experience
- Staffing – costs are increasing and margins are decreasing.
- Labour! Its not a skill shortage – it’s a labour shortage.
- Low unemployment
- Staffing!
- Qualified staffing and paying them right
- The perception of the hotel industry – its not taken seriously
- Finding quality staff
- Not many hotels are going to go out as say “right we think that we would have a better labour pool by paying you a whole lot more money”

#### Supply

- Too many hotels in Auckland
- Too many top hotels end up dropping rate and forcing the rate down of other hotels
- Oversupply in some areas

#### Seasonality and Airlines

- Pronounced seasonality
- Airline access
- Our geographical isolation
- Hotels inability to change to guests needs quickly enough

#### Managerial competence

- Hoteliers are not very good strategic thinkers and planners
- The problem with hoteliers is that we are too narrow – and while that may be needed to get through the day, we are not looking at the tsunami coming.
- The hotel managers and the New Zealand Hotel Council need to be more strategic
- The old fashioned way of training managers is no longer applicable
- Managers need time to step outside the square and focus on the business
- Managers need time out to think about the bigger picture
- Sustainable growth
- Planning what we actually need
- We have put department heads in at a younger age, general managers are younger – we have lost a lot of experience that means we have lost longer term focus
- We have less time to sit down and think
- Not looking broadly at collective interests
- Why do so few hotel managers attend tourism conferences?
- When it comes to strategy this is one managerial competency that needs to be developed by managers
- This is a high risk business

### Collectiveness

- People don't understand our business
- To get the New Zealand Hotel Council recognised as the voice of the industry
- Being grouped in 'tourism' lets us down
- Our collective messages are falling on deaf ears
- We need to be more of a collective

### General

- Energy costs are zooming up
- Third party web marketing
- Strata titles and apartments
- Infrastructure

## **Table 6 Potential Solutions to SDP challenges**

### *Managerial quotes*

#### Room rates and yield

- Get the rate up
- Focus on yield not volume
- Be prepared to ride out a drop with high rates – it will work in the end
- Putting the room rates up – but then offering discounts and it negates the effort
- Increase room rates now!
- Stop undermining and discounting
- We give cheap rates because we have no strategic plan and we panic
- Quality – not quantity
- Don't drop rates when a new hotel enters the market
- Bring on the Hilton as they will charge a higher rate and then we can lift ours
- We need to spend money in refurbishment at the 5\* level
- Yield
- Attracting quality tourist to the region

#### Labour

- The ability to bring more people into the country to assist with the labour issues
- Up the ante with pay
- 20% pay rise
- Get back to apprenticeships – it's our fault as we stopped doing this
- Open our doors to more school children so we can get them excited at a very early age
- Up the pay

- Providing economic and career incentives
- Work more closely with training institutions
- Change the image of the industry to that of a real job
- Lift the industry profile to attract better staff
- Open up immigration to ease the labour issues

#### Supply

- There are too many rooms in town; everyone is going to drop their pants

#### Seasonality and Airlines

- More open discussions with airlines

#### Managerial competence

- More mature training – so people take us seriously
- More role models as leaders
- We have to be more professional as an industry – our profile is not in correlation with our economic impact
- Be more strategic and learn from past mistakes
- Be more strategic

#### Collectiveness

- More communication between hotels and local authorities
- We need to work together more effectively
- We need investment houses and banks that understand our business
- Local council communication and understanding

#### General

- An international conference centre in the middle of Auckland
- Ease up on immigration
- Put the infrastructure in place
- Get rid of qualmarks organised visits – make then mystery visits
- Get rid of the immigration office!
- Government support

## Impact for the hotel and general tourism industry

- The hotel industry continues to highlight challenges of: room rates and yield, labour, supply and seasonality / airlines.

*At one end of the continuum, room rates and yield are within the control of the industry, i.e. within the bounds of pure commercialism, hotels set their own room rates. Thus, if room rates and yield are too low it is as result of industry action, or reaction to pressure from buyers, which is not necessarily the fault of the buyers.*

*International research highlights that discounting is an (industry) economic loss strategy (Canina & Enz, 2006a, 2006b), yet managers in this research openly stated that this is what happens, e.g. “Everyone talks about sticking to their guns and holding and increasing rates, but then they do their own thing and drop them.”*

*Labour challenges are an international problem for all industries and there is no simple solution to the challenge (while may have been suggested). Yet, unless the industry does something to attract and retain quality/professional staff, they will not be able to increase rates and thus yield, therefore accepting a lower ROI and economic transformation, for all stakeholders.*

*Seasonality is a general tourism challenge and hotels, as part of the greater tourism industry, need to work on alternative ways of filling the seasonal trough. Again there is no easy solution, but collective action may make inroads.*

*The airline industry has its own challenges as more operators enter New Zealand; however, the symbiotic relationship that exists necessitates closer discussion and understanding of each others business. Airlines wanting cheap hotel rooms to package together with aircraft low and high loadings may not be a win-win solution.*

- Oversupply of rooms

*Pure commercialism suggests that supply and demand will set the appropriate ‘level of stock’. However, on the way to finding this level there is the risk that present and increased stock will reduce operational revenue (competitive room rates) to the point that ROI and economic transformation is not at acceptable levels for all stakeholders. Already some managers believe New Zealand is seen as “... a discount destination”, and that “We’re all underselling our products”. SDP would suggest enacting what some managers are suggesting: “More communication between hotels and local authorities” and “We need to work together more effectively”*

- Managerial competence is enhanced when managers modus operandi involves engaging the ‘genius of the AND’, rather than the ‘tyranny of the OR’  
*Many of the points mentioned by managers under the Managerial Competencies cluster may explain the reasons for challenges in the above clusters. Potentially if many of these challenges were addressed – as per the suggested solutions, and in tandem with the Collectiveness cluster, the room rates and yield and labour clusters may not be so predominant. While working on all issues at once (the genius of the AND) demands more of a manager/industry, tackling one challenge at a time (the tyranny of the OR) may see issues grow larger while unattended (Collins & Porras, 1994). It is not a case of resolving one challenge before starting on the next. Each challenge needs its own Strategic Development Plan with all plans moving at the same time.*

## **Theme 7.5: Who needs to be involved in Strategic Development and Planning**

The final question to managers in this research was “Who is not involved with SDP for the industry that should be?”

The general thrust was that those who should be involved are involved, and that via collectiveness we can achieve more. However, the most predominant name used in this theme was the New Zealand Hotel Council. The New Zealand Hotel Council (NZHC) was seen as the most appropriate vehicle for pulling the industry together and received many accolades, yet while it may be a forum for discussion from a fractionalised industry; managers want more from it noting it: “...needs more teeth”, “...more direction”. Accepting that the NZHC is a relatively new organisation there appears a positive role for it as the platform for SDP for the industry.

**Table 7 The New Zealand Hotel Council**

*Managers quotes*

- Great that we have a Hotel Council
- A great job – there is more potential there yet
- It’s worth being in
- New Zealand Hotel Council is taking a real good lead
- Starting to feel its way now
- We need to engage the International Hotel Association more
- We are still confused as being the Hospitality Association – and we are far from that!
- The Hotel Council, in theory, has no teeth as at the end of the day you can do what you like in terms of rate etc
- We need to give the Council more direction
- Needs to be in the media more
- Its heading in the right direction, but if we compare ourselves to federated farmers we have a long way to go
- We agree to hold and increase rate at the Council meetings but then a manager goes back to the hotel and reduces rates otherwise he is fired for non-performance
- You can say PC things are the Council meetings, but at the end of the day you are hotel driven and we will drop rates if we need to – no matter what was discussed at the Council meeting

In addition to the work of the NZHC, managers sought a greater linkage with developers “*Developers – who talk about opportunities*”, educationalists “*All education sectors so both (educational institutes and industry) are aware of what each other is doing and their needs*”, and external advisers “*Assistance specific to the industry. As hoteliers we are too close to see what is happening we are not as objective*”.

### **Impact for the hotel and general tourism industry**

- A recognised industry voice  
*One manager emphasised confusion between the Hospitality Association and the New Zealand Hotel Council – noting “... we are far from that!” Another manager compared the hotel industry to the agriculture sector yet stressed that Federated Farmers is a ‘known’ organisation, but the New Zealand Hotel Council was not. These thoughts and others suggest that managers support the New Zealand Hotel Council as their ‘voice of the industry’, but want to see more from it – potentially as a SDP leader.*
- Co-ordination of stakeholders is important.  
*The industry knows who should be involved as part of any SDP and views that they are involved, however, also understanding that they need help in certain areas, e.g. external advisers. This is a positive position to be in as regards SDP.*

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