

COMPETITIVENESS IN HOSPITALITY INDUSTRY: ROMANIAN STYLE

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Abstract:

In this paper is presented one of the important sectors of the national economy, at least from its potential for development perspective: the hospitality industry. The research interest is related to finding out the main factors of competitiveness in this field. This research attempts to identify the essential aspects of competitiveness in the hospitality industry. The objectives pursued refer to: discovering the degree to which the concept of competitiveness is understood and capitalized on by the managers in the Romanian hospitality industry; identifying a set of factors considered decisive in raising the competitiveness of Romanian firms in the hospitality industry; identifying the strategic concerns of firms operating in the Romanian hospitality industry, in order to establish the connection between strategy and the competitiveness of the firms belonging to this sector.

As a result, the hypotheses are: in the hospitality industry there are particularities which influence the firms' competitiveness and strategic orientation; preoccupation towards raising competitiveness and strategic orientation is influenced by the type of exploitation and the number of stars (level of comfort); in the hospitality industry, managers focus on cost control and service quality as decisive factors of competitiveness.

Key words: competitiveness, hospitality industry, internal factors, external factors

Introduction

Competitiveness becomes a very current theme for each economic actor, varying from regions to organizations. Moreover, it can be observed an evolution of the concept by from static competitiveness, during which the competitive advantage was given by an endowment with technical factors, to the dynamic one, whose key factors are: technical progress, salary raises and modern management methods. In this case, the competitive advantage surpasses the economic dimension and starts to include: the increase of the country's financial and productive forces, education, safety, standard of living.

Competitiveness is associated with the idea of success, of long term

survival and it doesn't characterize only the economic life, but it can be felt in the social domain, too. We can spot competitiveness in politics, sports, culture, in social positioning.

In the context of economic and social development, the subject of competitiveness can be spotted more and more often. This represents a strategic objective stated both explicitly, being included in national and international strategies (for example National Development Plans, the European Union's Lisbon Strategy etc.), and implicitly, being an intrinsic motivation behind most of the strategic development demarches.

Theoretical Background

In this case, productivity becomes the key element, while others take into consideration performance compared to the rivals [30]. The concept is also defined at different levels: firm, nation, and also industry/sector of activity, region/town.

When judging competitiveness nationally, many economists associate the concept with fulfilling some major macroeconomic objectives. Bienkowski (2006) mentions a few equivalents in this direction: a state of general welfare, a high standard of living for its own citizens compared to other states both in the present and in the future, a rise in the population's standard of living, while national wealth is being distributed fairly and jobs are provided to those willing to work, without affecting negatively the standard of living for the future generations. Thus, competitiveness involves productivity, efficiency and profitability elements. Nationally (at the macroeconomic level), these aspects aren't a goal themselves, but represent means by which the real target of a constant rise in the standard of living is being reached, rise which can be sustained only through productivity in the long run.

The notion of companies' competitiveness envisages the manner in which these compare themselves to their rivals on the relevant market in which they operate, representing the capacity of selling products and services in sustainable success conditions or in order to gain or protect a market segment. In the medium or long term, the other parameters associated with the concept of economic success (especially profit) are subordinated to the "market segment" parameter. On a mature, stable market, a competitive enterprise, with a big or growing market share, automatically has stable positive profits, a modern technology, a correct organization of production and or sales. Each industry has its own competition rules and its

own hierarchy of factors which contribute the most or the least to the competitive position and competitive advantage. On the other hand, a competitive firm has certain advantages given by the key competencies it possesses and its rivals don't (for example: the manner of understanding consumers, a brand, a license, the cost structure).

The concept of competitiveness relies on two sub-concepts [22]: comparative and competitive advantage, mentioned intensely both in the relevant literature and the industrial and integration policy, but whose definition and usage are a little confusing. Comparative advantage theory, which brings forth the decisive influence of the abundance of cheap resources in a national economy on its industrial structure (but is totally obsolete and fundamentally contradicted by the realities of modern economy), has had a deeply negative influence on the specialization of national industry. Competitive advantages theory proposes a dynamic, mainly microeconomic approach which highlights the fact that the efficient specialization of national industry depends, mainly, on the competitive capacity of firms, both on the national and international market, on the speed with which they assimilate technical progress, as well as their innovative potential.

Competitiveness is very important for Europe in the present context of globalization. At the heads of state and government meeting which took place in Lisbon, March 2000, the strategic objective set was for the European Union "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". This implies efforts and sets of measures adopted at various levels, from the creation of an environment suitable for regional or national

competitiveness to the strengthening of the firm able to successfully compete on the relevant markets.

Our interest is focused on one of the important sectors of the national economy, at least from its potential for development perspective: the hospitality industry. Besides, tourism is one of the areas of world economy with a continuous growth rate and one of the most internationalized, at the same time. As a result of these characteristics, the world market extends and experiences a growing competition between tourist countries [29], which implicitly mean more competition on the various markets, geographically defined as local or national.

The hospitality industry is confronted more and more with growing competition on a global level, a fast advance in technology and greater expectations from the clients. Most hotel companies have improved internal operations, raising quality and reducing costs. These companies are now preoccupied with the development of their competitive advantage through various sources. At the same time, these sources become factors which influence competitiveness: (1) *relational abilities* [38],[13], understood as superior abilities of managing resources shared by several companies; (2) *"learning organization"*, that means the turning of the hotel into an organization which learns is a new strategy of becoming global [2]; (3) *human resources*, because people represent the central point in every activity in the hospitality industry, from creation and design to developing and delivering all the services [31]; [32]; [14]. Recent researches show that delegation and participation are very important aspects in obtaining a plus in competitiveness through human resources [11]; and (4) *technology and information technology*. Technology represents an important strategic asset in obtaining competitiveness [34]; [35]; [39].

Technology's part in obtaining competitive advantages in hotel companies, thus contributing to the organization's success, is increasingly appreciated. Researches on technology acceptance and distribution have received considerable attention from the academic environment and hotel practitioners [10]; [20]; [39]. Adopting and spreading technology in organizations belonging to the hospitality industry is a complex process which influences both the internal and external processes of the business. Due to the unique characteristics of adopting technology in hospitality, there were designed several models meant to render this process efficient, because of the importance it has in raising competitiveness in the envisaged organization [44]; [45]. Technology can contribute to raising work productivity, obtaining some important cost savings, raising efficiency and market share, developing and improving customer services.

Research methodology

This research attempts to identify the essential aspects of competitiveness in the hospitality industry. The objectives pursued refer to:

- discovering the degree to which the concept of competitiveness is understood and capitalized on by the managers in the Romanian hospitality industry;
- identifying a set of factors considered decisive in raising the competitiveness of Romanian firms in the hospitality industry;
- identifying the strategic concerns of firms operating in the Romanian hospitality industry, in order to establish the connection between strategy and the competitiveness of the firms belonging to this sector.

As a result, the hypotheses are:

- in the hospitality industry there are particularities which influence the

firms' competitiveness and strategic orientation;

- preoccupation towards raising competitiveness and strategic orientation is influenced by the type of exploitation and the number of stars (level of comfort);

- in the hospitality industry, managers focus on cost control and service quality as decisive factors of competitiveness.

The required information was collected through a questionnaire survey. The questionnaires were sent by postal service, e-mail or handed personally, after preliminarily renewing contacts with the ones involved in the hospitality field, and the consultancy firms in this area. The fulfilled questionnaires have been returned through one of the means mentioned above.

The sample, which resulted according to the calculation methods, is 282 units of observation. The number of respondents was 108 from 7 cities. The results of the research can be extended to the entire sector, because it was noticed that the total of 108 hotels largely keep the sector's characteristics (occupation, comfort, type of exploitation).

Out of the total number of hotel units which answered the questionnaire, the majority (47.2%) fit in the 3* comfort category, followed by 4* units (25%) and the 2* ones (23.1%). As to the number of employees, out of the total number of hotel units questioned, most of them (39.8%) are medium-sized firms, having between 50 and 249 employees, followed by large firms, with over 250 employees (34.3%) and small firms, having up to 49 employees (25.9%).

Regarding the seasonality of the activity, it is well known that urban tourism is characterized by lack of seasonality, situation which was also noticed at the interviewed units: 94.6% said that their activity isn't seasonal,

while the rest (situated on the seaside) said that their activity is seasonal.

Most of the questioned hotel units said that the main reason behind traveling was business tourism, followed by transit tourism (15.2%) and leisure tourism (10.2%). Regarding the structure of tourism traffic within these hotels, foreign tourists have the biggest percentage at the 5* and 4* (81.4%, respectively 58.6%), situation explained by the fact that the interviewed hotels were visited by business tourists. Most of them came from Germany, France and Italy followed by Austria and Spain. The percentage of Romanian tourists is bigger for 3*, 2* and 1* categories.

Findings

After processing the questionnaires, the information obtained showed the hotel managers' perception about the relation competitiveness – strategy. These were a source of ideas for establishing and developing the competitiveness model in the hospitality industry.

The concept of competitiveness was mainly associated with the following terms: competition – competitive advantage, profitability, long-term presence on the market. Most of them (49%), especially 3* and 4* hotel managers associated competitiveness with the concept of competition, referring to it directly or using the notion of comparative advantage: competitiveness refers to "competing on the market on which they operate" which is achieved by "offering products and services which meet customer demands" or by "service quality". The second group (26%, mostly 2* hotels' managers) associate competitiveness with profit: "being competitive means being efficient on your market" or "obtaining profit, having quality services, appreciated by the customers". Profit is still seen by many firms as the unique engine of business, the one who guides each and every action. For them, the concept of

competitiveness represents "the ability of obtaining profit according to estimations" and "even surpassing previsions". Competitiveness was also correlated by 17% with the capacity of existing on the market in the long-run, while the others linked it to work productivity.

Another question highlighted the perspective on the main resources which the hotel's activity is based on, in other words, the importance of resources in obtaining the comparative advantage. The scores recorded for this question were calculated as a pondered

arithmetic mean based on the 108 responses (1 represents the least important, 5 very important) (table 1). We can observe the close values of the 6 means, which can suggest either the lack of real concern of the managers in hospitality industry towards this aspect of a strategy, or a recently emerged concern, managers thinking all resources are equally important. The fact that "human resources" obtained the lowest score shows an industrial-type approach (in which only material resources are considered truly important).

Table 1

The importance of resources in obtaining competitive advantage

Resources	Average score
Materials	4,3
Human	3,9
financial	4,6
informational	4,1
technological	4,7
managerial	4,5

One of the key questions requested managers to specify which factors helped them gain their actual

position on the market. The average scores obtained by the factors mentioned above are shown in table 2.

Table 2

Competitiveness factors

Competitiveness factors	Score
competitive environment	3,2
legislation	1,8
general infrastructure (access ways, telecommunications, public utilities, etc.)	1,7
level and evolution of demand	4,4
hotel emplacement	2,9
the business environment's quality from an ethical point of view	1,75
ability to innovate	2,7
quality of human resources	3,85
tariffs	4,1
cost control	4,2
service quality	4,5
the diversity of services offered	4,3
brand	2,8
ability of interacting with partners	2,6
adaptation to the changes in the external environment	3,6
promotion	3,9

It can be noticed that internal factors (tariffs, costs, services provided, brand, promotion, etc.) are considered more important than the external ones, except demand, which is still appreciated by the majority as playing an important role in gaining the present position on the market. Most managers relate that their efforts towards competitiveness were concentrated on services provided, tariffs, cost control and promotion. The low scores obtained by legislation, infrastructure, and the business environment's ethics show these are seen mostly as obstacles in reaching the organization's objectives than favorable factors.

Comparing the scores from the previous question with these, a reasonable correlation can be noticed, as managers think that financial, material and technological resources are important in order to obtain competitive advantage, and the important factors of competitiveness

are: tariffs, costs, services and promotion. Human resources registered approximately the same score in both questions.

Once the important factors in obtaining competitiveness at present are identified, the next question is concerned with the factors associated by managers with long term competitiveness. 104 out of the 108 interviewed managers answered this question, most of them referring to the measures they intend to take in the future. The measures identified by the respondents include: introducing customer satisfaction questionnaires, improving the services to European standards, maintaining the standards, offering new services, creating a site in order to promote themselves, customer-oriented sales policy, well trained personnel etc. We associated these measures with 5 factors that we consider important for raising competitiveness in the future (table 3).

Table 3

Factors for raising future competitiveness

Factors	Number of answers	Percentage (%)
service quality	68	65,4
cost control	55	52,9
innovation capacity	47	45,2
legislation, including policies and community programs; infrastructure	41	39,4
quality of human resources	38	36,5

Therefore, the key success factors considered by the actors in the Romanian hospitality industry are quality, cost control, innovation capacity, legislation and the quality of human resources. These correspond largely to the model concerning the types of competition that industrialized countries followed in the period shortly after The Second World War, according to which enterprises tried to ensure competitive advantage through price, then quality, through flexibility and innovation, in order to survive on the

market. Obviously, even if the importance moved from one factor to the other over time, nowadays the firm can resist only if it's efficient in all these directions at the same time.

We can notice that, even if innovation isn't regarded as a key factor of present competitiveness, hotel managers see it as very important in the future. This indicates the fact that they have become aware of the necessity to permanently adapt to the new, to generate and/or adapt new ideas as a source of competitive advantage. The

same observation applies to the "quality of human resources" factor.

On the other hand, there is an external factor that appears, a factor over which the organization has a rather limited influence. These highlight the significant role that infrastructure plays in the development and success of the tourism sector in general and the hospitality industry in particular, as does national legislation and the policy framework and community programs.

Envisaging the entire future, the next question wishes to identify, out of a

list of 9, the measures through which competitiveness could be raised in the future, particularized on the hospitality industry (table 4). Most choices went to the "improving accommodation and alimentation standards" aspect, justified by the fact that most respondents declared that their clients were business travelers. These tourists are more exigent because expenses are supported by the organization and thus, they pay more attention to the hotel's facilities, their accessibility and functionality.

Table 4

Aspects related to raising competitiveness in the following year

Aspects	No. of responses
introducing/improving the booking system	15
interior and exterior design	8
facility modernization	24
improving accommodation/restaurant standards	48
customer security	10
flexibility towards customer demands	30
opening new units	25
affiliating to a chain (if applicable)	7
increasing marketing efforts	33
other aspects	2

Increasing marketing efforts was mentioned especially by the managers of independent hotels. Although their budgets are generally smaller, they have a sharper awareness of the role of image and hotel notoriety on the market.

Opening new units in the following year will represent a future activity for 25 managers. This vision is justified by at least two aspects: the development of business tourism materialized in the larger demand (especially in Bucharest), and the increase in the hotels' earnings correlated to placing the organization in a development stage.

Also, a lot of hotels managers expressed their concern for changing or

replacing some facilities or equipments because, no matter how well kept are hotels, this need appears constantly. Most of these managers belong to the 1* and 2* categories (66%). Moreover technology is constantly changing, but organizations are aware that simply introducing a booking system doesn't automatically increase work productivity. Software products for the hospitality field aren't always suitable to the hotel's demands: sometimes applications are too simple or too complex. In other cases, these programs are unstable and generate errors. This is why it is better to constantly assess them and eventually, replace them with more adequate ones

(15 hotels stated this element, most of them having 3 or 4 stars).

The last question concerned the awareness regarding the future efforts necessary to face competition. Most of the respondents were optimistic. Thus, even if managers estimated that competition had increased, they thought that they need relatively small efforts to adapt their resources in order to face the competition. This attitude shows a high confidence in the elements that ensure their position on the market. Competition isn't such a frightening factor, on the one hand because differentiations elements can be easily imitated and, on the other hand, there is a growing demand for hotel services. Generally, upper category hotel managers, 4 and 5 stars were the most

optimistic, while 1 and 2 star hotel managers were the most pessimistic.

Conclusions

The results of the research show that the hypotheses enunciated in the beginning were largely correct. In the hospitality industry there are factors which influence competitiveness and strategic orientation. We grouped them into four categories: human resources, innovation, services and costs. There is a general concern towards strategic orientation and raising competitiveness, and the amount of effort put into these directions is influenced by the form of exploitation and the number of stars (level of comfort).

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