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BENEFITS OF IMPLEMENTING STRATEGIC PLANNING TO DEVELOPMENT OF SMALL HOTEL COMPANIES IN OSIJEK-BARANJA COUNTY

PREDNOSTI PRIMJENE STRATEŠKOG PLANIRANJA U RAZVOJU MALIH HOTELSKIH PODUZEĆA OSJEČKO-BARANJSKE ŽUPANIJE

ABSTRACT

The competitiveness of tourism market forces hotel companies to adopt strategic management and smaller entities to opt market niches where they realize their personalized offer. Therefore, the purpose of this research is to point out advantages of using appropriate development strategies. Desk research method will be used for gathering information on business performance for hotels in Osijek-Baranja County and possibilities of strategic planning, case study method for hotel Waldinger and in-depth interview method for its employees. Also SWOT method and Porter's competitiveness model are used for the analysis of business environment. Results should provide an insight into possibilities and limitations of small hotel companies's market expansion, and the need for differentiated products and optimal market positioning. Hotel Waldinger is used as an example of good practice where a company successfully identified its strategic factors and focused business on profitable strategic units, applying social responsibility.

Given that hotel companies represent an important component of tourism in eastern Croatia, the object of research is improving and increasing their competitiveness. This paper's focus is their organization and development strategies, and the contribution will be reflected in guidelines for appropriate strategies, implementation and controlling. While gathering information, restrictions were manifested in dividing small, medium and large hotel's performances data. Regarding hotel Waldinger and the questionnaire for its employees, there is a possibility of recent data absence because they were collected a year ago.

The hotel industry represents an important determinant of tourism in Osijek-Baranja County and companies have recognized the need for business specialization. Stated is achievable with implementation of correct developmental strategies, generating increased business efficiency. Therefore, this study is about the possible use of the mentioned concept.

Keywords: Strategic planning, small hotel companies

SAŽETAK

Pod pritiskom konkurencije na tržištu, hotelska poduzeća se odlučuju na primjenu strateškog menadžmenta, a manji gospodarski subjekti se opredjeljuju za određene tržišne niše gdje mogu realizirati svoju individualiziranu ponudu. Stoga će svrha ovog istraživanja biti ukazivanje na prednosti primjene koncepta odgovarajućih razvojnih strategija. Radi prikupljanja informacija o rezultatima poslovne uspješnosti hotelskih poduzeća u Osječko-baranjskoj županiji te mogućnostima strateškog planiranja koristit će se metoda desk istraživanja, metoda studije slučaja za hotel Waldinger, a metoda dubinskog intervjua za nekolicinu njegovih zaposlenika. Također je

korištena SWOT metoda i Porterov model konkurentnosti radi analize poslovnog okruženja. Rezultati istraživanja će pružiti uvid u mogućnosti i ograničenja tržišne ekspanzije malih hotelskih poduzeća Osječko-baranjske županije te nužnost ulaganja u razvoj diferenciranih proizvoda te optimalnog pozicioniranja na tržištu, a hotel Waldinger je istaknut kao primjer dobre prakse za poduzeće koje je uspješno identificiralo strateške faktore i usmjerilo poslovanje na profitabilne strateške jedinice, uz primjenu društveno odgovornog poslovanja. Obzirom da poslovanje hotelskih poduzeća predstavlja važnu komponentu turističkog sektora istočne Hrvatske, predmet istraživanja je usmjeren na njihovo unaprjeđenje i povećanje konkurentnosti. Fokus rada je na njihovoj organizaciji i nužnosti primjene optimalne razvojne strategije te će se doprinos očitovati u danim smjernicama za odabir strategije, odgovarajući način njezine implementacije te provedbu kontrole poslovanja. Prilikom prikupljanja informacija o poslovanju hotelskih poduzeća, ograničenja su se očitovala u potrebi dodatne kategorizacije podataka za male, srednje i velike hotele. Vezano za informacije o hotelu Waldinger te anketno ispitivanje zaposlenika postoji mogućnost nedostatka novijih podataka obzirom da su prikupljeni prije godinu dana. Hotelijerstvo predstavlja važnu odrednicu turističkog poslovanja u Osječko-baranjskoj županiji, a hotelska poduzeća su prepoznala nužnost specijalizacije poslovanja. Navedeno je ostvarivo provedbom odgovarajuće razvojne strategije koja generira povećanu efikasnost poslovanja. Stoga će u radu biti riječ o mogućnostima primjene spomenutog koncepta.

Ključne riječi: Strateško planiranje, mala hotelska poduzeća

1. Applying strategic management in hotel companies

The necessity of managing tourism development is triggered by the exponential growth of population, production and trade, which requires the use of basic management functions, by which the system must be handled in a way to ensure their growth and development under different external and internal circumstances (Buble et.al., 2005). Different economic conditions and new technologies have caused changes in the tourism supply and resulted with emergence of customized and more independent tourism markets, which was well prepared for a new generation of travelers, with a significantly different type of travelling culture.

The tasks of modern strategic management include a much broader area than finding and creating new markets. Under today's pressures, tourism managers in charge of strategic economic processes must be prepared for any diverse influences that are a result of strategies, policies and types of management they choose.

Under pressure from market competition, hotel companies are adopting strategic management, and a smaller business entities are opting for specific market niches where they can implement their personalized offer. Business strategy as well as the determination of basic long-term company objectives, adjusting directions of business activity and the determination of the concept and selection of resources in the hotel industry is realized due to the specifics of the tourism industry, which is characterized by the value of tangible, immediate sales on site, the level of product quality and a large number of participants.

When applying strategic management, it is crucial to look at the totality of business and all its parts in order for the organization to be shifted to the desired goal, and setting strategy (defining the mission, objectives, strategies and policies of companies) its application (determination systems, processes, structures and resources to produce a given strategy) alongside control and development strategies (comparison of initial and resulting state) represent the basic levels of strategic planning. Business strategy highlights the level of strategic business units and aims at competitive advantages, providing an answer to the question of how to compete in each selected market, with different models used to possible alternative business strategies. Benefits of applying the concept of appropriate business strategies are evident to business performance. In enterprises that have decided

to apply certain strategies, faster market growth and development was noted including realization above-average long-term profits (Tipurić, 2012.). It also reduces the risk of impact of external factors, such as price competition and risk profile generated due to their ability to adapt to the business environment.

2. The hotel industry in Osijek-Baranja County

According to the State Statistics Office, in 2010. hotels and private accommodation facilities in family tourist farms in Osijek-Baranja County recorded 71,749 tourist arrivals, of which 52,465 were domestic and 19,284 foreign visitors.

In 2011. Osijek-Baranja County realized 77,697 tourism arrivals, which is 8.3% more compared to 2010., and 173,892 overnight stays, which is however an increase of 9.2%. According to these results, which have been increasing steadily since 2004., where Osijek accounts for nearly 75% of all nights, Osijek-Baranja County has for the first time broke out in the first place of all continental counties by achieved arrivals and overnight stays.

During 2011., overnights were realized in nine hotels of Osijek, available with a total of 382 rooms with 702 beds, while there were 149 rooms with 321 beds in private accommodation (rooms for rent, guest houses and apartments). The ratio of private and hotel accommodation in Osijek is roughly at the level of EU countries. By types of facilities, hotels in 2011. realized 74.5% of all nights, rental rooms 17.6%, guesthouses 7.4% and apartments with only a 0.5%.

In general, carriers of tourism in the Osijek-Baranja County are cities of Osijek, Donji Miholjac, Đakovo, Našice, Belišće, Beli Manastir, Valpovo and municipalities Bilje, Bizovac, Draž, Erdut; with the total of 16 hotels out of which three with four stars (Tourist Board of Osijek-Baranja County, 2012.).

Table 1 Hotels and other accommodation facilities in Osijek-Baranja County

	<i>Name of object</i>	<i>Category</i>	<i>Location</i>	<i>Number of beds</i>
1.	Hotel Osijek	****	Osijek	260
2.	Hotel Waldinger	****	Osijek	31
3.	Hotel Patria	****	Beli Manastir	80
4.	Hotel Blaža	***	Đakovo	46
5.	Hotel Đakovo	***	Đakovo	50
6.	Hotel Silver	***	Osijek	50
7.	Hotel Vila Ariston	***	Osijek	21
8.	Hotel Millennium	***	Osijek	20
9.	Hotel Drava	***	Osijek	18
10.	Hotel Villa Valpovo	***	Valpovo	20
11.	Hotel Slavona	***	Donji Miholjac	13
12.	Hotel Central	**	Osijek	60
13.	Hotel Mursa	**	Osijek	260
14.	Hotel Park	***	Našice	100
15.	Hotel Termia	**	Bizovac	205
16.	Hotel Toplice	*	Bizovac	90
TOTAL (HOTEL CAPACITY IN OBC)				1324
Total (other accommodation facilities)				cca 800
Total (accommodation capacity in OBC)				cca 2150

Source: Tourist Office of Osijek-Baranja County (2012) Information on the status and tourism development opportunities in Osijek-Baranja County, Osijek, June

2.1. Hotel Waldinger

Hotel Waldinger, Osijek's first small family four-star hotel, owned by hotelier Berislav Mlinarević, is situated in the center of the city. Today it contains 23 rooms and one presidential suite, two restaurants, a café and pastry shop, a multipurpose hall for conference tourism, an open terrace and

a private parking area under video surveillance for hotel guests and a guesthouse with 7 units, located next to the hotel building. This richly decorated hotel offers its guests a chance for recreation in a small wellness center with fitness room and sauna, and fine gastronomic delights, and a monthly exhibition display in the hotel cafe built in the classic Viennese style (www.waldinger.hr).

Hotel Waldinger seeks to position itself in the minds of potential customers as a central area in the heart of Slavonia and secessionist center of Croatia generally, and its promotional campaigns are based on highlighting the superior quality of service that can match the European standards. An atmosphere of warmth, simplicity and elegance, and the spirit of ancient times are the fundamental determinants of its recognizable organizational company culture, whose slogan, "Feel special" highlights a sense of uniqueness that the hotel wants to offer to visitors including adoration and appreciation towards Osijek's history and tradition.

Like most applicable structural form in small family company, the hotel also serves Waldinger initial functional organizational structure, whose characteristics are effective and clear objectives successful at comparison with market competitors, liability is determined hierarchical control of a manager who is also the owner of the hotel and the business culture is subject to minor changes, in line with current trends.

A precondition for the correct selection of the strategy is to analyze the situation, meaning the evaluation of internal and external factors in order to achieve the desired goal and the need to choose the optimal strategy by identifying main strengths, weaknesses, threats and opportunities ranked according to importance.

Table 2 SWOT analysis

STRENGTHS	WEAKNESSES
Highly qualified employees High quality products and services Special access to public relations Encouraging the creation of brand	Underutilization of marketing Underdeveloped networks in international markets
OPPORTUNITIES	THREATS
The increase in demand for goods and services New segments of customers Historically famous office building Location of the hotel	Unfavorable business climate for investment and development Use of substitution products

Source: Rašetina, S. (2011) *The business profile of the hotel company Waldinger*, Faculty of economics in Split, April.

Combining traditional and defensive strategies hotel Waldinger strives to maintain current market share and to feature their products in a recognizable form. Accommodation in this small hotel combines the comfort of a hotel with an individual approach to every guest, rooms and suites are modernly equipped and tastefully decorated in an atmosphere of harmony and elegance.

In the observed example of a hotel company, from the perspective of business strategy, there is a focus on strategic business units or divisions, and the competitive advantage of the synergic effect. According to the life cycle model, hotel Waldinger is situated in a growth phase which is the fundamental determinant of progression meaning the development of innovative products and competitive tendencies building a brand of loyalty to its guests and visitors. The current market is seeking to expand additional activities with designed products and it is advisable to use a strategy of market penetration if it intends to increase the number of visitors from other market segments, increasing the level of quality of service, additional hiring of local tourism agencies, and improving the marketing mix with a focus on promotional activities. This manner contributes to the improvement of the market position of the hotel, but at the same time it will also increase costs, which will in the long term be settled by the increased financial capital achieved with positive business results, so further investment in research and development is recommended.

Hotel Waldinger's level of social responsibility is also laudable, since the applied management methods of operation, communication and task performance is at a higher level of business ethics. In fact, employees are provided with continuous professional skill development and training, ensuring a balance between work and leisure, establishing equal pay and conditions for the improvement of women, and as far as environmental awareness, rational use of resources is ensured and there is waste management through separate collection and recycling. Hotel company is also very integrated in the urban community through sponsorship of local cultural events and book releases on local historical themes which proves The mayor's acknowledgment and thanksgiving of Tourist Board Osijek to Hotel Waldinger for contributing to the local community (Rašetina, 2011.).

Since the presence of a larger number of competitors in the market of small hotels reduces prices of tourism products and services and profits, it is necessary to create barriers to entry of new competitors. Threats occur in the form of competition costs and expenses or substitutions of current products, but the hotel companies that can afford it, take a strong position on the market. On the other side of the bargaining power of customers is the affected level of demand and consumption of tourism products and services, but if buyers are scarce or realize great influence on the process of producing high-quality services, they will have significant bargaining power, which will impact on reducing product cost. Small numbers of suppliers or excessive dependence on their quality also increases their power, but in this case, as opposed to customers, changes in price of the product is conditioned in accordance with the bargaining power of suppliers. Opposing forces among competitors require additional investment funds for marketing of the hotel enterprise or price reductions compared to the competition. Once you define the force, it is necessary to decide which one is the most important. The purpose of identifying the market structure and competitive advantages results in selection of strategies according to environmental influences. If the hotel performs a successful analysis of the environment, optimal positioning in relation to the aforementioned powers, and the selection strategy based on competitive advantages is possible and hotel companies will find themselves able to achieve above average earnings.

Referred is actually an explanation of the business environment through the so called Porter's model of competitiveness by category:

- *The entry of new competitors:* ZOO hotel is the only new blood potential competitor whose entry into the market is caused by the profit realized and the number of overnight stays despite high market entry barriers such as marketing and product differentiation, and the demand for initial capital.
- *Buyers:* City political and business elite, and occasional guests put pressure on by demanding an exclusively higher level of quality hotel products and services.
- *Intensity of rivalry:* There is weak level of competition since a small number of family-run hotels is present - competitors equal in size and power (Silver Hotel and Hotel Villa Ariston), the products are poorly differentiated, and the production capacity is not increased in leaps and bounds.
- *Suppliers:* The number of suppliers has put pressure on the hotel company to vary the level of its price range and the quality of its products and services and have a relatively unique product that can compete with their competitors.
- *Threat of substitutes:* Services and products of other 4-star hotels.

2.1.1. Possibilities of applying strategic planning

When implementing new business strategies, strategic changes are analyzed in various ways, but without a significant concentration in human resources and organizational structure and the impact of the business environment. By choosing the continuity strategy, Waldinger hotel would continue with the use of already used strategies by which he has successfully acted due to good market share and respectable reputation among the guests, but it is possible to introduce an occasional change.

The strategy of routine changes would introduce minimal changes since the the basic intention is to attract new tourism market segments, so as to attract the attention of targeted customers - visitors

and achieve positive positioning in the minds of consumers. This change of market approach refers to the introduction of a more dynamic business with a focus on distribution channels and promotion, with the need to find additional investment funds. The new business plan and operational objectives change should not affect the needs of tourists, but only on the strategy of positioning, and continued differentiation is desirable on the tourism market secession and traditional folk characteristics of a "special feeling" directed towards every guest.

Controlling as one of the main functions of management plays an important corrective role and relates to counseling in the adaptation of business strategies and changes or evaluation of cost control through the setting and monitoring standards of performance and performance measurement. This in a hospitality facility, such as hotels Waldinger performs control function comparisons achieved as planned by the criterion of basic hotel services (indicators of efficiency of accommodation, food and beverages) and supporting hotel services (indicators of the efficiency of procurement, storage, inventory and materials and maintenance).

The control of an individual basis is also applicable according to the results achieved by each employee in the workplace, performing the assigned tasks. While quality control is performed by an integrated approach entrusted to all employees of the company with different preventive and corrective methods, such as planning and designing high quality products and services, forecasting and correcting errors and shortcomings, and continued work on the growth and development of the aforementioned qualities, which proved to be an exceptional success when in just six years of existence Waldinger hotel was voted the best small hotel in the world, for which it received the prestigious award of the International Tourism Organization Trade Leaders Club - the Golden Bull for quality, competition from small hotels hundred countries worldwide. How much is a tribute indeed valuable, it is reflected in the fact that hotel Waldinger was the only croatian representative among the 80 winners of the 33.rd Awarding ceremony, in competition of a hundred countries worldwide. In addition, the prestigious prize was awarded by a tourist organization composed of associations of businessmen from 120 countries with more than 14 000 members.

3. Conclusion

One of the main goals of the Croatian hotel industry for the next few years is to achieve accelerated growth in quality and content rich hotel accommodation (Tourism Institute, 2011.), and the desired improvement and competitiveness depends on the organization of each hotel enterprise and the consistency to the application of a chosen development strategy. The fact is that for the past few years, the Croatian hotel industry recorded a slight price increase but occupancy rate has stagnated (Čizmar, 2011.). Economic operators should continually exert control of their products and services, and analyze business performance of hotel companies with the strategic selection of basic activities that produce the best results compared to the competition, and focus their resources to their further improvement if they have adequate personnel and resources. Of course, the selection strategy depends on the level of the relevant department or function in which it is planned to introduce the desired changes.

In brief, the application of strategic management and specifically strategic planning provides the hoteliers an answer to crucial and fundamental questions of business success such as how to adapt to the changing conditions of the external and internal environment companies, the redistribution of resources, product positioning of the business portfolio in comparison to the competition, all in order to survive on the market.

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