HOSPETIVENESS – THE EMPIRICAL MODEL OF COMPETITIVENESS IN ROMANIAN HOSPITALITY INDUSTRY

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Abstract
Our interest is focused on an important sector of the national economy: the hospitality industry. The paper is the result of a careful analysis of the literature and of a field research. According to the answers of hotels’ managers, competitiveness is based mainly on service quality and cost control. The analyses of questionnaires and dedicated literature lead us to the design of a competitiveness model for hospitality industry, called “Hospetiveness – The empirical model of competitiveness in the Romanian hospitality industry”. The model has three levels: the first level (the base) is represented by decisive factors of competitiveness: human resources, innovation, services and costs, which influence all hotels’ operations. The second level consists in the inclusion of competitiveness factors’ attributes in the organization’s processes and operations, in order to reach the objectives and obtain competitive advantage. This is the level where all the competitiveness factors are transposed in objective measures, in order to make them easily understood by the employees. The third level illustrates the dimensions of competitiveness as results of the impact of the decisive factors on the organization’s internal processes and operations. These dimensions are: customer satisfaction, market position and internal and external social responsibility. The model is dynamic, being the starting point for specific models in hotel management (e.g. business or seaside hotels’ management), and also the base for a best practices guide that translates competitiveness factors into key competitive advantage.

Keywords: competitiveness, hospitality industry, hotel management, competitive advantage

JEL Classification: M10, M14

Introduction
Competitiveness is associated with the idea of success, of long-term survival. Not only does it characterize economic life, but it also can be felt in the area that comprises the economic phenomenon: the social domain. We can spot competitiveness in politics, sports,
culture, and in social positioning. The problem of species’ survival itself is a matter of competitiveness.

The present context, marked by globalization phenomena and a wider admittance of the existing interdependencies imposed new rules to the game: nations’ welfare requires competitiveness on international markets, and organizations’ welfare require integration in the world value chains. As a result, the problem of competitiveness has become a very present theme for each economic actor, from economic regions to organizations. Moreover, we can observe an evolution of the concept of competitiveness as it passes 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 increase and modern management methods. Thus the competitive advantage overpasses the economic dimension. The education, the increase of the country’s financial and productive force, the safety, and the standard of living are all parts of the concept and have an important impact on the microeconomic level.

1. Theoretical background

As there are a lot of approaches of competitiveness, we should first state that there isn’t a generally accepted assertion about its content. Some researches focus on inputs, judging competitiveness in terms of quality of the resources used. Some study the phenomenon from the process efficiency point of view, productivity becoming the key element, while others take into consideration performance compared to the rivals (Buckley, 1990; Kovacic, 2004). The term is also defined at different levels: firm, nation, and also industry/sector of activity, region/town.

When judging competitiveness nationally, many economists assimilate 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 raise in the population’s standard of living, while national wealth is being distributed fairly, jobs are provided to those willing to work and without affecting negatively the standard of living for the future generations. Competitiveness thus involves productivity, efficiency and profitability elements. Nationally (macroeconomic level), these aspects are not a goal in 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 on the long run only through productivity.

The concept of competitiveness relies on two sub-concepts (Hornianschi, 2004): comparative and competitive advantage, mentioned intensely, but whose definition and usage are a little confusing. Comparative advantage theory brings forth the decisive influence of the abundance of cheap resources in a national economy on its industrial structure, and is totally obsolete and, largely contradicted by the realities of modern economy. Thus, it has had deeply negative influences on the specialization of national industry. Competitive advantages theory proposes a dynamic, mainly microeconomic approach, which highlights 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.
The notion of companies' competitiveness envisages the manner in which they 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. On the medium or long-run, the other parameters we are tempted to associate to the concept of economic success (especially profit) are subordinated to the “market segment” parameter. In a mature, stable market, a competitive enterprise, namely one that has a big or growing market share, automatically has stable profits, a modern technology, a correct organization of production and selling. Each industry has its own competition rules and its own hierarchy of the 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 that its rivals do not (for example: the manner of understanding consumers, the brand, the license, the cost structure of the sector of activity). However, in most cases, the competitive advantage cannot be maintained because competitors will copy it. It is considered sustainable only when it cannot be imitated and allows the firm to benefit from economic revenues on the long run.

One of the important sectors of the national economy, at least from the potential for development perspective, is tourism. The hospitality industry, as part of this sector, 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. They are also preoccupied by the development of the competitive advantage through various sources. At the same time, these sources become factors which influence competitiveness. Some of the most important factors discovered by researches are presented below.

**Relational abilities** (Rodriguez-Diaz and Espino-Rodriguez, 2006). These are understood as superior abilities for managing resources shared by several companies. In order to develop the ability to relate there has already been created a methodology that involves a four-stage process. The first stage envisages an internal analysis of the organization’s resources and capacities. The purpose of this stage is to highlight the basic competences of the hotel company in order to establish which activities are more important for reaching company's competitiveness by generating the greatest value for clients. At present, there is a strong tendency to consider sales, reception and administrative activities to be basic activities (Espino-Rodriguez and Padron-Robaina, 2005). The hotel’s main problem is to determine when it is profitable to externalize certain activities, especially those with a medium and high strategic value, where the hotel is not competent enough to deploy efficiently. The second stage is represented by an analysis of the relations between activities. This analysis is meant to suggest the fact that the company’s key resources can be extended or created beyond the enterprise’s boundaries and can be integrated in a routine in the internal processes by a more direct orientation towards creating value for clients. The third stage is the integration process. This process determines the degree in which the level of trust and commitment between companies is materialized into something practical which serves to eliminate or simplify activities, rationalizing operation systems and improving efficiency in order to offer clients greater value and to obtain additional income. An example of an integration process is represented by the RIU hotel chain and the TUI tour operator, which constantly monitor demand in order to program together the initiation of new offers when they have few reservations. The fourth stage consists in developing the ability to relate, which envisages the degree of cooperation and the integration process reached – e.g. hotel-
hotel, hotel-supplier (operations), hotel-supplier (sales). In the case of a hotel-hotel relation, among the activities involved we can enumerate sharing entertainment areas or the existence of agreements for better usage (sports fields, thalassic-therapy), cultural activities, complementary or shared restaurant services, over-capacity activities (for example, a hotel’s wash house used by another hotel). For the hotel-supplier (operations) case, among the activities we can identify: cleaning services, social activities, regular acquisitions, administration and human resources. In the case of hotel-supplier (sales) we can mention: the website, programs for promoting customer loyalty, call-center, tour-operator, online bookings, and aerial companies.

**Learning organization.** Turning the hotel into an organization that learns is a new strategy to become global (Bayraktaroglu and Kutanis, 2003). “Organizational learning” and “learning organization” represent concepts which have attracted considerable attention in the past two decades because they are at the basis of constructing a competitive advantage in the context of global change, and represent an inexhaustible source of competitiveness.

**Human resources.** People represent the central point in every activity in the hospitality industry, from creation and design to developing and delivering all the services (Lashley 2001; Mullins, 2001; Failte Ireland, 2005). Recent researches show that delegation and participation are very important aspects in obtaining a plus in competitiveness through human resources (Connolly and McGing, 2007).

**Technology and information technology.** Technology represents an important strategic asset in obtaining competitiveness (Nyheim and all, 2004). 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 recorded considerable attention from the academic environment and hotel practitioners (Cline, 2001). Adopting and spreading technology in organizations belonging to the hospitality industry is a complex process that influences both the internal and external processes of the business. As a consequence of the unique characteristics of adopting technology in hospitality, there were designed several models meant to render this process efficient (Wang and Qualls, 2007). Technology can contribute to raising work productivity, obtaining some important cost savings, raising efficiency and market share, developing and improving customer services.

Competitiveness represents a strategic objective stated explicitly, in many missions statements, and implicitly, being an intrinsic motivation behind most of the strategic development demarches. Approaching service competitiveness enhances specialization, meaning a focus on efficient activities.

2. The Competitiveness Model in the Romanian Hospitality Industry

There has not yet been designed a competitiveness model in the Romanian hospitality industry. Moreover, the entire issue of competitiveness at microeconomic level has been treated superficially. For this reason, our research carried out in 2007 had the goal of designing a representative model that is based on the attitude that hotel keepers have towards competitiveness. Our article is focused on presenting the competitiveness model in hospitality industry, this model being the result of a completely innovative thinking.

The origin of the model is represented by the research that identified the essential aspects of competitiveness in the hospitality industry. The objectives were: to discover the degree to
which the concept of competitiveness is understood and capitalized by the managers in the Romanian hospitality industry; to identify a set of factors considered decisive in raising the competitiveness of Romanian firms in the hospitality industry; to identify the strategic concerns firms activating in the Romanian hospitality industry have, in order to establish the connection between strategy and the competitiveness of the firms belonging to this sector.

The required information was collected through a questionnaire survey. There were 282 respondents out of 1066 total number of hotels in Romania in 2006, a number which is representative for the chosen method (the confidence interval was 95% \( \Rightarrow t = 1.96; p = 0.5; \) the standard error 5%). First step was to establish contacts with managers from the hospitality industry and then the questionnaires were fulfilled with the aid of students form the Faculty of Commerce. The sample of hotels kept the same characteristics as the whole population.

After processing the questionnaires, the information obtained showed the hotel managers’ perception on the relation competitiveness – strategy. These were a source of ideas for establishing and developing the competitiveness model in the hospitality industry. Most of the respondents (75%) have growing revenue, while almost half of the questioned managers think that the hotel they run is in a development stage and, also, are aware that, in order to face competition in the future, they must change the structure and dimensions of the present resources. Because these hotels can be considered competitive and are preoccupied by competitiveness, first stage in designing the competitiveness model in the Romanian hospitality industry was identifying the factors that assured their success. The questionnaire showed that Romanian successful hotels base their strategies and competitiveness (or intend to do so in the future) on innovation, human resources, services and costs. Moreover an external factor has been highlighted as being important in reaching competitiveness: legislation. However, the model is based only on the internal factors, which can be influenced by hotel management. Besides, external factors are believed to have the same influence over all the actors of the sector.

In order to design the model, a new definition for competitiveness, suitable to the analyzed sector, was elaborated. Competitiveness represents the result of a continuous process of organization adjustment to customer requirements, with optimal resource consumption for all operations, in order to obtain the best economic and social results and maintain an important position on the market, in the long run.

The model is named "Hospetitiveness" and has three levels. The first level (the base) is based on 4 decisive factors of competitiveness: human resources, innovation, services and costs, which influence all hotels' operations, each department adopting a conduct suitable for optimal resource consumption, in order to obtain the best results. From this point of view, reaching a high level of competitiveness becomes a modus vivendi at each hierarchical level and within each department. This behavior is intrinsically related to reaching the strategic objectives set during the strategic planning process and building the competitive advantage which must be achieved or consolidated (we refer here to the two consecrated types of competitive advantage: cost domination and differentiation strategy, as they were stated by Porter in 1985). Each decisive factor is composed of a number of attributes, as these resulted from the research.
The human resources factor is defined by the quality of human resources, hotel keepers being aware of their importance in reaching strategic objectives and competitive advantage. The concept of sustainable competitive advantage takes shape when a firm creates value for its clients, chooses the markets on which it can excel and becomes a mobile target to its competitors by continually improving its position. According to Porter, three of the most important factors are innovation, service quality and cost domination, but he admits that all three depend on the quality of the organization’s human resources.

The employees’ exceptional abilities, among which can be counted (superior) performance, productivity, flexibility, innovative spirit and the ability of ensuring high levels of customer service are the means by which people provide a vital component in the establishment of an organization’s competitive position. It can be argued that one of the obvious benefits of the competitive advantage based on the efficient management of human resources is that such an advantage is very difficult to copy. Differentiation can be obtained through a highly competent staff, more competent than the one of the competition, which means developing and protecting the organization’s intellectual capital.

If the organization’s human resources can turn into the key factor of each successful strategy – sustainable competitive advantage, then even the strategic approach of these human resources becomes a necessity for the companies involved in the fight for efficiency. Analysis of the external environment’s constraints and opportunities and the internal strengths and weaknesses represents the starting point of a strategic vision on the enterprise and its human resources. It is unanimously accepted that in order to be efficient and preserve a minimum profitability, the enterprise must apply a set of means designed to facilitate its adaptation to a changing context. Sometimes, it may be forced to redefine its market or clients and even its mission (its reason for existing).

The innovation factor has the following attributes: ability to innovate, implementing technological solutions, and adaptation to the external environment’s changes. Technology is the basis for improving the hotel units’ performance and competitiveness. As any other type of company, these are motivated to adopt new technologies in order to obtain the competitive advantage. An organization having employees who possess vast knowledge and technological abilities faces smaller resistance to technological change (here it can be noticed the connection between this factor and the one mentioned above). Thus an organization becomes more and more receptive to the changes in the technological environment and more willing to integrate new technologies in its daily activities.

The research showed a preference for product-oriented innovation: (1) organizations are more likely to adopt the product-oriented innovations than the process-oriented ones; (2) organizations spend more money on the product-oriented innovations than on the process-oriented ones; (3) suppliers of product-oriented innovation attract more attention, are often focused on communication networks and are more capable of promoting their ideas. As a result, adopting product-oriented technologies gains more attention from the hotel managers. Moreover, by adopting these technologies it is easier to perform than by adopting the process-oriented ones that usually require changes in all the organization’s processes. For this reason, it is not at all surprising that hotel organizations start by adopting technological systems which offer direct results and provide new services, such as: booking systems, point of sale systems, accounting systems etc., before orienting toward any other system which is likely to improve the business processes, but requires substantial changes.
The services factor includes: service quality and diversity, brand, ability of dealing with partners, and promotion. In the competitive environment of the tourism industry, service quality and diversity represents a vital mechanism for gaining the competitive advantage. Quality is a construct that is difficult to quantify. However, the ability of measuring quality is the key to determining if the industry offers or not the services consumers want. Consumers are the key to the business’ survival and success. For each company in the field, it is essential to know to what degree the customers’ expectations regarding services meet managers’ and employees’ views on these expectations.

A quality service refers to the entire set of activities or aspects which influence customer satisfaction: accessibility, promptness, informing the clients about what they discovered (in a manner suitable to each one’s level of understanding), what they did and why. Even if clients are sophisticated enough to distinguish between remarkable service and a technically competent activity, they turn to the hotel keeper who provides better service quality. The customer may think that the hotel keeper did a technically good job, but that he is not an expert. Even the most sophisticated clients, logically or illogically, focus more on service quality than on work quality (activity). Because of the ambiguity surrounding technical excellence (and the difficulty customers have in evaluating it), personal relations between the client and the hotel are gaining an increased significance in every area. When a client finds a supplier/hotel he trusts and that offers him peace and no trouble, he wishes to stick to that hotel. When appealing to services that are not in his area of expertise, each individual “buys” more trust, peace, lack of worries, and less of a "cold" technical activity, which he is not good at. Most clients take into consideration the style, working manner, and most of all, the attitude, when choosing a hotel.

Early attempts of defining service quality were derived from the products’ tangible elements (physical aspect, technical specifications and other concrete elements). The consumers themselves use these surrogate attributes in order to estimate the quality of something which is essentially intangible. However, the services’ intangible elements – inseparability, heterogeneity – are the critical determinants of the quality perceived by the end consumer. Service quality is appreciated not only as an end result, but also by the manner it is delivered during the performance process and, also as the last effect on consumers’ perceptions.

The costs factor includes the following attributes: cost control and tariffs. Knowledge on costs is useful in more directions: an efficient planning of the hotel’s budget, largely based on the relation between costs and the given or predictable situations; designing, implementing and operating a solid system of financial control, for which timely information regarding costs is an essential element; setting the prices of products and services delivered both in the organization, based on transfer prices, and to the outside (it has to be mentioned that decisions regarding the prices of products and services is much more complex, other factors besides costs having to be considered); making some decisions, taking into account that the different alternative operations have important implications and financial consequences; exerting efficiently task delegation, to which knowledge on costs elements and their monitoring are essential.

Moreover, besides the already mentioned aspects, one has to bear in mind the fact that almost every action initiated by the hotel managers in order to obtain some results, creates costs at the same time. Even if the goals or objectives are not reached, the costs remain.
Tariffs depend on the metabolism of the hotel’s costs and represent a key success factor in the competitive fight.

The second level of the model consists in the inclusion of the competitiveness factors’ attributes in the organization’s processes and operations, in order to reach the objectives and obtain competitive advantage. This is the level where all the competitiveness factors are materialized in clear measures, which all the employees find easy to understand, so the activity may be run on the principles of competitiveness.

The third level shows the dimensions of competitiveness as results of the impact of the decisive factors on the organization’s internal processes and operations. The dimensions of competitiveness are: customer satisfaction, market position and internal and external social responsibility. Each of these dimensions is translated into specific indexes.

a. Customer satisfaction. It is important to notice that while products are consumed, services are experienced, felt. The provider-hotel keeper is (or should be) a manager of client experiences as skilled as he is in performing technical tasks. Shortly, the client has a certain perception on service quality, which may lead to “the first law of the service domain”:

\[ \text{SATISFACTION} = \text{PERCEPTION} - \text{EXPECTATION} \]  

(1)

If a customer perceives the service at a certain level but expects much more (or different), then he will not be satisfied. The significance of this apparently simple formula is that both perceptions and expectations don’t necessarily reflect reality. Both are more of a psychological nature. This is why a hotel owner’s major challenge is to manage not only what he can do for the customers, but also their expectations and perceptions. This is where the need of customer focusing comes from. It is said that the most important keys of a service provider’s success (hotel services in this case) are: availability, kindliness and (professional) ability.

At this moment, the conclusion can be the following: improving the quality of work may be costly and difficult to demonstrate; improving service quality may cost less, may generate a more responsible attitude from the employees and can be more visible to the customers. Thus, for hotels it becomes important to use a managerial instrument which has the ability of identifying the difference between the managers’ perceptions of client expectations and the customers’ actual expectations, in order to design later strategies which meet these expectations.

The hospitality industry is characterized by the existence of a great number of organizations. As in other service areas, competition for attracting consumers’ loyalty is very intense. These highly competitive conditions have determined many businesses to become rivals in determining customers to repeat their demand, in order to ensure long-term success. Clients, who have developed a high perception on quality, have become more demanding and less tolerant of the products’ and services’ lack of quality. These consumers’ natural tendency is to resort to services that correspond to their needs and desires at a certain moment. This fact contradicts the assumption that they will remain loyal to certain products or services their entire life, especially if the managers do not put any effort into maintaining and “feeding” this loyalty. Consumers have become more willing than ever to transfer their loyalty to those providers perceived as offering quality. Client satisfaction and loyalty, ensured by a high standard of the products and services which
provide value in exchange for money, are essential for long term survival, not to mention long term success. The client satisfaction indexes refer to: the return rate, the number of new clients, the accrual of the medium duration of a holiday, the number of rests overnight per client, the general degree of satisfaction.

b. Market position. The indexes used are: income per available room, income per client, occupancy rate, market share, brand notoriety, hotel’s image among actual and potential clients, geographical exposure, number of marketing segments covered, price level, number of administered distribution channels, sales force competence.

c. Internal and external social responsibility. It is generally accepted that the organization’s activities have diverse effects, both good and bad. The benefits brought by organizations are: goods and services required by people; income (for employees, shareholders and state and local budget); accumulating knowledge and experience; jobs, social status, personal development for employees; prestige for the local community; stability and economic growth for the national economy. The prejudices brought by organizations may be: pollution; low quality products/services; unsafe work conditions; discrimination toward employees and clients; inequity, stress, and illness for employees.

Social responsibility can be defined through the organization’s obligations, taking into account the impact it has on people in general. In our model, social responsibility is regarded from both perspectives: the internal one (concerning employees) and the external one (concerning the environment, local community etc.). Responsibility is understood as a dimension of competitiveness, judging from the obvious fact that an enterprise that does not concern itself with the problem of social responsibility and does not willingly adopt a socially responsible behavior sooner or later enters a suicidal demarche.

The indexes used by hotels must be divided in two categories: the ones concerning internal responsibility and the ones concerning external responsibility. Internal indicators refer to employees’ satisfaction at work (measured directly by periodically questioning them on this subject, but also indirectly through indicators such as absence rate or human resources fluctuation rate). External indicators include: the total expenditures for environmental protection and other similar actions, and the number of initiatives dedicated to the local community.

Including the competitiveness model in setting the strategy of Romanian organizations from hospitality industry entails the following steps:

- diagnosing the crucial factors for competitiveness in the studied hotel;
- setting intervention priorities on competitiveness factors, according to the strategic objectives and the desired competitive advantage (differentiation, cost domination);
- choosing measures suitable for the main factors and turning them into key success factors (associating the necessary resources, mainly financial);
- implementing the selected measures;
- assessing competitiveness dimensions through the indexes shown above.

The model presented is dynamic because failure to fulfill at a certain time one of the three competitiveness dimensions means necessity to return to the decisive factors and adopt the suitable measures in order to solve the problem. Given the constantly changing nature of the external environment, hotels are forced to periodically resume the stages described in the model.
Conclusions and further actions

The first conclusion of our study regards the complexity of the competitiveness. Our theoretical approach describes two sub-concepts that represent the base for competitiveness: comparative and competitive advantage. Also there were added other notions such as relevant market, economic success and market segment. The second conclusion refers to an emerging approach of competitiveness in tourism industry in Romania, justifying the interest for an adequate research. Therefore, we have created our own definition for competitiveness: it represents the result of a continuous process of organization adjustment to customer requirements, with optimal resource consumption for all operations, in order to obtain the best economic and social results and maintain an important position on the market, in the long run. The third conclusion is strictly related to the research in the hospitality industry, carried out in 2007. This research aimed to understand the managers’ opinions about numerous aspects of competitiveness.

As the result of the above-mentioned field-research, was designed the model named “Hospetitiveness – The empirical model of competitiveness in the Romanian hospitality industry”. This model contributes substantially to understanding the dynamism implied by obtaining and maintaining competitiveness in hospitality entities. The model is designed to be empirically tested in order to better understand the behavior of the hotels seeking competitiveness. Most certainly other empirical researches are required in order to test the model and to make it more clear and robust. Adopting the appropriate behavior in order to reach competitiveness is a complex process and is determined both by internal and external factors. As every model, this is far from being exhaustive and other factors can be identified and examined in future researches in order to offer a more profound understanding of this phenomenon in the context of hospitality industry.

The proposed model includes theoretical and practical information from Romanian hospitality industry and represents a useful instrument for hotel management. It is also a starting point for specific models for market niche such as business or seaside tourism, and also for a best practice guide that translates competitiveness factors into key competitive advantage.

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