THE RELEVANCE OF THE STRATEGIC MANAGEMENT OF THE HOTEL CLUSTER BASED ON A BALANCED SCORECARD

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ABSTRACT

The article deals with the issue of creating hotel clusters based on a balanced scorecard as a concept of strategic management. The methodological foundations and effects of creating hotel clusters are defined, relevant economic indicators of strategic hotel management are highlighted. The mechanism of using the model of a balanced scorecard of strategic management of the hotel cluster is developed and substantiated.

Keywords: Strategic Management, Balanced Scorecard, Hotel Management.

JEL Classifications: M5, Q2

INTRODUCTION

Modern geo-economics trends indicate that in the context of globalization of world economic relations, the integration and creation of specialized hotel clusters as an organizational form of their efficient functioning become sound hotel development strategies. Such a joint operation is conditioned by the coincidence of the economic interests of hotels, in addition clusters in the hotel business can be created on the basis of self-organization due to natural integration and cooperation in the provision of accommodation services with the help of strategic planning tools.

LITERATURE REVIEW

Significant contributions to the development of methodology and improvements in hotel management have been made by such scientists as Middleton et al. (2009); O'Neill & Mattila (2010); Sainaghi (2010). Hill (20088); Hyvönen (2007) focus on shaping the organizational and economic principles of the operation of the hotel industry as an important sector of the global economy capable of exerting an active influence on the global economy, economic, social and humanitarian foundations of countries.

METHODOLOGY

The methodological format of this study is, firstly, the integration approach, according to which hotels, as potential participants of the cluster are competitors in the markets of accommodation services. In this regard, hotels are quite reasonably at risk of losing their businesses when entering a cluster, which determines the special role of the mechanism for harmonizing the conditions and interaction of hotels in the hotel cluster. Secondly, it is a

balanced approach where the complex aspect of creating a hotel cluster at an early stage is to reach an agreement on the formation of assets and strategies.

RESULTS AND DISCUSSIONS

The unifying factors of economic interests of the cluster creation are agreements on the implementation of a single pricing policy, expanding the volume of hotel services provided by its participants, conducting a single marketing policy, joint planning of the introduction of innovative technologies, i.e. synergistic interaction of elements of the new hotel system. It is advisable to use a synergistic approach and a balanced scorecard (BSC) as a tool for optimizing the activities of hotel business entities. BSC is an analytical, strategic and management system translating the mission and strategy of the hotel cluster into a mode of efficient use and capacity building. We have found that one of the most important tools of the BSC methodology is to evaluate and track the *"movement"* of growth indicators (indices) and the degree of their stability (Thompson & Mathys, 2008). This makes it possible not only to identify the strengths and weaknesses of the integration, but also show tolerance and resistance to changes in the external and internal environment, as well as identify ways to achieve the goals of hotel development.

As key criteria, we recommend using relatively independent parameters of hotel activity, since it is their totality that best describes the system as a whole.

In our study, BSC is seen as an element of an economic strategic management mechanism performing its functions within the complex relationships of the hotel cluster with the external environment (Gannon et al., 2010). These relationships are synergistic in nature and are formed with the purpose to implement:

− A market ideology dominated by the principle of competitiveness of relations;
− An integration ideology with priority of unifying tendencies in cluster, network, associative models dominated by partnerships;
− An innovation and investment ideology aimed at restoring the mechanism of hotel capital formation (intellectual, financial, labor).

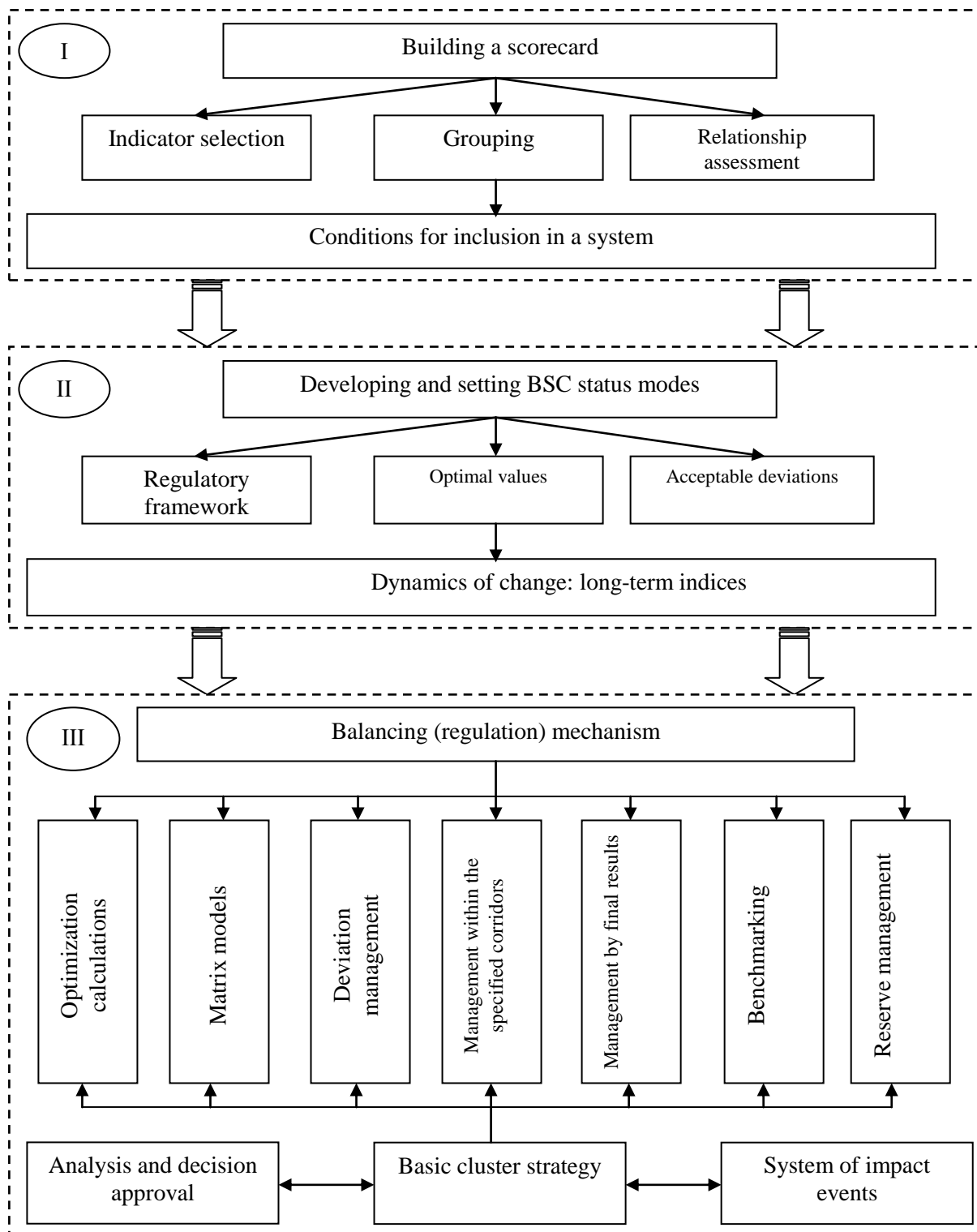| Table 1 INDICATORS OF STRATEGIC MANAGEMENT OF HOTELS AT DIFFERENT STAGES OF THE LIFE CYCLE			
Strategic directions			
Stage	Income growth and activity structure expansion	Cost reduction and productivity gains	Asset usage
Ripping a «harvest»	Indicator of increase in the volume of sales in a market segment. Percentage of revenue from new product sales to new customers	Income/Personnel	Investments. Research and development (Cost/Effect)
Steady state	Share of target customers. Cross sales. Product and customer profitability	Own costs compared to those of competitors. Cost reduction. Indirect costs	Working capital liquidity ratio. Asset utilization ratio
Growth	Product and customer profitability. Percentage of nonprofit customers	Cost price	Payback. Productivity

I — Building a scorecard

- Indicator selection
- Grouping
- Relationship assessment

Conditions for inclusion in a system

II — Developing and setting BSC status modes

- Regulatory framework
- Optimal values
- Acceptable deviations

Dynamics of change: long-term indices

III — Balancing (regulation) mechanism

- Optimization calculations
- Matrix models
- Deviation management
- Management within the specified corridors
- Management by final results
- Benchmarking
- Reserve management

- Analysis and decision approval
- Basic cluster strategy
- System of impact events

FIGURE 1

MODEL TO INTRODUCE A BALANCED SCORECARD INTO THE STRATEGIC MANAGEMENT SYSTEM OF A HOTEL CLUSTER

Given these factors and the dominance of their influence on the cluster, economic analysis, development strategy and control mechanism are reflected in a balanced scorecard (BSC). The balanced character of the management system consists in a comprehensive approach to the evaluation and efficient use of both tangible and intangible assets. The Table

1 presents a matrix of three stages of competitive hotel strategies and three directions of relationship with the factors of achieving the intended financial results according to the strategic map of hotel development.

The formed BSC make it possible to evaluate the achievement of goals and get a quick feedback on the set of indicators selected in such a way as to take into account the main aspects of the hotel business strategy. We propose the following model for building a BSC of strategic management of a hotel cluster (Figure 1).

The model reflects the three main objectives characteristic of understanding and implementing the new idea of ensuring economic integrity and proportionality in hotel operations: building a scorecard (selection, grouping, evaluation of relationships between indicators); setting BSC status modes; introduction of a system balancing mechanism (including optimization calculations, deviation management, etc.).

The factors of the external and internal environment of hotels that influence the spread of the practice of using balanced scorecards in strategic management within a hotel cluster is divided by the nature of the impact into two categories: factors that contribute to the spread of BSC and factors that prevent it (Marios, 2006). Factors contributing to the spread of the hotel strategic management tool under study in the world economic system are: dynamic development of world tourism, which causes an increase in consumption of hotel services; protectionist policy of a state; expansion into the world market of foreign hotel operators forcing hotel managers to introduce innovative forms of management; increase of planning horizons, transition from short-term to strategic planning; ambition of hotel managers to improve strategic management.

Among the factors preventing the spread of BSC within a hotel cluster, we identify: growth of investment risks, shortage of highly skilled management personnel, low level of computerization of most hotels, lack of experience in implementing BSC and corporate hotel culture, personnel resistance to innovations.

Now it is necessary to refine the tools for implementing a balanced scorecard with a view to minimizing the negative factors. The BSC implementation procedure must meet the following requirements: simplicity, adaptability to the specifics of the hotel, the opportunity to combine the BSC implementation processes and increase the level of corporate culture, creating the conditions and incentives to overcome personnel resistance. The analysis of the reasons behind the limited nature of BSC practices shows that implementation techniques ignore a number of recommendations related to going through three-stages: mobilization, a plan and its development, implementation.

Let us consider the sequence of creation and implementation of a balanced scorecard. The organizational sequence of the creation and use of the hotel BSC has the following logic: selection of indicators in the strategic management system, normalization of indicators and creation of a data bank, analysis of relationships between indicators, allocation of resources according to management needs, evaluation and control of activity (Kaplan & Norton, 2006).

The stated objectives of strategic hotel management should be reflected both in the regulatory framework and in the information support of the hotel industry and create an operational information service network similar to the *"associative model"*. The proposed scheme also highlights the function of preparing information for economic analysis and forecasting. This block should serve as an economic service for the hotel cluster itself. The analysis of the application of the scorecard and hotel management leads to the conclusion that in addition to determining the priorities of each researcher in the selection of indicators and their calculations, it is important to emphasize the following circumstances (Lipe & Salterio, 2000). Researchers select indicators in accordance with their own goals and objectives of analysis, indicators of hotel activity are not clearly divided into separate groups but clearly

reflect the logic of the main processes – economic activity; quality improvement; competition policy; innovative development; customer satisfaction and more.

The main task of processing indicators is to create certain classes and groups of them, as well as to balance the scorecard and to find new problems of their application in the practice of hotel management. For the purpose, it is important to consider the scorecard in terms of hotel integration, institutional restructuring and transition to cluster forms of hotel business organization.

CONCLUSION

Thus, the conducted study shows that, unlike existing models, the BSC-based hotel cluster strategic management process is built on the principle of systematicity, which is embedded in the package of *"information bank strategic map"* by determining the cause and effect relationships between indicators taking into account forecasted dependencies. This makes it possible to consider a hotel as a system, selectively influencing only the processes and subsystems that are significant for the implementation of the strategy and ensuring the rational use of resources for the achievement of strategic goals. Furthermore, the use of BSC makes it possible in strategic management to achieve economic equilibrium in the cost-benefit-results system.

Recommendations

Recommendations are made in view of the fact that the proposed model involves the use of a balanced scorecard not only as a tool for monitoring the implementation of the strategy, but also as a tool for communication, analysis, creation, planning and achievement of strategic goals. Under the influence of BSC, all four key strategic management processes are subject to correction: integrated analysis, strategic choice, formation of management mechanism and implementation of strategy. The main objective in the considered model, as in the traditional model of the strategic management process, is to achieve strategic goals.

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