CHAPTER 14

# Strategy execution and implementation—achieving strategic goals through operations

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## Introduction

In the strategic management literature there is broad agreement on the difference between corporate strategy, business strategy, and operations strategy. In essence, these can be considered as a hierarchy. Corporate strategy is devised by large firms in order to provide an overall plan for the firm. Within the firm, there may be a number of different businesses, for each of which a strategy is devised. For instance, Accor has hotels, travel agency, and restaurant coupons among its portfolio of businesses. Once a business strategy has been set, each of the functional areas within the business—marketing, human resources, finance, and operations—devises its own strategies, as illustrated in Figure 14.1.

In manufacturing businesses, these functional strategies have clear demarcation between them, even though they need to be integrated with each other. This is largely because the production of goods is separate, in terms of both time and place, from the purchase and consumption of these goods. However, in services, and especially the hotel business, production and consumption are simultaneous—the hotel "produces" a room which is "consumed" by the guest during their stay. Moreover, the customer comes into direct contact with employees delivering the service. It is therefore more difficult in services to differentiate between functional strategies, as illustrated in Figure 14.2. These two concepts—the hierarchy of strategies and overlap between functional strategies in service firms—are clearly demonstrated in the case study of Whitbread PLC, later in this chapter.

## Operations management in small, medium, and large firms

Having established the notion of a hierarchy of planning and control, as illustrated in Figure 14.1, we need to consider whether all businesses engage in all three levels of planning. Research (Jones *et al.*, 2004) in small and medium sized enterprises (SMEs) suggests that they do not. SMEs have no need for complex planning processes because they manage relatively small businesses operating in local markets, over which the owner can often have direct, personal control. As firms grow larger they tend to separate out the levels identified in Figure 14.1. One particular feature of such growth in hospitality is that firms expand geographically, beginning to operate a number of units in a number of locations. Clearly, a key feature of operations management (OM) and its alignment with strategy is the management of such chain operations. This leads to the concept of multi-unit management (Jones, 1999).

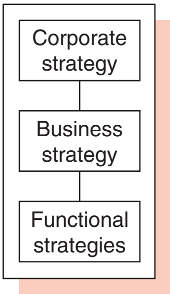


**Figure 14.1**
Hierarchy of planning and control in firms.

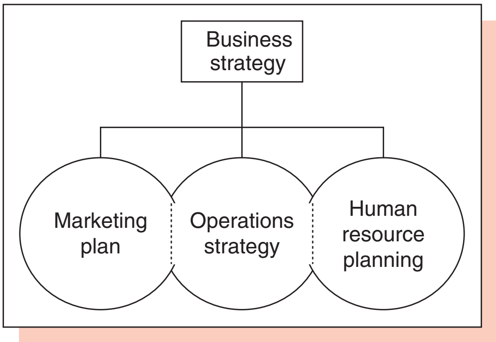


**Figure 14.2**
Relationship between functional planning in service firms.

One model of growth in service industries is that of the service firm life cycle (SFLC) (Sasser *et al.*, 1978). This assumes that service firms follow an S-shaped curve similar to that of the product life cycle. Sasser *et al.* (1978) suggest four stages in this cycle:

1. Entrepreneurship
2. Multi-site rationalization
5. Growth
4. Maturity

Implicitly this model assumes that such firms remain focused around a single concept or brand. McDonalds growth in the North America is the archetype of such a firm.

At each stage of the cycle, the issues that face the operations function (as well as marketing, human resources, finance, and administration) change. This has best been explained in the hospitality industry by Olsen *et al.* (1992). A synopsis of such changes is provided in Table 14.1. It is clear from this table that as the firm moves from the first through to the maturity stage,

**Table 14.1** Issues and Policies of OM During the Service Firm Life Cycle

| | Entrepreneurial | MSR | Growth | Maturity |
|---|---|---|---|---|
| Strategic focus | Concept development | Product/service development | Geographic growth | Reducing unit costs |
| Work organization | Owner plays central role | Flat hierarchy develops | Addition of functional specialist | |
| Cost control systems | Little or none | Trial and error | Systems begin to be developed | Systems designed and implemented |
| Production systems | Limited technology | Production technology selected | Process design emerges | Productivity and efficiency of major concern |
| Production management | Top-down communication | Informal—task uncertainty remains | Communications systems developing | Task uncertainty removed |
| Quality | Few specifications—output variable | Standards emerge—implementation variable within units | Variation between units | SOPs in place—standards across chain actively managed |

*Source*: Based on Olsen et al. (1992).

there is a shift from straightforward OM to *strategic* operations management (SOM).

There are strong reasons why single concept firms might go through the SFLC, based largely on the concepts of economies of scale and organizational learning. However, many firms do not follow the SFLC. First of all, some do not go beyond the first stage and remain SMEs, while some do grow but fail or are taken over along the way. However, some pursue a different *strategy*—they become multi-concept chains. One example of this is Lettuce Entertain You Enterprises (LEYE), a Chicago-based chain which in 2004 operated 25 different restaurant concepts in 39 locations. These concepts ranged from quick service through mid-priced up to fine dining, and represented cuisine from all four corners of the globe. Clearly this firm's business strategy, and hence its operations strategy, is quite different to that of single concept chains.

## Strategic operations management in practice

Firms make strategic choices to compete on cost or to differentiate or a combination of these. In order to differentiate, the firm needs to offer something different to or better than its competitors in a range of performance criteria. Slack *et al.* (2007) identify five performance criteria: quality, speed, dependability, flexibility, and cost. To these might also be added originality of design and/or function. However, these are not mutually exclusive. In many cases, quick service restaurant chains have to ensure that they provide fast, reliable products and services at low cost; while customers of boutique hotels expect not just originality of design, but also reliability and high standards.

Hence, few firms compete on a single criterion—they bundle these together to create an operations strategy that they believe will lead them to have competitive advantage over their competitors. Different combinations of policies and practices reflect the markets, processes, and technologies of different industries. Such operations strategies vary widely from one industry sector to another. However, in some cases, they are given generic names to reflect that the strategy can be applied across different sectors. Some examples of such operations strategies are provided in Table 14.2. An example of such a strategy, evident in many industries, is *mass customization*. In manufacturing, this refers to the idea of customizing products to individual consumer needs even though they are manufactured on mass production lines. BMW and Swatch have based their strategy on such an approach. This approach requires consumers to give up a little, in terms of speed of delivery, in order to have

**Table 14.2** Operations Strategies in a Range of Industries

| Industry | Operations Strategy | Example of Firms |
|---|---|---|
| Textiles | Planned product response | Claudel Lingerie Inc. |
| Grocery | Efficient consumer response | Tesco Stores |
| Watches/bicycles | Mass customisation | Swatch, China Bicycle Co. |
| Electronic goods | Time-based competition | Sony, Matsushita |
| Automobiles/food manufacturing | Just-in-time production | Toyota |
| Clothing/electronics | Strategic postponement | Benneton, Dell computers |

*Source*: Based on Lowson (2002).

greater flexibility. This strategy also exists in hospitality, and has done so for many years, since this is essentially the strategy adopted by Dave Thomas at Wendys in 1969 and Burger King with their "have it your way" strategy from 1974. It could be argued that this strategy is also evident in coffee shops, such as Starbucks, given the wide variety of hot drinks that can be made from basic and small combination of ingredients.

## Operations strategies in hospitality

It is clear from Table 14.2 that there are no hospitality examples, although mass customization is apparent in this industry. This is partly because there has been little research into the nature of SOM in this industry, and partly because industry itself is not always aware of what its operations strategy is. Nonetheless, some operations strategies are clearly evident in some sectors.

### Location, location, location

Conrad Hilton's famous words—identifying the three most important factors in the success of a hotel—are as valid today as they were when he said them. The issue is not so much as to the importance of location, but whether or not it is considered part of the operations strategy of a firm. Due to overlap between business, marketing, and operations strategy in the hospitality industry, each could claim location as significant to it. Its importance to operations is based on the need to ensure that the physical infrastructure is utilized to its full capacity in order to get the best return on investment and minimize variability of demand. Hence, hoteliers and restaurateurs are quite concerned to ensure their operations are located to maximize the potential level of business. This can be specified in terms of foot fall (number of pedestrians walking past), number of passing cars, population within a certain travel time, or some other similar criteria.

## Just-in-time manufacturing

In flight catering, since the late 1990s, the larger flight-catering firms have been adopting a "just-in-time strategy" (Jones, 2004). Based on practices developed in Japan in car assembly plants, flight kitchens now routinely use *kaizan*, *kanbans*, and *poka-yoke* in their operations. Kaizan refers to the concept of continuous improvement, especially in relation to operational processes. A kanban is a bin for holding exactly the right amount of any stock item to facilitate swift and even flow. And poka-yokes are "mistake proofing" systems or failsafe devices designed to ensure that all processes lead to the desired output. Together, these ideas and other related polices have enabled flight caterers to reduce cycle time (the time it takes to undertake a process), reduce waste, reduce inventory levels, cut costs, and be more reliable. Such an operations strategy is vital at a time when the world's major airlines have reduced their demand for in-flight meals in the face of stiff competition from low-cost or budget airlines and passenger demand has been erratic due to environmental issues, such as 9/11, SARS, and the Gulf War.

## Production-lining service

Fast food is another industry in which the operations strategy is clear. Although operators in the industry no longer like this term and prefer to be known as quick service, the term "fast food" is used here deliberately to describe the strategy that has led to phenomenal success. For what Ray Kroc recognized was that the McDonald brothers had devised a way of working (an operations strategy) that gave competitive advantage. They had devised a system for selling hot meals to customers as if they were a retail product to be sold off the shelf (which is why originally the restaurants were called stores). This required a hot food product that could be quickly prepared and wrapped in advance of customer orders, and could stay in good condition so that it was ready for sale. The product also had to be hand held so that it could be eaten outside the restaurant as well as inside it. The hamburger was the perfect product. Fast food is fast because of these characteristics. Linked to speed of delivery is also the idea that there must be high sales volume. If perishable product is waiting on the shelf ready for sale then customers must flow through the door at a high rate. To attract customers in large numbers the product must be inexpensive. The product must also be quick and easy to produce; hence, menu and dish variety are reduced to ensure food production can be simplified. Today, many of these simple tasks have actually been automated. In discussing trends in services, Levitt (1972) used fast food as the prime example of "production-lining"—a service business.

## Ubiquitization

Fast food as an operations strategy was so successful that it actually created an entirely new industry sector. The firms that adopted the strategy *and* successfully implemented it gained competitive advantage and grew to become market leaders, in some cases achieving a global market position. But because the strategy was developed in the 1950s, these firms needed to continue seeking new strategies. In the 1990s, another strategy emerged called the "ubiquitization" strategy—fast food was to be served everywhere. This was achieved by thinking of alternative ways of marketing and delivering the product. While the store or restaurant continues to operate it also serves as a central production and/or distribution centre for other sales channels, such as home delivery, kiosks, carts, and even vending machines. Rather than the customer coming to the food, the food goes out to the customer. This strategy was made possible by the development of new technologies. Better catering equipment allowed hot food to be held in better condition more safely for a longer time, and information technology allowed managers to track sales and monitor performance at a distance. A feature of this strategy was the way in which chains modified their approach to multi-unit management. Restaurant managers became market managers, responsible for a range of different types of outlet. They were "empowered" and the spans of control by area management were greatly increased, from 12 up to 30 units in some cases. This example neatly illustrates the concept that a strategy requires a fit between all elements of operations. In this case, changes in the process and technology also required changes in marketing and human resources.

## Self-service

Production-lining tends to be applied to the service worker, whereas "self-service" applies similar concepts to the customer, that is, tasks are simplified, processes may be automated, and control is built into activities. There are many examples of this in the hospitality industry—self-service check-in and check-out in hotels, drink dispensing in cafeterias, hotel mini bars, online reservations, and so on.

## Innovation

Another operations strategy is innovation. This is essentially the strategy adopted by multi-concept restaurant chains. Their strengths and competitive advantage lie in their ability to develop new concepts and make them work. LEYE is not just an operator, it also offers consulting services on "corporate services, operational systems, service and hospitality, training and development, culinary development, concept creation, product development, and operator research" (LEYE Consulting, 2004). For instance, the company employs an "Artistic and Creative Director." Her primary responsibilities include "concept ideation, attribute development, and food product stylization … (based on) concept board development, historical and social research, material selection and menu writing."

## Total quality management (TQM)

No discussion of SOM could be complete without reference to TQM. Many firms in the hospitality industry like to think that they have successfully adopted this strategy, but only one has undoubtedly done so—the Ritz Carlton hotel company. During the 1990s Ritz Carlton won the prestigious Malcolm Baldridge award not once, but twice. Much has been written about TQM, and in hospitality it is one of the most researched topics, along with yield management (Jones and Lockwood, 1998). Despite this, TQM remains difficult to achieve in a service environment, largely because it is so complex. TQM includes concepts such as quality control and quality assurance but must be adopted across the organization, both back-of-house and front-of-house, and from the boardroom to the shop floor. The challenge of this strategy may be exemplified by Ritz Carlton who identified that their housekeeping operation alone experienced 70,000 errors per one million transactions. Their TQM goal became to reduce this level to "six sigma," that is 4.3 errors per million, and in so doing provide 100% customer satisfaction and save the company substantial cost.

## Capacity control

Finally, we have to consider whether or not hotel revenue management is a strategy or not. Since one of the major challenges facing a service firm is the unpredictability of demand, devising a system that manages this certainly has strategic importance. Hence, revenue management is not a strategy unless it is part of a capacity control strategy. One firm that has successfully implemented this strategy is Center Parcs (Jones, 2002). This European firm operates resort villages aimed at the short break market. It is only possible to book a villa at one of their villages for a 3-day weekend (Friday through Monday) or a 4-day midweek break (Monday through Friday), or combination thereof. By restricting bookings to these days, Center Parcs is able to achieve annual occupancy rates of 92–95% in villages that can accommodate in excess of 3000 guests. Supporting this strategy is a sophisticated forecasting, advanced reservations, and operating systems designed to manage housekeeping on the changeover days (Mondays and Fridays) when more than 600 villas may have to be made ready for new guests.

It should be noted that just as strategic goals are not mutually exclusive, so are the strategies, although implementing more than one operations strategy at a time is very challenging. Nonetheless, firms who have adopted capacity control might also be implementing TQM; chains with high rates of market penetration (ubiquitization) may also be seeking to innovate, and so on. This is illustrated in the Whitbread PLC case study that follows.

## Operations strategy in practice: Whitbread PLC

In 2005, Whitbread was the United Kingdom's largest hospitality firm, employing 60,000 people with a turnover of £1500 million. A feature of Whitbread was its management of very strong brands in different segments of the hospitality industry. These brands were[1]

- Marriott Hotels—Whitbread was corporate franchisee of Marriott for the United Kingdom
- Premier Travel Inn—the United Kingdom's largest chain of budget hotels
- TGIFridays—another United States-based brand operating in the casual dining segment

[1] Since the end of 2005, Whitbread's corporate policy has been to dispose of some of these brands in order to focus on and grow two key brands—Premier Travel Inn and Costa Coffee.

- Pizza Hut—an international brand operating in the quick service segment
- Costa Coffee—the United Kingdom's second largest chain of coffee shops
- David Lloyd Leisure Centres—originally founded by the British tennis player of that name

Whitbread's overall mission and strategy is to be "best in class" in each segment in which it operates. This requires a focus on quality and the delivery of brand standards. Underpinning this is also a commitment to being the "best in class" hospitality employee, supported by a strong organizational culture. The culture is expressed through "*the Whitbread Way-four Principles that guide us in everything we do.*"

- We believe in people and teamwork
- We believe in caring for guests
- We believe in passion for winning
- We believe in continuous improvement

Whitbread's operations also face the challenge of fixed capacity. Hence, another key feature of their operations strategy is maximizing occupancy or visits to each of their operations. A major influence on this is the sites they have selected for the location of their operations. Another approach to this is to develop customer loyalty by making people become "members." This strategy is adapted across each brand, so "membership" can be either required (as in the case of David Lloyd Leisure Clubs), or partially through loyalty/reward cards (Marriott, Pizza Hut, and TGIFridays), or top-up cards (Costa Coffee). These schemes, as well as internet-based reservation systems, provide each brand with an increasingly large database of customer contact details, especially email addresses, which enables the brand to engage in so-called one-to-one marketing. The same databases are also being used to measure guest satisfaction, and hence monitor service quality and brand standards.

To implement this operations strategy, there are some corporate-wide policies and procedures, as well as brand-specific ones. These are based on a standard "template," as illustrated in Figure 14.3. User and attitude research is carried out in order to establish the specific strategy for each brand. From this, tactics are devised, based on product and service standards. The tactics then need to be implemented, which in the Whitbread case is called "orchestration." This element of the template might include product remodelling and maintenance, the guest recommendation system, customer guarantee,

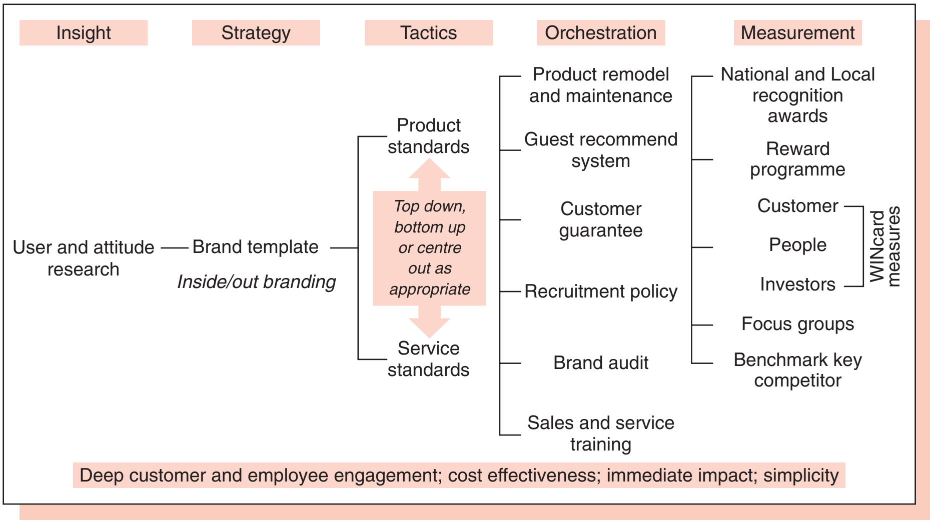


**Figure 14.3**
Whitbread's brand template.

employee recruitment policy, brand audit, and employee training. Linked to this orchestration is the idea of measurement and the specific tools that might be used to monitor delivery on these items.

Measurement is based on the *balanced scorecard*, originally developed by Kaplan and Norton (1996). In Whitbread's case, the three main elements are based on key stakeholder groups—investors, customers, and employees. Routinely, seven items are measured. Six of these are across all brands, namely revenue, profit, customer satisfaction, health and safety, and employee satisfaction, while one is specific to the brand. The brand-specific item is usually related to some measure of usage (room occupancy, seat turnover, customers per day, and so on). Linked to this is *benchmarking*—comparing the performance of operating units against each other.

## Marriott UK

In 2005, there were more than 70 Marriott Hotels operated by Whitbread on a corporate franchise agreement with Marriott Corporation. These are generally large four-star hotel properties aimed largely at the corporate and business market. Eleven of them were the Courtyard brand, aimed at a slightly lower market segment. Marriotts's quality and service strategy is based heavily on the approach developed by Marriott in the United States. Employees are called "associates," and there is a strong service-oriented organizational culture. Capacity is managed through a revenue management system, similar to that used by other international hotel chains.

## Premier Travel Inn

It is now the United Kingdom's largest hotel chain, with 470 properties located mainly on major highways and on the outskirts of cities and towns. In this market segment, guests have little or no contact with employees, except at check-in and check-out. Food and beverage provision is not in the hotel itself, but in an adjacent stand-alone, branded restaurant. The operations focus is on product quality, that is to say the standard of cleanliness and facilities in the bedroom. This is demonstrated by Premier Travel Inn's "Good Night Guarantee," which states—"*we guarantee you a clean, comfortable room and friendly and efficient service-in fact everything you need for a good night. And if we don't live up to our promise, we'll give you your money back—guaranteed.*" In this segment, the chain has a basic price for all rooms. In 2005, this was £45 for out-of-town properties and slightly more for city centre or high-demand properties. Nonetheless, the chain achieved high average occupancies and hence revenues, although not engaged in revenue management.

## TGIFridays

This brand is a global player in the casual dining segment and the U.K. chain has 46 restaurants. This U.S. brand was one of the first themed restaurant chains to develop the dining experience based on a wide range of dishes ("*flexibility*") and a fun environment. Key to this experience is the TGIF staff who contribute greatly to the ambience. The chain, as a result, has always had a highly distinctive and strong organizational culture that reinforces the service ethos and greatly facilitates the delivery of brand standards globally.

## Pizza Hut

Pizza Hut is a well-known global brand in the pizza quick service segment, with over 500 units in the United Kingdom. There are four distinct categories of restaurants:

- Full service: dine-in and takeaway: these offer our full menu for both casual dining and a takeaway experience.

- Restaurant-based delivery: dine-in, takeaway, and delivery: these offer the full-service experience as well as delivery to their customers who live within the designated trade zones.
- Express: eat-in and takeaway: this is a new concept that is being developed by the company within food halls and leisure parks across the United Kingdom. These offer an informal, quick service experience with a reduced menu.
- Home service: delivery and takeaway: these restaurants offer both a delivery and a takeaway experience. The menu is specific to this concept, and delivery is offered to customers living within the designated trade zones.

## Costa Coffee

This brand competes in the United Kingdom against global brand leader Starbucks and U.K. brands such as AMT, Ritazza, and Café Nero. Like Pizza Hut, Costa competes on the basis of "*speed*" and "*reliability.*" It is rapidly expanding in the United Kingdom and by the end of 2007 will have 750 outlets.

## David Lloyd Leisure Centres

This chain of sports and leisure centres is the United Kingdom's largest player in this market, with 69 centres around the United Kingdom and over 300,000 members. Across the chain, DLL has around 10,000 exercise machines and over 100 swimming pools (of which half are indoor). The racquets facilities are unrivalled in the United Kingdom with 500 tennis courts (over half of which are indoor), as well as 100 badminton and 85 squash courts. Additional facilities include health and beauty spas, club lounges with free internet access, crêches, nurseries, and specialist sports shops. Members may use these facilities, but also have one-to-one coaching sessions or participate in a wide variety of classes—each centre offers over 40 exercise classes per week. David Lloyd Leisure employs some 5000 team members including an expert health and fitness team of over 500 and more than 200 tennis professionals.

## Whitbread's operations strategies

A number of strategies were identified in this chapter—location, JIT manufacturing, production-lining, ubiquitization, self-service, innovation, TQM, and capacity control—some of which can be seen to put into practice by Whitbread.

The two key strategies it has adopted have been *location* and *ubiquitization*, along with some *innovation*. For all of its brands, Whitbread have very clear criteria for locating their operations and selecting appropriate sites. Linked to this is ubiquitization, the other key feature of the chains—especially in the mass market. Premier Travel Inn and Costa Coffee are being grown rapidly to ensure that there are units in every part of the United Kingdom to enable country-wide access to an outlet. Likewise the Pizza Hut chain had four different types of outlets designed to enable pizza to be served and eaten not only in a sit-down restaurant setting but also in takeaway and home delivery system. The takeaway market is also important for the Costa Coffee brand. Finally, innovation is also important in order to keep brands fresh and appealing to the market. New products are often linked to marketing campaigns and special promotions. This can be seen in Pizza Hut and Costa Coffee by the introduction of new menu items and special offers.

*JIT*, *production-lining*, and *self-service* have been adopted in a number of brands—Costa Coffee and Travel Inn—usually to simplify and speed up service. But this has been as a result of operational improvements rather than as key strategic moves. *Capacity control* is important for all the brands, but Whitbread has not developed unique ways of managing this strategically in an effort to gain competitive advantage. And while the company is concerned with maintaining brand standards and delivering reliable products and services, it has not adopted a *TQM* strategy towards this.

Finally, it should be remembered that the operations is only one area that is managed to achieve competitive advantage. Firms can also compete on the basis of marketing and human resources. This is certainly the case with Whitbread. With popular brands, the firm is clearly competing through marketing, and its use of the balanced scorecard underlines the high value it places on its human resources and human resource strategy. Interestingly it is largely through the operations function—specifically the area manager—that all these strategies are integrated and managed. Area managers are particularly concerned with ensuring that each unit meets brand standards. For instance, they conduct quality audits, follow up on mystery shopper reports, and investigate customer complaints. They are also heavily involved in the recruitment, selection, and training of staff within the units. Hence operations is clearly not separate from marketing and human resources throughout the firm.

## Key elements of strategic operations implementation

As the examination of Whitbread's operations strategy and its operations demonstrate, it is important to differentiate between *SOM* and OM. Many firms in the industry have introduced new policies, procedures, and ways of operating that include forecasting, electronic point of sale, inventory controls, process reengineering, quality circles, empowerment, continuous improvement programmes, and so on. Each of these may have had benefits for the firms concerned, but they are not a strategy unless integrated with each other *and* the firm's business strategy.

However, since implementation of strategy is just as important as planning, it is useful to look in more detail at the specific policies and procedures that are the ingredients of a strategic recipe. This recipe may be made up of key tactical activities; core competences, processes, and capabilities; resources; and technologies (Lowson, 2002). It is suggested here that the key generic elements of one or more operations strategy in hospitality are as follows.

### Benchmarking

In order for organizations to be able to assess their level of performance, they are increasingly recognizing the importance of benchmarking themselves against others, either in the same industry or learning from other industries, as we saw in the Whitbread case. Benchmarking can take place in two ways: either in terms of performance benchmarking or in process, sometimes known as best practice, benchmarking. Hotels have used comparative data on average room rates and occupancy for many years to assess their rooms' performance. A recent innovation has been the introduction of an internet-based system that facilitates this comparison in real time. Other systems such as the U.K. Institute of Hospitality's *Hospitality Assured* scheme allow comparison against a national standard and the identification of those operations with the best practice in their field.

### Continuous improvement

Rapidly changing consumer tastes and expectations, competitor action, and advancements in technology all require the operator to continuously improve the delivery of service to their customers. Continuous improvement (CI) includes both improving the product/service and improving the process. The former requires continuous research into customer requirements and their level of satisfaction; while process improvement adapts and refines existing designs to be more effective and efficient. Some of the tools used to achieve CI include menu engineering, customer satisfaction surveys, time and motion study, variance analysis, and mystery shopping.

## Cycle time reduction

This is typically achieved by removing waste from the system. Japan achieved global dominance in a wide number of industry sectors such as motorcycles and electronic goods through the work of the Japanese guru Taiichi Ohno, one-time Chief Engineer for Toyota. He identified seven types of waste:

1. doing too much
2. waiting
3. transporting
4. too much inflexible capacity or lack of process flexibility
5. unnecessary stocks
6. unnecessary motions
7. defects

One way to identify improvements that can be made is to create a "blueprint" or flow process chart for the operation. This means identifying each stage in the process and looking for opportunities to reduce waste: to eliminate stages, simplify or automate stages, or do two or more things at once. The focus of CI tends to be on employees and customers, whereas that of cycle time reduction tends to be on technology and systems.

## Demand forecasting

Most hospitality operations are subject to variable demand from customers. Efficient and effective operations seek to both forecast what this demand will be and operate systems designed to manipulate it. Hotels and restaurants typically have reservations systems, and most hotel chains have revenue management systems in place (except in the budget sector where the room tariff is less dynamic).

## Design of cross-functional processes

The efficient operation of any system is at its weakest at the interface between subsystems. The experience of the typical hotel guest involves interaction with a number of staff from different departments—porterage, front desk, housekeeping, room service, and so on. As long ago as 1948, Whyte (1948) showed how dysfunctional the relationship could be between restaurant serving staff and chefs. More recently Anthony Bourdain (2000) in his book provided several examples of alienation between these two groups of employees. One way to tackle this is to change the design of the process to remove such interfaces (the other way is to employ staff to work across these boundaries—see multi-skilling below). For instance, some flight catering operations now have managers responsible for market segments controlling the total process, that is, inventory, hot and cold production, and tray/trolley assembly.

## Integrated information and communications technologies (ICT)

Many of the core competences discussed here, such as demand forecasting, continuous improvement, logistics, and temporal employee flexibility, are enabled by ICT, which provides the immediate and accurate exchange or sharing of data. Such information systems are increasingly provided on a common platform, which is often linked to the internet, as we saw in the Whitbread case. In other industries, the impact on operations has been highly significant. For instance, retailing has been transformed by internet shopping, the archetype of which is Amazon.com. Similar effects have been seen in financial services and travel distribution. The hospitality industry has not been as affected, except with regards its sales and marketing activity, due to the nature of hospitality which depends on the personal interaction of the consumer with the provision, that is, hotel customers sleep in beds!

## Logistics

This refers to the efficient and effective transportation, handling and storage of materials, sometimes inside the organization but also across the supply chain. Through the use of ICT it is now possible for electronic point of sale (EPOS) devices to link directly to suppliers, so that inventory is renewed in precise response to consumer demand, thereby minimizing stockouts and overstocking.

## Multi-skilling

Multi-skilling is the selection and training of staff so that they are able to work in more than one job position within the operation. Multi-skilling is not the same as multitasking, where employees are deployed across a range of activities in which they are not necessarily trained. Multi-skilling is adopted for several reasons:

- More efficiently scheduled staff, especially during relatively quiet periods of operation.
- Increased staff retention, especially among part-time employees.
- Improved team working.

Most fast food employees are multi-skilled, but this is increasingly being adopted across all sectors. This is sometimes known as functional flexibility.

### Temporal employee flexibility

Functional flexibility firms may also adopt temporal flexibility. This approach plans and controls employees' work hours in order to match labour cost as closely to revenue generation as possible. Different forms of temporal flexibility include the employment of full-time, part-time, and casual staff; flexible work hours for employees; and overtime and annual hours contracts.

### Training

Employees are typically trained to perform tasks directly related to their function—either technical or interpersonal. As part of a strategy however, training may go beyond this to include training staff in skills such as problem solving, decision making, and creativity. For instance, manufacturers such as Harley Davidson train their employees in techniques such as statistical process control.

## The future of strategic operations management

It is relatively easy to identify potentially new OM policies, practices, and technologies that might lead to new ways of doing things, but predicting new *strategic* operations policies is much more difficult. In many industries, the internet has had a major impact on strategy, for instance Amazon.com has revolutionized book retailing. A key role of the internet is to provide a common platform to enable the integration of data from a variety of sources. Hospitality firms are beginning to use this in order to better manage *labour scheduling*. Even in highly successful hotel chains it is often department heads or supervisors that devise staff rotas using simple pen and paper systems. By the time labour cost is calculated it is too late to do anything about it. But the internet can provide an interface that enables all managers with scheduling responsibility to do so in a standard way. Moreover, it can provide immediate feedback to these managers as to the likely outturn of their decision by forecasting labour cost against forecast revenue. Moreover, more senior managers can examine aggregate data or the schedules themselves to see that the plan does not lead to excessive cost. One trial in an international chain found that internet-based labour scheduling leads to a 25% reduction in labour cost in housekeeping alone.

In the future, other new strategies may emerge. This may be due to firms' thinking of new ways to combine the ingredients of operations into a new "recipe," that is, strategy, or through the invention or adoption of new technology which enables firms to manage their operations in ways that were previously not possible.

## Conclusion

It might seem slightly surprising that SOM is relatively little discussed in the hospitality industry and not much researched. This is partly because of the "blur" between operations, marketing, and human resources, and partly because it is difficult to separate managing operations from managing operations *strategically*. Nonetheless, when this is attempted, as in this chapter, it becomes apparent that firms have developed and adopted a strategic approach to how they manage their operations, which has contributed greatly to their success. The Whitbread case illustrates how a company can compete at a number of levels—at the corporate level, for instance though merger, acquisition, and disposal of other firms; at the business unit level, by having an integrated strategy based on operations, human resources, and marketing; and specifically through operations, by adopting the right location strategy, ubiqitization, or other operations strategies.

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