THE HOTEL ENTERPRISE:
A BUSINESS SYSTEM OF PROJECT
BUSINESS ON THE TOURISM
BUSINESS MARKET*

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Abstract: As a business system, an enterprise represents a complex, dynamic, stochastic, open and organisational system. Certain specific features of a hotel enterprise as a business system of project business result from the activity it performs and from project-based business and development management. As an enterprise based on project business, its distinguishing features include the interconnectedness of business subsystems and the overlapping a hotel enterprise’s business function.

Key words: hotel enterprise, business system, project marketing, project management, project business, logistics.

INTRODUCTION

Rapid and frequent change to the business environment has caused the need to understand a hotel enterprise as a system that interacts with the environment in which it operates. It is also the reason why a great number of different factors from the environment impact on a hotel enterprise. Project business is an efficient way of adapting to emerging demands from the environment, while managing the performance and development of a hotel enterprise. Viewing a hotel offering as project-based – which is a crucial success factor of project marketing, in addition to the interactive relationship

* The research results derive from the scientific project “Logistics Flows Managing in the Tourism Destination” financially supported by the Ministry of Science, Education and Sports of Republic of Croatia.

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between a hotel enterprise as a project seller and tour operators as business actors - project buyers through all phases of the project life cycle, results in the fact that the marketing of projects conditions the overlapping of all business functions of a hotel company.

1. PROJECT MARKETING AND PROJECT MANAGEMENT

Project marketing represents a specific type of business marketing that can be frequently encountered in the recent literature under the name of “business-to-business (B2B) marketing”. The term “B2B marketing” refers to the marketing of products and services from one company to another. What is specific about this type of marketing is that the buyer of products/services is a company that is purchasing the products/services of another company not for the purpose of meeting personal needs or achieving personal satisfaction, but rather for the purpose of using them to accomplish company goals or selling them to yet another company which will utilise these products/services. Therefore, B2B marketing can be defined as a process of adapting a company’s products/services to the organisational objectives of its target customers.²

It is in this sense that B2B marketing essentially differs from business-to-consumer (B2C) marketing. These differences result from the specific nature of the B2B market.

Table 1: B2B attributes

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Attribute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of demand</td>
<td>“Derived”demand</td>
<td>Business demand depends on (is derived from) the firm’s own volume of sales</td>
</tr>
<tr>
<td>Buying influence</td>
<td>Large number of impacts</td>
<td>Often there is a large number of stakeholders influence on the buying decision.</td>
</tr>
<tr>
<td>Market structure</td>
<td>Often concentrated demand</td>
<td>A small number of “large” customers often make up a substantial share of the market.</td>
</tr>
<tr>
<td>Purchasing motives</td>
<td>Organisational, rational</td>
<td>Business products are purchased to accomplish organisational objectives</td>
</tr>
<tr>
<td>Purchasing decision process</td>
<td>Often complex and lengthy</td>
<td>Major organisational buying decisions can involve long and complex analyses and negotiation processes.</td>
</tr>
<tr>
<td>Purchasing skills</td>
<td>Professional, trained</td>
<td>Business actors (buyers) are qualified in purchasing.</td>
</tr>
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Research conducted in the 1990s by authors such as Cova, Holstius, Engelhardt and Günter, together with the initiatives of two organisations – the European Network for Project Marketing (also known as INMP-International Network for Project Marketing and System Selling) and the Industrial Marketing and Purchasing


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Group (IMP Group) – has been of particular importance to the development of project marketing as a special type of B2B marketing.

The reason behind the emergence and development of project marketing is based on the fact that it was in the 1990s that the concept of project management came to be widely implemented in a large number of companies, while in the literature, very little significance was attributed to the field of project marketing.

The INMP authors spotted the need to determine a conceptual framework, known as the D-U-C model, that would define the relationship unique and characteristic to the project-marketing concept and that would set it apart from other types of business-to-business marketing. Based on this model, three primary features of project marketing can be distinguished:

- **Discontinuity (D)** – the discontinuity in demand for projects
- **Uniqueness (U)** – the uniqueness of each project in technical, financial and socio-political terms, and
- **Complexity (C)** – the complexity of each individual project in terms of the number of participants involved in the offering process.

The first step in defining the concept of project marketing is to define the term *project*, the meaning of which differs essentially from the meaning of *project* in project management.

In defining *project*, project marketing focuses on *transaction*. Based on this, Cova, Ghauri and Salle define a *project* as a complex transaction covering a package of products, services and work, specifically designed to create capital assets that produce benefits for a buyer over an extended period of time.

This transaction or transaction cycle takes place between a project-selling firm and a project-buying firm, in the form of interaction through six phases – search, preparation, bidding, negotiation, implementation, and transition – that represent the project marketing cycle.

The above definition of *project* from the aspect of project marketing is derived from the specific characteristics of a project relative to consumer and industrial goods and services for individual and business users. A project is characterised by a high level of specific features and complexity relative to other products and services, as well as by unit production or uniqueness, unlike mass production that is characteristic of consumer goods.

Based on these features and definitions of a project, project marketing can be considered a process that enables project-selling firm, to take anticipatory action in

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defining a project offer, thereby ensuring the desired degree of flexibility that is needed for adjusting to the requirements of the project buyer, based on relationships established with buyers and stakeholders in the project and by maintaining these relationships through specific activities during the “sleeping relationship” phase, in order to deliver future projects through the six life-cycle phases of a project: search, preparation, bidding, negotiation, implementation and transition.

An analysis of the definitions for project given by various authors in the field of project management offers several common characteristics of a project:

- It is target oriented, with clearly defined objectives.
- Its duration is limited to a specific period of time.
- It has a restricted budget.
- It involves designing and performing a large number of interrelated activities.
- It is unique and presents novelty.
- It has a specific way of organizing resources.

Based on the definition of a project from a process-based aspect, project management can be defined as the process of leading a project team and all stakeholders in a project through the various life cycle phases of the project, and organizing human, material and financial resources in such a way as to accomplish the basic objective of the project with regard to costs, time and quality, which will make it possible to realize the strategic objectives and strategies of the enterprise as well as the satisfaction of all stakeholders.7

The above shows that project management considers a project to be a “temporary endeavour or a provisional attempt”, unlike project marketing that regards a project as a “transaction” between business actors – the project-selling firm and the buyer.

It should be noted that project marketing is a broader term than project management – this is also the viewpoint of INMP – so that project marketing always implicitly includes project management, but not vice versa.8

As a concept, project management is primarily focused on achieving internal project efficiency. A project-performance model is applied to track costs, time and the technical performance of a project over the various phases of the project cycle and to compare these results to planned values. In addition to these three performance criteria, modern project-management literature has introduced a fourth category – customer satisfaction. This is an expansion of the project-management concept to include the development and maintenance of customer relationships, resulting in Customer-based Project Management.9

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7 Basan, L., Projektni marketing u funkciji razvoja turistice ponude i potražnje, Doktorska disertacija, Sveučilište u Rijeci, Fakultet za turistički i hoteljski menadžment u Opatiji, Opatija, 2007, p. 33.
Project management also focuses on organising resources and delivering all activities aimed at accomplishing the objectives of a given project. It ensures that relationships within a project are established and maintained, and it enables projects to be delivered in the implementation phase of the project marketing cycle.

Unlike project management, project marketing focuses on maintaining and improving relationships with buyers and other project stakeholders in the period between two projects, as well as within a project, and during the realisation of a project. The importance of project marketing becomes obvious in the segment of a firm’s strategic management as it aims to build the ability of a project-selling firm to anticipate project demand during the “outside any project opportunity” or “independent of any project” phase.

2. ATTRIBUTES OF A HOTEL ENTERPRISE AS A BUSINESS SYSTEM OF PROJECT BUSINESS

With regard to the previously listed characteristics of project marketing, it should be noted that when the concept is applied to a hotel enterprise, it does not represent a typical project-marketing situation in the manner in which this concept and its elements are described in the project marketing literature. However, because the application of project marketing can provide an opportunity to improve the performance of a hotel enterprise and help manage its development, it is useful to look into the possibilities and ways of applying this concept to hotel operations and development.

To this end, a hotel enterprise is regarded as a project business firm, implying that the hotel enterprise figures as a project-selling firm. Through the project-based management of its business and development, the hotel enterprise will also manage relationships with network partners with the aim of successfully delivering current projects, as well as selling future projects.

As a business system, an enterprise represents a complex, dynamic, stochastic, open and organisational system belonging to the sphere of social systems.10

The complexity of a hotel enterprise implies that it consists of multiple subsystems, and that the system, together with its subsystems, is subject to change under the impact of its environment. It is a dynamic system because a hotel enterprise undergoes constant change and development, which is a precondition to its flexibility and adaptability to changes in the environment. By achieving a sufficient level of flexibility and adaptability relative to change in the environment, a hotel enterprise ensures its survival on the market and secures its competitive position relative to other hotel enterprises. It is a stochastic system, implying the presence of uncertainty and risk in hotel operations, a presence that is especially pronounced today as a result of frequent and rapid change to the conditions in the environment in which an enterprise operates. Hence, a vital precondition to the successful performance of a hotel enterprise

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is its efficiency in managing uncertainty and risk, that it, its ability to detect and identify uncertainty and risk, determine the level of their presence and their potential impact on hotel operations, and establish what action needs to be taken to reduce their presence to an acceptable level for future business.

The application of project marketing in the business operations of a hotel enterprise can provide a higher level of efficiency in managing risk. This is made possible by the fact that during the project-screening phase, every project is evaluated for its level of attractiveness to a hotel enterprise. In addition to other elements, a project risk evaluation is also made. Because a hotel enterprise’s operations and development are managed based on its project portfolio, carrying out a risk evaluation for each individual project will enable greater efficiency in risk management in the project business of the hotel enterprise.

The openness of the system refers to the fact that a hotel enterprise operates within a given environment; change in the environment impacts on hotel operations and, reciprocally, the hotel through its operations will impact on the environment.

As an organisational system in today’s business conditions, a hotel enterprise comprises means of labour that are increasingly acquiring the attributes of a technical system, means of consumption, and the work of employees, who accomplish the primary goal of the system’s existence by creating means of labour and means of consumption. In doing so, employees must adhere to certain natural laws in relation to nature and the technical systems they have constructed and built into an enterprise’s organisational system, and they must behave according to economic principles. This means that every complex system, including a hotel as a business system, is characterised by a number of crucial attributes: objectives, function, structure, input, output, processes, code of behaviour, outcome, environment and information.11

Each business system operates for a primary objective. A hotel enterprise, viewed as an actor on the business market whose operations are based on the principles of project marketing, has a dual primary objective. On the one hand, the hotel enterprise will seek to build its ability to anticipate demand and to formulate anticipative strategies and, in this way, secure the desired level of flexibility needed for adapted to the requirements of the project buyer. On the other hand, it will focus on optimising its performance, that is, operational profitability, which is the primary objective of any business actor and a precondition to its long-term survival in the marketplace.

Depending on its size, a hotel enterprise consists of a smaller or larger number of hotels. From the aspect of the decision-making level, each hotel within a hotel enterprise represents a strategic business unit. Viewed from a process perspective, a hotel can be considered an organisational unit in which a process is conducted.

Characteristic of all processes in a hotel is the fact that they are performed as product-service-sales processes, which are also a hotel’s basic activities.

11 Galičić, V., Simunic, M., Informacijski sustavi i elektronsko poslovanje, Sveučilište u Rijeci, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2006, p. 34.
3. SUBSYSTEMS OF A HOTEL ENTERPRISE’S BUSINESS SYSTEM

Every business system, including a hotel enterprise, consists of a greater or smaller number of subsystems, determined primarily by the size of the enterprise. A hotel enterprise as a business system consists of lower-level systems or subsystems. In turn, each subsystem has its own subsystems that consist of processes. Each process is made up of a greater or smaller number of activities and possesses specific inputs, which it transforms into outputs. The system and each of its subsystems have their own objectives, representing a hotel enterprise’s hierarchy of objectives.

Figure 1 presents a hotel enterprise as a business system engaged in project business, that is, as an enterprise that manages its business operations and development based on projects through the application of project marketing. An analysis of Figure 1 shows that a hotel enterprise’s business systems consists of three subsystems:

1. Managerial subsystem
2. Functional subsystem
3. Integrated hotel information subsystem.

Each of these subsystems can be considered a system at the first decomposition level of a hotel enterprise, and each has its own subsystems or systems at the second decomposition level.

Figure 1: Business system of a hotel enterprise as a project-based business
3.1. Managerial system

A managerial system, as a subsystem at the first decomposition level, consists of three subsystems:
1. Strategic decision-making
2. Tactical decision-making
3. Operative decision-making.

The strategic decision-making of a hotel enterprise as an enterprise of project business, that is, an enterprise that manages its operations and development based on projects, will involve decision-making based on the application of project marketing. This includes making decisions linked to strategic segmentation, formulating and evaluating corporate strategies using the appropriate strategic methods. In formulating corporate strategies – the segment that deals with identifying products and target markets – the application of project marketing relates to making decisions that involve determining the project portfolios and markets (target market segment and customers) of strategic business units, as well as to making decisions that involve formulating anticipatory strategies for the project offering of a hotel enterprise as a project-selling firm at the milieu level and decisions involving devising strategies at the level of individual projects.

3.2. Functional system

The functional system, as a subsystem of a hotel enterprise, consists of a total of nine subsystems: marketing, production and services, logistics, human resource management, accounting and finance, maintenance, quality management, control and project management.

The application of project marketing will influence which type of processes are to be realised within the functional systems, considering that the management of business and development is project based. A primary feature of a hotel enterprise as a project-business firm is the overlapping of all the enterprise’s business functions, a fact that has been identified by the author’s research in the field of project marketing.

A specific feature of the functional system is that it distinguishes project management as a separate business function of a hotel enterprise. The reason for this is the need for projects to be delivered efficiently, as a precondition to the successful performance of a hotel enterprise’s project business. The function of project management is to enable project delivery to be effected within the limits of the planned project objectives, time-schedule and costs and to achieve the satisfaction of the project buyers. This will also make it possible for previously devised project strategies and corporate strategies to be implemented.

How the business function of project management will be organised is determined by:
- the number of projects an enterprise wishes to deliver. Through the anticipative actions of the hotel enterprise, these projects have been identified as being attractive to the enterprise, and they are a component part of the project portfolio of a hotel enterprise’s strategic business units;
the size and complexity of projects, and
the competencies and resources (internal and external) that a hotel enterprise has at its disposal.

Project management involves managing specific project areas, which can be considered its subsystems. The Project Management Institute (PMI) lists a total of nine different areas of managing projects:12

1. Project Integration Management
2. Project Scope Management
3. Project Time Management
4. Project Cost Management
5. Project Quality Management
6. Project Human Resource Management
7. Project Communication Management
8. Project Risk Management

To these nine areas should be added a new, tenth project management body of knowledge: Project-Customer Relationship Management. This new area has emerged as a result of the introduction of customer satisfaction as a fourth project performance criteria, in addition to objectives, time and cost, in the project management literature or literature on customer-based project management.

3.3. Integrated hotel information system

An integrated information system is a system created according to a unique concept, for the purpose of covering all business aspects of an organised whole, and based on the identified natural or artificial interrelationships of its own subsystems.13

An integrated hotel IS consists of the following subsystems: an expert system, and management and transaction IS of business functions. The importance of using expert systems as business intelligence systems is reflected in the support these systems provide to top management in strategic decision-making, because they enable problem solving based on the available knowledge of experts in a given area and by demonstrating the path of arriving at a final decision.

In applying the project-marketing concept to business operations, the need to use intelligence systems results from the fact that these systems are required to ensure information is provided to a project-selling firm in two key segments:14

- In the “outside any project opportunity” or “independent of any project” phase, they must provide the information needed to identify project opportunities in priority milieus (in target market segments) or customers that are of interest to the firm.

In the project screening and development phase, they must ensure the provision of relevant project information as support to efforts in trying to anticipate the “rules of the game” in a milieu.

4. ROLE AND IMPORTANCE OF LOGISTICS IN A HOTEL ENTERPRISE’S BUSINESS SYSTEM

In the literature, there are a large number of definitions for the term logistics that vary with regard to the aspect from which the term is viewed and the area to which it is applied. The research subject of this paper being the business system of a hotel enterprise, it is the most appropriate to consider logistics and its importance from the aspect of business logistics, because of how it regulates logistics processes within a business system.

Business logistics represents the totality of tasks and measures resulting from a firm’s objectives and involved in securing optimum material, information and value flows in a firm’s transformation process.15

Logistics in a business system, however, should not be viewed as an isolated business function; rather, logistics processes are interlaced with a firm’s traditional functional areas and, integrated with the elements of a firm’s environment, they form the complex and dynamic system of a modern firm16.

When considering the business system of a hotel enterprise as a project-business firm, special attention should be attached to the importance of integrating logistics with the marketing function, the production and service function, the accounting and finance function, and the project management function.

All the above leads to the conclusion that the importance of applying logistics in the business system of a hotel enterprise with project-based operations is reflected in two segments:

1. The application of logistics processes to the business system of a hotel enterprise enables it to reach higher levels of flexibility and adaptability as preconditions to its future growth and development17 that indicate the degree to which the hotel enterprise monitors and reacts to change in its environment. As the application of project marketing in hotel operations ensures the desired level of flexibility needed by a hotel enterprise to adapt to project buyers, the integration of logistics processes in the business system of a hotel enterprise can help it to enhance its flexibility and adaptability.

2. Project marketing implies project-based business, that is, managing a firm’s operations and development based on projects. In this sense,

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16 Zekic, Z., Logistik in der Unternehmen, op. cit., p. 130.
project marketing involves managing relationships at two levels: managing networks and relationships related in individual project from beginning to end, and managing relationships at the level of “multiple projects” which implies managing relationships over a longer period of time and for multiple project activities (a larger number of projects). In this way, creating logistics networks can help to increase efficiency in managing relationships within and between various projects.

3. As a concept that focuses on internal project efficiency, project management has a vital function in ensuring the efficient delivery of a project. Contemporary project management literature and literature on customer-based project management underline the importance of supply-chain management as a primary element in successfully delivering customer-based projects, which enable a firm to build the preconditions needed to achieve external efficiency. As the Council of Logistics Management (CLM) considers logistics to be part of the supply-chain process and supply-chain management, a substantial advancement in logistics research, it can be maintained that the application of logistics to the project management segment impacts on the efficiency of project delivery.

5. CONCLUSION

A hotel enterprise as a business system of project business can improve its performance through the application of project marketing, which enables it to build its ability to anticipate and define project offerings and provides it with the desired level of flexibility needed for adapting to the requirements of project buyers. A hotel enterprise can achieve this by creating and maintaining relationships with buyers and other stakeholders in a project throughout the delivery process of individual projects, as well as in periods in which there are no projects, so as to ensure the delivery of future projects.

Project marketing implies project business, that is, managing the operations and development of a hotel enterprise based on projects and the overlapping of all business functions. Given the project-based management of a hotel enterprise, project management is established as one of the hotel enterprise’s nine business functions within its business system framework, that is, within its functional subsystem.

As a concept, project management is primarily aimed at attaining internal project efficiency. However, because functions overlap, in particular, project management overlaps with the logistics functions, this enables a hotel enterprise to create preconditions to achieving external project efficiency by managing the project supply chain.

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