Hotel openings in Cape Town between 2008 and 2010: Critical success factors and challenges

by

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DECLARATION

I, Gerrit Aldert van Zyl, declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

25 March 2013

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Signed   **Date**

ABSTRACT

This study investigated the critical success factors to be considered when opening a hotel, including those in Cape Town between 2008 and 2010, and also considered the major challenges experienced during the initial period of a hotel's life cycle. Further, the study assessed whether there were significant differences between the success factors and challenges experienced in corporately owned- versus privately owned hotels, or large versus small accommodation establishments. The findings revealed no significant differences between corporately owned hotels versus privately owned hotels or large versus small hotels.

The research approach was inductive and the purpose exploratory, thus it was a qualitative study. Data were obtained by interviewing hotel managers of 4- and 5 star hotels that opened between 2008 and 2010 in Cape Town, prior to the FIFA Soccer World Cup. The interview results were compared and analysed, and the results discussed relative to the research topic.

The study identified the critical success factors for opening hotels and the secondary success factors or advantages that may be encountered and applied when opening hotels. The research should be of interest to practitioners and operators who could apply the insights gained from these interviews in their pre-opening strategies, and to academics in the fields of hotel management, general management, strategic planning, project management and new business development.

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GLOSSARY

CEO	Chief Executive Officer
CV	Curriculum Vitae
FF&E	Furniture, Fittings and Equipment
FIFA	Fédération Internationale de Football Association (International Federation of Association Football)
GDP	Gross Domestic Product
GM	General Manager
HOD	Head of Department
HR	Human Resources
MATCH	MATCH Hospitality
PA	Personal Assistant
PCO's	Professional Conference Organizers
UK	United Kingdom
US	United States of America
RevPAR	Revenue per available room
ROI	Return on Investment
SA	South Africa
SAA	South African Airways
SOPs	Standard Operating Procedures
V&A Waterfront	Victoria and Alfred Waterfront

CHAPTER ONE

OVERVIEW OF THE RESEARCH

1.1 INTRODUCTION

Opening a hotel is fraught with challenges; financial, site or location, labour and equipment are just four items that will require expert management to source, manage, and ultimately control, to operate the new hotel at a profit. The timing of a new venture is also critical; the advent of the 2010 Federation Internationale de Football Association (FIFA) Soccer World Cup in South Africa, announced in May 2004, and especially in Cape Town, offers an opportunity to plan for, and open, new and refurbished hotels to meet the expected demand for accommodation during the festival, and into the future. Such a mega-event will attract foreign and local investors who see an opportunity to invest in the South African economy, specifically in the hospitality sector of the tourism industry. Coupled with a vibrant tourism industry in the Mother City, and a stable economy, the presentation of the Soccer World Cup offers an ideal opportunity to add to the accommodation stock in Cape Town.

South Africa expected approximately 350 000 tourists in June and July 2010 (www.project2010.co.za), and it was widely reported that there would be a shortage of rooms and beds (www.africanews.com) in the major cities where matches were to be played. As a result, investors sought to benefit from the income and employment opportunities offered by the World Cup event, and various local and foreign hotel-chains announced that they would open new and refurbished hotels in Cape Town, in time for the FIFA World Cup. Some of these hotels opened in time for the 2010 showpiece as a result of careful planning, some opened after the event, while some never progressed beyond the planning stage, because developers did not have the required funds, or could not obtain the necessary credit, to open new or refurbished hotels. As a result construction stopped and the projects were either delayed or cancelled. One of the major contributing challenges, at the time, was the world economic crisis, that began in 2008 and caused South Africa to enter a period of recession for the first time in 17 years, as announced in May 2009 (www.france24.com), resulting in an immediate reduction in demand for rooms, as people who had planned to attend the World Cup could no longer afford the transport and accommodation costs.

This study identifies and evaluates the critical success factors of, and major challenges for hotels which opened their doors in Cape Town between 2008 and 2010. The term 'opening of a hotel' refers to the various planning and development stages prior to commencement of operations of a new hotel, including the market research, feasibility studies, conceptualisation and vision of the new enterprise, project work, preparation of the pre-opening expense budgets, and staff recruitment and training; these concepts are discussed in Sections 2.3 and 2.4 in Chapter Two. The actual opening day, and the post-opening phase of the hotel that establishes whether the hotel is operating successfully and achieving the set targets within this first period, are also factors which contribute to the success of a new hotel.

1.2   Research problem statement

During the opening of a hotel, variables beyond the control of the developers can cause problems for the enterprise, such as cost overruns, delayed opening dates, or even complete abandonment of the project. This is often caused by poor planning and can severely impact the project as a whole. A decision to open a hotel can also be motivated by challenges, such as increasing the value of the business and boosting the image, seizing an investment opportunity, implementing a segmentation strategy, or increasing the market share; all of which could lead to increased profits and the future prosperity of the organisation and the shareholders (Withiam, 1985:39; Nicolau, 2002:48). Regardless of reasons, the decision to open a hotel requires a substantial investment of capital and manpower for the project. In many cases, banks supply the required finance (Mestres, 1999, cited in Nicolau, 2002:48). As a result, failure to open on time, or at all, has the potential for cash wastages, can possibly force a business into liquidation, or ruin the reputation of an established hotel brand that will have a long-term negative effect on the organisation.

Further, during the pre-opening phase of any business, including a hotel, it is possible that planning can fall behind schedule and, as a result, certain key planned outputs will have to be postponed that can ultimately result in the opening date being delayed. This increases costs and can cause further complications during the project. These pitfalls could, however, have been avoided by identifying and implementing key success factors, and by troubleshooting challenges prior to commencing a project.

The research problem is, therefore, to identify and evaluate the critical success factors and challenges that a new (or refurbished) hotel could face prior to opening the doors for commercial gain, and introduce mechanisms to implement the success factors and anticipate the challenges.

1.3   Research aim

The aim of this research is to explore success factors and challenges faced during the opening of a new or refurbished hotel, so as to benefit from the successes of other ventures while avoiding the challenges faced by establishments; to outline success factors and challenges to assist practitioners to plan their business strategies, so as to assist in a smoother and more accurate flow of events during the opening of a hotel.

1.4   Research objectives

The research will investigate success factors and challenges that may be encountered when opening a hotel, which could serve as a guideline for practitioners with regards to critical planning, or stumbling blocks to be overcome or avoided during this opening period. Considering the research problem statement and study aim, the following objectives are identified:

- To establish the critical success factors which contribute to the successful opening, or the re-opening of a refurbished, hotel.
- To identify the major challenges that management may encounter during the opening of, or the re-opening of a refurbished hotel.
- To ascertain whether there are any differences in success factors and challenges between privately owned and corporate hotels.
- To ascertain whether there are any differences in success factors and challenges between small and large hotels.
- To establish the role of technology in the success factors and challenges when opening a hotel.
- To consider the influence of South African culture on opening a hotel.

1.5   Research questions

Linking the problem statement, research aim and the objectives, the research will strive to answer the following questions through one-on-one interviews with hotel managers who were involved in the opening of hotels in Cape Town between 2008 and 2010.

- What are the critical success factors that contribute to the successful opening, and general sustainability, of a hotel?
- What are the possible challenges faced by a new hotel, which can impact sustainability?

- Are there meaningful differences in the success factors and challenges between privately owned and corporate hotels?
- Are there meaningful differences in the success factors and challenges between small and large hotels?
- Does the role of technology impact successes and challenges on opening a hotel?
- Does South African culture have an influence on opening a hotel?

1.6   Research limitations

The research is conducted in Cape Town, considering only the period between 2008 and 2010 prior to the FIFA Soccer World Cup, and investigates small to large, privately owned and corporate hotels, and is limited to new or refurbished hotels that opened during the stated period. Once it was announced in 2004 that the Mother City would host a number of FIFA matches, the question arose as to whether sufficient accommodation was available in hotels to house the influx of anticipated players, officials and fans who would visit Cape Town. The research does not consider any other form of accommodation, namely guest houses, bed-and-breakfast establishments, school or university hostels, caravan parks or farm accommodation.

1.7   Research stakeholders

The research should be of interest to hospitality industry practitioners, and to academics in the fields of hotel management, general management, strategic planning, project management and new business development. A copy of the research will be made available to the City of Cape Town, should the department involved in tourism development be interested.

1.8   Structure of this dissertation

This work comprises five chapters which are delineated as follows:

Chapter One overviews the research topic, and introduces the research problem, aim, objectives and research questions. The parameters of the study are given as well as the stakeholders involved in the research. The structure of the research reporting is given.

Chapter Two reviews applicable literature on the hotel industry, considering in detail South African tourism reports, feasibility studies applicable to the opening of a hotel, and external factors impacting on the opening of a hotel. The chapter also considers briefly the impact of the

role of technology on a new establishment, and people and stakeholders involved in a new hotel.

Chapter Three contains an explanation of the research methodology and research tools used to obtain the data to answer the research objectives and questions.

Chapter Four addresses the data presentation and analysis of the research findings.

Chapter Five contains a summary of the research study, offers concluding remarks and makes recommendations based on the research, and for future research.

1.9   Chapter summary

There are always unplanned events when starting a new venture, including opening a hotel that impacts the costs, planning and reputation of the brand and company. By identifying factors that contribute to the success of a business venture, or the challenges that negatively impact the operation, planners and management can more accurately plan for these events, to build on success factors, and ensure that challenges are minimised or even eliminated.

In Chapter Two the accommodation industry, specifically in Cape Town during the period between 2008 and 2010, is considered, drawing on national and international statistics and experiences which lead to the opening of a hotel. The accommodation industry consistently shows increases in occupancy rates, and with the FIFA 2010 World Cup looming, investors could be easily convinced to open a hotel.

CHAPTER TWO

LITERATURE REVIEW

2.1   Introduction

There are six objectives to be considered in the literature review: critical success factors and challenges when opening a new hotel; whether these criteria differ between large and small hotels and private or corporate accommodation establishments, and how technology and a hospitality industry culture impact on the opening of a new hotel. Only limited research appears to have been conducted in these specific fields, however there has been some related research in China (Chan, 1993:155) assessing the individual roles of the hotel management and department heads when new hotels are opened. Another study by Nicolau (2002:47) investigated the effect of an announcement by a hotel chain that they were opening a new hotel and how this impacted on the chain as a whole.

The researcher conducted an industry overview to establish what factors impacted the hospitality industry in 2008, 2009 and 2010, prior to the advent of the FIFA Soccer World Cup. These statistics, contained in tourism reports for 2008 to 2010, appear to support the decisions made post-2004 to open new hotels, and for investors to invest in new hotels. The decision by FIFA in 2004 hid to a large extent the impact of the global economic crisis, and thus various key outputs were not planned for thoroughly enough, which in turn resulted in major difficulties in the opening of hotels. This Chapter defines and considers critical success factors and challenges, and how they can be applied to the opening of a new or refurbished hotel, and seeks to address the objectives stated in Section 1.4 of Chapter One, namely to establish and discuss factors that contribute to the successful opening (or re-opening) of a hotel, and to identify challenges faced with such an opening.

The decision to invest in a hotel can be costly and therefore requires due diligence and careful planning. Factors to be considered when opening a hotel are explored in detail in this section. Moreover, opening a hotel is similar in scope to the management of any project, therefore similar success factors and challenges can apply. This connection is explored in greater detail, and a framework developed by Belassi and Icmeli Tukel (1996:144) on the critical success factors in projects is considered with a view to their relevance to opening a hotel in Cape Town. Lastly, entrepreneurship, and the application in corporate organisations with a special focus on opening

a hotel, and success factors in small businesses, are reviewed and discussed to determine how insights in these fields can be applied during hotel openings.

2.2   Hospitality industry overview

Tourists require and expect quality, and therefore a hotel, as a tourism business, needs to meet these expectations while still making a profit (Holjevac, 2003:129). Considering this statement, established and new hotels need to ensure that they provide high quality products and services for guests. Holjevak (2003:130) states that tourism has a major effect on the social and economic development of a country and thus can reduce unemployment and poverty by turning the natural and cultural tourism heritage stock into a profit. This is critical for any country, including South Africa, and tourism and event planners hope that a tourism activity such as a FIFA World Cup would have immediate or long-term benefits on the country. Any tourism activity or event that requires mass- or niche tourists is reliant on adequate hotel accommodation. The 2010 FIFA World Cup is the major event for which new hotels will be opened. However, the actual soccer event is not part of this study, and the impacts of the 2010 event are not considered in the discussions of critical success factors and challenges.

The British Hotel Proprietors Act of 1956, as quoted in Baker, Huyton, and Bradley (2000:7), defines a hotel as:

> 'An establishment held out by the proprietor as offering food, drink and, if so required, sleeping accommodation, without special contract, to any traveller presenting himself/herself who appears able and willing to pay a reasonable sum for the services and facilities provided and who is in a fit state to be received'

While this definition is standard for any accommodation establishment, it does emphasise the definite need for 'services and facilities provided', one of the definite success factors of any business organisation, and a key challenge when missing from the structures of the enterprise.

Baker et al. (2000:8) define a small hotel as having 100 or fewer bedrooms, a medium-sized hotel having between 100 and 200 bedrooms, and a large hotel having in excess of 200 bedrooms. Baker et al. (2000:9) also define a private hotel as an independent hotel owned by a person, a partnership or a private company, and a corporate group as several hotels owned by either a local company or an international chain. From the experience of the researcher who has worked in hotels in Cape Town and the Arab world for more than 10 years, the size and ownership of a hotel plays a major role in the way it conducts business in terms of operational

processes and procedures, which could in turn experience different success factors and challenges.

The Baker et al. (2008) definition of size varies, and is dependent on different situations, and for the purpose of this research the following key terms are constantly used:

- A hotel is an establishment that provides accommodation to guests in exchange for money. It also provides food and beverage facilities, that is, a restaurant that serves breakfast, lunch and dinner. Depending on the target market and star rating, other facilities such as a 24-hour in-room dining service, business centre, concierge and spa are also offered.
- The opening of a hotel (for the purpose of this study a refurbished hotel is considered a 'new' hotel as the success factors and challenges will, in all probability, be the same) refers to the pre-opening phase that entails market research, analysis of feasibility, conceptualisation and vision, project work, preparation of the pre-opening expense budgets, recruitment and training; the actual first day of operations and accepting guests and the post-opening phase of the hotel to establish whether the hotel is operating successfully and achieving its targets within the first period.
- A corporate hotel belongs to a hotel chain that owns more than 10 hotels and is owned by the shareholders.
- A private hotel belongs to one person as the majority shareholder and is usually not part of a chain.
- A large hotel has more than 200 bedrooms.
- A small hotel has fewer than100 bedrooms.

Accommodation is one of the three 'legs' supporting the international tourism industry, the other two being transport and tourist' services. Tourism is an attractive and significant industry for many small and developing countries (Teare, 1996:63), and the hospitality and tourism industries can play a major role in the economic upliftment of South Africa. However, occupancy rates are vital in the accommodation industry, on which to base investment decisions for future development.

When conducting initial research into this field, the 2008 Tourism Report was the only data available with relevant South African tourism statistics, contained in the strategic research unit report (South Africa (SA) Tourism Strategic Research Unit Report, 2007). However,

subsequently the 2009 and 2010 Tourism Reports became available and there are interesting differences between these reports.

2.2.1   The 2008 Tourism Report

The official annual Tourism Reports remain the most important source of tourism data for South Africa in terms of tourist' arrivals, bed-nights occupied, tourist' revenue generated, and comparisons with previous Reports. Tourism trends and statistics form a major part of a hospitality company's decision to invest in a country and to expand a business into unfamiliar territories. Cape Town, in particular, offers tourists a large variety of places to visit, things to do, and sites to see such as the V&A Waterfront, Table Mountain, Cape Point, Robben Island and the Cape Winelands. The 2010 FIFA World Cup, hosted in South Africa, was an additional reason for foreigners to visit this beautiful country.

Tourism contributed R194.5 billion to South Africa's Gross Domestic Product (GDP) in 2008, which represents an 8.5% year-on-year increase over the 2007 GDP contribution (SA. Tourism Report, 2008). It is therefore clear that tourism is a significant contributor to the country's GDP and represents a major source of income. The total number of foreign arrivals in 2008 reached an all-time high of 9.5 million visitors, representing a 5.5% year-on-year increase over the 2007 tourist' arrivals, exceeding the global average of 1.8% (SA. Tourism Report, 2008). Considering that in 2007, arrivals also increased by 8.3% year-on-year over the 2006 figures (SA. Tourism Report, 2008), South Africa's popularity as a tourist destination is growing significantly every year. Although growth was less in 2008 relative to 2007 and was expected to further diminish in 2009, due to the world economic crisis and reduced disposable income of tourists, it was expected to recover in 2010 due to South Africa hosting the 2010 FIFA World Cup.

The average length of a foreign tourist's stay in the country also increased from 7.9 nights in 2007 to 8.2 nights in 2008 (SA. Tourism Report, 2008), translating into more beds needed for tourists. The total bed-nights spent in South Africa for 2008 were 75.3 million, 10.4% up from the 2007 data (SA. Tourism Report, 2008). This underlined the urgent need (in 2008) for more hotels and beds in the country, hence the indication by various hotel groups to open new hotels in South Africa, including Cape Town, by 2010. Tourists also spent more on accommodation in 2008 compared to 2007, namely, R1.4 billion, which represents a substantial increase of 15.7% (SA. Tourism Report, 2008). This could be a direct result of the somewhat longer stays and

increased demand for bed-nights. Total revenue generated by foreign tourists in 2008 increased by 23.4% (R14.1 billion) year-on-year, and the tourism industry in South Africa is strongly positioning itself against the other major tourist destinations, where South Africa was ranked 29th in the world in 2008 (SA. Tourism Report, 2008).

The FIFA World Cup in 2010, and the increasing tourist arrivals in South Africa, presents a natural opportunity for businesses to open new hotels. During the World Cup, it was expected that hotels would easily fill all rooms and maximise revenues, expecting an increased demand over this period; however, after the World Cup event, with an increased stock of available bed-nights, competition to fill these beds would be intense.

2.2.2   The 2009 Tourism Report

The 2009 tourism data were both positive and negative. In 2009 the entire world was in the grip of an economic crisis, with many people losing their jobs. This resulted in less disposable income and, in turn, decreased travel, which impacted negatively on hotel occupancies. Hotels generally operate with higher fixed- than variable costs, and therefore hotel profits are greatly impacted when the economy declines, as they are not able to reduce their fixed costs as business decreases (Chen, 2010a:665). The 2009 economic downturn could have had devastating results for hotels in South Africa, however, the major events held in South Africa in 2009, such as the FIFA Confederations Cup, the British and Irish Lions Rugby Tour, and the Indian Premier League Cricket tournament, all contributed to tourism in the country and ensured a positive growth despite the economic downturn.

In 2009, South Africa had 9.9 million foreign arrivals, which represented a 3.6% increase over 2008 (SA. Tourism Report, 2009). It is important to note that the international average decreased by 4.3% in 2009 (SA. Tourism Report, 2009), therefore these major sporting events held in South Africa had a significant influence on the number of foreign arrivals to the country. Tourism's contribution to GDP increased by 2.7% (SA. Tourism Report, 2009), again indicating the value of tourism for South Africa. Moreover, the total amount of revenue generated from foreign tourists increased by 7% (R5.2 billion) (SA. Tourism Report, 2009). South Africa was ranked 26th in the world in 2009, an improvement of three places from 2007 and 2008 (SA. Tourism Report, 2009). The average length of stay for a tourist decreased from 8.2 nights in 2008 to 7.5 nights in 2009, total spent on accommodation declined by 6.8% year-on-year in

2009 (SA. Tourism Report, 2009), and as a result there were 4 million less bed-nights occupied in 2009 than in 2008, which represented a decrease of 5.4% (SA. Tourism Report, 2009).

Despite the decline in the length of stay and total accommodation-spend, tourism in South Africa grew in 2009, but at a declining rate. The economic downturn had a negative effect on South African tourism revenue generated; however, the many major sport events held in the country in 2009, ensured that foreign arrivals for 2009 showed a positive trend, as seen in the tourism data reported in the previous paragraph.

2.2.3   The 2010 Tourism Report

In 2010, the FIFA World Cup was hosted in South Africa. As can be read from the Sections 2.2.1 and 2.2.2, tourism in South Africa had grown strongly year-on-year for the past few years. Even in 2009, when the world was hit by a recession, South Africa maintained an upward growth of 3.6%. This was mainly attributed to the various major international sporting events that were held in 2009 mentioned in Section 2.2.2. Unfortunately, statistics from the 2010 Tourism Report cannot be directly compared to the previous two reports. The reason for this state of affairs is that for the first time South Africa Tourism (SAT) introduced a distinction between a tourist (who stays one or more nights) in South Africa, and a day visitor (who does not spend any nights in the country). The statistics in the 2010 report are therefore now aligned with the globally accepted definition of a tourist (SA. Tourism Report, 2010), but are now such that direct comparisons cannot be made, and a challenge is therefore faced by accommodation management when it comes to strategic planning for future bed-nights.

Worldwide, international tourism arrivals grew by 6.7% over the 2009 arrivals (SA. Tourism Report, 2010) indicating a recovery in the global economic crisis, and a propensity for travel. South Africa greatly exceeded the international growth rate, and tourist arrivals grew by 15.1% from 2009 to 2010 (SA. Tourism Report, 2010). This major increase certainly proved valuable in the overall economic situation, with revenue generated from foreign tourists growing by 22.6%, and the average length of stay for a foreign tourist increased slightly from 8.3 nights in 2009 to 8.5 nights in 2010 (SA Tourism Report, 2010), which contributed to a 19.8% (4 million) increase in bed-nights spent in South Africa by foreign tourists. The increase in bed-nights definitely contributed to occupancies experienced by new hotels that opened immediately prior to the FIFA 2010 event.

In summary, the overall increase in bed-nights, visitor arrivals, and tourist' revenues (despite the tourist' dip between 2008 and 2009) over the period 2007 and early 2010 can be viewed as a success factor in attracting visitors to South Africa, despite the political intrigues and (internationally perceived) rampant crime. These increases proved a challenge to accommodation management to increase available bed-stock in the short term, while not over providing in the long term availability of rooms. The data provided in the three Tourism Reports speaks of the success factor of South Africa as a viable international, and continental, tourism destination, and probably has a direct bearing on the increased accommodation in Cape Town.

2.2.4   Overview of the 2010 FIFA World Cup

While the 2010 FIFA Soccer World Cup does not form part of this study, nevertheless, major international sporting and MICE planning (meetings, incentives, conferences and events) does influence the need for overnight accommodation. As such, a brief consideration of the 2010 Soccer event in Cape Town is not entirely out of place in this study. The World Cup had a major impact on the highly positive tourism arrivals South Africa experienced during 2010. Were it not for this event, growth and revenue targets would clearly not have been achieved, and South Africa (and Cape Town) is expected to benefit from this event in coming years, considering the exposure that the country received from broadcasting, marketing, and word-of-mouth for the World Cup.

A total of 309 554 tourists arrived in South Africa specifically to attend the 2010 FIFA World Cup. The major tourist-markets were the United States, the United Kingdom and Brazil, where approximately 60% of the tourists who attended the World Cup were first-time visitors to South Africa, and 20% had attended previous World Cups. The total revenue generated by tourists who specifically visited this country for the 2010 FIFA World Cup was R3.64 billion and their average length of stay was 10.3 nights (SA. Tourism Report, 2010).

These statistics suggest that the 2010 FIFA World Cup was a success in terms of attracting visitors to South Africa who would not normally have visited this country. With 60% first-time visitors, arrivals from the Americas (North, South and Central) grew by 37.4% year-on-year (SA. Tourism Report, 2010), exposure of South Africa from these regions is therefore enhanced. Generally speaking, the success of the event warranted the opening of new hotels, as reflected in the increased occupancies and revenues over the World Cup period noted in the previous

paragraph, and there is a potential of tourists returning, ensuring a continuing interest in South Africa.

2.3   Critical success factors and challenges

The prime objectives (see Section 1.4) of this study are to consider critical success factors and challenges when opening a new hotel. Daniel (1961:111) is regarded as one of the first users of the term 'critical success factors', applying it in an information system context, and since then, various organisations have used the 'critical success factors' approach generically. According to Brotherton (2004:19), businesses use this approach to strategic management, operational planning (Leidecker & Bruno, 1984:23; Hardaker & Ward, 1987:112; Sousa de Vasconcellos e Sa, 1988:56; Devlin, 1989:377; Black, 1990:29; Grunert & Ellegaard, 1993:245), and business processes (Ward, 1992:111; Watson, 1993:12). Critical success factors are not goals or objectives, but a combination of activities that contribute to the attainment of the goals and objectives. They are actionable, measurable, and to a large extent controllable, by management (Brotherton & Shaw, 1996:114).

There is limited research on critical success factors in the hospitality industry. Goldman and Eyster (1992:72) conducted some research that touched on the success factors of food and beverages from a restaurant perspective. Peacock (1995:48) investigated the factors that render hospitality managers successful, including financial performance, customer satisfaction, volume of repeat business, operational efficiency, personal satisfaction/standards, good management of staff, and superiors' perceptions/opinions, while Brotherton and Shaw (1996:113) conducted similar research on the identification of critical success factors in UK hotels, producing similar results. These critical success factors are discussed in detail in the following paragraphs.

The most recent, and arguably the most relevant research, was a follow-up study by Brotherton in 2004. He examined the critical success factors in order of importance per department in specific UK corporate hotels, assessing these from front office, food and beverage service, food and beverage production, back-of-house operations, human resources, and accounting and control perspectives. Brotherton's study (2004:19) identified 59 critical success factors in the different departments of hotels, however, these all relate purely to operational day-to-day activities that ensure that departments function at an identifiable minimum standard. This research does not replicate such a study, however, emphasis will be more focused on the hotel opening activities, the setting-up the hotel in order for it to function effectively and efficiently from

the date of the opening to the standards that are achievable from the critical success factors identified by the Brotherton (2004) study. As far as this study is concerned, critical success factors are not goals or objectives, but specifically focused activities controllable by management to achieve specifically identified goals and objectives.

The goal of any opening of a hotel is to achieve the event successfully with minimal challenges or barriers, where the activities and processes to be undertaken to achieve this goal will be identified. The research aim is to investigate the critical success factors in hotels from a more holistic project-management perspective, and will relate this only to the opening of a hotel and the processes taking place within this context. This research anticipates the critical success factors to be, or at least relate to, effective leadership of a hotel manager, creating an organisational culture where entrepreneurship and innovation in the hotel can prosper, and selecting departmental managers who are specialists in their fields with entrepreneurial ambitions and skills. Starting with the last anticipated critical success, it is imperative in today's hospitality market to be innovative in attracting guests to a hotel. This can only be achieved through senior employees who are specialists in their fields. However, should such talented employees be in the hotel's employ, they will not be effective if the organisational culture does not support such innovation, and only through the hotel manager's leadership abilities will such a culture be created. The term 'culture' here refers to the work ethic rather than to a racial groupings' way of life, beliefs and practices (see Section 2.5.3 for a more detailed discussion on culture in a hotel environment).

On the other hand, the research anticipates the challenges to be the involvement of owners/investors, or even corporations, in large organisations, number of hotels opening versus demand, and achieving operational deadlines. The owner's or management's perceptions of how the business should run can play a major role in the employment of the hotel manager, and as such impact on the culture he/she would like to create in the hotel. This type of challenge occurs mainly when owners/managers have never been involved in managing a hotel in the past. More-over, the market (customers and suppliers) will be very demanding, as there are already numerous hotels in Cape Town, and demand will only spike for a short period during the FIFA World Cup event. 'Spike' is an acceptable hotel industry term for a sharp increase in bed-occupancy for a short period, followed by a sharp decline after an event, such as can be expected with an influx of visitors for the Two Oceans and Comrades marathons, the Pick-n-Pay/Cape Argus Cycle Tour, or other mega-events. Lastly, achieving operational deadlines, such as being ready on time to receive the first guests and provide them with a memorable

experience to ensure their return, and positive word-of-mouth marketing, will be impacted by elements and people outside the organisation, which will require strong people-skills and positive relationship-management. Some of these positive factors, including the quality of employees, are now discussed.

The hotel industry and its success depends largely on the quality of employees and the effective management of these employees (Berger & Ghei, 1995:28) specifically, where quality employees can be one of the critical success factors during a hotel opening. Moreover, the success also indicates that the recruitment phase, and the thoroughness of recruitment procedures, impact on the success of the opening of a hotel, which underlines the importance of the skills and experience of the Human Resources Manager. Holjevak (2003:129) emphasises that employee-benefits in the future could include child and elderly persons care and more flexible work arrangements, which could be taken into consideration by the new hotels to lure the more experienced and educated employees to their organisations.

In some cases, highly experienced special project-staff teams called 'Task Force Teams' are assembled to open the hotel and to train the newly recruited employees to ensure that the opening runs smoothly. They also contribute to the implementation of brand standards when the hotel forms part of a large corporate group, with a philosophy of consistency in the guest experience throughout their properties. Staffing could also possibly be a success factor for corporate hotels. Another success factor, or challenge if not correctly addressed, is the investment made in a hotel, whether it be a small private establishment or a large corporate chain. Considerable time, energy and finance are needed to open a new hotel, which demands attention to detail in strategic functional areas.

Table 2.1 was developed by Newell and Seabrook (2006:287) to highlight factors influencing a hotel investment decision. Based on this study the order of importance of these factors is reflected in the following table, and are equally important to the opening activities of a new hotel. The investment decision factors in Table 2.1 can ultimately be the critical success factors, or challenges, that the researcher is looking to identify. The financial decision is the most critical of all the factors. There are six sub-factors that impact/contribute to the financial factor. The first is a time-line forecast of projected revenues that will indicate when, and whether, the investment will generate a return, and produce profits for the owners/investors. The second is gross operating profit that is strongly linked to the return on the investment (ROI), in that one will need to ensure that operating expenses remain in line with revenues, which will ultimately ensure that

a ROI is achieved. Historical rates of return (this is method of using historical data to predict future returns) reveal how other hotels in the same location or area are performing, and base predictions on this, or in the case of a 'take over', consider how the same hotel performed historically. This is a good tool to project the future revenues and establish the ROI.

Table 2.1: Hotel investment decision factors

Factors	Factor weight %	Sub-factors
Financial	37.0%	Forecast ROI (five years)
		Gross operating profit
		Historical rates of return
		RevPAR as a return measure
		Unsystematic risk
		Economies of scale advantages
Location	29.9%	Site attributes
		Current hotel supply
		Volatility of demand
		Number of domestic visitors
		Number of international visitors
		Age of target hotel
Economic	14.5%	Business spending patterns
		Interest rates
		Extent market is emerging
		Tourist spending patterns
		Extent market is mature
		Employment growth
Diversification	12.0%	Segment diversification
		Geographic diversification
		Link to target property
		Brand diversification
Relationships	6.6%	Alignment with stakeholders
		Independent asset management
		Regulatory influence

Source: Newell & Seabrook, 2006:287

RevPAR can also be used to measure returns. This is a ratio that is based on a balance between occupancy and average rack rate, or charge of a room per night, and stands for revenue per available room. The rate is used to create demand by remaining competitive through a flexible rate strategy, irrespective of the market conditions. Occupancy will indicate the room-demand, and the hotel manager adjusts the rate to achieve an optimal balance between

demand and income, to generate the maximum possible revenues. Unsystematic risk is an industry-specific risk, which will, as RevPAR, be directly linked to market conditions. Economies of scale will also be directly linked to RevPar and unsystematic risk, as it is the balance between the market conditions and the rates the hotel would like to charge, taking the risk of additional competition into consideration. The more competitive, the more there is an oversupply of rooms, and therefore room rates will be lower in a market where the demand does not increase, as every hotel will be competing for the same guest-pool. It will therefore be imperative to employ a flexible rate strategy. To summarise, the key with all these sub-factors is that the market conditions and competition needs an in-depth analysis before an accurate ROI can be projected. This is directly linked to the next two success factors of location and economy.

Location success factors or challenges, such as the site's attributes, need to be considered. The business-influencing factors of the site need to be identified, such as surrounding/competing businesses, surrounding/competing leisure facilities, surrounding/competing attractions, and the people (the market) in the surrounding/competing area. These factors will identify why the market would want to come to the area, and stay at the hotel, which will also be a guideline in identifying a specific target market and hotel facilities. The current hotel supply versus the market demand needs to be identified and considered, whether the demand is volatile or not, for example. Consideration of tourism statistics, identifying the number of domestic and international visitors, is needed and whether it should be an old hotel that is being purchased, the age of the hotel, and whether refurbishment of restoration investment will be required.

Further, the economic success factors/challenges are very important as they are directly linked to the financial success factors. The current business and tourist' spending patterns need to be identified, and a future projection analysis should be conducted on whether these spending patterns will remain or change in the future. A market analysis should also be done to identify whether the market is emerging or established, and when it is likely to mature. As highlighted above, the current and future market conditions will play a major role in the three financial sub-factors of RevPAR as a return measure, unsystematic risk, and economies of scale identification. Current and projected future interest rates must be considered, as they will impact on the ROI directly, and employment growth will be affected as room occupancy fluctuations. Newell and Seabrook (2006:287) identified the financial factor as the most important critical success factor/challenge to consider when making an investment decision, however, management will not be able to accurately compile, and forecast, financial data, in order to make an investment decision, if the location and economic factors are not correctly identified.

The fourth success factors/challenges, that of diversification, needs to be considered once the preceding three factors or challenges are addressed. Only once the market has been thoroughly analysed and the financial data has been considered, can management segment the market. This can be done through identifying the types of travellers and the geographic location/origin of the travellers, and then implement strategies of how to link to the hotel property, and attract them through brand diversification. It is imperative that management differentiates competitors in order to have a unique identity, and to capture a market share whose needs are not completely met by the current available supply of hospitality products and services. This can be linked to the anticipated critical success factors of having an organisational culture where entrepreneurial thinking is encouraged, and having employees who are skilled in driving innovation.

The fifth success factor, or challenge to be countered, is that of relationships, which are also important, especially the first sub-factor of alignment with stakeholders. Should management's vision of the investment and deliverables not be aligned with those of the various stakeholders, the investment will not materialise. It is of the utmost importance that all the stakeholders (investors, advisors, management, suppliers, customers, municipality) are clear of what is required with investment in a new hotel, what the projected outcomes are, and what the elements of risk (challenges) involved in the investment are. Furthermore, should an independent asset management company be appointed, or there are any regulatory influences from various government agencies, positive and active relationships (critical success factors) and negative (challenges) will impact the hotel investment.

To summarise, it is imperative that thorough market research and market (customer) analysis is conducted, based on the location and current economic climate, by identifying current and future market trends in order to accurately project financial returns on investment. The financial returns will then be supported by conducting a competitor-analysis, and identifying a gap in customer needs. Based on this gap, key diversification elements must be implemented that will assist in capturing new and increased market share.

Most of these factors will apply to a hotel opening and therefore have to be considered when planning a new hotel venture. Peters (1978:15) noted 35 years ago that a pre-opening market study and analysis could be the most important factor to determine the ultimate success of a hotel. The thoroughness of the project team and the consultants tasked to determine whether a hotel in a specific area would be feasible, play critical roles. There can be no doubt that these critical success factors noted by Newell and Seabrook, and further argued in Table 2.2 by de

Brentani, (1991) and the attendant challenges must have formed the basis for deliberations by investors and management when new hotels were planned for Cape Town once the announcement was made that the 2010 FIFA Soccer World Cup event had been awarded to South Africa.

Go, Sung, Uysal and Mihalik, (1990:297), perhaps providing some guidelines for the Newell and Seabrook 2006 model depicted in Table 2.1, stated that location, size and growth of market demand, host government policy towards foreign businesses, and, for example, note that political, social and economic situations are factors to consider when hotels expand. Dunning (1997:395) emphasised that investors and management should be cautioned against the nature of the local business culture. This is particularly important in South Africa, considering the history of the country, education levels of the work force, labour law and trade unions.

The opening of a hotel can be entirely perceived as a project, and thus the hotel manager serves as a project manager. Thus management will integrate all departments, and ensure that all tasks are completed on time. What constitutes a successful opening depends on many variables. Belassi and Icmeli Tukel (1996:142) state that determining the success or failure of a project is highly complex, and note that delays and budget overruns are common. It is, however, also possible for a project to be perceived as successful by a project manager but as a failure by the clients, if service requirements, for example, are not realised (Belassi & Icmeli Tukel, 1996:142).

This implies that projects are evaluated according to different criteria by different people, and in the case of a hotel opening, the hotel management and the employees may see the opening as successful, if all departments are functional and the building is completed by the opening date. However, the owners/corporate board may only see it as successful if targeted occupancies and revenues materialise within a specific period, or even over a period of a few years. Many businesses experience a 'champagne effect' during their initial years of operation which can be misleading as it is not a true reflection of the business conditions; the enterprise then slowly loses 'froth' and revenues decline (Nicolau, 2001:7).

Table 2.2 displays a reliable model developed by de Brentani (1991:40) that measures the critical success factors or failure/challenges of new business services, addressing some of the arguments noted in the preceding paragraphs.

Table 2.2: Model for the measurement of new business services

1	Sales Performance 70%	· Exceeds market share objective
		· Exceeds sales/customer use level objectives
		· Exceeds sales/customer use growth objectives
		· High relative sales/customer use level
		· High overall profitability
		· Positive impact on corporate image/reputation
2	Competitive Performance 13.40%	· Buyer perceives superior service "outcome"
		· Buyer perceives superior service "experience"
		· Unique benefits: perceived as superior to competitors
		· Gives company important competitive advantage
3	Cost Performance 8.30%	· Substantially lower costs for the company
		· Performs below expected cost
		· Achieves important cost efficiencies for the company
4	"Other Booster"	· Enhances sales/client use of company's other products/services
		· Enhances profitability of company's other products/services

Source: de Brentani, 1991:40

The sales performance criteria noted in Table 2.2 represents the most critical success factor to consider whether a project is successful or not, and constitutes 70% of the total measurement. From a hotel perspective, if the hotel operates at a high occupancy, it is deemed successful. The second critical success factor measure is the competitive performance, which constitutes 13.4% of the total measurement, and asks what the market's perception is of the new hotel, and whether it is better than the competition and really unique? The third measurement is cost performance, contributing 8.3% to the total measurement. If the hotel operates on lower costs than budgeted for it will either generate more profits, or more funds can be allocated to enhance

the offering. Reduced operating costs can also ensure better pricing and better value for consumers, which flow into the 'other booster' where consumers will then make more use of the other hotel offerings, for example, restaurants or spas. The model can be applied to a hotel to assess whether the hotel is successful, which can also serve as a tool for the operators and the owners/corporate board. However, the 'champagne effect' is not addressed and only time will determine whether the results are sustainable.

The aim of this study is to establish the critical success factors for, and the challenges that, can impact on the successful opening of a new hotel, and by implication, the sustainability of the operation. The preceding paragraphs offer a discussion on the first two objectives, namely consideration of the critical success factors and challenges that must be taken into account when planning the opening of a new hotel.

Figure 2.1 illustrates a framework developed by Belassi and Icmeli Tukel (1996:144), which groups some critical success factors for projects in various groups of factors related to (1) the project, (2) the project manager and team members, (3) the organisation, and (4) the external environment. All these factors are interrelated and, as a whole, contribute to the success of the project. If one or more of these factors are not functioning, the project may fail.

This framework can be applied to the opening of a hotel as a project manager could be substituted by a hotel manager and the team members by department heads, once the hotel has opened. Factors relating to the project can be replaced by factors relating to the operating hotel, in terms of the size of the hotel and the services the hotel will offer. Factors relating to the organisation can be replaced by factors relating to the business that owns or manages the hotel; while the factors relating to the external environment remain. Modified as such, the framework can be used as a valuable tool in the successful opening of a hotel.

Analysing Factor Group 1 factors in Figure 2.1, relating to the project/hotel manager and the team members/departmental managers, revolve around the hotel management's leadership abilities, motivational levels, perception of the role, and competence. Factors relating to the team member's technical abilities, communication skills and motivation levels are also dependant on the hotel manager's leadership abilities. Considering the anticipated critical success factors, the research mentioned the hotel manager's leadership abilities, and skills-set of the departmental managers which Belassi and Icmeli Tukel (1996) highlight in the Figure 2.1 framework as key success factors. The system responses within the framework identify the outcomes if the

success factors are accurately executed. The System Response for Factor Group 1 is client consultation and acceptance which can relate to obtaining 'buy-in' from the investors/owners when considered by a hotel opening, and effective planning, scheduling, communication, use of managerial skills, monitoring, and use of technology by the hotel management, which all directly relates to the leadership capabilities and experience.

Considering the Factor Group 2 factors relating to the project, these are all factors that relate to the size of the hotel, uniqueness or type/grading of the hotel (for example, 3-, 4- or 5 star), and the urgency of getting the hotel operational. The System Responses that these factors will have an effect on is again the performance of the hotel management, that is, the experiences and capabilities aligned to the size and type of hotel that should be opened. The second System Response is the preliminary estimates of the project, which is what the anticipated costs are for the opening of the hotel. The type/grading of the hotel will impact on the services it has to offer, and this together with the size will impact on the costs that need to be incurred and recovered.

The third Factor Group factors that relate to the organisation, identifies the relationships of the various stakeholders that need to be articulate and strong. This directly refers to the relationship between the hotel management and the investors/owners as well as with the executive/top management. The System Response for this is that the hotel management's performance and effectiveness in managing the project/opening a hotel, the preliminary estimates, and the availability of human- as well as financial resources. The Factor Group also relates to Newell and Seabrook's (2006) last, and least important factor, for hotel investment decisions of relationships with stakeholders. The reason why only these two factors correlate with Belassi and Icmeli Tukel's (1991) framework and Newell and Seabrook's (2006) hotel investment decisions, are because Newell and Seabrook's factors relate to investment decisions only, while Belassi and Icmeli Tukel's (1991) framework relates to the actual execution of a project. Both of these elements form part of a hotel opening, the pre-project analysis and feasibilities, as well as the actual execution of opening a hotel.

Factors one, two and three are largely controllable by management and should, if executed well, ensure the success of a hotel opening. Factor Group 4 factors that relate to the external environment, such as the political-, environmental-, social-, and technological environment, competitors and sub-contractors, are factors that relate to Newell and Seabrook's (2006) investment decisions, and as such should form part of the pre-project analysis and feasibility that should be considered. The System Response of Factor Group 4 indicates that this will have an

impact on the entire project as a whole, and therefore plays a major role in the success or failure of the hotel opening.

Based on the preceding paragraphs, the research anticipates that the critical success factors could be a combination of Newell and Seabrook's (20060 investment decision factors, and Belassi and Icmeli Tukel's (1991) factors one, two and three. This discussion also refers to objectives three, four, five and six which relate to the size and type of management of a hotel, and infers conclusions that these elements are not differentiated when considering the opening of a new hotel.

2.3.1   Management roles in new (and functioning) hotels

Chan (1993:155) studied managerial roles of hotel pre-opening teams for new hotels in developing countries, specifically the hotel manager and the department head roles, when opening a new hotel in China. Chan (1993:156) emphasised that the primary function of a hotel manager during the opening phase was to act as a conduit between the management company and the owner, a function that can lead to a critical success factor, or develop into a challenge, if not exercised properly. Chan listed certain important functions as follows:

- The financial controller's functions are to take care of licenses, insurance and computer systems for the various areas of the hotel.
- The chief engineer's primary function is to monitor the project's progress by the construction company and ensure that deadlines are adhered to. An opening date being postponed can cause rooms not to be sold, or existing bookings to be cancelled, and potentially additional financing to be sourced. The function of the chief engineer, therefore, has huge financial implications if not properly performed.
- The human resources manager should have knowledge of the local labour laws and employee benefits, and source key staff to fit the managerial roles.
- The sales and marketing manager should complete the sales and marketing budgets plans, and possess a thorough knowledge of the local market conditions.

Figure 2.1: Critical success factors for projects

Factor Group   System Response   Factor Group

Factors related to the Project Manager
- Ability to delegate authority
- Ability to tradeoff
- Ability to coordinate
- Perception of his role and responsibilities
- Competence
- Commitment

Project Team Members
- Technical background
- Communication skills
- Trouble shooting
- Commitment

Factors related to the project
- Size and value
- Uniqueness of project activities
- Project density
- Lifecycle
- Urgency

Factors related to the organisation
- Top management support
- Project organisational support
- Functional managers support
- Project champion

Client consultation and acceptance

Project Manager's performance on the job
- Effective planning and scheduling
- Effective coordination and communication
- Effective use of managerial skills
- Effective control and monitoring
- Effective use of technology

Project preliminary estimates

Availability of resources (human, financial, raw materials and facilities)

Factors related to the external environment
- Political environment
- Economic environment
- Social environment
- Technological environment
- Nature
- Client
- Competitors
- Sub contractors

Success or Failure

Source: Belassi and Icmel's., 1996:144

Chan (1993:160), further notes that the personality traits of pre-opening managers should include a high degree of tolerance and team spirit, due to the heavy work load and chaotic environment. The link between Chan's (1993:155) comments, and the Belassi and Icmeli Tukel (1996:144) framework is the hotel manager, who should lead the team and delegate authority. Moreover, a sound relationship with both the owner(s) and the management company is necessary, and to nurture this relationship and build complete trust. The manager should also not have a conflicting perception of the role of the hotel manager, and it should be clear on what needs to be done and accomplished, before and during the opening phase of the hotel.

The heads of departments must be seen as team members in the framework and when discussing their roles, as highlighted by Chan (1993:155) and developed in the Belassi and Icmeli Tukel (1996:144) framework, such as a technical background in their field of expertise (for example, the human resources manager should be competent in recruitment procedures), good communication skills, commitment, and possess a high sense of team spirit (Chan, 1993:158). The entire project/ hotel opening can only be accomplished successfully if every link in the chain functions effectively.

2.3.2   Entrepreneurship and business planning during hotel openings

The opening of a hotel can be related to the opening of any business. The management team opening the hotel, therefore, need to have an internal focus of control, similar to an entrepreneur starting up his/her own business. There is a need to be vigilant in managing the processes, and planning all aspects of the project in great detail. The research on the characteristics of entrepreneurs is extensive; Kuratko and Hodgettes (2007:118) identified the following characteristics as the most common traits of successful entrepreneurs:

- Commitment refers to the level of time and effort put into opening the hotel on time, and successfully. Entrepreneurs are usually very committed to their cause, which probably originated from a personal idea, and as such will profit from its success. As this is not necessarily the case during a hotel opening, to expect the same level of commitment might be challenging. This is where the owners/management company can identify a potential challenge to be overcome, and if successfully resolved, can be a critical success factor.
- Determination is the emotion of how much one really wants to achieve the goal of successfully opening a hotel. This can be related to the level of motivation of the hotel manager or the departmental heads, and is very much linked with the next characteristic of 'drive to achieve'.

- Drive to achieve refers to the determination to open the hotel successfully, and achieve a positive result.
- Goal orientated refers to the need to know exactly what needs to be achieved before a hotel can successfully be opened, and set clear goals/targets with a time line for achieving these. The goals must form part of the planning process and critical path development.
- Taking initiative by the hotel manager is driving the project or hotel opening. There needs to be an element of foresight in identifying problems before they occur, or identifying opportunities and implementing strategies to prevent or exploit them. This characteristic can also reflect on a hotel manager's leadership abilities, in how the team is led in taking initiative in managing problems and opportunities.
- Persistence in problem solving is a key characteristic in that it does not matter how detailed a project is planned there will usually be issues or challenges. It will be the responsibility of a hotel manager to ensure these challenges are resolved before the opening of a hotel, in order for the hotel to operate successfully and to the desired standards.
- Calculated risk taking implies the hotel manager is empowered to take these risks. Should there be no empowerment risk taking can present further challenges.
- Integrity and reliability is a basic requirement for a hotel manager to perform the planned duties and responsibilities entrusted with the opening of a hotel, and managing the business ethically. The characteristic demands a level of trust, both upwards to superiors, as well as downwards to team members, irrespective of the pressures the project might entail (Evans, Campbell, & Stonehouse, 2003:72-74; Nieuwenhuizen, 2007).

Employees possessing these characteristics, who work for an accommodation enterprise, can be referred to as intrapreneurs, an entrepreneur working for a corporate organisation; that is, someone who generates, develops, and implements new ideas and behaviours within a corporate environment that will assist in driving and creating new a business (Kuratko & Hodgettes, 2007:47). Considering these factors it is reasonable to assume that the characteristics and the work ethic of the employees, and especially the management team, of a hotel during the opening period, need to align with those of an entrepreneur. Moreover, these qualities and personality attributes can be particularly useful in economic conditions of uncertainty, as innovation will translate into revenues.

Van der Heijden (2001:14) notes that value is directly linked to scarcity, and scarcity is what entrepreneurs thrive on; establishing that unfulfilled or partly fulfilled customer needs, and fulfilling it differently to competitors, is a critical success factor. New hotels should be conscious of those needs and the way that they are fulfilled in the current market, and to differentiate themselves from the already established hotels to attract and maintain market share, especially with shrinking markets. Van der Heijden (2001:15) was concerned with new businesses, distinguishing between a new business and a sustainable new enterprise. He proposes two

models that outline what happens with new business ideas. These are depicted in Figures 2.2 and 2.3.

Figure 2.2: Creating a new business
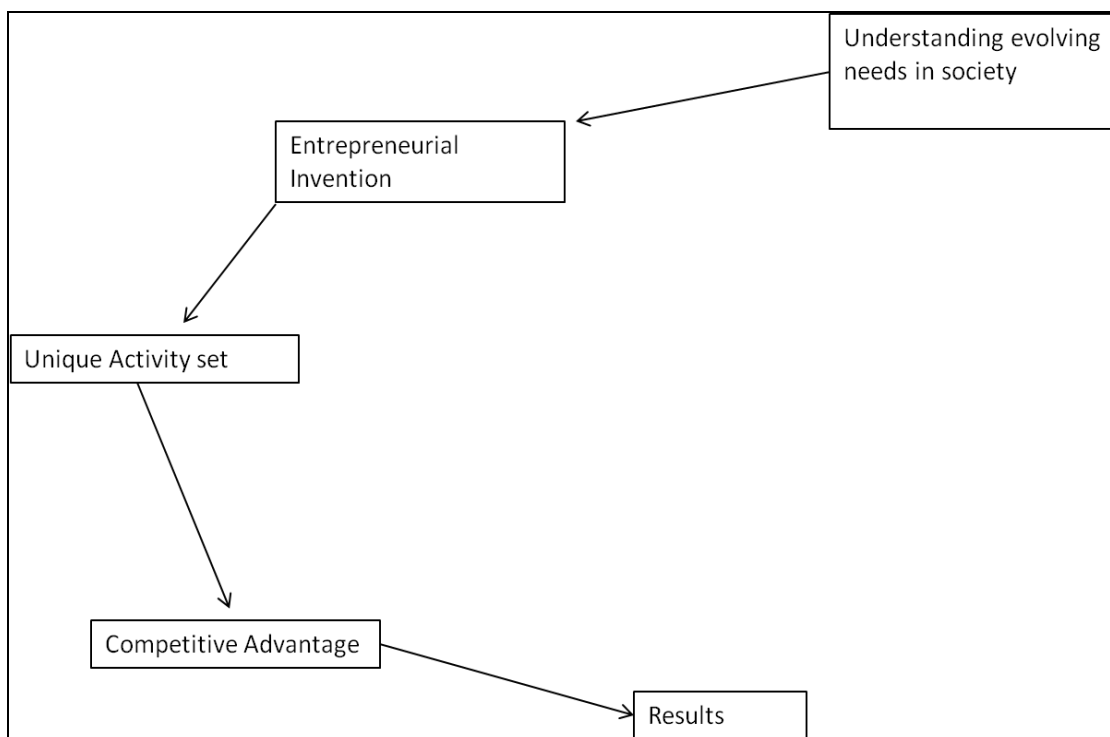
Source: Van der Heijden, 2001:15

Figure 2.2 highlights that management should understand the market and the customer's needs, not just current needs, but also anticipate the market's future needs. Once this understanding is present, management can identify a possible gap in the market – a need that is currently not being satisfied, or a need that does not currently exist. However, with the development of society and technology, a need can exist in the near future. Based on this management developments an idea that will satisfy these needs in a unique way to gain a competitive advantage which in turn will produce profitable results.

However, this success will be short-lived as competitors will quickly imitate the idea, find ways to implement it at a lower cost, or even deliver in a satisfactory way to the current market. This will ultimately reduce customer demand for that identified need and returns on investment will be negatively impacted. Van der Heijden (2001:16) therefore developed a second model to sustain a business.

Figure 2.3: Creating a sustainable new business
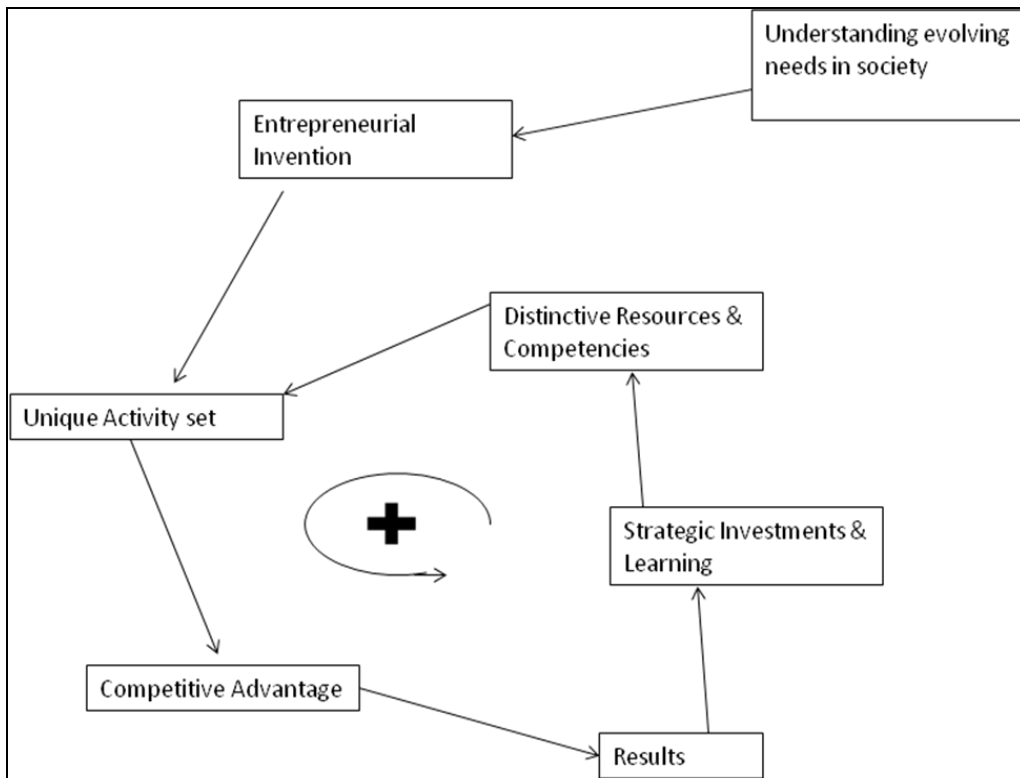
Source: Van der Heijden, 2001:16

Figure 2.3 expands on van Heijden's original model, explaining that the management team or entrepreneur should identify and develop the unique activity, or critical success factor, by making critical strategic investments to maintain that critical uniqueness, remain the market leader, and build on the success factors or address the challenges. This can only be achieved by thoroughly understanding the customer market and actively anticipating any future needs. Many organisations set up research and development department for this exact purpose to ensure competitiveness. This is, however, something that is not popular with the hotel industry, which can potentially explain why so much of hotel revenue comes from outside third parties. Once the strategic investments have been made and management has accurately identified what is required in order to remain competitive, then management needs to allocate resources (material and human) with the 'right' competencies towards achieving this unique activity-set.

These resources will most likely be hospitality people with certain skills and experience to apply the results, outcomes or even tools. These are obtained from the strategic investments, and learning in a specific way to deliver the product or service in a unique manner that satisfies the customer's needs, and as such maintains or even increases market share. Importantly, this is

not a once-off-process, but continuous. Van der Heijden's two models also reveal how the previously discussed 'champagne effect' can be overcome to ensure sustainability, by fulfilling previously unsatisfied consumer needs differently to competitors.

Figures 2.2 and 2.3 are very similar in what they represent however, should a new business be established based only on Figure 2.2 the success of the enterprise may peak and then dramatically decline to a low which will make recovery nearly impossible. Figure 2.3 uses the exact same formula as displayed in Figure 2.2, but a cycle effect is added that will ensure the business remains competitive to create and maintain a steady growth curve. The initial insight gained from these models is that a new hotel needs entrepreneurial employees who can generate the necessary ideas to set the hotel apart from the competition. Employing the appropriate staff prior to opening the hotel and creating an organisational culture that empowers employees to deliver new and innovative ideas which can potentially be a critical success factor (and avoid challenges) is therefore critical.

2.4   Hotel pre-opening feasibility study and market research

Feasibility studies are predominantly required by financial institutions to approve loans. It captures a broad range of data to form an analysis of whether a project will be feasible in terms of delivering a return on investment for the owners. Factors such as market conditions, products to be invested in, and related costs are taken into account, as well as using historical data to project revenue statistics and ultimately decide whether the investment will make a return or not, and in which timeframe (Faulkner & Russell, 2000:328). According to Sorenson (1990:6) the major cause of failure for a real estate project is due to a poor feasibility study, weak management, and incorrect market timing. Considering the above, a detailed feasibility study prepared by the 'right' professionals will provide owners with the necessary information required to make an effective investment decision, and will be imperative before embarking on a hotel investment project.

The financial crises, which began in 2008, would have made banks more reluctant to make credit available for projects, and as a result would have made these institutions place significantly more emphasis on feasibility studies. The question arises whether this was the case in South Africa at that time, especially considering the looming FIFA World Cup and optimism that investors had in the tourism market surrounding the event, as well as the post-bullish outlook. Singh and Schmidgal (2011:76) say that compared to office buildings and apartment

blocks, hotels are a far more complex product considering the range of product and service types they have to offer and the complex operating structures, which includes management companies and franchises. These characteristics make them significantly riskier assets and as such it is more complex to assess their feasibility.

Hotel feasibility studies were originally designed by accounting firms, which used their accounting background, knowledge and experience in other, and significantly different, real estate projects, such as office buildings and shopping malls (Singh & Schmidgall. 2011:77). These feasibility studies looked at the market and assessed whether a demand existed for more hotel rooms within a location. The study then considers the additional rooms against the demand and multiplies this by an average room-rate to provide the projected marginal and total revenues. The major challenge with this type of market analysis is that it does not take changing market conditions into account. Putting this into perspective for Cape Town between 2008 and 2010, it can be asked whether the feasibility analysts considered the recession at the time, or the additional competitors that also planned new hotel operations.

Barrett and Blair (1987:6) referred to a five-stage model for the traditional development process. The researcher believes that stage one of this model would be identical to the process to be followed in developing a new hotel, namely:

> Stage 1: Initial planning of the project (a new hotel):
>
> > Phase 1: The formulation of the developer's objectives
> >
> > Phase 2: Conducting a market analysis
> >
> > Phase 3: Preparation of a financial feasibility study
> >
> > Phase 4: Decision-making process.

In phase one the developer's objectives could be increasing the value of the business and boosting the image, seizing an investment opportunity, implementing a segmentation strategy, or increasing the market share; all of which could lead to increased profits and the future prosperity of the organisation and the shareholders (Withiam, 1985:39; Nicolau, 2002:48). Phase two, conducting the market analysis as discussed above, analyses current supply and demand of locations (cities) and predicting future supply as well as demand of locations. This could also include demand generators such as who is the target market and how is the product offerings

linked to attracting the market. George (2008, 116) is at pains to emphasise that 'knowledge of consumers' is vital in the hospitality industry, including 'new, existing, potential and lapsed consumers'. Detailed knowledge of the hotel's market and potential market is vital in meeting customers' demands and maintaining a competitive market position. The demand generator will also identify the optimum price that the hotel can sell its products.

Phase three prepares the financial feasibility study and is also discussed above when calculating the return on investment by taking the market analysis into account to project revenues over a period of time, subtracting operating costs from these revenue projections to indicate profitability, ans as such measuring off profitability against investments. Lastly, phase four makes decisions on whether to proceed with the investments or not.

The researcher believes that Stage One of Barrett and Blair's model covers almost entirely the pre-opening phase of a hotel opening with the exception of the construction phase, which would be a link in the model developed by Belassi and Icmeli Tukel (1996:144), which would include the actual construction of the building (the hotel) as well as the operational activities that would occur during this phase to ensure the hotel is ready to open.

2.5 Internal and external factors affecting the opening of a hotel

Numerous factors which could infringe on the opening of the hotel need to be considered; some of these can be controlled by the Task Team, such as salaries and wages and the room rack-rate (internal factors), while others are outside the powers of the hotel owner/management team, such as interest rates on loans/investments, taxation, and the petrol price (external factors). Goeldner, Brent Ritchie and McIntosh (2000:458) state that the following policies are needed to ensure the successful operation of a hotel enterprise: Physical resources; human resources; financial resources; information resources, and activity resources. Financial resources is discussed under Section 2.4, while the other resources are briefly discussed below.

2.5.1 Ordering equipment and supplies (physical resources)

When opening a hotel, especially a four- or five star establishment, it is imperative that management matches the right type and quality of equipment to the style of the hotel. As the choice of any luxury equipment in South Africa is limited, and also international hotel chains usually have brand standards of equipment to use, there is usually a significant amount of

equipment that is imported from international suppliers. When importing equipment there are quite a few external factors to consider that could potentially impact on the opening of a hotel. Such factors include timing, security, storage and selecting a local distributor, and the external factors are interlinked to one another and impact both in isolation and collectively on the operations, costs and logistics of the hotel opening.

Timing is important as management would need to calculate the time equipment would take to come from its original location to Cape Town, which is usually six to eight weeks from order date from either the United States of America or Europe. Time is then needed for customs clearance as well as transport to the hotel. The reason why this is important is because when opening a new hotel, the site is usually busy with construction and as such there is no storage space available on site, and as such when stock arrives early alternative storage must be arranged which will increase costs, and also pose a security risk considering the political climate and unacceptable crime rate in South Africa (George, 2004:48). Certain types of equipment might also deteriorate when in storage, for example if a carpet is in storage and the storage temperature is not correct the carpet will form mould and deteriorate, presenting a health hazard, or additional costs if it is replaced. Should the equipment arrive late, the opening date would need to be delayed and could miss quality issues because the quality inspection will either be cancelled or rushed to get the equipment into operation. This will, again, lead to increased costs as well as creating a negative perception of the hotel in the target market. Considering these factors and issues it is imperative that the timing of purchasing and storing is absolutely precise when it comes to ordering of hotel equipment (Bloom, 2005: 351).

However, getting the ordering process correct would not eliminate all possible problems, as there are other external factors that could contribute to equipment being delayed or arrive early. One of these is a reliable local distributor, as when importing internationally it is always wise to have a local distributor to manage the import process, and to be held accountable for the quality of the imported goods. When referring to quality it would entail that the right equipment, to the right standards/quality and with no faults/damage arrives at the right time, hence the importance to have some organisation with experience in the import field as well as a relationship with the actual suppliers.

There are other external factors such as the state of the economy. Exchange rates, accidents, strikes and natural disasters that could impact on orders and the arrival time. These factors are very difficult to plan for and form major challenges to a hotel opening on time; the best way to

deal with them is to select a reliable supplier with a successful track record, and use a local distributor with a good reputation and previous experience.

2.5.2   Hotel technology (information resources)

The correct technology plays an important role in any form of business; should a hotel not use the right technological advancements the competition will have an automatic advantage. Technology in hotels consists usually and mainly of a room inventory management system, stock control system, financial package, point-of-sale system, customer relationship management system, human resource and training system, and sales control package (George, 2004:227). These systems come in many forms and types and a hotel cannot operate efficiently, competitively and successfully anymore in the current technological milieu without these systems in place, as they provide quick and effective information that enables the right decision to be made at the right time, contributing to the guest experience and overall success of the (new) hotel. George (2008:352) also points out that consumers are becoming increasingly computer literate, spending much time on '… personal computers, personal digital assistants, netbooks, working from home, surfing the internet…'. If a hotel is, therefore, not online it can expect to loose bookings from a whole generation of 'computer dependent' customers. An important factor to consider when sourcing these systems is finding those most suitable to the specific hotel's operations and the market the hotel is operating in. The hotel management should not install which is not locally supported and where there are no experts in the local marker who can troubleshoot glitches in the system. A hotel manager also needs to consider the size of the hotel and the number of employers required to effectively manage the system. In this respect there is little or no difference between the technology requirements of corporate or private hotels, small, medium or big organisations; all need some form of technological system. It does not promote efficiency where a system can provide a large volume of in-depth information and there is no suitable hotel-staff to monitor the resources, manage and analyse information, and therefore make suitable decisions.

It is essential to stay abreast of what hotel technological advances are available in the market, and source systems that are locally supported and tested to ensure that these systems are aligned to the hotel operations. The hotel management must have expectations of what information is required from these systems and build a support structure to achieve any stated operational outcomes. George (2004:388) notes 'ten major IT influences on tourism demand' when referring to the changes in marketing using technological developments, including the use

of the Internet in both private and business set-ups, and the fact that both small and large businesses can use this technology.

2.5.3   Cultural and education impacts (human resources)

George (2004:149) defines culture as '…consisting of the shared attitudes, perceptions, values, and behaviour of a (specific) group of people'. South Africa, universally known as the 'rainbow nation', has many different cultures, and as such employees come from different beliefs and customs, educational levels, values, and religions. In addition to this, the labour laws in South Africa are very pro-employee. This makes it very difficult for an employer without experience of the region (where the hotel is located) to adapt to the conditions, and effectively work in, or lead a team. This is not just the case for individuals, but also for international hotel organisations, where new hotel structures that enter the market with zero experience of the location will encounter challenges adapting to the local business environment. The possible solution for them is to employ hotel managers with good local experience who will be able to assist in adapting processes, procedures and policies to suit the local working environment.

The relatively low levels of education of unskilled or semi-skilled employees, makes it very difficult for European or American hoteliers to work with the South African work-force as levels of education in those parts of the hotel world are far superior to local conditions, and as such would require a completely different management style. Also, hotel manager's focus varies compared to other countries, for example due to poverty and low education levels in South Africa, there exists an unacceptable level of theft in hotels and the management team's focus on security systems, policies, procedures and audits will naturally have to be stronger.

Considering these elements the researcher believes it is imperative to have local experience to be able to successfully open and manage a hotel in South Africa. There is also an option where a particular hotel manager might not have specific South African local experience, however the person has worked in numerous other countries around the world and as such is reasonably flexible, has experience of other cultures apart from his/her own, and is able to adapt to the internal environment by employing local staff who can assist and consult on specific issues. This is also a very strong reason to develop local talent.

2.5.4   Stakeholder involvement (activity resources)

Various stakeholders are involved in the opening of a new hotel, and their involvement levels, can contribute to the success of the hotel from the opening date. The stakeholders are usually the owners (or owners representatives), a hotel management company, and the hotel management operational team. The hotel management team operates the hotel, but relies on the effective support of the management company, which needs to build and maintain a strong relationship with the owner/s. They need to convince them that the hotel is being managed in the best possible way, which includes the financial returns. It is imperative that the involvement of each stakeholder is at a level that is necessary for the hotel to function successfully. It is natural that an owner who provided and invested all the capital in the hotel would be inclined to involve him/herself with the operations of the hotel. However, a management company could be appointed if the owner(s) did not have the expertise to operate the hotel, so the hotel management company should control, and limit their involvement to, a financial one.

On the other hand the hotel management company should also empower the hotel management team to operate the hotel as they were employed to do, and only get involved from a strategic perspective and support the hotel with business leads and sales and marketing functions. The hotel management company can further support the hotel management team by commissioning a task force team, who are usually employees of other hotels in the group who are familiar with all the hotel opening standards, processes and procedures of the hotel group. This team will be able to assist in setting up the hotel to the required standards, and training the new team on the policies and procedures. These teams are usually very effective in getting the hotel 'up-and-running' to the required standards from the outset. Generally speaking, if all the stakeholders operate at the expected levels, in the appropriate areas/spheres, and focus on empowering the hotel management team, holding them accountable for optimal success can usually be achieved.

2.6   Chapter summary

In summary, there is limited research on the success factors and challenges during hotel openings. However, the literature on project management in the model by Belassi & Icmeli Tukel (1996:144) that focused on the abilities and work performance of the project manager and his/her team members, the support from senior management, the availability of resources and the influence of the external environment was relevant. Further, various factors were identified in

Tables 2.1 and 2.2, and Figure 2.1 for consideration before investing in a hotel, and lastly critical characteristics noted by Kuratko and Hodgettes (2007) for entrepreneurship and intrapreneurs were introduced. All of these aspects can be directly applied to success factors and hotel openings.

Considering the performance of the South African tourism industry in 2009 and 2010, both years yielded positive results but were reliant on the major international sports events that were held. These sports events will not reoccur anytime soon, but they provided South Africa with sufficient exposure to maintain reasonable growth in the future. If not, it could present a potential challenge for these hotels in the future. The challenges that management will experience during a hotel opening will originate from the success factors that are not in place. Should the hotel manager's leadership skills not be sufficiently competent the project progress will suffer. Likewise if the departmental managers are not technically astute, again the project progress will suffer. Should there be no entrepreneurial team member, the business levels of the newly opened hotel may not reach its full potential. This is relevant to all the success factors and thus practitioners should strive to meet all possible success factors to achieve their goals and objectives.

The literature review provided insight into why hotels felt the time was right to open, the factors to consider when opening, and which success factors exist in project management; and are displayed in Belassi and Icmeli Tukel's (2006) Figure 2.1, and van der Heijdem's (2001) Figures 2.2 and 2.3. The availability of literature on hotel openings is limited and therefore there is a need for guidelines on how to approach the research in terms of strategy, techniques and data collection. The following chapter explores these in more detail.

External factors, such as the ordering and timing of orders for equipment and provisions, also impact on the operations of the hotel, as do the expertise and education levels of hotel management and staff, and technological operating systems. Internally, the various stakeholders involved in the opening and operating of a hotel play vital roles. Both the internal and external factors were addressed in this chapter.

RESEARCH **METHODOLOGY**

3.1 Introduction

This Chapter considers the research approach and strategy, the research design and data collection and sampling.

3.1.1 Research approach

This study aimed to generate new insights in a field where little research has been conducted (that is, it will not test any existing theory); the research is therefore exploratory in nature and the approach is thus partially inductive (Bryman & Bell, 2007:33) as a rough framework was developed in the literature review. According to Bryman and Bell (2007:14), in the inductive process, the researcher draws general inferences or empirical generalisations from observations and findings; however, the process does not necessarily result in the generation of theory. Empirical generalisations result from inductive research, and often lay the foundation for further deductive research in the field that would enable the generation of theory.

3.1.2 Research strategy

Because the study's research approach was inductive and the purpose exploratory, the researcher followed a qualitative strategy (Bryman & Bell, 2007:33). Van Maanen (1983, cited in Easterby-Smith, Thorpe & Lowe 1995:71), described qualitative research as an array of interpretive techniques that sought to describe, decode, translate and otherwise come to terms with the meaning, but not frequency, of certain more or less naturally occurring phenomena in the social world. Leedy and Ormrod (2005:94) noted that qualitative research was typically used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants' perspective, which was precisely the intention of the present research.

Figure 3.1: The main steps of qualitative research

An outline of the main steps of qualitative research

1. General research questions

2. Selecting relevant site(s) and subjects

3. Collection of relevant data

5b. Collection of further data

4. Interpretation of data

5. Conceptual and theoretical work

5a. Tighter specification of research question(s)

6. Writing up findings/conclusions
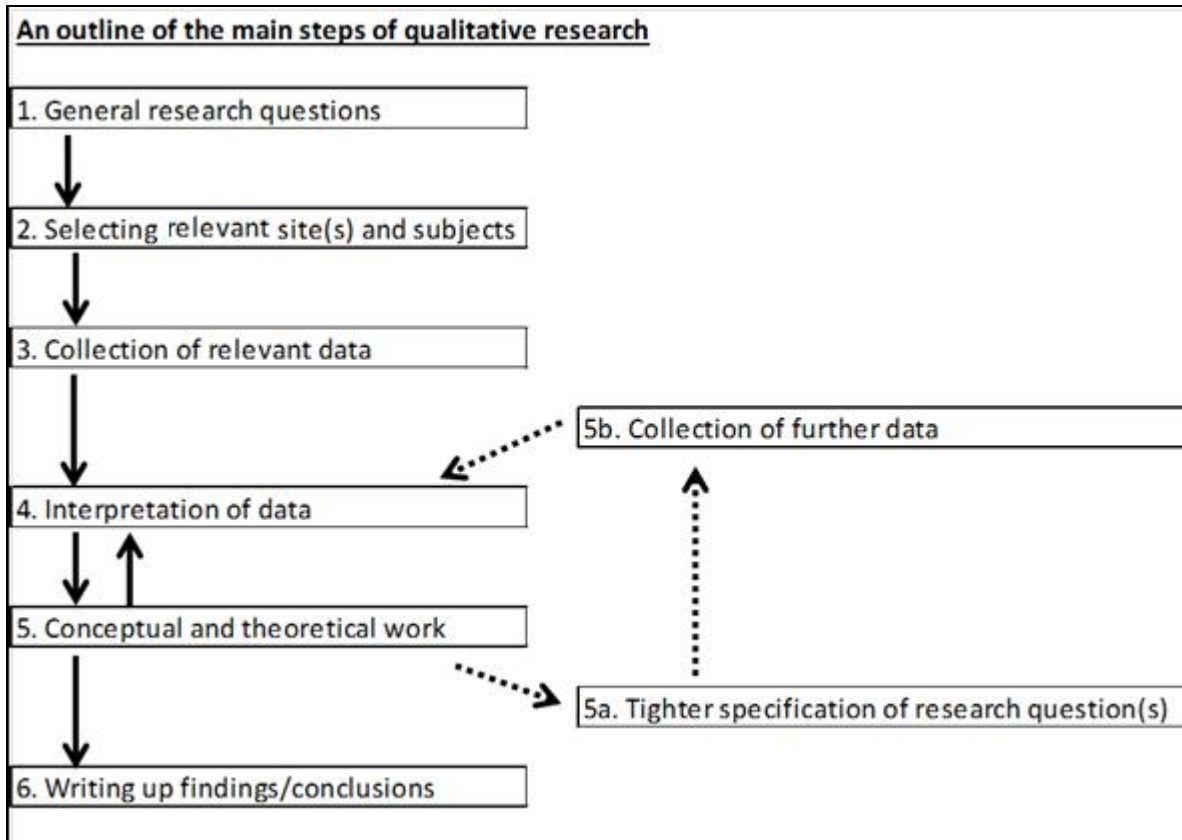
Source: Bryman and Bell, 2007:406

Figure 3.1 outlines the main steps to follow when conducting qualitative research, and is important for this study as the research is exploratory and the strategy qualitative. The Figure 3.1 serves as a guideline of the work throughout this research project and impacts on how, and in which order, certain tasks were completed. As there has been only limited research in this field of critical success factors and challenges experienced when opening a hotel, the research aimed to develop foundations for this, and possibly further research to be done, and as such took a wide view and open approach in collecting data. The six steps outlined in Figure 3.1 were followed, however points 5a and 5b were ignored due to the small sample size.

The researcher generated the general interview questions based on the problem statement, research aim and study objectives. The sites and subjects (hotel executive managers/managers)

to be researched were then identified. The sites are 4- and 5 star hotels only that opened between 2008 and 2010 in Cape Town, being the scope of the study, and were hotel executive managers/managers who opened the identified hotels, as they carried the experience that would potentially identify the critical success factors and challenges as they occurred during the opening of these hotels. An interview schedule was then developed to collect the required data, by conducting open ended interviews with the hotel executive managers/managers of the identified hotels. The interview schedule was developed with information obtained from the literature review, and the personal experience of the researcher who has many years experience working in the hotel industry, in South Africa and abroad. The model (Figure 2.1) developed by Belassi and Icmeli Tukel (1991:40) to assess new business services' success or failures, and the information in Table 2.1 of Newell and Seabrook (2006:287) on factors that influence hotel investment decisions, were used as the bases for the interview schedule. As questions were open-ended the responses were widely ranged and much raw information was collected. This in turn complicated data interpretation, and capturing the essence of what needed to be identified, was quite challenging.

The data gained from the interviews were interpreted using the grounded theory approach (Bryman & Bell, 2007:584) and open coding to develop meaningful information from the raw data. This helped with grouping the responses and segmenting to categorise the raw data. The results were analysed and conceptualised to meet the study aim and objectives, and answer the research questions. These findings are discussed in Chapter Four and key conclusions drawn to identify future research that could potentially be conducted

3.1.3   Pilot study

A pilot study was conducted with two hospitality industry professionals in Dubai, who had opened hotels as hotel managers. These professionals were in their mid-40s; one had 15 years experience and the other 19 years. Both held Bachelor's degrees in Hospitality Management, one obtained in Germany and the other in Australia. The pilot study was done to test the interview questions for relevance and accuracy. The pilot study showed the researcher how to respond to additional questions during the interview process, to gain more information from interviewees, and thus maximise knowledge gained.

3.2 Research design, data collection methods and research instruments

The research design, data collection methods and research instruments are briefly discussed in the next sub-sections:

3.2.1 Research design

The research design refers to the interview schedule that the researcher uses to obtain data from research participants (Saunders, Lewis & Thornhill, 2007:131). This study employed a cross-sectional design for the main research questions, and a comparative design for the secondary questions. The level of analysis was hard to define as the researcher interviewed hotel managers, that is, individuals. However, these executive managers/managers had each opened a specific hotel, which was the actual unit of analysis. The level of analysis could then be viewed as organisational, but the focus remained on the individual and his/her experience during the opening period of a new (or refurbished) hotel.

3.2.2 Data collection methods and research instruments

Qualitative data could be collected through interviews, observation, objects, physical and electronic documents and audio-visual materials (Leedy & Ormrod, 2005:94; Bryman & Bell, 2007:405). The researcher applied semi-structured interviews, which is one of the most popular qualitative data collection methods. The semi-structured interview technique employs open-ended questions that may be asked in any order, and could be enriched with further questions if necessary. In comparison with an unstructured interview, this technique ensured that the interviewee remained focused on the information sought by the interviewer, but simultaneously enabled him/her to communicate freely so that information gathering was maximised.

Two primary and a number of secondary questions were asked (Appendix B) of each interviewee. These subsequent follow-on secondary questions were asked based on the response received for the primary questions from the interviewee, therefore not all interviewees were asked all or the same questions. Once permission to record was obtained the interviews were recorded using two voice recorders to ensure complete detailed capturing of responses, and transcribed by a professional company. The researcher decided that recording and transcribing was more costly, but also a more effective method, for recording the data.

This method also ensured greater accuracy and was more reliable than taking notes. Each interview took approximately one hour, which was a rather time-consuming way of collecting data. However, the interviews allowed the researcher to hear the answers in the interviewees' own words. Moreover, follow-up secondary questions could be posed when the response-answer was unclear, or to avoid misinterpretation. Figure 3.2 outlines how the researcher developed the interview questions for the semi-structured interviews.

Figure 3.2: Formulating questions for an interview guide

Formulating questions for an interview guide

General research area → Specific research questions → Interview topics → Formulate interview questions → Review/revise interview questions → Pilot guide → Identify novel issues → Revise interview questions → Finalize guide
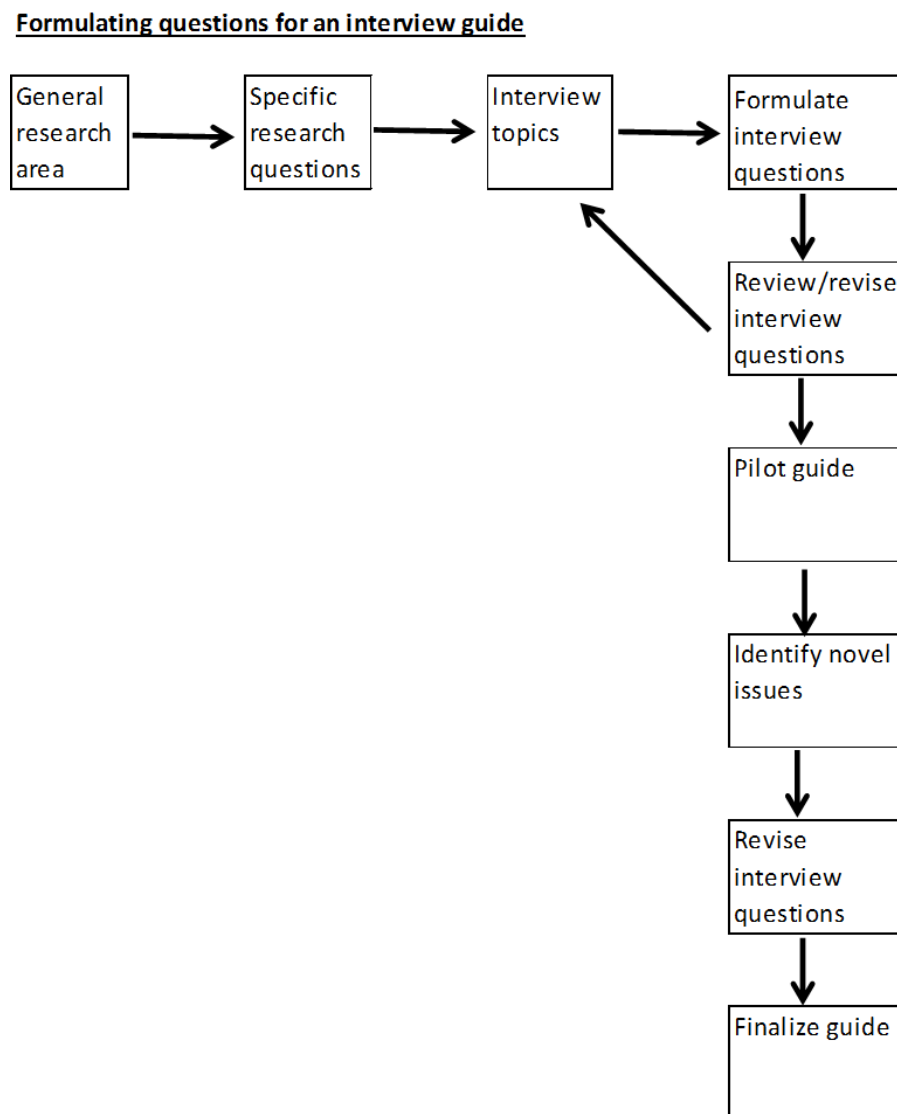
Source: Bryman and Bell, 2007:485

Formulating the interview schedule and establishing the 'right' questions for the interviewee is imperative in order to meet the aim and objectives of the research. The researcher followed the steps detailed in Figure 3.2 by Bryman and Bell (2007:485) in order to establish the interview schedule that would gather sufficient 'right' information to make the study meaningful. First the general area of research, which is to identify the critical success factors and challenges that occurred in hotels that opened in Cape Town between 2008 and 2010, was identified. Then the specific aim and objectives (see Sections 1.3 and 1.4 in Chapter One) were formulated, and the research questions were established (Section 1.6 in Chapter One). Two major interview topics were identified, namely success factors and challenges (Objectives 1 and 2) that occurred during the opening of the interviewee's hotels, formed the primary questions of the interview schedule. Additional questions were established, and were developed into a series of specific open-ended interview questions, the so-called secondary questions. As more literature was reviewed, so these questions were refined (Objectives 3, 4, 5, and 6).

The interview schedule was then piloted in the pilot interviews in Dubai, referred to above, which identified novel issues which needed attention. The issues that were established were that the questions initially were too specific and limiting and therefore prompting for further detail. Further, the pilot study confirmed the need for the primary questions, to be the introduction to the topic of discussion, which led the interviewer into the secondary questions based on the interviewees' responses. This provided more structure to the interview and allowed more relevant information to be obtained. The interview questions were then revised accordingly and the interview schedule finalised. The researcher adapted the questions and interview schedule around industry terms, and used Belassi and Icmeli Tukel's framework (1996:144) as a basis for the questions. The interview schedule is produced in Appendix B.

3.3 Sampling

3.3.1   Population and sample

The study was conducted during December 2011 to June 2012, and the population in this research consisted of all 4- and 5 star hotels that opened in Cape Town between 2008 and 2010. The researcher conducted a census of all the hotels in the population, which comprised 12; a breakdown of the star-rating and hotel size is given in Table 3.1. Maximising the sample was necessary to enable the various comparisons that were envisaged, that is, small versus large hotels, and private versus corporate hotels. The 12 hotels were identified through industry

associates and information obtained from the Federated Hospitality Association of South Africa. The study hotel population and the sample were, therefore, the same.

The researcher contacted all 12 hotels telephonically to identify the executive managers/ managers who were part of the hotel-opening team, and could represent the hotel in the interviews. Various hotel managers were then invited via email to participate in the research by means of an interview (Appendix B).

Table 3.1:   Hotel managers interviewed during the research

Star grading	Corporate hotels		Private hotels	
	Small hotels	Large hotels	Small hotels	Large hotels
4-star hotels	1	0	0	2
5-star hotels	2	3	2	0

Source: Researcher construct

The researcher explained the research topic and objectives in detail to maximise participation. Ten executive managers/managers responded and the interviewees signed consent forms (Appendix C), and interviews were scheduled in advance. The names of the hotels and interviewees, transcriptions of the interviews and interview recordings, remain confidential as promised to the interviewees through the consent forms.

3.3.2   Response rate

The researcher aimed for a 100% response rate because the population size was small. The challenge, however, was that some of the executive managers/managers who opened the hotels between 2008 and 2010 had already moved on and were working in different locations. Despite this, a high response rate of 83.3% (10 out of 12 hotels) was achieved, and is displayed in Table 3.1. Two hotels could not be investigated; one hotel spokesperson responded after numerous phone calls and follow-ups, stating that unfortunately no executive manager/manager, who was part of the opening team, remained. They also did not have any contact with any of the persons who were part of the opening team and thus could not assist. No person with authority at the second hotel could be reached even after numerous follow-ups and phone calls. The executive manager/manager who opened that hotel was not contactable. LinkedIn was also used to locate managers from these two hotels, but without success. However, via Linkedin, two other managers were located.

The two executive managers/managers from hotels who were not interviewed were both from large hotels. One was privately owned and the other corporately owned. Because of the small population and sample sizes, the fact that these two hotel executive managers/managers were not interviewed could slightly skew the data and not reflect all the variables required for comparisons. By this is meant that possible information, specific to these two hotels, was not obtained which could have influenced the data obtained, and the outcomes of the study, had it been available.

3.4 Data analysis methods

The grounded theory approach was used to analyse the data, which is the most common method of qualitative data analysis. Grounded theory is developed from collected raw data and its analysis (Bryman & Bell, 2007:585). As the purpose of the study was exploratory and the information resulting from the interviews was raw, the researcher applied coding to analyse and interpret the data. First open coding was conducted to identify the key concepts of the interviews. In a process called axial coding (Bryman & Bell, 2007:586), the key concepts were then grouped into categories, namely, success factors and challenges. Selective coding was applied (Bryman & Bell, 2007:586), and these categories related to each other, to the study, and the objectives of the research, to answer the research questions.

The first step was to identify the general research question, and secondly to theoretically sample the sources of information. Once completed, relevant data were collected and coded there was constant movement between the first four steps to ensure that all possibilities were explored by comparing and contrasting the information; meaning extracting information from the transcriptions on the actual success factors and challenges where respondents gave different explanations. Categories were then developed and compared to one another to explore their relationships, as shown in Table 3.1.

3.5 Chapter summary

The methods applied to obtain, analyse and interpret the data were explained, and the major study objectives were addressed. The pilot studies in particular helped to ensure that maximum information was obtained from the interviews. Hotel managers from two hotels that were part of the population could not be located and therefore information from these establishments could not be included in the study. In Chapter Four the results of the hotel executive manager/manager's interviews are given, and the interview results are discussed.

PRESENTATION AND DISCUSSION OF RESULTS

4.1   Introduction

The study was limited to the 4- and 5 star hotels that opened in Cape Town during the period 2008 to 2010, prior to the FIFA Soccer World Cup event in South Africa. The majority of the new hotels planned to open before the FIFA event were to cater for the more affluent international visitor. Table 4.1 summarises the 10 hotels which did open during the target period and where executive managers/managers where still available for interviewing. While the study aimed to identify critical success factors and challenges encountered with the opening of a hotel, these success factors should ensure the sustainability of the hotel, and the elimination, or at least the addressing, of challenges. Table 4.1 lists the hotels that participated in the interviews and their classifications for the purpose of this study. The hotels were graded according to Baker et al. (2000) hotel-size definitions.

Table 4.1: Hotels that participated in the interviews

	Name	Ownership	Size	Stars
1	Hotel A	Corporate	Small	5
2	Hotel B	Corporate	Large	5
3	Hotel C	Corporate	Small	4
4	Hotel D	Corporate	Large	5
5	Hotel E	Corporate	Large	5
6	Hotel F	Private	Small	5
7	Hotel G	Corporate	Small	5
8	Hotel H	Private	Large	4
9	Hotel I	Private	Small	5
10	Hotel J	Private	Large	4

Source: Researcher construct

From the available population of 4- and 5 star hotels which opened in Cape Town during 2008 to 2010, there was a satisfactory mix of hotels according to the classifications, which led to more valuable comparisons between the hotels in terms of success factors and challenges. Table 4.1 shows the mix of hotels: in total, six corporate and four private hotels were interviewed. Hotel executive managers/managers from five large and five small, of which seven were 5-star hotels and three 4-star hotels, were interviewed.

4.2 Success factors

The following list of the success factors identified during the interviews and named by the hotel executive managers, but not in order of importance, is shown in Table 4.2:

1 Strategic planning
2 Staffing and recruitment
3 Time on board (this refers to how long before the opening of the hotel the general manager is recruited)
4 General manager's skills and experience
5 General manager's perception of his/her role
6 Task Force Teams
7 International and local experience
8 Networking
9 Relationship management
10 Technology
11 Support received from sister properties

These success factors can be grouped into four critical groupings, which were addressed in Chapter Two, under Sections 2.3 (critical success factors and challenges) and 2.4 (feasibility study and market research:

STRATEGIC FACTORS: 1, 2, 7, 9, 11 (these factors include location, financing, financial and budget planning, and the physical buildings).

OPERATIONAL FACTORS: 2, 3, 4, 5, 6, 8, 10 (by operational factors is understood the organisations financial, human resources, marketing, stock procedures, and daily operational methods).

HUMAN RESOURCE FACTORS: 2, 9 (this factor includes the identification, recruitment, training and placement of all levels of staff from management to operations).

TECHNOLOGICAL FACTORS: 10 (the factors which refer to the electronic control of the hotel's operational functions).

Table 4.2 highlights the success factors named by each hotel executive manager/manager and draws a comparison between the success factors named by each hotel category. Each success factor and the perspectives of the ten hotel executive managers/managers interviewed is discussed in this Chapter.

Table 4.2: Success factors identified by hotels

	Hotel A Corporate, Small, 5-star	Hotel B Corporate, Large, 5-star	Hotel C Corporate, Small, 4-star	Hotel D Corporate, Large, 5-star	Hotel E Corporate, Large, 5-star	Hotel F Private, Small, 5-star	Hotel G Corporate, Small, 5-star	Hotel H Private, Large, 4-star	Hotel I Private, Small, 5-star	Hotel J Private, Large, 4-star
Success Factors	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning
	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment
	Time on board	Time on board	-	Time on board	Time on board	-	-	Time on board	-	-
	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience	General manager skills and experience
	General manager's perception of his/her role	General manager's perception of his/her role	General manager's perception of his/her role	-	-	-	-	General manager's perception of his/her role	-	General manager's perception of his/her role
	-	-	-	Task force teams	Task force teams	-	Task force teams	Task force teams	-	-
	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience	Staff local experience
	Networking	Networking	-	Networking	Networking	Networking	Networking	Networking	Networking	Networking
	-	Relationship management	Relationship management	Relationship management	-	-	-	-	-	Relationship management
	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology	Technology
	-	-	-	-	-	Support received from sister property	-	-	-	Support received from sister property

Source: Researcher construct

4.2.1 Strategic planning (refer to questions 1: 1.1 and 1.8 of Appendix A)

References are made to what various executive managers/managers had to say during the interview process, which was recorded and transcribed to preserve what was said and, by listening to the recordings, how things were said. Because of the confidentially undertaking given on the 'consent form' signed by each participant, the discussions which follow may only refer to a 'manager' at a specific hotel.

All managers named strategic planning as a critical success factor. There were however slight differences in how each manager viewed strategic planning and the order of importance of each plan.

Hotel A's manager had the following perspective on critical success factors when opening a hotel.

> *The critical side is planning and ensuring that obviously your physical property in terms of your operational planning is ready. Then there is staffing in terms of phasing in your staff to get your staffing levels correct, your type of staff and your pre-opening training plan and then obviously your pre-opening marketing plan so that you do not open to a completely empty hotel. Also have a marketing plan to reveal what type of markets you are attracting and only when you have worked out what type of markets you are attracting does that influence your design specification and that is important.*

The manager referred to the physical building (strategic planning) of the property and the planning of staffing as critical, but also emphasised the crucial nature of the marketing plan (also strategic planning) and the identification of one's target market needs prior to the development of the hotel's design. His comments indicated that there should be a clear sequence of events that takes place when planning.

Hotel C's manager confirmed the sentiments of Hotel A's manager on the target market and linked it with the location (also included in the strategic planning).

> *You should be well versed with your target market and where the hotel is establishing itself as well as the perceived competitors in the area. I sacrificed rates to increase the occupancy to get clients through the door which has a hidden marketing effect.*

Hotel C had a clear strategy planned on how they would attract their target market and develop a market share. They brought guests to the hotel by offering them lower rates than their competitors, thus generating word-of-mouth marketing, which is the hidden marketing effect. One can therefore deduce that the development of a pre-opening marketing plan (that is, identifying a target market and a strategy to attract the target market) should form part of planning.

Hotel D's manager also mentioned planning, knowing the market and positioning oneself. However, identifying a location and the feasibility of a hotel in that location should be the first step of the process.

> *I think the hotel has to be positioned well. Location is key, but also the brand and quality of the product. One cannot place a hotel where there are no clients, and then it needs to be a product that will be well received, that is, do not place a 5 star hotel in the wrong location; also do not place it where there are seven 5 star hotels already. At the moment, the market in Cape Town is highly saturated, so one has to find the right location and then link it to the right product offering; that is critical. We studied, very long and hard, the number of people coming to the area, the traffic that comes in, the market dynamics, and that was critical for us.*

Location selection is decided before a hotel manager is employed by an owner, however it is the function of the hotel manager to link the strategic planning of the hotel to the location of the establishment, for example, if the hotel is at the beach outside a city, the hotel's positioning should be that of a beach resort and the development and marketing strategies should be to have the product offerings and services of a beach resort and not those of a city-centre hotel geared for the business market.

Hotel H's manager also confirmed that the hotel's services needed to be linked to the target market they wished to attract.

> *Define the market sector that you are going to operate in, whether you are going to be a corporate or leisure hotel, where you are located, how you are going to penetrate the market. It is all about where you are going to position your hotel when you open. So positioning your hotel is absolutely essential.*

> *I think when you open a hotel you are not 100% sure whether it will be successful. So we adapted our offering down the line. I think even close up to three months before opening, assessing the market, what the market needs are, and which trends should*

be monitored is necessary. Determine whether the services that you offer are the right services for where you are positioning your hotel. What is the mix of your clients? Are they discerning clients? Are they governmental? Are they corporate? What do those people normally eat? Do you service the Asian market? What do they eat for breakfast? What do you need to offer? What speed do you need to serve those meals? What size should the kitchen be? What equipment should you have in the kitchen to cater for bulk? It is a proper assessment of what services you have to offer, which you build around the hotel, and as such base your operational requirements on.

Hotel H amended their facilities to match their target market's needs. He stated that by having a thorough knowledge of the target market, one could more accurately prepare operational requirements by understanding the market dynamics, for example, the kitchen size and layout, and equipment.

Managers of hotels F, G and J also commented on location and identifying a target market.

Hotel F's manager:

Location is number one, and then the targeted market: is there a demand for it? The essential part is to do a proper feasibility study before embarking on such a project and then developing a highly detailed pre-opening marketing plan.

Hotel G's manager:

Definitely planning, understanding your financial resources and allocating this to the 'right' place, also market research of the area in which you are opening your hotel, a good understanding of your domestic market, I think is paramount.

Hotel J's manager:

I think as Conrad Hilton said many years ago, it is all about location, location and location. So that would be the first three in my opinion. This is mainly how you draw your customers. It is not the only success factor, but it is one of the main ones. We have noticed in Cape Town that we have four hotels within the group and three of them are in the city centre and run very well and there is one in Gardens which is just out of town and immediately you see that occupancy is lower than the other hotels.

Hotel B's manager highlighted the importance of planning financially especially when opening a hotel during a recession.

> *It is important that you really know your location, in terms of the market that you are going to be servicing, what is happening in the economy, but if you are going to open a hotel in the middle of a recession, well then times are tough and you need to make sure that you budget accordingly in terms of not making money for a few years.*

Hotel G's manager had mentioned that it was key to understand and plan based on the availability of financial resources. Hotel B's manager highlighted that should one open in the middle of a recession, as with most hotels in Cape Town between 2008 and 2010, sufficient financial resources needed to be available to sustain the hotel while it was not profitable. Considering these statements, financial planning would have been a major success factor during 2008 and 2010. However, it was emphasised in Chapter Two that tourism statistics of arrivals in South Africa continued to grow during these years, thus hotels should still have generated profits.

Hotel E's manager raised some questions over how detailed one strategically plans for a new hotel and what to consider.

> *I think timing is important, we have all experienced that. If you try and open a hotel at the wrong time that is certainly a huge barrier, so to be successful you need good timing. You need a very solid, robust business plan that you are working towards and not just a financial plan, but also a critical path, a plan of pre-opening activities, pre-opening budgets, pre-opening actions, so everything related to organising the opening of the hotel has to be, in my mind critical.*
>
> *Look into what is really going on in that market. I think there are a many people going into projects looking at their project without really looking at what else is going on. They may look at what is already there but if you take our circumstances with the World Cup, did those who conceptualised here really understand, did they know about all the other new hotels that were also opening and did they know about the need for bigger banqueting rooms in the centre of Cape Town, I do not know, maybe they did, maybe they did not, probably not and often those details will be unknown so I think the more you do know, you involve more people, not just consultants or not just operators, but actually listen to the market, what do the customers need, what are local customers saying they need in that location. Would they use a beach club if there was one, would they use the spa if it was three times the size and three times the amount of treatment rooms. I am not sure that that research ever gets conducted.*

Hotel E's manager further assessed which success factors worked for them especially considering opening before the 2010 FIFA World Cup.

> *Critical success factors for an international brand is to do things that none of the others do as opposed to just doing what they do.*

> *Cape Town in particular is a very relationship driven market in terms of tour operators and obviously your tour operators are the ones who you are going to rely on, so when you are a new hotel, none of those tour operators know you, so you need to build that trust and relationship from day one, otherwise why would they support you They will carry on supporting the hotels who have been loyal to them for years. So my philosophy was really simple, I was not going to give one room to a company like Match who were only here for three weeks. When my tour operators are desperate for rooms, I can have a major positive effect by contracting with tour operators as they were long-term feeders of customers whereas Match was a once-off feeder.*

Hotel E's manager highlighted that the timing of opening a hotel was a critical factor, which most companies probably considered as they opened before the 2010 FIFA World Cup. However, one aspect that was perhaps ignored due to forecasted number of tourists during this time was that 12 other 4- or 5 star hotels were opening simultaneously. This was conveyed by Hotel E's manager by questioning the level of detail of the market research conducted. As mentioned, Hotel D's manager conducted detailed market research.

Hotel E's manager then stated that a detailed business plan should be developed including a financial plan (budgets), operational plan (critical paths) which the other companies only investigated from a marketing perspective. However, one cannot embark upon a marketing plan without a predetermined budget, thus a financial plan was first required, which again highlighted the importance of developing the plans in a specific sequence. Hotel E also had a clear strategy of how they would build loyalty with tour operators who played a major part in directing business to hotels in Cape Town, which was mutually beneficial.

Hotel J also had a strategy in attracting and ensuring business from opening day.

> *We started a year prior to opening, marketing the hotel so by the time the front door was open we had bookings. I think the biggest focus lies in business. If you do not have customers you do not need to open your front door. We advertised on the online travel agency websites and at wholesalers and were already open five months early to secure bookings before the hotel opened.*

This was a completely different strategy to the one that Hotel F employed; however, this may be due to two different types of hotels. Hotel J is a 4 star business hotel whereas Hotel F is a small luxury 5 star hotel. Hotel F's strategy was planned as follows:

> *Because of the type of hotel, the product had to be perfect. That was just it. The product had to be perfect and you see again, we did not commit to any bookings, any paying bookings for the first month, we basically had a 'soft opening', where we had invited people to come and stay, so there was no income really for the first month, that was planned, all part of the budget and the opening and that is how we wanted to do it. I think we postponed the opening date three times to ensure that the product was right.*

Hotel G's manager highlighted that they experienced major challenges due to their operational planning that was not properly thought through before opening.

> *Our business model is labour intensive, the high quality for instance in our pastry department; we have three bakers at night and we make everything from scratch in this hotel.*

> *People had huge expectations and they were impressed by our service but I do not believe the service was what was needed for repeat business. I just think in the first few months it was too disjointed; it was disorganised. So definitely you need to plan financial and operational aspects and your recruitment with enough time to know the products and the standards. It is unquestionably the most important thing you can do.*

> *It was a hard opening, the first year was just intense, and every day was like crisis management. Then a new leader was put in place and suddenly there was direction, there was guidance, there was protection, there were decisions made and not questioned.*

Based on what Hotel G's manager stated, it was clear that their operational planning was not linked to financial implications and the critical paths that Hotel E's manager mentioned. Operational aspects were not established and tested in Hotel G prior to opening. Moreover, the skills and leadership qualities of the hotel manager were not strong enough to correctly direct the team through the opening.

Hotel B also planned from an operational and human resources perspective in terms of when to employ and who to assist in developing the other pre-opening plans.

Put your operational plan in place, have your checklists and the foundations in place as early as possible because when you get to the end there are so many different things happening all the time and so many surprises. If you have the basics in place, it will be much easier.

I think first get a financial person as a general manager, you are looking at things from an overall perspective and you are involved with marketing, a lot of pre-opening marketing, and so the first thing I think is to get a pre-opening budget, so everybody knows exactly where they can spend, and how they can spend, which allows you then to do various marketing actions. Financial managers tend to be a lot more analytical than perhaps a general manager and there are several permits and licenses that have to be in place before you can open your hotel which is very time consuming.

Hotel B's manager believed that a financial person should first be employed to assist with licenses and insurances required prior to opening. This was also in line with what Hotel E's manager stated, that is, a financial plan should be drafted before anything else.

Hotel I's manager further highlighted the sequence of planning that they went through when opening, however he stated that he first recruited a whole team before planning anything else, which differs from Hotel B and other hotels' strategies.

Planning, planning and planning. And when I say planning, it is first and foremost to ensure that you have the right team around you and then secondly, to ensure that you have all your procedures, your systems everything in place in terms of your strategy, your business plan, your budgets, everything, everything should be 100% in place before it can be a successful opening.

I started there, and it was the CEO, the PA and myself. So I had to source my own team, get the team together and then we had to build Standard Operating Procedures (SOPs). Based on the SOPs, we then built a business plan in terms of where we were headed. Based on that, we devised a sales and marketing plan and then a budget and we decided that was how we are going to open.

RESEARCHER'S RESPONSE

There are six critical success factors that need to be addressed in the strategic planning process of the hotel-opening event. Gunn (1988) has defined these factors as follows, all of

which were addressed to a greater or lesser degree by the executive managers/managers during the interview process:

- Marketing, to meet demand for the new hotel, and to ensure sustainability of the venture.
- The product or service has to be developed to meet the demand of present and potential future customers.
- Very high standards of products and services are non-negotiable.
- The appropriate location, and local authority planning is a vital factor in the success of the new hotel.
- A commitment by the owners/developers to provide adequate investment for the project, and
- Cognisance of all relevant legislation, especially for human resources (Gunn, 1988:288).

All ten managers mentioned that the marketing plan is important in terms of aligning the location, product offering and target market. Eight managers believe that this should be the very first task on which to base the financial, operational and human resources plans. Five managers interviewed believe that financial planning is critical for understanding cash flow projections and achieving targets. Four of the five believe that it should be the first plan drafted and all other plans should be based on the financial plan. Five managers mentioned that operational planning is important to ensure that all aspects of the product offering be ready before the hotel opening. However, no one believes that this should be the first plan, and all state that it should be aligned to either the marketing or financial plans. Three managers agree that the human resources plan is key however only the manager from Hotel I believed that it should be the first plan to be prepared. Strategic planning is decided as the major critical success factor when opening a hotel.

Tassiopoulos (2005:4) noted that an event, such as the opening of a hotel, is a vital component of the tourism industry involving the systematic development, planning, and marketing '… of an event designed to attract customers and create a good impression…' of the future market. Based on the interviewees' comments it is clear that either the marketing or the financial plan should be drafted first, and form the basis for the operational and human resources plans. The following is a summary of what defines strategic planning according to the various comments of the hotel managers interviewed:

- Financial plan
  - Budgets
  - Purchases

- Marketing plan
  - Identifying target markets based on location
  - Link hotel services to target markets
  - Develop a strategy of how to attract the target markets

- Human Resources plan
  - Develop a recruitment strategy in terms of the defined job positions
  - Training plan for different position levels

- Operational plan
  - Create a critical path of actions to take place before the hotel opening
  - Set up policies and procedures
  - Study the financial implications of the business model; does it make sense?

The financial plan comprises the various budgets which encompass forecasting revenues and allocating expenses to predict the profit or loss. This is usually done annually and reviewed monthly and quarterly to ensure that the plans remain relevant, and includes a critical path of when equipment for each department would be purchased for the opening.

The marketing plan reveals how the revenues will be achieved. The most critical aspect of the marketing plan is to align the hotel's product offering and location to its market. This plan should also include how the market will be reached. This marketing plan is a continuous process of identifying the 'right' market, deciding product and positioning strategies, choosing the appropriate market tools, and correct market segmentation, and persuading new and returning customers to support the hotel venture (Tassiopolous, 2005:295). Marketing means to '(I)dentify a real customer need and explain why one (a hotelier) should seek to develop a product/service that meets a real need' (Fairer-Wessels, 2006a:102). This author is at pains to stress that many entrepreneurs offer as a product/service what they think the customer needs, rather than address the actual customer-demand. Fairer-Wessels (2006a) notes six key factors to consider when developing a marketing strategy:

- Define the business: what is offered, when, where and how?
- Identify the unique selling point: how does the hotel's product/service differ from competitors?

- Create an image: the distinct brand or logo used to identify the hotel.
- Identify the customer: what are the demographics of the target market?
- Identify the competitive advantage: what is the hotel good at doing?
- Build a reputation, based on credibility, quality, reliability, and professionalism (Fairer-Wessels, 2006a:103).

The human resources plan ensures that the right people are recruited, employed and trained prior to the hotel opening. This includes identifying the positions and experience required, and the development of a recruitment strategy to explain how these individuals would be identified and attracted. Lastly, it should also include a training plan for each department to identify when the people would come on board and the training required before opening.

The operational plan ensures that the physical product is ready for the opening. This plan identifies the equipment required for each department, development of policies and procedures for operational activities, and a work flow that is conducive to the environment.

In summary, strategic planning can be perceived as the overall pre-opening business plan of the hotel and, as a critical success factor, a business plan is required that consists of secondary plans as discussed. However, none of these plans can succeed without the control of the element of risk. Wanklin (2005:228) notes that the risk involves people, products, buildings and activities, and if not properly monitored, will cause a loss of finances, income and satisfaction by both management and guests.

4.2.2   Staffing and recruitment (Refer to questions 1: 1.1, 1.5, 1.6 and 1.8 of Appendix A)

This Section discusses the recruitment of managerial and operational staff prior to the hotel-opening. It does not refer to the planning and development team comprising the executive management and developers/owners whose primary concern is to ensure the strategic planning process is maintained to meet the deadline for the opening of the hotel. The managerial and operational staff must fit the criteria identified by the strategic planning team to open the hotel successfully, and address any challenges encountered during the hotel-opening phase where the staff must be equally knowledgeable and skilled to ensure the profitable sustainability of the enterprise.

Securing the right staff for the hotel-opening who understand the 4- and 5 star accommodation business at the right times is the next success factor. Under the previous success factor of planning, managers from Hotels A, G and I had already mentioned that the

human resources plan, which during the pre-opening phase of a hotel will predominantly consist of the recruitment strategy, was an integral component of the strategic plan.

Hotel A's manager believed that it was necessary to employ people who understand the types of guests that will stay in the hotel and the services that the hotel will provide. He further suggested that employment should be channeled through one person ultimately to ensure that the right people who met the business requirements were employed. This is relevant to the opening, as well as the sustainable operation, of a hotel.

> *Our staffing philosophy is for people that understand the guest service philosophy, the guest service vision and the different types of people. Previously many hotels empowered all their heads of departments to employ. So the chef would employ, the housekeeper would employ, the food and beverage manager would employ and then you get what I call a box of Smarties as different departments have different types of people. Hence I employ every single staff member so every single waiter, room attendant, cleaner, chef, window cleaner, anyone, I employ as general manager which is very different and unique. I believe if you get your team and specifically your management team right, opening hotels is natural.*

Hotel D's philosophy was that if you enabled people to do what they were employed for, everything would fall into place and the hotel would open successfully. This could be linked to what Hotel A's manager stated: if you have the right team in place, the opening will come naturally.

> *Human resources are critical to the success because you can go from average to great straight away because they get it, there is less time training, it is less effort and it is less frustrating to the customer. We had a market in Cape Town where people had opened many other hotels, and it did not go well. Hence we had many skilled employees to source from, so we were able to recruit a very good base. Attitude, and the right attitude to work with your brand, is essential because employees have to fit your brand.*

> *If you have the right attitude and ability and you recruit well, you can get that project going very fast, and you can leave it early, and it will carry on because the market has received it.*

Hotel D's manager mentioned that what helped to find the right employees was that there were several people around who had opened other hotels around 2008 to 2010 which provided a good base from which to recruit from.

Hotel E's manager also concurred with the managers of Hotels A and D that recruitment was about sourcing the right people and ensuring that they fitted the organisational culture, but he also mentioned that it was key to bring-in diversity in experience and culture then gelling everything together.

> *A critical factor is obviously employing the right people, putting the right opening team together and making sure that they are capable of executing the plan.*

> *Formulate a culture that is unique to that property. This is the most critical success factor during the opening of a hotel. I think that the diversity of personality and strengths, weaknesses, angles, international, locals, languages, religions, colour, whatever, plays a major role, is important but the success needs to be in the gelling of all those different factors.*

Hotel F's manager agreed with Hotel D's manager on employing people based on their attitude as training on skills could be provided; however, having the right attitude and work ethic could not be taught.

> *Finding the right staff, building the right team to fit the product, I think getting that team, and just keeping them motivated and psyched and full of energy because it is long hours, people get de-motivated and despondent quite easily. The challenge is to find the fit, the personality fit, at the end of the day because that again is key, does the personality fit into the organisational culture?*

> *I employ the attitude more than the skill because the skill I can provide but the attitude I cannot.*

Hotel G's manager also agreed that employees could be recruited for the hotel-opening based on attitude. However, he noted that this could cause challenges later when promotional opportunities arose as their business writing skills would not be at the required standard for 4- or 5 star hotels. Hotel G's manager further mentioned the challenges that they had in recruitment which was in-line with what Hotel A's manager stated: every head of department was allowed to recruit yet there were no clear criteria for recruitment.

I think that hospitality is one of those industries that people just happen to fall into because you can clean or you can be a doorman so you get in on those levels and then it is really your determination that decides whether you go forward or not. From a skills perspective, one of our challenges now is that as you promote people, suddenly they do not have business writing skills so they send out emails that are wholly inappropriate, not because they choose to do it but because they do not know any better, they have not had to send emails to business partners before.

I have to emphasise the importance that needs to be placed on recruitment. It means a lot of time, it needs much more time than we had here, I would say recruitment is probably top priority when opening a hotel.

A lot of our folks at the time had a very subjective bias on employees who they employed. Some liked them tall and thin, some did not care if they were tall and thin, some liked people that they connected with, some wanted people with experience on their CVs and brilliant experience in top notch hotels and others wanted the correct attitude. People vary and I think we should have had a far more strategic recruitment approach, we should have set up criteria that all of us applied. Your recruitment strategy when opening a hotel has to be your number one focus.

Hotel H's manager believed that the priority was to recruit specialists in their fields prior to the hotel opening, that is, heads of departments, and then let them, together with the human resources manager, recruit their operational teams.

I firmly believe that I had to recruit specialists in their field, that is, people with the necessary experience in food and beverage, rooms division, and housekeeping. Once they came on board they were given the scope to work within and they led the field and with the Human Resources manager recruited the rest of their teams.

I like employing people with the right attitude and moulding them into those skills that you want to hone and we firmly believe in a massive training programme, especially in our lower ranks, we want to educate people. We want to train them. We want to make them wiser and richer and promote them. There definitely needs to be skills, but the right attitude and the right enthusiasm and passion combined with training is critical.

The manager of Hotel H's theory contradicted somewhat with Hotel A's manager, as the former did not necessarily believe that everyone should be interviewed by the general

manager as the task could be delegated to the heads of departments, however, in conjunction with the human resources manager. This ensured that the heads of departments secured the teams they wanted, but also that every employee fitted into the organisation. The managers of Hotels C and J also agreed that assembling the right team with the right attitude prior to the hotel-opening was critical.

Hotel C's manager:

> *You have to ensure that you have staff to cover all areas. Training is definitely a success factor.*

Hotel J's manager:

> *I think that you have to get the right team of people, the people are important, just make sure your product is good and then you give it personality through the people.*

Hotel B's manager highlighted that you needed people with adequate knowledge and experience.

> *If a team member is lacking, or if you select a team member who lacks experience and knowledge and it starts to show in their work performance, then unfortunately it causes massive doubt with the rest of the team which breaks down the relationship and trust with the team, so it is important that every team member that comes on board from a HOD point of view, is on top of their game and they are chosen out of merit because of their experience.*

This completely contradicted the other hotel managers who believed that the focus should be on attitude instead of skills.

RESEARCHER'S RESPONSE

Every manager interviewed stressed that the recruitment strategy and importance of selecting the 'right' employees for the organisation would be a key success factor. Keyser (2009:386) warns of 'cultural arrogance' where workers could delay or even sabotage a hotel-opening because they would not adapt their 'cultural rules' to accommodate management and guests. Moreover, most agreed that the 'right' employee would be based on organisational and personality fit. There were, however, slight deviances in how these employees were selected. Hotel A's manager believed that this could only be accomplished if

he personally interviewed and selected every employee. Managers from Hotels H and G agreed with the manager of Hotel A but disagreed on how this task was to be accomplished. Hotel G's manager mentioned that by setting clear recruitment criteria, one could ensure that the 'right' employees were employed. Hotel H's manager, on the other hand, stated that the hotel manager had to employ specialists in their fields as HOD's, and then allow them to recruit together with the human resources manager. This would ensure that those employed were suitable for their departments as well as in-line with the hotel's philosophy of the 'right' candidates.

There were also contradicting proposals on whether to employ based on skills and experience, or on attitude. Seven managers mentioned that they recruited based on attitude and provided the training to ensure that the skills were gained. Hotel G's manager however cautioned that this could potentially cause problems with succession planning. In contrast, Hotel B's manager stated that employees who lacked experience would not perform well, causing doubt in the rest of the team. Page (2003) identified a variety of human resource issues and challenges that impose on hotel management. These issues include the image of the hotel, cultural perceptions of employees, education and training, human resources planning, and linking human resources to the product and service quality. Page (2003) quoted Baun's 1995 criteria for human resource planning, including the following:

- The design of hotel industry jobs.
- Recruitment, selection, appointment and retention of staff.
- Induction, equal opportunities, training and development.
- Evaluation of staff performances.
- Knowledge of industrial relations and employment law.
- Mobility of staff.
- A critical awareness of the scope and nature of the labour market, and
- Employment termination, grievance and dispute procedures (Page, 2003:258).

Staffing and recruitment is a vital success factor when opening a hotel. It is key in terms of having a recruitment plan and ensuring that there is a clear strategy with minimum criteria for people being recruited. Moreover, it is also critical that any person being recruited forms part of the overall vision for the venture and that everyone fits into the organisational culture. This will not only present a positive image to guests, but will also promote team work.

4.2.3 Time on board (Refer to questions 1: 1.1 and 1.8 of Appendix A)

Time on board refers to the time the owners or management company employs the executive manager prior to, and during the opening of the hotel. Five interviewees stated that the time that the general manager joined the organisation was also a key success factor. Everyone stated that the sooner the general manager takes control of the opening project, the better; and the later s/he takes control, the greater the probability for failure.

Hotel D's manager stated that people sometimes did not understand how early the general manager should be on board and the later s/he arrived the more costly the project.

> *I think what people do not understand is how early the general manager should come on board, and the general manager should come on board very early, already from conceptualisation stage, particularly if s/he understands the market well. It is critical that they are involved with the developer at an early stage and build a relationship. Three months prior to opening is not suffice as several decisions are already made, and then for the general manager to get stuck in the operation and realise, that we do not need half these things, or, we need more, you know, so then it becomes expensive mistakes. The exact time will differ from hotel to hotel as there are many other aspects to consider, such as the expertise of the management company, should there be one, or the availability of finance as the person would need to be paid once they are on board.*

Hotel A's manager agreed and stated that from a logistical layout perspective, hotels required a general manager who would operate the hotel once it opened as s/he would be able to discern what was practical.

> *If you want to make a success of a hotel at this level, the operational team needs to be on site at least a year in advance. I mean every single week we sat in operational meetings with all the team of professionals, with the builders, developers, all the professionals who are part of it. Fire security guys, your air con guys, your refrigeration guys, your building, your wet works, every professional team, and you go through the whole property. You pick up so many different things so that you can get your plugs in the right place, your bathroom taps in the right place, your shower in the right place, your shower dish, where the shower dish goes. I mean in so many hotels you go to, your shower is here and your dish is over there and so you think but how did they get that wrong. It is by not having operational people involved in those types of decisions.*

Hotel B's manager provided evidence for the statements by the managers of Hotels D and A in the changes he made prior to opening.

> *Being involved with the project, probably about ten months out from opening and getting a management team together as early as possible. There was not going to be any buffet being offered in the restaurant but I very quickly saw the numbers, rooms, numbers that we could seat in conferencing and realised that we have to offer buffet breakfasts.*

> *The biggest success factor, I think, was opening this hotel with a management team in place.*

Hotel E's manager stated that considering that the general manager was responsible for the hotel post-opening, s/he needed to provide input in the design. Hotel E's manager then further stated that hotels needed to also be realistic in how soon they wanted results as a team required time to be effective.

> *I was in early enough to have a fairly good say in the final shape of the operation, in other words, there were some tweaks and changes that were still made by me because I was in early enough before things were actually completely built. I was in 18 months before we opened; there is no question that this helped the whole process in our case.*

> *If you take the sales team as a typical example, how long will it take for a sales team to become effective, is that a 2 or 3 month job or a 10 to 12 month job? I do not have the answer but if you bring everybody in at the last minute then everything is compacted at the last minute, then you are not going to get the results as quickly as you wanted.*

Hotel H's manager agreed with these sentiments and also made some changes in his hotel prior to opening.

> *I came on board a year and a half before the hotel opened. So structurally most of the hotel was designed. We changed considerable layouts, in terms of the food and beverage areas, when it came to internal design, the soft furnishings all changed. So I was quite instrumental in the planning of the purchasing of all the FF&E* (furniture, fittings and equipment) *when we started, and in some of the layouts.*

I think all the planning starts way before the hotel actually opens and it is essential to get everything structured. A General Manager should at least be on board 18 months prior to opening.

RESEARCHER'S RESPONSE

Half the interviewees believe that the time when the general manager takes control of the project is a success factor. They also agree that the general manager needs to be employed during the design stages of the project to ensure that all designs are functional from an operational perspective. The managers of Hotels H and E believe that employing a general manager 18 months prior to opening would suffice. The managers of Hotels A, B and D are vague on the exact time but Hotel D's manager stated that it would vary per project as management companies sometimes have specialists for opening hotels who provide the operational expertise required, or that there may be a lack of funds to employ a general manager in advance. Hotel E's manager voiced that an owner or management company also needs to be realistic in their expectations from a person or a team in terms of results as it would take time for the hotel to operate effectively.

4.2.4   General manager's skills and experience (Refer to questions 1: 1.1, 1.2 and 1.8 of Appendix B)

The general manager is the leader of the project for opening a hotel. S/he generally has a team to get the hotel ready for the opening and works closely with the owners/developers and the management company executives. The general manager also needs to work with the construction company by monitoring the progress of the building.

In Section 4.1.1 the manager of Hotel G mentioned that once a good leader was in place there was generally direction and guidance, and that decisions are made. In the same section, the manager of Hotel E stated that it was essential to gel a diverse team and focus them on a common goal, this could only be achieved by good leadership.

Hotel A's manager believed that his leadership skills were critical for the success of the project.

If you want to be a successful general manager, you need leadership skills and have to lead a constructive, coercive team when opening and running hotels.

Hotel C's manager agreed with this.

> *You require the knowledge to lead your team and show them exactly what to do and how to do it.*

Hotel D's manager also referred to the general manager's leadership skills; however, he also mentioned that previous pre-opening experience was advantageous.

> *Opening is not easy; we have proven now that 80% of the openings will take at least two to three years to find their feet. Good general managers will do that in a year and a half because of their experience of the business, but having experience in that market is even more critical.*

> *Pre-opening experience is also critical because you understand the timelines; you will not be sidetracked by anything, you will understand your goals and know what comes after the next step.*

> *I think it is quite important that you understand your role as a leader in the industry, to your staff, and you have to be mindful all the time of how you lead the project because people buy into you.*

Hotel E's manager believed that, based on the type of hotel, the general manager's skills and experience was a success factor.

> *Of course that depends how complicated your hotel is. If its 5 star luxury, in our case, with true international standards to roll out, there is more pressure on having the right experience around the table from the start than if it was a budget hotel with very few frills.*

Based on his comments it was a success factor as the research is based on 4- and 5 star hotels and not budget hotels. Hotel F's manager agreed that the general manager's skills and experience was a success factor but noted that this was based on his decision making skills to secure future business for the hotel.

> *It is all about securing the constant flow of business coming in, but the general manager plays an integral part in terms of last minute business coming in, and decisions made today that will affect the business tomorrow. The general manager should unite strangers and know how to unite different people.*

Hotel H's manager stated that the general manager should believe in his/her product which resonates with the statement of Hotel E's manager on the general manager to create the product. Hotel H's manager also mentioned that the general manager should possess good planning skills, and without this, the first success factor was not possible to achieve.

> *As a leader I think it is critical to steer the troops in the right direction and to make sure that all the critical leaders in all the divisions have a clear objective in what they need to achieve and that they have clear timelines in which to achieve those goals.*

> *I think leadership plays a very important role; managerial ethics, good inter-personal skills with higher skilled individuals also play roles. Good planning skills, vision and attention to detail are key.*

> *I think you need to have a lot of self-belief; you need to believe in your product. You need to be hands on, speak to your clients, motivate your staff and make sure that you provide good and proper service at a very good rate.*

Hotel I's manager focused on general managers' traits when embarking on opening of a hotel.

> *You have to be resourceful, you need tenacity and determination especially when opening a hotel because it tires you as it is so volatile and changes daily; there is no consistency.*

> *I think if you are going to be a successful general manager in terms of opening a successful hotel, you have to be well rounded and balanced all round, you cannot allow yourself to have a preference over a department.*

Hotel J's manager also mentioned that general managers should have good leadership and interpersonal skills to deal with guests especially when the hotel opened before the building were completed.

> *You need to be able to handle a lot of stress and angry customers when you do not have an easy opening. If you have an easy opening, it is no problem, but if you are opening while you are still building or finishing off, then I think you have to be flexible, you have to motivate, you have to look after your customers, you have to be hands on, on the floor, making sure that processes take place.*

How s/he leads and motivates the team will be critical because your general manager cannot speak to all your guests.

RESEARCHER'S RESPONSE

The organisation or individual who owns an event, such as the opening of a new hotel, usually decides on the local management team to run the hotel. This is sometimes done in the face of competition, where the scale, frequency and commercial benefits depend on the skills and experience of the hotel-opening team (Maralack & Lloyd, 2005:56). Every manager interviewed agreed that the general manager's skills are a major success factor. Eight of the interviewees also agree that the general manager's leadership skills would have a major impact on the project. The manager from Hotel D stated that marketing and previous pre-opening experience is not key success factors, but would certainly help to achieve results quicker. The manager from Hotel E said that technical experience is important when dealing with the opening of a luxury 5 star hotel. Hotel I's manager touched on determination, as there are many setbacks during the opening of a hotel, and the manager of Hotel H mentioned confidence and attention to detail, however these are characteristics rather than skills or experience. The manager of Hotel F has the same comment as the manager of Hotel E; that is to unite different people and get them to collaborate, which refers to leadership skills. Considering all these comments, the key skill was strong leadership in the general manager to effectively lead the team and the project. Technical, market knowledge or previous pre-opening experience, is beneficial and would generate better and faster results.

4.2.5   General manager's perception of his/her role (Refer to questions 1: 1.1, 1.3, 1.4 and 1.8 of Appendix A)

The general manager's perception of his/her role was critical for project success.

Hotel A's manager believed that the general manager should focus on leading his/her team and ensuring that the final product, that is, the hotel meets the correct standards.

I think where a general manager's perception of what his/her role is could go wrong is when he/she does not understand how involved you have to be on every aspect of the development phase of that hotel. During opening a hotel, general managers have to understand that the focus has to be dealing with a professional team. You know that you are dealing with them to make sure that the product that actually comes out is guest friendly and that things work in a systematic way.

On the other hand, Hotel B's manager stated that you cannot only focus on the operations, finance or marketing; you have to keep a general view of everything.

> *While concentrating on the marketing activities is great, you have to make sure that when the guests arrive, they are looked after, otherwise, you are just filling the net with fish with the net open at the bottom and they just fall straight through which you cannot have. You cannot have this mindset of only being focused on marketing or finance or the operation. You have specialists within your team, overlooking that but you as the general manager should be guiding and directing.* (Researcher's comment: this statement aligns with the general management of a hotel).

Hotel C's manager suggested that being hands-on and involved held the key to success for a general manager.

> *I could have sat in the office the whole day and direct and, without proper follow up or actually being with the HOD's and staff on the floor the opening would most definitely have been a failure, because you create a different picture in your mind when you are sitting in the office than when you are on the floor with the team.*

Hotel C's manager referred to prioritising the operational aspects of the project to the administrative aspects. The project leader, if the project is still incomplete, and/or the general manager if one is already appointed, had to inspect the building, equipment and regularly meet with the team members.

Hotel H's manager completely disagreed with the manager of Hotel B as he did not believe that it was just an overseeing role, but more an operational one. This difference in point of view could potentially be due to circumstances and owner-relations.

> *I think it is definitely not an overseeing role because in many instances especially in my case I was the only person to operate on my own for quite a few months, in fact, for close to a year before opening. So you are answerable to yourself and the success of the hotel at that early stage solely lies in your hands. So the structure that you put in place has to be there when the other people come, so they can easily slot in.*

Hotel J's manager implied that it depended on the type of hotel that the general manager would open. He also mentioned that the general manager could have a different perception of the operation if s/he was not sufficiently involved.

It depends on how much influence the general manager has in the opening of the hotel. I mean, often when a hotel gets opened then a system is put in place, of a vision that is done by shareholders and by directors and then it is important to find a general manager who implements what they want, so in that regard I think a general manager is limited, I mean s/he works within a structure. The general manager has a perception that certain things happen or do not happen or are in place or are not in place if s/he does not go into the operation enough and check, his/her perception may be inaccurate.

RESEARCHER'S RESPONSE

Half of the managers believed that the general manager's perception of his/her role was a success factor. The manager of Hotel B cautioned that if he only focused on a department that he was comfortable with he would lose control over the other departments which would negatively impact the business. The manager of Hotel C stated that the general manager needed to be involved with the operational aspects of the project, while Hotel J's manager mentioned that if the owners and the directors of the company had already developed systems and a vision, then it would be the general manager's responsibility for implementation, thus his/her role was clear. The general manager's role will also evolve as experience is gained. Thus if a general manager had opened hotels previously, s/he would be able to apply the experience and adapt it to the hotel's situation.

4.2.6   Task Force Teams (Refer to questions 1: 1.1, 1.7 and 1.8 of Appendix A)

There were divergent opinions between all the interviewees on whether Task Force Teams were a success factor.

Hotel B's manager did not believe in Task Force Teams as they would remove the ownership from the actual employees or heads of departments.

You know you employ heads of departments because you believe that they and the general manager can open a hotel. You believe that they have the knowledge and the skills. To have a Task Force Team coming in is not the best from a motivation point of view. The biggest success factor, I think, from opening this hotel with a management team which was in place, most of them six months out and were able to contribute to the opening. They were proud and you saw it in their work in the first year of the hotel in that they put things in place, they were responsible and they took pride.

Hotel C's manager stated that for standardised hotels, such as Holiday Inns and the City Lodge group, Task Force Teams could work, but not for other hotels.

I think if it is for highly standardised groups like Holiday Inns or Best Western, where it is exactly the same room anywhere in the world, it would work.

Hotel D's manager supported Task Force Teams as it allowed the actual opening team of the hotel to focus on creating a positive guest perception.

It is critical for the hotel; it gives their HODs a chance to breath and also to get the right answer immediately; this is what we need, fine, done. There is calmness because there are people around you that have done it before, and they have gone through it. I always open with a high base of staff; it gives the guests a good perception that you believe in the product and that you actually have people around, and you are very attentive.

Hotel E's manager also thought that a Task Force Team was a success factor especially if the general manager had not opened a hotel previously or it could depend on when the general manager came on board.

Some of the bigger international chains have a pre-opening team that will support and drive the project, they may drive 80% of the actions that are critical to a successful open and if that is the case clearly the general manager does not need to have pre-opening experience. However if that is not the case, if the general manager is completely responsible, as in our case, then the more experience you have of either previous openings or turnaround of a distressed property or major renovation would clearly be a huge advantage. If I arrived 5 months prior to opening without a Task Force Team, I think it would have been a more stressful and less successful experience.

Hotel G's manager stated that his hotel had Task Force Teams only in certain departments and the difference was clearly distinguishable.

We had Task Force Teams in one of the restaurants and our kids' club department and literally within six weeks they completed all their training and were ready for pre-opening trials. The Task Force Team completely understood the brand, what the requirements were, how detailed it is and they were boxed off in no time. In the other areas where there were no Task Force Teams, you could definitely see the

difference. It makes a great difference to have a Task Force Team and particularly when they have opened brands or other units that are similar, it is by a long shot the best thing you can do.

Hotel H's manager also agreed that Task Force Teams were useful and could manage smaller projects within the opening.

I absolutely believe in Task Force Teams by putting certain people in charge of different projects, mini projects within the project. It creates far more vision. It prevents any duplication and it is essential I think in any industry not only in the hotel industry. Task force management is definitely essential. It makes it easier for a general manager or a project manager to manage the situation because you do not need to micro-manage managers.

Hotel I's manager had a consulting perspective providing information that was probably already known.

Task teams to me are the same as a consultant and I say that respectfully but, what is the point, you bring somebody in, pay them an obscene amount of money and two days later they leave and tell you something that you already knew. I believe in an opening team that I established with the intention that it would be a solid team that would last for years.

RESEARCHER'S RESPONSE

A successful opening event is dependent on the appointment and formulation of a competent task team, where innovative systems are needed to ensure the success of the opening-event (Tassiopolous, 2008:57). The task force team needs to be innovative and stimulate entrepreneurial behavior with operational management and staff where:

- The focus is on results and not activities.
- Focused on problem solving and innovation.
- Avoiding bureaucratic structures, and
- Ambitious and competitive (Tassiopolous, 2008:58).

Only four of the ten managers believe that Task Force Teams are success factors. The manager from Hotel B felt that it would be de-motivating to the actual opening team as it would detach them from the project and therefore remove their buy-in to the product. This

could potentially lead to problems post-opening. Hotel I's manager did not agree with a short duration employment of the Task Force Team that would then only convey issues that are already known. Hotel C's manager stated that Task Force Teams are effective for standardised operations.

On the other hand, the managers of Hotels D, E, G and H believe that a Task Force Team is a success factor. The manager of Hotel D mentioned that a Task Force Team would relieve the actual opening team, while the managers of Hotels E and H believe that they would drive actions required for the opening of a hotel and thus improve efficiency. Hotel G employed Task Force Teams in two departments which operated better than the departments without. Task Force Teams could add great value; however, this is dependent on the experience and perception of the general manager. Should the general manager not believe in Task Force Teams they will not be effective however, should s/he embrace a Task Force Team then they could add great value to the hotel-opening.

4.2.7   International and local experience (Refer to questions 1: 1.1, 1.8, 1.10 and 1.11 of Appendix A)

All interviewees agreed that local experience was a critical success factor; however, there were divergent opinions on whether international experience was necessary for hotel openings in Cape Town.

Hotel A's manager was adamant that local experience was absolutely essential as he had seen many international hoteliers struggle in South Africa.

> *Local experience is essential. I see how the international hoteliers that come into this country struggle. They struggle to understand the staff, service philosophies, to understand the market, how to market to the market. I think in any country it is essential to have local knowledge.*

Hotel B's manager agreed that local experience was essential and that one should always understand and be sensitive to the local customs.

> *As long as you understand the country that you are opening the hotel in, you understand the people within the country and you understand the different cultures and the religions within that country, the people that you will employ and you have a basic understanding of their customs and beliefs, I think you will be fine.*

Hotel C's manager warned against not understanding the local labour laws in detail and that mistakes could be costly to the hotel.

> *About 80% of the time you have unions involved and if you do not know what you are doing, or have some experience regarding labour relations and unions you can get in serious trouble. You can financially hurt the hotel if you follow incorrect procedures.*

Hotel E's manager was in favour of international experience but based his comments on the clients.

> *International experience would be a success factor if the market you are entering has any international component to it, if you are purely a domestic property opening then no. An international general manager who has worked in different countries is more likely to succeed in a new country, even if s/he has not worked there before compared to an international general manager who has only worked in one country, that is, his home country, and moves to a new country because he has not been through that process before and that is why very often you will find a general manager of an opening is almost a career opening guy because s/he found the success factors of each hotel in each country.*

Hotel E's manager also stated that a general manager who worked in several countries was more likely to succeed than a general manager moving abroad for the first time. Hotel G's manager summarised that a local general manager with international experience was ideal.

> *I think a local with international experience would be ideal.*

Hotel H's manager agreed and detailed the challenges that a purely international general manager would face in South Africa. He explained that the labour market, local customs and the relationships that a local manager had with influential people and companies would benefit the hotel's business.

> *I think most of the good general managers in South Africa have had international experience and at some stage worked abroad. I think it gives them exposure to see what is done overseas. On the other hand, it is also very important for a new hotel to open in an environment that is familiar to the general manager. Groups open their hotels in foreign destinations with a foreign general manager. In South Africa we specifically sit with a cultural melting pot with different people that work in the hotel and I think that although international experience would be valuable it is also very important that you have someone that understands the culture in South Africa and the*

staff that they are going to deal with and the local market because the international market is under pressure so much at the moment. People have resorted to searching in the local market so if a foreign manager comes in and he does not know the local market, it would be very difficult to understand the dynamics, getting to know all the operators and the PCOs (professional conference organisers) *as relationship building is very important. If you have a local general manager, the relationships that they hold with local corporates and operators are very important. For a foreigner to come in and build those relationships will take long, unless you have a proven brand that stands for itself and is internationally recognised and respected.*

Hotel I's manager also agreed that the understanding of local cultures would foster better relationships within and external to the organisation. He further stated that local experience was far more valuable than international experience.

I had this in my career so many times before where you apply for a position and you get turned down on the basis that you do not have any international experience. I think it is a benefit, but I do not believe that again it makes a difference on the individual. I could have worked in many hotels all over the world. It would not make a difference whether I am a better or worse general manager. I think local experience is probably more valuable than international experience especially when it comes to an opening because you are dealing with so many different facets of the industry rather than just running and operating a hotel and dealing with guests, you are now dealing with contractors, builders, suppliers and there is a corporate culture understanding.

Hotel D's manager also concurred that local experience was more valuable than international experience.

If you get thrown into a foreign country, you have lots more challenges because now you have communication problems, issues with people, training issues and a weaker labour force. Local experience is always important; it is always more important than international experience, I would say.

The managers of Hotels F and J agreed and stated that local experience was more important as the majority of their business was local.

Hotel F's manager:

Understanding the cultures, understanding the currency, understanding everything about that is important, ultimately because the larger part of your business is local.

Hotel J's manager:

I think local experience contributes more and more to the success of the hotel and that is really because locals are a large portion of the market of our hotel.

RESEARCHER'S RESPONSE

All ten managers agree that local knowledge and experience is a success factor and that although international experience is advantageous, it is not essential. The reason for the importance of local experience is understanding the people and their different cultures, religions and beliefs; understanding the labour laws and how to deal with trade unions; and understanding the market and know how to build key relationships within the market to benefit the hotel. All of these factors could only be accomplished with local experience.

4.2.8   Networking (Refer to questions 1: 1.1, 1.8 and 1.12 of Appendix A)

Most hotel managers agreed that networking was a success factor when opening a hotel. Networking was perceived from two angles, the first was networking with potential clients or people that could potentially send business to the hotel, for example, tour operators, travel agents or professional conference organisers. The second was networking with other industry leaders and professionals who could assist with industry best practices.

Hotel A's manager was completely in favour of networking as a success factor.

I think it is essential when it comes to your clients and your business and knowing the industry within the industry, travel agents, tour operators, conference organisers and events professionals. I think it is very important to use whatever resource is out there and certainly a resource out there is hotel managers who have opened hotels before and if people understand the industry it always helps to network with them.

Hotel D's manager had the same stance as Hotel A's manager.

> *It is critical. It is everything. If you are not seen, you are not known. It is quite simple. I do not think you should go to every lunch and every function. You just need to go once in a while, but there are certain things you do not miss like big sales events. You just do not miss them because then you were not seen.*

Hotel G's manager also agreed but stated that networking had to be with the right people, that is, with people who could influence the business positively.

> *I think if you are networking with the right people who understand the brand, it will definitely have a massive influence.*

Hotel I's manager believed that networking was important as it built trust and relationships with people and business was derived from people trusting them.

> *Networking as a whole in our industry is important; it is a huge success factor because networking creates relationships and that is how you get a lot of your business deals. A lot of my business dealings here are based purely on good relationships. Clients book at my hotel because they trust me because they know how I operate and they know what I do.*

Hotel H's manager agreed and stated that this was the first step for building a reputation within the industry as new hotels do not have a reputation.

> *We literally base everything on networking; it is who you have relationships with, what value your ethics in the industry has with operators, how they respect you. That already gives you huge in-roads into building a reputation because when you open a hotel you have no reputation.*

Hotel J's manager also agreed and stated that considering the economy and the oversupply of rooms in Cape Town; the market needs had to be assessed. Relationships would secure business.

> *I absolutely think that networking is highly important and what we find now with this economic crisis and oversupply of bedrooms in Cape Town, a bedroom is a bedroom is a bedroom. Now we are all competing for the same customer, for the same price, for the same thing, so how do you make the difference? Personal relationships, it is*

all about relationship marketing these days, it is not about price. The customer can get a price anywhere.

Only Hotel C's manager disagreed and stated that networking was not a success factor. However, the researcher believed that he perceived networking as social events with friends and not with industry professionals or business partners.

Networking is more a catch up with old friends, so the networking, no, not at all important.

RESEARCHER'S RESPONSE

Nine of the ten hotel managers believe that networking is a major success factor. The reasons are that networking is the start of building a relationship and with time, trust is established. Once there is trust between two parties they remain loyal, which creates further business. Hotel H's manager mentioned that a new hotel has no reputation and therefore needs to network to create new relationships to secure clients. The more frequent the networking, the greater the growth of their reputation.

4.2.9   Relationship management (Refer to questions 1: 1.1, 1.8 and 1.13 of Appendix A)

Within the context of networking, the researcher assessed relationships with external individuals who could influence the organisation. Internal relationships are just as important and the stronger employees' relationships are, especially in management, the better the organisation will function. With an opening where tight deadlines need to be met, it is imperative that people understand one another and collaborate.

Hotel B's manager knew that he had to ensure that employees worked together and organised a team building event prior to opening the hotel. He believed that this was key to their success.

We went away on team building prior to opening. We discussed our visions for the hotel. We were all very excited. We went on what they call insight training together, which understands each other's personalities, strengths and weaknesses; for every strength someone has a weakness. Understanding how to communicate best with each other is critical and I was very pleasantly surprised because most of the hotels lost heads of department (HODs) four to six months after opening, whereas we managed to retain most HODs for the first year and a half.

Hotel C's manager perceived relationship management as the general manager's relationship with the owners and mentioned that they should educate the owners in terms of defining the requirements for the hotel.

> *You need to be an educator also to your owner at times. You need to fully motivate and explain why you need something; you cannot just put needs out there in front of them without substantiating it.*

Hotel D's manager also agreed that the HODs needed positive working relationships to convey a positive message to their employees.

> *The HODs need to have working relationships; they need to be strong, but most importantly, they need to have that positive mental attitude where they can get things done without being flappable, so that their staff follow them without fail. This will obviously breed a very confident approach and always look positive, and then that is where the energy comes in, especially in a hotel.*

Hotel J's manager stated that relationship management was internal but also extended to suppliers. He believed that through their positive relationships with their suppliers, suppliers assisted when planning was inaccurate.

> *At opening we obviously forgot to do tasks, we did not buy enough supplies and we would phone and say, help us and they would help and really put in effort because they wanted us to succeed.*

RESEARCHER'S RESPONSE

Four of the ten hotel managers agree that relationship management is a key success factor. As networking is predominantly based on relationships, hotels should have key people influencing occupancies, where relationship management focuses predominantly on the interaction within teams. This includes colleagues' relationships with one another, superiors and subordinates. Hotel B's manager highlighted that team building is a successful exercise resulting in positive and focused relationships in his team, and Hotel C's manager touched on educating hotel owners as they would not necessarily have accurate information of the operational requirements. Tassiopolous (2008:248) is at pains to emphasise the need for successful teams, both formal and informal, to manage the hotel-opening, especially highlighting 'companionship, friendship, recognition or to accept others'. These informal

groups develop between the management and operational staff, while the formal groups will tackle specific tasks with a common purpose. These teams teach each other and new staff and help understand the hotel rules and regulations. Their success lies in their ability to resolve challenges through complementary skills and experience (Tassiopolous, 2008:250), but this however requires a strong relationship with the owners. Hotel J's manager mentioned that good relationship with suppliers benefitted the hotel during purchasing exercises. Relationships should also be formed with local chambers of commerce, tourism organisations, attend regional and international conferences, and partnerships with similar, but not competing, organisations (Tassiopolous, 2008:301).

4.2.10 Technology (Refer to questions 1: 1.1, 1.8, 1.9 of Appendix A)

The term 'technology' refers to both the hardware and software employed in computerised systems. The hardware usually means the central processing unit, the computer or PC (personal computer), where speed of operations is important, and the hard-drive should be big enough to manage the hotel systems, and the monitor and keyboard. The software is the programme(s) used by the hotel and requires flexibility; Microsoft Office for example (Fairer-Wessels, 2006b:88-89). Technology plays an increasingly important role in business today and it is critical for the success of a hotel to enable competitiveness. Hotel A's manager was clear and concise in his statement of technology, in that he believes this is a key success factor that should be taken seriously by ensuring that the infrastructure is set up properly at the time of opening.

> *If you open a hotel and your technology infrastructure is not functioning, you will be in trouble, so yes technology is a key success factor.*

Hotel C's manager perceived technology from a marketing and revenue management perspective.

> *You need to have an on-line presence, if it was not for on-line travel agents, the hotel probably would have closed. As much as 60% of our business came via on-line travel agents.*

Hotel D's manager was adamant that hotels needed to install the latest technology when opening as it would assist hotel managers to focus on the human elements of the business.

> *Technology has grown, and we do not have time to be sitting with lots of problems because we have put in a system that is inferior, and then in two years we want to look at improving and changing, so you put in the best systems, it gives you peace of*

mind, it gives you your reporting on time, systematically and easy (sic)*. It also allows you to focus on the human elements of the business.*

IT is the backbone of your property, that is, IT and technology in terms of services, health and safety, water, lights, heat, power, all are critical to the success of the business.

Hotel E's manager also had a business sourcing perspective:

Technology plays a huge role, particularly in the source of business, obtaining business through electronic channels, like booking systems and obviously review sites, whether it is on Tripadvisor or similar websites. If you do not do it well and your competitor does, then you are going to be on the back foot.

Hotel H's manager also mentioned that technology was great for sourcing new business and to ensure accuracy in accounting as it eliminated the human element.

I think technology has moved on by leaps and bounds especially in the past decade. If you look at online reservations systems, inventory pulling from everywhere, distribution systems and interfaces, it makes operations far easier and I think it accounts for proper accounting. In sales and marketing, accounting and even maintenance with your building management systems technology, if you are not abreast of what the latest technology is, you are going to be left behind and your competitors are going to devour you.

The managers of Hotels F and J also believed that on-line travel agents were the future for the business model of hotels especially when sourcing corporate clients.

Hotel F's manager:

The way to go is on-line travel agents. That is how people are booking, particularly corporate clients. Corporate clients are sitting in their offices; they receive that telephone call that they need to be in a meeting in another city tomorrow. They are at their desk, they go on-line, they book on-line and they get on the airplane and fly.

Hotel J's manager:

I have to talk about the on-line travel agents, it is the route to go in this society, I think the old fashioned tour operator is disappearing so it is becoming more dynamic, more transparent to the customer on rates and I like it, I think it is a great technology to use within our business model because you have far more direct influence on it. You have opportunities to play with your rates, up and down, in that regard it is great and those things you can start six (6) months prior to opening a hotel.

RESEARCHER'S RESPONSE

Every manager interviewed revealed technology as a key success factor when opening hotels. Technology can range from controlling expenses, guest feedback and revenues to sourcing new business. Most managers mentioned that there is rapid growth in using on-line travel agents. Based on this, it would be key to refer to the first success factor of planning and ensure that a presence on on-line travel agent websites are incorporated in the marketing plan and the commission payable is included in the expense budgets of the financial plan. Moreover, hiring technologically educated employees such as IT managers and e-commerce managers should also be incorporated into the human resources plan to ensure one stays abreast with technology and ahead of competitors.

4.2.11 Support received from sister properties (Refer to questions 1: 1.1 and 1.8 of Appendix A)

Two hotel managers also mentioned that they would not have been able to open without the support of their well-established sister properties in settling accounts and recruiting employees.

Hotel F's manager:

This specific owner was fortunate as he had another hotel that was the 'cash cow'. So he had the finances to build on the brand of the new property. The new property would not have survived if it did not have the sister hotel because what we also did, in the beginning, was to select our tour operators that had booked high paying rates at the sister hotel. Daily, from the arrival list, we would upgrade clients to the new hotel and I would wait for that arrival to come, greet them and give them the choice of either staying here or at the new hotel, and if they chose to stay there, we asked them to provide feedback to us and the tour operator. This was part of marketing that you

have a real guest experience and feedback and that is how it grew and I would say this was a huge success factor for us.

For the new hotel, the key was the quality of the product and the standards to build that quality reputation. Another key success factor for us was that we harvested staff from the sister hotel. These were people who knew our business.

Hotel J's manager:

We have four hotels in the group, and this is the latest one, so we have the benefit of the infrastructure, staffing, knowledge and reservations. We have a backup system in place to ensure the success of the new hotel. If you are one hotel on your own, I think that becomes very difficult. Financially, you also have more hotels that bring in cash. I mean this hotel, if this hotel had to pay its own bills, we would be in trouble. Our opening crew of the hotel was sourced mainly from the other hotels where we had stocked up on extra staff prior to opening this hotel. We internally promoted people, people that know the way we operate hotels, in many ways, whatever we do in the one hotel, we copy to the next. I think what we did at the opening has worked very well for us in the long run, but it was more that the opening was part of the long-term plan, so it was not the opening that made the long run better, it was the fact that we had a plan in place that created a great opening for us.

RESEARCHER'S RESPONSE

The support from sister properties for two hotels was planned prior to opening. In addition, they had clear recruitment strategies in place in terms of employing people from sister properties who knew the business, and they could also indirectly serve as a Task Force Team as they understood the brand and organisational culture. There were, however, only two hotels that mentioned support from sister properties as a success factor and both these companies are small and privately owned, and their other hotels are located in close proximity. The researcher believes this is a unique success factor for these hotels.

4.3 Challenges

Just as organisations can point to factors considered to be critical success factors when opening, there are bound to be matters that do not go smoothly, from the onset of planning through the 'opening event', and even post-opening. These negative aspects are referred to

as challenges and the executive manager/manager/strategic planning team should negotiate solutions to these as and when they arise.

The challenges experienced by hotels which opened in the 2008 to 2010 period included:

- Owner's involvement
- Purchasing planning
- Competition
- Reputation
- Recruitment
- Employees with previous opening experience.

Table 4.3 highlights the challenges identified by each hotel and compares the challenges in each hotel category.   Each challenge is discussed, reporting the managers' perspectives and presenting possible solutions.

Table 4.3: Challenges identified by hotels

	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
	Corporate, Small, 5-star	Corporate, Large, 5-star	Corporate, Small, 4-star	Corporate, Large, 5-star	Corporate, Large, 5-star	Private, Small, 5-star	Corporate, Small, 5-star	Private, Large, 4-star	Private, Small, 5-star	Private, Large, 4-star
Challenges	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement
	Purchasing planning	Purchasing planning	-	-	-	-	-	Purchasing planning	Purchasing planning	-
	Competition	Competition	-	Competition	Competition	-	Competition	Competition	-	Competition
	Reputation	-	-	-	Reputation	-	-	Reputation	-	-
	-	-	-	Recruitment	-	-	-	Recruitment	-	Recruitment
	-	Opening experience	-	-	-	-	Opening experience	Opening experience	-	-

Source: Researcher construct

4.3.1   Owner's/developer's involvement (Refer to questions 2: 2.1, 2.2 and 2.4 of Appendix A)

All of the hotel managers listed owner's involvement as a major challenge when opening a hotel. The main reason was that owners/developers felt that due to their large financial investment, they had to be closely involved. This frustrated the hotel managers who believed that they were employed to fulfill a role and with the owner being too involved, they could not entirely focus on opening the hotel. Such a conflict of interests is a critical challenge that needs to be resolved before harm can arise on the project.

Hotel A's manager stated that the owner's expectations unsettled the employees. He also stated that it was all based on a trust relationship.

> *I believe the greatest stress of opening hotels is the owner/developer expectations in year one, due to the amount of capital invested in hotels but it is a natural phenomenon worldwide that hotels do not make money within the first year of operation. I have seen openings before where the staff are so petrified that they cannot deliver a service because they are too scared of which owner, which board member, which whatever is going to be all over them. That it is a major influencing factor. I believe if you have a skilled general manager, leave him/her to do the job. You need a very good understanding between all the parties and the owner/developer has to have full trust and if s/he does not have full trust in you, then the general manager is off to a very bad start.*

Hotel C's manager stated that it was about interpretation of the owner's vision compared to what was realistic. Moreover he also mentioned that the owner needed to be willing to provide the tools (for example, finances) and trust that the general manager would apply them wisely for the benefit of the hotel.

> *If they have a different picture as to what is actually working for the property, it could be a big failure. The owner needs to understand what you are saying and trust you with the new operation. It could be a quite negative situation as well when these guys interfere, or they do not give you the tools to run the business, and even though you have a relationship with them, if they do not have the understanding, then it is going to count against the whole operation.*

Hotel D's manager stated that, as a management company, they list in the contracts with the owners/developers that upon handover to the general manager, owners have no more operational involvement. He also stated that the way to overcome an owner being overly involved was to educate him/her and to build a trusting relationship. This was confirmed by the managers of Hotels A and C; they stated that the owners had to trust the general manager. Hotel D's manager emphasised that it was the responsibility of the general manager to foster and earn that trust. He also mentioned that there could be a major challenge if the owners withheld funds to move the project forward, which was confirmed by Hotel C's manager who stated that owners had to provide the necessary tools to operate the hotel.

Owner's involvement is probably the single biggest challenge one has when opening a hotel. I believe, that is why, there is a development phase and then there is a general manager phase. So the developers and owners are very actively involved until the general manager handover phase, which we strictly enforce as a management company, owners sign off, and then there is no more involvement from an owner or a developer other than to read the figures. They can badly influence it by being too involved because operators are there to do a job. You cannot say an operator is underperforming after three months, four months or a year. I think that it is up to the general manager to build a successful product and a happy organisation. Ultimately it is about education, working with an owner and developing trust. I think building the relationship and getting them to understand that you are doing everything you can and you are working within your margins and you are profitable, will help them to accept.

Many properties are so delayed in opening. Why? Because the owners delay funds or delay progress or are not involved when they should be involved or are too involved when they should not be involved. So it can definitely delay everything.

Hotel E's manager also stated that too much owner-involvement could adversely affect the general manager's approach to the sales activities which would cast doubt on the sales team and clients. He also suggested having a contract in place that outlined the role of the owner on the business.

I have seen plenty of examples where the owners specifically change the strategy of the hotel. Whatever they said on day one, they change by day two, so clearly that changes the whole ethos of what the general manager is trying to do through his sales team.
I have worked for owners who had no clue about hotels but were actually extremely good entrepreneurs and made fantastic suggestions of things that I would never have thought of as an hotelier and then I also experienced the opposite.

Often in management agreements, the actual power of the owner is clearly prescribed in a contract with regards to making decisions or issuing directives. I think if that is clear in an agreement then there is a legal binding document for the general manager.

Hotel F's manager fully agreed with the opinions of the other managers on owner-involvement. He stated that the owner should be involved at the right level and understand what was required, which could also represent a success factor.

> If you have an owner or a director that is involved in the management of the business and they lack experience or knowledge of the industry and use their authority to just put his thumb down, then yes it could affect the success or the failure of the business. If the owners or directors are appropriately involved to understand the needs of finance and human resources and focus on making sure that the general manager has the tools for opening and operate (sic) the hotel successfully, it is a success factor.

Hotel G's manager experienced major consequences as the owners made bad business decisions. This negatively impacted the business performance for two subsequent years.

> The difficulty with your owners is that they are not on the ground all the time. I would say that in the beginning they made some decisions that made it very difficult for us to get it right. We opened the hotel six months before it was meant to open, we did not employ staff six months before that time so we landed up in a situation where if you had arms and legs and you were good to go, you got a job.

> They tied up a lot of contracts with international folks, our financial system is called PeopleSoft, and they run it in Dubai for a 1 500 bedroom hotel. They literally copied that system and put it into our hotel in Cape Town which only has 131 bedrooms; that system has been a nightmare. It is not supported in South Africa which means all of our issues have to be directed through the United States or Dubai; there are time differences and if you are running your 'end of day' and there is a problem with inventory, it all goes pear-shape. So personally I do not think that it was the right decision as it set us back. Instead of producing accurate results, you cannot figure out your problems. It has taken a lot of man hours to figure out the issues; it has taken a lot of money to fly professional experts out to come and figure out where the issues lie; it has taken a lot of money for consultants. We had one person just focusing on the inventory, just focusing on depletion so it has cost us a lot more money in the long run whereas if we had a local based inventory materials system like Micros as most hotels in South Africa have it would not have impacted costs. Micros has support so we would have been able to get to the bottom of it a lot quicker which means our results would have been a lot more accurate which means we would have made more money.

If they have gone for something local, it a) would have been much cheaper; b) would have been locally supported; c) just would have made a lot more sense; and d) the folks you employ in South Africa generally have the experience of those programmes so they are competent.

Hotel H's manager agreed with Hotel D's manager; it was the general manager's duty to educate the owner, and to earn his/her trust.

Owners venture into the hotel industry with limited experience. They have the funds to do so and their own opinion from what they have seen and many times they know other people in the industry that blur their minds. They need to trust their general manager and the professional team that are tasked to open the hotel. They need to empower them to do the job and to trust their vision. It is always a process of education and trust.

Hotel I's manager warned that whoever develops a hotel had to ensure that s/he was able to sustain the business until it became profitable.

Owners do not always understand the operational requirements within a hotel. There has to be a very good trust relationship between the general manager and the owner; if there is not, I think that whole project is doomed from the word go if there is no trust.

You have to ensure that there are enough financial resources; if there are not, it can be very challenging. Whoever develops, builds or purchases the hotel needs sufficient funds to set it up properly and to sustain it until it is profitable.

Hotel B's manager stated that when the owners were too involved; they would reduce the responsibility and pride from the management team and then the buy-in from the management team could be reduced.

If I look at some of the operating equipment, because I selected it, it makes me proud to have chosen it and as a general manager you want to have a 'hands on' approach to everything. If the management company or the owners are taking it away from you all the time because they are essentially more senior, it could have a negative impact on your pride and performance.

I may not own a hotel. I may not be a shareholder within the management company but in terms of this business, because I have been able to run with it and make decisions I consider it my own, I treat it as if it is my own and the same goes down the line for the HODs that opened the hotel. They were very involved in the decision-making process. They had massive decisions which they were allowed to make, in terms of equipment and practices that will stay forever and that was a massive success factor in the opening; it made them proud.

RESEARCHER'S RESPONSE

All managers named owner-involvement as a major challenge when opening a hotel. Hotel G's manager identified some major operational issues due to owner-decisions without consulting the operators such as the opening date of the hotel was moved forward by six months which negatively impacted recruitment. Considering the success factor of strategic planning, and more specifically the human resources plan, one can either assume that the owners did not know about the plan or chose to ignore it for quicker profitability, or having no confidence in the plan. Moreover, technology contracts were signed with suppliers that had not previously operated in South Africa, and the systems did not suit the local operations of the hotel. Cooper, Fletcher, Gilbert and Wanhill (1993:269) are convinced that modern management systems are essential to cut operating costs and boost income/profits. These authors note specifically:

- The control of front office administration, including reservations and accounts (computer reservation system).
- The ordering, control, storage and management of food and beverage, and budgeting for this function.
- Effective communication planning and execution with housekeeping.
- Control of energy and security systems.
- Automating of point-of-sale points, and
- A dynamic marketing system (Cooper et al., 1993:256).

This resulted in major consequences which increased costs and the workload for the operators and definitely impacted negatively the operations and financial results of the new hotel. This provided an integrated management system facilitating production, distribution and delivery of a total customer experience. Hotel E's manager stated that owners change the hotel's strategy, which results in doubt in the sales people, which impairs their performance. Hotel B's manager also mentioned that if owners did not empower the

operators to make decisions on the business they would not take pride and ownership in the hotel leading to poor performances.

Six of the ten managers said that this challenge could be resolved through a trust relationship between the owner and the general manager. The manager from Hotel D however, specifically mentioned that it was the duty of the general manager to initiate and build this relationship. Hotel H's manager stated that it was a learning process whereby the general manager educates the owner on the business needs and his/her level of involvement. Hotel F's manager said that should the owner actually completely understand his/her level of involvement, this could translate into a success factor for the hotel. It can be assumed that a general manager could only educate the owner if trust existed, thus the trust relationship is key for overcoming this challenge. From the success factors it could be assumed that a trusting relationship can only be fostered through skills and experience to yield positive results; hence the success factor of general manager-skills and experience would mitigate the challenge of owner's involvement. Alternatively, Hotel D and E's managers stated that the management company should ensure that the level of involvement from the owner/s should be stipulated in the management contract.

4.3.2   Purchasing planning (Refer to questions 2: 2.1, 2.2 and 2.3 of Appendix A)

Purchasing planning is another major challenge when opening a hotel and hotel managers should ensure that supplies arrive timeously as there may not necessarily be storage space. Also, supplies that are delivered late could result in the postponement of the opening. Hotel A's manager stated that correct purchasing planning was one of the major challenges especially when storage incurred additional costs and the risk of theft.

> *Your biggest challenge is getting the purchasing planning right. You know you have millions of Rands worth of infrastructure in a hotel to plan correctly and then you also have millions of Rands worth of FF&E* (furniture, fittings and equipment) *and operating equipment that you have to order. You cannot have all your operating equipment arrive three months prior because you do not have storage three months prior. And then if you do not know, you are going to add additional expenditure to find storage and then there is the risk of theft as well. Moreover, the warranty period starts once the product is delivered and as such a warranty on a specific product can expire when the product is still in storage.*

Hotel B's manager stated that he did not open a hotel prior to the opening date therefore he ensured that his purchasing planning was accurate.

This is a massive challenge and one of the biggest lessons to be learnt when opening hotels so that is why it would the general managers who have previously opened a hotel. We were four or five days out from opening and suppliers were saying, it is being shipped which is not something you want to hear at that point. Then the equipment lands up at the port and you hear it is waiting for clearance and customs. This is nerve wrecking and puts pressure on the employees checking the stock in, to make sure that what the order should be and what is delivered is the same. Otherwise equipment just arrives and you are so desperate that you throw it straight into the operation without counting and checking every box, every single plate or glass.

Hotel H's manager stated that his purchasing planning was disrupted by a delay in workmanship and therefore he experienced the challenges that Hotel A's manager warned against.

We had some challenges in delays in workmanship which obviously puts everything out because everything that you are buying cannot go into rooms, it cannot go into the restaurant because of delayed workmanship which opens up more doors in terms of how do you secure that stock so it does not disappear. I think this was most probably the biggest challenge.

Hotel I's manager ran out of building supplies as they incorrectly planned the stock. However, he gave a good example of how they overcame this challenge as they could not afford to postpone the opening.

We had brown marble tiles that we imported from China and they ran out. I had three stories of building where the passage ramps had concrete and not tiled floors. So, yes that is a challenge.

You have to be resourceful and innovative in overcoming these challenges. We made sure that when our guests checked in we gave them a hard hat with their name printed on it and the hotel logo as a fun gesture, and the guests loved it. It is a simple little thing and it made the world of difference and immediately it had broken the ice and also obviously our rates was adjusted accordingly.

RESEARCHER'S RESPONSE

Four of the ten managers mentioned that purchasing planning is a major challenge. Stock arrival dates have to be exact as early or late stock arrival could present problems. This is

very challenging as project progress or delays negatively impact purchasing planning. Hotel A's manager warned that early stock arrival would increase storage costs, perishability of goods, and security risks. Further, warranties could expire while the stock was in storage. Stock arriving late, on the other hand, could delay the opening date and result in revenue losses. Hotel B's manager also mentioned that if stocks arrive shortly before the hotel-opening and the receiving and installation are rushed, this could compromise quality as the checking process would not be thorough. The control of stocks and assets, from the original purchasing order to the delivery documentation, demands proper systems be in place. The use of technology to manage the financial records, budgets and reports does make the processes easier, but the risks attached require expert staffing, according to van Oudtshoorn (2005:174).

A detailed financial plan that includes purchasing planning is critical. According to Hotel J's manager, good relationships with suppliers benefits hotels during purchasing planning. Suppliers could prioritise orders, assist with storage, adhere to quality control and modify the start of warranty dates. Strong relationships with these suppliers could negate these challenges and become success factors.

4.3.3 Competition (Refer to questions 2: 2.1 and 2.2 of Appendix A)

Because all these hotels opened in Cape Town prior to the 2010 FIFA World Cup, there was suddenly a major oversupply of rooms that impacted negatively on the performance of these hotels after opening. Hotel B's manager stated that his role became far more marketing focused for a general manager.

> *In Cape Town where there is a massive oversupply of rooms after the World Cup, you have to fight for every single room so perhaps the role of the general manager like me for example, became more focused on marketing.*

Hotel E's manager believed that they would have performed far better financially if they were the only hotel that opened over that time.

> *If we were the only new hotel opening in a three year period from two years before the World Cup to one year after, we would have done twice as well in my view, even with the global recession. The fact is that we opened as probably another 1 200 to1 500 rooms opened at the same time, which resulted in forecasted revenues not materialising.*

Hotel H's manager reviewed the facilities that they intended to create and their equipment to cut costs because of the competition.

> *A major challenge was the over glut of inventory opening at the same time as well as the recession. We immediately toned down most of the luxury items in the hotel to reduce spending and we knew that we were not going to get the higher rates that the city centers dictate so it was totally unnecessary to spend on the luxuries. We had the macro climate at that time, we were going into a recession which was a huge factor so early on we had to structure rates accordingly and adjust our recruitment strategy. The environment at that time was of the nature that you had to start far smaller than anticipated. The last thing you want to do is recruit staff and then three months down the line start retrenching again.*

RESEARCHER'S RESPONSE

Shukla and Nuntsu (2005:253) note that to eliminate competition the hotel management must employ the 3E strategy:

- Entertainment different from the competitors to attract and maintain customers to the new hotel.
- Excitement in the participants which allows them to favourably remember the opening event, and
- Enterprise in the sense of experiencing something new and exciting, especially with 'out-of-the-box' planning of the event.

The number of hotels that opened between 2008 and 2010 increased the level of competition in Cape Town that was overlooked in the planning of many new hotels. This was evident as seven of the ten hotels managers identified competition as a major challenge. Hotel B's manager said that he had to become more marketing focused. Considering the success factor of a general manager's perception of his/her role, general managers who did not realise they needed to be more marketing focused would limit the success of the opening. Hotel E's manager mentioned that they did not reach their forecasted revenues as competition was not adequately assessed, while Hotel H's manager stated that they had to cut luxuries from their initial planning as they realised that the occupancy rates would not be as high as anticipated. They also changed their recruitment strategy and down-sized the number of employees to be recruited, which indicated that they probably also did not achieve their forecasted occupancies. To overcome this challenge, it would be essential to not only

asses the market conditions at the time of opening a hotel, but to also accurately assess competitors.

4.3.4 Reputation (Refer to questions 2: 2.1 and 2.2 of Appendix A)

Hotel A's manager mentioned that in the first year, tourist organisations did not send business to a new hotel as it had no reputation and they had no knowledge of the guest experience.

> *In year one, tour operators, travel agents, corporate clients, groups and convention people did not want to be guinea pigs, they did not want to use the hotel until they had seen it operating and most times do not want to use your property until they have actually experienced it themselves.*

Hotel H's manager agreed and found it very challenging not to know how the market would receive his offering.

> *I think one of the major challenges is not knowing the outlook, what the next day is going to deliver. How are people going to accept the product? How successful your product will be out there, whether you are doing things right or wrong. I think that self-doubt is the biggest challenge. Operations come to everyone as the hotel needs to operate. If you have the right tools and the right staff you will operate. However, if you do not have customers and do not know how to attract them, you create self-doubt. You doubt whether you are marketing your hotel correctly and hitting the right target market. It was very stressful for the first two months. Building a reputation I would say is very, very challenging.*

RESEARCHER'S RESPONSE

Three of the ten hotel managers identified the lack of a reputation as a major challenge. Hotel A's manager said that business influencers, such as travel agents and tour operators, would not want to risk their business relationships by sending clients to hotels that they had not experienced. Hotel H's manager further stated that not knowing how the market would receive the offering is stressful. One solution is to build a reputation by focusing on the success factors of networking and relationship management. Networking with business influencers and building positive relationships by inviting them to test the hotel's products and offerings would be key to gaining their trust, and soliciting business for the hotel.

4.3.5   Recruitment (Refer to questions 2: 2.1, 2.2 and 2.5 of Appendix B)

Due to the perceived relatively low education levels in South Africa, some hotel managers considered recruitment a major challenge. Hotel D's manager stated that, as most South Africans lived completely different lifestyles to what hotels offer and promote, they did not particularly understand the hotel industry well.

> *The culture of the people in South Africa is why should they know how to work in hotels? I mean, they live very differently, they do not get served, they do not understand our business and if you take their real culture, they do not like the service industry and do not particularly want to be in it. So there are challenges particularly because the skill level is very low.*

Hotel H's manager believed that South Africa was behind Europe in education levels when it came to the bottom line employees.

> *I think South Africa suffers from a very low education rate due to historical reasons, which hopefully will improve over the next few years. If you compare it to a European country, for example, your handyman's level of education would be superior in Europe. South Africa definitely stands out when it comes to labour force challenges.*

Hotel J's manager stated that he found the work ethic in South Africa to be poor.

> *I find that the work mentality in South Africa, I am very sorry to say, is poor, people do not want to work and that in itself is a major challenge.*

RESEARCHER'S RESPONSE

Three of the ten managers identified recruitment as a major challenge. This is mainly due to the South African workforce lack of understanding of the hospitality and service industry, attributed to low education levels, cultural differences, and a poor work ethic. South African Tourism has attempted to boost different cultures as tourism products and attractions, but to play down the different cultures when it comes to employment (Ivanovic, 2008:219). To overcome this providing the right training and understanding the nature, and implementing motivational strategies, are imperative. The selection of suitable staff, and the skills training provided by the Task Force Team or management is essential to the success of the hotel-opening event, and the economic sustainability of the hotel, after all the '… image is on the line and first impressions are created by the way your staff handle themselves' (Johnson,

2005:390). Botha (2006a:28) has noted that South Africa has '…12 different cultural groups, each with its own traditions and cultures.' She further notes that these '…cultural attitudes can be a barrier to creativity…' and that problems could arise in executing instructions which appear contrary to beliefs and a way of life. These are given by non-traditional persons or manner; meaning that a Black male would have difficulty in taking orders from a white woman (Botha, 2006a:28). The success factor of local experiences applies as understanding local cultures and customs could help to effectively manage previous hotel-opening experiences.

4.3.6 Employees with previous opening experience (Refer to questions 2: 2.1 and 2.2 of Appendix A)

'Opening experience' is a hospitality industry term which refers to the experience of the staff who had been involved with a hotel-opening in the past. Three hotel managers believed that although previous opening experience could be an advantage, it could also be a barrier. Hotel B's manager specified that it was challenging to open the hotel as he had no experience and only one employee had previous opening experience.

> *I had no opening experience and there was one team member that had. It becomes difficult when people come with ideas, you do not want to shoot them down. It becomes difficult when the person is trying to force their previous ideas or experience on you especially when you have not had the experience yourself and that may not be in line with your vision or with what you want to do. I think opening experience could work as both a negative and a positive.*

Hotel G's manager also stated that opening experience could be advantageous. However, if employees did not understand the brand, it could be challenging.

> *I think it is an advantage if you have opened a hotel before. If it is a different brand, you could face challenges because you cannot always copy what you have done somewhere else into a new hotel; it does not always work that way.*

Hotel H's manager stated that employees with previous opening experience generally did not innovate and mostly wanted to imitate what they had previously applied, which concurred with the manager of Hotel G.

> *I think sometimes the opening experience can be a very good factor and sometimes it could possibly be the opposite. Often people take along the bad and they do not*

innovate because they already know something that they have dealt with. So you want to have people with a very fresh approach and you do not want people to necessarily replicate what they have done before.

RESEARCHER'S RESPONSE

All three managers who mentioned previous opening experience as a challenge agree that it could also be an advantage. However, the major challenge is that employees with opening experience seem to believe they know better, without realising that each opening project is different, and the company/brand or general manager's vision and outlook is different. Having the right leadership qualities could overcome this challenge.

4.4 Chapter summary

Each hotel manager reported similar success factors and challenges. There were slight differences in the interpretation of the success factors and their fit into the operation; however, every hotel manager mostly agreed and reported similar success factors. Moreover, there were no disagreements in the success factors or challenges where one hotel manager completely disagreed with a specific success factor or challenge, but the only success factor that was contentious was networking, by Hotel C's manager. This was possibly due to a different interpretation of networking, as this person only perceived networking as attending social events and not in its full extent of meeting with industry professionals and business influencers exploring business opportunities and best industry practices.

One of the critical success factors referred to by all participants, under the heading of strategic planning, is the location of the new hotel. Earlier in this study an example was used of locating a beach hotel at a beach resort and planning for products/services accordingly. Location is one of the critical reasons why a hotel will succeed or fail, and Botha (2006b) has identified three functional categories which must be addressed to ensure a successful hotel-opening:

- The site: this includes the availability of raw materials, land and suppliers, seasonality, climatic conditions, the customer target market, and political and social stability.
- Accessibility: including transport infrastructure and availability of labour, and
- Infrastructure: this is the support and technical infrastructure (Botha, 2006b:47).

The success factors related to the general manager's skills and experience and perception of his/her role is similar to the success factors listed by Belassi and Icmeli Tukel (1996:144) that would apply to a project. These authors referred to the abilities and the performance of a project manager during a project that could determine either the success or failure of the project. Most interviewees reported that the general manager's ability to lead his/her team affectively would determine the success or failure of the opening of a hotel. Moreover, the general manager's perception of his/her role was discussed, and a misinterpretation of the role during the opening could negatively affect the opening. Although there were differences in the exact role of the general manager during an opening, it was critical that his/her perception was aligned with the requirements of the owners. The fact that there were differences reflected that varying situations, environments and properties (hotels) would require the general managers to adapt roles accordingly.

All hotel managers mentioned the importance of recruitment and sourcing the right employees that fit the organisation and its culture. This was in agreement with Berger and Ghei's (1995:28) statement that the quality of employees in the hotel industry determined a hotel's success or failure. Hotel G's manager stated that in South Africa we keep operating despite a lack of education or poor service as most foreigners appreciate the locals. He also mentioned that the human element was what set hotels apart.

> *South Africans are fortunate that international tourists visit and have affinity for the locals despite some incompetence. The human element is what the hotel industry is all about and that is why employees are so important.*

Hotel E's manager questioned the level of detail of the market research prior to opening a hotel and whether future competitors were also accounted for before embarking on the project. When analysing what Newell and Seabrook (2006:287) had stated on influencing factors on hotel investment decisions, it was evident that future competitors were not considered. Every hotel that opened in Cape Town between 2008 and 2010 primarily focused on the 2010 FIFA World Cup and the economy prior to 2008 which was booming. However, as Hotel D's manager stated, no one planned or had a business plan in place for a recession nor thought of the additional competitors entering the Cape Town market.

Peters (1978:15) stated that a pre-opening market study and analysis could be vital for the future success of a hotel. This was confirmed by most hotel managers who stated that location and target-market needs were the first two steps to be taken. Hotel B's manager said that the first person to be employed (after the general manager) should be the financial officer as s/he is often more analytical than a general manager, and needed to administer

licenses and permits. This also agreed with Chan (1993:156) who reported that the financial controller's duty was to take care of licenses and insurances. During hotel pre-openings in China, the chief engineer monitors the project progress and the sales and marketing manager develops the marketing plan. From a South African perspective, the general manager performs both functions, that is, s/he monitors the project progress and develops the marketing plan. This could possibly be due to the timing of employment of the chief engineer and the sales and marketing manager in South Africa. As Hotel E's manager stated, these positions should be filled early enough to be effective to achieve results from day one of opening.

Table 4.4 reflects the differences in success factors and challenges identified between corporate and private hotels, large and small hotels, and, 5-star versus 4-star hotels, and identifies similar success factors and challenges.

Table 4.4: Differences in success factors and challenges between the various hotels

	Corporate	Private	Large	Small	5 Star	4 Star
Success factors	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning	Strategic planning
	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment	Staffing and recruitment
	Time on board	Time on board	Time on board	Time on board	Time on board	Time on board
	General manager's skills and experience	General manager's skills and experience	General manager's skills and experience	General manager's skills and experience	General manager's skills and experience	General manager's skills and experience
	General manager's perception of his/her role	General manager's perception of his/her role	General manager's perception of his/her role	General manager's perception of his/her role	General manager's perception of his/her role	General manager's perception of his/her role
	Task Force Teams	Task force Teams	Task force Teams	Task force Teams	Task force Teams	Task force Teams
	Local experience	Local experience	Local experience	Local experience	Local experience	Local experience
	Networking	Networking	Networking	Networking	Networking	Networking
	Technology	Technology	Technology	Technology	Technology	Technology
	Relationship management	Relationship management	Relationship management	Relationship management	Relationship management	Relationship management
	-	Support received from sister property	-	-	Support received from sister property	Support received from sister property
Challenges	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement	Owner's involvement
	Purchasing planning	Purchasing planning	Purchasing planning	Purchasing planning	Purchasing planning	Purchasing planning
	Competition	Competition	Competition	Competition	Competition	Competition
	Reputation	Reputation	Reputation	Reputation	Reputation	Reputation
	Recruitment	Recruitment	Recruitment	-	Recruitment	Recruitment
	Opening experience	Opening experience	Opening experience	Opening experience	Opening experience	Opening experience

Source: Researcher construct

The basic principles when opening a hotel would apply to any hotel (whether large or small, corporate or private, 4 or 5 Star), and any hotel's operations deals with the daily challenges differently; even if most physical aspects of two hotels are similar, different operational

challenges will be present. The only clear difference evident from Table 4.4 was that only *two* private hotels had support from sister properties, not enjoyed by the other eight hotels, as a success factor. This was because these hotels could not service their debts and therefore their sister hotels supported them. Considering these two scenarios, the researcher would conclude that support from sister properties was not a success factor as this entailed owners' financial assistance. The other hotels all opened successfully and are currently (2014) operating successfully without assistance from sister properties; it can be assumed that their owners sustained them differently.

The researcher compiled a more detailed analysis on the success factors and challenges of the research. Table 4.5 highlights the research statistics from the interviews and indicates as a percentage the success factor or challenge mentioned by the interview-participants. Table 4.5 further breaks down the statistics into various categories of the hotel involved in the interview, where the 'total' column indicates the percentage of respondents who consider specific items/factors important. The percentage values were obtained by dividing the number of hotel executive managers/managers who voted for a particular item (success factor and/or challenge) by ten (10), the number of interviews conducted. So, for example, all ten participants noted the importance of 'local experience' of staff (10 out of 10 = 100%), whereas only 4 participants thought that 'relationship management' needed to be addressed (4 out of 10 = 40%) during the planning process of a new hotel. Some of the key success factors, such as target marketing, market planning, location and financial controls are included the in 'strategic planning' item.

The statistics contained in Table 4.5 clearly reveal which success factors and challenges are more critical than others. Any success factor and/or challenge that is identified by less than half of the executive managers/managers interviewed would be advantageous to have or implement, but probably not critical as the participants who did not mention these factors still successfully opened their hotels.

The major critical success factors that were identified and reported in Table 4.5 are:
- Strategic planning
- Staffing and recruitment
- General manager's skills and experience
- Local experience
- Networking
- Technology

Table 4.5: Research statistics

		Total	Corporate	Private	Large	Small	5 Star	4 Star
Success factors	Strategic planning	100%	100%	100%	100%	100%	100%	100%
	Staffing and recruitment	100%	100%	100%	100%	100%	100%	100%
	Time on board	50%	40%	10%	40%	10%	40%	10%
	General manager's skills and experience	100%	100%	100%	100%	100%	100%	100%
	General manager's perception of his/her role	50%	30%	20%	30%	20%	30%	20%
	Task Force Teams	40%	30%	10%	30%	10%	30%	10%
	Local experience	100%	100%	100%	100%	100%	100%	100%
	Networking	90%	50%	40%	50%	40%	70%	20%
	Technology	100%	100%	100%	100%	100%	100%	100%
	Relationship management	40%	30%	10%	30%	10%	20%	20%
	Support received from sister property	20%	0%	20%	10%	10%	10%	10%
Challenges	Owner involvement	100%	100%	100%	100%	100%	100%	100%
	Purchasing planning	40%	20%	20%	20%	20%	30%	10%
	Competition	70%	50%	20%	50%	20%	50%	20%
	Reputation	30%	20%	10%	20%	10%	20%	10%
	Recruitment	30%	10%	20%	30%	0%	10%	20%
	Opening experience	30%	20%	10%	20%	10%	20%	10%

Source: Researcher construct

These six critical success factors were key during all hotel-openings and as such can reasonably be assumed applicable during all hotel-openings, and have been discussed in various sections of this study. The other factors were secondary success factors as they were only applicable in specific situations and dependent on other variables. The secondary success factors were therefore advantageous but not critical. These are:

- Time on board
- General manager's perception of his/her role
- Task Force Teams
- Relationship management.

Considering 'time on board', when the general manager was employed is dependent on various aspects such as the knowledge and skills of the owner, the involvement of a highly experienced management company that opens hotels frequently, or the employment of a Task Force Team. The general manager's perception of his/her role should be defined by his superiors, that is, the owners or management company should provide clear guidance and direction on his/her role. This indicated that this success factor could very easily be implemented through the 'right' leadership from the general manager's superiors. Some hotel executive managers/managers did not see this as a specific success factor but rather a given

or norm as all general managers know what is expected of them. Hotel C's manager mentioned that Task Force Teams were beneficial for highly standardised properties or, according to Hotel E's manager, were dependent on the experience of the general manager. Thus, Task Force Teams' successful usage was dependent on these circumstances and would not work or be required during all operations. If the general manager's leadership abilities were strong, the heads of department should enjoy good relationships, for example, Hotel B's manager had a team building exercise prior to the hotel-opening which enhanced the HoDs relationship with one another, and helped them better understand each other's culture. This again was seen by some participants as a given and therefore they did not specify it as a particular success factor. Overall, all the secondary success factors were not necessary for all hotel-openings and would be dependent on circumstances specific to an individual hotel-opening; thus could be seen as more advantageous to be aware of when opening a new hotel.

Considering challenges, owner-involvement was the primary challenge when opening a hotel and all managers stated that this was their biggest challenge. The owner(s) invested capital and therefore wanted to be involved to protect their investment. Overcoming this challenge depended on fostering a trust relationship with the owner and educating him/her on the needs of the business, and their level of involvement, and could only be accomplished through having a positive and strong working relationship with the owner(s).

Increased competition was also presented as a major challenge, identified by 70% of the hotel managers; however, this was probably more applicable to hotels in Cape Town as there was an oversupply of rooms at that time. This could be avoided through preparing an in-depth feasibility study at the time of selecting a location and pre-planning the project. The feasibility and ROI (return on investment) calculations could forecast the anticipated competition coming into the hospitality market, and match this to the current and future demand forecasts. A manager could avoid this challenge through ensuring product-differentiation, to stand out from competitors.

Purchasing planning could be a challenge for most hotels but was depended on whether the hotel purchased the stock, or stock was purchased centrally by a management company. This challenge could be managed with sufficient and secure storage space or through positive working relationships with suppliers, hence this is dependent on circumstances and not applicable during all hotel-openings. A new hotel generally has no reputation but some major hotel brands could rely on their brand awareness; when opening a new hotel a good reputation is already established in the market and as such would provide the newly opened

hotel with a strong 'foot' in the market. Reputation may be a challenge but not during all hotel opening.

Recruitment presented a challenge in South Africa due to low education levels, cultural differences, and poor work ethics. This should improve over time as the younger generations are more education-focused and have better education opportunities. Previous opening-experience was a minor challenge only experienced by few hotels, but this challenge could easily be managed through good leadership.

Overall, all the challenges could be overcome, controlled, or even eliminated by focusing on the critical success factors and ensuring that they are executed. The success factors are key for successful and prosperous hotel openings and act as a clear guideline for practitioners to follow when opening a new hotel. The statistics in Table 4.5 further highlight that there are no real differences in the success factors and/or challenges between the various categories or style of management of hotels that opened during the 2008 to 2010 period, and is perhaps due to the relatively small sample size.

4.5   Chapter conclusion

The present study identified the success factors and challenges aligned with objectives of a hotel opening. Although the study has identified some limitations in the literature and management experience in opening hotels, the research is reliable and replicable. This is mainly attributed to the methodology applied and the study is predominantly based on the various practitioners' experiences and opinions.

The study is limited in scope as it only focused on the 2008 to 2010 pre-World Cup Cape Town hotel openings; a larger scope could possibly generate other insights. The study is also limited in sample size (10 hotels) as a result of the scope. A larger sample size of a greater variety of hotels could also possibly generate other insights. The study is limited in geographic location as only hotel openings in Cape Town were investigated but the insights generated could possibly be applied to the rest of South Africa. However other geographic locations could have produced different success factors and challenges.

Moreover, the researcher only interviewed hotel executive managers/managers who successfully opened their Cape Town hotels. Hotel managers who were unsuccessful in their openings would have added other insights into the challenges of hotel openings. It is assumed that the responses are truthful, however, the fact that all interviewees were more inclined to talk about their success factors rather than elaborate on their challenges could

indicate their reluctance to detail the various challenges which could reflect negatively on them.

CHAPTER **FIVE**

CONCLUSIONS AND RECOMMENDATIONS

5.1   Introduction

The study successfully identified the success factors critical to opening a hotel, which are fully discussed in Section 4.2 of Chapter Four. The success factors identified could almost entirely relate to the performance of the general manager and to a lesser extent to his/her superiors. Strategic planning is critical at all levels, however staffing and recruitment, the general manager's skills and experience, local experience and networking have to be driven by the general manager. Technology, on the other hand, may be dependent on the usage of consultants, advice of team members, and personal experiences of the general manager. All the critical success factors depended on situational variables and, in many cases, are an advantage, but not always essential, for a successful hotel-opening.

The study further identifies the major challenges experienced when opening a hotel and that these challenges could be managed or even eliminated by having the success factors in place. The study also reveals that there are similarities in the success factors and challenges in corporate compared to private, or large compared to small, hotels, such that it would appear that it is not necessary to distinguish in too much detail between these groupings. It would therefore appear that study objectives three and four (the differences between private and corporate, and small and large hotels) need not be considered in too much detail. This is mainly due to the fact that the basic requirements or outputs for opening a hotel are constant irrespective of the hotel ownership or size.

The objectives of the research are thus successfully met and solutions to the research problem identified in Section 1.2 have been provided.

5.2   Summary of the study

The study investigated the critical success factors when opening hotels in Cape Town prior to the FIFA Soccer World Cup in 2010. It also investigated the possible challenges experienced during the same opening-period of the hotel's life cycle (a hotel's life cycle discusses the exploration [the initiation], involvement [planning], development [construction], consolidation [operational], stagnation [no further growth], decline, or rejuvenation stages) according to Bennett and Strydom (2005:15). Further, the study assesses whether there are significant differences between the critical success factors and the challenges experienced in

corporately-owned and private hotels, and large and small establishments, and the conclusion can be drawn that there are no significant differences.

The research evaluated South African tourism statistics for the period 2008 to 2010, and considered the effect of some major sporting events, as well as the recession, on these statistics. The literature reviewed further assessed feasibility studies, market analysis, the role of technology in a hotel, success factors during the project (hotel-opening), hotel investment decisions, as well as the role of owners/developers and entrepreneurs in starting new business ventures. These criteria all provide insights into what factors could influence hotel-opening decisions and hotel opening operations-management.

The research approach is inductive and the purpose explorative, thus it is a qualitative study. Data was obtained by interviewing hotel executive managers/managers of 4- and 5 star hotels that opened during the 2008 to 2010 pre-FIFA Soccer event in Cape Town. The research posed open-ended questions to enable the participants to discuss openly, and offer their experience and considered views, on the hotel-opening events. The literature reviewed provided guidance in developing the interview questions, which results were coded, compared, and analysed, and the critical success factors for opening new hotels, as well as other factors or advantages that could be encountered and applied when opening a hotel, are identified. Further, the major challenges experienced during the hotel openings are also identified, and the findings reveal no significant differences between corporately owned and private hotels, nor between large and small institutions; thus the study objectives were addressed. The role of technology and the influence of South African culture on the accommodation industry, especially the opening of new hotels, are also addressed and found to exercise considerable influence on the hotel establishment, especially the role of technology; thus objectives five and six were also addressed.

An interest for conducting this research was developed during the time when many new hotel-openings were announced prior to the 2010 FIFA event and there was considerable media coverage around the number of tourists and football supporters who would come to South Africa in the future, both prior and post the FIFA World Cup event. The announcements of new hotel developments were made before the advent of the 2008 world recession, which presented a major challenge to these developments. As the researcher knew that the sample size of the study would be small it was always planned to conduct qualitative research through one-on-one interviews, which ensured that the research was very specific to hotels that opened in Cape Town during the study period of 2008 to 2010. As just mentioned, when the research commenced there was no anticipation of a recession, and therefore it was expected of the results to place much emphasis on success factors, with

probably a somewhat optimistic outlook of more hotels to come in succeeding years. This was not the case, and as mentioned by many participants, the new hotel market in Cape Town is currently, and since post-2010, very saturated. The major challenge of owner-involvement would probably have been less of an issue had the economy been stronger, however, due to the recession owners possibly felt more responsible to take ownership of their investments in an attempt to secure the hotel's success.

5.3   Study conclusions

Reflecting on the entire study, the researcher learned a great deal from conducting this research. These key factors include the lack of management's involvement at the feasibility- and market analysis stages; how the market could create a false sense of performance through key events, and how unpredictable the customer-market can be; that there are no significant differences in success factors or challenges between the size and ownership of new hotels, nor the star grading of these hotels, and that the external factors can influence the hotel-opening, irrespective of the implementation of the identified success factors.

The lack of the hotel manager's involvement at the feasibility- and market analysis stages, is probably understandable, as the project is still undecided being part of the research stage. There should, however, be an experienced hotel operator involved who forms part of the consulting team. In the literature reviewed the researcher considered feasibility studies, and their effectiveness and accuracy would greatly depend on who is conducting them. An experienced hotelier will be able to appropriately link the type of hotel, its products and service offerings, to the prospective location and available current, as well as future, accommodation market, which should enable the projection of future revenues to be more accurate. Also, the fact that no hotel executive manager/manager who was interviewed was part of this stage of the planning, before the investment decision is made, contributed to the information and research on success factors and challenges during the feasibility- and market analysis stages.

The South African tourism market, and the market statistics during 2009, offered investors a false sense of the accommodation market as, although in a recession, the tourism statistics are still largely positive. This is mainly attributed to the British and Irish Lions Rugby tour, the Indian Premier League Cricket pageant, and the FIFA Confederations Cup Soccer event, that all came to South Africa, and Cape Town, during 2009. These positive statistics, in all probability, told investors that the recession would not have an impact on South African inbound and internal tourism, which ultimately could have led to skewed revenue projections for the next five years (to 2017). Furthermore, were the investors who planned and embarked

on their hotel projects prior to 2009, perhaps just after the FIFA Cup announcement in 2004, prepared for a recession in 2008/9? Were they also prepared for the number of new competitors entering the market all at the same time, and did they consider thoroughly beyond 2010? These questions merely point out that the market can be exceptionally unpredictable and, as such, future predictions are exceptionally hard to make accurately.

The study could also have considered these questions the other way around, did certain investors perhaps consider these challenges and not proceed with the investment, or could they have missed on the investment opportunity? These thoughts relate back to the characteristics of an entrepreneur, where there should be an element of risk-taking involved. This will most probably produce a completely different perspective on planned hotel openings and what they believe are success factors and challenges.

The study identified that there are no significant differences between the success factors and challenges relating to the size, ownership and star grading of hotels, thus the last two of the study objectives are addressed. The fact that there are no significant differences between these categories could be because the sample size is too small, or the products/services offered are too closely identified. The hotel sizes are categorized according to a South African perspective, however, should the study have considered the size-variable from a USA, European of Middle-East view where small hotels are considered to have 200+ rooms, and large establishments 1 500+ rooms, then there might have been other differences in the critical success factors and challenges. Even 4- and 5 star hotels are similar in product and service offerings, thus should the study have considered 1- and 2 star hotels to 4- and 5 star establishments, there might have been more significant differences. Ownership is perhaps the only criteria that could not have been any different, as the hotel executive managers/managers interviewed were from both private and corporate owned establishments. This could again be confirmed should future research be done in this field.

The biggest impact was probably that external influences can impact on the success of the hotel openings, irrespective of having all the success factors in place. The state of the economy is probably the biggest external contributor that can impact on the customer market, irrespective of in how much detail the market analysis is done. Suppliers, and their financial strength, can impact on the arrival of stock and equipment, and nature plays a role in whether people will be attracted to the hotel's location, for example, an event like an earthquake, hurricane or tsunami can affect the tourism accommodation statistics. However, so can, as we saw in 2009 in South Africa, major sporting events contribute positively to tourist arrival numbers. There are seldom solutions to these external challenges, especially

considering their unpredictability, however, the hotel can have contingency plans in place to troubleshoot and deal with these influences as and when they occur.

The same can be said of technology and cultural influences, which are considered in Sections 2.3 and 2.4, and thus address another of the research objectives. The success factors identified should benefit future hotel openings in that they present guidelines of what factors should be in place to provide the best possible chances of opening the new hotel successfully. These will mostly be applicable to investors/owners or a management company in that they have much to do with the abilities of the general manager, and as such depend on the person responsible for employing him/her. The other success factors that do not relate to the general manager's abilities can be used to guide him/her in the role, and could be used to set objectives and goals to be achieved. The challenges identified are predominantly applicable to the general manager as stumbling blocks to avoid before and during the new hotel's opening.

5.4   Recommendations for further research

Further research focusing on hotel openings in other countries can be initiated and the results can be compared to the findings of this study. It would be interesting to determine whether the same success factors and challenges occur in different cities and countries under different scenarios.

The study could be more quantitative by capturing a larger sample, which should better identify whether there are differences in success factors or challenges in corporate, private, large and small hotels.

Moreover, each success factor can be researched independently and defined in greater detail, then prioritised in order of importance. In particular, the success factor for planning should be explored in more detail as it has major components comprising the business-, financial-, marketing-, human resources- and operational plans. These plans can definitely be more accurately defined. Future research should be conducted into the success factors of accurate feasibility studies and market analysis of hotel developments, where investors/owners are interviewed instead of executive managers/managers.

This study lays the foundations to further explore the relationship of the success factors and the challenges. This will determine whether the challenges will be eliminated with increased focus on the success factors, enhanced, or whether new challenges will appear when the success factors are ignored.

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Primary Question:

1. In your opinion, what are critical success factors when opening a new hotel?

Secondary Questions:

1.1. Why do you say these are critical success factors?

1.2. Do you believe that the General Manager's skills and experience is a critical success factor?

1.3. Does a General Manager's role in a hotel opening vary from hotel to hotel?

1.4. Do you think his perception of his role could impact on the opening's success or failure?

1.5. How can the team members contribute to the successful opening of a new hotel?

1.6. What skills and experience do you believe they need to be able to do this successfully?

1.7. Do you believe that task force teams are necessary and could be a critical success factor?

1.8. Do you believe the hotel operates successfully now due to the critical success factors during the opening?

1.9. How do you believe Technology impacts on critical success factors?

1.10. Do you believe international experience in different cultures and working environments by the General Manager, Heads of departments or even team members is a success factor.

1.11. Do you believe that local experience to know the culture from a SA point of view is a critical success factor?

1.12. How do you believe networking can impact on the success of the opening?

1.13. Do you believe that relationship management is a critical success factor?

Primary Question:

2. What do you consider to be the major challenges one is likely to face when opening a new hotel?

Secondary Questions:

2.1. Why do you consider these challenges?

2.2. How do you believe one can overcome these challenges?

2.3. Do you believe that availability of supplies/stock is a challenge?

2.4. Do you believe top management i.e. the owners' or executives' involvement or lack thereof could be a challenge and why?

2.5. Do you believe a lack of skills in team members could be a challenge?

From: Aldert van Zyl
Sent: Thursday, December 22, 2011 8:55 PM
Subject: Interview request for Master's research

Dear Mr. xxxxx,

I am a Master's (Business Administration) student at the Cape Peninsula University of Technology and am currently writing my final dissertation on "Hotel Openings in Cape Town from 2008 to 2010: Critical Success Factors and Challenges".
For this purpose, I need to interview Executive Managers who opened hotels in Cape Town over the period in question and I would be most grateful if you were happy to participate in my research as an interviewee.

I currently reside in Dubai; however, I will travel to Cape Town specifically to conduct the interviews. I would obviously contact you well in advance to arrange a time suitable to your busy schedule.
In the meantime, I need to obtain ethical clearance to proceed with the dissertation from my university, for which I need to submit a signed consent form for each interviewee. If you are happy to participate in my research, could I kindly ask you to sign the attached letter and return it to me by email? Your participation and assistance would be greatly appreciated.

I would also like to point out that the contents of the one-hour interview will be confidential and your name (not the hotel's name) will not be mentioned in the dissertation. Moreover, the information provided by you will solely be used for the purpose of the research and will not be shared with anyone other than the faculty members assessing the dissertation (who are naturally also bound by confidentiality). Lastly, you can withdraw your commitment to participate in the research at any time, if you wish.

Many thanks, in advance, for your help.

Kind regards,

Aldert van Zyl

Cape Peninsula
University of Technology

Consent Form

I ▮▮▮▮▮▮▮▮▮▮▮▮▮ (name and surname) hereby agree to take part in this research about critical success factors and challenges of hotel openings.

- I consent to take part in the research by participating in a one hour interview with the researcher (Aldert van Zyl).
- I am aware that the interview will be recorded for further analysis.
- I am aware that participation is voluntary and that I can withdraw at any time.
- I am aware that the data gathered is confidential and that no person or organisation will be named in the research.

_____
Signature of participant

20/n/12/23
Date

Cape Peninsula
University of Technology

Consent Form

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_____
Signature of participant

23.12.2011
Date

![Cape Peninsula University of Technology]

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_____
Signature of participant

05|01|2012.
Date

![Cape Peninsula University of Technology]

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_____
Signature of participant

3rd January
Date

**Cape Peninsula
University of Technology**

Consent Form

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_____
Signature of participant

_____ 27/12/2011
Date

**Cape Peninsula
University of Technology**

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_____
Signature of participant

_____ 05/06/2012
Date

Cape Peninsula
University of Technology

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_____   12|6|12
Signature of participant   Date

Cape Peninsula
University of Technology

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_____   11.06.2012
Signature of participant   Date

![Cape Peninsula University of Technology]

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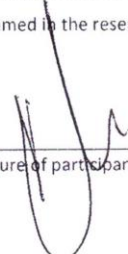
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Signature of participant

11/06/2012.
Date

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_____
Signature of participant

5 June 2012
Date