

NEAR EAST UNIVERSITY



DEPARTMENT OF  
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BA

PALM BEACH HOTEL

Referance }

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## PREFACE

This project describes what business planning and how strategic management is carried out in business firms as palm beach hotel and other types of organizations .

The point of view expressed in this project is that the most successful business firms over the long term are those that are preoccupied with finding the right customers and then serving the needs of these customers well .

The primary task of strategic management is to help business firms select and make the best use of their resources in a dynamic environment .

Every research , study or project should have a central theme of some kind that runs throughout the project and helps to pull together many diverse activities into a meaningful whole . The central theme of this project is " Strategic management " which is essential and have much more greater importance in recent years because of the continuously changing factors in the external environment .

Palm beach hotel is one of the interesting business firms that needs analyzing and examining its activities . We see to what extent the business applies strategic management and various business policy concept , the project has been

organized in a way to simplify following up the flow of ideas of this study and its central objectives .

In this study , I have attempted to clasify all the information related to hotel , by doing this , I could easily reach to my aims of overcoming any possible problem facing the hotel , in addition , I shall be able to plan for short term and long term development , expansion of operation and mostly important maximizing our hotel's value and may be some how we could be one of the very famous and productive organization in the world .

## PERFACE

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## Organization of the study

This study is organized around the main departments of palm beach hotel , due to their importance in highlighting how activities are run , evaluated and controlled in the organization . To work on more realistic form of diagnosis and analysis of the case , we found out that the best thing to do is organizing this case as the following :

Part One ; Examines the historical background structure difficulties , diagnosis and analysis in addition to strategic solutions and alternative .

Part Two ; Examines the human resource department and it's related strategic plans .

Part Three ; Explains the marketing process and the identification of marketing strategies objectives .

Part Four ; The benefits and strategies plans for information technology department .

Part Five ; is devoted to coordination department , its reasons , objectives and structure .

Part Six ; Examines the importance of maintenance department programs and control responsibilities .

Part Seven ; Analysis the purpose of quality control on

services , food and technical matters .

Part Eight ; Examines the financial analysis and strategic plans through interpretation of the findings .

Part Nine ; Explains and examines the importance , structure of overseas department .

Part Ten ; The importance of research and development in the hotel , and

Part Eleven ; Introduce the facilities offered of palm beach hotel and finally part twelve will give a summary about all previous discussions and analysis and conclusion .

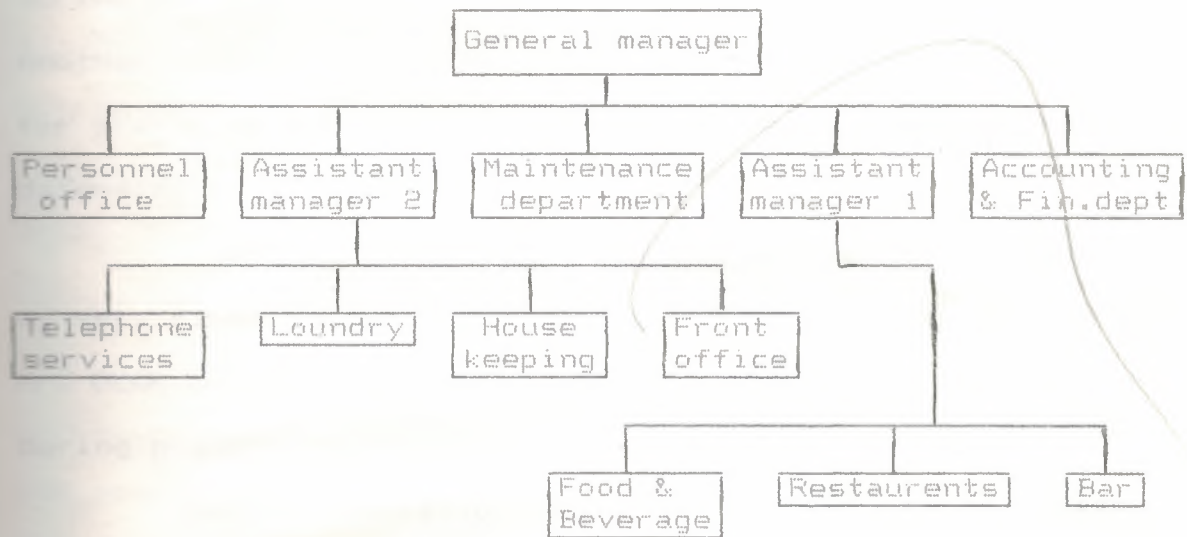
## Methods used in this Study

During the course of preparing this study , we implemented methods such as :

- Secondary data analysis .
- Prediction , Planning and evaluation .
- Risk and return measurement .
- Forecasting techniques .
- Other strategic management concerns .

These methods were chosen Primarily to help us in reaching better decision and measure up every single activity carried .

THE ORGANIZATIONAL CHART OF THE PALM BEACH HOTEL



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Deep appreciation is also devoted to my family specially for my mother and my brother Mr. NADEEM TAHIR for all their love and support while this study was being prepared and revised .

Finally , I would like to dedicate this study to all above mentioned persons .

## INTRODUCTION :

### Historical Background of Palm Beach Hotel

The 5 star Palm Beach Hotel , was originally called Konstantia , built in 1945 located at the south eastern edge of North Cyprus . In addition of being a member of Voyager Hotels chain it has also an interesting feature which comes from the fact that its manager is also the manager of Voyager hotels in North Cyprus .

After the Turkish peace operation in July 1974 , the hotel was the first place to be used as a training and education center for hosteries and Tourism students under the management of OTEM (school for goteliers and tourism) served four years to it's customers .

In 1978 , the hotel was rented by a German named Herr . Schaefer who changed the name of Konstantina hotel to Palm Beach Hotel . At that time , casinos and discotheque of palm beach have been opened to the services of the customers and gamblers .

In year 1988 , the hotel was bought by the swiftly expanding polly peck international (PPI) that opened the gate of investment for wide reaching operation and new additions to the existing complex .

After its purchase by Voyager Hotels group , Balm

Peach Hotel the most comprehensive repairs , construction and modification since it's existence . The most construction and modification that were added are as follows :

A new gymnastics salons with modern exercise equipment , a Turkish bath , swimming pool , quay , two tennis courts , sewage treatment complex , car park and garden park . Besides these new additions , extensive repairs of rooms , lobby , restaurants and casino was affected . Technical improvements automatic electrical energy generator for prevention of frequent power failures , central air conditioning system , satellite receiver , close circuit video and audio system , modern telephone system and other such as portal , painting facilities , and furniture .

Today , the palm beach hotel is under the management of Mr. Turker Vehbi who is also general manager of Voyager hotels in north Cyprus .

#### Organization Structure of Palm Beach hotel :

The organizational structure of the hotel is another simple one . Reporting to the general managers . The first one is directing the food and beverage department , the restaurant department and bars . Of course each one of

these three departments or offices has its own supervisor . The second assistant manager is responsible for directing the front office , the house keeping office . Also , each one of these offices has its own supervisor .

In addition to these two assistant manager , there are two separate departments which their directors report directly to the general manager . These are the accounting and finance department and the maintenance department .

Finally , also reporting directly to the general manager , is the head of the personnel office . In other words , the hotel has a separate office for personnel , rather than a department . This office employs 4 people and acts as a service office . It performs most of the activities of the human resource department hand in hand with the general manager and the heads of other departments .

#### Strategic Difficulties Facing Palm Beach Hotel

In this part , I will mainly emphasize on such undesired effects , diagnose and analyze them properly to be able to find proper strategic solutions and decide on plans for the organization's future .

#### Diagnosis and Analysis :

For simplicity I am going to handle each department of the hotel separately and then combine them all under one difficult system to over view the organization as whole .

First ; starting with the management of the hotel , that should be organized to have more efficient management and specialization of the levels of the key people in his / her own field .

Second ; the personnel department of the hotel has no proper procedure of selection , recruitment , compensation , and evaluation which will affect the productivity negatively .

Third ; marketing department functions only on primary basis rather than providing the experties of the hotel are coordinated in order to satisfy these wants .

Fourth ; Quality control techniques are not adapted within the hotel , which decreases the productivity and affect the profitability of the hotel significantly .

Finally ; The financial department and , it is important to mention here that the hotel operates on a profitable

financial basis , so the expected contribution of our future plans for improving our company's present situation will be highly interrelated with our financial position , the financial resources we have on hand , and the comings from our Israeli partner would be used to implement our plans and as a result the financial position of our hotel will be much better than the current one .

The following part will include all of our future strategic plans and objectives which are to be used as solutions and alternatives for the current position of the hotel and its expected improved position in future both in short run and long run periods .

#### Strategic Solutions and Alternatives :

Organizational effectiveness perceived here is concerned with how the hotel may perform effectively and grow to the desired level . Such effectiveness includes components such as profitability , growth , resource acquisition , adaptability , and employee satisfaction . These components would be achieved as long as our strategic plans concerning the various functions areas of the hotel are efficiently determined and activated .

Our functional strategies will be based on the following :

1. Support for Business Goals by introducing the information technology especially managing by wire and other types of information technology which will be explained in detail in our information technology department .

2. Technical support in the form of providing leadership and employees in attaining advantage for the hotel through the use of technology . This will be explained in detail in the maintenance , coordination departments as well as by the assistant managers .

3. Organizational considerations : In the form of flexibility and responsiveness as well as focusing on sensing and responding rapidly to changing customer needs .

4. Financial matters : including the range of opportunities and optimizing results during the strategy development process .

5. Personnel considerations : Since strong technical people develop solid technical strategies and advanced technical strategies attract strong people our task is to relate the strategy to action plans to provide some necessary conditions for making major productivity improvements .

## Strategic Plans :

As management of the Palm Beach Hotel , we must know the answers to who , what , when , where , why , and how for applying planning activity in order to control implementation of the plan and monitor deviations from it . So far the resource items of our plan consists of money , equipment , people , space , technology and administrative actions .

1. Expanding our operations internationally , starting from Israel we made a contract with a famous Israeli man whose name is Shhloumo to buy a part of our shares in the hotel , combined with establishing a night club in deep Karpaz with professional girls organizing that club and guiding the tourists to the most historical places in North Cyprus .

2. Maintaining 8% return on investment .

3. Establishing a coordination department going hand in hand with the information technology department .

4. Introducing new technology if needed .

In addition to our strategic solutions and alternatives stated previously . Each plan will be discussed in it's related department . Starting with the organization

structure which is necessary for the effective operation of human enterprise . Our organizational structure implies the concept of levels of management and span of control in which it implies differences in responsibilities and degree of authority by distinguishing the characteristics of data and information utilized . At lower levels in the hotel , data and information are applied and strategically . So that first line managers are responsible for the hotel activities on a day to day basis , while higher level of management maintain a longer term perspective (For several years or the next decade) .

Simple example of organizational structure is as following :

	<u>Operational Control</u>	<u>Technical Control</u>	<u>Strategic Planning</u>
<b>Structured</b>	Air control  Inventory control	Budget analysis  Short term forecasting	Hotel location
<b>Semi structured</b>	Production scheduling  Cash management	Variance analysis  Budget preparation	Acquisitions  New product planning
<b>Unconstructed</b>	Pert/Cost system	Sales & production	R & D planning

## Human Resource Department :

Currently , Palm Beach Hotel has 180 employees , which only 22 of them on a part time basis .

The human resource department has its resources of supply . These resources are tourism schools , university students who usually train in the hotel and previous employees who left their job .

The recruitment process aims at location and finding those possible employees by the organization of which there are basically three main ways or channels of recruitment . These are employee referrals , walking and local advertising in addition to government offices and tourism schools in Turkey that are seldomely used .

## Human Resource Planning :

Depends on three main inputs , the human resource planning , job analysis and the recruits available . Selection in a process .

The selection is based mainly on a special interview with the applicant . Management justifies this by the size of the labor market and by claiming that this method is less costly for the hotel .

The orientation programs provided by the human

resource department are necessary for new employees to achieve many purposes , for the aim of familiarizing the new employee with the organization , its objectives , its strategies , its procedures and regulations .

#### Compensation Programs :

Orientation provided for new employees is when they are selected .

Two types of training are used . The first one is on the job training , take the form of job instruction training , job rotation . Second type , which is off the job training takes the form of special training programs that are designed by the Turkish Chain Tourism Companies . Employees from the Palm Beach Hotel are sent to Turkey .

Placement activities organization take many forms such as promotions , demotions , transfers , and separation . The policy used is to promote from within , and promotions are not based on seniority alone , high ability for achievement , positive attitude , showing self development such as mastering new language .

Breaks the rules and regulations a special note is placed in his file for at least one year and if the employee accumulates a certain number of notes in his file , he is separated .

The evaluation methods applied at the hotel can be described as simple in nature , based on close control performed by supervisors over the work of employees .

This method could be highly subjective . On the other hand , the human resource department distributes special performance questions dealing with the performance and behavior of employee in the hotel .

The compensation facilities such as salaries , overtime payments , social services and other facilities that are offered for employees equal to other organizations

Salaries of the hotel are generally decided through negotiations between management and the trade unions and an amount of 10% of net income of the hotel is distributed to the employees depending on the type of job they perform that considered to be a type of monetary incentives for employees

#### Human Resource Strategic Plans :

1. Start using part time employment in a larger scale . This could lead to decreasing the cost of operations and saving some income especially since the tourism season is short .
2. Recruitment channels can be expanded so that more qualified recruits are available which makes it easier for a better selection process to take place , based on a more

systematic manner rather than on just an interview which may lead to subjective selections .

3. Orientation programs should be introduced so that employees get to understand their job more and get to have a better idea about the hotels regulations policies and environment .

4. The evaluation process used must be improved , so as to get a better idea about the performance of employees in the hotel .

5. Both the compensation system and the reward system could use some improvements that can be achieved by balancing the demands of employees with the cost considerations management so as to achieve a better employee satisfaction is a real sense .

## Marketing Department :

The problems of marketing in hotels are some what different from the problems of traditional product marketing existed in the characteristics of hotels and specific tourism supply and demand in addition to the mixture of several products and services . Our marketing strategic plan first to offer several components such as transportation , loading , food and beverage , attraction and other activities components marketed directly to tourists or combined with packages in which they are offered as one vacation .

As a management of palm beach hotel , we decided to build a marketing planning process .

### Marketing Planning Process :

Analyzing of the interaction of five factors , product , market , competition , overall development of objectives of the hotel and the external forces within which the hotel operates in .

### Identification of marketing objectives :

Concerning legal environment , political factors , culture levels , economic and tourism purposes .

### Target Market Selection :

Segments will be defined in demographic , product , service related , psycho graphic , or geographic terms taking into consideration the size of the market in north cyprus , combined with the number of tourist , tourist nights , and tourists expenditures .

### Marketing Mix :

The marketing mix is comprised of four elements , product , price , promotion and distribution .

Our product policy consists of offering different parts of products and services from transportation and loading to sightseeing to contribute to the entire growth of the hotel .

### Pricing :

Pricing strategy is influenced by our competitors , if our offerings are essentially the same as those of our competitors . But since our strategies are developed , our pricing policy will depend on the needs of market segments that is served i.e. tourists needs will be perceived well so that they are willing to pay higher prices for a better service .



#### Communication and Distribution :

We mean by promotion here is communication since we are suppliers of tourism product so our task is to communicate our message to the potential tourist so that the tourists will continue to purchase the brand being promoted. On the other hand, our objectives are so obvious, that will start by exposing the message to a specific number of members of the target market within a specific time period. At the intention stage, the objective will be oriented toward increasing purchases.

#### Promotional mix :

By the time being, since the characteristics of the market depend mostly on the type of product, the amount of funds available. So as a hotel promotional efforts will be directed to the potential tourists as well as to the travel trade intermediaries including the media in which it will be discussed in details in the management information systems department. On the other hand sales workshops are very important to the travel trade, and advertising is important to the potential tourists that will be discussed in more details in our coordination departments.

Promotional activities and communications channels are listed below for potential customs and travel trade.

For potential customers , central media advertising (press , television , radio , cinema) , outdoor advertising , direct mail distribution of catalogs , showing of travel films about Cyprus , will be directed and made , while welcoming , reception services , local travel information service , visitors surveys and visitors assistances will be offered to our customers .

## Information Technology Department

The central management has considered a strategy that we call managing by wire that is the capacity to run a business by managing informational representation . Management by wire capability augments , instead of automating , a manager's function .

In our hotel , the model of how we do things around here often resides in the minds of a few people . Under these conditions , senior managers have to sacrifice some flexibility and delegate the technical design to information technology professionals by representing enough of the business in software to manage by wire .

### Information Technology Strategic Plans :

1. Strategic and competitive issues (long range) :
  - a. To develop information technology to support the hotels strategic goals and objectives .
  - b. Provide leadership in the use of technology to attain advantage of the firm .
  - c. Take the lead in educating the management team on the opportunities and the problems surrounding technology introduction .
  - d. Ensure realism in long term expectations .

2. Planning and implementation concerns (intermediate range) :

- a. Develop plans in support of the hotel's goals and objectives .
- b. Provide effective communication channels so that plans and variances to them are widely understood .
- c. Co-operation between the information technology department and it's clients during planning and implementation .
- d. Maintain a realistic perspective within the organization regarding intermediate term expectations

3. Operational issues (short term) :

- a. Providing customer services with high reliability and availability .
- b. Deliver service of all kinds on schedule and within planned costs .
- c. Reported to usual customer demands and to emergencies and maintain a management process that aligns operational expectations of users with information technology capabilities .

4. Business Issues :

- a. Improve the productivity of the hotel .

b. Attract and retain highly skilled people .

c. Practice good people management skills .

5. Financial matters to satisfy the financial ground rules of the hotel by performing all financial analysis ranging from inventory , accounts receivable to budget preparations and analysis .

6. Personnel matters to address attrition , hiring , training and retraining , summation of their salaries , wages , benefit and training costs in addition to other consideration .

The central management of palm beach hotel use software to issue instruction and advice to divisions managers . Each morning , local managers project sales for the day enter information into a personal computer .

On the other hand , there are few fundamental principles that define palm beach business concept . A conviction that quality must be centrally controlled , and a dedication to knowledge sharing between central management and division manager , the hotel intergrates all of its information in one database and has one set of guidelines about how things are done . Because this vision is so

clearly and the hotel's business is relatively well defined and stable , top management has an informational representations in palm beach division , and agent .

We are planning to develop a second generation of software , called the Radial Operations Intelligence system for inventory control , scheduling daily activities , interviewing and hiring , repair and maintenance , financial reporting , lease management , and e-mail purposes .

To provide our tourists a well-defined view about North Cyprus in general , and palm beach hotel and its agents in specific , the central management of palm beach hotel is planning to offer in our expansion stage the video tax system that allow two-way communications on a television screen are in different stages of development , this system will be called prestel .

Prestel is combined television with the telephone and allows a subscriber to call up required information on the telephone and have it displayed in the television screen This system is available 24 hours a day without busy signal and that information stored in the computer can be continuously updated .

Such a system can also cost less for agents who are spending increasing time and money on telephone calls to suppliers . Now our agents will be able to beam their

message directly to the consumer who will be able to make a choice , book a tour , and pay for it in his or her own home .

## Coordination Department

### Reasons for Establishment :

Based on our strategic plans , we had to reconsider the market we are operating within . For our business value and market share to increase , we have decided to open a coordination department that will operate directly through information system department and marketing department through establishing agents the world . Now our aim is to establish in Israel , France , Germany and England .

A variety of studies report that the need for establishing agents came from tourists motivations , people need of travel and why people travel and how can be satisfied .

The agents main objectives will be searching tourists groups such as ,

1. Regular business groups .
2. Business groups related to meetings , conventions and congresses .
3. Incentive groups .
4. People who travel for the purpose of learning other cultures , or visiting friends , or relaxation purposes .

And then make agreements with these groups of tourists to bring them up , with satisfied prices , to palm beach hotel .

On the other hand , the coordination department will continuously make surveys and research efforts to identify the image characteristics that cause tourists to repeat their visits to palm beach hotel . These image characteristics can be as followed :

1. Many attractions .
2. Good facilities for visitors .
3. Warm friendly people .
4. Good potential for business .
5. Good shopping .
6. Good food .
7. Good weather .

The other objective of this department is to analyze people from different cultures such as ,

- Which needs do people seek to fillful ?
- How often are vacations purchased ?
- What kind of information sources and criteria are used in marking the decisions ?

On the other hand , by attracting tourists with

north Cyprus in the form of ,

1. Natural resources : by introducing the landscape , the human imprints , Salamis monuments .
2. Climate : by attracting them about the weather conditions in north Cyprus such that warm sunshine at a time when it is cold and in summer , warm , sunny and dry climate .
3. Culture : Attracting tourists about Cyprus unique culture , state of manner and taste of development .
4. History : Historical resources in the form of wars happened , their religion , habitation and government .
5. Attracting tourists in terms of time , cost , frequency and comfort .

The information system department will be in continuous contact with the coordination department through gathering tourists information sources . The information system department will search for sources of information and process it to the marketing department which in return it will make an effective marketing application of this process through communicating .

Objectives of Coordination Department :

1. Escorted tour groups by sending one of their officials to guide a group of tourists .
2. Hosted tour groups : e.g. any group of 15 persons will have a free seat , free fair but the group will not be accompanied with an official guide .
3. Package tours just for reservation matters and describing the socio economic variables , culture weather of north Cyprus to the tourists .

The Structure of the Coordination Department :

1. Extensive market research and analysis of tour programs
2. Development of new services through the marketing department .
3. Tour specification , negotiations with tourists groups and provide them worth the required infrastructure .
4. Through the marketing department to adjust pricing policies and reservations mechanics , media advertising .

## Maintenance Department

In the case of the palm beach hotel , the facilities to be maintained and protected include buildings , grounds , machinery , office furniture , data processing equipments electrical , water , sewer and heating systems , casinos , night clubs , private beaches , water sports , swimming pools , tennis volleyball courts , and other dining and entertainment facilities and centers .

In palm beach hotel , our aim and objective is to choose the optimum maintenance program taking into account both types of maintenance programs i.e. corrective maintenance to eliminate the unsatisfactory condition , mostly by replacing the assets that are not functioning properly , repairing the roof that are leaking , reliabilitating the type writers when they are broken down .

The second program is preventive maintenance , to prevent future break down or similar occurrences i.e. even if the asset is functioning in a satisfactory manner , a preventive maintenance is done e.g. cleaning air conditioning and heating units before operation , cleaning swimming pools , collecting and disposing of wastes and other measures .

As the management of palm beach hotel , we decided

to use the maintenance program that will minimize costs and maximize benefits such costs will include supplies and replacement parts , labor , asset down time and expense downtime which can be prevented by using preventive maintenance when the asset is not needed , this could be on weekends , during vacations , on holidays .

To find the optimum maintenance program , objective is obvious and simple , our experience calls for selecting the alternative preventive maintenance levels to be evaluated , determining the preventive maintenance cost that will be experienced with each of those alternatives , estimating the corrective maintenance cost that will be experienced with each level of preventive maintenance being considered , then finding the sum of preventative maintenance cost and the corrective maintenance cost for each alternative and select the alternative which minimize the calculated total maintenance cost for the asset .

On the other hand , business controls are becoming more important since managers of palm beach hotel should know the details of the significant activities taking place with the hotel , we know , what , when , why , how , and who for all important functions in other words what is our actual performance versus our planned performance . In this

case , management of palm beach hotel should be responsible for evaluating the sufficiency of controls and must appraise actions to correct control weaknesses .

#### Control Responsibilities :

Palm beach control operates most effectively when clear responsibilities are assigned to specific individuals and in a timely manner .

1. Information will be provided with respect to what goods and services are to be produces .
2. Determination will be made for work scheduling purposes of the availability of the factors of production needed to provide the goods or services .
3. A schedule of starting and complection dates will be prepared for each required activity .
4. A comprehensive progress will be determined and reported

As the management of palm beach hotel , I belive that control department is very important in the sense that it arranges for the operation of producing the goals and services needed to satisfy the tourists , customers needs and wants in accordance with the information contained the master schedule which has been developed for some future time period .

## Quality Control Department

Quality is one of the most important concept in the hotel . The operation Function is charged with the responsibility of Producing quality for the customer . The term quality is used in many ways but there is no clear definition exist . For us quality is often associated with designing and Producing a product to meet Customer needs .

1. Structural : length , frequency , speed , energy consumption .
2. Sensory : taste , beauty , smell .
3. Time oriented : reliability , maintainability .
4. Commercial : warranty .
5. Ethical honesty . Control process : Actually , we have two kinds of control charts which are :
  1. Charts for variable to measure the quality characteristics for an actual data .
  2. Charts for attributes by measuring quality characteristic by judgement and visual examination .

The product examined either conforms or doesn't conform to specifications , attributes will be dealt with ,  
a: The chart for fraction rejected as conforming .

- b: The chart for number of non conforming items .
- c: The chart for number of non conformities .
- d: The chart for number of non conformities per unit .

#### Quality of Services :

Since the hotel is a five star hotel , it is obvious that it's services are usually at high standards , because always no excuse accepted by the administration for any idle or defect to be applied . However , daily check is applied for every service in the hotel , either for down services or room services by specifications by preparing daily reports about what is going on . These reports after preparing , are given to the manager of the services department then introducing them to the general manager or vice president for approval . Moreover , standards are kept as they are especially the main ones for quality of services . For example , safety as an important matter is always considered especially in the rooms .

The customers are given the chance to tell their opinions confidently by putting special cards in each room , which must be filled by each customer daily by writing his comments . Then these cards are collected to check if there is any complaint by any customer . If there is any , it will be put into consideration to be changed , if there are no

complains , that means the customer is satisfied by the services offered .

The services are run 24 hours in the hotel , and the check for the quality of services is also applied by the manager 24 hours for the customers satisfaction and comfort

The quality of food offered is supervised by the cheff cook who supervises the process from bringing the food until introduction it to the customer . On the other hand , facilities department who is responsible for buying food and beverage from the market , selects samples from that food to be tasted to be certain that it achieves the standards of the hotels food .

This restaurant manager is also responsible for arranging the services to the tables by the waiters to be introduced to the customers , clean lines of tables , floor and windows opposing to the sea .

No specific percentages for measuring defective of good since when it is discovered , all the containers will be changed immediately without negotiations with the supplier as the agreement between them specifies . Also the beach bar is controlled by this department in order to ensure the quality of drinks .

Quality of Technical matters :

Quality department will perform this job with the maintenance department . So for controlling the quality of 46 technical matters , a full supervision from the maintenance department that applies maintenance in a form of a cycle using our both techniques preventative and corrective maintenance measurements . So far making sure that motors , engines , buildings , shops , room , restaurants , taxi cars and sport facilities , a control procedure is done and performed as it is required .

## Financial and Accounting Department

### Financial Background of Palm Beach Hotel :

It is important to mention that our hotel is operating on a profitable financial basis , besides the inadequate management and inefficiencies related with the department of palm beach hotel . However , it is easy to figure that in the case where proper strategic planning is implemented in the functional area of the hotel , much more profits would reveal out , so the expected contributions of future plans for improving hotel's present situation will be highly interrelated with our financial position , the financial resources we have on hand now would be used to implement our plans and as a result the financial position of our hotel will be much more better than the current one .

For business to perform effectively , the financial manager must have a clear understanding of the hotel's goals . One of our most important goals is maximizing profits . The policies of hotel are the strategies employs to achieve its goals .

The policies , goals and objectives should be decided by the financial manager who plays a central role in the hotel . Some of the duties include budgeting , raising funds in the capital market , evaluation investment projects

and planning the company's marketing and pricing strategies

Finance is concerned with the life blood of the hotel, money how it is obtained to finance the business and how it should be used to assure the business success.

According to strategic plans, the financial department will be highly improved by concentrating on the following major finance-related functions in the hotel:

- Financing and investment : supervising the firm's cash and other liquid holdings, raising additional funds when needed, and investing funds in projects.
- Accounting and control : maintaining financial records, controlling financial activities, identifying deviations from planned and efficient performance, and managing payroll, tax matters, inventories, fixed assets, and computer operations.
- Forecasting and long-run planning : Forecasting costs, technological changes, capital market conditions, funds needed for investment, returns on proposed investment projects, and demand for the hotel's product, and using forecasts and historical data to plan future operations, e.g. planning services and uses of cash.
- Pricing : determining the impact of pricing policies on

profitability .

- Other functions : credit and collections , insurance and incentive planning .

#### Financial Statements :

In financial and accounting department , a job record is prepared for each customer requiring the hotel - one copy of these job records is kept in the office . Each worker is responsible for entering time work on respective jobs . Parts and other materials issued to jobs are recorded on the office copies of job records , and when a job is finished , the record is brought to the office and an invoice is completed . Now , one of our key persons , mainly is operating the computer system we have , suggested to get a better computer program and to set up a control system to charge every hour for which we pay employees to a customers job or to clean up and maintenance .

If managers are to make effective use of accounting information , they must have some understanding of how the figures were put together and what they mean . An important part of this understanding is to recognize clearly the limitations of accounting reports .

A business manager who lacks an understanding of accounting may not appreciate the extent to which accounting

information is based upon estimates rather than upon precisely accurate measurements . I am as the managers of palm beach hotel , should keep in mind two primary objectives . The first is to earn a profit , the second is to stay solvent , that is , to have on hand sufficient cash to pay debts as they fall due .

In the following part , I am trying to analyze the financial statements of palm beach hotel for the years 1991 , 1992 , 1993 by using ratio analysis and sources and uses of funds statements , then interpretations of the results .

Note : The data presented in the balance sheets and income statements are rounding figures due to transferring and exchanging Turkish Lira to U.S. dollars with an average exchange rate existing in each years ( in 1991 the average exchange rate was 5200 TL , in 1992 7000 TL and in 1993 10,500 in terms of U.S. Dollars ) .

Palm Beach Hotel  
Compaative Balance Sheet  
In Thousands of Dollars  
1991 , 1992 , 1993

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Assets			
Current Assets			
Cash	\$ 35	\$ 35	\$ 35
Marketable Securities	15	30	40
Inventory	<u>50</u>	<u>45</u>	<u>50</u>
Total Current Assets	\$ 100	\$ 110	\$ 120
Plant Assets	<u>85</u>	<u>90</u>	<u>100</u>
Total Assets	\$ 185	\$ 200	\$ 220
Liabilities			
Current Liabilities	\$ 52	\$ 50	\$ 55.4
Long Term Liabilities	<u>70</u>	<u>75</u>	<u>80</u>
Total Liabilities	\$ 122	\$ 125	\$ 135.4
Stock Holders Equity			
Common Stock	\$ 45	\$ 45	\$ 45
Retained Earnings	<u>18</u>	<u>30</u>	<u>39.6</u>
Total Stock Holders	\$ 63	\$ 75	\$ 84.6
Tot. Liabilities & Equity	\$ 185 =====	\$ 200 =====	\$ 220 =====

Palm Beach Hotel  
Comparative Income Statement  
In Thousands of Dollars  
for the years ended December 31  
1991 , 1992 , 1993

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Sales	\$ 58.3	\$ 129.8	\$ 132
Cost of goods sold	<u>25</u>	<u>60</u>	<u>50</u>
Gross Profit	33.3	69.8	82
Operating Expenses	<u>12</u>	<u>20</u>	<u>15</u>
Operating Income	\$ 21.3	\$ 49.8	\$ 67
non operating income	<u>1</u>	<u>0</u>	<u>3</u>
EBIT	\$ 22.3	\$ 49.8	\$ 70
Interest Expense	<u>1</u>	<u>2</u>	<u>2</u>
Income before tax	\$ 21.3	\$ 47.8	\$ 68
Income tax	<u>8.5</u>	<u>19.1</u>	<u>27</u>
Net Income	\$ 12.8 =====	\$ 28.7 =====	\$ 41 =====

Note : All data is related to 1991 , 1992 , and 1993 .  
Data related to 1994 is not available untill now .

# Ratio Analysis

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Gross Margin Ratio	0.57	0.54	62 %
Profit Margin	22	22	31 %
Return on Assest	6.8	14.35	18 %
Return on Equity	20.3	38	48 %
EPS	2.84/share	6.4	9.11
Current Ratio	1.92 : 1	2.2 : 1	2.17 : 1
Quick Ratio	0.92 : 1	1.3 : 1	1.26 : 1
Asset Turnover	0.32	0.65	0.6 times
Inventory Turnover	0.5	1.33	1 times
A/R Turnover	3.89	4.33	3.3 times
Av. Collection Period	93	83	109 days
Debt Ratio	0.66	0.625	0.61
Debt to Capitalization	0.57	0.50	0.48
Time interest Earned	22.3	24.9	35 times
Expenses Ratio	20.5 %	15.4 %	11.4 %

#### Ratio Analysis :

gross profit ratio indicates the percentage of each dollar left over the hotel has paid for it's good . The decline in gross profit in 1992 include a higher relative production cost , in 1993 we managed to keep our production cost below the level of 1992 and increase sales so gross profit on sales increased from 69800 to 82000 .

Profit margin indicates the clues to management pricing , cost structure and production efficiency . Profit margin ration was 22 % in 1991 and we managed to keep this percentage in the level of 1992 while increasing this percentage to 31 % which seems very satisfying for business to finance it's operations in the short run I mean establishing and financing part of the night club in Deep Karpaz .

Return on assets indicated that efficiency in business is well managed since we have used the available resource to generate income . RDA is increasing from year to year in 1993 we managed to keep our return on assets at 18 % which is satisfying for our business .

#### Interpretation of Financial Ratio's :

Return on equity : ROE indicated that the

percentage in ROE has increased from 1991 to 1993 until we managed to keep at 48 % which is satisfactory for the stockholders to increase and expand their operations .

On the other hand , EPS has increased from 2.84 in 1991 to \$ 9.11/share in 1993 which indicates that our business is going in the right directions and our stockholders equity are satisfied .

Current ratio is increasing from 1.92 to 2.2 time which seems to be satisfying that hotel has the ability to meet its current liabilities and short term obligations .

Quick Ratio : quick ratio and acid test ratio is increasing constantly from 1991 to 1993 and we managed to keep this ratio at the level of 1992 , 1.3 : 1 to attract investors since we believe that this ratio indicates a strong and high credit risk and able to make timely interest and principal payment .

Turnover ratios indicate that the hotel's ability to use its asset base efficiently to generate revenues . The use of assets have declined from 0.65 in 1992 to 0.60 in 1993 due to adequate repairs being made and some replacement

in assets . While our inventory turnover has declined from 1992 to 1993 due to the introduction of new products and services .

Accounting receivable turnover ( marketable securities ) has increased from 1991 to 1992 that means we are quickly collecting these marketable securities and these funds can be then invested in our operations , while in 1993 a decline in marketable securities have existed due to a problem of exchanging these marketable securities in north Cyprus .

Debt Ratio indicates that a decline in the ratio in 1991 through 1993 cause a slight improvement since a lower degree of debt is indicated . On the other hand , our debt to capitalization has a low degree of debt in capital structure so that our hotel is capable to meet interest charges and principal payments at maturity and the risk of running out of cash would not take place .

Our future strategic plans and objectives which are to be used as solutions and alternatives for the current position of our hotel and its expected improved position in the future for both short run and long run periods .

In future plans our aim is to at least increase the profitability ratio steadily , also to expand our business we have some intention to borrow , increase stockholders equity either exiting common stockholders to invest in palm beach hotel in addition to the agreement we made and mentioned earlier to merger our hotel with Israel (i.i. a business man in Israel to expand our operation in the long run .

It is important to note that retention ratio is slightly high that means we also use internally generated funds to expand our operations . So , for the short run i.e. establishing the night club on Deep Karpaz we don't have any problem in financing that club . This will increase our profitable ratios and net income by \$12500 since our aim is not just to depend on tourists only but also local customers especially foreign students . So taking the advantages of the universities in north Cyprus and the students needs and desires for entertainment we as the management of palm beach hotel decided to establish that club in the very near short run . This night club will be organized by beautiful girls , knowledgeable of at least two languages , social and attractive to serve the customers either locally or internationally this topic will be discussed in the overseas department in more details .

For the long run , as I stated before , margining  
our hotel with Israel in addition to our increasing profits  
after establishing the night club would be enough to expand  
our operations till reaching the international level .

## Overseas Department

It should be clear that our policy acts as asset of guidelines to determine which specific objectives and actions that should be pursued to meet the needs of tourists. The many needs of the tourists are identified by using appropriate research techniques. One of our surveys showed that the main aspects of tourists are attractions.

As the management of palm beach hotel, based on strategic plan to establish a wing for business related travel market, we can classified the travel market into segments. These segments can be categorized as follows:

1. Regular Business Travel.
2. Business Travel related to meetings, conventions and congresses.
3. Incentive Travel.

As the overseas managers, our task is to search for business groups and arrange meetings and conventions in palm beach hotel, so the first thing to do is allocate whole floors, wings of our hotel for those business travelers seeking greater luxury in their accommodations. The rooms or suites are more spacious, certain more personnel gives a way and provide them with complimentary

drinks and express check-in , check-out service .

Survey had showed that searching and arranging for business woman travel markets should be more beneficial for our growth since women business travel are slightly younger they tend to stay longer at our hotel .

Furthermore , our task is to expand our facilities for attracting tourists for the purpose of attending meetings , conventions , congresses , trade shows and expositions for improving their personal motivations and career orientation . These meetings will be in the form of international .

The management of palm beach hotel believe that , for our business to expand and enhance its profits , we decided to hire and employ an other 12 persons in our hotel and night club in Deep Karpaz . Two thirds of these twelve persons will be girls that are well educated , beautiful , social and knowledgeable of the least two languages , these girls will be serving local customers in the night club in addition to serving and guiding tourists to the most interesting places in north Cyprus .

So like any other department , overseas department should try to meet its objectives .

Basically the objectives of our overseas deptment :

1. Social objectives : in meeting the challenges of society that include legal , environment and culture . The overseas department should sure that the hotel is working in harmony with other societies when attracting tourists .
2. Personal objectives : tourists are human they have their personal problems . So our task is to help tourists solving their problems or at least providing special services for tourists to minimize the effect of such problems .
3. Organizational Objectives : here , the objective is only related to the hotel . The overseas department should ensure the availability of a sufficient number of employees to satisfy the tourists needs and wants so that to build an image and regulation about the hotel and its quality of services . While making sure that the tourists are satisfied and motivated so as come back again .

## Research and Development Department

Palm beach success must depend on employing new technological factors before others do . This includes planning , quality control , research activities on upgrading products , services , cost reduction activities , productivity improvement programs , training of the personnel to be able to adopt the latest technological developments .

Hotel's research and development department noted that , to meet future and market conditions , researchers should be aiming for technological that are more compact , flexible and cost efficient , while achieving equal or better quality product .

### Purpose of the Research and Development :

Improve its products and services in order to stay competitive within its industry . So the purpose or R & D process is to discover facts by scientific study and enhance to bring new ideas from the latent to the active state .

### Planning Cotext :

1. Identifying alternative approach to  
- Marketing .

- Development .
- Industry Organization .
- Tourism awareness .
- Support services and activities .

2. Adapting to the un expected in

- General economic conditions .
- Energy supply/demand situations .
- Values and life-style .
- Other factors in the external environment .

3. Maintaining Uniqueness in

- Natural features and resources .
- Local cultural and social fabric .
- Local architecture .
- Historical movements and landmarks .
- Local events and activities .
- Parks and outdoor sports areas .

4. Creating the desirable , such as in

- High level of awareness of benefits of tourism .
- Clear and positive image of area as a tourism destination .
- High level of coordination .
- Effective marketing and travel information programs .
- Other objectives .

5. Avoiding and undesirable , such as in

- Unfriendly attitudes toward tourists .
- Damage of historical resources .
- Loss of market share .
- Stoppage of unique local events and activities .

#### Planning Process :

There are five essential phases in our planning and research process :

##### 1. Background analysis :

- Review of the public sector policies , goals and programs related to tourism .
- Existing tourism resource components .
- Description of existing tourism demand .
- Review of strengths , weaknesses , problem and issues within existing industry .

##### 2. Detailed research and analysis phase :

- Resource analysis .
- Activity analysis .
- Market analysis .
- Competitive analysis .

##### 3. Synthesis phase :

- Preliminary position statement preparation .
- Review and preparation of final position statement .
- Preparation of desired position statement .

4. Goal setting , strategy selection and objective setting phase :

- Definition of planning and research goals .
- Identification of alternative strategies and selection of desired strategy .
- Definition of planning & research objectives .

5. Plan development phase :

- Description of programs/actions , roles required to achieve plan objectives .
- Writing of draft plan reports .
- Review and revision of plan reports .
- Writing in formal reports including summary reports .

Development Criteria :

1. Economic contributions : that the project creates a significant level of income benefits .
2. Environmental impact : that the project is developed in compliance with existing legislations and regulations governing the conservation of environment .
3. Competitive impact .
4. Social and cultural impact .
5. Tourism impact : by creating attractions , by improving the hotel's capacity to receive and cater to visitors .
6. Compliance with policies , plans and programs .

7. Feasibility where the project is profit generating that is to be economically feasible .

Then site analysis , market analysis and economic feasibility analysis that require .

1. Description of components , scales , sizes , and quality levels required to capture the potential market demand .
2. Specification of unit prices and rates .
3. Estimation of revenues .
4. Estimation of operating expenses and profits .
5. Preparation of a capital budget .
6. Estimation of capital expenses , net income and cash flows .
7. Calculation of rate return on investment .

## Facilities Management Department

Facilities are necessary to serve these visitors away from home . Facilities tend to be oriented to attractions in their location because of the need to locate close to where the market will be .

As I mentioned before that tourists travel to satisfy and fulfill their psychological , intellectual and physical needs by giving them the opportunity to rest , relax , escape the routine of pressure of daily living , enjoy the naturalness of life and to express total freedom of hotel tourists expenditures when taking a trip . So a sufficient quality of accommodations of the right quality be provided for tourists needs .

### Food and Beverage :

More of the tourists money is spent on food and beverage than on any other service . The type of food services in the hotel are related to the tourists needs by developing menus to promote their food while using local items as a unique selling point .

### Infrastructure Services :

Attractions and facilities are not accessible to

tourists use until basic infrastructure needs of the hotel have been met . An upgrading of the elements of the infrastructure primarily for the purpose of attracting tourists will benefit the host population and enhance the profitability of the hotel .

#### Hospitality :

Hospitality resources refers to the general feeling of welcome that tourists receive while staying in the hotel . It is the way that tourists services are delivered by the management and workers , as well as the general feeling of warmth from the workers in the hotel .

#### Other Services :

The hotel has its own sandy beach , and there are some spectacular views of the mediterranean from the restaurant , lounge and sun terrace .

All 108 rooms and suites have individually controlled air conditioning , a mini bar , color TV , and all other luxuries you would expect from a 5 star hotel . In the evening when the international casino and night club open and come to life , you can play the tables and dance to the latest sounds until the early hours .

Among the mature palm trees in the hotels ground

are flood lit all weather tennis courts , and swimming pool  
just off the hotel's lobby you'll find .

## General Conclusion

The place an extremely high importance on the business's strategic planning , I am as the manager of this real world example "Palm Beach Hotel" have a greed that we are no longer responsible simply for making some profits of producing goods and services , but for simultaneously contributing to the solution of extremely complex organizational tools , I am now aware of the advantageous theme of implementing strategic management concepts .

In this part , I am going to introduce what is decided on as to be pure strategic behavior relating the future of palm beach . Such strategic behavior will include solutions , alternatives and policies and particularly strategic planning based on the previously analyzed difficulties and inefficiencies facing palm beach hotel .

Now I am going to be handle out each department of palm beach hotel separately and then combine them all together under one main purpose of reaching a proper organizational effectiveness .

Organizational effectiveness perceived here is concerned with how our organization may perform effectively and grow to desired level , such effectiveness includes components as profitability , growth , resource acquisitions

adaptability , innovation , productivity , customer satisfaction and employee satisfaction commitment .

These components of effectiveness will be achieved as long as strategic plans concerning the various functional area of palm beach hotel are efficient determined and activated .

Most importants I have found out and decided that the organization chart should be recognized . An organizational chart explains outwho reports to whom and to who direct whose activities and it is the set of relationships within an organization which are established and consistent over time .

Organizational structure will be based on specification , that is the extent to which the organizational activities are separated into distinct function .

Each functional area will determine policies , it should follow and then activate these determined policies , the kind of policies that are useful in each functional area may be as the following ,

In the personal area , policies relate to the following areas personnel :

1. Planing , recruitment and selection .
2. Training and development .

3. Health and safety .
4. Employee and labor relations .
5. Personnel research .
6. Compensation .
7. Orientation programs and
8. Using part time employment in a larger scale .

In light of importance of the personnel resources , no group of organizational policies are more vital to success than those relating to people .

In the marketing area , marketing policies relate to product , price , promotion and distribution . The hotel which subscribes to the marketing concept will consider the primary focus of the hotel . I decided to build a marketing planning process that implies future orientation and suitable market objective .

1. Analysis of product , market , competition and overall development .
2. Identification of marketing objectives .
3. Target market selection .
4. Marketing mix .

In the area of information technology :

I have drastically down sized , divested and out

sourced to reduce the costs and complexity of operations .

1. Considering a strategy called managing by wire .
2. Using software to issue instructions and advice to divisions managers .
3. Retail operations intelligence system for inventory control , scheduling daily activates , interviewing and hiring , repair and maintenance lease management and e-mail purpose .
4. Two way communication on the video tex called petrel .

In the area of coordination department ,

1. Establishing agent in Israel , France , Germany and England .
2. Searching for tourists groups in the form of hosted tours groups , package tour through extensive market research and analysis of tour programs .
3. Attracting tourist in terms of time , cost , frequency and comfort .
4. Used as a tool of marketing to attract tourists

In the area of maintenance department :

1. To make charge of the hotel's assets .

2. Control and protect the assets .
3. Grow , develop and add value to the assets .

By choosing the optimum maintenance program mostly the preventative maintenance to prevent future breakdowns or similar occurrences by selecting the alternative which minimize the calculated total maintenance cost for the asset

In the area of quality control : to specify the specifications in the form of the following characteristics :

1. Structural : Length , frequency , speed , energy consumption .
2. Time oriented : Taste , beauty and smell .
3. Ethical : Honesty .
4. Commercial : Warranty .

Through charts for variable and charts for attributes to control the quality of goods and services .

In finance : Financing and investments , accounting and control , forecasting and long run planning and pricing are to be implemented .

1. A dividend policy may require stable dividends amounting to .
2. A certain percentage .

3. Increasing share holders equity .
4. Internally generated funds .
5. Long term borrowings .
6. Merging our hotel with Israel .

So that to implement and activate our strategic plans .

In the area of overseas , which I consider to search for business groups related to meetings , convention and negotiation . Hiring and employing attractive and educated girls to serve tourists during night club in Deep Karpaz .

In the research and development area : policies should answer the following questions :

1. How concerned is the hotel with quality .
2. Procedure to control them .
3. The most reliable distinctive competence a hotel can have to upgrade process , product or services .

Through implementing the tourism planning context , tourism planning process , development process and feasibility study .

Policies are guides to behavior , so I have decided to recognize and design an effective structure in order to

accomplish an en effective and successful management .

First : This organizational structure help channel the flow of information in the hotel . It indicates the supervisors to whom employees may legitimately bring their problems . In doing so , organizational structure also help control the amount of information following directly to top management .

Second : This organizational structure define line of auhtorities they indicate to managers which employees they are responsible and they indicate to employees which managers they are to take orders and instructions from .

Third : This organizational structure help achieve coordination of work activities of different individual employees . They make it possible to employees while are working in the same products or services to be grouped together .

I have chosen specialization to be our organization structure , that is to be a functional organization which is one in which employees are grouped together on the basis of the primary skills or business function they need to their job .

One of the greatest advantage of the functional structure is that it supports and reinforce technical

experties , for example , in hotel , a functional structure facilitates sharing of technical knowledge and work experience .

An other big advantage of functional structure is that it achieves some economies of scale . For instance , in a hotel there will be one vice president for personnel who is responsible for screening all the hotels job applicants , keeping all pay roll records , filling all a formative action information .

Considering these plans as well as to be achieved in the short run , our long run term objective is to expand In the future I have to expand our operations till we reach the international level , this will be achieved by combining all plans activate strategies .

(End)