

A business model for hotel management in Japan

Ichigo Umehara (NPO The FUN, umehara@jiu.ac.jp)

Abstract

This is a paper for hotel business people. Through my experience as CEO of Pan Pacific Hotels (1991-2015) and Tokyu Hotels (2005-2008) and as chairman of NPO The F.U.N. (Future Universal Network for Hospitality Professionals: 2008–Present), I intend to propose a business model of hotel management system which shifts from the traditional Japanese system to a system of global standards with Japanese omotenashi-mindset inclusively. Japanese business enterprises made a great contribution to the stability and harmony of Japanese society in the 20th century. However, in the 21st century Japanese enterprises have contributed to instability and disharmony of the Japanese society. The hotel industry has followed the same trend. This is because of the continuance of the management system which only functioned well under the high growth of the Japanese economy in the 20th century. This paper is a step to make Japanese hotel industry create a business model which can apply to hotel management of the world in the 21st century.

Keywords

business model, hotel management system, innovation, stakeholders, globalization

1. Present circumstances of hotel management in Japan

Fundamentally, the Japanese hotel industry still manages and operates hotels under the mind-set of the business growth period of the 20th century. After World War II, Japan experienced tremendous economic growth and Japanese industries in general enjoyed a business style of domination by the supply-side without prioritizing the consumer-side. The hotel industry also enjoyed business prosperity and expansion not only in big cities like Tokyo but also in local cities under those circumstances, and naturally there were no significant needs for the hotel industry to create guests, which Peter Drucker has mentioned as the most important function of doing business [Drucker, 1954].

When we look back on the history of the hotel industry in Japan, it is very clear that Japanese hotels started as suppliers of rooms and boards for foreign visitors to stay in Tokyo, Yokohama, Kobe, Hakodate, and Nagasaki where the Japanese Government opened ports for foreign ships and intentionally established foreigners' settlement areas excluded from the Japanese public in the middle of 19th century. Those hotels in foreigners' settlements targeted on smooth operation rather than return of investment of the hotel, and there was no strong incentive to create a management system for doing business at that time. Before World War II, ryokans, which were common accommodations for the Japanese public, were mainly managed as small family businesses without management and operation by corporations. Naturally the key objectives of hotels were not efficient and effective management and operation but a comfortable stay at the hotels for guests during their stay. This trend has continued for many years and priority of the Japanese hotel industry had been to focus on the guest's satisfaction, and the management of hotels has been set aside for a long time. After World War II, fortunately the Japanese economy made continuous growth and the hotel industry followed the growth of the Japanese economy. Demand for hotel rooms was very high but supply was limited

because of shortage of funds for hotels and by low priority of available funds from the government and financial sectors. Hence, hotels could make profits without the professionals of hotel management and system of operation, and the hotel industry in general enjoyed hotel business and expanded not only in Japan but also in overseas countries in the 1980s.

In the 1990s, business circumstances changed drastically after the economic bubble burst in Japan. Unfortunately, the Japanese hotel industry could not react to change properly to a drastic lack of demand for hotel business. Most hotels experienced a significant loss of operation since 1993 and there were no hotels which prepared for hotel management and operation in the sluggish market because of the enjoyment of the bullish market of the previous Japanese economy. A real solution must be to regenerate the hotel industry by applying a business plan which establishes a brand and the stakeholders' satisfaction by a hotel management system with an efficient and effective operation system for the long term. However, the Japanese hotel industry took a short-term solution which causes real challenges for the future and used cheap steps such as cutting down on employees, shifting from full time to part time employment and disposition of hotels under the name of restructuring. Those steps made on eliminating loss of operation quickly, but did not contribute to hotel management with improvement of organization capability for the long term. Thus, the hotel industry could not achieve the future grand design of the 21st century under a short-term mind-set.

The hotel industry in Japan needs to take management strategy first rather than operation strategy and it is essential to tackle change and innovation of management and administration. It would be very difficult to attract young talented people to the hotel industry without a clear picture of the future hotel industry. This is management responsibility for the future.

Japanese hotels have struggled with establishing a management system, and foreign brands have continuously entered the Japanese market and are monopolizing most upper-end markets. For the last several years, foreign brands such as Park Hyatt Hotel, The Peninsula Hotel, The Ritz Carlton Hotel, The Orien-

tal Hotel, The Shangri-la Hotel, have showed the highest ADR (Average Daily Rate) in the Tokyo market, and there is a huge gap of ADR between foreign brands and Japanese brands. This phenomenon looks like an operational issue, but it is the management decision of how to position the hotels. The Japanese hotel industry is struggling to fill a gap which requires creating a comprehensive management program for competing with foreign brands and it is necessary to improve the hotel management system by a business model of Japanese hotels urgently.

2. Necessity of a business model with global standards

The global hotel industry has developed business by a hotel management/operation system within its own culture. Hotel enterprises have established their own identity as brands and have differentiated their own brand from competitors' brands. Differentiation makes a touching point with guests as a special experience between guests and hoteliers which Jan Carlzon called the "Moment of Truth" [Carlzon, 1987]. However, expectation of this touch point depends on each guest's needs and wants, therefore hotels cannot make a rule for the touch point as a standard for their own hotel. The only way for the hotel to administrate these circumstances is to expect hotel team members' own initiative sorting out guest relationship at the touching point. This service standard initiated by hotel management cannot satisfy the guest's needs and wants at the touching point because of the diversity of the guest's expectations. This is the reason why the hotel should make a guest-oriented hospitality management and operation system rather than a system of hotel-oriented service standards. This trend is forced by the results of the acceleration of globalization and information technology. In the hotel industry, business logic has changed because stakeholders are becoming global and expect the same quality of management and operation of hotels in every location with the same brand name. Shareholders' intentions lead the hotel management team to create a business model which applies globally. The business model is a total system of hotel management and operation based on guest-oriented hospitality culture. Hospitality culture is based on the care for the stakeholders (Employees, guests, investors, and local community people) and the hotel must be at the center of knowledge of the community which shareholders continually create an innovative mind-set of challenge for changing to meet global standards of the hotel management and operation. Global hotel brands with hospitality culture manage and operate their hotels by a total management and operation system and try to continually evolve change and upgrading their system which makes each brand establish itself, differentiating its own brand from others.

On the other hand, the Japanese hotel industry is still managing and operating hotels with a hotel-oriented style of business which is caring for every guest equally and fairly. But each guest has different needs and expectations of the hotel experience and it is the hotels' duty to satisfy each guest's different expectations through their stay in the hotel. In this sense, it is essential for the

Japanese hotel industry to build a universal and systematic business model of hotel management and operation which makes the industry sustainable and attractive for the future. This business model must be an integral system which includes the employee's reliance on the future, for guests to be life-time customers, for investors to receive adequate return on investment, and for local community to be share-valued corporate citizens.

To establish this kind of business model, the hotel must make changes from a mind-set of quantity to quality, from closed organization to open organization, a bureaucratic management system to a management system by the participation of all hotel team members. It is prerequisite that employees create loyalty for the hotel, and guests who are cared for by loyal associates (employees) of the hotel feel comfortable to create loyalty for the hotel too.

The Japanese hotel industry must try to be a competitor in the global hotel market. This is too difficult to achieve with quantity. Marriott Hotel Corp., after acquisition of Starwood Hotels and Resorts in 2016, is managing and operating more than 5,000 hotels, compared to 200 hotels by the biggest Japanese hotel company. It is necessary for the Japanese hotel industry to compete against global brands through quality management and operation of hotels. Quality management and an operation system is based on one to one hospitality culture which creates guests as repeating customers and eventually life-time guests. A service-oriented management/operation system can be initiated by a hotel which requests hotel employees to follow rules which are decided by the hotel. On the other hand, a hospitality-oriented management/operation system can be initiated by hotel associates (employees) who can take their own judgement for fulfilling the guests' needs and wants through their own expertise and experience. A business model with hospitality culture will be the guideline for the future of the Japanese hotel industry.

3. The framework of the business model

The business model of the hotel industry is the architecture of hotel business in order to make the hotel possible for sustainability and attractiveness in the market. It is the guideline of doing business which can apply at anywhere, by anybody, on anytime.

3.1 A business model

3.1.1 Significance of existence as a corporation of the hotel industry

It is necessary for the hotel organization to understand what the hotel wants to be and how the hotel wants to contribute to society through making a balance of satisfaction between the stakeholders (employees, guests, investors, local community).

3.1.2 Management guidelines

The guidelines of management duties for the hotel company and the business model must send a clear message and direction of the hotel to inside and outside of the hotel.

- Values and beliefs of the hotel company (What is important? What do we believe?).

- Vision of the hotel company (What do we want to be?).
- Mission of the hotel company for the short term and long term (What are our targets for short term and long term?).
- Strategy for achieving the mission of the hotel company (How do we compete with competitors in the market?).
- Basic elements of the strategy statement target are: (1) it must be specific, assessable and clarify the cutoff point, (2) it must stipulate activities to do and not to do, and (3) it has to show value proposition to guests and to compare with competitors.
- Terminology: This paper uses “Vision” and “Mission” as follows: in 1961, President Kennedy of the United States issued a statement that the USA decided to explore space as its “Vision”, and send astronauts to the moon, and back to the earth safely by the end of the 1960s as its “Mission.” This means that leaders show direction of the hotel as its vision and managers achieve targets of the hotel as its mission. “Vision” is an unreachable direction, “Mission” is a reachable target.

3.1.3 Guidelines of operation activities for a hotel company

Under the direction of corporate management, each hotel must make practical game plans for daily hotel operations, and review hotel performance regularly.

- Make tactical plans under the direction of strategy of the hotel (How do we make operational game plans?).
- Just Do It! (How do we take practical steps?)
- Show the way of evaluation and assessment of hotel activities (Balanced scorecard is one of the technical tools).
- Just Do It with amendment (How do we take urgent steps practically?).

3.1.4 Way of works for hotel operations

Hotel culture is a decisive factor of how to work in hotel operations. The process of the way of work shows a significant difference from competitors.

- Building the platform of hotel operations
Standards are a global way of doing business and must be created with understanding the global system of people innovation, and firstly job description of hotel positions have to be clarified through global hospitality institutions, such as the American Hotel & Lodging Association, Education Institute.
Framework of the platform is with standards and standard operating procedure (SOP) for hotel operations. Standards are the foundation of the platform and different from manual which is one-way from top to bottom and is used under risk and emergency circumstances. On the other hand, standards are a two-way dialogue between the hotel management team and operation team for exercising smooth hotel operations. Standards make evolution of daily hotel operations day by day.

Improvement of standards takes following steps;

- Basic Standard: Minimum requirement of all hotel associates.
- Advanced Standard: Hospitality level of standards.

- Local Standard: Showing locality (culture, history, climate, etc.)
- Wow Standard: Fabled hospitality beyond expectation.

Standard Operating Procedure (SOP) is a way of implementation of standards by hotel associates in the field. Each hotel operation unit must decide how to apply the standards in their own field through SOP.

One example is the case of greeting at entrance of the hotel, as follows: (1) Standard is “You (all associates) must show a welcome attitude to guests” “What to do for entry court associates to guests”, (2) SOP is “How to welcome guests at entry court”, and (3) For example, if the guests are a family from overseas, guests may be tired. Hence, speed is important and speedy check-in is every entry court associates’ priority.

- Working with the hotel management system smoothly

Solid platform of the hotel management system is created by standard and SOP, however it is essential the system function smoothly to achieve the hotel objectives (Sustainability and attractiveness of the hotel through the shareholders’ satisfaction). The following points are necessary for the smooth execution of the system: (1) Leader’s function: leader decides what and manager decides how, (2) Smooth communication: working environment as equal partners, and (3) Innovation mind-set: from reform to innovation.

3.1.5 Practical way of business—case study

Pan Pacific Hotels and Resorts (PPHR) managed and operated its hotels (23 hotels) with A Business Model which was based on the Pan Pacific Way.

3.1.5.1 Setting of values and beliefs

Pan Pacific Culture was the foundation of the Pan Pacific Way and Values and Beliefs created by the Pan Pacific Way. PPHR only hired people who can share Values and Beliefs in the Pan Pacific team. At the same time PPHR requires aptitude and attitude to adjust within the hotel business.

Examples of the Pan Pacific Way (Priority)

- Status Quo < Change
- Static < Dynamic
- Formal < Casual
- Orthodox < Radical
- Old < New
- Tangible < Intangible
- Training < Education
- I < We

3.1.5.2 Setting vision

Vision is a clear direction of PPHR for the future. PPHR believes “In the 20th century, big was beautiful, but in the 21st century small is beautiful.”

- Fairness and transparency: PPHR believes in associates as equal partners for hotel management and operations. Hence, PPHR is committed to associate fairness and transparency of doing business with all associates.
- Small but unique: PPHR is a small hotel company and expresses respect for unique performance in hotel business. PPHR does not copy competitor's performance, but performs in its own way of hotel operations.
- Just Do It.: PPHR believes that the strength of smallness is speed, and can make swift decisions and perform quickly by a flat organization system.

3.1.5.3 *Setting a mission*

PPHR shares with hotel team-members (we call associates) on an achievable target, and believe that employees' loyalty makes guests' loyalty and guests' loyalty makes investors' loyalty.

- Employee: Creation of the model of Pan Pacific associates
Hiring a bright person — Attitude and aptitude of hospitality are essential factors to "I am Pan Pacific." Skill of hotel operations will be added by PPHR later.
Educating to be professional hoteliers — PPHR follows the guidelines of The American Hotel and Lodging Association, Education Institute for educating associates to be professional hoteliers with global standards.
Treating with a career program — PPHR commits associates' career development by Pan Pacific Career Development Program associated with AHLAEI.
- Guest: Creation of Pan Pacific Life-time guests
PPHR's steps for creation of life-time guests are as follows:
 - (1) PPHR provides guest satisfaction through first stay experience. Guests' first visit to the hotel must be impressive beyond expectation.
 - (2) PPHR encourages first time guests to be repeat their visits — With satisfaction of the first stay, guests consider similar expectation by re-visitation to the hotel.
 - (3) PPHR encourages repeating guests to be life-time guests — Repeat guests feel the "Pan Pacific Way is my way, too." Repeat guests turn into life-time guests of Pan Pacific.
- Investor: Creation of Pan Pacific partner
PPHR promises adequate and consistent return of investment to the hotel by the investor. Investors share with values and beliefs of Pan Pacific Way.
- Local Community: Creation of Pan Pacific Corporate Citizen
PPHR gives value to be a community builder, and intends to contribute energy to making the local community sustainable and attractive.

3.1.5.4 *Setting strategy*

In general, the hotel industry used to be managed by bureaucratic control from top to bottom rather than by open networking

with equal partners of hotel associates. To achieve the hotel mission, PPHR needs to create a strategy through innovative ways which make individual associates participate in the decision-making process with a network of team members of the hotel.

- Value proposition: Each Pan Pacific associate can make the best decision for the guest.
- Pan Pacific associates enjoy working with team associates at the hotel (We are Pan Pacific!).
- Pan Pacific Hotels and Resorts must compare with their competitors and realize their own position with competitors.

Strategic targets

- For associates: PPHR is the most desirable hotel to work for in the city.
- For guests: Pan Pacific makes guests repeat their visit and finally become a life-time guest.
- For investors: PPHR promises sustainable returns of investment which as in the management contract.
- For local community: Pan Pacific tries to be a reliable corporate citizen for the community.
- Assessment and evaluation of strategic targets is made by application of a balanced scorecard in the budget.

Priorities of activities

- For associates: Participation in the decision-making process as an equal partner.
- For guests: Each associate makes the best decision at the touching moment with the guest.
- For investors: PPHR achieves the annual budget as promised.
- For local community: PPHR takes initiative for participating in local community activities.

3.1.5.5 *Making tactics (making own game plan)*

PPHR corporate office decides its strategy, however its tactics must be made by each business unit as their own game plan in the hotel and implemented by the unit team.

- PPHR takes initiative for creating a working environment for associates to tackle their own duties as professional hoteliers.
- Business unit is the smallest independent business unit (IBU) in the hotel to make their own game plan.
- IBU starts small and grows big.
- Participation for IBU is flexible beyond the boundary of hotel organization.
- IBU's belief must not imitate but be unique for their own business activities.
- IBU respects each unit member as an equal partner of IBU.
- Each IBU member takes responsibility and authority for the guest.

The author took over the CEO's position of Tokyu Hotel International Ltd and Emerald Management Co. in Feb.1991, and the two companies were dissolved in 1995. Pan Pacific Hotels and Resorts was incorporated in Singapore in June 1995 and I

worked as CEO until leaving PPHR in June 2005. After PPHR, I took over as CEO of Tokyu Hotels Co.

4. The business model of hotel management in Japan

4.1 Systematization of hotel management in Japan

4.1.1 Clarification of “omotenashi” in hotel operation

In the hotel industry, there is “omotenashi” in Japan and it is a common understanding that “omotenashi” makes Japanese hospitality special and competitive in the global hotel industry. In general, Japanese hoteliers are reasonably good service people as individual hoteliers, and it is true that the “omotenashi-mind” serves as an individual hotelier offering quality service to the guest. However, one guest may enjoy quality service by an individual hotelier with high quality “omotenashi”, but another guest experiences less quality service by an individual hotelier with less quality “omotenashi”. It depends on the individual quality of the hoteliers whether the guest can receive good or bad services from the hotel. In other words, the hotel must deliver quality hospitality to the guest from an individual base to an organizational base. The organizational delivery of high quality hospitality service requires a system of hospitality management and operation in the hotel. The system means that the hotel standardizes every aspect of work of the hotel and unifies the way of work by an individual hotelier. It means that the hotel functions under the process of hospitality delivery for guest satisfaction.

Hotel management must decide how to care for the guest in the hotel. Service and hospitality are different in the hotel industry; service is from the provider’s point of view, and hospitality is from the recipient’s point of view. In other words, service is the order to employees from the top management of how to do, and hospitality is the initiative from employees for guests. Hence, it is not an operation issue but a hotel management decision that the hotel takes.

The hotel understands that guest satisfaction depends on the “Moment of Truth” [Carlzon, 1987] within the contact between the guest and the hotelier. Hence the individual hotelier’s skill is crucial at the touching point between the guest and the individual hotelier. In this sense, the hotel must respect the “omotenashi” talent of an individual hotelier.

However, the hotel clarifies the base of service delivery as the standard of the hotel and “omotenashi” of an individual hotelier must not be the base of the way of work in the hotel. The hotel must satisfy every guest with high quality hospitality delivery and it requires a system of hotel management and operation.

The hotel must put “omotenashi” of an individual hotelier into the standards by written words if possible and it is called “Craftmanship of Omotenashi”. The hotel encourages hotel team members “Craftmanship of Omotenashi” and expands and develops the standards for high quality.

The skill of making guest satisfaction must be a part of the standards of hotel management and operation system. However, guest satisfaction is the result of the touch between the guest and the hotelier, naturally the hotel must capitalize on an individual hotelier’s skill in addition to the standard.

Hotel operation system is the sub-system of the hotel management system. Craftmanship of omotenashi is put into a part of the standards of the hotel operation system. It is necessary to transfer from craftmanship of omotenashi to the science of a hotel operation system.

4.1.2 Hotel operations

In the Japanese hotel industry, “omotenashi” is a misleading word which many hoteliers use with their own definition and consider all mighty with guest care of hotel operations. Hence, “omotenashi” covers the lack of the hotel operation system and hoteliers in Japan believe Japanese hotels have been managed with a global level of guest care by “omotenashi”. It is crucial for Japanese hoteliers to realize that they must establish a Japanese hotel management system which is based on a global hotel management system and topping with “omotenashi” in written definition as a part of the standards. In other words, “omotenashi” must be in written form with a clear definition and added to the Japanese hotel operation system as an integral part of the standards.

- Hotel operation must be performed not only by special talented hoteliers but every hotelier and performed by the system of hotel team associates. It is a part of science because it applies to every member of the hotel.
- Hotel operation system is based on the total activities of the hotel, and is supported by the hotel culture. Every member of the hotel can share values and beliefs, vision and mission of the hotel.
- The hotel management system which includes the hotel operation system as a sub-system is the tool for the hotel to compete against competitors and to differentiate from competitors. It is necessary to keep evolution of the system. Hence, it is essential to delegate authority to the field where there is a touching point between the guest and the hotelier and to motivate front-line hoteliers participating for hotel operation independently.

4.2 Script and skill of hotel operation system

The hotel management system is made of “script” and “skill”. “Script” is the organizational system made under the hotel culture, and “skill” is the organizational competency made by the capabilities of each associate to function the system in practice. The mechanism functioned under the hotel culture is the total system to make each associate achieve the common target of the hotel as an organization. The organizational competency is the capability to integrate with the total talents of associates and the talents of the hotel team to maximize each individual associate’s energy for achieving the common target of the hotel. The prerequisites for functioning “script” and “skill” properly, the following points must be common understanding of the hotel team members (associates).

4.2.1 Values and beliefs

Values and beliefs of the hotel show difference and identity

of its own brand and the nature of the hotel. Every person in the hotel participates in the campaign for values and beliefs and echoes to build the hotel management and operation system under the spirit of values and beliefs. It creates the hotel culture and the foundation of the hotel management system. The following are specifics of hotel culture.

4.2.1.1 A hotel with a flexible organizational culture

It is essential for the hotel in the 21st century to have an innovative management system which makes the individual associate maximize their own capabilities to balance satisfaction of stakeholders in the hotel environment. Naturally, a hotel must open its doors for 365 days and 24 hours without closing, it is essential to fix and stabilize the working shift and schedule of the hotel operation to make efficient and effective works in practice for achieving the daily targets. However, it does not mean that the hotel's organizational structure is fixed, fastened and inflexible because of keeping the hotel operation to make "kaizen" (improvement) and the evolution of daily work to differentiate from competitors' challenges for satisfying guests.

For this purpose, the hotel must be flexible and open as an organization to function with each associate maximizing their own capacity in the independent business unit (at front-end work in food & beverage and rooms and back-end work in accounting, human-resource and marketing) to keep improvement of process of operational work with speed and flexibility. One kaizen creates another kaizen and continuous kaizen establishes the hotel as differentiating from competitors. Chain reaction of kaizen is the foundation of culture which creates open innovation. Of course, innovation is not extension of continuous kaizen, but associates of each business unit in the hotel must keep considering new values in different ways for daily work and create possibilities for an innovative way of work by integrating talents inside of the hotel and talents of specialists outside of the hotel.

This is the flexible organization with a mind-set of equal partners in the organization which is the opposite side of the bureaucratic organization with a mind-set of the fixed structure.

4.2.1.2 A hotel with a diversified culture

Innovative hotel management and operation requires various ideas, conceptions and talents for challenging and changing the hotel culture. It is crucial for the hotel culture to respect different views, comments and observations. It is necessary to believe that the hotel management and operation could create new energy and add value through the hotel team of diversification with different cultures, races and languages. A diversified team is a team displaying ability with physically-handicapped, female and aged people. The hotel industry provides chances for handicapped, female and aged people to offer opportunities showing their hidden talents in the hotel. In the case of handicapped hoteliers, the hotel associates learn additional care and special attention which connect them with guest satisfaction. It is true that a diversified team needs time to get a consensus and

it is not easy to make team-work together, however it is great potential to create new values and innovative way of work with diversified hoteliers in hotel operation.

4.2.1.3 A hotel with a career development program for individuals

The hotel industry is said to be a 3K business; kitsui (hard), kitanai (dirty), kiken (dangerous), and it cannot attract young talented people who would be crucial for the future of the industry. It is impossible to make a vision of the future and consider sustainability and attractiveness of the hotel industry. It is an urgent subject for the hotel industry to tackle people issues as a career development process for hoteliers, especially for young generations.

There are three kinds of career development in the hotel industry:

- Future management position
- Future operation position
- Daily operation position

The above three functions require different career paths respectively and each career path must be established as the standard of the hotel industry, which must be in cooperation with global education institutes, such as AHLAEI (American Hotel & Lodging Association, Education Institute). The positions of hotels in Japan needs clear job descriptions and recruiting of those positions must be not only for Japanese but also for global hoteliers.

It is important for new graduates of universities and high schools to start their career when they enter their schools if they want to be hoteliers like other countries. Otherwise Japanese students is handicapped in comparison with young hoteliers of other countries which students start their careers with long-term internship (1 years +) and are recognized to have already careers of basic hotel works in the school days.

Utilization of female talents is unavoidable for the hotel industry. It happens Female talents often leave the hotel work place after marriage and/or childbirth which is rare case in the hotel industry of other countries. Solution of this issue is not simple, but the hotel industry needs to take initiative offering opportunities of creating careers for females with babies and young children. It means that the hotel industry creates clear career paths for talented hoteliers to have chances in any hotel, any time.

4.2.1.4 A hotel with knowledge of the community

It is 30 years since Peter Drucker mentioned in "Post Capitalist Society": "The only production element is knowledge in change of three elements" (Labor, Capital, Land) [Drucker, 2002]. It is a question of whether the hotel industry is keen to create values by knowledge or not. Expansion of knowledge in the hotel leads to new values and makes the hotel management and operation innovative. Thus, it makes the hotel competitive in the market.

In 1992, The Ritz Carlton Hotel received The Malcolm Baldrige National Quality Award which is the landmark of high quality hospitality in any industry and the roll-model of the hotel industry. The world hotel industry follows The Ritz which es-

established its own hospitality system, The Ritz Way, and the hotel industry eventually recognizes that a hotel must have knowledge of the community and spend energy for a strong organization that needs a string of individuals. The hotel makes a unique hotel culture with a group of leaders of strong individuals. Unique hotel culture creates new values and innovative ways of work. Unique hotel culture could be established by the following:

- Flexible organizational structure
- Diversified team
- Career development paths
- Knowledge of the community

At the same time, a unique culture is covered by equal partners within the hotel and outside the hotel and keeps the belief of a “FUN” mentality.

4.3 Vision

Vision is the direction of the hotel and shows “What the hotel wants to be.” The hotel must prove to stakeholders (employees, guests, investors, local community) “What the hotel seeks for?” Four Seasons Hotels & Resorts said “Four Seasons want to be the No. 1 hospitality company in the world through making guests satisfied through differences from competitors.” [Sharp, 2009] The Ritz Carlton Hotels said “Ladies and gentlemen serve ladies and gentlemen.” [Inghilleri and Solomon, 2010] Those visions tell to stakeholders “What is the hotel’s intention for the future?” and promise, especially to employees, “What is the meaning to work at the hotel?” Peter Drucker expressed vision as “to integrate with the direction of works and motivation of individuals.” [Drucker, 1954] Vision is a direction of the hotel like the North star which shows the direction of the north from anywhere, but is not reachable.

4.4 Mission

Mission is a reachable target which shows “What the hotel wants to achieve.” and hotel associates share common understanding of the hotel mission as their targets. Through tracing the hotel vision in the mind, hotel management must design its strategy and tactics for making the game plan which includes short-term plans (1-3 year) and long-term plans (3-7 year).

Before setting the hotel’s targets, the hotel must decide desirable forms of stakeholders (employees, guests, investors, and local community) in the 21st century. For example:

- Employees: New workers with a professional mind-set of the 21st century.
- Guests: Global life-time guests sharing hotel culture.
- Investors: Global investors sharing hotel values and vision.
- Local communities: Community members sharing values and beliefs of local communities.

Concerning stakeholders’ desires and satisfaction, the hotel must be in a competitive position to competitors and preferably

a supreme position. The hotel’s mission is to achieve stakeholders’ desires and satisfactions through achieving an annual budget, short-term plan, and long-term plan.

Examples of targets of the hotel annual budget

- GOP (gross operation profit) of the hotel: 35 % of total revenue
- GOI (gross operating income) of Rooms department: 70 % of total rooms revenue
- GOI (gross operating income) of Food & Beverage department: 30 % of total food & beverage revenue
- Payroll costs and related expenses of the hotel: 30 % of total hotel revenues
- Marketing & sales expenses: 7.5 % of total hotel revenue
- Administration & general expenses: 5 % of total hotel revenue
- Property maintenance & utilities expenses: 7.5 % of total hotel revenue

The annual budget must be set under a short-term plan and KPI (Key Performance Index) of each business unit are set as in Table 1.

4.5 Strategy

It is essential to create hotel management strategy and operation strategy for achieving the hotel’s mission. The main objective of strategy is to establish supremacy over competitors.

It is explained by value proposition of the hotel and by how the hotel tackles value proposition to materialize its purposes. In other words, to establish a system to create new values for the work process of the hotel operation and the administration process of the hotel management.

Even if the evolution and kaizen of the work process and the administration process is made efficiently and effectively, it would be copied by competitors gradually and not a significant advantage against competitors in the long term. Hence, it is crucial to establish competitive advantages against competitors through innovation by all levels of hotel management and operation process.

Clayton M. Christensen mentioned “the necessity of destructive innovation in the time of globalization and information technology and requirement of substantial changes of the value system in the discontinuance.” [Christensen, 2000]

The hotel requires a system to accept innovation as a strategy and openness of the hotel culture is a crucial element for all associates of the hotel to contribute to creating innovation culture for the hotel team.

Innovation requires all levels of the hotel team member’s participation:

- Innovation by the corporate management administration level.
- Innovation by the hotel management level.
- Innovation by the hotel operation level.

In the hotel industry, innovation is recognized as establishing supreme advantages for hotel operation by the hotel associates, but real supremacy of innovation by hotel management administration can reach a tremendous difference to

Table 1: Examples of KPI (Key performance index)

Rooms Department	<ul style="list-style-type: none"> • ADR (average daily room-rate) 30,000 yen/night • Occupancy of rooms 80 % • RevPar (revenue per available room): 24,000 yen/night • RGR (repeater guest ratio): 15 % (40 % within 5 years) • FGR (foreign guest ratio): 20 % (50 % within 5 years) • OLRR (on-line reservation ratio): 50 % (75% within 5 Years) • PCRE (payroll cost & related expenses): 20 % of rooms revenue
Food & Beverage Department	<ul style="list-style-type: none"> • Food revenue: 15 million yen • Food cost: 25 % of food revenue • Beverage revenue: 5 million yen • Beverage cost: 22 % of beverage revenue • Payroll cost & related expenses of beverage of food & beverage department: 40 % of food & beverage revenue
Administration & General Department	<ul style="list-style-type: none"> • Payroll cost & related expenses: 2.5 % of total hotel revenue • Other expenses: 2.5 % of total hotel revenue
Marketing & Sales Department	<ul style="list-style-type: none"> • Payroll cost & related expenses: 3 % of total hotel revenue • Other expenses: 4 % of total hotel expenses
Property Maintenance & Utilities Expenses	<ul style="list-style-type: none"> • Payroll cost & related expenses: 3.5 % of total hotel revenue • Electricity expenses: 2 % of total hotel revenue • Gas expenses: 1 % of total hotel revenue • Water expenses: 1 % of total hotel revenue
Other Targets	<ul style="list-style-type: none"> • Life-time guest: Increase 50 % in the next 5 years • Leave off ratio of employee: Within 10 %/year • Employee satisfaction ration: 80 % this year, 90 % within 5 years • Guest satisfaction ratio: 85 % this year, 90 % within 3 years

competitors. Hotel culture for challenging innovation can be established only by management executives' leadership of the hotel. Strategy of the hotel is to promote hotel management and operation by participation of all hotel team members.

Creation of innovative strategy needs collaboration with outside specialists and even coordination with competitors for a new value system of hotel management and operation.

The key word for the hotel is "Open" and the hotel must make every effort to break closed elements of all hotel functions. Unless openness of organization is not in the hotel, talented specialists inside and outside hesitate to participate in the innovation process of the hotel. Both top management executives and the front-line associates feel innovation is a theme for themselves and then innovation becomes the hotel's No. 1 priority in their minds.

The hotel must show its value proposition to guests clearly and establish mutual trust on value proposition with stakeholders. It is essential for the hotel to shift from an administration-oriented mind-set to a guest-oriented mind-set for all hotel activities. Strategy of the hotel is to create a value chain system by the guest's initiative rather than hotel oriented initiative and the hotel operation becomes an associate-oriented rather than an administration-oriented process.

The hotel has been recognizing the place of non-routine where the guest experience of difference from routine life at home for a long time. Today, the hotel experience is not anymore for special guests but for the mass. It means the hotel must establish its own identity through a new relationship with the guest. The guest and the hotel become partners of daily life and the hotel is an integral part of guest life-style. Strategy of

the hotel is to make the guest become a repeating customer and eventually a life-time guest who can share the hotel culture.

4.6 Tactics

Tactics are to make a practical "Game Plan" under the direction of strategy of the hotel. The Game Plan is the guideline of daily operation of the hotel and each business unit associate follows this guideline for doing own daily work.

The Game Plan includes three elements: the first element is smooth daily operation, the second is for the betterment of daily operation through improving the work process, and the third is to prepare for creation of innovation. The first and the second can be achieved by experience, training, and management guidance, but the third depends on mainly the initiative of hotel associates. The hotel management must function as the architect for helping hotel associates to initiate great ideas of innovation.

If the hotel strategy aims to be a partner with the guest and become a part of the guest's life style, the game plan should achieve the aim practically. If strategy aims to promote innovation for the operational work process, the game plan is a practical step to create innovation as usual daily work. The game plan must be a part of the daily work process for hotel associates and made through the participation of each team associate. In other words, the game plan is a practical guideline for each team associate to implement with their own initiative because of participation in making the game plan under a clear understanding of strategy of the hotel.

The Game Plan requires that the work process of daily routine work is good enough to compete with competitors.

Improvement and kaizen of the work process and each team associates' skill must be a normal process of daily work in the hotel. In addition to improvement and kaizen of work process, the hotel needs to tackle innovation of work process and take steps creating innovation in daily routine work. The leader is the architect and the team associate is the practitioner of creating innovation in daily work.

The Game Plan is the result of a summarization of all business unit associates' efforts for production. Hence, practice of their own game plan is easy to implement. Through production process of the game plan, it is essential for each business unit associate to take their own initiative for bringing great ideas into the game plan.

Different talents are required for the creation of innovation from the improvement of daily work, however it is crucial for the same team to tackle innovation and improvement of daily work in the unit team. Therefore, the business unit team should include diversified team associates with different cultures, races, language, and talents.

The Game Plan must aim at achieving the stakeholders' satisfaction in addition to tackling innovation and improvement of the work process through daily work.

Consequences of implementation of the Game Plan:

- For the employees (business unit associates): Through daily work, it is a step for future career process of hospitality professionals.
- For the guests; Through guest satisfaction, it is a step for creating a life-time guest of the hotel.
- For the investors; Through adequate return of investment, it is a step for keeping the hotel property up to date and competitive.
- For the local community; Through sharing values, it is a step for building mutual trust and making the hotel as the pride of the local community.

4.7 Implementation: "Just Do It!"

Success of the hotel operation depends upon practice of the game plan with speed and flexibility through the initiative of each business unit associate. It means that each business unit associate can work by their own initiative and own judgment.

Through the process of doing routine work, the hotel creates a new type of "leader" by hotel daily operation.

- Big leader: Responsible for entire hotel operation.
- Middle leader: Responsible for each department of the hotel.
- Small leader: Responsible for each business unit in each department of the hotel.
- Tiny leader: Responsible for own work in each business unit.

4.8 Evaluation and assessment

The hotel operation cannot be implemented by the game plan as simply planned. The demand for the hotel depends on

weather, transportation, currency, customer needs and wants, etc. It is unavoidable for the hotel to prepare for changes of the game plan by evaluation and assessment of the game plan and to systematize evaluation and assessment for requirement of changes in the work process of hotel operation.

System of evaluation and assessment includes

- Daily: Each business unit associate's own evaluation and assessment.
- Weekly: Each business unit's evaluation and assessment. Also each department's evaluation and assessment.
- Fortnightly: Executive committee's evaluation and assessment.
- Monthly: The hotel GM's evaluation and assessment.
- Quarterly: The corporate and the hotel GM joint evaluation and assessment.
- Half-yearly: The corporate's evaluation and assessment

The result of each evaluation and assessment amends the game plan as after arrangement of balancing the total plan. The Hotel Executive Committee is the decision-making body of the hotel and consists of the General Manager (GM), Financial Controller (FC), Assistant GM, Director of Rooms, Director of Food & Beverage, Director of Marketing, and Director of Human Resource. Normally GM and FC are delegated from the hotel management company under the management contract with the hotel owner/investor. GM is responsible for the daily operation of the hotel and FC is responsible for numbers of the hotel operation.

4.9 Amended game plan

Because of evaluation and assessment, it might be essential to change the strategy of the hotel. In this case, strategy needs to change at first and afterward tactics must change with the direction strategy amended. It is inevitable for the hotel to review the game plan as planned, however it is crucial for the hotel operation that each business unit associate makes a review and evaluation of their own daily work and makes amendments for their own daily game plan for the following day.

5. Summary

The tourism industry is recognized as a growing industry in the 21st century. It requires that the tourism industry is suited to the future growth by the grand design of the industry. The grand design is necessary for the hotel industry, too. The grand design of the hotel industry in Japan is to create a business model which can apply to any country, anybody, at any time in the world and function as the guideline of hotel management and operation in Japan. The hotel industry in Japan has enjoyed doing business until early 1990s without hotel management initiatives and strategies. However, it is time for hotel management to take responsibility for building a future business plan rather than spending energy only for daily hotel operation.

- The business model of Japan is to be an original hotel management system from Japan. Hence, it is unavoidable to integrate global hotel management system at the base with Japanese guest care style (omotenashi and others) on the top in the business model.
 - Spirit of omotenashi is for the relationship between the guest and the host, it is essential that definition and clarification of omotenashi is decided by cases of hardware, software and human-ware in hotel operation and it is possible for the hotel industry to create hotel management and operation system with omotenashi in Japan.
 - The global hotel industry takes shareholders' benefit first for hotel management priority. However, the hotel industry in Japan has still been balancing the priority of stakeholders (employees, guests, investors, local community) for hotel management. The management under different values and beliefs from the hotel industry will keep the Japanese hotel industry sustainable and attractive in the future.
 - The global hotel industry has become gigantic by M&A. However, real values of hotel business can be created by guest experience and relationship with hotel employees through daily hotel operation. It is very important for the hotel to exhibit value proposition to the guest as the priority of hotel operation. In a sense, value proposition through innovation for daily work must be the highest priority of hotel operation.
 - The hotel industry is a growing industry in the world, so the industry must attract a young generation with talent to enter the industry. It is the duty of the leaders of the hotel industry to show the prospects and career paths for them. Career paths must be the bridge between the hotel in Japan and the world through global career certificates, education, and training with alliance of the hotel industry and education institutes in the world.
 - The global hotel industry has established hotel management and operation system under the industry-university cooperation. Unfortunately, it is not the case in Japan. Today, hotel management includes brand management, loyalty management, revenue management, balanced scorecard, etc. which requires specialists' participation. It is necessity for the hotel industry in Japan to open its doors to specialists' expertise from outside of the hotel industry and to create industry-university cooperation.
 - The main part of the business model consists of the hotel operation system, and the hotel marketing system, the hotel people system, and the hotel finance/accounting system as sub-systems. Hence, the management system is the generalization of performing hotel work theoretically and systematically. It is a textbook for the hotel industry to practice management and operation of the hotel, and it displays the basic script and standard skill of the hotel operation.
 - There is an "Art" section and a "Science" section in the hotel management system. "Art" section is to relate with guest contact and service delivery, it is the world of psychological, emotional, spiritual relationship between the host (the hotel) and the guest (the customer). "Science" section is related with rules and orders of global corporate business, it is the world of standardization of hotel management and operation, at the same time it is a universally written way.
 - Closeness of Japanese organizations is an important issue for the hotel industry to change. It is nearly impossible to create new ideas and innovation by a closed organization and to make hotel associates vivid at working places. It is the duty of the hotel management to shift from closed organization to open organization with equal partner status.
 - The organizational culture which creates innovation for hotel management and operation requires a new working environment form of existing hotel culture which encourages continuous improvement and kaizen of work process. In a sense, it starts with the denial of the past organizational culture and creates a new culture for change and creativity.
 - Hoteliers in the global industry must be global citizens who are keeping attractive Japanese identity with a global common sense. The hotel industry in Japan is obliged to educate the young generation of global hoteliers.
 - Information technology forces the hotel industry to make fundamental changes. Information technology system has made central control of hotel management through big data and IT makes hotel operation by a work process of global networks and platforms. Change and Improvement of IT means a focus on learning new ways of IT consistently and the hotel needs to have knowledge of the community with life-time learners.
- The points I have raised above are crucial for making a business plan in Japan. As a person who has been involved in hotel business, I feel obliged to propose a draft of a business plan for a hotel management system and I wish the hotel industry makes significant efforts for the evolution of a business plan of the hotel industry in Japan for the future.

Refereces

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