Strategic Management of Multinational Companies: Case of Hilton

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Abstract:

The concept of strategic management is extremely broad and there are numerous concepts that specifically stride under this particular aspect. The effectiveness of this particular field lies with the concept that how effectively it is utilized and implements the methods and models of strategic management, therefore organizations should be ready to confirm their growth and compete with other organizations operating in the same line of business. Hilton Worldwide is the company which has been selected for this analysis. Different strategic management methods or tools like SWOT analysis, Porter's Five Forces, Balance Score Card and others would be used here to analyze the level of competition of the chosen company.

Keywords: Products, Services, Company, Market, hospitality.

Introduction:

Hilton Worldwide which was formerly known as Hilton Hotels Corporations is basically an American based global (multinational) hospitality company. Blackstone group is known as the owner of the company which is a private equity firm. It is one of the largest hotels in the world which has its branches in 91 different countries of the world. The brands of Hilton Worldwide have encompassed 4,112 hotels and more than 650,000 rooms are available. As per size and revenue recognition, Hilton Worldwide has been ranked as the 38th largest company operating in the United States (US).

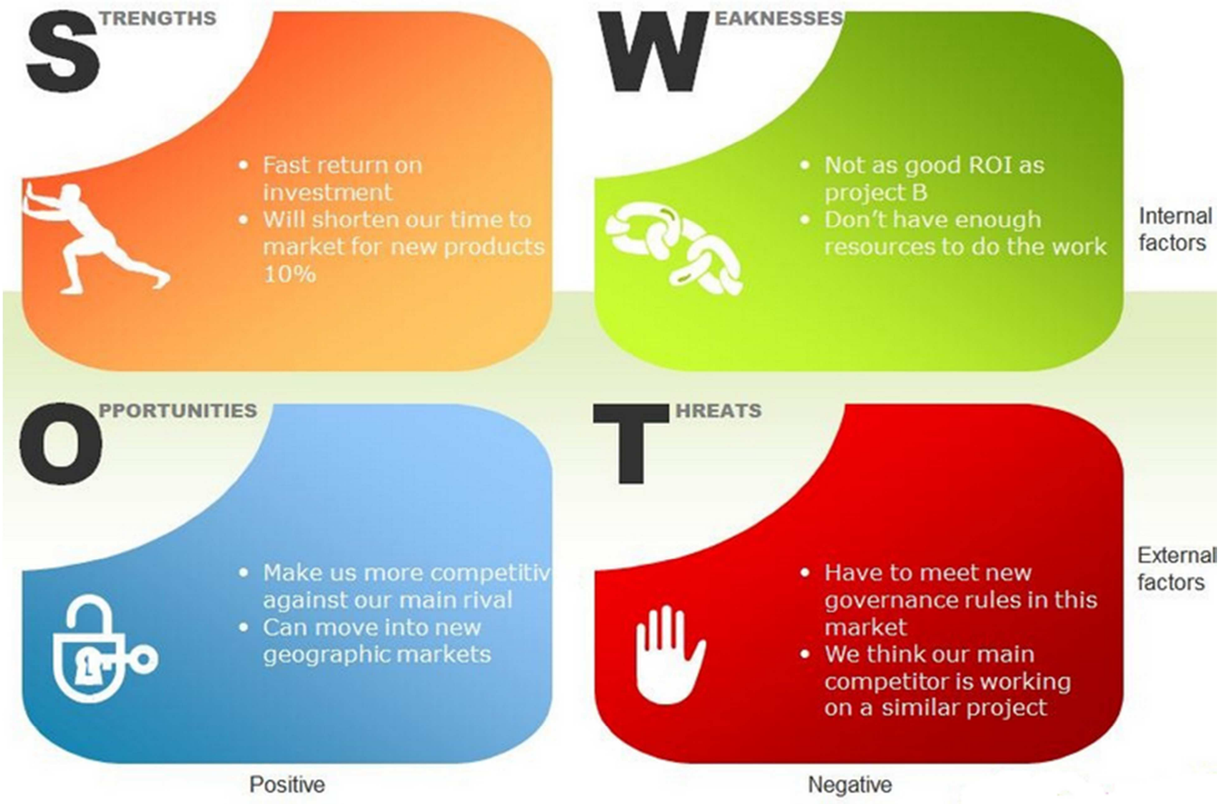
The power of the management and employees are effective in the company and both of these personnel are delivering the best for the company in their future. Hilton currently owns and is managing franchises and a portfolio of brands that includes Waldorf Astoria Hotels and Resorts, Conrad Hotel and many more. The company has its headquarters located in Texas, United States and it was founded by Conrad Hilton. Currently, there are approximately 4,000 locations where the company has its hotels worldwide. Currently, there are more than 150,000 employees working with the company, showing that the power of employees that is quite high in the company which is an effective sign for them which may be helpful in their future. The company earned net revenue amounting to US$ 9.735 billion in the financial year 2013. From the analysis, it is found that the financial position of the company is perfect and well organized, showing that this particular aspect is essential. Hilton Worldwide is a Public Listed Company, registered on the New York Stock Exchange (NYSE) and it is traded with the name of HLT (Roney, 2004).

The market share of Hilton Worldwide is extremely broad and high in the United States. Currently, Hilton Worldwide raises over US$ 2.3 billion in the biggest ever hotel in the Initial Public Offering (IPO). Currently, the market capitalization of the company is US$ 231.81 billion which is effective for their products and services. Blackstone took Hilton Company in the year 2006 for around US$ 26.7 billion including all of the debt at the height of the market in particular. The target customer of Hilton Worldwide is the management people who are the Chief Executive Officers (CEOs) and other management officials of different organizations, because these are the people who can afford the prices of the company in particular.

The business values and mission of the company are effective which a perfect sign is for the company in particular. The mission of the company is “to be the preeminent global hospitality company, the first choice of guests, team members and owners alike”. Apart from the mission, the company has a dominating and effective vision as well. The vision of the company is “To fill the earth with the light and warmth of hospitality”. There are competitive advantages and values of the company are their effective hospitality, leadership, their integrity and intelligent ownership. From this entire description related to the company, it is found that the financial and strategic position of the company is effective and wealthy and it will be on the same mechanism in the near future. There are a number of strategic management methods which will be used in the same analysis and it will be used for the same purpose. Some of the major methods like SWOT and Porter’s Analysis are quite essential for an organization to analyze the loopholes in their current operations and then recommend the effectiveness in it.

SWOT Analysis of Hilton Worldwide:

A strategic management tool which is used to analyze the strengths, weaknesses, opportunities and threats of an organization is known as SWOT analysis (Roney, 2004). It is one of the most important strategic management tools which is used to assess the effectiveness of a company along with analyzing its loopholes as well. By analyzing the loopholes of a company, management official of an organization would become able to manage their problems, complains and sometimes their operations as well. The main mantra of SWOT analysis is merely to strengthen the operations of the company by taking effective decisions based on the information available (Roney, 2004). This particular tool is very important even making a business plan. Both new and old companies can apply SWOT analysis techniques on their operations merely to have the information related to the loopholes of the company.



Strengths of Hilton Worldwide:

- The brand recognition of the company is high, which is a perfect sign for a company and it is a driving force from which Hilton Worldwide can compete with some of the biggest names of the industry.
- Technical innovations are high to improve the customer's experience and satisfaction in terms of upgrading the business process.
- The retention of employees in Hilton Worldwide is fantastic.
- Portfolio of products and hotels are strong as more than 540 hotels are working in over 80 countries of the world.
- Strong and long experience comprises on 93 years that made them real experts in the field.
- The reputation of the company in the market is strong and effective.

Weaknesses:

- The brand recall of the company is marvelous and effective; however the market share of the company is still not very high and good.
- The company is having some problems in managing their supply chains from a number of years which should be overcome accordingly.

- Worker's strikes and crack down of undocumented workers are some of the major issues associated with the Hilton Worldwide which is creating problems for the company and may be ineffective for them in the future.

Opportunities:

- The potential of hotels and resorts are emerging and increasing tremendously well which is creating lots of new opportunities and business segmentations for Hilton Worldwide.
- The current emergence in the innovation in customer based and services is opening new doors of opportunities for the hospitality companies and it is equally applicable for Hilton Worldwide.
- Better usage of technology and digitalization is one of the major aspects which are creating excellent opportunities for hospitality based companies.
- Global hospitality sectors are on a booming stage all over the world, because the amounts of tourists all over the world are increasing with a regular interval.
- The hotel has now emerged in the wedding and birthday planning functions as well, which is creating lots of new opportunities for them in the near future.

Threats:

- The competition in hospitality is increasing all over the world because of the high potential of the company.
- Economic and political turbulence in most of the countries are creating problems for hospitality companies all across the globe.
- The regulations on the hospitality market and industry is increasing for the companies operating in the same line of business which may hamper their growth in near future.

Porter's Five Forces Analysis:

The field of strategic management has numerous concepts and models located in it and among them; the name of Porter's Five Forces is one of them. Porter's Five Forces is a model which has five different angles and all of these angles are essential for a company (Sadler, 2003). Usually new companies used this particular model to assess the effectiveness of their operations as far as expanding their operations are concerned. New companies often use different strategies and among them Porter's Five Forces is one of them, which has the tendency to analyze the expansion strategies of a company by analyzing different elements in particular.

Rivalry among the Competitors: (High)

The essence of competition is now evolved in every field on the earth and the current stance of industrialization is saturated with high amount of competition (Sadler, 2003). Hospitality industry is fully saturated as there are numerous players which are already operating in the industry, therefore the proportion of the rivalry among the competitors is at high stake and new companies cannot gain their market share easily because of the giants who have already captured the entire market (Sadler, 2003). Hilton Worldwide is in the industry since the last 93 years, so it has been a long time period since the company is operating in this particular industry. Hilton Worldwide has to maintain their current status and should remain in the same mechanism to enhance their productivity accordingly, as it is the only thing from which they can compete with their new and existing competitors.

Bargaining Power of Customers: (High)

Consumers or customers are known as the end users of a product or service for a company and the provision of consumers could be extremely important and vital for the sake of an organization. An organization with a weak and unsatisfied customer base cannot grow effectively in the market because industries are now moving towards excellence and customer satisfaction is an important element that comes in the same scenario (Sadler, 2003). As mentioned in the above section that the amount and level of competition in the field of hospitality is increasing heavily, in fact the industry is already saturated with different domestic and international companies which are creating different problems and issues in the market. Due to high competition in the industry, the power of bargaining of the consumers is on a higher scale as well, because the customers have different options from which they can buy the products and satisfy their needs; however the scenario is totally different with the companies (Sekhar, 2007). Hilton Worldwide has perfect brand recognition and customer base, however the company should be more vigilant to pay more attention towards their consumers as it is a secret of exceptional growth in future as well.

Bargaining Power of Suppliers: (Low)

Suppliers are some of the most important professionals for organizations, especially for manufacturing and hospitality organizations because these organizations require products and raw material in regular intervals. Hilton Worldwide has its headquarters located in the United States (US) and it has its active recognition in different markets as well, in which suppliers are very strong. Finding of suppliers in the United States (US) and any other country is not a tough ask because there are many suppliers who are operating in different countries which are more than ready to deliver their services specially to manufacturing companies and hospitality companies. Due to this particular aspect, the power of bargain from supplier side is quite low which an effective sign is for the companies operating in this particular industry.

Threats of Substitute Products: (High)

It is already mentioned above that the level of competition is increasing in almost every industry of the world, therefore the threats of substitute products are increasing day by day. Some of the substitute products of Hotel Worldwide are motel and small hotels; however these products are not the entire competitors of the company. Though, there is no problem associated with Hilton Worldwide with having these competitions because of the large portfolio of the company, however, the company has to get ready for every event in the future, because of the globalization (Sekhar, 2007).

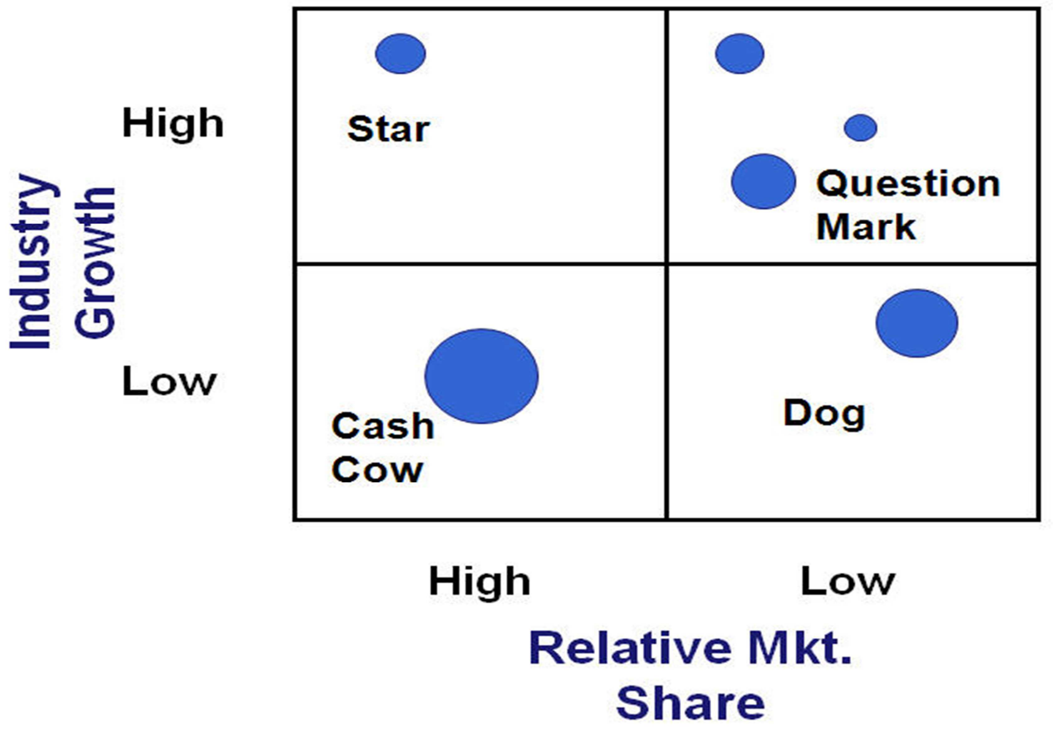
Threats of New Entrants:

Barriers to Entry: The barriers to entry in opening and establishing a hospitality company is quite low, which is not an effective sign for Hilton Worldwide and other players operating in the market because new entrants may increase the level of competition and pressure on them.

Barriers to Exit: The barriers of exit in this particular industry are also high, which is again not in the favor of the company, as companies entered in this industry are not allowed to get out easily.

BCG Matrix Analysis:

Boston Consultancy Group (BCG) matrix which is also known as Growth Share Matrix (GSM) is a chart, created by Bruce Hendeson in the year 1970. It assists corporations and their core business units which are product lines (Sekhar, 2007). This particular matrix also helps out the company to allocate resources and it is used as an analytical tool in the field of product management, brand marketing, portfolio analysis and strategic management. There are four different angles on which the entire productivity of BCG depends and the diagram of the same is given below:



Stars: The category of Star is representing a high and effective share and growth in the fast growing industry. Usually start companies require high funding to fight from the competition.

Cash Cows: Cash Cow is a company which has a high market share in a slowly growing industry. These companies usually generate high amount of cash needed to maintain their business than the initial cost.

Dogs: Dogs are the companies who have low market share in a mature and fast growing industry. Companies operating in this particular aspect are quite miserable and unfortunate because they are unable to catch up the growth and pace of the companies operating in the same line of business.

Question marks: Usually companies which are new and wishing to enter in a high growth market with a limited share are known as Question mark companies.

According to the analysis, it is found that Hospitality Industry is slow moving and an emerging industry of the world in which the companies require time to have their market share. New companies would not be very effective in this particular industry (Hitt, Ireland and Hoskisson, 2007). Hilton Worldwide has a great market share and brand recognition in the market or in the hospitality industry, therefore the category in which Hilton Worldwide currently lies is **"CASH**

COWS". The company has to maintain their same effectiveness for a long span of time in the industry to stay competitive and edgy. Management of the chosen company has to be more cautious in their future and should devise such strategies from which they can maintain their current market share.

Ansoff Matrix Analysis:

ANSOFF grid planned by Lgor Ansoff, arranges and clarifies development methods of a substance. Ansoff is a vital administration apparatus used to connect the firm with its key choices and course. The immaterialness of this specific network lies on those organizations that have a development target or particular methodology towards entering in new markets or new items or both (Hitt, Ireland and Hoskisson, 2007).

Market Penetration:

For any start-up association, entrance in business sector focused on is to a great degree essential in the light of the fact that, it is the component that helps substances so as to build its income distinguish the organization size. The methodology underlies in Ansoff Matrix is about to enter in a business sector with existing item. This specific segment of the grid notifies the investigators and the administration in regards to the technique to enter in another business with powerful procedures.

Hilton Worldwide is not a new company and it is in these particular operations from a number of years, hence the market force of penetration would not impact over the financial and strategic position of the company further in the market.

Product Development:

The second segment of the Ansoff framework is about upgrading the aptitude in new items and administrations in the current business. Existing organizations, utilize this specific gimmick of the network so as to expand monetary success of the organization overall. This specific growth of item expands the gainfulness of the organization, as well as builds the measure of the focused on business as well.

Market Development:

This specific part of the framework is about creating new markets for existing items. Expanding the arrangement of the businesses for the current items unquestionably builds the scale of productivity of the organizations overall. Ansoff lattice gives the stage to the organizations to enter in new markets with existing items by instating diverse systems and methods. Hilton has already captured numerous countries of the world, however the company will soon check out new strategies to further expand their market.

Diversification:

Expansion obliges organizations to dispatch new items for new markets (Hitt, Ireland and Hoskisson, 2007). This is the method with high measure of danger and ought to just be embraced by organizations when they have significant skill and assets. Likewise the business sector has a tendency to enter additionally by expanding and expecting an ascent.

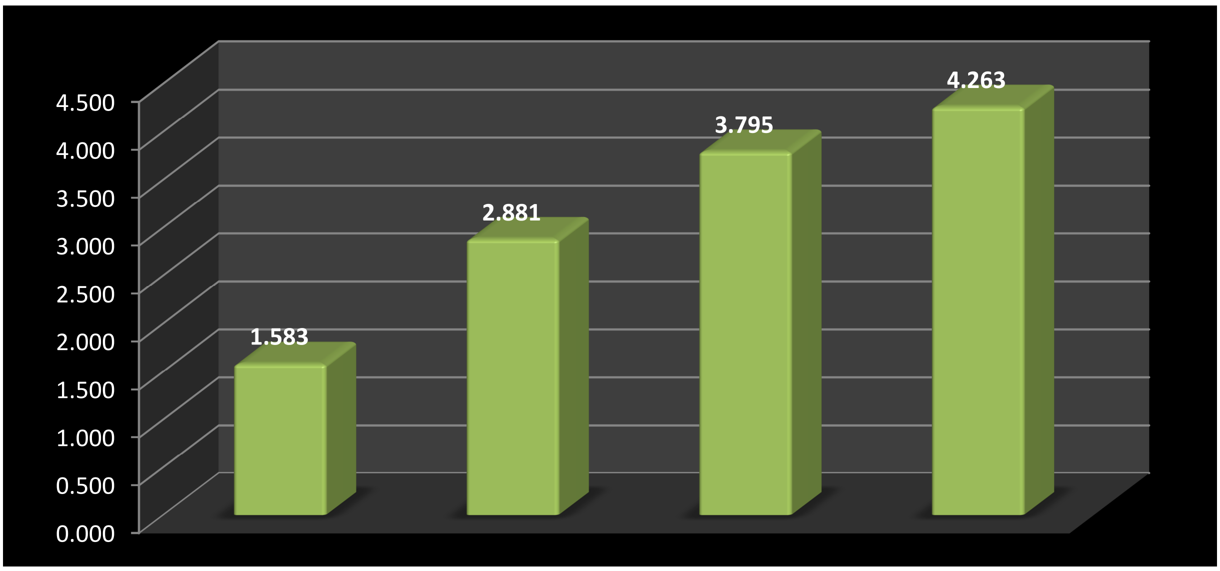
Financial Competitiveness Analysis:

There are three different rations which have been used and computed in this particular section, which are net profit margin (NPM), Gross Profit Margin (GPM) and Price to Earnings (P/E).

Net Profit Margin (NPM) Analysis:

A famous ratio of profitability used to measure the effectiveness of a company in terms of managing and generating net profit from a series of revenue. The higher the net profit for a company, the higher will be the effectiveness of a company in terms of generating net revenue

Year	Revenue in Million $	Net Income in Million $	NPM %
2010	8,086	128	1.583
2011	8,783	253	2.881
2012	9,276	352	3.795
2013	9,735	415	4.263

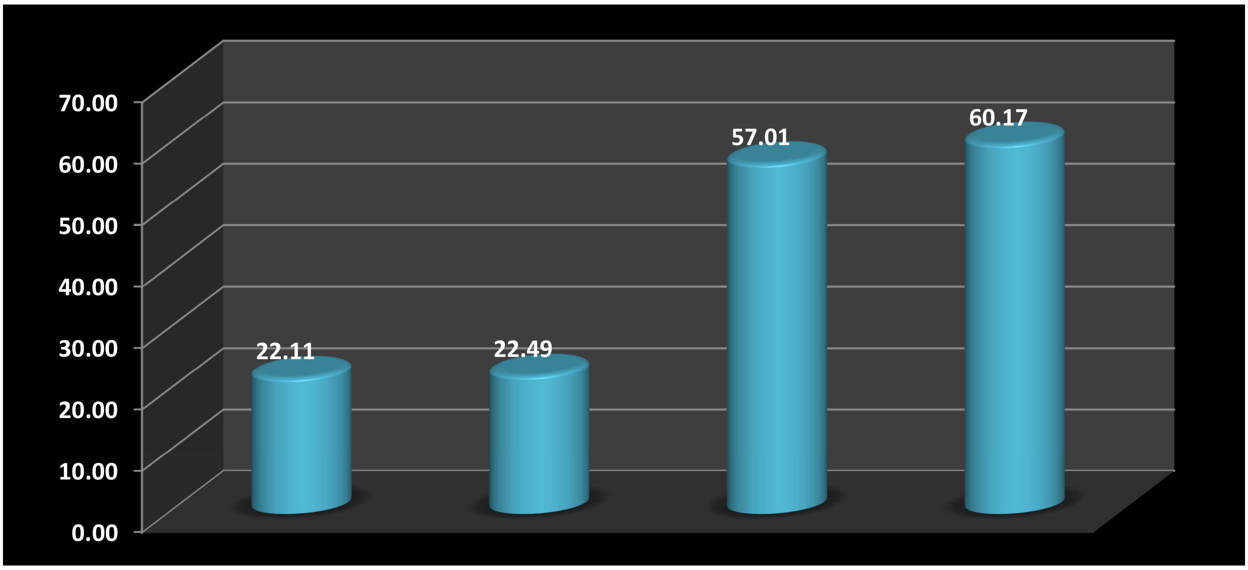


From this particular analysis, it is found that the financial position of the chosen organization is perfect and well organized which can be assessed with the help of the above mentioned table and graph. The NPM of the company which was 1.58% in the financial year 2010, increased for three consecutive years by 129, 91 and 47 basis points in the financial years 2011, 2012 and 2013 respectively. The average NPM of the company in all of these four years is 3.13%, showing that the company has the tendency to make $ 3.13 from the net sales $ 100, which is low but still manages in positive, but it needed to be in a higher node.

Gross Profit Margin Analysis:

Gross Profit Margin (GPM) is yet another important ratio which is being utilized by researchers and analysts in particular. The higher the gross profit margin, the higher will be the effectiveness of the company in particular.

	Revenue	**Gross Income**	**GPM**
Year	**in Million $**	**in Million $**	**%**
2010	8,086	1,788	22.11
2011	8,783	1,975	22.49
2012	9,276	5,288	57.01
2013	9,735	5,858	60.17



From this particular analysis, it is found that the GPM of the company was 22.11% in the financial year 2010, which increased for three consecutive years by 0.37%, 34.5% and 3.16% respectively in the year 2011, 2012 and 2013. It is showing that the company is in control of their direct cost but not effective in terms of mitigating or managing its operational cost because the gap between the gross and net income of the company is quite large and high. The average GPM of the company is 40.44%, showing that the company is able to generate gross profit of $ 40.44 from their net sales amounting to $ 100.

Price to Earning: (P/E)

Price to Earnings (P/E) is an important ratio that comes under the ambit of investment ratio as it analyzes how much an investor is expecting from the company. High P/E is always effective for the companies

Year	Market value in $	EPS in $	P/E %
2010	20.32	0.21	96.76
2011	21.45	0.22	97.50
2012	22.66	0.38	59.62
2013	23.72	0.45	52.71

This particular analysis is showing that the Price to Earnings value of the chosen company is high and effective, showing that the investors are very happy with the financial position of the company and wishes to park their money in the stocks of the company. The average P/E of the company is 76% which is quite high and it is very much effective and worthwhile for the external investors of the company in particular.

Conclusion:

For an organization to become economically prosperous and active, it is more than essential to have different application moves at the same time. Financial capability and strategic capability are some of the major forces which are some of the essentials for an organization to become economically prosperous. Entities always want to increase their portfolio and financial belongings from different angles and for that purpose they have to undertake different positions into consideration (Hitt, Ireland and Hoskisson, 2007). History and analysis revealed that those organizations which are effective and responding towards overcoming their loopholes are more effective and productive as compared to those organizations which are not. For this very purpose, organizations use different strategic models and units which have been made specifically for the purpose of overcoming them. The main perspective of this assignment is to analyze the strategic capability of a chosen hospitality company. The company which has been chosen for the same analysis is Hilton Worldwide. We have applied SWOT analysis, Porter's Analysis and other strategic management tools to analyze the functionality and mechanism of revenue generation of Hilton Worldwide and found that the strategic power of the company is effective, however there are some aspects that needed to be looked over and change accordingly in order to bring economic and strategic prosperity on the company particularly.

Recommendations:

First of all, it is needed to change the pricing strategy of the company, as the company has the same amount of pricing strategy for each of their consumers which is not right, in this way the company has to change their pricing as per the affordability of the consumer.

Secondly, there is a need to enhance the level of motivation among the employees of the company through the Management Bi Objective (MBO) approach in which employees should become a regular part of the decision making of the company.

Thirdly, the company has to make new strategies and policies to compete with other organizations operating in the same line of business to prevent any sort of external assault and to have high market share.

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