

Hotel and Business Management-Challenges and Risks

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DESCRIPTION

The goal of this paper is to explain what is a hotel management contract and what are the key issues. The use of a hotel management contract to separate ownership and management has become quite common and is seen as one of the driving forces for the hotel industry's fast internationalization. A hotel management contract allows the hotel owner to keep legal ownership of the hotel site, building, plant and equipment, furnishings, and inventory while the operator manages the hotel's day-to-day operations.

The owner bears all of the financial risks involved with owning a commercial asset, whilst the operator is just responsible for the hotel's functioning. This is based on the challenges faced by the younger entrepreneurs with respect to new start-up businesses in the market. The market is becoming competitive rapidly thus the new start-up brings in with it a lot of challenges and risks.

The experience required to operate a large hotel is more readily available under such an arrangement, which contributes to the popularity of management contracts. It allows a hotel owner to reap the benefits of owning a hotel without having to run it. Despite its widespread use, the management agreement is the most difficult of all operating ideas in the hotel business. The fundamental issue is the agency relationship that results from the separation of ownership and management, which can result in a volatile mix of economics and power that can explode due to the owner and operator's conflicting time horizons. Operators, for example, are usually focused on short-term income flow, whereas hotel owners prefer to focus on long-term objectives. The horizon problem is the name given to this circumstance. Operators also want to raise the value of their brand and the duration of their management contracts in order to get favorable possibilities from new contracts and expand the number of rooms they manage. Owners, on the other hand, usually desire to invest their limited resources in projects that will maximize profits.

Despite the fact that hotel management contracting is a unique aspect of the industry, study has been done on its effects on hotel operations. In order to do so, researchers should think about their areas of expertise and how they may use the hotel management contracting framework to their advantage. For

example, deficiencies in owner-operator capital expenditure goal congruency, accounting for the furniture, fittings, and equipment reserve, motivation of hotel owners and operators to engage in earnings management, factors affecting capital budgeting cash flow forecast biasing, and capital budgeting implications arising from locus of hotel owner/operator have all been investigated. Such investigations would not have been possible outside of the management contracting setting, giving for a unique contribution. Overall, the hotel management contracting situation is exceptionally rich, and more research is needed. This type of research is significant because it has the ability to lessen the likelihood of strained relationships between hotel owners and operators. Furthermore, a greater understanding of hotel management contracting could reduce investment risk, thereby increasing the market's liquidity, size, and number of investors.

The coordination and organization of corporate activities is known as business management. Business managers supervise operations and assist staff in achieving maximum productivity. A business manager may also supervise or train new personnel, as well as assist a company in meeting its operational and financial goals. A business management degree is a popular choice among ambitious entrepreneurs and company leaders. It equips you with the academic information and abilities you'll need to pursue worldwide job prospects, as well as a general understanding of business and specific areas like finance and human resources. Majors in business administration and management examine how firms operate.

They learn business fundamentals while honing their leadership abilities, and their curriculum is adaptable, allowing them to pursue a range of occupations. Advertising management is the organizational restraint which focuses on the practical solicitation of marketing orientation, techniques and systems inside enterprises and organizations and on the organization of a firm's marketing resources and activities. Marketing organization performs the undertaking of converting the potential customers into actual customer. This is possible through satisfaction of customer's needs and wants by delivering them, appropriate goods and chattels and services according to their essentials and wants, at right time and through convenient channel.

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