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Keywords: *strategic management, tourism, strategy formation, vision 2030, strategy.*

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Strategic Management of the Tourism Sector in Saudi Arabia

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Abstract- The Vision 2030 of Kingdom of Saudi Arabia is to diversify the economy from over reliance on oil and focus on public sectors like tourism. The implementation of tools and techniques of strategic management in the kingdom's tourism sector could help in accomplishment of this goal. Strategic management is the formulation of strategies in order to meet a firms long terms goals and objectives. The tourism sector is facing a dynamic and complex environment because of macro trends like terrorism, politics, global warming and etc. Therefore, it is important that firms and leaders should be equipped with the right strategic management tools and techniques that can help them in analyzing environment in which they operate and be able to make strategic decisions in order to have a competitive advantage. This study analyzes the case for strategic management in tourism and gives a description on the both the external and internal environments of firms. In addition, it proposes three strategies: Business level strategy, corporate level strategy and Network level strategies that can be used by firms to be successful. It ends up by discussing the very crucial topic of strategy formulation and implementation and concluded the five approaches of strategy formation. This results and information provided by this study can help any touristic firm in the kingdom of Saudi Arabia to apply strategic management concepts which were originally developed for the manufacturing industry in order to analyze their environment and formulate long terms goals and objectives.

Keywords: strategic management, tourism, strategy formation, vision 2030, strategy.

I. Introduction

No man is an island. Every human being needs nutrition, oxygen, water, and many more. Without dealing to its external environment, it is nothing but an island. So is the case with organizations. Without being aware of their external environment, organizations face severe challenges in such dynamic and competitive markets. For organizations to be engaged in environmental scanning, performs two key functions. Firstly, environment provides variant resources for creating goods and services, secondly, its being a source of identifying opportunities and threats for on organization (Ketchen & Short, 2011.). Extending this idea, it is suggested that external environment plays a significant role in mapping organizational overall position in its industry. Moreover, globalization has given a vibrant shift and a pace to markets, as they are not within their reach now. Now days, organizations perform their operations overseas and markets have not been confined to their native boundaries. As demonstrated by Quairel-Lanoizelee (2011) companies due to the detriment of competitive market make decisions because of the prevalence of competitive factors in its external environment. Consequently, organizations have realized the utmost importance of analyzing their competitive environment for formulating strategic planning and achieving a competitive advantage. Competitive analysis provides organizations valuable underpinnings about crucial strategic management practices, aimed at increasing the long-term well-being of organizations and competitive advantage over its competitors. Numerous studies provide evidence for competitive analysis to be a strategic tool for achieving a sustainable competitive advantage (Bloodgood, 2008; Pradojo & Mc Demott, 2007).

Strategy is a term generally used by the military which contains planning, coordination and direction to accomplish military objective that commonly involves the outmaneuvering of opponent. Whereas, the term strategic management dates back to 400 BC and is used by Sun Tzu and Carl Clausewitz in eighteenth century as a strategy that was applied in chaotic situations of wars. The strategic management subsequently depends upon the effective strategic planning, but successful implementation of strategies is also of utmost importance for effectively executing strategic plans. Alexander (1995) throws light on fact that most of the literature focuses on strategic management but rarely discuss strategic implementation. Organizational performance is associated with both elements of strategic management, (i) effective strategic planning and (ii) effective implementation of strategic plans. On the contrary, managers show vexation in disseminating the information and without their active support strategy implementation results in deterioration of strategic plans execution, hence harms performance (Pande, Neuman, & Cavanagh, 2000). The tourism of Saudi Arabia is facing many challenges because of political and managerial issues. Therefore, the tools and techniques of strategic management can help the sector in making strategic decisions. These decisions can help the sustainability of tourism industry and tourism and hospital companies. Therefore, this study has focused on strategic management in tourism industry and provided the description on both external and internal environment of firms.

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a) Literature Review

In both 50s and 60s, strategic management was considered as a tool to measure the quality of effective leadership based on the top down approach, where all the decision and planning routed from top management to employees down the chain. In the late 60s and 70s, strategic management arises as a term strategic planning, based on analysis done by specialized teams of experts instead of top management.

In 80s, the idea of organizational culture grown prominent as firms floated toward the strategic implementation. The main cause of this change was globalization, as scholars showing their deep understanding on globalization and put their focus to process company's structures which allow firms to grow as multinationals.

In 90s, the power of globalization firms, let strategic management to look at internal competencies, by introducing a knowledge-based approach and learning which could give a competitive advantage to firm. This development sustained up to 2000s, where firms put emphasis on corporate social responsibility.

Strategic management helps the managers facing challenges in highly competitive and dynamic business environment. Al-Turki (2011) argue that management is executed at two different levels i.e. Strategic (issues related to the existence of organization) or Tactical (related to business at a certain stage of its growth). Freeman (1984) suggests that strategic management is a long-term oriented activity aims at yielding potential. The most important element of strategic management is, strategic formulation or planning and it is defined as "an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy" (Strategic Planning, n.d.). Strategic formulation has been at the core of strategic management for the last few decades (Mintzberg, 1993). Johnson and Scholes (1993) argue that strategic formulation vigorously results in optimized organizational performance by matching organizational capabilities with that of external environment and its resources.

Mintzberg et al. (1998) defined strategic management as a combination of different school of thoughts. Among these, designed school is the foremost that highlights the firm's position and external opportunities in its area of operations. Planning is the second that includes a process of setting goals and objectives, as well as setting mission and vision statements. The third school is not too different than the first and second schools, it usually deals with firm's strategic formulation and focuses more on the position and work environment of the firm. The fourth school is commonly known as the entrepreneurial school of thought that focuses on leadership qualities by analyzing the ability of a leader to use insight, judgment, intuition, wisdom, and experience to make strategic decisions. The fifth school put emphasis on strategy formation and dives into the cognitive ability to learn how the mind of an entrepreneur perceives the environment and how his idea leads his strategy formation. Therefore, this school is commonly known as the cognitive school of thought. The seventh school of thought is Power and Politics. It explains a firm's power struggle and strategy formation that define the firm's position in such a way to include power plays, plans and strategies to overcome the competition. The cultural school comes at number eight that perceives strategy formation as a social interaction which comprises all the associates of firm. The ninth school of thought describe the firm's environment as simple or complex, stable or dynamic to define the firm's position which effects its strategy formulation and implementation. The last and final school of thought is the configuration that describe the change which takes place in a firm environment.

Therefore, in the field of business administration strategic management is a long-term goal and objective which a company plans and formulate to achieve their goals and objectives.

i. *Tourism in Saudi Arabia*

Saudi Arabia is known as the heart of the Islamic world which links three continents. It is the place of two holy mosques. Therefore, the number of umrah's has tripled in past few years and reach 8 million (The Kingdom of Saudi Arabia, 2016). According to the vision document of Saudi Arabia, the country is looking forward to increasing the number of umrah's from 8 million to 20 million in 2030, as well as twofold the number of UNESCO Tourist destinations. The kingdom also plans to build a high-tech museum in future that will allow tourists to "take an immersive journey through the different ages of Islamic civilization, as well as its science, scholars and culture". The main upcoming challenge for the government is to reduce the dependency of kingdom on oil and diversify the economy to enhance public sectors such as tourism.

Tourism can be defined as activities that take people away from home to feel pleasure and to conduct business. In the world today, tourism is another type of the service industry and one of the largest businesses in the world.

b) Types of Tourism and Hospitality

Tourism can be separated in the following groups:

- In terms of primary services. This would include travel and transport, lodging, food and beverages, entertainment and recreation, tourism organizations.
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- In terms of size that is small, medium and large.

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- Also in terms of profit. There are touristic organizations that are strictly for making profit from their activities. However, there are NGO tourism organizations that do make profit, but also focus on societal or nonfinancial gains like saving the environment.
- They can also be classified based on their sphere of operations. That is local, regional and global level of operation

c) Characteristics of Tourism Organizations

Some of the major characteristics of tourism organizations include:

Inseparability:

Unlike in the manufacturing industry where production and marketing can be separated, in the tourism sector this is impossible because customers must be present in order for the service to be delivered. In such cases therefore, marketing and operations as well as services must be integrated in order to draw the attention of customers.

d) Simultaneity

It is difficult to measure quality as services are created and consumed simultaneously by customers.

e) Perish ability

Since tourism is in the service industry as stated earlier, services are created and are deemed to be consumed simultaneously. In the case where the services are not sold, they become perishable.

f) Tangibility

Services on their own cannot be seen, felt or tested when consumers buy them and are hence intangible because they are ideas, concepts and experiences that are not patentable.

g) Heterogeneity

It is difficult to standardize services and hence two customers who have visited the same hotel or restaurant will most likely have different experiences. This is because some factors like the human element may affect service delivery.

II. The Case for Strategic Management in Tourism Organizations (Hypothesis Development)

Tourism organizations find themselves in a very dynamic and complex environment and are facing major challenges throughout the world. Macro trends such as terrorism, legislation, global warming, multiculturalism, stiff competition, globalization and advanced technologies are some of the major challenges to management strategies of tourism organization. The tourism industry is moving from services to experience. Therefore, managers must be equipped with the right mind frame to perceive this environmental shift and enable them to come up with strategic changes. In order to achieve this, managers must know strategic management theories and which they can easily implement practically.

a) Applying Strategic Management in the Tourism Context

Strategic management theories, tools and techniques were originally created for the manufacturing industry. However, strategic management theories can also be used in the tourism industry even though tourism is more concerned with service-based outcome with characteristics such as perish ability, intangibility, heterogeneity and high fixed cost.

In making strategic management decision, the external and internal environments are considered as important to increasing the productivity and profitability of the company. Some researchers have argued that the external environment mostly referred to as the "outside in" view or industry has a direct or indirect impact on the formulation of strategies. While other researchers have argued that the internal environment sometimes referred to as the "inside out" view or the firm is more important in the formulation of strategic decisions because according to them a skillful firm can override the waves of industrial crisis while less skillful firms completely disappear when the industry is in crisis. However, both the internal and external environment are crucial in planning and developing strategic management models in the tourism industry.

III. Environment Analysis

a) The External Environment

The external environment highlights everything outside the firm. It involves the individuals, firms, institutions and organizations that impact the firm at both the macro and micro level. These forces can either be a threat or an opportunity to a firm depending on how it influences the firm. Hence, organizations keep on scanning their environment to determine these threats and opportunities as well as the impacts that can arise from them.

b) Strategic Fit and Strategic Intent

Every firm needs to efficiently make use of the SWOT analysis which helps it to determine its growth in the world of business, as well as provide signals which may counter possible opportunities or threats for the firm.

Strategic fit is the alignment between the firm's internal resources, capabilities and external opportunities (Femzi and Leven, 2010). The advantage with the "fit" is that, firms can quickly line up with arising prospects. Despite the fact that this approach came about since the 1960s through the late 1980s in strategic management, many thought it wise to have a firm plan their matching (a combination of resources

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and capabilities geared toward opportunities in the external environment). All this is useful, but timing plays a vital role in achieving emerging opportunities. You may wonder why, but it is important to note that opportunities usually come as a surprise, and when they spring forth, strategies must be ready so that they can be used at the right time and for the right purpose. Therefore, the proper planning is highly important for firms to successfully deal with upcoming prospects.

Hamel and Prahalad (1989) explained that, firms may not fully obtain a competitive advantage in relation to the opportunities the have if they do not make good use of their strategic resources and capabilities. Here, a firm needs to be in control of its environment that is, know its opportunities and threats, evaluating them in order to easily tackle its assets and competences.

c) Internal Environment

The interactive relationship between fellows in the internal environment is what distinguishes it from the external environment. Some researchers express the internal environment as the context (e.g. firm) through which individuals make decisions based on social and physical aspects.

Collier, Fishwick, and Floyd (2004), stated that in this changing competitive environment, the tourism companies achieve a sustainable competitive advantage through effective and efficient strategic management implementation. The aim can be achieved through participative decision-making i.e. a unique and inimitable ideas can bring innovation and improvement in strategy implementing process. Hence, it enables the company to realign its strategic targets and resources with changing business conditions. Participative decision-making is not limited up to top-level management, it includes middle level and more important the line workers who implement strategies and key for the success of an organization (Pardo-del-Val and Lloyd 2003).

According to researchers, the internal environment is comprised of three mechanisms: human resource, organizational functional, and organization level. While the former mechanism discusses issues centered on sales and marketing, operations, human resources and so much more, the latter is focused on the tertiary level that is, services, outcomes and targets.

i. *Influence of Organizational Structure*

An organizational structure can be described as a system which drafts out how some activities are conducted in order for the organization's goals to be attained. For these goals to come to life, it is important to note that where the decision holder lies matters, as well as who makes the decisions, and how they decisions are carried out. In tourism organizations, there are numerous types of organizational structures, which consist of matrix, functional and multidivisional.

In a matrix department, practical branches such as human resources, marketing, finance and research are called to collaborate with one or more product or environmental corporate, and account to various units. In a functional structure, an organization's task is based on the activities it carries out. Each organization's task is defined according to its primary functions.

A multidivisional structure is interested in how each duty has been broken down to something specific centered on the products, services and geographical areas.

ii. *Influence of Leadership*

In every tourism organization, we have these special people on whom we all count on because they have that tact when it comes to managing people, or better still the competence in decision making and skill to lead. Often known as leaders, their ability in identifying and tackling the best strategy in favor of the organization has motivated others to think out of the box and birth their own business ideas. Such leaders always have to be on the search of intuitive innovation and the power to positively impart others.

A strategic leader can be defined as a person who bears the ability to influence followers, think strategically, make decisions generously, envision, enhance the long-standing viability, maintain flexibility, sustaining organizational instant economic constancy, and initiate changes for organizational viable future (Irelan & Hitt, 1999). Strategic leadership consistently share information among their followers and this arrangement of information sharing outcomes in steady knowledge and participation of employees that urge employees to extend their insight base too. Such participation in an authoritative workforce results in imaginative and knowledgeable human capital. After that strategic managers execute their competencies to uphold the valuable culture of an organization by sharing philosophies, guiding principles, and ideas all through an organization. In today's era the organizations just not confronting innovative and technological challenges but as well as cultural issues (Aslan et al., 2011).

A leader should always come up with workshop openings and keep a steady contact between the internal and external environment. By so doing, he is going to be connected with what happens outside, and this shall help him control his internal environment better, as well as make him the link between both environments. The results of their hard work is observed on how they handle issues in case problems arise or how they react on new challenges. Every leader should work on adopting the best leadership skills needed for the smooth running of the organization. They should not be adamant to change; thereby accepting new concepts they may judge worthy, listening to their subordinates and creating a sense of trust and

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awareness in them. In all, the leaders need to be professional as well as include personal commitment toward colleagues and subordinates.

iii. *Influence of Organizational Culture*

An organization cannot work efficiently if the notion of culture or background is not taken into consideration. Dealing perfectly with such a delicate issue also demonstrates that how one puts to execution the origination's strategy and the results it hails. Organizational culture comes along with a sense of belonging, it enhances stability and also acts as a sense of pride to the organization. Therefore, culture plays an important role in members because to some, it defines who they are. A typical example is that of America; a country that takes in anyone and proves to them that through hard work and self-improvement they can excel.

IV. Methods

An organization sure needs strategies in order for it to grow or improve. But it is good to mention the fact that each strategy has got stages, each depending on the environment and the business level. For these strategies to be fulfilled, each unit needs to be productive in its role. In the paragraphs that follow, we shall briefly speak about; business, corporate and network level strategies. A good strategy is essential as it makes the company's ideas outstand those of its competitors and defines the organization to something precise and concise as to what goods and services they offer.

a) Business Level Strategies

On this level, the same firm which is opened in other countries or even part of the same country is usually perceived differently by consumers in various countries. In such cases, that which some clients from other zones accord much value to, looks almost like nothing to another client in a different country.

It is good to know that such differences are mostly outlined by the consumer be it knowingly or unknowingly, and the capability to use the brand name to generate more returns in the short or long run. Due to market differentiation, a gap exists between developing and developed countries in terms of consumers' experience and the type of goods and services each of them receives. Often, firms are obliged to adapt themselves to the marketing systems they find when they move into a country other than theirs, and thus affects their market strategies on the international sphere.

b) Corporate Level Strategies

This is an approach used by certain firms to gain advantage by indulging into several little businesses. In such a case, extra efforts need to be displayed because your focus is not only on one company, but many others with different nature of sales and products. Strategies do not limit themselves to an international scope only, they go world too. This now brings awareness in the fact that not all customers have the same desires since taste is relative and to each his own. This boils down to another issue of curiosity in customers taste worldwide, the issue of knowing or trying to produce goods and services that may be beneficial to almost everyone's needs or wants. Each firm therefore has to adopt a good device that is going to handle this concern. To help with this struggle, researchers came up with two strategies: multidomestic and global.

According to research, an organization operating with multidomestic strategies at home shall diversify each strategy in its international market. Whereas, a company that makes use of global strategy will always see himself on the same stand in his country as well as internationally. That is, each activity he carries out in one of his companies must therefore be extended too in his companies abroad.

c) Network Level Strategies

Strategic alliance is an agreement between two or more partners who share resources or knowledge that may be beneficial to them. This is a give-and-take relationship in which each partner pulls in efforts as well as risks that may be advantageous for both.

V. Discussion

a) Strategy Formulation and Implementation

Strategy formulation and implementation can be collectively defined as Strategy Formation. However they both represent different school of thoughts. Strategy formulation has to deal with the pillars that guide a firm on selecting the most optimal strategy while Strategic implementation has to do with realizing strategy formulation while considering the limited nature of time and resources.

There are 5 schools of thought or approaches that guide strategy formation:

The Planning Approach: The oldest of the approaches, it deals with 4 pillars which include analysis, strategy formulation and implementation, control. It lays emphasis on formal analysis on both the external and internal environment. It goes ahead to claim that with the right calculations, data, technique and analysis, a firm can predict the outcomes of the external environment and hence help them implement strategies that can overcome a dynamic external environment

The Emergent Approach: This approach claims that planning approach does not guarantee the success of a company. However, it claims the success of a firm lies in the development of pragmatic trial and error processes usually implemented by middle managers. This approach considers strategy implementation and formulation to be an overlapping process and considers

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power distribution, politics and organization culture as important in strategy formation.

b) The Contingency Approach

This approach claims that there is no one single or set of factors that determine a winning strategy. In other words, there is no formation that fits all solution. Nevertheless, the approach suggests that the best strategy in any given situation is chosen by the interaction of multiple factors that match the situation.

c) The Configurational Approach

This approach claims that not one approach is enough for strategy formation, but a combination of approaches depending on the time and situation are crucial in formulating and implementing strategies. It further claims that all levels of management should be involved in strategy formation, and the factors of strategy formation such as strategy, leadership, culture, communication must be used entirely in order to formulate strategies and meet objectives.

d) The Complexity Approach

This view unlike the others requires that companies don't have fixed aims and objectives, however it proposes that managers must use their perspective in order to interpret the dynamics and complexities of the internal and external environment continuously and respond to them in time.

VI. Conclusion

Strategic management is a process through which a firm is able to set a mission, a vision, goals, and objectives, as well as craft and execute strategies at various levels of its hierarchy in order to maintain a competitive advantage so the firm can achieve its goals and survive in the long run. Moreover, it provides a holistic view and can help Hospitality and Tourism organizations to prioritize important choices for them. It has four main elements: strategic analysis, formulation, implementation, and evaluation. Although these four elements are often presented as distinct phase but in reality, they overlap and go hand in hand.

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