

STRATEGIC MANAGEMENT
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Executive Summary

The study has focused on the case study of Airbnb which has taken decision to develop partnership relationship with DMO and government. The company has been identified as a revolutionary in the tourism and travel industry as it offers online rental accommodation services across the world. The internal and external context of the company has been identified with the help of SWOT and PESTLE. The study has chosen Airbnb is a broker type company who provides rooms for short time duration according to customer's demands. Contemporary strategic planning and its development in the business have been added to understand the issues and implementations of its mitigating planning for the organisation. Moreover, different factors and the resource-based theory and the contingency theory implementation in the management style have been included to get an insight into the organisation. The study has shown competitive advantage through VRIO analysis. The study has highlighted different strengths and weakness of the company and threats of the company. The study has also discussed about strategic management of the company and writes about company's positive ethical issues.

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Introduction

Strategic management can be stated as the process of setting goals, procedures and objectives that can be utilised to make a company more competitive in the market. Strategic management has been identified to be the process that can help in formulating and implementing the major goals to remain competitive in the market. It is the planned use of all the resources and strategies to reach the desired goals and mitigate risks in the market. The study is going to focus on the case study of Airbnb on strategic management as experiencing massive growth in the market since the beginning. It is going to focus on the strategy adopted by the company regarding partnerships with destination management organisations and governments.

Background of the company

Airbnb is an American-based company operating its services in the online marketplace and it acts as a broker and operates the business for short-term home stays and experiences. It works as an online hospitality and brokerage company and it is present in more than 220 countries (Airbnb.com, 2023). The company acts as an online broker which lets property owners rent out their spaces to travellers who are looking for an opportunity to stay. The company is one of a kind and the key factor of its success is its services including providing accommodation services across the world. The total amount of revenue that the company has earned in 2022 is about 8.4 billion US dollars 2022 (Statista.com, 2023). The company earned most of its revenue in 2022 and has experienced 120% of development since its beginning. The company has more than 150 million users across the world and it has faced immense success in the market for its services provided to consumers across the world.

The relationship between the internal context and external context and its impact on Management

Internal environment

Strengths ● Global expansion of guests and hosts with its presence in 220 countries (Airbnb.com, 2023) ● Global reputation with its online search popularity ● The prices of the accommodation services provided by the company	Weaknesses ● Lack of quality control for the hosts ● The objectivity of the review system ● The business model that can be easily be understood
Opportunities ● The vacation rental service market is expected to grow by 2.69% grow (Statista.com, 2023) ● User penetration is expected to grow by 11.3% ● Most of the revenues in the online rental industry are expected to generate through the online segment	Threats ● Claims of fraudulent activities ● Economic downturn due to pandemic ● User data security risks

Table 1: SWOT

(Source: Created by author)

The company has become synonymous with the rental industry and it has developed to prominence and has attempted to dominate the industry with its one-of-a-kind services. The major strengths of the company can be discussed in terms of global expansion and global network as it is present in more than 220 countries (Airbnb.com, 2023). The prices that the company offers provide a competitive edge in the market and allow competing with major competitors. The company has developed its reputation with its online search popularity and the company has grown into the international market which gives a level of competitive advantage over its closest rivals.

All these traits can be utilised to reduce the weaknesses such as lack of quality control for the hosts, the objectivity of the review system and the business model that can be imitated easily. As stated by Stachová *et al.* (2019), the opportunities that the company faces include the growth of the vacation rental service industry and the expected growth of user penetration. Most of the revenues are expected to be earned from the online segment. The threats that the company is likely to face include claims of fraudulent activities while providing accommodation services. The economic downturn has been faced by the company during the

pandemic and user data security risks are another potential risk that the company can face in future.

PESTLE

Factors	Description
Political	• The country is politically stable • Presence of free trade agreements (Trade.gov, 2023)
Economic	• Tourism GDP is around 1.3 trillion US dollars (Statista.com, 2023) • 80% of revenues in the vacation rental services is earned by the online segment (Statista.com, 2023) • The tourism market is expected to grow by 3.17% by 2027
Social	• The number of users in online rental services can be increased by around 62.99m by 2027 • The number of customers in the hotel segment is expected to reach 160.60 m by 2027 (Statista.com, 2023)
Technical	• Strong growth of the AI market with a value of around 100 billion US dollars • The tech budget has increased by 7.4 % in 2021 (Statista.com, 2023)
Legal	• Presence of Consumer Protection Act, 2019 • Presence of Data protection laws • International Travel Act of 1961

Environmental	● Presence of the National Environment Policy Act ● The average guest room incurs around \$22,00 energy costs per year
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Table 2: PESTLE

(Source: Created by author)

The external context of the company has been defined by PESTLE factors and it has analysed the factors that can impact the business. The domestic country of the company is politically stable and it has helped in expanding business across borders. The company has adopted partnerships with destination management organisations and governments and political stability has influenced this strategic management approach of the company. The tourism GDP of the country is around 1.3 trillion US dollars and around 80% of revenues are earned through vacation rental services in the online segment (Statista.com, 2023). The number of users in online rental services can face growth of around 62.99m by 2027. All these factors have influenced the companies to operate a business in the domestic country and to expand business across borders. The tourism and travel market is forecasted to grow by 3.17% by 2027 and the growth opportunity has been utilised by Airbnb to revolutionize the market of tourism.

These are the factors which have determined the business strategy of the company. The number of users in online rental services can be increased by around 62.99m by 2027 and customers in the hotel segment are expected to reach 160.60 m by 2027. There is a strong market for AI in the USA which has influenced the development of an online rental segment and the tech budget in the USA has increased by 7.4 % in 2021 (Statista.com, 2023). The regulatory environment which involves the Consumer Protection Act and Data Protection Laws has influenced the company to maintain its strategies to protect consumer rights and data. The presence of national environment protection laws has also influenced to mitigate the environmental issues and saving energy. Hotel and accommodation services consume a huge amount of energy from activities such as cooling, lighting, space heating, water heating and cooking.

Relationship between the internal and external context of the company

The internal context of the company can be referred to as the underlying factors that are present within the company. In the context of Airbnb, all these factors have been identified as strengths, weaknesses, opportunities and threats. As stated by Alda and Dammert (2019),

external context is the exogenous force that potentially affects organizational performance. It can be stated that the performance of an organisation is based on external factors. The key concept of the business was not the first of its kind, several companies such as VRBO.com and HomeAway.com used to operate this kind of business in the market and there was immense competition in the market. The US tour and travel industry are effective to generate a huge amount of revenue which has contributed majorly to the economy. The USA Tour and travel department promotes policies which are effective to improve the competitiveness of the tour and travel companies (Trade.gov, 2023). Millennial have worked as a key factor for the success rate of the company and Airbnb also allows their guests to come into a close connection with the local communities.

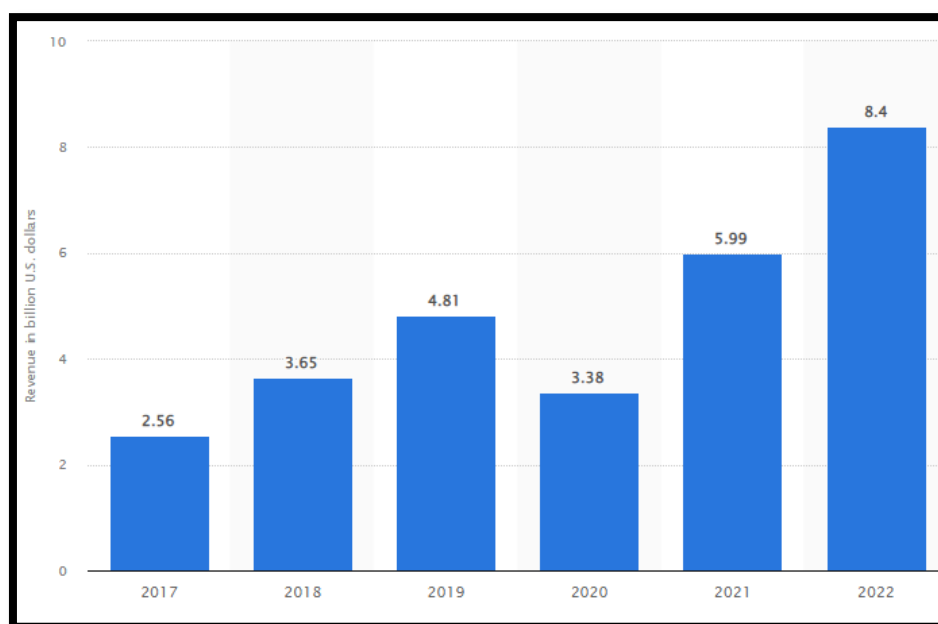


Figure 1: Revenue of the company

(Source: Statista.com, 2023)

Millennials have played a huge role in the success of the company as they are more inclined to explore the opportunities offered by Airbnb. The company offers the guests rooms and apartments with full access to living spaces, kitchen facilities and unique experiences. All these are offered at a much cheaper cost as compared to hotels and due to the new opportunities, the millennial prefers Airbnb over hotels. The major traits of the company are its global network and reputation and the common attributes associated with Airbnb services include location, price, friendliness and security (Theguardian.com, 2023). It also offers payment facilities from guest to host with its security features. The company has revolutionized hospitality services and the business model adopted by it is profitable the main focus of the company is to make growth in tourism and for this purpose, it has developed

partnerships with governments and organisations across the world. The company has emerged to prominence and the key factors that have worked for the company include price, quality photography, response time and legalities.

Impact on Management System

Internal and external contexts have impacted immensely the management system of the company and as a result, the company has adopted a strategic management approach for developing partnerships with organisations and governments. While operating in different countries across borders, the company requires permission documents from the hosts brooding to the place of listing. It has been identified as a cheaper alternative as compared to those hotels. The company has 4 million listings and more than 260 million guest arrivals (Airbnb.com, 2023). Legal factors such as data protection of the users and guests and protection of consumer rights have been considered while expanding the business since its beginning. The external context has been developed due to the high-tech investments in the USA and for the development of the AI market and all these factors have helped in developing the business strategy of the company. The accommodation services offered by the company are different from the standard hotel services.

It has been identified that most of the revenues in the rental services are earned through the online segment. The company aims to increase the tourism segment in various countries and the strategy of Airbnb to develop a partnership with DMO has been mainly driven by the success earned by the company in 2016. It has announced to keep a positive impact on all the stakeholders that includes local communities (BBC.com, 2023). The main aim of the business is to make an impact on tourism and it persuades the owner of properties to rent houses and apartments as accommodation services in order to increase profits in the market. Affiliations are required for the company to maintain its public image and to expand the business into more potential markets across the world. The company has faced losses due to restrictions on travelling and the economic downturn during the pandemic situation. The total revenue of the company has reached around 8.4 billion US dollars in 2022 and it has increased from the previous years.

Competitive and Development Strategies in the Context of contemporary strategic management issues

Contemporary strategic management issues

Airbnb faces several issues in the contemporary world regarding various strategic management issues. **Unethical actions of Airbnb hosts** and the **lack of communication** damage the customer well-being. A **decrease in local employment rates** is another problem that is facing by the company has. The company is facing challenges due to **overcrowding of guests in popular areas** that increase customer dissatisfaction. In popular areas, **the inflation of house prices** is another issue that affected the company profile among guests (Marketline.com, 2023). The experience of the Airbnb guest is the ultimate feedback of the company profile that indicates the company's overview across the globe. The unethical actions of Airbnb hosts have created a fuss that increases the damage to the customers' well-being. As opined by Calabrese *et al.* (2019), the company has found that guests are sometimes feeling less interactive hospitality which increases the tension. The company found the root cause of it that is a lack of communication with the customers and its shared accommodation that contributes to the reduction of well-being.

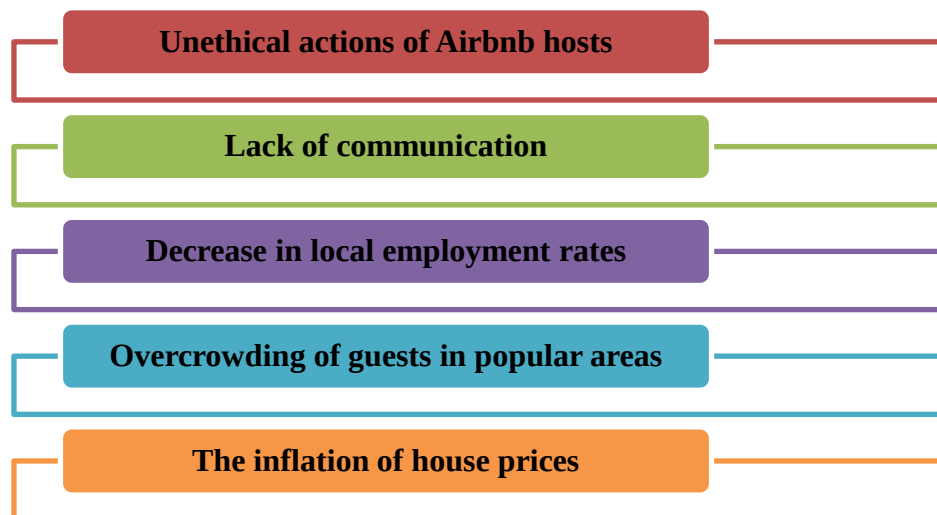


Figure 2: Contemporary strategic management issues
(Source: Created by author)

The decrease in local employment rates hampered the business as Airbnb is dealing with local destinations where employees are local. This reduction in employment rates increases the demand for workers. It eventually indicates the strong economic groped of the

organisation sometimes increases the risks of bankruptcy that increase job losses. The company is dealing with homestays in different location and the overcrowded places have maximum demand for homestays (Airbnb.com, 2023). Sometimes the company is not able to deliver the customers' demand or else provides a low level of services that increase customer satisfaction. As argued by Foss and Foss (2022), these reasons are the main causes of the uprising in the prices of houses in popular areas. The company has taken the advantage of increasing the price of the dearth of availability of houses and trying to gain extra revenue out of it. The increasing prices of houses have affected the company's profile which increases customers' dissatisfaction.

Competitive and development strategies to mitigate issues

Airbnb's success lies in providing a variety of accommodations to their customers as per their demands and price affordability. The important factor that drove the business is the millennial force in the online lodging market. The company's partnership with destinations management organisation the company is generating revenue of 30 billion USD (Marketline.com, 2023). The company try to mitigate the issues that are facing due to various issues in the contemporary world it needs solid strategies. The company must **increase communication with the consumers and provide them with a platform where they share their experience** while staying in Airbnb accommodates rental houses. The company must provide hosts that are friendly in attitude and provide a homely atmosphere and give a home-like feeling. The company must increase the employment rate through **improve the skill of the employees by providing them with proper training** (Boone *et al.* 2019). The organisation must turn their hobbies into opportunities that be enjoyed by the people for a lifetime. The organisation should open a platform for voluntary work that increases the employment rates and the need to become productive in their working field.

In the process of mitigating the challenge of overcrowding the places the company needs to invest in a **better structure** that enhances the staying experience of the customers. The company must **provide information** regarding the availability of rooms on the official websites so that the consumers get first-hand information that helps them in their bookings (Holmlund *et al.* 2020). The company needs to **collaborate with different destinations** and try to provide more availability of rooms. The company is **partnered with different governments** and organisations that eventually help in increasing the tourism growth rates and the company's revenues (Marketline.com, 2023). The **maximum accommodations with**

different partners are acquiring more homestays under Airbnb and it helps to stay in the affordable price range of the houses. It encourages customers to avail it without a second thought and the company provides competitive advantages to its competitors.

Airbnb affiliation creates a better public image and tries to enter a new market that provides more competition regarding marketing value in the long run. The company is trying to ***boost community-led tourism*** that proves best practices and cultural exchange ideas and co-create the vision for technological and sustainable growth for the company. The company has ***empowered the local government*** with aim of practicing the hosting of tourism (Marketline.com, 2023). The different projects regarding sustainable growth depend upon the skills and hosting capabilities of the hosts surely a constant source of income that has been beneficial for everyone.

Competitive and development strategies to mitigate issues

The company has focused on developing partnership relationships with DMOs and governments and the first involvement in a high-profile affiliation was with a non-profit organisation called UNCF. The company has started the initiative by providing free accommodation services to the students and a large-scale affiliation has been taking place in the company to provide a positive brand positioning. The top executives involved within the company are responsible for initiating and consolidating the operational strategy. It has also committed to boosting community-led tourism projects in Africa and for this initiative, it hosted the "Travel Africa Summit" in 2018 (Airbnb.com, 2018). The company has also taken initiative with the government to drive tourism in Puerto Rico. It has also worked with Gullin Municipal government to equip the local communities and to develop skills to improve the practice of hosting guests. The company has also adopted a collaborative approach to promote tourism activities in the UK with Visit Britain.

Factors that have been considered in implementing Strategies

Factors that are considered in the implementation of strategies are sheer the benefits of Airbnb and its try to establish a strong image for the organisation. The company agreed to donate among the customers through tier trips that gain positively influence consumers and generate trust in the company (Klofsten *et al.* 2019). The company aimed for marketing techniques and tried to expand the business globally by winning the consumers' trust. The ethical positioning in different countries such as Puerto Rico and the philanthropic act on booking trips are encouraging consumers to avail of its offers. The process of developing and

implementing the strategy for the organisation is vital for growth and sustainability (Marketline.com, 2023). There are several challenges in implementing strategies that need to break down the issues and barriers to stand between the strategy and its successful implementations.

There are major factors that influence the implementation of strategy within the organisation such as ***commitment to the strategy***. The ***aligning strategy to the organisational structure***, and ***aligning strategy to the organisational culture*** is other factors (Airbnb.com, 2023). Moreover, ***create an environment*** that eventually helps to get success and it sets realistic targets for delivery across a set period. The implementation of a long-term strategy in combating the daily urgent matters that approach strategic planning requires lots of self-reflection. Self-awareness is an essential trait for organisations that helps to understand the strength and the weaknesses that put advantages in the position of the market. The effective implementations of strategy need to commit to the objectives that approach with complete convictions and fully formed long-term strategy (Marketline.com, 2023). The senior leaders of the organisation try to create a draw line and map the long-term strategy that discusses the afterthoughts of the organisation.



Figure 3: Factors that have been considered in implementing Strategies
(Source: Created by author)

The process of aligning strategy with the organisational structures helps to bridge the gap among the objectives of the organisation. The implementation of strategies required big changes that refer to the organisations' heading results to the directions. The process mainly focuses on the organisation's planning phase and starts implementing the strategy (Airbnb.com, 2023). The organisational structure changes the strategic implementations and slowly scales down the different issues of different departments refer cross-organisational

activities. Moreover, the ailing of the organisational culture is essential as an individual comes from a different background that provides different and valuable insights on different subjects (Marketline.com, 2023). It refers to the leaders of the organisations communicating as well with the strategic plan. It required organisational changes that facilitate Airbnb's destinations' engagement and gain valuable insight for the business.

The company tried to create an environment that provides a strategic plan that focuses on the efforts of the organisation and compromises with a few things that provide support to the organisation. It enhances communication, and clarity among the organisational operations provides accountability and accepts the changes. Furthermore, the strategic targets are delivering the services across time as unrealistic objectives are discouraging the employees and the other stakeholders of the organisations (Airbnb.com, 2023). The positive impact on society and the economy helps to create relationships with the local partners that increase tourism in fewer development areas. Airbnb cost leadership strategy involves competitive advantage by lowering costs and it is the most generic strategy that the company implement for various customer market (Marketline.com, 2023). The differentiation of the strategies allows the company to expand its consumer base by emphasizing product features. The scope of opportunities within the industry builds a strong and loyal customer base and its products offer different valuable alternatives.

The company's development of competitive advantage with the choice of strategic management

VRIO Analysis

Resources	Valuable	Rare	Imitate	Organisation	Competitive Advantage
Network-related flexibility on the supply chain	Yes	Yes	Yes	No	Unused competitive advantage
Position in market	Yes	Yes	Yes	Yes	Sustainable

Leadership	Yes	Yes	No	Yes	Strong
Brand awareness	Yes	Yes	No	Yes	Sustainable
Financial resource	Yes	No	Yes	No	Temporary competitive

Table 3: VRIO

(Source: created by author)

Analysis

Airbnb's supply chain is very flexible and valuable, rare and imitated and the company supplies their customers with proper home stays within a short time. Airbnb does not use competitive advantage, since the company's production cost is greater than its rivalry. This kind of tuning affects the company's profit label and it may create a disadvantage. The company's patents are valuable they allow it to sell products without any kind of third-party interference (Vargas-Hernández and Gómez, 2019). This reason makes the company's supply chain so, flexible that they can provide service online in various countries. The organisation's position in the market is valuable, rare and imitated and the organisation works as a broker who gives customer services online.

The company provides rooms, home stays for short time duration and in their given homestay local food facilities are also available sometimes. These kinds of facilities help to satisfy customers and increase the company's brand value. Customer satisfaction levels give the company a stable position in the market, the company's price is high in comparison with other rivals but the organisation gives quality rooms, breakfast facilities, and local authentic food service-related facilities (Pérez-Urbe *et al.* 2023). Many companies provide the same service to customers due to this reason Airbnb's position in the market can be imitated by other rival companies. On the other hand, the facilities Airbnb provides its customers with the same quality facilities that cannot be provided by other companies.

Airbnb's leadership is valuable and rare, which indicates that the leadership style that is followed by the company cannot be copied by other companies. They follow a perfect leadership strategy, and a planned work process and their employees are highly efficient and skilled so that styles cannot be copied by another company (Johnson *et al.* 2020). Due to this reason, the competitive advantage of the company in leadership is strong. The company provides their customers with a luxurious experience and provides rooms according to the

customer's choice, within a few years the company progresses appreciably. The same companies that are available in the market cannot provide customers with the same quality services according to their choices, due to the company spreading their business in other countries and tying up with other reputed companies (Airbnb.com, 2023). Competitive markets create a lot of competition, in this competitive situation companies try to hold their position in the global market with a stable situation. Financial resources are valuable for the company and can be limited by other companies. It can be said that there is huge competition already in the market. In this situation, every company follows the same financial strategy that increases competition.

Strategic management

Ethical issues of Airbnb

Airbnb did an agreement with UNCF and did many social works for learning development. The company, as a part of Michelle Obama's 'Reach higher initiative', provides services in summer and springtime (Cheng and Foley, 2019). Provides free travel services at the time of professional training program, also providing rooms to the students and their family members.

Develop tourism projects in Africa

Africa is an underdeveloped country and many people do not show interest in going to Africa for vacation trips. The United Nations World Travel Organisation has also taken initiative for African tourism along with Airbnb. The company has made plans and made tourism boards, agencies and made plans by discussing with the African Government (Abrate *et al.* 2022). This project helps the country financially and develops its position in the world. Many people in Africa face unemployment issues, and the success of the project can create job opportunities and may develop the financial conditions of African citizens.

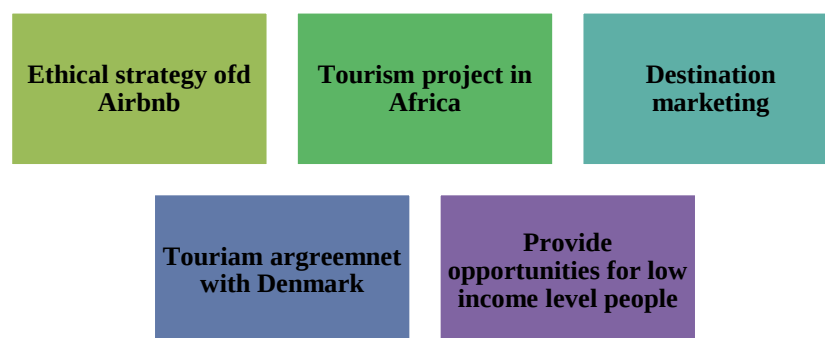


Figure 4: Strategic management issues

(Source: Created by author)

Destination marketing

Airbnb created an innovative idea with Puerto Rico through a destination marketing strategy and the company. The company also gives opportunities to people to offer a new experience of Island visit and the company also provides fees to Puerto Rico organisations, for local recovery of the area.

Tourism Agreement with Denmark

Airbnb promotes Denmark through Tourism and the company has become a brand ambassador of Denmark. The company promotes the city's tourism to improve its financial position and different kinds of marketing strategy-related information help both to develop their business strategy (Dalir *et al.* 2021). Airbnb provides different facilities in Denmark tourism and provides homestay and solutions.

Provide opportunities for low-income people

Many people do not allow strangers in their houses due to some risks such as fire-related accidents, and safety-related problems. The company gives those people earning opportunities, which means Airbnb shares their customers' information with identification proof to those interested homestay owners. Those homeowners then match that identification authentication and allow customers to stay at their homes. These help local people to earn money and earn profit also. Airbnb also found an authentic source of homestay where the company's customers stay happily with proper safety and security. This also gives social benefits, which means tourists also eat local foods, use local materials and feel the local cultures.

Break down cultural stereotypes

Often it can be shown that British people do not behave well with native people and one cultural background people cannot give respect to another cultural background people. Airbnb breaks these issues through their local contract of homestays and provides safe home stays to their customers. Local people at the time acted as homestay owners (Ndaguba, 2021). They have to behave well with their tourists and tourists or customers also feel happy due to the warm welcome. People in other country's people also know about different cultural values, and beliefs and home stays owners also know about different countries' people's choices and habits. This mixed culture situation helps to break cultural barriers and helps to mitigate orthodox mentality about culture.

Theories

Resource-based theory

The resource-based theory is important to strategic planning that deals with the organisation's resources. The resource such as cash and valuables of the organisation the competitors are always keeping an eye on it and try to imitate common resources. As opined by ZHANG (2020), strategic management is based on resources that are valuable, rare, difficult to imitate and non-substitutable the strategic management's valuables of the organisation refer to the relatively high cost of acquiring it. Competitors are getting a tough time imitating particular resources that ensure the difficulties and reflect the unique aspects of the business. While the resources are non-substitutable the competitors are unable to find different ways of gaining profits from the resource providers. As argued by Collins (2021), this theory has competitive advantages that include innovation that achieve sustainable competition by accumulating the resources to serve consumers' demands. Airbnb is working as a broker in different locations that deals with the local people that are proving their houses for rent to the guests.

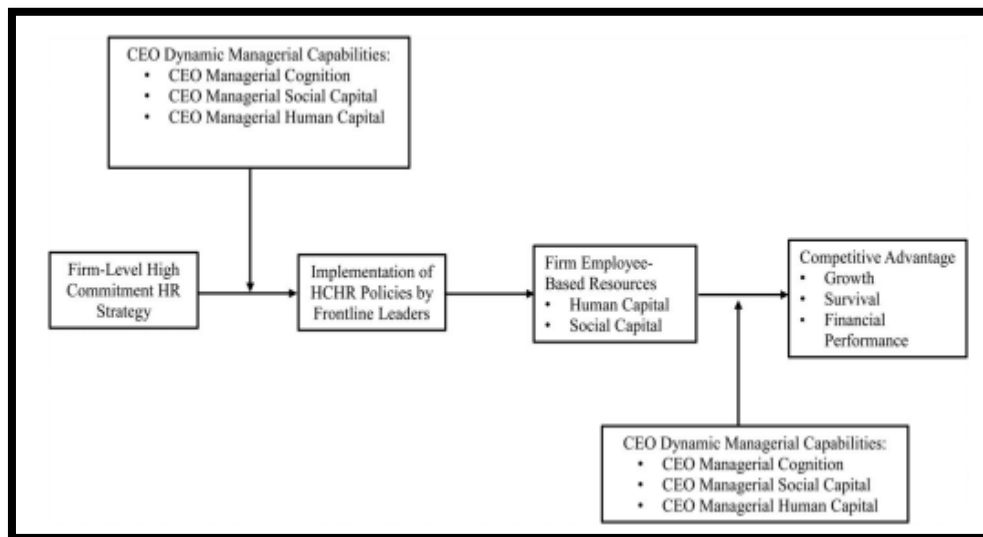


Figure 5: Resource-based theory

(Source: Collins, 2021)

The colony's resources are mainly gained from the local people of particular areas and great services to the consumers are irreplaceable by other competitive companies. The tangible resources of the organisation easily identified the competitors and brought from the market and develop for the long run. The company purposes of the packing include various resources under one land and the production and packaging implementation in the technological advancement in the organisations (Yan *et al.* 2019). The equipment and materials are easily

accessed to the tangible nature and the competitors are the main players that influence the process and production purpose.

Contingency theory

The contingency theory is effective in strategic management that way leaders of the organisation match specific settings. As opined by McAdam *et al.* (2019), this theory is important in management planning that provides signification discretion in the decision-making of the organisation. Airbnb is implementing this theory into the business that allows the managers to blend with policies that override the circumstances. Several people contributed to the business that identifying different types of organisational structures that refer to an organic and mechanistic environment that is involved stable and dynamic. The contingency variable is affecting the organisational structures that are dependent and independent. Airbnb changes to the dependent variables as the independent variables are the causes of changes in dependent variables. As argued by S. Smith *et al.* (2019), it mainly includes the organisation that refers to the size of management teams through different leaders who have different styles of management. The managers and supervisors of the organisation is adopting the leadership style and delegate responsibilities to co-workers. This theory is mainly manipulated by specific factors such as the maturity levels of the employees and the relationship between the management and the co-workers.

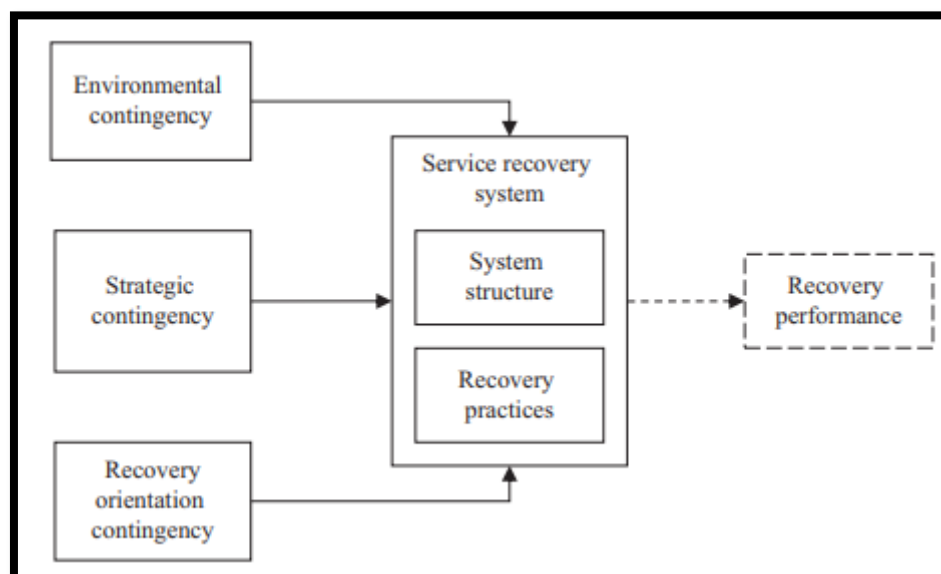


Figure 6: Contingency theory

(Source: S. Smith *et al.* 2019)

The organisation is trying to create a good environment for the employees to provide a better experience in the workplace. The management style of the organisation is enhancing the strategic planning of the organisation which indicates setting organisational goals and objectives. It influences the company policies according to the demand of the organisational working style (Csaszar and Ostler, 2020). The standard behaviours of the management and the employees have been setting morale within the organisation that simply enhances the organisational operations.

Conclusion

From the above study, it has been concluded that strategic management is important for organisational operations and the Airbnb case study has been evaluated for this purpose. The relationship between internal and external context and its major impact on management has been discussed elaborately. The SWOT and PESTLE analysis of the organisation has shown the actual impact on the market that helps in decision-making for the organisation. Contemporary strategic planning and its development in the business have been added to understand the issues and implementations of its mitigating planning for the organisation. Moreover, different factors and the resource-based theory and the contingency theory implementation in the management style have been included to get an insight into the organisation.

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