Chapter IV

STRATEGIC MANAGEMENT AND KERALA TOURISM

4.1 The strategic management in tourism

The word 'strategy' refers to plan or course of action or a set of decision making rules forming a pattern or creating a common thread.\textsuperscript{104} Alfred D. Chandler defines 'strategy' as "the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and allocation of resources necessary for carrying out these goals"\textsuperscript{105}

According to William F Glueck, strategy means "A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved"\textsuperscript{106}.

Thus strategic management involves the setting of clear-cut objectives, both short-term and long-term and an earnest effort is made to achieve them by adopting suitable strategic decisions. Utmost care is taken to utilise effectively the six "M"s of the organisation such as Men, Materials, Money, Machine, Market and Managerial power to achieve the goals.

The idea of 'Strategic management' is most relevant in tourism industry because the industry is highly competitive, labour intensive and it requires to provide 'quality'

service to visitors. The industry requires deft hands with competence to adopt changes, lead, monitor and execute decisions at appropriate times. It also necessitates a holistic approach to win the confidence of the tourists with quality services.

4.2 Strategic Management

According to William F. Glueck, strategic management means "a stream of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives".\(^\text{107}\)

The terms ‘strategic planning’, ‘business policy’, ‘long-range planning’, and ‘strategic management’ are generally considered as synonymous terms in management science. Sharplin defines strategic management as “the formulation and implementation of plans and the carrying out of activities relating to the matters which are of vital, pervasive or continuing importance to the total organisation”.\(^\text{108}\)

Planning is integral in strategic management. If there are objectives to be achieved, we must plan our moves. Plans also make way for controlling. Thus objectives $\rightarrow$ plans $\rightarrow$ controls are the process of strategic management.

The need for strategic management arises when there is an urge to grow; to fight with competitors and achieve market leadership, to increase the bottomline to new heights; to ensure efficient use of available resources (men, materials, money, machinery, markets and information) and to check


Different authors have viewed ‘strategic management’ differently. Some viewed it as decision-making and planning; while, others considered it as the set of activities related to the formulation and implementation of strategies to achieve organisational objectives. Igor Ansoff\(^\text{109}\) in his book ‘corporate strategy’ says ‘the interest in strategy grew out of the realisation that the firm needed a well-defined scope and growth direction; objectives alone do not serve this need; additional decision rules are required for an orderly and profitable growth. Such decisional rules and guidelines have been broadly defined as strategy or sometimes as the concept of the firm’s business. It specifies the amount of growth, the area of growth, the directions for growth, the leading strengths and the profitability targets.

4.3 Shirley Fletcher\(^{110}\) who wrote “competence and organisational change” exhibits a diagramatic representation for adopting changes in a business.

Fig. 4.1

Where are we?

How are we Progressing?

Where do we want to go?

What the author suggests here is the need for an inward analysis of the current state of business for initiating changes. Current objectives, plan, policies, programmes, organisational structure, staff efficiency, fund position, infrastructure etc., have to be assessed to determine their suitability to achieve the new objectives. Secondly, he recommends us to decide our objectives - both long-term and short-term. Strategic management is aimed to produce results. So, there are set


goals at every stage of managerial performance. Thirdly, he stresses regular evaluation of the performance in order to assess whether the procedural steps move according to the plan and objectives.

4.4 Shirley Fletcher further says that change is a continuing process. A plan is always goal-oriented. To achieve goals, systematic changes will become necessary after regular appraisal. This rolling activity of Plan-Action-Review is shown by him in the following diagram.

Fig. 4.2
Planning and Action

Professor Kenneth Andrews\textsuperscript{111} opines "corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals; produces the principal policies and plans for achieving these goals and defines the range of business, the company is to pursue; the kind of economic and human organisation it is or intends to be and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities".

4.5 Strategic Management - a Process

Strategic management is not a novel term. Even in the Mahabarata battle, the role of Lord Krishna as a great strategist in favour of Pandavas is known to all. Strategies have been widely implemented in winning military targets.

Strategic management is a process. It consists of different phases in a sequential order as is evident from the following diagram.

Fig. 4.3
Strategic Management Process

Strategic Management is a step by step process starting from stating the mission, purpose and objectives of the enterprise in a pure transparent form. Relevant strategies (Plan of action) are also formulated by taking into account various organisational environments.

Selection of appropriate strategy and implementation of the same require professional acumen of the strategists. Strategies, as far as possible, should be flexible in nature. During implementation, necessary control measures can be devised to check the effectiveness of the strategy to win the targets. Implementation and evaluation should go simultaneously and necessary feedback has to be received for adopting changes.
4.6 Being a process, the idea of strategic management takes the following steps:-

<table>
<thead>
<tr>
<th>TABLE 4.1</th>
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<tbody>
<tr>
<td>Steps in Strategic Management</td>
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<tr>
<td>1</td>
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<td>10</td>
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<td>11</td>
</tr>
</tbody>
</table>

The table 4.1 exhibits eleven basic steps while implementing strategic management in the organisation:-

**Objectives:** The organisation must shape objectives in unambiguous terms to achieve particular tasks. Objectives shall be for short-term and long-term periods. Moreover, objectives may be designed for any activity, process, unit, sub-unit and managerial levels.

**Current Strategies:** Investigate the adequacy of current strategies to achieve the current goals. Strength and weaknesses of the same may be analysed and if necessary make replacements.

**Environment analysis:** Positive and negative factors in the external environment, that will have influence on the business, its objectives and strategies are to be X-rayed.
**Strengths & weaknesses**: Next step is to enquire the strengths and weaknesses of the institution to achieve the objectives. A deep insight into financial, technical, material, managerial and marketing affairs has to be made to devise appropriate strategies. In short, this means implementation of SWOT analysis.

**Foresightedness**: The strategist must move with a foresighted vision. Future impediments and positive factors that will affect the business should be investigated and appropriate precautions may be taken to thwart future contingencies. Changes in monetary policies, new legislation, change of government, likes and dislikes of customers, competition, new products and services etc. etc., are surely imminent.

**Strategic alternatives**: Another task of the strategist is to develop alternative strategies so that the most appropriate strategy can be chosen.

**Selecting the right strategy**: Each strategic alternative may be put to analysis in order to determine its adequacy in the situation.

**Implementation of the strategy**: Strategies are implemented at the right time and in due form. The available resources are best utilised in this endeavour so as to derive results.

**Monitor and control**: Control of strategy is another step. Here, the strategist monitors the progress of strategy implementation. Deviation from the plan is detected and possible hindrances are removed.

**Evaluation of the strategy**: The adequacy of a strategy to produce result is evaluated by the strategist. Plus and minus impacts are reviewed and tested. After that some conclusions are taken.
Change and Revision of the strategy: Based on conclusions taken, action programmes are immediately undertaken to introduce changes.

4.7 Charles W.L.Hill and Gareth R.Jones\(^{112}\) present the strategic management process in the manner given in Fig.4.4

Hill and Jones present four distinct variety of strategies ie: Functional-level, Business level, Global-level and Corporate-level strategies, for application in four phases of management. In a corporate venture where profitability, wealth maximisation and customer patronage are the set objectives, there is an urgent need to open a strategic management Department under the guidance, supervision and control of strategic managers. Strategic managers must have the vision, eloquence and commitment to win targets. Strategic management has parts to be played by

the Board of directors and corporate planners. But the starring roles are for the top managers of the corporation and its major operating divisions.

4.8 “Strategic management focusses on the second generation planning of the business and the preparation of several scenarios for the future. Contingency strategies are then prepared for each of these likely future scenarios”\(^\text{113}\). For the success of strategic management, a close and co-ordinated move of all Strategic Business Units (SBUs) of the organisation is inevitable, although, each of them has distinct independent objectives. (SBU means any function or activity at top, middle or lower levels with a purpose to achieve). The SBU is given authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.

4.9 Strategic innovation

A strategic manager has to work in an environment of ‘changes’. Study, observation, experiment and perfect thinking by managers create streams of ideas. Modern life itself is the outcome of a series of innovations. Dilip Roy\(^\text{114}\) writes “the Chief executive must try to have the qualifications of a sanyasi (saint). And when he comes closer to sanyasinship, his performance and the decisions taken by him will be more correct. The more closer he comes to sanyasinship; his behaviour will be more impartial and he will be more temptationless. It is through rigorous self-discipline, daily practice of both physical and mental renunciation and sacrifice that you can tend to become a sanyasi”.

\(^{113}\) William F.Glueck; Business Policy and Strategic Management; (1980) op.cit. p.6.

\(^{114}\) Dilip Roy; Strategic Management - Indian Experience; Gyan Publishing House, New Delhi (1997) p.27.
Michael L. Tushman and Philip Anderson\textsuperscript{115} opine in the preface of their book “we introduce the notion of “punctuated equilibrium” a pattern of change in which long periods of routine evolution alternate with short bursts of rapid transformation”. According to them:

(i) The kinds of innovation are critical to success,
(ii) Management of innovation is an organisational problem;
(iii) Technology is central to competitive strategy;
(iv) R & D - must for technological innovation;
(v) Innovative managers must excel at managing linkages and interfaces between organs; and
(vi) Innovation is managed by leaders and teams with multiple competencies.

Managing innovations and changes are carried out by a highly motivated and creative group who excel others through strategic manoeuvring. Robert H. Waterman\textsuperscript{116} in his research publication says: Companies must pursue “informed opportunism”. In other words, they must respond to opportunities and challenges quickly as they arise. His second principle is ‘to recognise that people are the main engine’.

4.10 Thomas J. Peters\textsuperscript{117} in his research publication maintains “a set of basics, world class quality and service, enhanced responsiveness through greatly increased flexibility and continuous short-cycle innovation and improvement.

\textsuperscript{115} Michael L. Tushman and Philip Anderson; \textit{Managing Strategic Innovation and change}; Oxford University Press, New York (1997) p.VII.


Managers → work with and through other people
   → are responsible and accountable
   → balance competing goals and set priorities
   → must think analytically and conceptually
   → are mediators
   → are politicians
   → are diplomats
   → are symbols
   → make difficult decisions

"It has become clear to top management that survival and profit-making are increasingly contingent upon proactive, aggressive actions and very speedy reactions to change as opposed to slow, reactive, organisational practices towards environmental threats & opportunities\(^{118}\)."

4.11 Ramaswamy V.S. and Namakumari S.\(^{119}\) give clarification for specific terms which are the objectives of strategic management. According to them, competitive advantage is "essentially a position of superiority on the part of the firm in some factor/function/activity". **Benchmarking** is an effective tool in building competitive advantage by locating standards" and **core competence** is that it will provide competitive superiority to the company".

4.12 According to Xavier M.J.\(^{120}\), there are three postures in strategic management; as described below:

1. **Proactive strategy**
2. **Crisis management strategy**
3. **Reactive strategy**

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\(^{119}\) Ramaswamy V.S. & Namakumari S.; (1999) op. cit.

\(^{120}\) Xavier M.J.; *Strategic Marketing*; Response Books, New Delhi (1999).
Proactive strategy means that which is anticipating and adapting to change. Crisis management strategy means working out an escape route after a crisis occurs. Reactive strategy implies resistance to any change and in the process get wiped out.

Richard Teare and Andrew Boer\textsuperscript{121} reiterate the view that “it has become clear to top management that survival and profit-making are increasingly contingent upon proactive, aggressive actions and very speedy reactions, to change as opposed to slow, reactive, organisational practices towards environmental threats and opportunities”.

Leslie W. Rue and Phyllis G. Holland\textsuperscript{122} opine “the greatest challenge for a successful organisation is change. Napolean was a great strategist; but he did not practice strategic management. This was a case for defeat”. Strategic management turns managers into the habit of thinking in terms of the future.

\textbf{4.13 Strategic Management in Tourism}

Tourism strategies

Besides being highly competitive, tourism involves too many intermediaries. Tourism and travel is a global phenomenon. There is no dearth of tourist destinations in the world. So, to win targets and to attract maximum inbound tourists, creative plans and innovative strategies have to be adopted. A core group of professionals must be engaged to shape plans, strategies and programmes in a long term perspective. The progress of these actions must be evaluated periodically and if necessary, corrective revision and updating must also be undertaken.

\textsuperscript{121} Richard Teare & Andrew Boer (Eds.), Strategic Hospitality Management ; p.13.
Tourism is a 'service' industry. A 'service is perishable, changeable, spontaneous, seasonal, heterogenous and above all competitive. In tourism too for achieving goals, both short-term and long-term, the resources in the form of men, materials, money, machinery, markets and information are to be employed to the maximum extent.

4.14 Charles W.L.Hill and Gareth R.James\textsuperscript{123} view that "a central objective of strategic management is to find out why some organisations succeed, while others fail. Today's business environment is changing aggressively and there is a crying need to anticipate future problems and opportunities. Strategic management provides all the employees with clear objectives and directions to the future of the enterprise.

In a book titled 'Strategic Management in Tourism' \textsuperscript{124}, L.Moutinho describes a four-fold step in tactical market planning of tourism products as:

1. Conduct a SWOT analysis.
2. Formulate specific goals.
3. Develop a marketing action plan.
4. Implement, monitor and control.

4.15 Strategic Management in Kerala Tourism

Tourism whether in the national or international scenario has become highly competitive. Tourism business comprises the business of travel agency, tour operators, hoteliers, flight-charters, holiday resorts, airline companies, lake/ocean cruise services, amusement parks, luxury surface transports, house boats cruise,

\textsuperscript{123} Charles W. L. Hill and Gareth R. Jones ; (1998) op.cit.
\textsuperscript{124} Moutinho L. ; Strategic Management in Tourism ; CABI Publishing, UK (2000) p.251
floatels, beauty shops, handicrafts and many more. Strategic management may be irrelevant in a monopoly business; but businesses which are exposed to open competition in a liberalised economy must employ it for achieving core competence.

4.16 In Kerala, the pioneering agency in the tourism sector is the Department of Tourism (DoT), Government of Kerala which has to take the lead by implementing strategic management. Funds to KTDC, BRDC and DTPCs are provided by the DoT from the budgetary allocations. So, the recipients too should be insisted on to practice strategic management. Before beginning a disclosure on strategic management in Kerala’s tourism industry, let us know the organisational structure of the State Department of Tourism and KTDC.
Chart 4.1
Existing Organisation Chart of Kerala Tourism Department

Minister
↓
Secretary
↓
Director

Add. Director (H)
↓
Jt. Director
R.B.S Manager
Planning Officer
Residential Bungalow's
Garden Supervisor
Gardener

Add. Director (E.T)
↓
Add. Director
Add. Director (G)

Dy. Directors
T.I.O
Delhi
Mumbai
Chennai

I. A. Projectionist
Guide
Peon

Finance Officer
Inspecting Officer

Admin. Officer
Superintendent
Director's P.A.

Dy. Director
Kozhikode
Dy. Director
Ernakulam
Dy. Director-I
Trivandrum
Dy. Director-II
Trivandrum

Ass. Exe. Engineer
Garage

J. Superintendent
(Kanakakunnu)

Store Keeper

Guest Houses
Guest Houses
Head Clerk

Chief Accountant
Clerk
Typist
Boat Staff

Guest House Guarage
shop

S. Superintendent
J. Superintendent
Clerk
Cashier
Faircopy
Superintendent
Typist
Typist Clerk
Peon

Courier Guide

Lasker
Watcher
Sweeper
Gardener
Sanitation Worker

Attender

Consultant
4.17 Chart 4.1 presents the current organisational structure of the Department of Tourism, Kerala with so much bureaucratic ladders. The structure is unscientific and must be revised to suit the implementation of strategic management. In the chart, Addl. Director Eco-Tourism has none to be supervised. In the lower part, a series of Deputy directors along with Asst. Executive Engineer, J. Superintendent, and store-keeper are listed with no upward connection. Decentralisation of authority downwards is not systematic. There is no committee form of organisation to assist the top echelons of the organisation. Therefore, there is a need for a new organisational structure showing the flow of authority and accountability in the state department of tourism.

Chart 4.2
Organisation Chart of KTDC

Minister
↓
Board of Directors
↓
Chairman
↓
Managing Director
↓
Secretary-cum chief Accounts Officer

<table>
<thead>
<tr>
<th>PRO</th>
<th>Manager Central Reservation Centre</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Project Engineer I</td>
</tr>
<tr>
<td></td>
<td>Personnel Officer</td>
</tr>
<tr>
<td></td>
<td>Accounts Officer</td>
</tr>
<tr>
<td></td>
<td>Internal Auditor</td>
</tr>
<tr>
<td></td>
<td>Transport Manager</td>
</tr>
<tr>
<td></td>
<td>Commercial Manager</td>
</tr>
<tr>
<td></td>
<td>Project Engineer II</td>
</tr>
<tr>
<td></td>
<td>Supdt.</td>
</tr>
<tr>
<td></td>
<td>Supdt.s</td>
</tr>
<tr>
<td></td>
<td>Supdt.s</td>
</tr>
<tr>
<td></td>
<td>Asst. Managers</td>
</tr>
</tbody>
</table>

NB: There is no clear organisational Chart of KTDC
4.18 The organisational chart of the state-owned Kerala Tourism Development Corporation also lacks proper decentralisation of line and staff authority. There are a host of middle-level managers with a few of them having subordinate staff. KTDC, being a public sector organisation with a total annual receipts of Rs.35 crores must have a clear-cut organisational structure. Moreover, separate organisational structure can be prepared with respect to each unit owned by it. It may be emphasised that an organisation structure creates a formal system of roles, supervisory and subordinate, which helps in working together to achieve enterprise goals.
<table>
<thead>
<tr>
<th>S.L.N.</th>
<th>Name of Units</th>
<th>Bed Available</th>
<th>Occupancy %</th>
<th>Domestic Tourists</th>
<th>Foreign Tourists</th>
<th>Total Income Rs.</th>
<th>Operational Expenditure Rs.</th>
<th>Administrative Expenditure Rs.</th>
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<td>5790</td>
<td>5131</td>
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<td>29533</td>
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<td>27</td>
<td>10406</td>
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<td>24</td>
<td>3005</td>
<td>3477</td>
<td>232.68</td>
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<td>Penyar House, Thekkady</td>
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<td>14632</td>
<td>3082</td>
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<td>62.47</td>
<td>24.10</td>
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<td>Bolgatty Palace Hotel, Kochi</td>
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<td>1415</td>
<td>556</td>
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<td>7</td>
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<td>11680</td>
<td>50</td>
<td>5823</td>
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<td>Sabala Restaurants &amp; Beer Parlours</td>
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<td>30427</td>
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<td>103.24</td>
<td>37.84</td>
<td>141.08</td>
<td>-1.59</td>
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<td><strong>Grand Total</strong></td>
<td><strong>383212</strong></td>
<td><strong>143165</strong></td>
<td><strong>18703</strong></td>
<td><strong>3407.5</strong></td>
<td><strong>2487.92</strong></td>
<td><strong>840.52</strong></td>
<td><strong>3328.44</strong></td>
<td><strong>79.01</strong></td>
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</tbody>
</table>

4.19 Chart 4.3 is a composite one portraying in a nutshell the financial and non-financial performance of various units managed by the KTDC. The average occupancy of KTDC hotel establishments as per column 4 is 42 per cent. Among the hotels owned by it, only four of them have more than 50 per cent occupancy. Another peculiarity seen is that Hotel Samudra, Aranya Nivas, and Lake Palace with a meagre occupancy rate could earn substantial profits. There are ten units incurring losses to the tune of Rs.99.51 lakhs; while others contribute an aggregate profit of Rs.178.52 lakhs.

Average number of domestic and foreign tourists who visited KTDC hotels during 1999-2000 as per columns 5 and 6 are 9544 and 1558 respectively. Only the first five hotels chiefly attract foreign tourists. The total number of foreign tourists who stayed in KTDC hotels during 1999-2000 came to only 11.55 per cent of the total visitors. Like any other hotel the income of KTDC is dependant on the visitors and occupancy of rooms.

There is an urgent case for revitalising/restructuring KTDC in order to deliver impressive performance to the needs and aspirations of the industry. A thorough investigation into managerial and business performance of various units of KTDC is advised.

Suggestions regarding how strategic management should work in Kerala tourism is given in chapter VI.
4.20 Fundamental objectives and activities of the Department of

Tourism, Govt. of Kerala\textsuperscript{126}

The main objectives and activities of the Department of Tourism are:

(1) To provide basic facilities for the required tourism development.
(2) To conduct advertisement/publicity for tourism.
(3) Organise fairs and festivals.
(4) Receive, accommodate, provide food and arrange conveyance for the visiting central/state guests.
(5) Give tourist information to the arriving tourists.
(6) Run and maintain guest houses, yatri nivas, Kerala Houses at Delhi and Kanyakumari for the use of state guests, ministers, speaker, chief whip and opposition leader.
(7) Secure vehicles for use by the ministers and state guests and conduct timely repairs.
(8) Run and maintain two existing luxury boats at Kochi (Mainakom and Sagararani).
(9) Run Tourism Information Centres at New Delhi, Chennai, Mumbai, Goa, Jaipur, Agra etc., for attracting tourists to Kerala.
(10) Manage Tourism Information Centres at selected centres and open offices of Deputy Director of Tourism at Kannur, Malappuram, Palakkad, Kottayam and Kollam.

\textsuperscript{126} Dept. of Tourism, Kerala; Note to Subject Expert Committee; Financial Allocation XLII Tourism (1999-2000).
(12) Investment Guidance Cell formed to assist new entrepreneurs in the field of tourism.

(13) Recognition to authorised ayurvedic centres for providing quality service to tourists.

(14) A novel scheme named ‘Grihasthali’ by which buildings which are more than 50 years old shall be allowed financial help to preserve its heritage beauty.

(15) Cleaning of beaches and developing new beach destinations.

(16) Construct backwater resorts, way-side amenity centres, tourist lodges, beach resorts etc.

(17) Make available tourist boats and house boats at selected centres and build boat terminals.

(18) Developing inland waterway for better backwater trip.

(19) Developing Veli Tourist village with necessary infrastructure for amusement.

(20) Erect insinator for garbage disposal at various tourism centres.

(21) Start Golf course at Wagamon.

(22) Computerisation at various offices of the Department of Tourism.

(23) Organise cultural festivals of Kerala to attract tourists.

(24) Give subsidy to recognised tour operators and star category hotels.

(25) Start new guest houses and reorganise the department structure.