

## OPPORTUNITIES AND THREATS TO THE DEVELOPMENT STRATEGY OF THE HORECA INDUSTRY ENTERPRISE

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**Purpose:** The purpose of the study was to identify improvements in the process of implementing a new product into the company's operations and then marketing it to the HoReCa industry.

**Design/methodology/approach:** The fundamental sources of information analyzed are: the results of participant observation by the authors of the article, a case study based on a face-to-face interview with the owners of companies making the introduction of new products (services) to their portfolio. A literature review was also conducted.

**Findings:** Based on the conducted research among HoReCa companies, it can be concluded that there is a need for constant analysis of the key features of a new product (service) for its promotion. It is also important to remember to analyze the channels of reaching the customer and the benefits of changes made to the product portfolio.

**Research limitations/implications:** In the future, it is suggested to conduct similar research on a larger scale. The research should be conducted among organizations where there is no conviction to diversify products (services), in order to remove the effects caused by the Covid-19 pandemic in 2020-2022. There are also intentions to conduct research in the analyzed area in organizations belonging to the large enterprise sector. The case study was made on the basis of companies operating in the SME sector. Surveys in the environment of companies belonging to the large enterprise sector are planned for the third quarter of 2025.

**Practical implications:** Owners of Polish companies operating in the HoReCa industry should continuously implement the process of diversifying the products they offer. This process should be adapted to the business environment in the region, the country and even in Europe. A detailed understanding of the implementation of the portfolio diversification process, will have an impact on eliminating or reducing the barriers associated with such an activity.

**Originality/value:** The analysis carried out in the article responds to the need to reduce the impact of the covid-19 pandemic on hotels, restaurants, catering or event companies. The value of the article is also to make entrepreneurs in the analyzed industry aware of the advantages of a development strategy that supports the adaptation of the organization to the ongoing transformation of the environment.

**Keywords:** development strategy, portfolio diversification, HoReCa industry.

**Category of the paper:** Research paper.

## 1. Introduction

At the present time, organizations operating in the HoReCa (Hotel, Restaurant, Catering) industry are facing the need to implement changes within their operations, with the aim of adapting their structures and processes to the requirements of the changing market. Development strategy in an organization has been recognized for many years as a particularly important management concept. Nowadays, both in the literature and in business practice, there is an increasing emphasis on the importance of knowing the development strategy and using it to diversify the company's product portfolio (Maulana, Syarif, Taryana, 2023). Therefore, development strategy is the primary mechanism that prepares an organization for the successful implementation of changes related to new products (services). For modern companies, the implementation of a development strategy is both a major challenge and an opportunity to reduce wrong decisions related to the launch of new yet innovative solutions. The success of the implementation is undoubtedly determined by the awareness of the processes of (innovative) change in the organization, but also by the maturity of the employees of companies for systematic change (Sprong, Driessen, Hillebrand, Molner, 2021).

## 2. Method

The materials collected and presented in the article provide a synthetic description of the practical application of the development strategy and its importance in the implementation process of new products. The research activities, which were carried out at the beginning of 2024, resulted from personal interviews conducted among owners of small and medium-sized HoReCa enterprises and at the same time with an expert in the implementation of financial solutions to support the industry under study (case study). For the case study, 15 face-to-face interviews were conducted. The selection of the group of 15 enterprises for the study was made using the purposive method, and the selected research subjects were enterprises that consciously took advantage of EU financial support for the implementation of new products on the Polish market. They were also enterprises served by the expert.

### 3. Enterprise development strategies

Development is generally a process of change that occurs over time. These are mainly qualitative rather than quantitative changes, but the latter also constitute development and are manifested in the expansion of the organization's internal potential (Beliczyński, 2016). The development of an organization should be considered from a holistic point of view, which refers to a number of changes in the various systems of an enterprise, where the result is its growth (Pierścioneck, 1996). It is also correct to say that development can have both internal and external dimensions (Krzos, Piwoni-Krzeszowska, 2018).

It should also be noted that the development of any enterprise is periodically characterized by progress, regression or stagnation. Thus, it is assumed that development can be progressive, and this is when it is associated with progress, that is, moving toward a desired state. Development can also be regressive, and this occurs when there is a movement of the enterprise away from the desired state. And finally, the manifestation of development can be stagnation, that is, a period when changes occur, the effects of which are compensating. Adopting this position does not conflict with the claim that development defines the difference between the state of affairs at the beginning and at the end of a given period (Rokita, 1991).

In conclusion, therefore, it can be assumed that the development of an enterprise is an ongoing process of qualitative and quantitative changes of a progressive, regressive or stagnant nature over time (Tokhirov, Abdurakhimjanov, 2021).

In this article, the main attention is paid to the methodological problems of creating an enterprise development strategy, understood, among other things, as combinations of activities that will create a synergistic effect and contribute to the maintenance and development of enterprises in the market (Basco, Rodríguez-Escudero, Martín Cruz, Barros-Contreras, 2021).

When introducing a development strategy into an organization, it is important to keep in mind the function of such a strategy. The fundamental functions are (AlQershhi, 2021):

- the concentration function, which forces activities to focus on the most important things and to allocate limited resources in such a way as to ensure their optimal efficiency,
- the orientation function, which is the mutual alignment and orientation in the strategy of current and future activities,
- the coherence function implies the essence of the strategy to be understood and accepted, so that it is a means of mitigating conflicts and harmonizing the activities of those involved in the development process,
- the function of flexibility, which is related to the ability (to recognize in advance the future conditions of action, adapt to them the actions undertaken on an ongoing basis, possibly modify the nature of actions depending on the realization of any of the anticipated scenarios of the future.

Creating an enterprise development strategy is not a simple task. Adequate observation of external factors, knowledge of the organization's resources and adequate strategic planning make it possible to determine the goals that the enterprise intends to achieve (Tomashuk, Tomashuk, 2021).

In many companies including those in the HoReCa industry, the correct development process should consist of interweaving incremental changes with innovations or larger-scale investments. Therefore, “continuous improvement” is an enterprise development strategy that is more than Kaizen. It is a system that combines in a coordinated way comprehensive changes in the organization carried out in both a planned and incremental but sustainable manner. Excluded from this system are changes in the nature of reengineering or enterprise-wide restructuring, which for obvious reasons cannot be carried out too often. Thus, considering the scope of impact of this system according to the Rummler and Brache model (Walentynowicz, 2022), “continuous improvement” applies to processes or sub-processes of the organization or individual jobs (meso- and micro-organizational system), while it does not apply to the level of the entire enterprise (macro-organizational level). Another example of such an activity could be the continuous diversion of product portfolios. This means that diversification becomes an enterprise process.

The main methods of continuous organizational improvement include (Ackerman, 2023):

- conducting team improvement projects, usually at monthly intervals,
- small activity groups, set up in individual business units depending on the initiatives reported,
- quality circles, as voluntary, unpaid meetings of employees after working hours, which is a little-used “continuous improvement” method in Western conditions,
- the suggestion system, one of the basic elements of an enterprise CI (Continuous Integration) system, the popularity of the use of which has been growing in Poland in recent years.

A very important aspect of the successful operation of a “continuous improvement” system are issues related to motivating employees, especially rank-and-file employees, to engage in the organization's development processes (Zighan, Ruel, 2023). The very issue of motivating employees in general is already very complicated. At the same time, without a new management approach (the use of new management concepts in a manner tailored to situational conditions) and continuous improvement, the company has nothing to look for in today's market. In summary, one of the key success factors and factors for evaluating the effectiveness of the implementation of a continuous improvement system in an enterprise is the highest possible level of involvement of everyone in the organization in the process (Errida, Lotfi, 2021).

Innovation as a very important factor for continuous development in organizations is identified with new products, or product innovations. It is important not only to create new products that are valuable, from the point of view of the recipient, but also to create them faster than market competitors (Baruk, 2021). Sometimes new markets emerge with the created new

products, which in turn attract other providers. This results in the appearance of many similar items. This, in turn, causes the initial competitive advantages to begin to fade. This requires companies to have a certain constancy in updating their offerings for new products. Which boils down to the “continuous improvement” method.

When analyzing meaningful information on new product creation strategies (product group development strategies), it is imperative to keep in mind the fundamental criteria such as: technological novelty of the product, novelty of the customer/market, novelty for the manufacturer, originality and competitive advantage, which allow the company to choose a specific strategy for creating a new product (sustaining strategy, improvement, substitution, remerchandising, refinement, line extension, new application, modification, and original product strategy). Details about product development strategies are shown in Table 1.

**Table 1.**  
*New product development strategies*

Type of strategy	Characteristics
Sustaining strategy	New products sustaining the company's business, no technological changes, directed to the existing market, apparent external changes (packaging, label, brand).
Improvement strategy	New improvement products with minor quality changes, revised exterior design, offered to existing buyers.
Replacement strategy	New products replacing the existing ones, new materials, ingredients were used, offered to the current market.
Remerchandising strategy	Product changes are in the way of distribution, promotion, related to pricing policy or branding.
Refinement strategy	Refined products, significant quality changes, improved usability, marketability of the product.
Line expansion strategy	New products to expand offerings, manufactured with new materials based on new technology; revised exterior design, targeting the existing market as well as new segments.
New application strategy	Renamed product, modified distribution, promotion and price; products that have found use with new users.
Modification strategy	New products modified, with improved quality, with higher competitiveness, adapted to new market segments.
Diversification strategy	Completely new products, made from the latest materials, ingredients, produced with the latest technology, targeting specific markets.

Source: own compilation based on (Rutkowski, 2013).

There is a relationship between the choice of a particular new product strategy and the level of its market success. Companies are relatively more likely to use reactive product innovation strategies. As a result, new secondary (derivative) products are created. On the other hand, there is less tendency among entrepreneurs to use proactive ways of developing new products. High success rates (64-70%) include offering new products aimed at new market segments (67%), being first to market with an innovative product that meets buyers' needs (64%), or providing more value to the customer through a new product (70%) (Białoskurski, Wróblewska, 2023).

#### **4. Diversification of service portfolio as a growth strategy for HoReCa enterprise**

Prior to 2019, the conditions in which companies were operating were described as turbulent or turbulent. However, in 2020, under the impact of the global COVID-19 pandemic, global business conditions were further exacerbated. Influenced by successive lockdowns, sanitary restrictions, changes in demand in markets or even major disruptions in various types of industries (aviation, tourism, hospitality, catering or leisure), the conditions for conducting global business have changed greatly (Drammeh, 2024). This can now be felt through sharp changes in energy and raw material prices, the disruption of some supply chains, drastic reductions in supply in some markets, rising inflation or global political instability. Since it is difficult to predict further changes, today's economic conditions can even be described as highly turbulent. This raises the question: what strategies should modern companies adopt in anticipation of normalization or improvement of operating conditions? What mechanisms of operation should be the basis of such a strategy? It is difficult to give a general answer to the first question, each enterprise should develop an individual development strategy based on the analysis and forecast of changes in individual situational conditions (Mahasin, Hasbullah, 2024). However, the second question can already be attempted with a concrete answer.

Based on the opinions of experts gathered in qualitative studies placed in reports assessing the situation of the HoReCa (Hotel, Restaurant, Catering) industry in Poland for 2020-2023 are the basis for assessing the economic situation of companies operating in it. In general, the COVID-19 pandemic has caused negative changes in companies, e.g.: a reduction in the number of customers (72%), a significant decrease in orders (59%), or a shaky financial liquidity (49%). Also noticeable are the changes that have occurred in companies as a result of actions taken by individual industries to survive in the new realities. The 2020 United Nations Report identified five priorities for the re-development of tourism (PARP, Report, 2022):

- mitigating socio-economic impacts on livelihoods,
- enhancing competitiveness and building resilience, including by diversifying product portfolios and introducing an enabling business environment for small and medium-sized enterprises,
- supporting innovation and digital transformation of the tourism industry, including promoting innovation and investment in developing digital skills,
- supporting sustainable development and green growth facilitating,
- ensuring coordination and forging partnerships for the relaunch and transformation of tourism to support the achievement of the Sustainable Development Goals and put people first when rebuilding the economy, and working together to ease and lift travel restrictions in a responsible and coordinated manner.

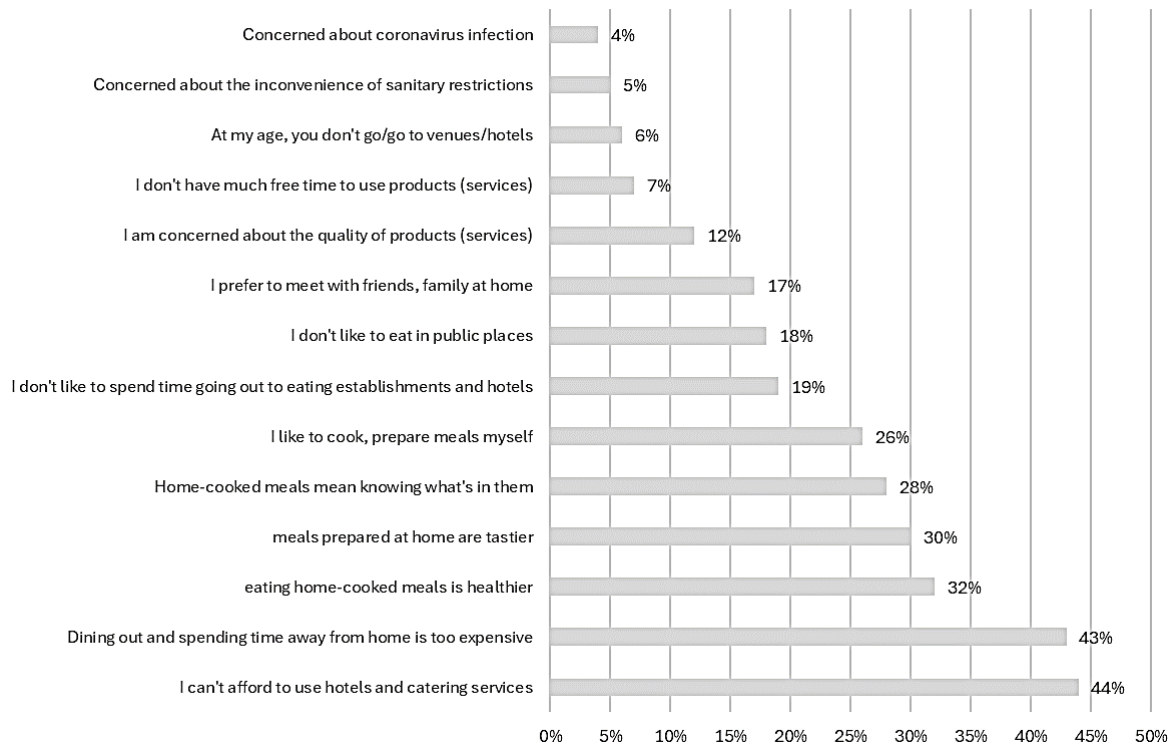
Based on a survey of 15 companies seeking growth after the negative effects of the Covid-19 pandemic, they have consciously taken the step of constantly introducing new products (services) to their offerings. This demonstrates a conscious choice of a growth strategy using the mechanism of portfolio diversification. One of the main barriers to such development appeared in the aspect related to the availability of resources, more specifically, financial resources. The answer to overcoming this barrier was the possibility of obtaining funding from the European Union (EU) for the HoReCa industry. The companies selected for the applied case study method received such support. As part of the research, the structure of resources used to implement new products was determined:

- financial resources - to launch the new service will come from the subsidy in accordance with its amount indicated in the EU application, and own contribution as a supplement to the subsidy to the full amount of the investment,
- human resources - the necessary employees for the implementation of the new service will be those already working. They will receive training in technological operation and other activities necessary for the creation of the new product (service),
- physical resources - for the implementation of the new service will be involved space already in place. In the case of the equipment necessary to start the production of the new product (service) of the organization of meetings, it will be largely purchased from the EU funding received.

A great potential in the development of a new product (service) lies in competence resources (indicated by 86% of respondents). The key strengths and skills to win over the competition lie in the learning process, the creation and management of knowledge in the organization, the sharing of knowledge by team members, in the ways of communication, self-motivation and motivational systems that truly involve employees in the activities performed and actions to achieve the goals of the organization, subordinated to value creation.

Another important feature of the new products (services) of hotels, restaurants and catering companies are the so-called aesthetic stimuli that build the background, the mood of the service. They significantly affect the evaluation of the consumption value of the product (service). Therefore, it can be said that the success of a café will depend not so much on the traditional model of marketing activities, but on the ability to create a new marketing philosophy of its own, leading to an original image of the service provider created in the context of the customer's aesthetic experience. In this approach, aesthetics should be referred not only to the visual identity of the café, but should also be understood in the context of odor, touch or sound stimuli that are attractive to customers, since the perception of a service seems to be a kind of holistic response to numerous environmental stimuli and messages. Another feature understood in this way is intended to be used by 73% of the face-to-face interviews conducted.

The following chart presents information (collected using a face-to-face interview) that relates to barriers that discourage the use of restaurants, cafes and hotels. These can be used to begin work on determining the characteristics that will encourage the use of HoReCa services and at the same time become a tool to combat the barriers that have arisen.

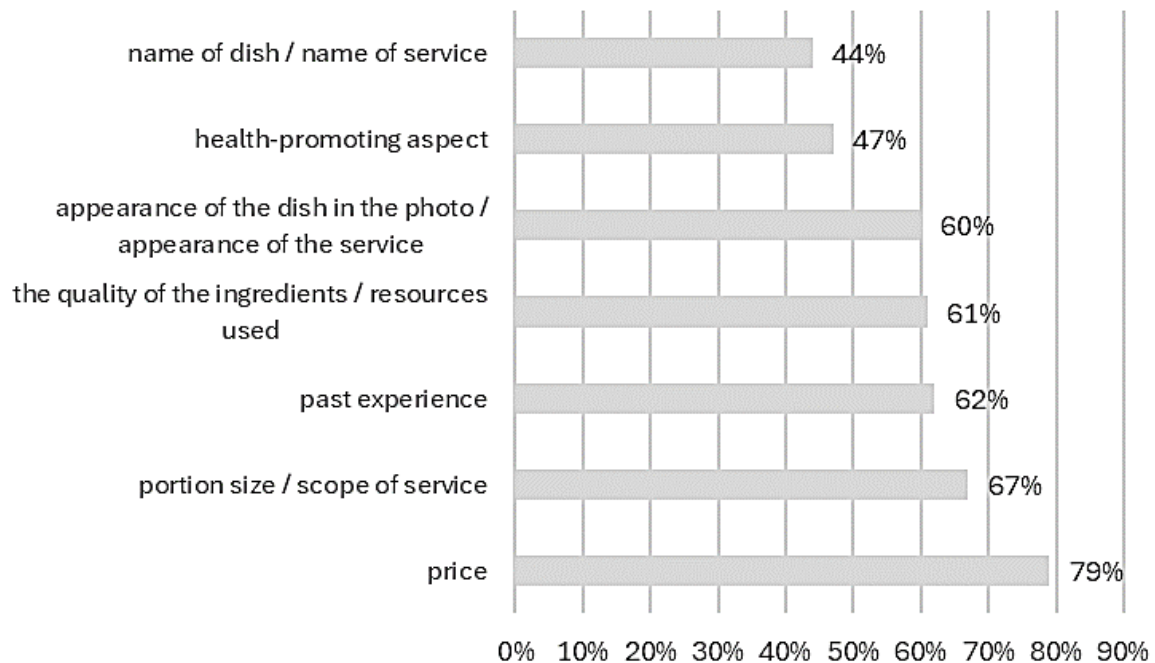


**Figure 1.** Barriers to the use of services of restaurants, cafes and hotels.

Source: Personal analysis of the data gathered in the study.

The HoReCa industry, when diversifying its portfolio, mainly pays attention to food services. Even hotels often choose this type of service. Therefore, below are the results of our own research on the factors that are important when choosing an on-site dish at a restaurant, café or hotel. This line of research can indicate what to pay attention to when creating or developing a new (food service).





**Figure 2.** Criteria for selecting a food service in a restaurant, cafe, hotel.

Source: Personal analysis of the data gathered in the study.

In response to the needs of gastrotourism, many hotels, restaurants, cafes are focusing on creating unique culinary experiences, if only by showcasing local ingredients and regional cuisine (food services). Another equally important new service of primarily hotels, is organizing various types of events.

Another important feature of product development is the alignment of the right marketing process. The most important step in this process indicated by respondents is building favorable and lasting relationships with customers. This is the foundation for building loyalty. Customer satisfaction, or “the degree to which the usefulness of the product in the eyes of the purchaser corresponds to his expectations”, is the most important element of a company and an indicator of a job well done (service provided) by the company. By doing so, long-term relationships are formed, which translates into stability for the company. A loyal customer can bring in more customers, as a result, the number of collaborations increases.

In summary, the most important relationship-building marketing ideas that HoReCa companies can benefit from include:

- relations between the brand and customers should be permanent and partnership,
- the company should guarantee high-quality services (products),
- the company should create value not for the buyer, but together with him.

It is worth noting that there are special tools to help build and maintain customer relationships. CRM (Customer Relationship Management), is a holistic process of building and maintaining mutually beneficial relationships with customers by delivering superior value and satisfaction to them.

## 5. Conclusion

The article cites the company's own research in early 2024 as a case study and literature research. The case study was based on an analysis of 15 Polish small and medium-sized HoReCa companies and a direct interview with an expert. It shows unequivocally that Polish HoReCa companies are becoming aware of the need to adapt their product offerings to changes both dictated by the environment and resulting from the internal conditions of the organization. For the implementation of the indicated tasks, it is absolutely necessary to reach for the mechanisms of development strategy, and more specifically, diversification of the portfolio in order to improve the attractiveness of the company. Development strategy relating to products (services), should become a continuous process.

The research is also a source of knowledge for managers of hotels, restaurants, catering companies struggling with problems arising after the COVID-19 pandemic. The considerations presented in the article have both cognitive and applied value.

At the stage of creating and designing the implementation of a new product (service) in the HoReCa market, competency resources play a huge role. Competencies integrate the totality of elements in a company that enable the generation of added value, which is a kind of economic return for having them and being able to use them in a unique way. For this reason, they take on the character of core competencies. Typical key competencies are: uniqueness, difficulty of imitation, ability to agree with consumers on functional scopes of goods and services offered, acquisition and possession of relevant knowledge, generation of diversity in the area of processes and products (Parra, Espinosa, Espinosa, Ávalos, 2023).

Based on studies of the HoReCa industry, it can be concluded that personnel creating and introducing a new product (service) have an important ability to influence the emotions of customers and, consequently, the perception of the product (service). Therefore, it is necessary to create such conditions and circumstances of the product (service) production process to consciously involve the customer and skillfully stimulate his participation in the creation of his own and other people's experiences. So that, as a result, these experiences are enriched, including with new emotions and impressions, and approach or exceed the level expected by the buyer.

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