Defining Project Management for Hilton Inc.

9011PMGT Project Management Term 5

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Introduction

Hilton Worldwide Holdings Inc. (Hilton) is one of the most recognizable brands in hospitality. The company's business model is premised on managing and franchising its brands and other intellectual property. Hilton rarely owns any of the hotels operating under its name. For nearly a century, Hilton has relied on this model to deliver billions of dollars in annual revenues, while making minimal investments in property. However, the recent rise of companies encouraging homestays threatens Hilton's ability to lease out its brands.

Moreover, its current contracts with third-parties restrict its ability to convert existing properties into ones that compete directly with these startups. As a result, the construction of a new property in a developed market is one way through which Hilton can test its ability to compete in the new market and grow its revenues. This report is an analysis of the potential goals, scope, priorities, and structure that could be adopted by Hilton during the construction of its new property.

Contextual Information

Context

Hilton Worldwide Holdings Inc. (Hilton) is a large and rapidly growing brand in the hospitality industry. The company is also among the oldest as it has been in operations for nearly a century as at the end of 2018. Hilton operates sixteen different brands in luxury, upscale, and time-share segments of the industry.

Nevertheless, the firm derives the majority of its revenues from managing properties owned by third parties and franchising its trademarks and other intellectual properties; Hilton only owned 1.1% of the 5,634 properties operating under its various brands (Hilton Worldwide Holdings Inc., 2018). Therefore, with another 2,400 new hotels scheduled to be opened shortly, it is reasonable to expect that one of these properties will be under Hilton's ownership. The hospitality sector is facing growing competition from entities like Airbnb, where travelers can rent entire houses for a fraction of the price charged by luxury brands like Hilton. Therefore, Hilton's revenues, which are primarily derived from managing and leasing conventional hotels, are under threat from these increasingly popular entities. The company needs to experiment with the growing hospitality segment to assess the possibility of revenue growth and the extent of the risk posed by the competition by building one property to cater to market demand. While construction is a costly and risky avenue, Hilton's alternatives are hindered by existing contracts with managed and franchised property owners.

Project Goals and Stakeholders

The project's goal will be the construction of a property catering to the growing needs in the home-rental division of the hospitality sector. Once completed, the venture will be a milestone in Hilton's ambitions to grow its revenue base and compete against upcoming rivals in the industry. The company's shareholders are primary stakeholders as growing competition threatens their investment at Hilton. Shareholders expect that the project will illuminate on Hilton's ability to compete against novel firms and also provide insight into future profitability. Hilton's current and prospective franchisees and real estate investment trusts (REITS), which own the majority of properties operating under Hilton's brands, will also be looking at the project's performance to assess the financial viability of their contracts with the company. Consumers will also be interested in the project as they compare its offerings against that of conventional Hilton brands and upcoming entities in the homestay division.

Project Scope

Planning is an essential aspect of a project's success. Indeed, studies have indicated that failure to plan increases the chances that a venture will fail to meet the three critical measures (time, scope, and budget) of project efficiency (Serrador & Turner, 2015). The project by Hilton has the purpose of delivering a building suitable for the home-rental market. The completed building should be desirable to short and medium-term stay travelers. Specifically, the property is expected to have amenities like kitchens where guests can prepare meals as opposed to ordering in the conventional manner of a hotel. Ideally, the property will be akin to a vacation home for travelers where they will be primarily responsible for maintenance during their stay. Notably, construction is the only part of Hilton's goal of testing its ability to complete. For instance, the success of the new venture will also rely on Hilton's ability to manage the newly completed hotel. However, the current project report will only investigate the construction part alone.

Therefore, the project's success will be defined by the timely delivery of a property meeting Hilton's standards and also within budget. Hilton will be marking an entry into the homestay market once this project is completed and ready for occupation. It is necessary that the new property conveys Hilton's brand characteristics, such as luxury and efficiency. These outcomes are imperative as they are marks of successful brand extensions where a company carries its core brand values into a new market (Dall'Olmo, Pina, & Bravo, 2015). Besides, the construction is expected to be completed within two years. The hasty accomplishment of this goal is due to the rapid growth of the competing homestay market that relies on already completed properties to generate revenues (Oskam & Boswijk, 2016). The construction project is expected to cost $20 million, excluding the cost of land and will lead to the delivery of 100 additional guest rooms to Hilton. The project's milestone schedule is, as shown in Figure 1.

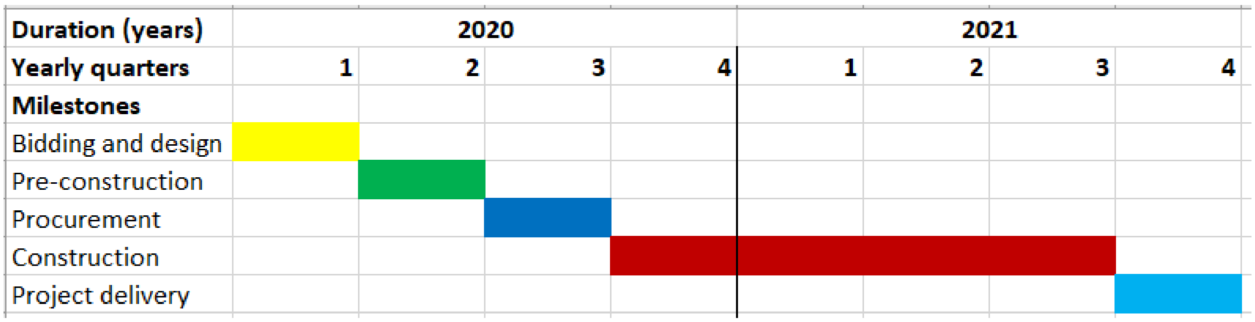

Figure 1: Milestone schedule

Project Assumptions and Limits

The project assumes that Hilton has already identified a ready market for the property. Moreover, it is assumed that the company has already acquired land where construction will take place. Therefore, the project will begin with the bidding process, where construction firms will be required to submit prospective designs for the property. Catastrophic events that lead to lengthy delays are not expected to occur prior to the completion of the project. Admittedly, the occurrence of these events is inseparable to any construction project (Mojtahedi & Oo, 2017). However, it is assumed that Hilton will be ready to make financial accommodation for these risks, leading to the timely resumption of work.

To successfully make use of the project, it will be necessary that Hilton institutes excellent management over the property. This will include hiring and managing staff. Besides, the property will require regular maintenance that will consist of additions and upgrades. However, these practices fall outside the scope of the construction project. Moreover, the project scope does not include market research and land identification, which are essential steps that inform the construction venture. Therefore, the current project is solely constituted of constructor bidding, property design, procurement, construction, and delivery, as indicated in Figure 1. Furthermore, the project scope covers the two years ending 2021 at the end of which construction is expected to be completed and handed over to Hilton. The project is also limited to a budget of $20 million that covers the cost of the five steps outlined in Figure 1.

Project Priorities

Risk management is a core undertaking in undertaking a project (Larson & Gray, 2018). Therefore, it will be necessary that Hilton identifies events that might hamper the successful completion of its new property and landmark entry into a new market. The construction of a hospitality property that is intended to accommodate at least 100 guests will involve hundreds of people directly. Therefore, it is imperative that Hilton takes safety measures to ensure that construction workers and those involved indirectly within site are not harmed. These initiatives include simple steps like wearing reflective clothing and hardtop helmets within site. More complex measures will include ensuring that the site is properly surveyed and evaluated before any construction work begins to identify areas that pose a risk to workers.

Project cost is a major cause of concern in construction projects as cost overruns have contributed significantly to failure in past ventures (Mišić & Radujković, 2015). Consequently, it is necessary that Hilton and its appointed constructor prioritize of restricting the possibility of the project going beyond the budgeted amount of $20 million. A potential measure to prevent cost overruns in this project will include the prudent selection of suppliers. Besides, it will be necessary that Hilton prioritizes on quality as this factor is essential in the successful management of the property and future revenues. For instances, finishes to the buildings will attract negative reviews and reduce the possibility of future bookings. While quality often competes with cost, the two can be bridged by determining quality standards and then identifying suppliers who will meet these expectations. Additionally, the project must be completed within the next two years. The goal is important to Hilton, as the company is currently operating in a rapidly growing market where travelers are opting for experiential products as opposed to conventional offers by the company (Oskam & Boswijk, 2016). Failure to construct the property within these two years will narrow the timeframe within which Hilton can venture into the new market even further, thus limiting its chances of success.

Project Organizational Structure

Figure 2 illustrates the project’s organizational structure

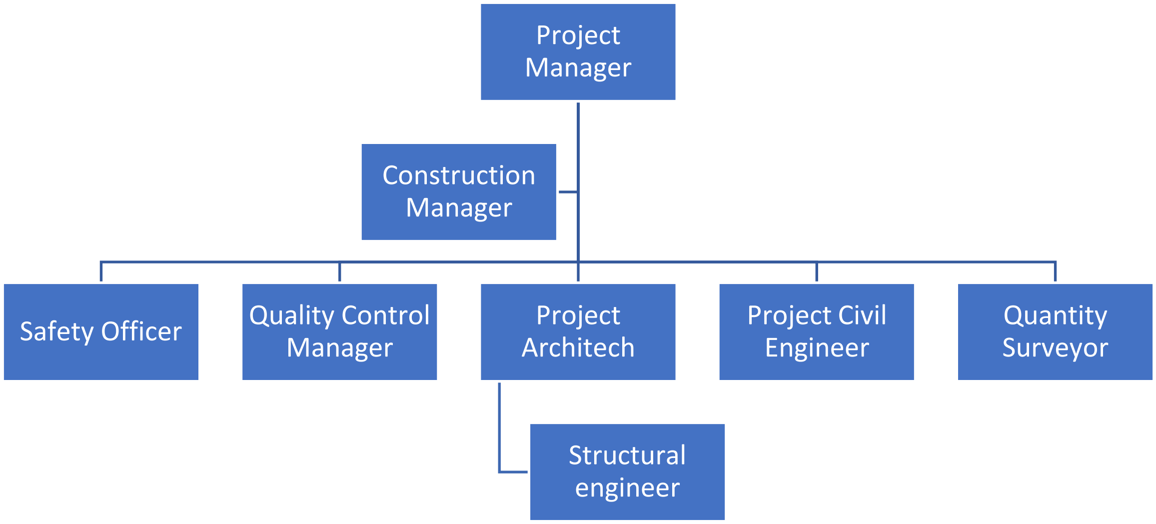

Figure 2: Project organizational structure

Conclusion

This report was an investigation into a construction project that ought to be implemented by Hilton in an effort to compete with startup companies in the hospitality industry. The study finds that Hilton is facing unprecedented competition from companies that do not own, manage, or franchise any property. Due to contractual restrictions, Hilton's foremost alternative is to construct a new property with the aim of competing with the new companies. While the venture will also constitute of competent management of the new hotel, this study is limited to the construction work alone. Five milestones are bidding and design, pre-construction, procurement, construction, and delivery, respectively. The project has a budget of $20 million and is expected to be completed within two years. The report establishes that cost, safety, quality, and time are the primal priorities for the project. It is concluded that the project is necessary as it will provide Hilton with the ability to compete in the future, despite the current risks and resources involved.

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