

International hotel groups: what makes them successful?

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A multi-disciplinary approach is needed to identify the factors underlying the success of international hotel groups

Introduction

Internationalization has become one of the key preoccupations of the 1990s. New books, articles and courses with "international" in their titles appear everyday, both in mainstream management areas and in the hospitality industry in particular. Managers and academics alike are aware of new marketing opportunities in the ever-changing global environment as barriers to international trade tumble within the single European market, the opening of eastern Europe, the economic development of parts of Asia and agreement on General Agreement on Tariffs and Trade (GATT). Global competition has now reached such a level that the growth of world trade has risen further than that from world gross domestic product[1].

Recognizing the importance of internationalization in the hotel sector, last year we launched a new MSc in international hotel management at Oxford Brookes. Those of us who researched the available literature to develop the course were frustrated by gaps in our existing knowledge about international hotel groups and the factors that make them successful. Most of the literature is superficial and impressionistic. We were also doubtful about the usefulness of some of the mainstream management prescriptions for business success in international hotel groups.

This led us, as a multidisciplinary team of researchers, to set out to identify the factors underlying international hotel group success. This article presents the main findings which have emerged from our critical evaluation of the literature relating to the internationalization of hotel groups, previous success studies and prescriptive strategic management models and then discusses the development of a new methodology.

The internationalization of hotel groups

There has been sustained industry and academic interest in the process of internationalization of hotel groups. Dunning and McQueen's[2] study of transnational corporations in international tourism[3] on behalf of the United Nations is one of the most widely quoted empirical studies. Although the field data (encompassing 81 firms from 22 countries) were collected in the late 1970s, this was the first main collection of industry research detailing the growing internationalization of hotel groups and remains the basis for comparative studies. However, the value of this research is not merely empirical, they also went on to explain the growth, distribution and forms of involvement of international firms in this sector through the framework of their eclectic theory[4].

Since this seminal work numerous studies have aided in a general understanding of the international hotel market[5-11]; examples of these are detailed in Table I.

However, although their analyses are mostly based on a numerical framework and the importance of growth in international travel, collectively, they have added little theoretical knowledge about the internationalization of hotel groups, let alone anything to the causes of global hotel company success.

A number of authors have attempted, however, to establish more hypothetical bases for the internationalization of hotel groups, particularly Litteljohn and Beattie[12-14]. Litteljohn critically appraises the work of Dunning and McQueen[2] and Dave[15], especially their preoccupation with forms of expansion – such as the franchise, management contract and technical agreement. He argues the case for a broader-based industrial economic framework to monitor international hotel group expansion. This suggestion is taken forward by Beattie, who provides a mechanism to test the hypothesis that the internationalization process of hotels must be considered against a "more rigorously defined industry background"[12]. Beattie[13] identifies

Table 1. *Examples of articles on hotel-group internationalization*

Authors in date order (see [5-11])	Nature of work	Hotel group focus	Geographical focus
Go, F. (1989)	Qualitative – based on secondary data	“Mega-hotel management companies”	North America, Europe and Asia Pacific
Litteljohn, D. and Roper, A. (1991)	Strategic assessment	Main international hotel companies from late 1970s to early 1990s	Global
Litteljohn, D. and Slattery, P. (1993)	Quoted companies Empirical data	Quoted companies	Europe (France, Germany, Italy, Spain and UK)
Slattery, P. and Johnson, S.M. (1993)	Empirical data	All quoted companies in EC countries	Europe (only EC countries)
Olsen, M.D. (1993)	Strategic assessment Empirical data	North American hotel chains	North American operators globally
Wise, B. (1993)	Empirical data	Companies based in Asia Pacific or those major hotel groups with a presence in Asia Pacific (c. 16)	Asia Pacific
Olsen, M.D. and Murthy, B. (1994)	Empirical data	Hotel-group members of International Hotel Association	Global

competitive groups of hotel companies in Europe in relation to three dimensions:

- (1) the degree of vertical integration of the parent firm;
- (2) the degree of internationalization of the hotel company (calculated as the number of hotels outside the home country of the company);
- (3) the size of the hotel company, based on the total number of hotels.

Her findings suggest that the majority of the 62 companies surveyed had internationalized at an early stage in their development (evidenced by their small total size), the implication being that (the limited) management in these firms had to cope with a wide range of operating environments.

These reviewed works provide a significant body of data about international hotel groups but they have a number of flaws. For example, the data-collection methods are not always transparent or accessible, making comparability difficult. This problem is further compounded by the range of different definitions and measures of internationalization used. Many of the more in-depth studies are also only partial – they often cover only one geographical area or are limited to studying only publicly-quoted hotel groups. Further, they do not consider the internal decision-making process nor the dynamics of this process within the organization. For example, although Beattie classified most of the hotel companies surveyed into convenient industry groups, she found significant differences in company details within

these clusters, but owing to the remit of her study she was unable to investigate these variations. In addition, in many cases numerical data have been preferred to the in-depth case-study method. This approach is quite the opposite to that taken by many authors on the subject of success in business.

Success studies and prescriptive strategic management models

The 1980s produced several influential books which sought to define organizational success, to identify the most successful companies and to explain the causes of their success. The best known of these studies was Peters and Waterman's *In Search of Excellence*[16] which concentrated on successful US companies. This work influenced Goldsmith and Clutterbuck's study of successful UK companies[17]. At around the same time Moss-Kanter[18] published her exploration of the organizational conditions which support innovation and change in corporate America, in a book entitled *The Change Masters*. These three studies offer several common features, including:

- Attempts to identify quantitative and qualitative measures of success.
- Prescriptions for success which are largely based on the “soft” elements of management described in the McKinsey 7-S model[16] as style, systems, staff, skills and shared values. Further, these studies place entrepreneurial people (at all levels of

the organization) at the heart of their success stories.

- They can be criticized on methodological grounds.

Quantitative measures of success are typically based on financial and growth measures. In the case of Peters and Waterman and Moss-Kanter, historical data using these measures were collected over a 20-year period, whereas Goldsmith and Clutterbuck used a ten-year time frame. Measures used are set out in Table II.

These studies used more subjective measures to identify successful companies. Moss-Kanter sought nominations from corporate experts in the human-resource field for the most innovative/progressive companies in terms of human resource management; Peters and Waterman asked selected industry experts to rate companies' 20-year record of innovation; and Goldsmith and Clutterbuck sought the recommendations of consultants from the PA Consulting Group.

The key findings of *In Search of Excellence* and *The Winning Streak* are distilled into eight attributes that characterize the most excellent or successful companies. There is considerable overlap between the findings of the two studies as can be seen in Table III. By comparison, the findings from *The Change Masters* have not been simplified into a set of snappy, easy-to-remember features. Instead, the main lessons are presented in a more discursive format. Nevertheless, some of the main pointers for an action programme to remove blocks to innovation taken from the final chapter of *The Change Masters* are set out in Table III.

The three studies concentrate on large, private-sector companies with their ownership base in the USA or UK. Each included only one or two hospitality-related companies; Peters and Waterman feature Marriott and McDonalds among their 43 successful companies, Goldsmith and Clutterbuck include Forte among their 23 companies, and Moss-Kanter rates Disneyland/World

Table II. *Quantitative measures of success*

<i>In Search of Excellence</i>	<i>The Change Masters</i>	<i>The Winning Streak</i>
Compound asset growth Compound equity growth	} Similar growth patterns over 20 years	
Average value of market value to book value		High growth in assets, turnover and profits over ten years (precise measures not specified)
Average return on capital Average return on equity Average return on sales	} Similar profitability measures over 20 years	
Data collected over 20 years		

Table III. *Main findings – features which lead to excellence/innovation*

<i>In Search of Excellence</i>	<i>The Winning Steak</i>	<i>The Change Masters</i>
1. A bias for action	1. Leadership	Encouragement of a culture of pride
2. Close to the customer	2. Autonomy	Enlarged power tools for innovative problem solving (methods to support experiments and innovation)
3. Autonomy and entrepreneurship	3. Control	Improvement of lateral communication
4. Productivity through people	4. Involvement factor	Reduction of unnecessary levels of hierarchy
5. Hands-on, value-driven	5. Market orientation	Increased, and earlier, information about company plans to involve and empower people early
6. Stick to the knitting	6. Zerobasing (keeping in close touch with the fundamentals of the business)	
7. Simple form, lean staff	7. The innovation factor	
8. Simultaneous loose-tight properties	8. The integrity perception	

among her 47 “progressive” companies. Nevertheless, the studies attempt to identify universalistic prescriptions for success which have since found a place in conventional thinking about strategic management. Peters and Waterman and Goldsmith and Clutterbuck are prolifically quoted as authorities on the causes of organization success and strategic texts tend to encourage managers to “design in” the key attributes identified by these studies so that their organizations can be “excellent” too. The success debate has been so influential that conventional strategic-management dogma seems to be based on one issue: the determination of how an organization, in its entirety, can best be directed in order to achieve success. In this context success often means the maximization of profits. For example, Doyle[19] points to the continual use of profitability as a measure of divisional or strategic business unit performance and as the basis for compensation packages (i.e. profit-share schemes).

Conventional thinking points to two main success formulae. First, organizations will succeed if they formulate and select long-term plans using given analytical criteria, then implement and monitor development against them. This refers to the “toolbox” of techniques and models that are available to managers, particularly located in the analysis and formulation[20] stages of the strategic-management process. Some of the most well-known models include portfolio analysis, such as the Boston Consulting Group matrix[21]; PIMS[22]; the value chain[23]; competitive advantage[23]; and many financial performance models. The premiss forming the foundation for these tools and techniques is the fact that “organizations are successful when they intentionally achieve internal harmony and external adaptation to their environment” [24].

Second, organizations will succeed if they select the appropriate configuration, i.e. a complex mixture of structure, strategy, environmental and other factors that all fit together. This relates to procedures for the implementation of chosen strategies. The concepts of organization structure, system installation and control and strategic management styles are important here. Authors such as Mintzberg[25] and Miles and Snow[26] believe that the style of organization has to be appropriate to the character of the firm and the environment it operates in and that there must be some control over selecting the right plan in the first place. The concept of strategy “fit” is therefore very important, particularly in this execution stage of strategic management.

The applicability of these success studies and prescriptive strategic management models to organizations in the 1990s has been the focus of much critical debate. The lack of profitability and revelations of

poor overall results announced by many companies in recent years have meant that the significance and use of these models as a prerequisite for organizational success is questionable.

The use of quantitative measures has been specifically criticized. Guest[27] points out that financial performance should not be based on accounting indices, but that economic performance based on share price would be a more appropriate criterion of success. He goes on to produce evidence to show that, in terms of stock market returns, none of Peters and Waterman’s “excellent” companies was an excellent performer over a five-year period in the mid- to late 1980s. Further, Stacey[24] re-examined the 43 companies previously defined by these authors and found that two-thirds of the organizations would now be excluded from the sample.

More fundamentally, Doyle[19] has criticized western companies’ obsessive use of league tables based on profitability (such as return on investment or earnings per share), since these concentrate on past performance and they emphasize the importance of short-term profit at the expense of longer-term company survival. He suggests that success measures based on market share and innovation, which are used more by Japanese companies, would be better indicators of long-term success.

Some research evidence points to the pitfalls of relying on strategic techniques and excellence models to deliver long-term success. For example, Hamal and Prahalad[28] studied a number of global companies in the USA, Europe and Japan and found that the less successful companies in fact followed the conventional strategic-management prescriptions. Whittington[29] has put the recent high failure rates of organizations down to the fact that strategic management encourages managers to focus on uniformity, stability and regularity and that this is not appropriate in rapidly changing and highly competitive conditions. The ingredients of strategic success, as well as their measurement in the form of profitability, therefore appear to lack “robustness”[19].

There are also doubts over the relevance of the subjective measures used in the success studies. The judgements of industry experts (questioned by Peters and Waterman *et al.*) must be open to debate on the grounds that few of them would have had access to comprehensive information about all companies in their countries or even all companies in selected industries. Rather, their views could have been strongly influenced by partial, direct experience of only some companies.

Given the problematic nature of both the quantitative and more subjective judgements used to identify the most

successful companies, some serious doubts are raised about the sampling frame for each of these studies. In the case of *In Search of Excellence* the water is muddied still further by the inclusion of findings from companies which failed to meet their success criteria, but nevertheless displayed the eight attributes which they claimed to lead to success. A further problem with this and *The Winning Streak* is that insufficient information about methods of data collection is supplied and it is not clear how either set of eight key attributes was identified and measured. By comparison, *The Change Masters* includes full and detailed information of how both secondary and primary data were collected and analysed. The Peters and Waterman and Moss-Kanter studies can also be criticized on the grounds that they concentrated on only the most successful/innovative companies and did not compare their findings with the characteristics of unsuccessful or non-innovative companies. In addition, strategic management texts tend to use examples of large and well-publicized firms, which then become the focus for case-study analysis. Thus, these studies and models may only be of limited value to the hospitality industry which many writers have argued displays unique features. They may also be of little value to public-sector or highly-unionized companies and to small employers.

Further criticism may be directed at the similar cultural origin of the success studies and the prescriptions offered by classical strategic management. The findings presented in Table II with their emphasis on autonomy, rugged individualism and entrepreneurship clearly flow from the cultural preferences of the USA and the UK[30] and it is hardly surprising that *In Search of Excellence*, in particular, has been so influential in both countries. Conventional strategic management is essentially an Anglo-Saxon model; it was developed by theorists and industrialists predominantly from the USA. The appropriateness of these models may be particularly open to question when applied to companies which are based in countries with very different national cultures from those which typify the UK and USA.

The implications of these findings have formed the basis for the development of a new methodology which is outlined below.

Towards a new methodology for measuring success

Although the models reviewed are still considered novel, different approaches to identifying and explaining the causes of success are now beginning to appear in print. For example, Whittington[29] forwards an alternative concept to conventional strategic management, the

“systematic” perspective on strategy. Stacey[31] suggests that organizations succeed in highly uncertain environments when they sustain states of instability, contradiction, contention and creative tension and therefore he offers the notion of organizational dynamism, as an alternative concept for predicting success. Those views, as well as the criticisms of prior work, have informed a new approach, which is outlined below in the form of a planned research process.

Stage 1. Industry measures of success

Rather than use subjective measures of success from industry commentators and experts, the aim is to question how international hotel groups themselves measure success and what factors they consider appropriate to the industry. A questionnaire will be mailed to the chief executive officers (CEOs) of international hotel companies (the entire population, as defined by the International Hotel Association), asking which set of criteria they consider relevant.

Stage 2. Identifying the sample frame

The sample will be industry-specific (a focus not taken in previous success studies) in order to incorporate the unique features of international hotel operation. Companies will be selected using the index of internationalization[32] in order to gain a sample of truly international firms. The sample will therefore include organizations originating from different national cultures, rather than one which is biased towards USA- and UK-owned and operated companies – a criticism of prior success studies.

Stage 3. Establishing a multidisciplinary framework

Rather than focus on profits as the single or most important criterion of success, Doyle[19] believes that there is no single goal adequate for judging business performance. He suggests that high performance is not about exceptional achievements on one or two measures but about gaining satisfactory results along a broad set of criteria. Based on this argument, the aim is to develop a multidisciplinary framework using the findings from Stage 1 and drawing on the different knowledge, expertise and viewpoints of the multi-disciplinary research team. For example, in terms of the marketing discipline, research[33] among London city analysts, commissioned by Dragon International, has identified new factors which are now playing a key role in the City's evaluation of the performance of companies. Marketing and product strength, and brand management are now considered alongside financial measures in order to understand the status, viability and potential for success of any firm.

This framework will take into account the rapidly changing and highly-competitive conditions which now

face hotel groups, particularly within the international environment.

Stage 4. Fieldwork

The fieldwork phase will involve the use of case studies in order to take account of the internal decision-making process and dynamics of this process within the sample firms.

One company will be used for a pilot study in the summer of 1995, in order that the theoretical framework may be thoroughly tested for accuracy, logic, ambiguity and range. The principal case study will then be carried out drawing from a selection of hotel groups. This will involve the four principal researchers interviewing key personnel within their various disciplinary areas.

As an outcome of the case-study method, the research will generate an in-depth understanding of hotel businesses which is culturally-sensitive. In other words, the dynamics of the sample are likely to result in the identification and explanation of the causes of success for companies from different cultures, an approach advocated by Kay[34] and Whittington[29].

Conclusion

While this study is only in its infancy the methodology adopted is intended to overcome the weaknesses inherent in prior studies. Further, it is intentionally industry-specific, based on truly international hotel groups and conducted through in-depth case studies.

It is hoped that the dynamics of working in a multidisciplinary team will facilitate the analysis of causes of success in a holistic way. Ultimately, the findings will help researchers, educators and industrialists understand some of the management features that underpin success in international hotel groups and raise awareness of the sector in mainstream management literature.

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